

**SUBMITTAL TO THE BOARD OF DIRECTORS OF THE  
REDEVELOPMENT AGENCY  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

527



**FROM:** Redevelopment Agency

**SUBMITTAL DATE:**  
January 11, 2012

**SUBJECT:** Loan Agreement for the Purchase of Manufactured Homes

**RECOMMENDED MOTION:** That the Board of Directors:

1. Make findings that the Loan Agreement for the Purchase of Manufactured Homes between the Redevelopment Agency, for the County of Riverside and Oasis Gardens, a California limited liability corporation is an enforceable obligation of the Agency;
2. Approve the attached loan agreement for the use of \$12,082,500 in Agency Low- and Moderate-Income Housing Set-Aside Funds between the Redevelopment Agency for the County of Riverside and Oasis Gardens, a California limited liability corporation;

(Continued)

REVIEWED BY CIP  
*Christopher Hans*  
Christopher Hans

*Robert Field*  
\_\_\_\_\_  
Robert Field  
Executive Director

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ 12,082,500	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2011/12

**COMPANION ITEM ON BOARD OF SUPERVISORS AGENDA:** No

<b>SOURCE OF FUNDS:</b> Redevelopment Low- and Moderate-Income Housing Set Aside Funds	<b>Positions To Be Deleted Per A-30</b>	<input type="checkbox"/>
	<b>Requires 4/5 Vote</b>	<input type="checkbox"/>

**C.E.O. RECOMMENDATION:** APPROVE

BY: *Jennifer L. Sargent*  
\_\_\_\_\_  
Jennifer L. Sargent

**County Executive Office Signature**

FISCAL PROCEDURES APPROVED  
 PAUL ANGULO CPA, AUDITOR-CONTROLLER  
 BY: *Samuel Hoy*  
 DATE: 1-10-12  
 SAMUEL AMONG

FORM APPROVED COUNTY COUNSEL  
 BY: *Janita C. Willis*  
 DATE: 1-10-12  
 JANITA C. WILLIS

Policy  Policy   
 Consent  Consent   
 Dept's Recomm.:  Per Exec. Ofc.:

**Prev. Agn. Ref.:** 4.1 of 4/8/08; 4.6 of 1/26/10      **District:** 4      **Agenda Number:** 4.6

ATTACHMENTS FILED  
WITH THE CLERK OF THE BOARD

**RECOMMENDED MOTION:** (Continued)

3. Authorize the Chairman of the Board of Directors to sign the attached agreement; and
4. Authorize the Executive Director, or designee, to take the necessary steps to implement this agreement, including, but not limited to, signing subsequent, necessary and relevant documents.

**BACKGROUND:** Desert Empire Homes, a California corporation, is developing Mountain View Estates, a 398 space mobile home park in the community of Oasis, in the unincorporated area of the County of Riverside, to be constructed in two phases. The first phase will include 181 spaces for rent including one manager's unit. On April 8, 2008, the Board approved a grant agreement in the amount of \$5,000,000 for the development of the first phase of Mountain View Estates. Subsequently, on January 26, 2010, the Board approved an amendment to the agreement to increase the agency's contribution to \$6,500,000 for unanticipated improvements required during the entitlement stage of the project. This project was included in Initial Study 41907 and adopted by the Riverside County Board of Supervisors on March 17, 2009. The first phase of Mountain View Estates is nearly complete with the exception of offsite wastewater improvements to be completed by the Coachella Valley Water District. The improvements are anticipated to start January 2012, and have an estimated construction period of six months. The estimated completion of the improvements is June 30, 2012, at which time Mountain View Estates is expected to receive a certificate of occupancy.

The agency previously provided two loans, each in the amount of \$67,500, to Oasis Gardens, LLC, an affiliate of Desert Empire Homes and mobile home dealer for the purchase of two model homes. The model homes are in place at Mountain View Estates and are being utilized as marketing tools.

On April 2, 2009, the agency filed an Amicus Brief regarding available housing for Duroville mobile home park residents that outlined the County's request and proposal for a phased closure of the Duroville mobile home park and the proposal of several programs that may be utilized for the relocation of Duroville mobile home park residents. One of the programs mentioned in the Amicus Brief is the agency's Mobile Home Tenant Loan program and its use at Mountain View Estates. Although the agency is not a party to United States District Court Case No. EDCV 07-1309 Harvey Duro vs, Sr. et al., the Court has requested that the agency provide updates related to the status of Mountain View Estates. The purpose of the status reports is to provide information that would allow Honorable Judge David T. Bristow the opportunity to determine how to proceed with the imminent closure of the Duroville mobile home park which is expected to occur the end of 2012.

In order to meet goals established by the Court in the closure of the Duroville mobile home park, the agency wishes to enter into an agreement with Oasis Gardens, LLC for the initial purchase of 48 mobile homes prior to receipt of a certificate of occupancy for Mountain View Estates and the subsequent purchase of an additional 131 mobile homes after the receipt of a certificate of occupancy for Mountain View Estates. However, should the Agency receive assurance from the Coachella Valley Water District that the certificate of occupancy will be received within thirty days and there is demand for the mobile homes, the Agency shall issue the Contractor notice to proceed on the additional 131 mobiles prior to receiving the certificate of occupancy.

(Continued)

**BACKGROUND:** (Continued)

Due to time constraints related to the manufacturing and setting up of each mobile home and to provide an orderly transition for Duroville mobile home park residents to Mountain View Estates, the agency's Mobile Home Tenant Loan program process requires initiation prior to the date Mountain View Estates is expected to receive a certificate of occupancy. The attached agreement is for the initial purchase of 48 mobile homes and subsequent purchase of 131 mobile homes for a total of 179 mobile homes.

The agency has received in excess of 200 applications from Duroville mobile home park residents and has approved approximately 65. Agency staff has increased their marketing efforts and continue to work closely with the Duroville mobile home park residents to encourage relocation to Mountain View Estates.

The Coachella Valley Water District applied to and received approval for funding from the United States Department of Agriculture for an offsite wastewater disposal line and wastewater and water system connection fees.

The agency has applied to and has been awarded in excess of \$5,000,000 in Joe Serna Jr. Farmworker Housing Grant funds as a match to the agency's MHTL program. The agency is anticipating applying for additional funds upon notification of the 2012 Notice of Funding Availability. The agency has a successful history of utilizing these funds as a matching source; however, one of the funding conditions is the close of escrow for each approved Mobile Home Tenant Loan program participant. This process can not be completed prior to Mountain View Estates receiving a certificate of occupancy.

Each mobile home will be purchased for \$67,500, Joe Serna Jr. Farm Worker Housing Grant Funds will contribute \$28,000 and the agency's Housing Set Aside Funds will contribute \$39,500 via the Mobile Home Tenant Loan program. In order to streamline the process staff recommends that the Board approve the purchase of the initial 48 mobile homes prior to the receipt of a certificate of occupancy for Mountain View Estates, approve the advancement of the agency's Housing Set Aside funds to cover the Joe Serna Jr. Farm Worker Housing Grant portion until such time that each of the mobile homes is transferred to an eligible Mobile Home Tenant Loan program recipient and the subsequent purchase of 131 mobile homes. Initially, the agency's total contribution for the purchase of 179 mobile homes is \$12,082,500.

The purchase and installation of the mobile homes will provide verification to the United States District Court that reasonable progress has been made by the agency to provide decent, safe and affordable housing to the residents of the Duroville mobile home park based on impending park closure.

Oasis Gardens, LLC agrees to maintain all necessary insurance coverage including fire and liability insurance coverage for the replacement value of each of the manufactured mobile homes, provide 24 hour security service, pay all, including but not limited to taxes, assessments, encumbrances, rents, and insurance charges and space rent due for each mobile home until such time that the mobile home is transferred to an approved Mobile Home Tenant Loan program applicant.

(Continued)

**BACKGROUND:** (Continued)

This agreement is considered an enforceable obligation and may be executed because the original development agreement was executed on April 8, 2008, a date prior to the enactment of ABx1 26 and ABx1 27, the Assembly bills regarding redevelopment that were signed by Governor Brown on June 29, 2011. The development agreement contemplated the purchase of the mobile homes as an integral part of the project. The agency obligated itself to provide the funds for the installation of mobile homes for the first phase of the project.

Agency counsel has reviewed and approved the attached Loan Agreement. Staff recommends that the Board approve the attached document.

**FINANCIAL DATA:**

All the costs related to the purchase of the 179 manufactured mobile homes will be funded with Low- and Moderate- Income Housing Set-Aside Funds and Joe Serna Jr., Farm Worker Housing Grant funds. The agency has budgeted this expense in the FY 2011/12 budget.

Attachments:  
Loan Agreement

1     **AGREEMENT BY AND BETWEEN THE REDEVELOPMENT AGENCY FOR THE**  
2     **COUNTY OF RIVERSIDE AND DESERT EMPIRE HOMES, A CALIFORNIA**  
3     **CORPORATION**

4             This agreement ("Agreement") is entered into this \_\_\_\_ day of January  
5     2012 ("Effective Date"), by and between the Redevelopment Agency for the County  
6     of Riverside ("Agency"), a California public body, corporate and politic and Desert  
7     Empire Homes, a California Corporation ("Contractor").

