

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

444



FROM: Economic Development Agency / Facilities Management

SUBMITTAL DATE:
June 21, 2012

SUBJECT: Revenue Ground Lease Agreement

RECOMMENDED MOTION: That the Board of Supervisors:

1. Consider the environmental effects of the Project as shown in the Environmental Initial Study and Mitigated Negative Declaration IS/MND P12-0021, 0022, 0072, 0074, prepared by the City of Riverside and incorporated herein by reference;
2. Approve the attached Ground Lease and authorize the Chairman of the Board to execute same on behalf of the County;
3. Direct the Clerk of the Board to file a Notice of Determination with the County Clerk for posting; and

Continued)

Robert Field

Robert Field
Assistant County Executive Officer/EDA

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2012/13

COMPANION ITEM ON BOARD AGENDA: No

SOURCE OF FUNDS: N/A

Positions To Be Deleted Per A-30	<input type="checkbox"/>
Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

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

County Executive Office Signature

FORM APPROVED COUNTY COUNSEL
BY: *Annie T. Sahhar* 6/19/12
DATE: 6/19/12
Departmental Concurrence
ANNIE T. SAHHAR

Policy Policy

Consent Consent

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

Prev. Agn. Ref.: 3.40 of 8/31/10, 3.8 of 9/14/10, 3.8 of 1/31/12

District: 1/1

Agenda Number:

3.16

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

RECOMMENDED MOTION: (Continued)

4. Authorize the Assistant County Executive Officer/EDA, or designee, to take all necessary steps to implement the Ground Lease, including, but not limited to, signing subsequent necessary and relevant documents subject to approval as to form by County Counsel.

BACKGROUND:

The need for affordable housing for low and very low income households in the region continues to be in demand. The County of Riverside owns 9.72 acres of property at the southeast corner of County Farm Road and Reynolds Roads in the City of Riverside (Property), which has been identified by the Economic Development Agency as suitable for development of an affordable housing project.

For this purpose, the Board of Supervisors approved an Exclusive Negotiation Agreement on January 31, 2012, resulting in the attached Ground Lease (Ground Lease) for consideration.

The proposed project is a ninety-nine year Ground Lease agreement (Project) by and between the County of Riverside (County) and Riverside Cedar Glen Partners, LP, (Lessee), involving APNs: 145-260-011 & 145-260-020 - the proposed location of the Cedar Glen Apartments housing complex. Affordability restrictions will be recorded against the Property for the duration of the ninety-nine year lease through a Covenants and Conditions Agreement, which is attached to the Ground Lease as Exhibit B. The Project will include up to 102 multi-family housing units, with amenities such as a community building, pool/splash pad, picnic areas, tot lots, low-impact cardio walking circuit, and assigned carports.

Under the one-dollar per year Ground Lease with the County, Lessee will be solely responsible for all aspects of development of the Project, including entitlements, financing, construction and on-going property management and maintenance. The Project is proposed to be developed in two phases with each phase consisting of fifty-one units. The first phase, on 3.62 acres, will commence once financing is secured and will be completed within twenty four months.

Lessee is procuring the Project financing through County of Riverside HOME financing, Riverside County Department of Mental Health Services Act (MHSA), Federal low income housing tax credits and conventional construction financing.

The potential environmental effects of the housing complex, including the Project, were fully studied in IS/MND P12-0021, 0022, 0072, 0074, which was prepared by the City of Riverside as part of the City's permitting process. On June 7, 2012, the City of Riverside adopted IS/MND P12-0021, 0022, 0072, 0074 and approved the land use entitlements for the Cedar Glen Apartments housing complex.

(Continued)

BACKGROUND: (Continued)

Pursuant to CEQA Guidelines section 15096(f) the County, as a Responsible Agency, complies with CEQA by considering the environmental effects of the Project as shown in IS/MND P12-0021, 0022, 0072, 0074. The County has received and considered IS/MND P12-0021, 0022, 0072, 0074. The Project will not result in any new significant environmental effects not identified in IS/MND P12-0021, 0022, 0072, 0074, nor will it substantially increase the severity of the environmental effects identified in IS/MND P12-0021, 0022, 0072, 0074. In addition, no considerably different mitigation measures have been identified and no mitigation measures found infeasible have become feasible.

The attached Ground Lease has been reviewed and approved by County Counsel as to legal form.

Attachments: Environmental Initial Study, Ground Lease, Notice of Determination

NO FEE FOR RECORDING PURSUANT
TO GOVERNMENT CODE SECTION 6103

Order No.
Escrow No.
Loan No.

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

County of Riverside
Economic Development Agency
3403 Tenth Street, Suite 500
Riverside, CA 92501
Attn. Benjamin Cendejas

SPACE ABOVE THIS LINE FOR RECORDERS USE

**GROUND LEASE AGREEMENT BY AND BETWEEN THE COUNTY OF RIVERSIDE
AND RIVERSIDE CEDAR GLEN PARTNERS LP**

THIS GROUND LEASE AGREEMENT is entered into on this _____ day of _____, 2012 (the "Effective Date"), by and between the County of Riverside, a political subdivision of the State of California (hereinafter referred to as "County") and Riverside Cedar Glen Partners LP, a California limited partnership (hereinafter referred to as "RCGPLP").

WHEREAS, County is the legal owner of record of real property located on 9886 County Farm Road (and also sometimes referred to as 3990 Reynolds Road) in the City of Riverside, State of California and referred to as a portion of assessor parcel numbers 145-260-011 and 145-260-020 (hereinafter referred to as the "Property"), as more particularly described in the attached **Exhibit "A"**; and

WHEREAS, Section 25539.4 of the Government Code permits a board of supervisors of a county to lease real property or interest therein to provide affordable housing to individuals where not less than forty percent (40%) of the total number of those housing units developed on any parcel shall be affordable to households whose incomes are equal to or less than seventy-five percent (75%) of the maximum income of lower income households, and at least half of which shall be affordable to very low income households without complying with Sections 25520 through 25539.3 of the

Government Code with respect to the lease of county owned land; and,

WHEREAS, County finds and determines that this Ground Lease Agreement (hereinafter referred to as "Lease") complies with Section 25539.4 of the Government Code for which a Covenants and Conditions Agreement, attached hereto as **Exhibit "B"** and by this reference incorporated herein, shall be recorded against RCGPLP's leasehold estate in the Property (the "Leasehold Estate") to ensure affordability for a period of not less than ninety-nine (99) years; and

WHEREAS, County wishes to lease the Property to RCGPLP upon the terms and conditions set forth in this Ground Lease as more particularly described herein; and

WHEREAS, RCGPLP desires to lease the Property and secure a leasehold interest in the real property to be eligible and receive funding to construct multi-family affordable housing; and

WHEREAS, RCGPLP wishes to lease the Property from County and develop and operate up to one-hundred two (102) units of multi-family affordable housing for low and other income families and special needs persons such as individuals with illness, including mental illness, and homelessness or at risk of homelessness, and related improvements (hereinafter, collectively, referred to as "Project"). The parties agree that the Project will be developed in two (2) phases. The first phase shall consist of the construction of approximately fifty-one (51) units of multi-family housing, and related improvements, as more particularly set forth in this Lease ("Phase 1") on a portion of the Property. The parties agree that the second phase shall consist of the construction of approximately fifty-one (51) units of multi-family housing and related improvements, as more particularly set forth in this Lease ("Phase 2") on a portion of the Property. The parties anticipate that RCGPLP may assign all of RCGPLP's rights, duties, and obligations regarding the development and ownership of Phase 2, subject to approval of the County and to the terms of **Section 30** of this Lease set forth herein, which will not be unreasonably withheld, delayed or conditioned, and subject to compliance with all the terms of this Lease, including the Covenants and Conditions Agreement attached hereto as **Exhibit "B"**; and

WHEREAS, in connection with the financing and development of the Project, RCGPLP may enter into loan agreements and utilize funds from various affordable housing programs, including, but not limited to: Home Investment Partnerships Program ("HOME") funds, Mental Health Services Act ("MHSA") funds, Affordable Housing Program ("AHP") funds, and California Tax Credit Allocation Committee ("CTCAC") funds; and

WHEREAS, County and RCGPLP agree that there are existing easements pertaining to the Property, including those specifically set forth in the Preliminary Title Report dated as of January 27, 2012, issued by First American Title Company (the "Preliminary Title Report"), attached hereto as **Exhibit "C"**, and the property that is the subject of this Lease is subject to any and all existing easements.

NOW, THEREFORE, BE IT RESOLVED found and determined that for the mutual promises contained herein, the parties hereto do hereby agree as follows:

1. DESCRIPTION; RECORDATION OF MAP

The Property leased hereby is approximately 7.388 acres which is identified by assessor parcel numbers 145-260-011 (portion) and 145-260-020, as more particularly described in **Exhibit "A"**, attached hereto and by this reference incorporated herein. The Property is commonly referred to as 9886 County Farm Road (and also sometimes referred to as 3990 Reynolds Road), Riverside, CA 92503. County represents that it is the owner of the Property and RCGPLP acknowledges that it has examined the Preliminary Title Report describing the present condition of the title of the Property and is satisfied therewith and said Preliminary Title Report. The parties agree, that the Project will be constructed in two (2) phases, which will require a new parcel map (the "Map") to be recorded against the Property to create one legal parcel for the development of Phase 1 (the "Phase 1 Parcel") and one legal parcel for the development of Phase 2 (the "Phase 2 Parcel"). The Phase 1 Parcel consists of approximately 3.62 acres and is more particularly described in **Exhibit "D"**. The Phase 2 Parcel consists of approximately 3.76 acres and is more particularly described on **Exhibit "E"**. Upon execution by the parties of this Lease, RCGPLP will be

responsible for creation of the Map to more particularly delineate the Phase 1 Parcel, the Phase 2 Parcel, and other parcels. RCGPLP shall procure a surveyor to survey the Property, to complete all related work, and create the Map together with new legal descriptions for the Phase 1 Parcel and the Phase 2 Parcel. Upon recordation of the Map, if requested by a party, the parties shall enter into an amendment to this Lease to incorporate into this Lease the Map and the revised legal descriptions for the Phase 1 Parcel and the Phase 2 Parcel, the terms of which are subject to the prior approval of the County.

2. USE

A. Purpose.

The Property is leased hereby for the exclusive purpose of planning, constructing, maintaining and operating the Project, whose purpose is to provide multi-family affordable housing for low income families and special needs persons such as individuals with illness, including mental illness, and to prevent homelessness or at risk of homelessness. RCGPLP and County agree that the use and operation of the Property shall be consistent with a multi-family affordable housing project and for no other purposes without the prior written consent of the County.

The Project is anticipated to be completed in two phases: Phase 1 and Phase 2 (each of which may be referred to in this Lease as a "Phase" or a "Housing Development"). Each Phase will also have a manager's unit, a community center, parking garages and carports, common areas, landscaping and interior roadways.

B. Affordability.

Pursuant to Government Code section 25539.4, not less than forty percent (40%) of the total number of those housing units developed on any Parcel or for any Phase pursuant to this section shall be affordable to households whose incomes are equal to or less than seventy-five percent (75%) of the maximum income of lower income households, and at least half of which shall be affordable to very low income households. Further, no more than forty-nine (49%) of the units within the Project shall be required to be affordable to individuals whose incomes are equal to, or less than,

sixty percent (60%) of the area median income throughout the Term. Such affordability restrictions are set forth in the Covenants and Conditions Agreement, attached hereto as **Exhibit "B"** and shall be recorded against the Property. RCGPLP herein understands that the affordability restrictions pursuant to Government Code section 25539.4, and, as set forth in **Exhibit "B"**, are the minimum restrictions for the leasing of the Property, whether as to Phase 1, Phase 2, or the entire Project. RCGPLP further understands and expressly agrees that, to the extent that RCGPLP utilizes funding for the Project from any local, state and/or federal programs, including but not limited to: HOME, MHSA, AHP, CTCAC, or any other funding programs that contain affordability restrictions provisions, RCGPLP shall comply with any and all such affordability restrictions of each program's requirements. To the extent that a dispute exists as to which affordability restrictions apply to the Project, RCGPLP expressly agrees that it shall comply with the most restrictive of any and all such affordability restrictions.

C. Monitoring and Reporting.

RCGPLP shall comply with all applicable monitoring, reporting and evaluation for the Project, including, but not limited to, all monitoring and reporting requirements under the HOME, MHSA, AHP and CTCAC requirements, as applicable, including, but not limited to, the following: RCGPLP shall submit an annual report ("Annual Report") to County, which shall, at a minimum, include the following information for each dwelling unit in the Project: i) initial occupancy date; (ii) the number of persons residing in the unit; (iii) a written certification containing information of the identity of each member of the household and the total household income; and (iv) the monthly rent charged. Upon request by the County, RCGPLP shall include, with the Annual Report, an annual income recertification and documentation verifying tenant eligibility, and such additional information as the County may reasonably request from time to time in order to ensure compliance with the affordability restrictions as set forth in this Lease.

3. TERM

A. The term of this Lease (the "TERM") shall commence as of the Effective

Date, and shall expire on the date that is ninety-nine (99) years from the date of the issuance of the first certificate of occupancy by the City of Riverside (the "City") for Phase 1.

B. Access to the Property shall be available to RCGPLP via Reynolds Road and County Farm Road.

C. Option to Purchase. County may grant to RCGPLP the right acquire fee title to the property by purchasing the same from the County at the fair-market value rate of the Property at the time of the expiration of this Lease; and, subject to the prevailing local, state and federal law governing the conveyance of county-owned Property at the time of the expiration of this Lease. RCGPLP shall provide written notice no later than ninety (90) days in advance of the expiration of the Term date of its desire to purchase the Property.

4. RENT

The County hereby leases the Property to RCGPLP, and RCGPLP hereby leases the Property from County, upon the terms and conditions set forth in this Lease. The consideration payable by RCGPLP to County to lease the Property shall be one dollar per annum (\$1.00), and shall be payable to County upon execution of this Lease by the parties. As of the Effective Date, RCGPLP has pre-paid the rent in the amount of Ninety-Nine Dollars (\$99.00) for the entire Term of this Lease.

5. INTENTIONALLY DELETED.

6. ON SITE IMPROVEMENTS BY RCGPLP

A. Phase 1. RCGPLP, at its expense, shall construct, or cause to be constructed Phase 1 upon the Phase 1 Parcel. Phase 1 construction shall commence within twenty-one (21) months of the Effective Date, and shall be substantially completed within twenty-four (24) months after the start of construction, unless terminated earlier pursuant to the terms hereof, subject to causes beyond RCGPLP's control relating to work stoppage (excluding RCGPLP's employment force), acts of God, acts of war, civil disorders or other similar acts. RCGPLP shall obtain performance, material and labor, and payment bonds for Phase 1, in the amount

required by any lenders to Phase 1 and determined by County and shall furnish County with copies thereof prior to the commencement of such construction.

B. Phase 2. Once the Map has been recorded, and the Phase 2 Parcel exists as a separate legal parcel from the Phase 1 Parcel, RCGPLP, at its expense, shall construct, or cause to be constructed Phase 2 upon the Phase 2 Parcel.

1. Phase 2 construction shall commence no later than one hundred twenty (120) months after the Effective Date and shall be substantially completed within twenty-four (24) months after the start of construction, unless terminated earlier pursuant to the terms hereof, subject to causes beyond RDGPLP's control relating to work stoppage (excluding RCGPLP's employment force), acts of God, acts of war, civil disorders or other similar acts. RCGPLP shall obtain performance, material and labor, and payment bonds for Phase 2 in the amount required by any lenders to Phase 2 and determined by County and shall furnish County with copies thereof prior to the commencement of such construction. Notwithstanding the above, No later than eighty-four (84) months after the Effective Date of this Lease, RCGPLP shall provide County with written notice of RCGPLP's intent to proceed with the construction of Phase 2. Thereafter, no later than 96 months after the Effective Date of this Lease, RCGPLP shall provide County with written documentation of RCGPLP's application to the City of Riverside for entitlement for the construction of Phase

2. Provided that the Map has been recorded, and that the Phase 2 Parcel exists as a separate legal parcel from the Phase 1 Parcel, if RCGPLP does not provide written notice to County for the commencement of construction of Phase 2, and/or thereafter provide written documentation to County of RCGPLP's application for entitlement to the City for the construction of Phase 2 within the aforementioned timeframe, then this Lease shall terminate as to Phase 2 without further action or notice by the County. Upon such automatic termination this Lease shall have no further force or effect in connection with Phase 2.

3. Further, County may terminate this Lease in its entirety with ten (10) days written notice to the other party if RCGPLP fails to complete Phase 1 within the specified time.