8                             **RECITALS**

9             WHEREAS, Agency is a redevelopment agency duly created,  
10    established and authorized to transact business and exercise its powers, all under  
11    and pursuant to the provisions of the California Community Redevelopment Law  
12    ("CRL"), which is Part 1 of Division 24 of the California Health and Safety Code  
13    (commencing with Section 33000 et seq.);

14            WHEREAS, Agency, pursuant to Section 33334.2 of the California  
15    Health and Safety Code, wishes to utilize its Low- and Moderate-Income Housing  
16    Set-Aside Funds to improve and increase the supply of affordable housing in the  
17    unincorporated County of Riverside (the "County");

18            WHEREAS, the Community Redevelopment Law provides that the  
19    territorial jurisdiction of a county redevelopment agency is the unincorporated territory  
20    in that county;

21            WHEREAS, the County adopted Ordinance No. 638, on December 23,  
22    1986, a redevelopment plan for an area within the County known as Desert  
23    Communities Project Area ("Project Area");

24            WHEREAS, Agency has provided Desert Empire Homes grant funding in  
25    the amount of Six Million Five Hundred Thousand Dollars (\$6,500,000) to develop the  
26    first phase of a 398 space mobile home park which will include 181 space mobile  
27    home park with spaces for rent including one manager's unit in the community of  
28    Oasis located in the unincorporated area of the County of Riverside ("Mountain View

1 Estates”);

2 WHEREAS, Agency has agreed, in connection with its aforementioned  
3 grant to Contractor for the Mountain View Estates Project, to provide assistance for  
4 the acquisition of mobile homes to complete the project;

5 WHEREAS, the acquisition of the mobile homes is essential to  
6 completion of the first phase of the Mountain View Estates project;

7 WHEREAS, the Agency has determined that the loan for the  
8 acquisition of the mobile homes is an enforceable obligation of the Agency;

9 WHEREAS, Oasis Gardens, LLC (“Subcontractor”) is an affiliated entity  
10 in which Contractor is the Managing Member;

11 WHEREAS, Subcontractor, is a manufactured mobile home dealer;

12 WHEREAS, Subcontractor; is licensed to purchase and sell mobile  
13 homes;

14 WHEREAS, Subcontractor is authorized to sell mobile homes to  
15 participants of the Agency’s Mobile Home Tenant Loan Program;

16 WHEREAS, Agency has provided the Subcontractor with two separate  
17 loans to purchase and install 2 Model Manufactured Homes to market to the public;

18 WHEREAS, Contractor has requested that the Agency provide a loan to  
19 purchase and install an additional 179 Manufactured Mobile Homes (“Mobiles”) to  
20 install at Mountain View Estates;

21 WHEREAS, Agency agrees to provide the Contractor funding to  
22 purchase and install Mobiles for the first phase of Mountain View Estates;

23 WHEREAS, Agency consents to Contractor contracting with  
24 Subcontractor, an affiliated entity;

25 WHEREAS, Contractor and Subcontractor have represented that each  
26 has the necessary expertise, skill, and ability to carry out the commitments contained  
27 in this agreement;

28 WHEREAS, the Agency and Contractor agree that after the certificate of

1 occupancy of the first phase of the Mountain View Estates is received, Contractor will  
2 cause the transfer ownership of each of the Mobiles to an approved Mobile Home  
3 Tenant Loan ("MHTL") Program applicant; and

4 WHEREAS, an approved MHTL applicant will assume the loan of each of  
5 the Mobiles purchased.

6 NOW, THEREFORE, in consideration of the mutual understanding  
7 provided herein, the parties hereto execute this Agreement based upon the following  
8 terms and conditions:

9 1) TERM. The term of this Agreement shall be for sixteen (16)  
10 months from the Effective date of the agreement or until each Mobile is purchased by  
11 an eligible MHTL applicant, whichever occurs first.

12 2) PURPOSE. The Agency agrees to provide a loan not to exceed  
13 Twelve Million Eighty Two Thousand Five Hundred Dollars (\$12,082,500) (the  
14 "Agency Loan") of Redevelopment Low- and Moderate-Income Housing Set-Aside  
15 Funds to Contractor for the purchase of one hundred seventy nine (179) Mobiles for  
16 placement and use at Mountain View Estates, upon the terms and conditions set forth  
17 herein. The cost of each mobile including purchase and installation is \$67,500.

18 3) CONTRACTOR OBLIGATIONS:

19 a. To initially purchase and install a minimum of forty eight  
20 (48) Mobiles prior to the receipt of a certificate of  
21 occupancy for Mountain View Estates as set forth in  
22 Section 4(f) and described below:

23 i. Thirty seven (37) 2011 Fleetwood  
24 Crownpointe Xtreme Model 3443X, three  
25 bedroom, two bath, 1026 square feet on a  
26 designated space located in the first phase of  
27 Mountain View Estates mutually agreed by  
28 Agency and Contractor.

1                   ii.       Eleven (11) 2011 Fleetwood Crownpointe  
2                   Xtreme Model 3443X, four bedroom, two  
3                   bath, 1120 square feet on a designated  
4                   space located in the first phase of Mountain  
5                   View Estates mutually agreed by Agency and  
6                   Contractor.

7                   b. To purchase and install an additional (one hundred thirty  
8                   one) 131 Mobiles after phase one of Mountain View  
9                   Estates receives a certificate of occupancy.

10                  c. Installation of Mobiles shall include the following:

11                   i.       Mobiles shall sit on permanent foundations.

12                   ii.       Contractor shall request and obtain all  
13                   necessary inspections from the Riverside  
14                   County Transportation and Land  
15                   Management Agency and receive a Mobile  
16                   Home Installation Acceptance Certificate.

17                  d. Title to the Mobiles shall be in the name of Contractor until  
18                   transferred to an approved MHTL participant.

19                  e. Contractor shall provide copies of the following documents  
20                   no later than 2 weeks after the purchase of the Mobiles:

21                   i.       Copy of Manufactured Home Purchase Order  
22                   and Federal Disclosure Statement; and

23                   ii.       Fully executed Insurance Binder evidencing  
24                   insurance as set forth in Section 10  
25                   Insurance of this Agreement.

26                  f. Contractor shall provide a copy of the Mobilehome  
27                   Installation Acceptance Certificate for each Mobile as it  
28                   received from the Riverside County Transportation and



1 Land Management Agency.

2 g. Contractor shall provide residents from the Duroville mobile  
3 home park priority status during the rental application  
4 process for the Mountain View Estates Project.

5 4) CONTRACTOR GENERAL REQUIREMENTS:

6 a. Provide a copy of Manufactured Home Purchase Order  
7 and Federal Disclosure Statement;

8 b. Provide a Manufacturer Certificate Of Origin;

9 c. Provide proof of Installation of Mobiles;

10 d. Provide fully executed Insurance evidencing insurance as  
11 set forth in Section 10 from the time the mobile home is  
12 purchased to the time that it is transferred to an approved  
13 MHTL participant, including but not limited to the following:

14 i. Fire insurance coverage, liability insurance  
15 and any other insurance coverage as  
16 required to cover any loss for the full  
17 replacement value of each of the Mobiles;  
18 and

19 e. Provide 24 hours security service for the Mobiles; and

20 f. Install all Mobiles no later than December 31, 2012, unless  
21 extended by Agency, as follows:

22 i. Prior to first phase of Mountain View Estates  
23 receiving a certificate of occupancy on June  
24 30, 2012, Contractor shall install the first 48  
25 Mobiles at a minimum rate of four (4) per  
26 week. The first 4 mobile homes shall be  
27 completed within 6 weeks of the first order,  
28 thereafter 4 per week shall be installed;

1                   ii.       For the balance of 131 Mobiles, Contractor  
2                   shall increase the rate of the installation of  
3                   mobile homes at such time Mountain View  
4                   Estates receives a certificate of occupancy  
5                   on June 30, 2012, to insure complete  
6                   installation and transfer of ownership in the  
7                   timeframes set forth in this Agreement. In no  
8                   event shall the installation and transfer be  
9                   completed later than December 31, 2012.

10                  iii.       In order to assist with the completion date of  
11                  December 31, 2012, Agency shall at its  
12                  discretion issue notice to proceed for  
13                  acquisition of not to exceed 25 additional  
14                  mobiles prior to receiving certificate of  
15                  occupancy for the first phase to Contractor  
16                  upon assurance from the Coachella Valley  
17                  Water District that the offsite wastewater line  
18                  is within thirty (30) days of completion, the  
19                  issuance of certificate of occupancy is  
20                  imminent and provided.

21                  g.       Contractor shall proceed with the purchase of each mobile  
22                  home only after the receipt of a Notice to Proceed is issued  
23                  by the Agency in the form of a work order and all insurance  
24                  requirements have been satisfied, subject to the terms and  
25                  conditions of this Agreement and specified in Section 4(d).

26                  5)       AGENCY LOAN.   The Agency Loan shall be disbursed to  
27                  Contractor in increments equivalent to the full amount necessary for the purchase and  
28                  installation of each Mobile prior to the Mobile leaving the factory, and placed at

1 Mountain View Estates, subject to the terms and conditions of this Agreement.

2           6) AGENCY LOAN CONDITIONS. Agency and Contractor expressly  
3 agree and understand the following:

4           a. Agency Loan referenced in Section 2 of this Agreement will  
5 be contingent upon factors and conditions beyond the  
6 Agency's control such as program demand, the availability  
7 of other matching funding sources and other conditions  
8 outside the control of the Agency. Agency funds shall be  
9 disbursed based on Agency action as set forth in Section 5  
10 of this Agreement.

11           b. Agency Loan shall be secured by a deed of trust recorded  
12 against Mountain View Estates (Deed of Trust). The Deed  
13 of Trust to be recorded is shown in Exhibit A, which is  
14 attached and incorporated herein. Agency and Contractor  
15 agrees to the following terms:

16           i. Agency agrees to execute any and all documents  
17 necessary to effectuate subordination concerning  
18 this loan to Ag-credit in the amount of One Million  
19 Five Hundred Thousand Dollars (\$1,500,000) and  
20 the existing construction loan of Three Million Dollars  
21 (\$3,000,000). The Deed of Trust shall be recorded in  
22 an amount not greater than Six Million Seven  
23 Hundred Fifty Thousand Dollars (\$6,750,000), an  
24 amount that is equivalent to 100 Mobiles, which is  
25 an amount that will be in the Sub Contractor's  
26 inventory at any given time.

27           ii. Agency and Contractor agree that Contractor is  
28 responsible for all fees associated with the

1 reconveyance of the Deed of Trust from the Agency  
2 to the Contractor.

3 iii. The Agency Loan shall be forgiven when the last  
4 Mobile is transferred to an eligible Mobile Home  
5 Tenant Loan program participant.

6 c. Contractor shall sign a Promissory Note ("Note") in the  
7 amount of Twelve Million Eighty-Two Thousand Five  
8 Hundred Dollars (\$12,082,500). The Deed of Trust to be  
9 recorded is show in Exhibit A, which is attached and  
10 incorporated herein.

11 7) REPAYMENT OF LOAN PRINCIPAL. No periodic payments are  
12 required hereunder. Contractor shall pay the unpaid principal balance and any other  
13 amounts due under the Agency Loan upon:

- 14 a. Contractor's failure to utilize the Mobiles as indicated;  
15 b. Contractor's failure to maintain property taxes and  
16 insurance current;  
17 c. Contractor's failure to transfer the Mobiles to an approved  
18 MHTL applicant;  
19 d. Contractor's transfer of Mobile to an approved MHTL  
20 applicant when the amount assumed by the MHTL  
21 applicant is less than the amount of the Agency Loan for  
22 the Mobile;  
23 e. Contractor's failure to maintain the Mobiles in a safe and  
24 sanitary condition or otherwise failure to protect the  
25 Mobiles as set forth in Section 9 below; OR  
26 f. Any breach of this Agreement upon proper demand by  
27 Agency.

28 8) TITLE. Contractor represents and warrants that Mobiles will remain

1 in the title of Contractor and maintained at Mountain View Estates (the "Premises") until  
2 such time that each one is transferred to an eligible Mobile Home Tenant Loan  
3 applicant.

4 9) PROTECTION OF THE MOBILES. Contractor shall with respect to  
5 the Mobiles:

- 6 a. Keep Mobiles in good condition and repair;
- 7 b. Not commit waste on Mobiles or any property added to  
8 Mobiles;
- 9 c. Not use Mobiles for any unlawful purpose; Not remove,  
10 nor permit to be removed, any part of Mobiles or any  
11 property added or attached to Mobiles from the Premises  
12 without the prior written consent of Agency;
- 13 d. Pay all taxes, charges and space rent due for Mobiles and  
14 the real estate it is located on;
- 15 e. Not move, sell, lease or otherwise transfer title to Mobiles,  
16 without the prior written consent of Agency;
- 17 g. Not sell, assign or create or permit to exist any lien or  
18 security interest in Mobiles in favor of anyone other than  
19 Agency, unless Agency consents thereto in advance in  
20 writing;
- 21 h. Remove, upon Agency's request, any unauthorized lien or  
22 security interest in Mobiles, and defend any claim affecting  
23 Mobiles;
- 24 i. Pay all charges against Mobiles, including but not limited  
25 to taxes, assessments, encumbrances, rents, insurance;
- 26 j. Permit Agency and Agency's representatives to inspect  
27 Mobiles at reasonable times and upon reasonable notice;  
28 and

1 k. Keep the Mobiles insured against loss at such amounts as  
2 Agency may reasonably require with an insurance  
3 company satisfactory to Agency. Agency shall be named  
4 as an additional insured and loss payee on all insurance  
5 policies. Contractor shall provide Agency written evidence  
6 of this insurance in the manner required by the Agency.

7 10) INSURANCE. Contractor and its contractors shall procure and  
8 maintain during the entire period of this Agreement, at its sole expense, the following  
9 insurance coverage as a minimum:

10 a. Worker's Compensation Insurance. If Contractor has  
11 employees as defined by the State of California, Contractor  
12 shall maintain statutory Workers' Compensation Insurance  
13 (Coverage A) as prescribed by the laws of the State of  
14 California. Policy shall include Employers' Liability  
15 (Coverage B) including Occupational Disease with limits  
16 not less than \$1,000,000 per person per accident. The  
17 policy shall be endorsed to waive subrogation in favor of  
18 Redevelopment Agency for the County of Riverside, and, if  
19 applicable, to provide a Borrowed Servant/Alternate  
20 Employer Endorsement.

21 b. All Risk Policy Insurance. Prior to commencement of any  
22 installation of any mobiles, Contractor and Sub Contractor  
23 shall obtain a standard "all risk" Property insurance policy  
24 for not less than the full replacement cost of ALL Mobiles,  
25 including improvements thereto and contents, delivered or  
26 installed upon purchase. To the extent there is a deductible  
27 applied to coverage, Contractor shall be responsible for the  
28 payment of the deductible amount. Contractor shall

1 maintain this coverage until each and ALL mobile homes  
2 have been transferred to the homebuyer. Prior to  
3 transferring title to each homebuyer Contractor shall insure  
4 that the homebuyer has secured Property insurance in  
5 accordance with this section which shall include a  
6 replacement cost endorsement.

7 c. Comprehensive Broad Form General Liability Insurance.

8 Commercial General Liability insurance coverage,  
9 including but not limited to, premises liability,  
10 contractual liability, products and completed operations  
11 liability, personal and advertising injury, and cross liability  
12 coverage, covering claims which may arise from or out of  
13 Contractor's and/or Sub Contractor's performance of its  
14 obligations hereunder. Policy shall name the  
15 Redevelopment Agency for the County of Riverside, the  
16 County of Riverside, its Agencies, Districts, Special  
17 Districts, and Departments, their respective directors,  
18 officers, Board of Directors, employees, elected or  
19 appointed officials, agents or representatives as Additional  
20 Insured. Policy's limit of liability shall not be less than  
21 \$5,000,000 per occurrence combined single limit. If such  
22 insurance contains a general aggregate limit, it shall apply  
23 separately to this agreement or be no less than two (2)  
24 times the occurrence limit.

25 d. Automobile Liability Insurance. If vehicles or mobile  
26 equipment are used in the performance of the obligations  
27 under this Agreement, then Contractor shall maintain  
28 liability insurance for all owned, non-owned or hired

1 vehicles so used in an amount not less than \$1,000,000  
2 per occurrence combined single limit. If such insurance  
3 contains a general aggregate limit, it shall apply separately  
4 to this agreement or be no less than two (2) times the  
5 occurrence limit. Policy shall name the Redevelopment  
6 Agency for the County of Riverside, the County of  
7 Riverside, its Agencies, Districts, Special Districts, and  
8 Departments, their respective directors, officers, Board of  
9 Directors, employees, elected or appointed officials, agents  
10 or representatives as Additional Insured or provide similar  
11 evidence of coverage approved by the County's Risk  
12 Manager.

13 e. General Insurance Provisions – All Lines.

14 i) Any insurance carrier providing insurance  
15 coverage hereunder shall be admitted to the State of  
16 California and have an A M BEST rating of not less than A:  
17 VIII (A:8) unless such requirements are waived, in writing,  
18 by the County Risk Manager. If the County's Risk  
19 Manager waives a requirement for a particular insurer,  
20 such waiver is only valid for that specific insurer and only  
21 for one policy term.

22 ii) Contractor's insurance carrier(s) must declare its  
23 insurance self-insured retentions. If such self-insured  
24 retentions exceed \$500,000 per occurrence, such  
25 retentions shall have the prior written consent of the  
26 County Risk Manager before the commencement of  
27 operations under this Agreement. Upon notification of self-  
28 insured retention unacceptable to Agency, and at the



1 election of the County's Risk Manager, Contractor's  
2 carriers shall either; (a) reduce or eliminate such self-  
3 insured retention as respects this Agreement with Agency,  
4 or (b) procure a bond which guarantees payment of losses  
5 and related investigations, claims administration, and  
6 defense costs and expenses.

7           iii) Contractor shall cause Contractor's insurance  
8 carrier(s) to furnish Agency with copies of the Certificate(s)  
9 of Insurance and Endorsements effecting coverage as  
10 required herein, and 2) if requested to do so orally or in  
11 writing by the County Risk Manager, provide copies of  
12 policies including all Endorsements and all attachments  
13 thereto, showing such insurance is in full force and effect.  
14 Further, said Certificate(s) and policies of insurance shall  
15 contain the covenant of the insurance carrier(s) that thirty  
16 (30) days written notice shall be given to Agency prior to  
17 any material modification, cancellation, expiration or  
18 reduction in coverage of such insurance. In the event of a  
19 material modification, cancellation, expiration, or reduction  
20 in coverage, this Agreement shall terminate forthwith,  
21 unless Agency receives, prior to such effective date,  
22 another Certificate of Insurance and copies of  
23 endorsements, including all endorsements and  
24 attachments thereto evidencing coverage's set forth herein  
25 and the insurance required herein is in full force and effect.  
26 Contractor shall not commence operations until Agency  
27 has been furnished Certificate(s) of Insurance and copies  
28 of endorsements and if requested, copies of policies of

1 insurance including all endorsements and any and all other  
2 attachments as required in this Section. An individual  
3 authorized by the insurance carrier to do so on its behalf  
4 shall sign the original endorsements for each policy and  
5 the Certificate of Insurance.