(a) Upon such termination, RCGPLP shall: (i) vacate Phase 2 Parcel, (ii) have no further right or interest in the Phase 2 Parcel, and (iii) execute such documents, upon request by the County, to evidence such termination as to Phase 2 of this Lease in connection with the Phase 2 Parcel.

(b) Upon such termination of this Lease as to the Phase 2 Parcel, the County can use the Phase 2 Parcel for its own purposes at its sole discretion (subject to any easements in favor of Parcel 1).

(c) The parties expressly agree and acknowledge that any termination of this Lease as to Phase 2, as set forth in this Section, shall have no impact or effect on the remaining terms of this Lease as to Phase 1 or the Phase 1 Parcel and that this Lease shall remain in full force and effect in connection with the Phase 1 Parcel regardless of any termination as to Phase 2. A termination as to Phase 2 of this Lease shall not be considered a default as to Phase 1 by RCGPLP.

(d) If such termination of Phase 2 occurs, there will be no off-set of the ninety-nine dollars (\$99) pre-paid rent for the Project as a whole.

C. Such improvements, and any other improvements, alterations and installations of fixtures, to be undertaken by RCGPLP shall have prior written approval of County which shall not be unreasonably withheld, delayed, or conditioned. In addition, RCGPLP understands and agrees that such improvements, alterations and installation of fixtures for Phase 1 must fully comply with Home Investment Partnerships (HOME) Program regulations where HOME funds are utilized by RCGPLP for the construction of Phase 1.

D. Following completion of such facilities and any other improvements for a particular Phase, RCGPLP shall submit to County:

1. Itemized statements showing the entire cost of such improvements for such Phase; and

2. A complete set of "As Built" drawings showing every detail, latent or otherwise, of such improvements, alterations and fixtures, including, but not limited to, electrical circuitry and plumbing for such Phase.

E. Reference is made to Chapter 1, Part 7, Division 2 of the California Labor Code (commencing with Section 1720). By this reference, said Chapter 1 is incorporated herein with like effect as if it were herein set forth in full force and effect. The parties hereto recognize the said Chapter 1 deals, among other things, with discrimination, penalties and forfeitures, their disposition and enforcement, wages, working hours and security Workman's Compensation Insurance and may directly affect the method of prosecution of the construction contemplated herein by RCGPLP and may subject it under certain conditions to penalties and forfeitures. Execution of this Lease by the parties hereto constitutes their agreement to abide by said Chapter 1. Their stipulation as to all matters which they are required to stipulate as to by the provisions of said Chapter 1, and will comply with them and further constitutes RCGPLP's certification as follows: "RCGPLP is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for workman's compensation or to undertake self-insurance in accordance with the provisions of that Code, and it will comply with such provisions before commencing with the performance of construction under this Lease. RCGPLP, and its subcontractors, shall comply with the provisions of Section 1777.5 of the Labor Code regarding apprentices.

F. To the extent required by applicable law, RCGPLP shall comply with prevailing wage requirements and be subject to restrictions and penalties in accordance with section 1770 et seq. of the Labor Code which requires prevailing wages be paid to appropriate work classifications in all bid specifications and subcontracts.

To the extent required by applicable law, RCGPLP shall furnish all

subcontractors/employees a copy of the Department of Industrial Relations prevailing wage rates at which RCGPLP will post at the job site. All prevailing wages shall be obtained by RCGLP from:

Department of Industrial Relations
Division of Labor Statistics and Research
455 Golden Gate Avenue, 8th Floor
San Francisco, CA 94102

RCGPLP shall comply with the payroll record keeping and availability requirement of section 1776 of the Labor Code.

RCGPLP shall make travel and subsistence payments to workers needed for performance of work in accordance with section 1773.8 of the Labor code.

Prior to commencement of work, RCGPLP shall contact the Division of Apprenticeship Standards and comply with sections 1777.5, 1777.6 and 1777.7 of the Labor Code and applicable regulations.

RCGPLP agrees to indemnify, defend, and hold County harmless from and against any and all liability arising out of and related to RCCPLP's failure to comply with any and all applicable prevailing wage requirements.

G. All construction contract and professional services for the Project (or applicable Phase) must be performed by persons or entities licensed or otherwise authorized to perform the applicable construction work or service in the State of California.

H. Title to all buildings, structures and improvements that now, or may from time to time constitute a part of the Property, including, all carpets, draperies, partitions, machinery, equipment and fixtures that are now, or may be from time to time be, used, or intended to be used in connection with the Property shall be and remain with RCGPLP until the termination of this Ground Lease. improvements and all alterations, additions, equipment and fixtures built, made or installed by RCGPLP in,

on, under or to the Property (or to an applicable Parcel) shall be in the sole possession of RCGPLP until the expiration of the Term or other termination of this Lease; provided, however, that RCGPLP shall have no right to destroy, demolish or remove such improvements except as specifically provided for in this Lease or as approved in writing by County. It is the intent of the parties hereto that this Lease shall create a constructive notice of severance of the improvements constructed in connection with each Phase from the Property without the necessity of a deed from the County after the Improvements have been constructed. Upon the expiration of the Term or other termination of the Lease, the improvements and all alterations, additions, equipment and fixtures shall be deemed to be and shall automatically become the property of the County, without cost or charge to County. County agrees that RCGPLP, at any time prior to the sixtieth (60th) day after the expiration or other termination of this Lease, may remove from the applicable Parcel any and all equipment which RCGPLP has furnished for maintenance, provided that RCGPLP shall repair any physical damage to the applicable Parcel caused by the removal of such equipment and property. RCGPLP agrees to execute, at the request of the County at the end of the Term, a quitclaim deed of the Improvements to County to be recorded at County's option and expense and any other documents that may be reasonably required by County to provide County title to the Improvements free and clear of all monetary liens and monetary encumbrances not caused of agreed to by County.

8. OFF-SITE IMPROVEMENTS BY RCGPLP

A. RCGPLP, at its expense shall construct or cause to be constructed, off-site improvements in accordance with plans approved by the City, which shall also be subject to approval by the County which shall not be unreasonably withheld, delayed or conditioned. RCGPLP shall provide the County copies of all City-approved plans for such RCGPLP's parcel within fifteen (15) days following the written request of the County.

B. It is understood by the parties hereto that utility services are available to the Property, but in order for each Housing Development to be fully usable and

operational, RCGPLP, at its expense, shall extend and/or connect, or cause to be extended and/or connected to each Housing Development such utility services that may be required of, or desired, by RCGPLP in the use, operation and maintenance of each Housing Development. After such extensions and/or connections have been made, RCGPLP shall be responsible for the payment in the use of such utility services.

C. Such off-site improvements for a Housing Development shall be completed on or before the date of completion of such Phase.

D. RCGPLP shall plant and maintain the road landscape parkway on both County Farm Road and Reynolds Road, adjacent to the frontage of each Housing Development, and up to the back of the curb on both roads. The portions of the landscaping RCGPLP is obligated to plant and maintain is more particularly described in **Exhibit "F"**. All parkway landscape and irrigation plans, on-site landscape and irrigation plans, parking plans, architectural elevations, building plans, building colors and materials, and fencing plans are subject to the City's review and approval, as well as approval by the County, prior to the installation of the improvements. RCGPLP understands and agrees that such landscaping improvements and the maintenance thereto are subject to the terms of any and all existing easements, including those specifically set forth in the Preliminary Title Report, attached hereto as **Exhibit "C"**.

E. All off-site improvements shall be in accordance to the conditions and prevailing wage provisions described in **Section 7**.

9. MAINTENANCE

A. Throughout the Term of this Lease, RCGPLP, at its expense, shall maintain, or cause to be maintained, the Property (or applicable Parcel) and the Project (or applicable Phase) in a clean, safe, orderly and attractive state and in compliance with all applicable statutes, ordinances, rules, regulations, order and requirements of federal, state, county, municipal and other governmental entities having jurisdiction over the Property and the Project.

B. In the event of damage or destruction of all or a portion of the Project rendering the Project (or applicable Phase) unusable, in whole or in part, for the

purpose set forth in **Section 2** above, RCGPLP shall repair such damage or destruction with due diligence in accordance with the provisions contained in **Sections 7(A)** and **(B)** above, but only to the extent of the proceeds of the insurance coverage required by this LEASE.

10. INSPECTION OF PROPERTY

County, through its duly authorized agents, shall have, at any time, with reasonable written notice to RCGPLP, and without interfering with tenants, the right to enter the Property for the purpose of inspecting, monitoring and evaluating the obligations of RCGPLP hereunder and for the purpose of doing any and all things which it is obligated and has a right to do under this Lease.

11. QUIET ENJOYMENT

County covenants that it owns in fee simple, and that it has good and marketable title to the Property. RCGPLP accepts the Property subject to any and all existing easements, including those specifically set forth in the Preliminary Title Report, attached hereto as **Exhibit "C"**. County has the full right and authority to make this Lease. RCGPLP and tenants of RCGPLP shall have, hold and quietly enjoy the use of the Property so long as RCGPLP shall fully and faithfully perform the terms and conditions of this Lease.

12. RIGHT OF EASEMENT

RCGPLP hereby grants to County the right to reserve and record an easement and right of ingress and egress over and across the Property insofar as such ingress and egress is necessary to protect, maintain, and preserve the continued operation of the Project (or any portion thereof). Pursuant to such grant, upon prior written notice to RCGPLP, County, its agents, employees, and representatives, shall be permitted, but are not required, to enter upon the Property (or portion thereof) and perform such acts and work necessary to protect, maintain, and preserve the continued operation of the Project (or applicable Phase); provided, however any such entry shall not unreasonably interfere with RCGPLP's (or the RCGPLP's licensees, guests, or Project residents') quiet use and enjoyment. From time to time, and upon written approval of

RCGPLP (which shall not be unreasonably withheld) County may be required to grant an easement to a third party in order to provide for the protection, maintenance, and continued operation of the Project, which County reserves the right to grant; provided, however, in no event shall such grant of easement have a material adverse impact on RCGPLP's ability to develop and operate either Phase 1 or Phase 2. To the extent applicable, County hereby agrees to reasonably cooperate in providing and executing and recording such documents that may be necessary to evidence, easements for the benefit of Parcel 1 over and across Parcel 2 as may be required by the City, or otherwise necessary to permit the development of Phase 1 as reasonably requested by RCGPLP.

13. EVIDENCE OF FINANCING

A. Phase 1. This Lease is expressly conditioned upon RCGPLP's receipt, on or prior to **February 28, 2014** of the following (collectively, the "Phase 1 Financing"): (i) such binding loan commitments for new loans as may be required by RCGPLP for Phase 1, on terms and conditions acceptable to County, in its reasonable discretion, including, without limitation, (a) County of Riverside HOME financing, (b) any conventional construction and/or permanent financing, including without limitation, a construction and permanent loan form an institutional construction lender or lenders (each a "Lender", and, collectively, the "Lenders"), (c) MHSA financing, (d) AHP financing, and (e) a binding reservation of federal low income housing tax credits pursuant of section 42 of the Internal Revenue Code of 1986, as amended (the "Code"). Either County or RCGPLP may elect to terminate this Lease within ten (10) days written notice to the other party if RCGPLP fails to acquire the Phase 1 Financing as require by this **Section 13**.

B. Phase 2. As a condition to the commencement of construction of Phase 2 on the Phase 2 Parcel, RCGPLP shall provide to the County, on terms and conditions acceptable to the County, in its reasonable discretion, binding loan commitments, or other evidence of financing for the construction of Phase 2 (the "Phase 2 Financing"). Nothing in this Lease shall be deemed to obligate the County to

provide any funding of the Phase 2 Financing.

14. CONSTRUCTION SCHEDULE

RCGPLP shall give written notification to County prior to the start of construction. During the period of construction, but in no event more often than once monthly, RCGPLP shall submit to County written reports on the progress of the construction for the applicable Phase. The report shall be in such form and detail as to inform County fully of the status of construction, and shall include a reasonable number of photographs taken since the last report by RCGPLP. RCGPLP shall report to County on the construction progress and on RCGPLP's compliance with the approved construction plans for the applicable Phase.

15. NO DISCRIMINATION OR SEGREGATION

RCGPLP shall not discriminate in RCGPLP's recruiting, hiring, promotion, demotion or termination practice on the basis of race, religion, creed, color, national origin, ancestry, sex, age, physical handicap, medical condition or marital status with respect to its use of the Property hereunder, and RCGP shall comply with the provisions of the California Fair Employment and Housing Act (Government Code Sections 12900 et seq.), the Federal Civil Rights Act of 1964 (P.L. 88-352), as amended, and all Administrative Rules and Regulations issued pursuant to said Acts and Orders with respect to its use of the Property.

16. JOB AVAILABILITY

RCGPLP is required, and shall require any subcontractor, to notify the Riverside County Workforce Development Center and the Riverside County Greater Avenues for Independence (GAIN) program of any and all job openings related to the development and construction of the Project.

17. LOCAL, STATE and FEDERAL LAWS IN CONSTRUCTION

RCGPLP shall carry out the construction of the Project in conformity with all applicable federal, state and local laws and regulations, including, but not limited to the California Environmental Quality Act. RCGPLP represents and warrants that all of the Project shall be constructed in compliance with all laws or regulations with respect to the

payment of prevailing wages. County shall not have any responsibility whatsoever for the payment to any contractor or supplier of RCGPLP. Following the completion of the initial construction of the Project (or applicable Phase), RCGPLP may, from time to time during the Term, make such modifications or alterations to such Phase provided that all construction is in conformity with all applicable federal, state and local laws and regulations, and subject to County approval.

18. LOCAL, STATE AND FEDERAL LAWS IN OCCUPANCY

RCGPLP shall occupy and operate the Project as described above. RCGPLP shall comply with all local, state and federal laws, regulations and ordinances in their operation of the Project.

19. COUNTY AND OTHER GOVERNMENTAL PERMITS AND APPROVALS

Before the commencement of construction or development of any work or improvements, RCGPLP shall, at its own expense, secure, or cause to be secured, any and all permits which may be required by the City or any other governmental agency having jurisdiction over such construction or development.

20. NOTIFICATION OF TAXABILITY OF POSSESSORY INTEREST. The Leasehold Estate interest granted by County to RCGPLP may create a possessory interest, subject to property taxation. In the event the Leasehold Estate in the buildings and related improvements, become subject to the payment of property taxes levied on such interest, RCGPLP (and not County) shall be solely responsible for the payment of such property taxes. RCGPLP shall reimburse County for any property of possessory taxes on the Property (excluding special assessments or other ad valorem assessments) that may become due and payable during the Term because of RCGPLP's failure to file a timely exemption, if such exemption is applicable.

21. PROJECT OCCUPANCY AND AFFORDABILITY

A. In compliance with Section 25539.4 of the Government Code, and in conjunction with the recordation of the Map, County shall record a Covenants and Conditions Agreement, attached hereto as **Exhibit "B"** and by this reference incorporated herein, against the Phase 1 Parcel to ensure affordability: not less than

forty percent (40%) of the total number of those housing units developed on any Parcel or for any Phase pursuant to this section shall be affordable to households whose incomes are equal to or less than seventy-five percent (75%) of the maximum income of lower income households, and at least half of which shall be affordable to very low income households. Further, no more than forty-nine (49%) of the units within the Project shall be required to be affordable to individuals whose incomes are equal to, or less than, sixty percent (60%) of the area median income throughout the Term. RCGPLP herein understands that the affordability restrictions pursuant to Government Code section 25539.4, and as set forth in **Exhibit "B"**, are the minimum restrictions for the leasing of the Property, whether as to Phase 1, Phase 2, or the entire Project. RCGPLP further understands and expressly agrees that, to the extent that RCGPLP utilizes funding for the Project from any local, state and/or federal programs, including but not limited to: the Home Investment Partnerships ("HOME") Program, the Mental Health Services Act ("MHSA" Program), the Affordable Housing Program ("AHP"), the California Tax Credit Allocation Committee ("CTCAC") or any other funding program that contain affordability restrictions provisions, RCGPLP shall comply with any and all such affordability restrictions of each program's requirements. To the extent that a dispute exists as to which affordability restrictions apply to the Project, RGPLP expressly agrees that it shall comply with the most restrictive of any and all such affordability restrictions.

B. In conjunction with the closing of the construction financing for Phase 2, and in conjunction with the recordation of the Map, and in compliance with Section 25539.4 of the Government Code, County shall record a Covenants and Conditions Agreement, attached hereto as **Exhibit "B"** and by this reference incorporated herein, against the Phase 2 Parcel , in a form reasonably acceptable to the parties, against the Phase 2 Parcel to ensure affordability: not less than forty percent (40%) of the total number of those housing units developed on any Parcel or for any Phase pursuant to this section shall be affordable to households whose incomes are equal to or less than

seventy-five percent (75%) of the maximum income of lower income households, and at least half of which shall be affordable to very low income households. Further, no more than forty-nine (49%) of the units within the Project shall be required to be affordable to individuals whose incomes are equal to, or less than, sixty percent (60%) of the area median income throughout the Term. RCGPLP herein understands that the affordability restrictions pursuant to Government Code section 25539.4, and as set forth in **Exhibit "B"**, are the minimum restrictions for the leasing of the Property, whether as to Phase 1, Phase 2, or the entire Project. RCGPLP further understands and expressly agrees that, to the extent that RCGPLP utilizes funding for the Project from any local, state and/or federal programs, including but not limited to: the Home Investment Partnerships ("HOME") Program, the Mental Health Services Act ("MHSA" Program), the Affordable Housing Program ("AHP"), the California Tax Credit Allocation Committee ("CTCAC") or any other funding program that contain affordability restrictions provisions, RCGPLP shall comply with any and all such affordability restrictions of each program's requirements. To the extent that a dispute exists as to which affordability restrictions apply to the Project, RCGPLP expressly agrees that it shall comply with the most restrictive of any and all such affordability restrictions.

22. TERMINATION BY COUNTY

County shall have the right to terminate this Lease upon the occurrence of the following events provided that the County has delivered a written notice to RCGPLP setting forth such breach and providing sixty (60) days from the date of such notice to cure or remedy such breach:

- A. In the event a petition for the adjudication of RCGPLP is filed for voluntary bankruptcy or involuntary bankruptcy of RCGPLP which is not dismissed within sixty (60) days.
- B. In the event that RCGPLP makes a general assignment, or RCGPLP's interest hereunder is assigned involuntarily or by operation of law, for the benefits of creditors.
- C. In the event of abandonment of the Property by RCGPLP.

- D. In the event RCGPLP fails to comply with the HOME regulations.
- E. In the event RCGPLP fails to obtain Project Financing.
- F. In the event RCGPLP fails to complete Phase 1 of the Project during the specified time for construction.
- G. In the event RCGPLP fails to perform, keep or observe any of its duties or obligations hereunder provided, however, that RCGPLP shall have sixty (60) day in which to correct its breach or default after written notice thereof has been served on it by County; provided, further, however, that in the event such breach or default is not corrected, County may elect to terminate this Lease to any portion of the Property affected thereby, and such election shall be given by an additional fifteen (15) days written notice to RCGPLP.

23. TERMINATION BY RCGPLP

RCGPLP shall have the right to terminate this Lease in the event County fails to perform, keep or observe any of its duties or obligations hereunder, provided, however, that County shall have sixty (60) days in which to correct its breach or default after written notice thereof has been served on it by RCGPLP; provided, further, however, that in the event such breach or default is not corrected, RCGPLP may elect to terminate this Lease as to any portion of the Property affected thereby, and such election shall be given by an additional fifteen (15) days written notice to County.

24. REVERSIONARY INTERESTS

In the event of any breach or default of this Lease, by RCGPLP, and upon the expiration of any applicable period of time to cure the default, or at the expiration of the Term of this Lease, any leasehold interest in the land which is the subject of this Lease shall revert back to County and interests in any buildings and improvements to the land shall become the property of the County.

25. INSURANCE

RCGPLP shall during the Term of this Lease for each Phase of the Project:

- A. Procure and maintain Worker's Compensation Insurance as prescribed by the laws of the State of California.

B. Procure and maintain automobile liability coverage from an admitted insurance carrier, for any and all vehicles owned, operated and/or maintained by RCGPLP, that shall protect RCGPLP from claims for damages for personal injury, including, without limitation, accidental and wrongful death, as well as from claims for property damage, which may arise from RCGPLP's use of the Property (or applicable Parcel) or the performance of its obligations hereunder, during the construction of the Project (or applicable Phase), whether such use or conformance by RCGPLP, by any subcontractor, or by anyone employed directly or indirectly by either of them. Such insurance shall provide for limits of not less than \$1,000,000 per occurrence.

C. Procure and maintain comprehensive general liability insurance coverage from an admitted insurance carrier which coverage shall protect RCGPLP from claims for damages for personal injury, including, without limitation, accidental and wrongful death, as well as from claims for property damage, which may arise from RCGPLP's use of the Property (or applicable Parcel) or the performance of its obligations hereunder, after the Project (or applicable Phase) has been completed, whether such use or performance be by RCGPLP, by any subcontractor, or by anyone employed directly or indirectly by either of them.

D. Procure and maintain course of construction coverage on the Project (or applicable Phase) in an amount not less than ninety percent (90%) of the actual value of the Project (or applicable Phase).

E. Procure and maintain Course and Construction coverage to include, without limitation, liability coverage that shall protect RCGPLP from claims for damages for personal injury, including, without limitation, accidental and wrongful death, as well as from claims for property damage, which may arise during the construction of the Project (or applicable Phase), whether such use or performance be by RCGPLP, by any subcontractor, or by anyone employed directly or indirectly by either of them.

F. Cause RCGPLP's insurance carrier(s), all general contractors' and subcontractors' insurance carrier(s) to furnish County with Certificate(s) of Insurance, or certified copies of the complete insurance policies and all endorsements thereto showing that such insurance is in full force and effect, naming County as additionally

insured. Further, said Certificate(s) shall contain the covenant of the insurance carrier(s) that thirty (30) days written notice shall be given to County prior to modification, cancellation or reduction in coverage of such insurance. RCGPLP shall not take possession or otherwise use the Property until County has been furnished Certificate(s) of Insurance or copies of policies with endorsements as otherwise required in this **Section 25**.

26. COUNTY'S RESERVED RIGHTS – INSURANCE

The amount of the property insurance may be adjusted by reappraisal of the Project (or applicable Phase) by the insurer or its designee not more than once every five (5) years during the term of this Lease, if reasonably requested by County. The limits of the liability insurance may be adjusted once every five (5) years if and as reasonably required by County, provided such coverage requirements do not exceed those normally required by housing projects of comparable size and general geographic areas.

27. CONDEMNATION

If the Project (or applicable Phase) or the Property (or applicable Parcel) or any part thereof shall be taken or condemned, for any public or quasi-public purpose or use by any competent entity in appropriate proceedings, or by any right of eminent domain, in the event of adjudication, the County and RCGPLP shall request that awards and other payments on account of a taking of the Project (or applicable Phase) and the Property(or applicable Parcel) (less costs, fees and expenses incurred by County and RCGPLP in connection with the collection thereof) shall be divided by the presiding court between loss of value of the fee interest in the Property(or applicable Parcel) and loss of value of the Project (or applicable Phase). In the event there is no adjudication, the awards and other payments shall be divided in accordance with the ratio of the appraised values of County's and RCGPLP's interests taken or condemned. In any case such awards and payments shall be applied as follows:

A. Net awards and payments received on account of a partial taking of the Project (or applicable Phase), other than a taking for a temporary use not exceeding

one (1) year, shall be allocated and paid in the following order of priority:

1. If RCGPLP reasonably believes restoration is economically feasible, and unless RCGPLP is then in default and the opportunity to cure has expired under any loan documents, first, to pay the cost of restoration of the Project (or applicable Phase), provided that the extent of RCGPLP's obligations to restore the Project (or applicable Phase) shall be limited to the amount of the net award and payments received on account of the taking. RCGPLP shall furnish to County evidence reasonably satisfactory to County of the total cost of the restoration of the Project.

2. Second, or first if (i) RCGPLP does not reasonably believe that restoration is economically feasible, or (ii) RCGPLP is in default and the opportunity to cure has expired under the loan documents, to any Lenders (in the order of their respective lien priority, if there is more than one Lender) in an amount equal to the decrease (if any) in the value of the security for their respective loans as a result of the partial taking (calculated as set forth below in this **subsection 27(a)(2)**, less amounts payable to or recovered by the Lender pursuant to such taking, but not to exceed the unpaid balance of their loans). For purposes of this **subsection 27(a)(2)**, the amount of decrease in the value of the security for a loan shall be the amount, if any, necessary to reduce the outstanding principal of said loan such that the loan to value ratio (as defined below) of said loan immediately following the taking is equal to the loan to value ratio of said loan immediately preceding the taking. Loan to value ratio shall mean that fraction the numerator of which is the sum of the principal amount of the loan plus the principal amounts of all loans higher in lien priority to the loan and the denominator of which is the appraised value of the Project (or applicable Phase) immediately following the taking or immediately preceding the taking, as applicable. The values of the Project (or applicable Phase) immediately preceding the taking and immediately following the taking shall be determined by an MAI or SRI appraiser selected by RCGPLP and who is reasonably satisfactory to County.

3. The balance, if any, shall be divided between County and

RCGPLP in the manner specified in **subparagraph (E)** below, provided, however, if the taking has no effect on the value of the County's fee interest in the Property (or applicable Parcel) or reversionary interest in the improvements, the balance shall be paid exclusively to RCGPLP.

B. Net awards and payments received on account of a partial or total taking of only County's fee interest in the Property (or applicable Parcel) or the reversionary interest in the improvements (that is, a taking of County's fee interest in the Property or County's reversionary interest in the improvements that has no effect on the value of RCGPLP's Leasehold interest in the Property (or applicable Parcel) or RCGPLP's fee interest in the improvements), including severance damages, shall be paid to County, which amount shall be free and clear of any claims of RCGPLP, or any other persons claiming rights to the Property (or applicable Parcel) through or under RCGPLP, other than Lenders to which the County has subordinated its interest in the Property (or applicable Parcel).

C. Net awards and payments received on account of a taking for temporary use not exceeding one (1) year and relating to a period during the Term of this Lease shall be paid to RCGPLP; provided, however, that if such taking for temporary use has resulted in any damage to or destruction of the Project (or applicable Phase), such net awards and payments shall be first applied to pay the cost of restoration thereof if RCGPLP determines that restoration is feasible. Net awards and payments received on account of a taking for temporary use not exceeding one (1) year and relating to a period beyond the term for this Lease shall be paid to County.

D. Net awards and payments received on account of a total taking of the Project(or applicable Parcel) shall be allocated and paid in the following order of priority:

1. First, to any Lender with then-outstanding loans secured by the Project (or applicable Parcel) (in the order of their respective lien priority, if there is more than one Lender), an amount equal to the unpaid balance secured by their respective loans to the extent there are sufficient funds to make such payments;

2. The balance, if any, shall be divided between County and

RCGPLP in the manner specified in **subparagraph (E)** below; provided, however, if the taking has no effect on the value of the County's fee interest in the Property (or applicable Parcel) or reversionary interest in the improvements, the balance shall be paid exclusively to RCGPLP.

E. RCGPLP shall receive reimbursement for any funds it has reasonably expended for construction, repair and/or reconstruction for the Project (or applicable Phase) (other than funds received from Lenders). County shall receive that portion of the balance equal to the balance multiplied by a fraction the numerator of which is the number of years elapsed from the Effective Date to the date of the taking, and the denominator of which is ninety-nine (99) years. RCGPLP shall receive the balance after deduction of the County's portion.

F. RCGPLP shall receive any award granted for or allocated to trade fixtures, moving expenses or loss of business.

G. If the Project (or applicable Phase) is taken or condemned during the last five (5) years of the term of this Lease under circumstances described in **subparagraph (A)** above, RCGPLP may elect to terminate the Lease and proceeds of any payment or award shall be distributed in accordance with the provisions of **subparagraphs (D) and (E)** above.

28. ADMINISTRATION OF CONSTRUCTION FUND IN THE EVENT OF CONDEMNATION, OR DAMAGE OR DESTRUCTION OF PROJECT.

In the event that the loans have been paid in full, and if the Project (or applicable Phase) or any part of it is to be repaired or reconstructed, after damage or destruction of the Project or its condemnation, all proceeds collected under any and all policies of insurance referred to in **Section 22** above covering such damage or destruction to the improvements, or all compensation received for such taking of the improvements by the exercise of the power of eminent domain, shall be paid into a special trust fund to be created and held by the RCGPLP and to be designated as the "construction fund", during such repairing or reconstructing, subject to the rights of Lenders. Any surplus of such insurance or condemnation proceeds remaining after the completion of all

payments for such repairing or reconstructing the improvements shall be held or applied by the RCGPLP in a manner consistent with the applicable provision of this **Section 28.**

29. HOLD HARMLESS

A. RCGPLP represents that it has inspected the Property, accepts the condition thereof in its "as-is" condition existing on the Effective Date, and that County makes no representations or warranties to RCGPLP with regard to the condition of the Property of the fitness or suitability for RCGPLP's purposes and fully assumes any and all risks incidental to the use thereof. County shall not be liable to RCGPLP, its agents, employees, subcontractors or independent contractors for any personal injury or property damage suffered by them which may result from hidden, latent or other dangerous conditions in, on upon or within the Property; provided, however, that such dangerous conditions are not caused by the sole negligence of County, its officers, agents or employees.

B. RCGPLP shall indemnify and hold County and their officers, agents, employees and independent contractors free and harmless from any liability whatsoever, based or asserted upon any act or omission of RCGPLP, its officers, agents, employees, subcontractors and independent contractors, for property damage, bodily injury or death or any other element of damaged of any kind of nature, relating to or in any way connected with or arising from RCGPLP's use and responsibilities in connection with the Property or the condition thereof, and RCGPLP shall defend, at its expense, including attorney's fees County, their officers, agents, employees an independent contractors in any legal action based upon such alleged acts or omission.

C. Further, RCGPLP shall defend, indemnify and hold County and their officers, Boards and agencies, agents, employees and independent contractors free and harmless from any liability whatsoever, in the event that any legal challenge is initiated against the County as the Property owner, or as the Real Party in Interest, or in the event that legal challenge is brought against the County for approving or entering into this Lease under the California Environmental Quality Act.

D. The specified insurance limits required in **Section 22** above shall in no way limit or circumscribe RCGPLP's obligations to indemnify and hold County free and harmless herein.

E. The obligation to indemnify and hold County free and harmless herein shall survive until any and all claims, actions and causes of action with respect to any and all such alleged acts or omissions are fully and finally barred by the applicable statute of limitations unless such statute of limitation is overturned by any court jurisdiction wherein the indemnification shall continue until all issues are fully resolved.

30. ASSIGNMENT

RCGPLP shall not assign or otherwise transfer in any manner any of its rights, duties or obligations hereunder to any person or entity without the prior written consent of County, which consent shall not be unreasonably withheld, delayed or conditioned. The parties hereto understand and agree that it shall be reasonable for County to withhold its consent if: County determines that the proposed assignee or transferee does not have, or demonstrate, the financial ability and business background and experience to satisfactorily perform the obligations contemplated hereunder; or

A. the proposed assignee refuses, or fails to, assume, in writing, the obligations hereunder in a format which is acceptable to County.

B. Notwithstanding the foregoing, the parties acknowledge that RCGPLP intends to develop the Project in two separate phases, and in conjunction with the recordation of the Map, and the creation of Parcel 1 and Parcel 2, RCGPLP anticipates assigning this Lease (as it relates to Parcel 2 and the development of Phase 2) to a Phase 2 Entity.

C. No permissible assignment shall be effective without County approval and there shall have been delivered to County an assignment and assumption agreement, a separate ground lease as to Phase 2/Parcel 2, and an amended and restated ground lease as to Parcel 1/Phase 1, as more specifically described below, executed by RCGPLP, the County and the proposed assignee, whereby such assignee expressly assumes liability for the Lease obligations as to Phase 2/Parcel 2. The

parties agree that as a condition to any assignment, the proposed assignee will deliver to County, prior to any approval of such assignment, financial statements for any and all entities and affiliated entities of the assignee. At its discretion, County reserves the right to request additional financial statements of related and/or affiliated entities' financial conditions. Further, assignee will provide County with written representations and warranties confirming the accuracy of the information delivered to County concerning its and its affiliates' financial condition.