6 iv) Should any policy expire or be cancelled before  
7 the expiration of this Agreement, or such later period as is  
8 required to carry such insurance as set forth herein, and a  
9 party fails immediately to procure other insurance as  
10 specified, the other parties shall have the right, but shall  
11 have no obligation, to procure such insurance and to charge  
12 the defaulting party with one hundred ten percent (110%) of  
13 the cost of procuring such insurance, such amount to be  
14 paid within ten (10) days of written demand therefor.

15 v) It is understood and agreed to by the parties  
16 hereto that Contractor's insurance shall be construed as  
17 primary insurance, and Agency's insurance and/or  
18 deductibles and/or self-insured retention's or self-insured  
19 programs shall not be construed as contributory.

20 vi) If, during the term of this Agreement or any  
21 extension thereof, there is a material change in the scope  
22 of services; or, there is a material change in the equipment  
23 to be used in the performance of the scope of work which  
24 will add additional exposures (such as the use of aircraft,  
25 watercraft, cranes, etc.); or, the term of this Agreement,  
26 including any extensions thereof, exceeds five (5) years

27 Agency reserves the right to adjust the types of  
28 insurance required under this Agreement and the monetary

1 limits of liability for the insurance coverage's currently  
2 required herein, if; in the County Risk Manager's  
3 reasonable judgment, the amount or type of insurance  
4 carried by the Contractor has become inadequate.

5 vii) Contractor shall pass down the insurance  
6 obligations contained herein to all tiers of subcontractors  
7 working under this Agreement.

8 viii) The insurance requirements contained in this  
9 Agreement may be met with a program(s) of self-insurance  
10 acceptable to Agency.

11 ix) Contractor agrees to notify Agency of any claim  
12 by a third party or any incident or event that may give rise to  
13 a claim arising from the performance of this Agreement.

14 10) PRIOR AGENCY APPROVAL. Contractor shall obtain Agency's  
15 approval of all items requiring such approvals as described in this Agreement in  
16 writing.

17 11) FORCE MAJEURE DELAYS. Delay due to Force Majeure that, in  
18 each case, (i) materially adversely affects the performance by Contractor of its  
19 obligations hereunder, (ii) is not reasonably foreseeable and is beyond Contractor 's  
20 reasonable control, (iii) despite the exercise of reasonable diligence, cannot be  
21 prevented, avoided or removed by Contractor and is not attributable to the negligence,  
22 willful misconduct or bad faith of Contractor, and (iv) is not the result of the failure of  
23 Contractor to perform any of its obligations under this Agreement. Notwithstanding  
24 the foregoing, a Force Majeure Delay shall not be deemed to have occurred unless  
25 Contractor has notified Agency of such occurrence of Force Majeure within fifteen (15)  
26 days after such occurrence and has provided Agency with the details of such event  
27 and the length of the anticipated delay within an additional fifteen (15) days thereafter.  
28 Contractor shall diligently attempt to remove, resolve, or otherwise eliminate such

1 event, keep the Agency advised with respect thereto, and shall commence  
2 performance of its obligations hereunder immediately upon such removal, resolution  
3 or elimination. During the occurrence and continuance of a Force Majeure Delay,  
4 Contractor shall be excused from performance of its obligations under this Agreement  
5 to the extent the Force Majeure prevents Contractor from performing such obligations.

6 12) CONTRACTOR'S REPRESENTATIONS. Contractor represents  
7 and warrants to Agency as follows:

8 a. Authority. Contractor is a duly organized corporation in  
9 good standing under the laws of the State of California.  
10 The copies of the documents evidencing the organization  
11 of the Contractor, which have been delivered to the  
12 Agency, are true and complete copies of the originals,  
13 amended to the date of this Agreement. Contractor has full  
14 right, power and lawful authority to accept the conveyance  
15 of the Project Site and undertake all obligations as  
16 provided herein and the execution, performance and  
17 delivery of this Agreement by Contractor has been fully  
18 authorized by all requisite actions on the part of Contractor.

19 b. No Conflict. To the best of Contractor's knowledge,  
20 Contractor's execution, delivery and performance of its  
21 obligations under this Agreement will not constitute a  
22 default or a breach under contract, agreement or order to  
23 which the Contractor is a party or by which it is bound.

24 c. No Contractor Bankruptcy. Contractor is not the subject of  
25 a bankruptcy proceeding.

26 d. Prior to Closing. Until Closing, Contractor shall upon  
27 learning of any fact or condition which would cause any of  
28 the warranties and representations in this Section 12 not to

1 be true as of Closing, immediately give written notice of  
2 such fact or condition to Agency. Such exception(s) to a  
3 representation shall not be deemed a breach by Contractor  
4 hereunder, but shall constitute an exception which Agency  
5 shall have the right to approve or disapprove if such  
6 exception would have an effect on the purchasing of the  
7 Mobile Homes.

8 13) EXTENSION OF TIME. Agency may grant an extension to the  
9 completion schedule for the purpose of completing Contractor activities which cannot  
10 be completed as outlined in Section 3. Contractor shall request said extension in  
11 writing, stating the reasons therefore, and may be granted only by receiving written  
12 approval from Agency. An extension pursuant to this Section shall not exceed six (6)  
13 months. Every term, condition, covenant, and requirement of this Agreement shall  
14 continue in full force and effect during the period of any such extension.

15 14) LETTER TO PROCEED. Contractor shall not initiate nor incur  
16 expenses for Agency funded activity covered under the terms of this Agreement prior  
17 to receiving written authorization to proceed.

18 15) REALLOCATION OF FUNDS. If Contractor fails to meet the  
19 deadlines set forth in the Agreement, subject to the notice and cure periods set forth in  
20 Section 22 herein, the funds allocated or reserved may be reallocated by Agency after  
21 thirty (30) days' prior written notice is given and an opportunity to cure is given to  
22 Contractor for a period of sixty (60) days.

23 16) MECHANICS LIENS AND STOP NOTICES. If any claim of  
24 mechanics lien is filed against the Project or a stop notice affecting the Agency Loan is  
25 served on the Agency, Contractor must, within twenty (20) days of such filing or  
26 service, either pay and fully discharge the lien or stop notice, obtain a release of the  
27 lien or stop notice by delivering to the Agency a surety bond in sufficient form and  
28 amount, or provide the Agency with other assurance reasonably satisfactory to

1 Agency that the lien or stop notice will be paid or discharged.

2           17) FINANCIAL RECORDS. Contractor shall maintain financial,  
3 programmatic, statistical, and other supporting records of its operations and financial  
4 activities. Said records shall be retained for no less than five (5) years after the  
5 Project completion date. Records of individual tenant income verifications, project  
6 rents, and project inspections must be retained for the most recent five (5) year period,  
7 until five (5) years after the affordability period terminates. If any litigation, claim,  
8 negotiation, audit, or other action has been started before the expiration of the regular  
9 period specified, the records must be retained until completion of the action and  
10 resolution of all issues which arise from it, or until the end of the regular period,  
11 whichever is later.

12           18) COMPLIANCE WITH LAWS AND REGULATIONS. By executing  
13 this Agreement, Contractor hereby certifies that it will adhere to and comply with all  
14 federal, state and local laws, regulations and ordinances. In particular, Contractor shall  
15 comply with the following, as they may be applicable:

16           a. Obligation to Refrain from Discrimination. Contractor  
17 covenants and agrees there shall be no discrimination  
18 against or segregation of any person, or group of persons,  
19 on account of race, color, age, religious creed, sex, sexual  
20 orientation, marital status, national origin, ancestry, familial  
21 status, source of income, physical or mental disability in  
22 the sale, lease, sublease, transfer, use, occupancy, tenure  
23 or enjoyment of the Site nor shall Agency or any person  
24 claiming under or through Contractor establish or permit  
25 any such practice or practices of discrimination or  
26 segregation with reference to the selection, location,  
27 number, use or occupancy of tenants, lessees, subtenants,  
28 sublessees, or vendees of the Site.

1 b. Environmental Review. Contractor must comply with the  
2 California Environmental Quality Act (CEQA) and its  
3 implementation regulations.

4 c. Prevailing Wages and Compliance with State Laws.  
5 Contractor shall comply with any applicable labor  
6 regulations and all other State Laws in connection with the  
7 construction of the improvements, which comprise the  
8 Project, including if applicable, requirements relating to  
9 prevailing wages. Contractor agrees and acknowledges  
10 that it is the responsibility of Contractor to obtain a legal  
11 determination, at Contractor's sole cost and expenses as  
12 to whether prevailing wages must be paid for during the  
13 construction of the Project. Contractor agrees to indemnify,  
14 defend, and hold Agency harmless from and against any  
15 and all liability arising out of and related to Contractor's  
16 failure to comply with any and all applicable prevailing  
17 wage requirements.

18 d. All construction contracts and professional services for the  
19 Project must be performed by persons or entities licensed  
20 or otherwise authorized to perform the applicable  
21 construction work or service in the State of California.