D. Further, it is the intent of the parties, that following any consent by County of an assignment of this Lease in connection with Phase 2 and/or Parcel 2 of the Project, such assignment shall be subject to the following:

- (i) the assignment agreement between any assignee and County will contain a provision that assignee and County will concurrently enter into a separate ground lease with substantially the same or similar terms that exist in this Lease as to Phase 2/Parcel 2, including the affordability restrictions set forth in **Exhibit "B"**; and, thereto, County and the assignee will execute such separate ground lease as to Phase 2/Parcel 2 and further, that such agreement will terminate any rights and obligations assignee may have under this Lease; and,
- (ii) that County and RCGPLP will, concurrently with the assignment agreement, enter into an amended and restated ground lease agreement releasing RCGPLP of its rights and obligations as to Phase 2/Parcel 2 under this Lease and thereafter, RCGPLP will have no rights and/or obligations with respect to Phase 2/Parcel 2 under the terms of this Lease; and,
- (iii) further, that the amended and restated ground lease will contain the same or similar terms as this Lease as to Phase 1/Parcel 1 of the Project, and that the amended and restated ground lease will not terminate RCGPLP's rights and obligations as to Phase

1/Parcel 1 so long as RCGPLP is not in breach of the Lease and has fulfilled its obligations thereto; and,

- (iv) further, that once any such assignment has been made as to Parcel 2/Phase 2, and provided that a separate ground lease has been executed as to Phase 2/Parcel 2 between County and the assignee, and further provided that RCGPLP and County have executed an amended and restated ground lease as to Parcel 1/Phase 1, any default as to Phase 2/Parcel 2 by the assignee will not be construed as a default as to Phase 1/Parcel 1 by RCGPLP.

31. COUNTY'S REPRESENTATIVE

County hereby appoints the Assistant County Executive Officer/EDA or designee(s) as its authorized representative to administer this Lease. The County's Assistant County Executive Officer/EDA or designee(s) are authorized to take such ministerial actions as may be necessary or appropriate to implement the terms, provisions, and conditions of this Lease.

32. TRANSFERS

Upon prior written approval by County, RCGPLP may transfer the Project solely for the purposes of accomplishing any of the following: (i) the admission of limited partners to RCGPLP's limited partnership, or similar mechanism, and the purchase of any such limited partnership interest or interests or RCGPLP's leasehold interest in the improvements by RCGPLP's general partner (or its affiliate); (ii) the replacement of RCGPLP's general partner or similar mechanism, by an affiliate of the general partner; (iii) the removal for cause of any general partner by a limited partner of RCGPLP's partnership, and the replacement thereof; (iv) the lease for occupancy of all or any of the Units; (v) the granting of easements or permits to facilitate the development of the Property; and (vi) the withdrawal, removal and/or replacement of any limited partner of RCGPLP.

County's approval of the above-stated transfers in shall not be unreasonably withheld and County's Assistant County Executive Officer/Economic Development

Agency or designee(s) are authorized to execute such written instrument necessary or appropriate to evidence approval of the transfers in this Section. Notwithstanding anything to the contrary herein, any transfer described in **Sections (i)(iv) and (vi)** above shall not require County's prior approval as long as the lease complies with all provisions of RCGPLP's requirements under any applicable HOME funding program regulations.

33. CONFLICT OF INTEREST.

RCGPLP warrants that at the date of entering into this Lease no conflict of interest exists or is likely to arise in the performance of its obligations under this Lease. If during the term of this Lease, RCGPLP becomes aware of a conflict, RCGPLP will undertake to immediately notify County, in writing, of that conflict and take any steps that County will reasonably require to resolve the conflict.

34. TOXIC MATERIALS

A. County hereby represents and warrants that it has no knowledge, and has no reasonable cause to believe, that any release of hazardous materials (as defined in (B) below) has come to be located on or beneath the Property except as set forth in that certain Phase 1 Environmental Site Assessment for the Property prepared by SCS Engineers dated as of April 25, 2012 (the "Phase 1 Report"). If upon investigation of the Property, RCGPLP determines that the Property is not suitable for the use or uses to which the Property are to be put pursuant to this Lease, as a result of any soil condition or condition related to the presence of hazardous materials, RCGPLP may, upon written notice to the County of the unsuitability of the Property, terminate this Lease.

B. During the Term and any extensions thereof, RCGPLP shall not violate any federal, state or local law, or ordinance or regulation, relating to industrial hygiene or to the environmental condition on, under or about the Property including, but not limited to, soil and groundwater conditions. Further, RCGPLP, its successors, assigns and sublessees, shall not use, generate, manufacture, produce, store or dispose of on, under or about the Property or transport to or from the Property (except in connection

with the remediation of any existing conditions set forth in the Phase 1 Report, or otherwise necessary to permit the development of the Project) any flammable explosives, asbestos, radioactive materials, hazardous wastes, toxic substances or related injurious materials, whether injurious by themselves or in combination with other materials (collectively, "Hazardous Materials"). For the purpose of this Lease, hazardous materials shall include, but not be limited to, substances defined as "hazardous substances," "hazardous materials," or "toxic substances" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq.; and those substances defined as "hazardous wastes" in Section 25117 of the California Health and Safety Code or as "hazardous substances" in Section 25316 of the California Health and Safety Code; and in the regulations adopted in publication promulgated pursuant to said laws. Notwithstanding the foregoing, RCGPLP may transport and use Hazardous Materials within the Property in order to construct, operate and maintain the Project. In doing so, however, RCGPLP acknowledges and covenants that it shall comply strictly with any and all federal, state and local laws, ordinances and regulations relating to the use and disposition of such Hazardous Materials.

35. FREE FROM LIENS

RCGPLP shall pay, when due, all sums of money that may become due for any labor, services, materials, supplies, or equipment, alleged to have been furnished or to be furnished to RCGPLP, in, upon, or about the Property, and which may be secured by a mechanics', material men's or other lien against the Property or County's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by such lien, if any, provided, however, RCGPLP shall have the right to contest any such lien, but notwithstanding any such contest, if such lien shall be reduced to final judgment, and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed, and said stay thereafter expires, then and in such event, RCGPLP shall

forthwith pay and discharge said judgment.

36. LIENS AND ENCUMBRANCES AGAINST RCGPLP'S INTEREST IN THE LEASEHOLD ESTATE

A. RCGPLP's Right to Encumber. Notwithstanding any other provision contained herein, County does hereby consent to and agree that RCGPLP may encumber or assign, or both, for the benefit of an Encumbrancer (defined below), this Ground Lease, the leasehold estate of RCGPLP and the Project and related improvements constructed by RCGPLP by a Leasehold Deed of Trust, mortgage or other security-type instrument, herein called trust deed, but only to the extent necessary to assure repayment of the financing of the construction and operation of the Project by RCGPLP (including any conversion of the construction loan to permanent financing), and in connection with such encumbrance the prior written consent of County shall not be required:

(i) To a transfer of this Ground Lease at foreclosure under the trust deed, judicial foreclosure, or an assignment in lieu of foreclosure or in connections with the Encumbrancer's exercise of any remedy provided in the deed of trust; or

(ii) To any subsequent transfer by the Encumbrancer if the Encumbrancer is the purchaser at such foreclosure sale or is the assignee under an assignment in lieu of foreclosure; provided however, that in either such event the Encumbrancer promptly gives notice to County in writing of any such transfer, setting forth the name and address of the transferee, the effective date of such transfer, and a copy of the express agreement of the transferee assuming and agreeing to perform all of the obligations under this Lease, together with a copy of the document by which such transfer was made.

For purposes of this Ground Lease, an "Encumbrancer" shall mean an established bank, savings and loan association, insurance company or other entity which provides tax exempt bond financing or other institutional financing.

Any Encumbrancer or other transferee who succeeds to RCGPLP's interest under this Lease shall be liable to perform all the obligations and duties of RCGPLP

under this Ground Lease, including, but not limited to the affordability restrictions specified in the Covenants and Conditions Agreement, attached hereto as **Exhibit "B"** and the Termination provisions set forth herein.

RCGPLP shall give County prior notice of any such trust deed and shall accompany such notice with a copy of any such trust deed. Except as described in this Section, RCGPLP shall not permit any other liens or encumbrances on the Property or its interest therein without the County's prior written consent.

RCGPLP shall not have the right, without County's consent, to encumber County's reversionary interest in the improvements.

Notwithstanding the above, nothing in this Ground Lease shall be construed as an agreement by the County to subordinate its fee interest in the Property.

B. For as long as there is any lien security any loans:

1. Notwithstanding any default by RCGPLP under this Lease, County shall have no right to terminate this Lease unless County shall have given Lenders which have an outstanding loan written notice of such default and such Lenders shall have failed to remedy such default or acquire RCGPLP's Leasehold Estate or commence foreclosure or other appropriate proceedings as set forth in, and within the time specified by, this Section.

2. Any Lender which has an outstanding loan shall have the right, but not the obligation, at any time to do any act or thing required of RCGPLP by the terms of this Lease, to prevent termination of this Lease. Each Lender shall have ninety (90) days after receipt of notice from County describing such default to cure the default. All payments so made and all things so done shall be as effective to prevent a termination of this Lease as the same would have been if made and performed by RCGPLP instead of by Lender(s).

3. In addition to the cure period provided in **Paragraph (2)** above, if the default is such that possession of the Property (or applicable Parcel) may be reasonably necessary to remedy the default, any Lender which has an outstanding loan shall have a reasonable time after the expiration of such ninety (90) day period

within which to remedy such default, provided that such Lender shall have fully cured any default in the payment of any monetary obligations when the same are due and (ii) such Lender shall have acquired RCGPLP's Leasehold Estate or commenced foreclosure or other appropriate proceedings prior to or within such period, and shall be diligently prosecuting the same.

4. Any default under this Lease which by its nature cannot be remedied by any Lender shall be deemed to be remedied if (i) within ninety (90) days after receiving written notice from County describing the default, or prior thereto, any Lender shall have acquired RCGPLP's Leasehold Estate or commenced foreclosure or other appropriate proceedings, (ii) Lender shall diligently prosecute any such proceedings to completion, (iii) Lender shall have fully cured any default in the payment of any monetary obligations of RCGPLP hereunder which does not require possession of the Property (or applicable Parcel), and (iv) after gaining possession of the Property (or applicable Parcel), the Lender shall perform all other obligations of RCGPLP hereunder capable of performance by Lender when the obligations are due.

5. County shall mail or deliver to any Lenders which have any outstanding loan a duplicate copy of all notices which County may from time to time give to RCGPLP pursuant to this Lease. No notice by County to RCGPLP hereunder shall be effective unless and until a copy of the notice shall have been mailed or delivered to such Lenders as set forth in this Paragraph.

6. In the event any Lender acquires the interest of RCGPLP under this Lease by means of foreclosure or deed in lieu of foreclosure or pursuant to any new Lease obtained under **subsection (7)** below, that Lender shall be personally liable under this Lease or such new Lease only for the period of time that lender remains lessee thereunder, and that Lender's right to assign this Lease or such new Lease shall be subject to the restrictions set forth in this Lease. Nothing in this Paragraph shall be construed to obligate any Lender to remedy any default of RCGPLP, and any failure of any lender to complete any such cure after commencing the same shall not give rise to any liability of any lender to County or RCGPLP.

7. In the event a Lender becomes the legal owner of the Leasehold Estate, and upon written request by Lender given within sixty (60) days after becoming the legal owner of the Leasehold Estate, County shall enter into a new Lease of the Property (or applicable Parcel) with the Lender for the remainder of the term of this Lease with the same agreements, covenants, reversionary interests and conditions (except for any requirements which have been fulfilled by RCGPLP prior to termination) as are contained in this Lease and with priority equal to this Lease, provided, however, that a Lender shall promptly cure any defaults by RCGPLP susceptible to cure by Lender.

8. Any limited partners of RCGPLP shall have the same rights as any Lender authorized under **subparagraphs (2) and (5) of this Paragraph (C)** of this Lease and any reference to a lender in **subparagraphs (2) and (5) of this Paragraph (C)** shall be deemed to include such limited partners.

9. County shall cooperate in including in this Lease by suitable amendment from time to time any provision which may reasonably be requested by any proposed Lender for the purpose of implementing the mortgagee protection provisions contained in this Lease and allowing such Lender reasonable means to protect or preserve the lien of the Lender and the value of its security. County agrees to execute and deliver (and to acknowledge, if necessary, for recording purposes) any agreement necessary to effect any such amendment; provided, however, that any such amendment shall not in any way affect the term of this Lease or rent under this Lease nor otherwise affect adversely any material right of County under this Lease.

10. The parties shall not amend this Lease without the consent of the Lenders for the applicable Parcel.

C. Any mortgage created against the Leasehold Estate pursuant to **subsection (A)** of this Paragraph shall be subject to the provisions of this Lease and all rights of County under this Lease.

37. ESTOPPEL CERTIFICATES

RCGPLP and County, at any time, and from time to time during the term of this Ground

Lease, and any extension thereof, and within thirty (30) days after request, in writing, has been given by the other party, shall execute, acknowledge and deliver to the requesting party a statement in writing certifying that this Ground Lease is unmodified and in full force and effect (or if there have been any modifications, that the same is in full force and effect as modified and stating the modifications). The statement shall also include the dates to which the rent and any other charges have been paid in advance, that there are no defaults existing or that defaults exist and the nature of such defaults. It is intended that such statement as provided in Paragraph 33 may be relied upon by any prospective encumbrancer/lender as assignee of the leasehold interest in the Property or the improvements thereon or both or all of any portion or portions of RCGPLP's interest under this **paragraph 34**.

38. NOTICE AND RIGHT TO CURE DEFAULTS UNDER LOANS

Upon the recording of this Lease, County may record in the office of the Recorder of the County in which the Property is situated and request for notice of any default under each loan. In the event of default by RCGPLP under a loan, County shall have the right, but not the obligation, to cure the default. Any payments made by County to cure a default shall be payable by RCGPLP to County within thirty (30) days of the date on which the payment was made by the County.

39. ENCUMBRANCE BY COUNTY

County shall not encumber or hypothecate its interest in the Property or any part thereof with any mortgage, deed of trust or other form of security interest.

40. EMPLOYEES AND AGENTS OF RCGPLP

It is understood and agreed that all persons hired or engaged by RCGPLP shall be considered to be employees or agents of RCGPLP and not of County throughout the term of this Lease.

41. WAIVER OF PERFORMANCE

No waiver by County at any time of any of the terms and conditions of this Lease shall be deemed or construed as a waiver at any time thereafter of the same or of any other terms or conditions contained herein or of the strict and timely performance of such

terms and conditions.

42. SEVERABILITY

The invalidity of any provision in this Lease as determined by a court of competent jurisdiction shall in no way affect the validity of any other provision hereof.

43. VENUE

Any action at law or in equity brought by either of the parties hereto for the purpose of enforcing a right or rights provided for by this Lease shall be tried in the Superior court, Central Division of the County of Riverside, State of California, and the parties hereby waive all provision of law providing for a change of venue in such proceedings to any other County.

44. ATTORNEYS' FEES

In the event of any litigation or arbitration between RCGPLP and COUNTY to enforce any of the provisions of this LEASE or any right of either party hereto, the unsuccessful party to such litigation or arbitration agrees to pay to the successful party all costs and expenses, including reasonable attorneys' fees, incurred therein by the successful party, all of which shall be included in and as a part of the judgment or award rendered in such litigation or arbitration.

45. NOTICES

All notices, requests, demands and other communication required or desired to be served by either party upon the other shall be addressed to the respective parties as set forth below or the such other addresses as from time to time shall be designated by the respective parties and shall be sufficient if sent by United States first class, certified mail, postage prepaid, or express delivery service with a receipt showing the date of delivery:

COUNTY
Assistant Director, Housing
Riverside County
Economic Development Agency
3403 Tenth St., Suite 500
Riverside, CA 92501

RCGPLP
President
Riverside Cedar Glen Partners LP
P.O. BOX 3958
Palm Desert, CA 92261

46. PARAGRAPH HEADINGS

The paragraph headings herein are for the convenience of the parties only, and shall not be deemed to govern, limit, modify or in any manner affect the scope, meaning or intent of the provisions or language of this Lease.

47. AUTHORITY TO EXECUTE

The person or persons executing this Lease or Exhibits attached hereto on behalf of the parties hereto or any other person or business entity hereby warrant and represent that he/she have the authority to execute this Lease or Exhibits on behalf of his/her entity and warrants and represents that he/she have the authority to bind such entity to the performance of its obligations hereunder.

48. CONSTRUCTION OF LEASE

The parties hereto negotiated this Lease at arm's length and with the advice of their respective attorneys, and no provisions contained herein shall be construed against County solely because it prepared this Lease in its executed form.

49. ENTIRE LEASE

This Lease is intended by the parties hereto as a final expression of their understanding with respect to the subject matter hereof and as a complete and exclusive statement of the terms and conditions thereof and supersedes any and all prior and contemporaneous agreements, Leases and understandings, oral and written consent of the parties hereto.

50. BINDING ON SUCCESSORS

County and RCGPLP, and their assigns and successors in interest, shall be bound by all the terms and conditions contained in this Lease.