22 19) INDEPENDENT CONTRACTOR. Contractor and its agents,  
23 servants and employees shall act at all times in an independent capacity during the  
24 term of this Agreement, and shall not act as, shall not be, nor shall they in any manner  
25 be construed to be agents, officers, or employees of Agency.

26 20) ACCESS TO PROJECT SITE. Agency shall have the right to visit  
27 the Project site, at all reasonable times, to review the operation of the Project in  
28 accordance with this Agreement.

1           21) EVENTS OF DEFAULT. The occurrence of any of the following  
2 events shall constitute an "Event of Default" under this Agreement:

3           a. Monetary Default. (1) Contractor's or any agent of  
4 Contractor's use of Agency funds for costs disallowed  
5 under the California Redevelopment Law or for uses  
6 inconsistent with terms and restrictions set forth in this  
7 Agreement; (2) Contractor's or any agent of the  
8 Contractor's failure to make any payment of any  
9 assessment or tax due under this Agreement;

10           b. Non-Monetary Default - Operation. (1) Discrimination by  
11 Contractor or Contractor 's agent on the basis of  
12 characteristics prohibited by this Agreement or applicable  
13 law; (2) the imposition of any encumbrances or liens on the  
14 Project (other than the Permitted Liens) without Agency's  
15 prior written approval that are prohibited under this  
16 Agreement or that have the effect of reducing the priority or  
17 invalidating the Agency Deed of Trust; (3) any material  
18 adverse change in the condition of Contractor or the  
19 Project or permanent financing or funding for the Project  
20 that gives Agency reasonable cause to believe that the  
21 Project cannot be operated according to the terms of this  
22 Agreement; (4) the Contractor's or any agent of the  
23 Contractor's use of Agency funds for costs other than costs  
24 or for uses inconsistent with terms and restrictions set forth  
25 in this Agreement; or (5) Contractor's failure to obtain and  
26 maintain the insurance coverage required under this  
27 Agreement;

28           c. General Performance of Loan Obligations. Any continuous



1 or repeated breach by Contractor or Contractor's agents of  
2 any material obligations on Contractor imposed in the  
3 Agreement;

4 d. General Performance of Other Obligations. Any continuous  
5 or repeated breach by Contractor or Contractor's agents of  
6 any material obligations on the Project imposed by any  
7 other agreement with respect to the financing,  
8 development, or operation of the Project; whether or not  
9 Agency is a party to such agreement; but only following  
10 any applicable notice and cure periods with respect to any  
11 such obligation;

12 e. General Performance of Affordability Requirements. Any  
13 breach by Contractor or Contractor's agents of any housing  
14 affordability requirements imposed in this Agreement;

15 f. Representations and Warranties. A determination by  
16 Agency that any of Contractor 's representations or  
17 warranties made in this Agreement, any statements made  
18 to Agency by the Contractor, or any certificates,  
19 documents, or schedules supplied to Agency by  
20 Contractor were untrue in any material respect when  
21 made, or that Contractor concealed or failed to disclose a  
22 material fact from Agency;

23 g. Damage to Project. In the event that the Project is  
24 materially damaged or destroyed by fire or other casualty,  
25 and Contractor receives an award or insurance proceeds  
26 sufficient for the repair or reconstruction of the Project and  
27 fails to make such repair or reconstruction within a  
28 reasonable time.

1 h. Bankruptcy, Dissolution and Insolvency. Contractor's or  
2 any general partner of the Contractor's (1) filing for  
3 bankruptcy, dissolution, or reorganization, or failure to  
4 obtain a full dismissal of any such involuntary filing brought  
5 by another party before the earlier of final relief or thirty  
6 (30) days after such filing; (2) making a general  
7 assignment for the benefit of creditors; (3) applying for the  
8 appointment of a receiver, trustee, custodian, or liquidator,  
9 or failure to obtain a full dismissal of any such involuntary  
10 application brought by another party before the earlier of  
11 final relief or sixty (60) days after such filing; (4) insolvency;  
12 or (5) failure, inability or admission in writing of its inability  
13 to pay its debts as they become due.

14 22) NOTICE OF DEFAULT AND OPPORTUNITY TO CURE. For  
15 monetary and non-monetary Events of Default, Agency shall give written notice to  
16 Contractor, of any Event of Default by specifying: (a) the nature of the Event of Default  
17 or the deficiency giving rise to the default, (b) the action required to cure the  
18 deficiency, if an action to cure is possible, and (c) a date, which shall not be less than  
19 sixty (60) calendar days from the mailing of the notice, by which such action to cure  
20 must be taken. Agency agrees that Contractor and any beneficiary under a deed of  
21 trust permitted by this Agreement shall have the right to cure any and all defaults  
22 under this Agreement.

23 23) RIGHT TO CURE DEFAULTS. Notwithstanding anything to the  
24 contrary in the Agreement, upon the occurrence of an Event of Default arising out of:  
25 (i) the bankruptcy, insolvency or assignment of assets for the benefit of creditors by  
26 the General Partner of Contractor or by any Guarantor, or (ii) the withdrawal from  
27 Contractor of the Contractor's General Partner, or the death or incapacity of a General  
28 Partner or Guarantor, or (iii) a breach of the representations concerning such General

1 Partner or any Guarantor shall have the option, but not the obligation, within forty-five  
2 (45) days of receipt of written notice of such Event of Default from Agency, to cure any  
3 such default by appointing a substitute or additional General Partner to act as such  
4 General Partner or Guarantor.

5 24) AGENCY REMEDIES. Upon the happening of an Event of Default  
6 and a failure by Contractor to cure said default within the time specified in the notice of  
7 default (if an action to cure is specified in said notice), Agency's obligation to disburse  
8 Agency funds shall terminate, and Agency may also in addition to other rights and  
9 remedies permitted by this Agreement or applicable law, proceed with any or all of the  
10 following remedies in any order or combination Agency may choose in its sole  
11 discretion:

- 12 a. Terminate this Agreement, in which event the entire  
13 amount as well as any other monies advanced to  
14 Contractor by Agency under this Agreement including  
15 administrative costs, shall become immediately due and  
16 payable;
- 17 b. Bring an action in equitable relief (1) seeking the specific  
18 performance by Contractor of the terms and conditions of  
19 this Agreement, and/or (2) enjoining, abating, or preventing  
20 any violation of said terms and conditions, and/or (3)  
21 seeking declaratory relief;
- 22 c. Accelerate the Agency Loan, and demand immediate full  
23 payment of the principal payment outstanding and all  
24 accrued interest, as well as any other monies advanced to  
25 Contractor by Agency under this Agreement;
- 26 d. Enter the Project and take any remedial actions necessary  
27 in its judgment with respect to hazardous materials that  
28 Agency deems necessary to comply with hazardous

1 materials laws or to render the Project suitable for  
2 occupancy;

3 e. Enter upon, take possession of, and manage the Project,  
4 either in person, by agent, or by a receiver appointed by a  
5 court; and

6 f. Pursue any other remedy available at law or in equity.

7 25) CONTRACTOR'S REMEDIES. Upon the fault or failure of Agency  
8 to meet any of its obligations under this Agreement, Contractor may:

9 a. Demand payment from the Agency of any sums due to  
10 Contractor; and/or

11 b. Bring an action in equitable relief seeking the specific  
12 performance by Agency of the terms and conditions of this  
13 Agreement; and/or

14 c. Pursue any other remedy allowed at law or in equity.

15 26) CONTRACTOR'S WARRANTIES. Contractor represents and  
16 warrants (1) that it has access to professional advice and support to the extent  
17 necessary to enable Contractor to fully comply with the terms of this Agreement, and  
18 to otherwise carry out the Project, (2) that it is duly organized, validly existing and in  
19 good standing under the laws of the State of California, (3) that it has the full power  
20 and authority to undertake the Project and to execute this Agreement, (4) that the  
21 persons executing and delivering this Agreement are authorized to execute and  
22 deliver such documents on behalf of Contractor and (5) that neither Contractor nor any  
23 of its principals is presently debarred, suspended, proposed for debarment, declared  
24 ineligible, or voluntarily excluded from participation in connection with the transaction  
25 contemplated by this Agreement.

26 27) HOLD HARMLESS AND INDEMNIFICATION. Contractor shall  
27 indemnify and hold harmless the County of Riverside, its Agencies, Districts, Special  
28 Districts and Departments, their respective directors, officers, Board of Directors,

1 elected and appointed officials, employees, agents and representatives from any  
2 liability whatsoever, based or asserted upon any services of Contractor, its officers,  
3 employees, subcontractors, agents or representatives arising out of or in any way  
4 relating to this Agreement, including but not limited to property damage, bodily injury,  
5 or death or any other element of any kind or nature whatsoever arising from the  
6 performance of Contractor, its officers, agents, employees, subcontractors, agents or  
7 representatives from this Agreement. Contractor shall defend, at its sole expense, all  
8 costs and fees including, but not limited, to attorney fees, cost of investigation,  
9 defense and settlements or awards, the County of Riverside, its Agencies, Districts,  
10 Special Districts and Departments, their respective directors, officers, Board of  
11 Directors, elected and appointed officials, employees, agents and representatives in  
12 any claim or action based upon such alleged acts or omissions.

13           With respect to any action or claim subject to indemnification herein by  
14 Contractor, Contractor shall, at their sole cost, have the right to use counsel of their  
15 own choice and shall have the right to adjust, settle, or compromise any such action or  
16 claim without the prior consent of Agency; provided, however, that any such  
17 adjustment, settlement or compromise in no manner whatsoever limits or  
18 circumscribes Contractor's indemnification to Agency as set forth herein.

19           Contractor's obligation hereunder shall be satisfied when Contractor has  
20 provided to Agency the appropriate form of dismissal relieving Agency from any  
21 liability for the action or claim involved.

22           The specified insurance limits required in this Agreement shall in  
23 no way limit or circumscribe Contractor's obligations to indemnify and hold harmless  
24 Agency herein from third party claims.

25           In the event there is conflict between this clause and California  
26 Civil Code Section 2782, this clause shall be interpreted to comply with Civil Code  
27 2782. Such interpretation shall not relieve the Contractor from indemnifying the  
28 Agency to the fullest extent allowed by law.

1           28) ENTIRE AGREEMENT. It is expressly agreed that this Agreement  
2 embodies the entire agreement of the parties in relation to the subject matter hereof,  
3 and that no other agreement or understanding, verbal or otherwise, relative to this  
4 subject matter, exists between the parties at the time of execution.

5           29) AMENDMENT. This Agreement may only be amended by the  
6 written consent of all the parties to this Agreement at the time of such amendment.

7           30) REMEDIES FOR BREACH OF AGREEMENT. In the event of  
8 an uncured default by either party hereto, the non-defaulting party may terminate this  
9 Agreement and pursue any remedy allowed under law or equity.

10           31) AUTHORITY TO EXECUTE. The persons executing this  
11 Agreement or exhibits attached hereto on behalf of the parties to this Agreement  
12 hereby warrant and represent that they have the authority to execute this Agreement  
13 and warrant and represent that they have the authority to bind the respective parties to  
14 this Agreement to the performance of its obligations hereunder.

15           NOTICES. Any notice required or permitted under this Agreement shall  
16 be delivered to the following addresses:

17           Agency: Attention: Heidi Marshall, Assistant Director of Housing  
18                            Redevelopment Agency for the County of Riverside  
19                            3403 10<sup>th</sup> Street, Suite 500  
                                  Riverside, CA 92501

20           Contractor: Attention: Robert B. Melkesian, Chief Executive Officer  
21                            Desert Empire Homes, a California corporation  
22                            85-400 Grapefruit Blvd.  
                                  Coachella, CA 92236

23  
24           32) WAIVER. Failure by a party to insist upon the strict performance  
25 of any of the provisions of this Agreement by the other party, or the failure by a party to  
26 exercise its rights upon the default of the other party, shall not constitute a waiver of  
27 such party's rights to insist and demand strict compliance by the other party with the  
28 terms of this Agreement thereafter.

1           33) JURISDICTION AND VENUE. Any action at law or in equity  
2 arising under this Agreement or brought by a party hereto for the purpose of enforcing,  
3 construing or determining the validity of any provision of this Agreement shall be filed in  
4 the Superior Court of Riverside County, State of California, and the parties hereto  
5 waive all provisions of law providing for the filing, removal or change of venue to any  
6 other court or jurisdiction.

7           34) INTERPRETATION GOVERNING LAW. This Agreement and  
8 any dispute arising hereunder shall be governed by and interpreted in accordance with  
9 the laws of the State of California. This Agreement shall be construed as a whole  
10 according to its fair language and common meaning to achieve the objectives and  
11 purposes of the parties hereto, and the rule of construction to the effect that  
12 ambiguities are to be resolved against the drafting party shall not be employed in  
13 interpreting this Agreement, all parties having been represented by counsel in the  
14 negotiation and preparation hereof.

15           35) COUNTERPARTS. This Agreement may be signed by the  
16 different parties hereto in counterparts, each of which shall be an original but all of  
17 which together shall constitute one and the same agreement.

18   **(SIGNATURES ON FOLLOWING PAGE)**

19    ///  
20    ///  
21    ///  
22    ///  
23    ///  
24    ///  
25    ///  
26    ///  
27    ///  
28    ///

1 IN WITNESS WHEREOF, Agency and Contractor have executed this Agreement of  
2 the date of Board approval.

3  
4 AGENCY:

CONTRACTOR:

5 REDEVELOPMENT AGENCY  
6 FOR THE COUNTY OF RIVERSIDE,  
7 a public body, corporate and politic

Desert Empire Homes, a California  
Corporation

8  
9 By: \_\_\_\_\_  
10 John Tavaglione, Chairman  
11 Board of Directors

By:   
12 Robert B. Melkesian  
13 Chief Executive Officer

14  
15 APPROVED AS TO FORM:  
16 PAMELA J. WALLS  
17 Agency Counsel

ATTEST:  
KECIA HARPER-IHEM  
Clerk of the Board

18  
19 By:   
20 Anita C. Willis, Deputy

By: \_\_\_\_\_  
21 Deputy

22  
23 **SIGNATURES MUST BE NOTARIZED**



CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

State of California

County of Riverside

On Jan 10, 2012 before me, Karla A. Leyva Notary Public

personally appeared Robert Barnes Melkorian

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: [Handwritten Signature] Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Agreement by and between the Redevelopment Agency

Document Date: Jan 10, 2012 Number of Pages: 28

Signer(s) Other Than Named Above: [Handwritten Initials]

Capacity(ies) Claimed by Signer(s)

Signer's Name: \_\_\_\_\_ Signer's Name: \_\_\_\_\_

Corporate Officer - Title(s): \_\_\_\_\_ Corporate Officer - Title(s): \_\_\_\_\_

Individual \_\_\_\_\_ Individual \_\_\_\_\_

Partner - Limited General \_\_\_\_\_ Partner - Limited General \_\_\_\_\_

Attorney in Fact \_\_\_\_\_ Attorney in Fact \_\_\_\_\_

Trustee \_\_\_\_\_ Trustee \_\_\_\_\_

Guardian or Conservator \_\_\_\_\_ Guardian or Conservator \_\_\_\_\_

Other: \_\_\_\_\_ Other: \_\_\_\_\_

Signer Is Representing: \_\_\_\_\_ Signer Is Representing: \_\_\_\_\_



**Exhibit "A"**  
**Deed of Trust**

NO FEE FOR RECORDING PURSUANT  
TO GOVERNMENT CODE SECTION 6103

Order No.  
Escrow No.  
Grant No.

RECORDING REQUESTED BY AND  
WHEN RECORDED MAIL TO

Redevelopment Agency  
For the County of Riverside  
1325 Spruce Street, Suite 500  
Riverside, CA 92507  
ATTN: Monica Telles

### DEED OF TRUST WITH ASSIGNMENT OF RENTS

This DEED OF TRUST is made on this \_\_\_\_ day of \_\_\_\_\_, 2012. The grantor is Desert Empire Homes, a California Corporation ("Borrower"), and whose address is 85400 Grapefruit Blvd., Coachella, CA 92236. The trustee is REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE ("Trustee"). The lender is the REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE ("Agency"), a public agency, organized and existing under the laws of the State of California, and whose address is 3403 Tenth Street, Suite 500, Riverside, CA 92501. Pursuant to the terms of that certain Loan Agreement by and between the Agency and Borrower dated January 24, 2012 ("Loan Agreement"), Borrower owes Agency the principal sum of Six Million Seven Hundred Fifty Thousand and No/100 Dollars (U.S. \$6,750,000.00). This debt is evidenced by Borrower's Note dated \_\_\_\_\_ ("Note").

The loan evidenced by the Loan Agreement and Note and secured by this Security Instrument (the "Loan") is being made pursuant to California Community Redevelopment Law, California Health and Safety Code Section 33000 et seq.

The Security Instrument secures to AGENCY: (a) the repayment of the debt evidenced by the Note, with interest as provided in the Note, and all renewals, extensions and modifications of the Note; (b) the payment of all other sums, with interest as provided in the Note, advanced under the terms of the Note to protect the security of this Security Instrument; and (c) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, subject to the rights of any holder of any Senior Debt (collectively, the "Senior Lien Holder"), all of Borrower's right, title and interest in and to the property located in Riverside County, California.

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the "Property".

BORROWER COVENANTS that the Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey its fee and leasehold interest in the Property, as applicable, and, except for the Senior Deed of Trust and other encumbrances of record acceptable to the Senior Lien Holder, the Property is unencumbered. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to such encumbrances of record.

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

UNIFORM COVENANTS Borrower and Agency covenant and agree as follows:

**1. Payment of Principal and Interest; Prepayment and Late Charges.** Borrower shall promptly pay when due the principal of and interest on the debt evidenced by the Note and any late charges due under the Note.

**2. Taxes and Insurance.** Borrower shall pay at least ten days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

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

**3. Application of Payments.** Unless applicable law provides otherwise, all payments received by Lender under Sections 1 and 2 shall be applied: first, to amounts payable under Section 2; second, to interest due; third, to principal due; and last, to any late charges due under the Note.

**4. Prior Deeds of Trust; Charge; Liens.** The Borrower shall perform all of the Borrower's obligations under the Senior Deed of Trust, including Borrower's covenants to make payments when due. Borrower shall pay all taxes, assessments, charges, fines and impositions attributable to the Property which may attain priority over this Deed of Trust, and leasehold payments or ground rents, if any, subject to applicable cure periods. Borrower shall pay these obligations in the manner provided in Section 2, or if not paid in that manner, Borrower shall pay them on time directly to the person owed payment. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this Section. If Borrower makes these payments directly, Borrower shall promptly furnish to Lender receipts evidencing the payments.

a. Except for the liens permitted by the Lender, Borrower shall promptly discharge any other lien which shall have attained priority over this Deed of Trust unless Borrower: (1) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (2) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien; or (3) bond around the lien (4) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Deed of Trust. Except for the liens approved herein, if Lender determines that any part of the Property is subject to a lien which may attain priority over this Deed of Trust, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy such lien or take one or more of the actions set forth above within 30 day of the giving of notice.