51. NO MERGER. For so long as any debt secured by a mortgage upon the Leasehold Estate shall remain outstanding and unpaid, unless Lender shall otherwise consent in writing, there shall be no merger of either this Lease or the Leasehold Estate created hereunder with the fee estate of the Property or any part thereof by reason of the fact that the same person may acquire, own or hold, directly or indirectly, (a) this Lease, the Leasehold Estate created hereunder or any interest in this Lease or

Leasehold Estate (including the improvements constructed for a Phase), and (b) the fee estate in the Property or any part thereof or any interest in such fee estate (including the improvements constructed for a Phase), unless and until all persons, including any assignee of County, having an interest in (i) this Lease or Leasehold Estate created hereunder, and (ii) the fee estate in the Property or any part thereof, shall join in a written instrument effecting such merger and shall duly record the same, and shall have obtained the prior written consent of Lender.

52. DUTY TO COOPERATE.

County and RCGPLP acknowledge that the development of the Property requires reasonable cooperation between the parties with respect to the subdivision of the Parcels, anticipated assignments and the execution of documents reasonably required for the execution and administration of this Lease, and the parties herein agree to exercise good faith and fair dealing practices and to cooperate with one another as is reasonably necessary to effectuate the execution and administration of this Lease.

53. TIME OF ESSENCE. Time is, and shall be, of the essence in this Lease.

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IN WITNESS WHEREOF, RCGPLP and COUNTY have executed this GROUND
LEASE AGREEMENT as of the date first above written.

COUNTY OF RIVERSIDE, a political
Subdivision of the State of California

RIVERSIDE CEDAR GLEN PARTNERS, LP,
a California limited partnership

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

BY: PALM COMMUNITIES, a
California corporation, its sole
member/manager

By: _____
John F. Tavaglione, Chairman
Board of Supervisors

By: _____
Todd A. Deutscher, Chief Operating Officer
& Chief Financial Officer

Attest:
Kecia Harper-Ihem
Clerk of the Board

By: _____
Deputy

APPROVED AS TO FORM:
Pamela J. Walls, County Counsel

By: _____
Annie T. Sahhar,
Deputy County Counsel

(Signatures on this page need to be notarized)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF RIVERSIDE }

On JUNE 20, 2012, before me, TRACY GENEVA GARZA, NOTARY PUBLIC
Date Here Insert Name and Title of the Officer

personally appeared TODD A. DEUTSCHER
Name(s) of Signer(s)

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.



Place Notary Seal Above

WITNESS my hand and official seal.

Signature Tracy Geneva Garza NOTARY PUBLIC
Signature of Notary Public

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

On _____, before me, _____
Date Here Insert Name and Title of the Officer

personally appeared _____
Name(s) of Signer(s)

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.

Place Notary Seal Above

Signature _____
Signature of Notary Public

EXHIBIT "A"

LEGAL DESCRIPTION OF THE PROPERTY

That certain parcel of land situated in the City of Riverside, County of Riverside, State of California, being that portion of Parcel 2 as described in a Grant Deed recorded January 27, 2000 as Document No. 2000-030542 and re-recorded May 02, 2002 as Document No. 2002-232884 of Official Records, in the Office of the County Recorder of said Riverside County, more particularly described as follows:

COMMENCING at the northeast corner of said Parcel 2;

thence South 00°56'23" West 80.00 feet along the east line of said Parcel 2 to the **POINT OF BEGINNING**;

thence South 37°41'22" East 18.14 feet to the beginning of a non-tangent curve concave to the northeast and having a radius of 544.00 feet, a radial line of said curve at said point bears North 86°14'54" East, said curve also being the west line of Parcel 1 of Grant Deed recorded February 1, 1991 as Instrument No. 038278 of Official Records of said County;

thence along said curve southeasterly 238.35 feet through a central angle of 25°06'13" to the most easterly corner of said Parcel 2;

thence South 56°23'49" West along the southeasterly line of said Parcel 2 and the southwesterly prolongation thereof, a distance of 718.43 feet to a line parallel with and distant 49.50 feet northeasterly, measured at right angles, of the west line of said Parcel 2;

thence North 27°54'50" West 163.68 feet along said parallel line to the beginning of a tangent curve concave to the northeast and having a radius of 477.50 feet;

thence along said curve northwesterly 240.47 feet through a central angle of 28°51'15";

thence tangent from said curve North 00°56'25" East 238.59 feet;

thence North 45°56'22" East 49.50 feet to a line parallel with and distant 80.00 feet south of the north line of said Parcel 2;

thence South 89°03'24" East 613.62 feet along said parallel line to the **POINT OF BEGINNING**.

CONTAINING 7.39 acres, more or less.

EXHIBIT "B" attached and by this reference made a part hereof.

SUBJECT TO all Covenants, Rights, Rights-of-Way and Easements of Record.

This description was prepared by me or under my direction.


Christopher L. Alberts, P.L.S. 8508

6-14-12
Date



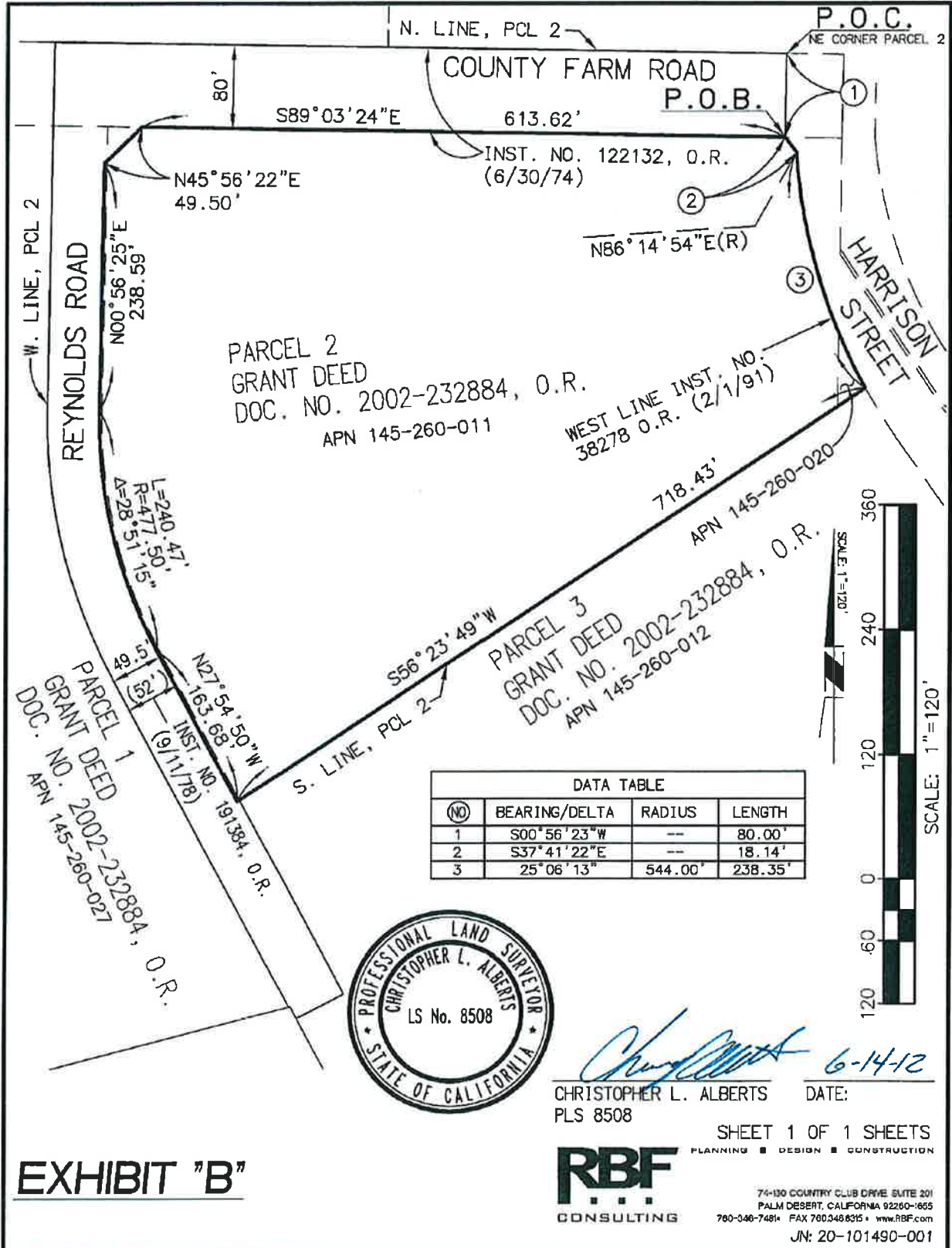


EXHIBIT "B"

COVENANTS AND CONDITIONS AGREEMENT

NO FEE FOR RECORDING PURSUANT TO
GOVERNMENT CODE SECTION 6103

Order No.

Escrow No.

Loan No.

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL
TO:

County of Riverside

Economic Development COUNTY

3403 Tenth Street, Suite 500

Riverside, CA 92501

Attn. Benjamin Cendejas

SPACE ABOVE THIS LINE FOR RECORDERS
USE

EXHIBIT "B"
COVENANTS AND CONDITIONS AGREEMENT

THIS COVENANTS AND CONDITIONS AGREEMENT (the "AGREEMENT") is made this ____ day of _____ 2012, by and between the County of Riverside, a political subdivision of the State of California (hereinafter referred to as "COUNTY") and Riverside Cedar Glen Partners LP, a California limited partnership (hereinafter referred to as "RCGPLP") with respect to the following recitals:

RECITALS

A. On _____, 2012, COUNTY and RCGPLP entered into that certain Ground Lease Agreement ("LEASE") with regard to certain real property owned by COUNTY, consisting of an approximately 7.388 acre parcel commonly known as a portion of assessor parcel numbers 145-260-011 and 145-260-020 (herein referred to as "SITE"), in the City of Riverside, California. On _____, 2012, in accordance with the Lease, RCGPLP caused the recordation of a subdivision map of the Site creating one parcel consisting of approximately 3.62 acres, as more particularly set forth below, (and referred to herein as the "PROPERTY" or "PHASE 1 PARCEL"), and an additional parcel consisting of approximately 3.76 acres (the "Phase 2 Parcel"). This Agreement encumbers both the Phase 1 Parcel and Phase 2 Parcels, and limits the use and development of the Phase 1 and Phase 2 Parcels as more particularly set forth below.

Phase 1:

That certain parcel of land situated in the City of Riverside, County of Riverside, State of California, being that portion of Parcel 2 as described in a Grant Deed recorded January 27, 2000 as Document No. 2000-030542 and re-recorded May 02, 2002 as Document No. 2002-232884 of Official Records, in the Office of the County Recorder of said Riverside County, more particularly described as follows:

BEGINNING at the northeast corner of said Parcel 2;

Thence South 00°56'23" West 80.00 feet along the east line of said Parcel 2 to the **POINT OF BEGINNING**;

Thence South 37°41'22" East 18.14 feet to the beginning of a non-tangent curve concave to the northeast and having a radius of 544.00 feet, a radial line of said curve at said point bears North 86°14'54" East, said curve also being the west line of Parcel 1 of Grant Deed recorded February 1, 1991 as Instrument No. 038278 of Official Records of said County;

Thence along said curve southeasterly 238.35 feet through a central angle of 25°06'13" to the most easterly corner of said Parcel 2;

Thence South 56°23'49" West 398.41 feet along the south line of said Parcel 2;

Thence leaving said south line of Parcel 2, North 33°37'46" West 118.47 feet;

thence North 56°23'51" East 9.66 feet;

thence North 33°36'09" West 66.22 feet;

thence South 56°23'51" West 9.66 feet;

thence North 33°36'09" West 57.83 feet to the beginning of a tangent curve concave to the northeast and having a radius of 100.00 feet;

thence along said curve northwesterly 51.84 feet through a central angle of 29°42'12";

thence non-tangent from said curve North 00°38'58" West 123.49 feet;

thence South 89°15'18" East 15.53 feet;

thence North 00°56'25" East 94.43 feet to a line parallel with and distant 80.00 feet south of the North line of said Parcel 2;

thence South 89°03'24" East 389.49 feet along said parallel line to the **POINT OF BEGINNING**.

Phase 2:

That certain parcel of land situated in the City of Riverside, County of Riverside, State of California, being that portion of Parcel 2 as described in a Grant Deed recorded January 27, 2000 as Document No. 2000-030542 and re-recorded May 02, 2002 as Document No. 2002-232884 of Official Records, in the Office of the County Recorder of said Riverside County, more particularly described as follows:

COMMENCING at the northwest corner of said Parcel 2;

Thence South 00°56'25" West 80.00 feet along the west line of said Parcel 2;

thence South 89°03'24" East 84.50 feet leaving said west line of Parcel 2 to the **POINT OF BEGINNING**;

thence South 89°03'24" East 224.14 feet along a line parallel with and distant 80.00 feet south of the north line of said Parcel 2;

thence South 00°56'25" West 94.43 feet;

thence North 89°15'18" West 15.53 feet;

thence South 00°38'58" East 123.49 feet to the beginning of a non-tangent curve concave to the northeast and having a radius of 100.00 feet, a radial line of said curve at said point bears North 86°06'03" East;

thence along said curve southeasterly 51.84 feet through a central angle of 29°42'12";

thence tangent from said curve South 33°36'09" East 57.83 feet;

thence North 56°23'51" East 9.66 feet;

thence South 33°36'09" East 66.22 feet;

thence South 56°23'51" West 9.66 feet;

thence South 33°37'46" East 118.47 feet to the south line of said Parcel 2;

thence South 56°23'51" West 320.01 feet along said south line to a line parallel with and distant 49.50 feet northeasterly, measured at right angles, of the west line of said Parcel 2;

thence North 27°54'50" West 163.68 feet to the beginning of a tangent curve concave to the northeast and having a radius of 477.50 feet;

thence along said curve northwesterly 240.47 feet through a central angle of 28°51'15";

thence tangent from said curve North 00°56'25" East 238.59 feet;

thence North 45°56'22" East 49.50 feet to the **POINT OF BEGINNING**.

B. Pursuant to the LEASE, RCGPLP has agreed to restrict the use of the PROPERTY.

NOW, THEREFORE, in consideration of the mutual covenants, conditions, and agreements contained in the LEASE, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, RCGPLP hereby declares as follows with

regard to the PROPERTY, which declaration shall be an equitable servitude running with the PROPERTY for the benefit of the COUNTY as follows:

Section 1. Restrictions. For a period of ninety-nine (99) years from the date hereof (or for such time as the Lease remains in effect against both the Phase 1 and Phase 2 Parcels, whichever is shorter), for itself and on behalf of its successors and assigns with regard to the PROPERTY, RCGPLP shall comply with the following restrictions, at a minimum:

- 1.1 Not less than forty percent (40%) of the total number of those housing units developed on any Parcel or for any Phase of the project shall be affordable to household whose incomes are equal to or less than seventy-five percent (75%) of the maximum income of lower income households, and at least half of which shall be affordable to very low income households as set forth in Government Code § 25539.4.
- 1.2 Further, not more than 49% of the units developed on any Parcel or for any Phase of the Project shall be required to be affordable to individuals whose incomes are equal to, or less than, sixty percent (60%) of the area median income throughout the Term.
- 1.3 The affordability restrictions stated in 1.1 and 1.2 are the minimum affordability restrictions that apply to the Parcels/Project. To the extent that any applicable local, state or federal affordability restrictions are more restrictive than the affordability restrictions set forth in section 1.1 and 1.2 apply to the Parcels/Project, including, but not limited to: the Home Investment Partnership Program, the Mental Health Services Act Program, the Affordable Housing Program and the California Tax Credit Allocation Committee, RCGPLP and its successors, assigns and each successor in interest to the Property shall comply with the more restrictive affordability restrictions of such programs.

Section 2. Maintenance of the Improvements. RGPLP, on behalf of itself and its successors, assigns, and each successor in interest to the PROPERTY or any part thereof hereby covenants to and shall protect, maintain, and preserve the improvements located on the PROPERTY.