**5. Subordination.** This Deed of Trust shall be subordinate to Ag- Credit in the amount of One Million Five Hundred Thousand Dollars (\$1,500,000) and an existing Three Million Dollar (\$3,000,000) construction loan. Agency hereby agrees to execute any and all documents necessary to effectuate such subordination. Borrower shall request Lender approval of any additional subordination and Lender consent shall not be unreasonably withheld.

**6. Hazard or Property Insurance.** Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss of fire, hazards included within the term "extended coverage" and any other hazards, including floods or flooding, for which Agency requires insurance. This insurance shall be maintained in the amounts and for the periods as required in the Loan Agreement. The insurance carrier providing the insurance shall be chosen by Borrower subject to Agency's approval which shall not be unreasonably withheld. If Borrower fails to maintain coverage described above, Agency may, at Agency's option, obtain coverage to protect Agency's rights in the Property in accordance with paragraph 8.

a. All Risk Policy Insurance. Prior to commencement of any installation of any mobiles, Contractor and Sub Contractor shall obtain a standard "all risk" Property insurance policy for not less than the full replacement cost of ALL Mobiles, including improvements thereto and contents, delivered or installed upon purchase. To the extent there is a deductible applied to coverage, Contractor shall be responsible for the payment of the deductible amount. Contractor shall maintain this coverage until each and ALL mobile homes have been transferred to the homebuyer. Prior to transferring title to each homebuyer Contractor shall insure that the homebuyer has secured Property insurance in accordance with this section which shall include a replacement cost endorsement.

b. Comprehensive Broad Form General Liability Insurance. Commercial General Liability insurance coverage, including but not limited to, premises liability, contractual liability, products and completed operations liability, personal and advertising injury, and cross liability coverage, covering claims which may arise from or out of Contractor's and Sub Contractor's performance of its obligations hereunder. Policy shall name the Redevelopment Agency for the County of Riverside, the County of Riverside, its Agencies, Districts, Special Districts, and Departments, their respective directors, officers, Board of Directors, employees, elected or appointed officials, agents or representatives as Additional Insured. Policy's limit of

liability shall not be less than \$5,000,000 per occurrence combined single limit. If such insurance contains a general aggregate limit, it shall apply separately to this agreement or be no less than two (2) times the occurrence limit.

c. All insurance policies and renewals shall be acceptable to Agency and shall include a standard mortgagee clause. All requirements hereof pertaining to insurance shall be deemed satisfied if the Borrower complies with the insurance requirements under the Senior Deeds of Trust. All original policies of insurance required pursuant to the Senior Deeds of Trust shall be held by the Senior Lien Holder; provided, however, Agency may be named as a loss payee as its interest may appear and may be named as an additional insured. Borrower shall promptly give to Agency certificates of insurance showing the coverage is in full force and effect and that Agency is named as additional insured. In the event of loss, Borrower shall give prompt notice to the insurance carrier, the Senior Lien Holder and Agency. Agency may make proof of loss if not made promptly by the Senior Lien Holder or the Borrower.

d. Unless Agency and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, provided Borrower determines that such restoration or repair is economically feasible and there is no default continuing beyond the expiration of all applicable cure periods. If Borrower determines that such restoration or repair is not economically feasible or if a default exists after expiration of all applicable cure periods, the insurance proceeds shall be applied to the sums secured by this Deed of Trust, with the excess, if any, paid to Borrower. If the Property is abandoned by Borrower, or if Borrower fails to respond to Agency within 30 days from the date notice is mailed by Agency to Borrower that the insurance carrier offers to settle a claim for insurance benefits, Agency is authorized to collect and apply the insurance proceeds at Agency's option either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

e. Unless Agency and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of Note. If under paragraph 24 the Property is acquired by Agency, Borrower's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Agency to the extent of the sums secured by this Security Instrument immediately prior to the acquisition.

f. Notwithstanding the above, the Agency's rights to collect and apply the insurance proceeds hereunder shall be subject and subordinate to the rights of the Senior Lien Holder to collect and apply such proceeds in accordance with the Senior Deeds Trust.

**7. Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leaseholds.** Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate, or commit waste on the Property. Agency agrees that Borrower may demolish or move the existing improvements on the Property. Borrower shall be in default if any forfeiture action or proceeding, whether civil or criminal, is begun that in Agency's good faith judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Security Instrument or Agency's security interest. Borrower may cure such a default and reinstate, as provided in paragraph 19, by causing the action or proceeding to be dismissed with a ruling that, in Agency's good faith determination, precludes forfeiture of the

Borrower's interest in the Property or other material impairment of the lien created by this Security Instrument or Agency's security interest. Borrower shall also be in default if Borrower, during the loan application process, gave materially false or inaccurate information or statements to Agency (or failed to provide AGENCY with any material information) in connection with the loan evidenced by the Note, including, but not limited to representations concerning Borrowers use of Property for affordable housing. If this Security Instrument is on a leasehold, Borrower shall comply with all provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Agency agrees to the merger in writing.

a. The Borrower acknowledges that this Property will be subject to certain use and occupancy restrictions (which may be further evidenced by a separate agreement recorded in the land records where the Property is located), limiting 90 units of the Project to "very low income housing" (within the meaning of California Community Redevelopment Law) for households earning no more than fifty percent (50%) of the median income within Riverside County. The use and occupancy restrictions may limit the Borrower's ability to rent the Property. The violation of any use and occupancy restrictions may, if not prohibited by federal law, entitle the AGENCY to the remedies provided in Section 23 hereof.

**8. Protection of Agency's Rights in the Property.** If Borrower fails to perform the covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect Agency's rights in the Property (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture or to enforce laws or regulations), then, subject to any applicable grace periods or cure periods, Agency may do and pay for whatever is necessary to protect the value of the Property and Agency's rights in the Property. Agency's actions may include paying any sums secured by a lien which has priority over this Security Instrument, appearing in court, paying reasonable attorneys' fees and entering on the Property to make repairs. Although Agency may take action under this Section 8, Agency does not have to do so.

a. Any amounts disbursed by Agency under this paragraph 8 shall become additional debt of Borrower secured by this Security Instrument. Unless Borrower and Agency agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Agency to Borrower requesting payment.

b. Prior to taking any actions under this Section 8, however, Agency shall notify the Senior Lien Holder, identified in the Loan Agreement, of such default in the manner provided in Section 23 of this Security Instrument, and shall provide the Senior Lien Holder with the opportunity to cure any such default under this Security Instrument. All amounts advanced by a Senior Lien Holder to cure a default hereunder shall be deemed advanced by such Senior Lien Holder and shall be secured by the applicable Senior Deed of Trust. In addition, the Agency agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder at least 60 days' prior written notice. Any action by Agency hereunder to foreclose or accept a

deed in lieu of foreclosure shall be subject to the "due on sale" provisions of the Senior Deeds of Trust.

c. Agency and Borrower further agree that a default hereunder shall constitute a default under the Senior Deed of Trust. In the event of a default hereunder, the Senior Lien Holder shall have the right to exercise all rights and remedies under the Senior Deed of Trust.

**9. Mortgage Insurance.** (Not used)

**10. Inspection.** Agency or its agent may make reasonable entries upon and inspections of the Property. Agency shall give Borrower notice at the time of or prior to an inspection specifying reasonable cause for the inspection.

**11. Condemnation.** The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Agency, subject to the terms of the Senior Deeds of Trust.

a. In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with any excess paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the taking, unless Borrower and Agency otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Borrower. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is less than the amount of the sums secured immediately before the taking, unless Borrower and Agency otherwise agree in writing or unless applicable law otherwise provides, the proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due. Notwithstanding the foregoing, so long as the value of Agency's lien is not impaired, any condemnation proceeds may be used by Borrower for repair and/or restoration of the project.

b. If the Property is abandoned by Borrower, or if, after notice by Agency to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Agency within 30 days after the date the notice is given, Agency is authorized to collect and apply the proceeds, at its option, either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due.

c. Unless Agency and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of the payments referred to in paragraphs 1 and 2 or change the amount of such payments.



**12. Borrower Not Released; Forbearance By Agency Not a Waiver.** Except in connection with any successor in interest approved by Agency, extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Agency to any successor in interest of Borrower shall not operate to release the liability of the original Borrower or Borrower's successors in interest. Agency shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Agency in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

**13. Successors and Assigns Bound; Joint and Several Liability.** The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Agency and Borrower, subject to the provisions of paragraph 18. Borrower's covenants and agreements shall be joint and several.

**14. Loan Charges.** If the loan secured by this Security Instrument is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be promptly refunded to Borrower. Agency may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge under the Note.

**15. Notices.** Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Borrower's mailing address stated in the Loan Agreement or any other address Borrower designates by notice to Agency. Any notice to Agency shall be given by first class mail to Agency's address stated herein or any other address Agency designates by notice to Borrower. Any notice required to be given to a Senior Lien Holder shall be given by first class mail at such address Senior Lien Holder designates by notice to the Borrower. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower or AGENCY when given as provided in this paragraph.