Section 3. Grant of Easement and License to Enter. In addition to other remedies which COUNTY may have to enforce the covenants and agreements set forth above in **Sections 1 and 2**, RCGPLP hereby grants to COUNTY an easement and right of ingress and egress over and across the PROPERTY insofar as such ingress and egress is necessary to protect, maintain, and preserve such architectural style and treatment of the façade in the event RCGPLP (or its successors or assigns of its successors in interest to the PROPERTY or any part thereof) shall cease or fail to protect, maintain, monitor affordability compliance, and preserve PROJECT. Pursuant to such grant, COUNTY, its agents, employees, and representatives, shall be permitted (but are not required) to enter upon the PROPERTY and

perform such acts and work necessary to protect, maintain, monitor affordability compliance, and preserve PROJECT, and to attach a lien on the PROPERTY, or to assess the PROPERTY, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by RCGPLP arising from the enforcement of the covenants set forth in **Sections 1 and 2** hereof. RCGPLP shall pay to COUNTY all amounts owed for maintenance or repairs which COUNTY has performed within thirty (30) days of being presented with an invoice with respect to such amounts; any such amounts that are not paid within thirty (30) days of delivery of an invoice with respect thereto shall bear interest at a rate equal to twelve percent (12%) per annum or the highest amount permitted by applicable law, whichever is lower. COUNTY shall not exercise the easement and right-of-entry provided herein without prior written notice and a reasonable opportunity given to RCGPLP (or to its successors or assigns or its successors in interest to the PROPERTY) to comply with its covenants in **Sections 1 and 2** hereof; thirty (30) days' notice shall be deemed to constitute reasonable notice and a reasonable opportunity for RCGPLP to commence the required maintenance or repair (and shall thereafter pursue such maintenance or repair to completion).

Section 4. Nondiscrimination. RCGPLP covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, age, religious creed, sex, sexual orientation, marital status, national origin, ancestry, familial status, source of income, physical or mental disability in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the PROPERTY, nor shall RCGPLP itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the election, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the PROPERTY. The foregoing covenants shall run with the land.

RCGPLP shall refrain from restricting the rental, sale, or lease of the PROPERTY on the basis of race, color, age, religious creed, sex, sexual orientation, marital status, national origin, ancestry, familial status, source of income, physical or mental disability of any person. All such deeds, leases or contacts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

1. In deeds: "The Grantee herein covenants by and for himself for herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, age, religious creed, sex, sexual orientation, marital status, national origin, ancestry, familial status, source of income, physical or mental disability in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee himself or herself nor any person claiming under or through him or her establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, numbers use or occupancy of tenants, lessees,

subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land.”

2. In leases: “The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

“There shall be no discrimination against or segregation of any person or group of persons on account of race, color, age, religious creed, sex, sexual orientation, marital status, national origin, ancestry, familial status, source of income, physical or mental disability in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the premises herein leased nor shall the lessee himself or herself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the premises herein leased.”

3. In contracts, “There shall be no discrimination against or segregation of any person or group of persons on account of race, color, age, religious creed, sex, sexual orientation, marital status, national origin, ancestry, familial status, source of income, physical or mental disability in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the transferee himself or herself or any person claiming under or through him or her, establish or permit any such practices or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees or vendees of the premises.”

Section 6. Notices. All Notices provided for in this Agreement shall be deemed made when personally delivered, or two (2) days following mailing by certified mail, return receipt requested. All mailing shall be addressed to the respective parties at their addresses set forth below, or at such other address as each party may designate in writing and give to the other party:

COUNTY

Assistant Director, Housing
County of Riverside
Economic Development Agency
3403 Tenth St., Suite 500
Riverside, CA 92501

RCGPLP
President
c/o Palm Communities
P.O. Box 3958
Palm Desert, CA 92261

Section 7. Binding Effect. The rights and obligations of this Agreement shall bind and inure to the benefit of the respective heirs, successors and assigns of the parties.

Section 8. Attorney's Fees. If any party hereto brings an action to enforce the terms hereof or declare its rights hereunder, the prevailing party in any such action shall be entitled to its reasonable attorney's fees to be paid by the losing party as fixed by the Court.

Section 9. Severability. In any event that any provision, whether constituting a separate paragraph or whether contained in a paragraph with other provisions, is hereafter determined to be void and unenforceable, it shall be deemed separated and deleted from the agreement and the remaining provisions of this Agreement shall remain in full force and effect.

The foregoing covenants against discrimination or segregation shall continue in effect in perpetuity.

(SIGNATURES ARE ON THE FOLLOWING PAGE)

Executed at Riverside, California.

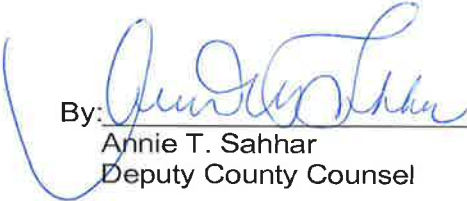
COUNTY OF RIVERSIDE, a political
subdivision of the State of California

By: _____
John F. Tavaglione, Chairman
Board of Supervisors

ATTEST:
Kecia Harper-Ihem
Clerk of the Board

APPROVED AS TO FORM:
Pamela J. Walls, County Counsel

By: _____
Deputy

By: 
Annie T. Sahhar
Deputy County Counsel

RCGPLP:

RIVERSIDE CEDAR GLEN PARTNERS, LP,
a California limited partnership

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

BY: PALM COMMUNITIES, a California corporation
its sole member/manager

By: 
Todd A. Deutscher, Chief Operating Officer
& Chief Financial Officer

EXHIBIT "C"

PRELIMINARY TITLE REPORT

**Updated January 27,
2012**



**First American Title Insurance Company
National Commercial Services**

**5 First American Way
Santa Ana, CA 92707**

January 27, 2012

Colleen Edwards
Palm Desert Development Company
44-139 Monterey Avenue, Suite A
Palm Desert, CA 92260
Phone: (760)568-1048
Fax: (760)568-9761

Customer Reference: APN 145-260-011 and 145-260-020

Title Officer: Greg Franke
Phone: (714)250-8363
Fax No.: (877)478-3026
E-Mail: gfranke@firstam.com

Buyer: To Be Determined

Owner: County of Riverside

Property: 3990 Reynolds Road, RiversideCA

PRELIMINARY REPORT

In response to the above referenced application for a policy of title insurance, this company hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Exhibit A attached. *The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties.* Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Exhibit A. Copies of the policy forms should be read. They are available from the office which issued this report.

First American Title Insurance Company

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

Dated as of January 23, 2012 at 7:30 A.M.

The form of Policy of title insurance contemplated by this report is:

ALTA Standard Owner Policy - 2006

A specific request should be made if another form or additional coverage is desired.

Title to said estate or interest at the date hereof is vested in:

County of Riverside

The estate or interest in the land hereinafter described or referred to covered by this Report is:

Fee Simple

The Land referred to herein is described as follows:

(See attached Legal Description)

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in said policy form would be as follows:

1. General and special taxes and assessments for the fiscal year 2012-2013, a lien not yet due or payable.
2. General and special taxes and assessments for the fiscal year 2011-2012 are exempt. If the exempt status is terminated an additional tax may be levied. Account No. 145-260-011-2 and 145-260-020-0
3. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.
4. An easement for either or both pole lines, conduits or underground facilities and incidental purposes, recorded March 16, 1928 in Book 756 of Deeds, Page 207.
In Favor of: Southern Sierras Power Company
Affects: As described therein
5. An easement for public utilities and incidental purposes, recorded December 19, 1952 as Book 1426, Page 50 of Official Records.
In Favor of: California Electric Power Company
Affects: As described therein
6. The terms and provisions contained in the document entitled "Joint Powers Agreement between the County Riverside and the City of Riverside Creating an Agency to be known as "The Riverside General Hospital Authority"" recorded July 31, 1969 as Instrument No. 77723 of Official Records.

Document(s) declaring modifications thereof recorded July 31, 1969 as Instrument No. 77724 of Official Records.

7. An easement for public utilities and incidental purposes, recorded December 5, 1969 as Instrument No. 125012 of Official Records.

In Favor of: City of Riverside, a municipal corporation
Affects: As described therein

The location of the easement cannot be determined from record information.

8. An easement for road, electrical distribution waterline facilities, telephone and telegraph communication facilities and incidental purposes, recorded August 6, 1974 as Instrument No. 100405 of Official Records.

In Favor of: City of Riverside
Affects: As described therein

Document re-recorded September 20, 1974 as Instrument No. 122132 of Official Records.

9. An easement for public utilities and incidental purposes, recorded August 21, 1978 as Instrument Nos. 176255 and 176256, both of Official Records.

In Favor of: The Pacific Telephone and Telegraph Company
Affects: As described therein

10. An easement for road waterline facilities and underground electric distribution facilities and incidental purposes, recorded September 11, 1978 as Instrument No. 191384 and September 15, 1978 as Instrument No. 195598, both of Official Records.

In Favor of: City of Riverside
Affects: As described therein

11. The fact that the land lies within the boundaries of the Arlington Redevelopment Project, Amendment No. 2 Redevelopment Project Area, as disclosed by the document recorded April 16, 1999 as Instrument No. 161207 of Official Records.

12. The terms and provisions contained in the document entitled "Certificate of Compliance" recorded May 31, 2000 as Instrument No. 2000-205095 of Official Records.

13. The fact that the land lies within the boundaries of the La Sierra/Arlanza Redevelopment Project Area, as disclosed by the document recorded July 29, 2004 as Instrument No. 2004-0588604 of Official Records.

14. Rights of parties in possession.

INFORMATIONAL NOTES

1. According to the public records, there has been no conveyance of the land within a period of twenty-four months prior to the date of this report, except as follows:

None
2. This preliminary report/commitment was prepared based upon an application for a policy of title insurance that identified land by street address or assessor's parcel number only. It is the responsibility of the applicant to determine whether the land referred to herein is in fact the land that is to be described in the policy or policies to be issued.
3. Should this report be used to facilitate your transaction, we must be provided with the following prior to the issuance of the policy:
 - A. WITH RESPECT TO A CORPORATION:
 1. A certificate of good standing of recent date issued by the Secretary of State of the corporation's state of domicile.
 2. A certificate copy of a resolution of the Board of Directors authorizing the contemplated transaction and designating which corporate officers shall have the power to execute on behalf of the corporation.
 3. Requirements which the Company may impose following its review of the above material and other information which the Company may require.
 - B. WITH RESPECT TO A CALIFORNIA LIMITED PARTNERSHIP:
 1. A certified copy of the certificate of limited partnership (form LP-1) and any amendments thereto (form LP-2) to be recorded in the public records;
 2. A full copy of the partnership agreement and any amendments;
 3. Satisfactory evidence of the consent of a majority in interest of the limited partners to the contemplated transaction;
 4. Requirements which the Company may impose following its review of the above material and other information which the Company may require.
 - C. WITH RESPECT TO A FOREIGN LIMITED PARTNERSHIP:
 1. A certified copy of the application for registration, foreign limited partnership (form LP-5) and any amendments thereto (form LP-6) to be recorded in the public records;
 2. A full copy of the partnership agreement and any amendment;
 3. Satisfactory evidence of the consent of a majority in interest of the limited partners to the contemplated transaction;
 4. Requirements which the Company may impose following its review of the above material and other information which the Company may require.
 - D. WITH RESPECT TO A GENERAL PARTNERSHIP:
 1. A certified copy of a statement of partnership authority pursuant to Section 16303 of the California Corporation Code (form GP-I), executed by at least two partners, and a certified copy of any amendments to such statement (form GP-7), to be recorded in the public records;
 2. A full copy of the partnership agreement and any amendments;

3. Requirements which the Company may impose following its review of the above material required herein and other information which the Company may require.
- E. WITH RESPECT TO A LIMITED LIABILITY COMPANY:
1. A copy of its operating agreement and any amendments thereto;
 2. If it is a California limited liability company, a certified copy of its articles of organization (LLC-1) and any certificate of correction (LLC-11), certificate of amendment (LLC-2), or restatement of articles of organization (LLC-10) to be recorded in the public records;
 3. If it is a foreign limited liability company, a certified copy of its application for registration (LLC-5) to be recorded in the public records;
 4. With respect to any deed, deed of trust, lease, subordination agreement or other document or instrument executed by such limited liability company and presented for recordation by the Company or upon which the Company is asked to rely, such document or instrument must be executed in accordance with one of the following, as appropriate:
 - (i) If the limited liability company properly operates through officers appointed or elected pursuant to the terms of a written operating agreement, such documents must be executed by at least two duly elected or appointed officers, as follows: the chairman of the board, the president or any vice president, and any secretary, assistant secretary, the chief financial officer or any assistant treasurer;
 - (ii) If the limited liability company properly operates through a manager or managers identified in the articles of organization and/or duly elected pursuant to the terms of a written operating agreement, such document must be executed by at least two such managers or by one manager if the limited liability company properly operates with the existence of only one manager.
 5. Requirements which the Company may impose following its review of the above material and other information which the Company may require.
- F. WITH RESPECT TO A TRUST:
1. A certification pursuant to Section 18100.5 of the California Probate Code in a form satisfactory to the Company.
 2. Copies of those excerpts from the original trust documents and amendments thereto which designate the trustee and confer upon the trustee the power to act in the pending transaction.
 3. Other requirements which the Company may impose following its review of the material require herein and other information which the Company may require.
- G. WITH RESPECT TO INDIVIDUALS:
1. A statement of information.

The map attached, if any, may or may not be a survey of the land depicted hereon. First American Title Insurance Company expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of the title insurance policy, if any, to which this map is attached.

********To obtain wire instructions for deposit of funds to your escrow file please contact your Escrow Officer.********

LEGAL DESCRIPTION

Real property in the City of Riverside, County of Riverside, State of California, described as follows:

PARCEL 2 AS SHOWN ON AN EXHIBIT ATTACHED TO LOT LINE ADJUSTMENT RECORDED JANUARY 27, 2000 AS INSTRUMENT NO. 30541 AND RE-RECORDED ON MAY 2, 2002 AS INSTRUMENT NO. 2002-232883, BOTH OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA; BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THOSE PORTIONS OF LOTS 1 AND 6 OF THE AMENDED MAP OF F.M. DUNBARS SUBDIVISION, SITUATED IN THE CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 5, PAGE 185 OF MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, OF HARRISON STREET, VACATED BY BOARD OF SUPERVISORS, OF SAID COUNTY, RESOLUTION RECORDED FEBRUARY 17, 1925, IN BOOK 628 PAGE 265 OF DEEDS AND BY RESOLUTION OF THE COMMON COUNCIL OF SAID CITY OF RIVERSIDE, RECORDED OCTOBER 30, 1956 AS INSTRUMENT NO. 74566 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, AND OF LOT 39 IN BLOCK XI OF VILLAGE OF ARLINGTON, SITUATED IN SAID CITY, AS SHOWN BY MAP ON FILE IN BOOK 1 PAGE 62 OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE NORTHERLY LINE OF SAID LOT 6 WITH THE NORTHERLY PROLONGATION OF THE WESTERLY LINE OF EASEMENT DESCRIBED IN THE DOCUMENT RECORDED SEPTEMBER 11, 1978 AS INSTRUMENT NO. 191384 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA; THENCE, ALONG SAID PROLONGATION AND SAID WESTERLY LINE THE FOLLOWING COURSES:

SOUTH 0° 56' 25" WEST 353.60 FEET TO A TANGENT CURVE CONCAVE EASTERLY HAVING A RADIUS OF 527.00 FEET SOUTHERLY 265.40 FEET ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 28° 51' 15" AND TANGENT FROM SAID CURVE SOUTH 27° 54' 50" EAST 362.02 FEET TO THE SOUTHERLY LINE OF SAID LOT 6; THENCE ALONG SAID LINE NORTH 75° 12' 50" EAST 1.46 FEET TO THE SOUTHWESTERLY BOUNDARY OF LOT 1; THENCE, ALONG SAID BOUNDARY SOUTH 27° 51' 13" EAST 12.64 FEET TO THE SOUTHERLY LINE OF THE EASEMENT DESCRIBED IN THE DOCUMENT RECORDED SEPTEMBER 11, 1978 AS INSTRUMENT NO. 191384 OF SAID OFFICIAL RECORDS; THENCE, ALONG SAID EASEMENT, NORTH 62° 05' 10" EAST 50.57 FEET AND NORTH 27° 54' 26" WEST 211.56 FEET; THENCE NORTH 56° 23' 51" EAST 715.91 FEET TO A POINT IN A NON-TANGENT CURVE CONCAVE NORTHEASTERLY HAVING A RADIUS OF 544.00 FEET, A RADIAL LINE TO SAID POINT BEARS SOUTH 61° 08' 41" WEST, SAID CURVE BEING IN THE BOUNDARY OF PARCEL 1 OF GRANT DEED RECORDED FEBRUARY 01, 1991 AS INSTRUMENT NO. 38278 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA; THENCE, ALONG SAID BOUNDARY, NORTHERLY 238.35 FEET ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 25° 06' 13", NON-TANGENT FROM SAID CURVE NORTH 37° 41' 22" WEST 18.14 FEET AND NORTH 0° 56' 23" EAST 80.00 FEET TO SAID NORTHERLY LINE; THENCE, ALONG SAID LINE, NORTH 89° 03' 24" WEST 698.12 FEET TO THE POINT OF BEGINNING.

APN: 145-260-011-2 and 145-260-020-0

The First American Corporation
First American Title Company
Privacy Policy

We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information - particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our parent company, The First American Corporation, we have adopted this Privacy Policy to govern the use and handling of your personal information.

Applicability

This Privacy Policy governs our use of the information which you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its Fair Information Values, a copy of which can be found on our website at www.firstam.com.

Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

Use of Information

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies, and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies, or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's Fair Information Values. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

EXHIBIT A
LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS (BY POLICY TYPE)

1. CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY - 1990
SCHEDULE B

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notice of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the public records.

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable "doing business" laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by their policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

2. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY FORM B - 1970
SCHEDULE OF EXCLUSIONS FROM COVERAGE

1. Any law, ordinance or governmental regulation (including but not limited to building and zoning ordinances) restricting or regulating or prohibiting the occupancy, use or enjoyment of the land, or regulating the character, dimensions or location of any improvement now or hereafter erected on the land, or prohibiting a separation in ownership or a reduction in the dimensions of area of the land, or the effect of any violation of any such law, ordinance or governmental regulation.
2. Rights of eminent domain or governmental rights of police power unless notice of the exercise of such rights appears in the public records at Date of Policy.
3. Defects, liens, encumbrances, adverse claims, or other matters (a) created, suffered, assumed or agreed to by the insured claimant; (b) not known to the Company and not shown by the public records but known to the insured claimant either at Date of Policy or at the date such claimant acquired an estate or interest insured by this policy and not disclosed in writing by the insured claimant to the Company prior to the date such insured claimant became an insured hereunder; (c) resulting in no loss or damage to the insured claimant; (d) attaching or created subsequent to Date of Policy; or (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.

**3. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY FORM B - 1970
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 2 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage by reason of the matters shown in parts one and two following:

Part One

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the public records.

**4. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1970
WITH A.L.T.A. ENDORSEMENT FORM 1 COVERAGE
SCHEDULE OF EXCLUSIONS FROM COVERAGE**

1. Any law, ordinance or governmental regulation (including but not limited to building and zoning ordinances) restricting or regulating or prohibiting the occupancy, use or enjoyment of the land, or regulating the character, dimensions or location of any improvement now or hereafter erected on the land, or prohibiting a separation in ownership or a reduction in the dimensions or area of the land, or the effect of any violation of any such law ordinance or governmental regulation.
2. Rights of eminent domain or governmental rights of police power unless notice of the exercise of such rights appears in the public records at Date of Policy.
3. Defects, liens, encumbrances, adverse claims, or other matters (a) created, suffered, assumed or agreed to by the insured claimant, (b) not known to the Company and not shown by the public records but known to the insured claimant either at Date of Policy or at the date such claimant acquired an estate or interest insured by this policy or acquired the insured mortgage and not disclosed in writing by the insured claimant to the Company prior to the date such insured claimant became an insured hereunder, (c) resulting in no loss or damage to the insured claimant; (d) attaching or created subsequent to Date of Policy (except to the extent insurance is afforded herein as to any statutory lien for labor or material or to the extent insurance is afforded herein as to assessments for street improvements under construction or completed at Date of Policy).
4. Unenforceability of the lien of the insured mortgage because of failure of the insured at Date of Policy or of any subsequent owner of the indebtedness to comply with applicable "doing business" laws of the state in which the land is situated.

**5. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1970
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association Lenders Policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy, the exclusions set forth in paragraph 4 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage by reason of the matters shown in parts one and two following:

Part One

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material theretofore or hereafter furnished, imposed by law and not shown by the public records.

**6. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1992
WITH A.L.T.A. ENDORSEMENT FORM 1 COVERAGE
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy; (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims, or other matters:
 - (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy (except to the extent that this policy insures the priority of the lien of the insured mortgage over any statutory lien for services, labor or material or the extent insurance is afforded herein as to assessments for street improvements under construction or completed at date of policy); or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable "doing business" laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any statutory lien for services, labor or materials (or the claim of priority of any statutory lien for services, labor or materials over the lien of the insured mortgage) arising from an improvement or work related to the land which is contracted for and commenced subsequent to Date of Policy and is not financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance.
7. Any claim, which arises out of the transaction creating the interest of the mortgagee insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the interest of the insured mortgagee being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the subordination of the interest of the insured mortgagee as a result of the application of the doctrine of equitable subordination; or
 - (iii) the transaction creating the interest of the insured mortgagee being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

7. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1992 WITH REGIONAL EXCEPTIONS

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 6 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material theretofore or hereafter furnished, imposed by law and not shown by the public records.

8. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 1992 EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or

- any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
 3. Defects, liens, encumbrances, adverse claims, or other matters:
 - (a) created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
 4. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

**9. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 1992
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 8 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

Part One:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material theretofore or hereafter furnished, imposed by law and not shown by the public records.

**10. AMERICAN LAND TITLE ASSOCIATION RESIDENTIAL
TITLE INSURANCE POLICY - 1987
EXCLUSIONS**

In addition to the Exceptions in Schedule B, you are not insured against loss, costs, attorneys' fees and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:

- | | |
|----------------------------|----------------------------|
| * land use | * land division |
| * improvements on the land | * environmental protection |

This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at Policy Date. This exclusion does not limit the zoning coverage described in items 12 and 13 of Covered Title Risks.

2. The right to take the land by condemning it, unless:
 - * a notice of exercising the right appears in the public records on the Policy Date
 - * the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking.
3. Title Risks:
 - * that are created, allowed, or agreed to by you
 - * that are known to you, but not to us, on the Policy Date - unless they appeared in the public records
 - * that result in no loss to you
 - * that first affect your title after the Policy Date - this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks
4. Failure to pay value for your title.

- 5. Lack of a right:
 - * to any land outside the area specifically described and referred to in Item 3 of Schedule A, or
 - * in streets, alleys, or waterways that touch your land
 This exclusion does not limit the access coverage in Item 5 of Covered Title Risks.

11. EAGLE PROTECTION OWNER'S POLICY

**CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE - 2008
ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE - 2008**

Covered Risks 16 (Subdivision Law Violation), 18 (Building Permit), 19 (Zoning) and 21 (Encroachment of boundary walls or fences) are subject to Deductible Amounts and Maximum Dollar Limits of Liability

EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

- 1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
 - a. building
 - b. zoning
 - c. land use
 - d. improvements on the land
 - e. land division
 - f. environmental protection
 This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.
- 2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
- 3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
- 4. Risks:
 - a. that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
 - b. that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the policy Date;
 - c. that result in no loss to You; or
 - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.
- 5. Failure to pay value for Your Title.
- 6. Lack of a right:
 - a. to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
 - b. in streets, alleys, or waterways that touch the Land.
 This Exclusion does not limit the coverage described in Covered Risk 11 or 21

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows: Covered Risk 16, 18, 19 and 21, Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A. The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

<u>Your Deductible Amount</u>	<u>Our Maximum Dollar Limit of Liability</u>
Covered Risk 16: 1% of Policy Amount or \$5,000.00 (whichever is less)	\$10,000.00
Covered Risk 18: 1% of Policy Amount or \$5,000.00 (whichever is less)	\$25,000.00
Covered Risk 19: 1% of Policy Amount or \$5,000.00 (whichever is less)	\$25,000.00
Covered Risk 21: 1% of Policy Amount or \$2,500.00 (whichever is less)	\$5,000.00

12. THIRD GENERATION EAGLE LOAN POLICY AMERICAN LAND TITLE ASSOCIATION EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (1/01/08)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

- 1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to (i) the occupancy, use, or enjoyment of the Land; (ii) the character, dimensions, or location of any improvement erected on the Land; (iii) the subdivision of land; or (iv) environmental protection; or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.

- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
 3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28); or
 - (e) resulting in loss or damage which would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
 4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing business laws of the state where the Land is situated.
 5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury, or any consumer credit protection or truth-in-lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
 6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to Advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.
 7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.
 8. The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.

13. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 2006

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;
 or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
 - (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

**14. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 2006
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 13 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.

**15. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 2006
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection; or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
 (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risks 9 and 10); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors rights laws, that the transaction vesting the Title as shown in Schedule A, is
 - (a) a fraudulent conveyance or fraudulent transfer; or
 - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

**16. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 2006
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 15 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.

EXHIBIT "D"

LEGAL DESCRIPTION OF PHASE 1 PARCEL

That certain parcel of land situated in the City of Riverside, County of Riverside, State of California, being that portion of Parcel 2 as described in a Grant Deed recorded January 27, 2000 as Document No. 2000-030542 and re-recorded May 02, 2002 as Document No. 2002-232884 of Official Records, in the Office of the County Recorder of said Riverside County, more particularly described as follows:

BEGINNING at the northeast corner of said Parcel 2;

Thence South 00°56'23" West 80.00 feet along the east line of said Parcel 2 to the **POINT OF BEGINNING**;

Thence South 37°41'22" East 18.14 feet to the beginning of a non-tangent curve concave to the northeast and having a radius of 544.00 feet, a radial line of said curve at said point bears North 86°14'54" East, said curve also being the west line of Parcel 1 of Grant Deed recorded February 1, 1991 as Instrument No. 038278 of Official Records of said County;

Thence along said curve southeasterly 238.35 feet through a central angle of 25°06'13" to the most easterly corner of said Parcel 2;

Thence South 56°23'49" West 398.41 feet along the south line of said Parcel 2;

Thence leaving said south line of Parcel 2, North 33°37'46" West 118.47 feet;

thence North 56°23'51" East 9.66 feet;

thence North 33°36'09" West 66.22 feet;

thence South 56°23'51" West 9.66 feet;

thence North 33°36'09" West 57.83 feet to the beginning of a tangent curve concave to the northeast and having a radius of 100.00 feet;

thence along said curve northwesterly 51.84 feet through a central angle of 29°42'12";

thence non-tangent from said curve North 00°38'58" West 123.49 feet;

thence South 89°15'18" East 15.53 feet;

thence North 00°56'25" East 94.43 feet to a line parallel with and distant 80.00 feet south of the North line of said Parcel 2;

thence South 89°03'24" East 389.49 feet along said parallel line to the **POINT OF BEGINNING**.

CONTAINING 3.62 acres, more or less.

EXHIBIT "B" attached and by this reference made a part hereof.

SUBJECT TO all Covenants, Rights, Rights-of-Way and Easements of Record.

This description was prepared by
me or under my direction.



Christopher L. Alberts, P.L.S. 8508

5-3-12

Date



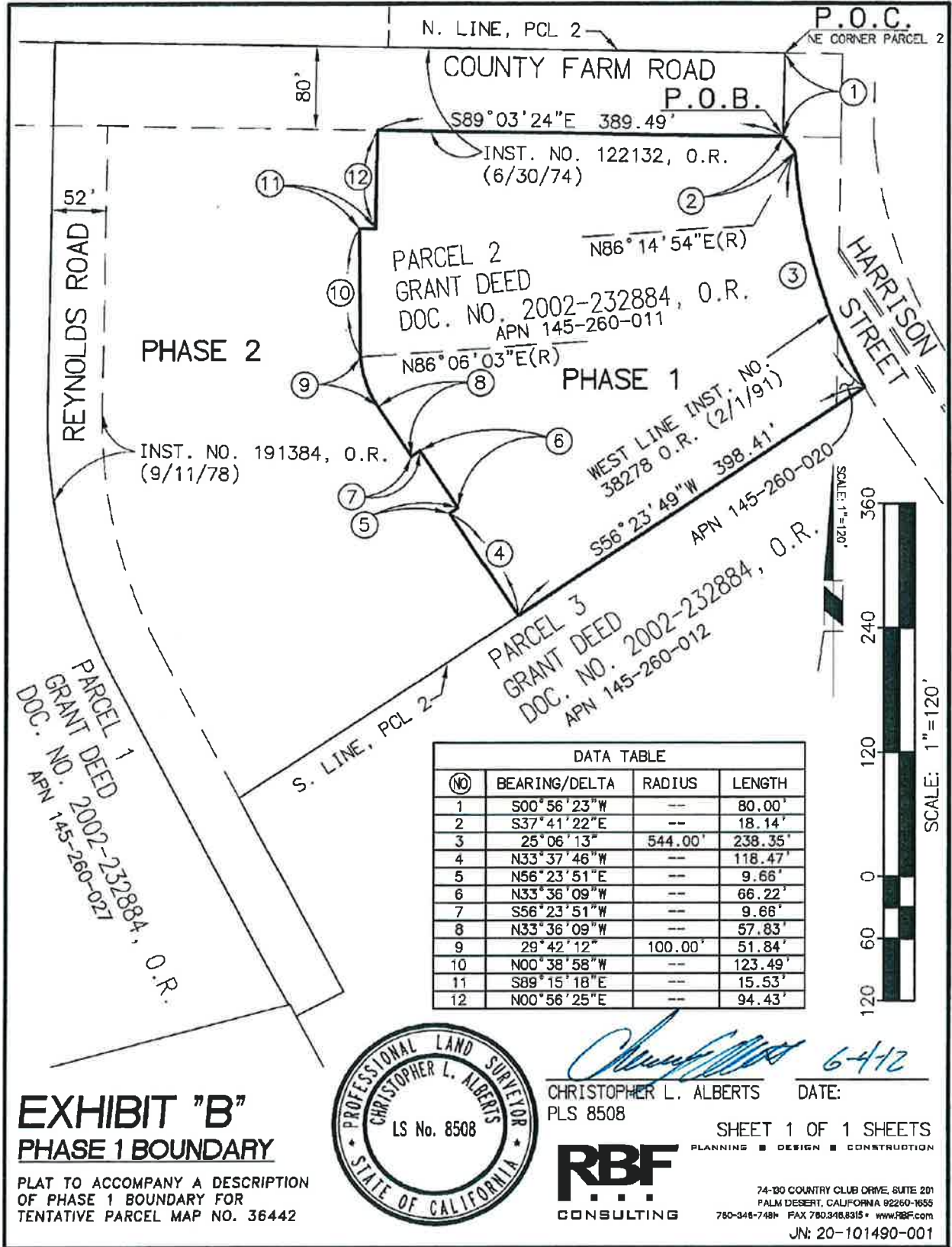


EXHIBIT "E"

LEGAL DESCRIPTION OF PHASE 2 PARCEL

That certain parcel of land situated in the City of Riverside, County of Riverside, State of California, being that portion of Parcel 2 as described in a Grant Deed recorded January 27, 2000 as Document No. 2000-030542 and re-recorded May 02, 2002 as Document No. 2002-232884 of Official Records, in the Office of the County Recorder of said Riverside County, more particularly described as follows:

COMMENCING at the northwest corner of said Parcel 2;

Thence South 00°56'25" West 80.00 feet along the west line of said Parcel 2;

thence South 89°03'24" East 84.50 feet leaving said west line of Parcel 2 to the **POINT OF BEGINNING**;

thence South 89°03'24" East 224.14 feet along a line parallel with and distant 80.00 feet south of the north line of said Parcel 2;

thence South 00°56'25" West 94.43 feet;

thence North 89°15'18" West 15.53 feet;

thence South 00°38'58" East 123.49 feet to the beginning of a non-tangent curve concave to the northeast and having a radius of 100.00 feet, a radial line of said curve at said point bears North 86°06'03" East;

thence along said curve southeasterly 51.84 feet through a central angle of 29°42'12";

thence tangent from said curve South 33°36'09" East 57.83 feet;

thence North 56°23'51" East 9.66 feet;

thence South 33°36'09" East 66.22 feet;

thence South 56°23'51" West 9.66 feet;

thence South 33°37'46" East 118.47 feet to the south line of said Parcel 2;

thence South 56°23'51" West 320.01 feet along said south line to a line parallel with and distant 49.50 feet northeasterly, measured at right angles, of the west line of said Parcel 2;

thence North 27°54'50" West 163.68 feet to the beginning of a tangent curve concave to the northeast and having a radius of 477.50 feet;

thence along said curve northwesterly 240.47 feet through a central angle of 28°51'15";

thence tangent from said curve North 00°56'25" East 238.59 feet;

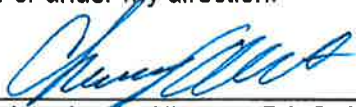
thence North 45°56'22" East 49.50 feet to the **POINT OF BEGINNING**.

CONTAINING 3.76 acres, more or less.

EXHIBIT "B" attached and by this reference made a part hereof.

SUBJECT TO all Covenants, Rights, Rights-of-Way and Easements of Record.

This description was prepared by
me or under my direction.