**16. Governing Law; Severability.** This Security Instrument shall be governed by federal law and the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision. To this end the provisions of this Security Instrument and the Note are declared to be severable.

**17. Borrower's Copy.** Borrower shall be given one conformed copy of the Note and of this Security Instrument.

**18. Transfer of the Property or a Beneficial Interest in Borrower.** Except for a conveyance to the trustee under the Senior Deeds of Trust, if all or any part of the Property or any interest in it is sold or transferred (or subject to Section 28, if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without AGENCY'S prior written consent (including a transfer of all or any part of the Property to any person who, at initial occupancy of the Property, does not use the Property for "low-income housing" within the meaning of California Community Redevelopment Law) AGENCY may, at its option, require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by AGENCY if exercise is prohibited by federal law as of the date of this Security Instrument.

a. If Agency exercises the foregoing option, Agency shall give Borrower and the Senior Lien Holder prior written notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Agency may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

b. Notwithstanding Agency's right to invoke any remedies hereunder, as provided in Section 8 above, Agency agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder at least 60 days' prior written notice.

c. The Borrower and the Agency agree that whenever the Note or this Security Instrument gives the Agency the right to approve or consent with respect to any matter affecting the Property (or the construction of any improvements thereon) or otherwise (including the exercise of any "due on sale" clause), and a right of approval or consent with regard to the same matter is also granted to the Senior Lien Holder pursuant to the Senior Deeds of Trust, the Senior Lien Holder approval or consent or failure to approve or consent, as the case may be, shall be binding on the Borrower and the Agency.

**19. Borrower's Right to Reinstate.** If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earlier of: (a) 5 days (or such other period as applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Security Instrument; or (b) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower: (a) pays Agency all sums which then would be due under this Security Instrument and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees; and (d) takes such action as Agency may reasonably require to assure that the lien of this Security Instrument, Agency's rights in the Property and Borrower's obligation to pay the sums secured by this Security Instrument shall continue unchanged. Upon reinstatement by Borrower, this Security Instrument and the obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under paragraph 23.

**20. Sale of Note; Change of Loan Servicer.** The Note or a partial interest in the Note (together with this Security Instrument) may be sold one or more times without prior notice to Borrower. A sale may result in a change in the entity (known as the "Loan Servicer") that collects monthly payments due under the Note and this Security Instrument. There also may be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change in accordance with paragraph 15 above and applicable law. The notice will state the name and address of the new Loan Servicer and the address to which payments should be made. The notice will also contain any other information required by applicable law.

**21. No Assignment.** Until the loans secured by the Senior Deeds of Trust have been satisfied in full, the Agency and the Borrower agree that the Note and the Security Instrument will not be assigned without the Senior Lien Holder prior written consent.

**22. Hazardous Substances.** Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property that is in violation of any Environmental Law. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses, construction, and to maintenance of the Property.

a. Borrower shall promptly give Agency written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge. If Borrower learns, or is notified in writing by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law. Prior to taking any such remedial action, however, the Borrower shall notify the Senior Lien Holder that such remedial action is necessary and shall obtain the Senior Lien Holder prior written consent for such remedial action.

b. As used in this paragraph 22, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph 22, "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

**23. Acceleration; Remedies.** Agency shall give notice to Borrower, and the Senior Lien Holder prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument. The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 60 days from the date the notice is given to Borrower (and with respect to a Senior Lien Holder, 60 days from the date the notice is given to such Senior Lien Holder), by which the default must be cured; and (d) that failure to cure the default on or before

the date specified in the notice may result in acceleration of the sums secured by this Security Instrument and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured by the Borrower on or before the date specified in the notice, and the Senior Lien Holder has not exercised their right to cure the default, then Agency at its option may require immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Notwithstanding Agency's right to invoke any remedies hereunder, as provided in Section 8 above, the Agency agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder at least 60 days' prior written notice. Agency shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 23, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

a. If Agency invokes the power of sale, Agency or Trustee shall mail copies of a notice of sale in the manner prescribed by applicable law to Borrower, the Senior Lien Holder and to the other persons prescribed by applicable law. Trustee shall give notice of sale by public advertisement for the time and in the manner prescribed by applicable law. Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder for cash at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of all or any parcel of the Property to any later time on the same date by public announcement at the time and place of any previously scheduled sale. Agency or its designee may purchase the Property at any sale.

b. Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it.

**24. Release.** Upon payment of all sums secured by this Security Instrument, Agency shall release this Security Instrument without charge to Borrower. Borrower shall pay any recordation costs.

**25. Substitute Trustee.** Agency, at its option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder by an instrument recorded in the county in which this Security Instrument is recorded. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by applicable law.

**26. Modification of Senior Deeds of Trust Loan Documents.** The Agency consents to any agreement or arrangement in which a Senior Lien Holder waives, postpones, extends, reduces or modifies any provisions of the applicable Senior Deed of Trust loan documents, including any provisions requiring the payment of money.

**27. Prohibition against tenancy under foreclosure.** Notwithstanding anything to the contrary set forth in this Deed of Trust or in any documents secured by this Deed of Trust or contained in any subordination agreement, the Beneficiary acknowledges and agrees that, in no event will any action be taken which violates Section 42(h)(6)(E)(ii) of the U.S. Internal Revenue Code of 1986, as amended, regarding prohibitions against evicting, terminating tenancy or increasing rent of tenants for a period of three (3) years after acquisition of a building by foreclosure or deed-in-lieu of foreclosure.

**28. General Partner Change.** The withdrawal, removal, and/or replacement of a general partner of the Borrower pursuant to the terms of the Partnership Agreement of Borrower (as the same may be amended from time to time) shall not constitute a default under any of the Loan Documents, and any such actions shall not accelerate the maturity of the Loan, provided that any required substitute general partner is reasonably acceptable to Agency and is selected with reasonable promptness. Any proposed General Partner replacement shall have the qualifications and financial responsibility as reasonably determined by the Agency necessary and adequate to fulfill the obligations undertaken in the Agency Agreement, as amended.

(SIGNATURES ON NEXT PAGE)

IN WITNESS WHEREOF, the AGENCY and the OWNER have executed this DEED OF TRUST as of January 24, 2012.

OWNER:

DESERT EMPIRE HOMES,  
a California corporation

By:   
Robert B. Melkesian,  
Chief Executive Officer

**(All signatures on this page need to be notarized)**

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

State of California

County of Riverside

On Jan 10, 2012 before me, Karla A. Leyva Notary Public

personally appeared Robert Barnes Melkiesian

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.

Handwritten signature of Karla A. Leyva

Signature: \_\_\_\_\_ Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Deed of Trust with Assignment of Rents

Document Date: Jan 10, 2012 Number of Pages: 12

Signer(s) Other Than Named Above: [initials]

Capacity(ies) Claimed by Signer(s)

Signer's Name: \_\_\_\_\_ Signer's Name: \_\_\_\_\_

Corporate Officer - Title(s): \_\_\_\_\_ Corporate Officer - Title(s): \_\_\_\_\_

Individual Individual

Partner - Limited General Partner - Limited General

Attorney in Fact Attorney in Fact

Trustee Trustee

Guardian or Conservator Guardian or Conservator

Other: \_\_\_\_\_ Other: \_\_\_\_\_

Signer Is Representing: \_\_\_\_\_ Signer Is Representing: \_\_\_\_\_



**Exhibit "B"**  
**Promissory Note**



**PROMISSORY NOTE**

**\$12,082,500**

**Riverside, CA**

In installments as hereafter stated, for value received, pursuant to the terms and conditions of the Loan Agreement dated January 24, 2012, Desert Empire Homes, a California Corporation ("Borrower" or "OWNER") promises to pay the Redevelopment Agency for the County of Riverside, a political subdivision of the State of California, (hereinafter referred to as "Agency"), or order, at 3403 Tenth Street, Suite 500, Riverside, CA 92501, the sum of Twelve Million Eighty-Two Thousand Five Hundred and No/100 Dollars \$12,082,500 with simple interest on the unpaid principal amount, at the rate of zero percent (0%) per annum, interest and principal payable as follows:

**This Promissory Note (the "Note") provides the following:** (1) That the AGENCY Loan will accrue simple interest at a rate of one percent (0.00%) per annum, except in the case of default as hereinafter provided. (2) The AGENCY Loan shall be subordinated to a construction loan and permanent first mortgage.

Prepayment. Prepayment of principal or interest may occur at any time without penalty.

In any action commenced to enforce the obligation of the Borrower, and any partner, trustee, or beneficiary of the Borrower to pay principal and interest under this Note, the judgment shall not be enforceable personally against the Borrower or the Borrower's assets, and the recourse of the AGENCY for the collection of such amounts shall be limited to actions against the Property described in the Deed of Trust executed by the Borrower to secure this Note and the rents, profits, issues, products, and income from the Property.

Should default be made in payment of principal and interest when due and such default shall continue beyond the applicable notice and cure period provided in the Deed of Trust, the whole sum of principal and interest shall become immediately due at the option of the holder of this Note. Principal and interest are payable in lawful money of the United States. If action be instituted on this Note, the undersigned promises to pay such sums as the Court may fix as attorney's fees.

DATE: 1-11-12

**BORROWER:**

Desert Empire Homes,  
a California corporation,

By:   
Robert B. Melkesian, Chief Executive Officer