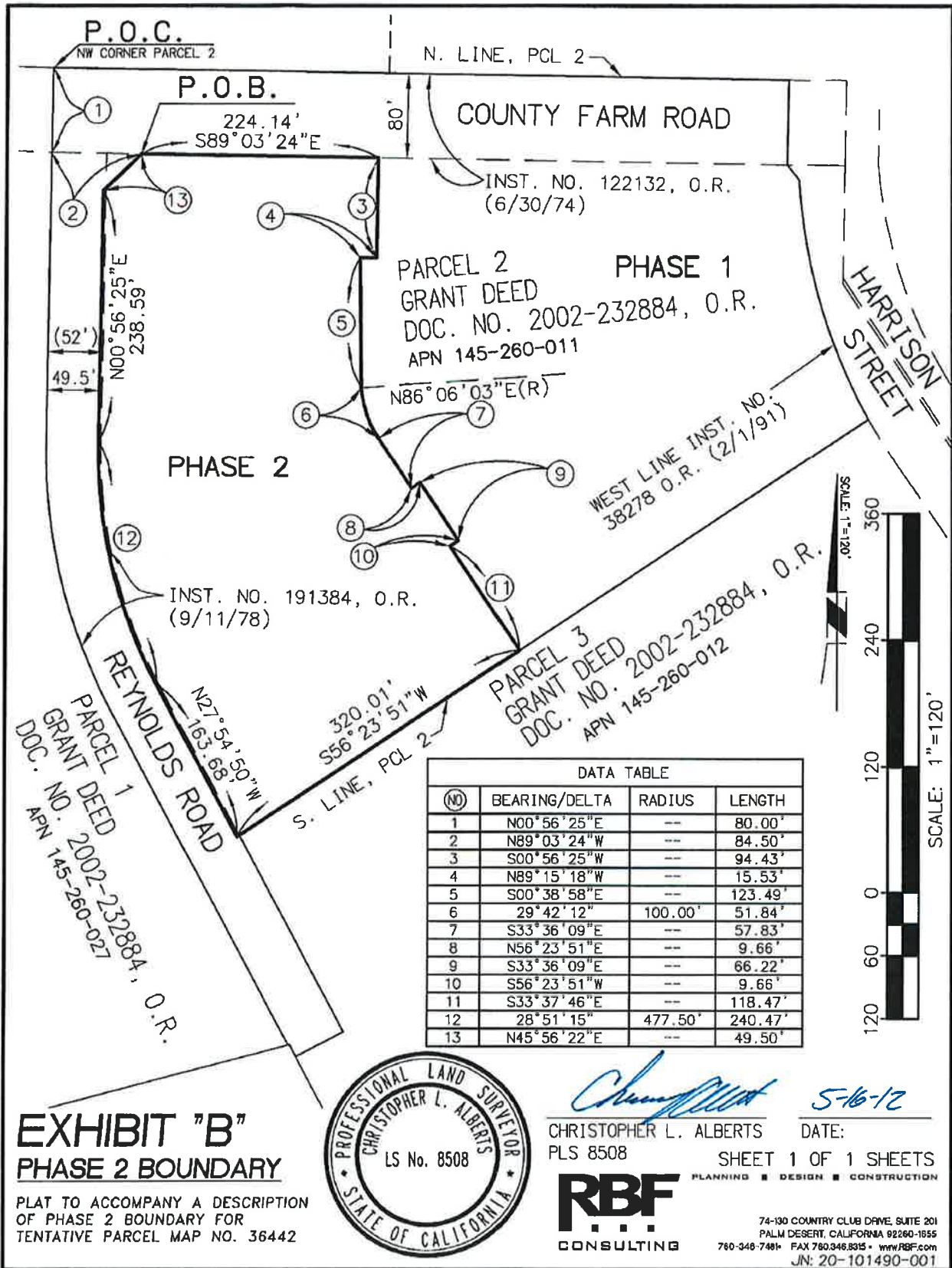


Christopher L. Alberts, P.L.S. 8508

5-16-12

Date





DATA TABLE			
(NO)	BEARING/DELTA	RADIUS	LENGTH
1	N00°56'25"E	---	80.00'
2	N89°03'24"W	---	84.50'
3	S00°56'25"W	---	94.43'
4	N89°15'18"W	---	15.53'
5	S00°38'58"E	---	123.49'
6	29°42'12"	100.00'	51.84'
7	S33°36'09"E	---	57.83'
8	N56°23'51"E	---	9.66'
9	S33°36'09"E	---	66.22'
10	S56°23'51"W	---	9.66'
11	S33°37'46"E	---	118.47'
12	28°51'15"	477.50'	240.47'
13	N45°56'22"E	---	49.50'

EXHIBIT "B"
PHASE 2 BOUNDARY

PLAT TO ACCOMPANY A DESCRIPTION
 OF PHASE 2 BOUNDARY FOR
 TENTATIVE PARCEL MAP NO. 36442



Christopher L. Alberts
 CHRISTOPHER L. ALBERTS DATE: 5-16-12
 PLS 8508 SHEET 1 OF 1 SHEETS
 PLANNING ■ DESIGN ■ CONSTRUCTION

RBF
 CONSULTING
 74-130 COUNTRY CLUB DRIVE, SUITE 201
 PALM DESERT, CALIFORNIA 92260-1655
 760-348-7481 FAX 760-348-8315 • www.RBF.com
 JN: 20-101490-001

EXHIBIT "F"

LEGAL DESCRIPTION OF LANDSCAPING AREAS

That certain parcel of land situated in the City of Riverside, County of Riverside, State of California, being that portion of Parcel 2 as described in a Grant Deed recorded January 27, 2000 as Document No. 2000-030542 and re-recorded May 02, 2002 as Document No. 2002-232884 of Official Records, in the Office of the County Recorder of said Riverside County, more particularly described as follows:

COMMENCING at the northeast corner of said Parcel 2;

Thence South 00°56'23" West 60.00 feet along the east line of said Parcel 2 to the **POINT OF BEGINNING**;

Thence continuing South 00°56'23" West 20.00 feet to the south line of the easement described in a document recorded June 30, 1974 as Instrument No. 122132 of Official Records of said County;

Thence North 89°03'24" West 389.49 feet along said south line of said easement;

Thence leaving said south line of said easement, North 00°56'23" East 20.00 feet;

Thence South 89°03'24" East 389.49 feet along a line parallel with and 20.00 feet north of, measured at right angles, said south line of said easement to the **POINT OF BEGINNING**.

CONTAINING 7,789 square feet, more or less.

EXHIBIT "B" attached and by this reference made a part hereof.

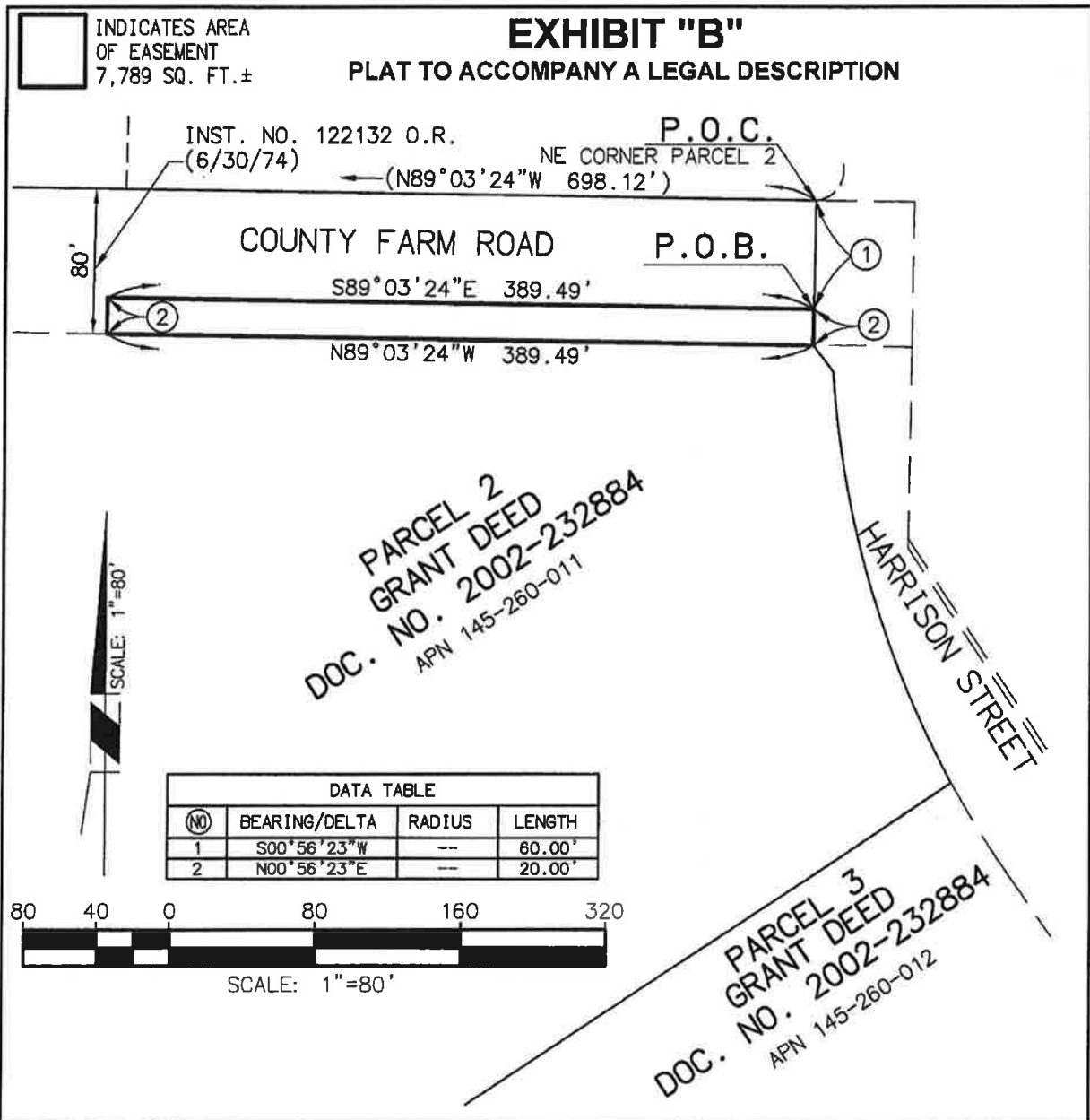
SUBJECT TO all Covenants, Rights, Rights-of-Way and Easements of Record.

This description was prepared by
me or under my direction.



Christopher L. Alberts, P.L.S. 8508 Date 4-27-12





A PORTION OF PARCEL 2 OF DOC.
 NO. 2002-232884 REC. ON
 05/02/2002 OF OFFICIAL RECORDS



RBF
 CONSULTING

Christopher L. Alberts

CHRISTOPHER L. ALBERTS
 PLS 8508

SHEET 1 OF 1
 APRIL 27, 2012
 JN: 20-101490

4-27-12
 DATE:

PLAT TO ACCOMPANY A LEGAL
 DESCRIPTION FOR LANDSCAPE
 EASEMENT

That certain parcel of land situated in the City of Riverside, County of Riverside, State of California, being that portion of Parcel 2 as described in a Grant Deed recorded January 27, 2000 as Document No. 2000-030542 and re-recorded May 02, 2002 as Document No. 2002-232884 of Official Records, in the Office of the County Recorder of said Riverside County, more particularly described as follows:

COMMENCING at the northwest corner of said Parcel 2;

thence South 00°56'25" West 80.00 feet along the west line of said Parcel 2;

thence South 89°03'24" West 49.50 feet to a line parallel with and distant 49.50 feet east of the west line of said Parcel 2;

thence North 00°56'25" West 20.00 feet along said parallel line to a line parallel with and distant 60.00 feet south of the north line of said Parcel 2;

thence South 89°03'25" East 259.14 feet along said parallel line;

thence South 00°56'35" West 20.00 feet to a line parallel with and distant 80.00 feet south of the north line of said Parcel 2;

thence North 89°03'25" West 224.14 feet along said parallel line;

thence South 45°56'22" West 49.50 feet to a line parallel with and distant 49.50 feet east of the west line of said Parcel 2;

thence North 00°56'25" East 35.00 feet along said parallel line to the **POINT OF BEGINNING**.

CONTAINING 5,795 square feet, more or less.

EXHIBIT "B" attached and by this reference made a part hereof.

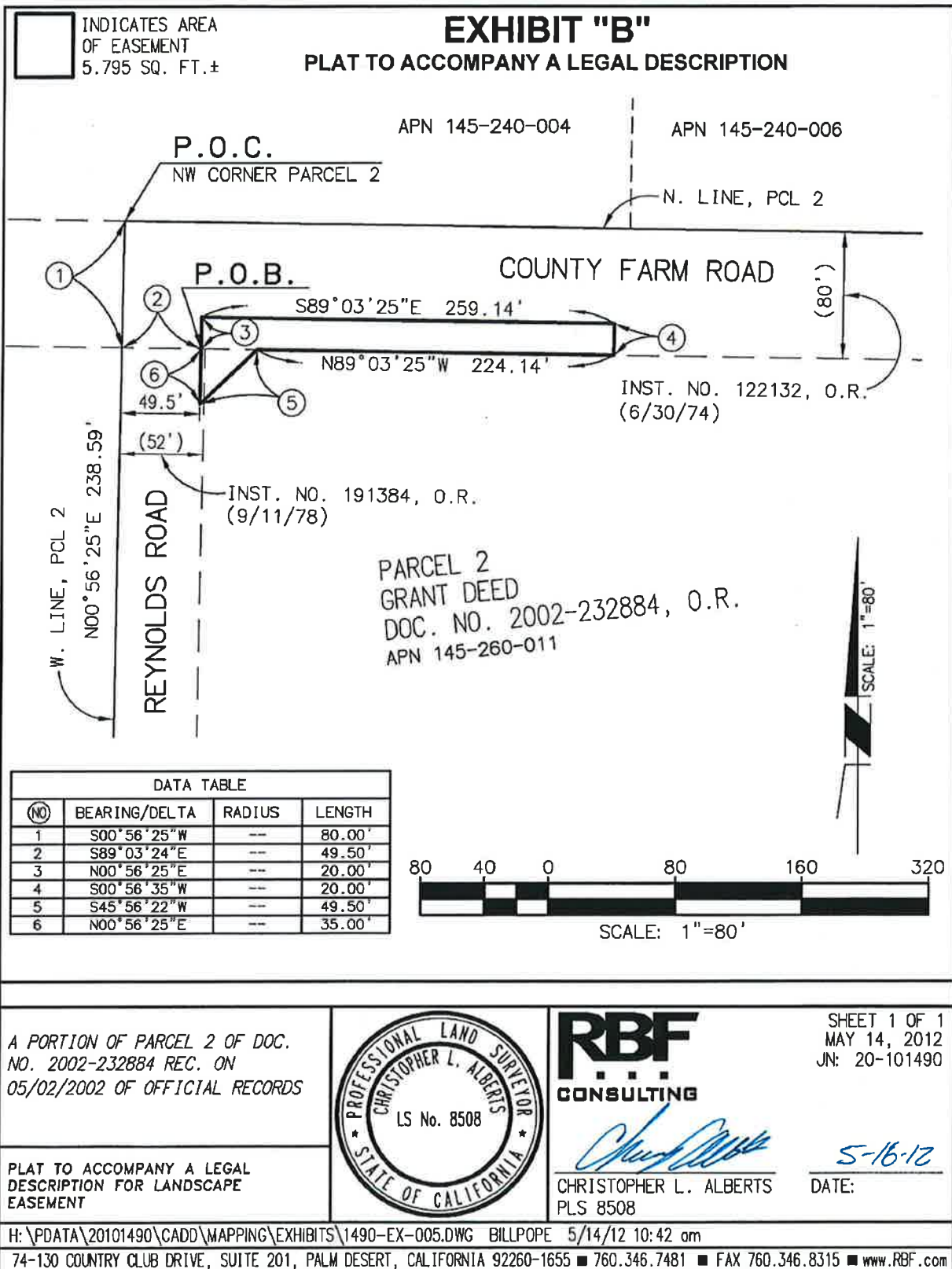
SUBJECT TO all Covenants, Rights, Rights-of-Way and Easements of Record.

This description was prepared by
me or under my direction.



Christopher L. Alberts, P.L.S. 8508 5-16-12 Date





A PORTION OF PARCEL 2 OF DOC. NO. 2002-232884 REC. ON 05/02/2002 OF OFFICIAL RECORDS

PLAT TO ACCOMPANY A LEGAL DESCRIPTION FOR LANDSCAPE EASEMENT

CHRISTOPHER L. ALBERTS
PLS 8508

SHEET 1 OF 1
MAY 14, 2012
JN: 20-101490

DATE: 5-16-12

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