

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

554



FROM: Economic Development Agency

SUBMITTAL DATE:
February 13, 2013

SUBJECT: First Amendment to Loan Agreement for the Use of HOME funds for Cedar Glen Apartments in the City of Riverside

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the attached First Amendment to Loan Agreement for the Use of HOME Funds, Construction Leasehold Deed of Trust and Promissory Note with Cedar Glen Partners Limited Partnership, a California limited partnership;
2. Authorize the Chairman of the Board of Supervisors to execute the attached First Amendment; and

(Continued)

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: HOME Investment Partnership Act Funds	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE

BY:
Jennifer L. Sargent

County Executive Office Signature

FORM APPROVED COUNTY COUNSEL
 BY:
 ANNIE T. SAHHAR
 Deputy Concurrence
 2/13/13

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

Prev. Agn. Ref.: 3.9 and 3.16 of 7/3/12

District: 1/1

Agenda Number: 3-25

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

RECOMMENDED MOTION: (Continued)

3. Authorize the Assistant County Executive Officer/EDA, or designee, to take all necessary steps to implement the First Amendment to Loan Agreement, Construction Leasehold Deed of Trust and Promissory Note, including, but not limited to, signing subsequent necessary and relevant documents subject to approval as to form by County Counsel.

BACKGROUND:

On July 3, 2012, the Board of Supervisors approved a loan agreement for \$550,000 in HOME funds and a ground lease agreement with Riverside Cedar Glen Partners Limited Partners (RCGPLP), a California limited partnership, for the development of a 51-unit multi-family affordable housing complex located on the southeast corner of County Farm Road and Reynolds Road in the City of Riverside, Assessor Parcel Numbers 145-260-011 (portion) and 145-260-020. The overall project site is approximately 7.38 acres of which 3.63 acres will be used for the phase 1 portion.

RCGPLP is in the process of closing the construction loan for the phase 1 portion. As a requirement of the lender for the construction loan, the legal description needed to be revised to encompass only the phase 1 portion. The legal description in the current loan agreement and deed of trust encumbers both the phase 1 and 2 portion of the project. The phase 2 portion will be developed at a later date and funded separately.

The lender has also requested that the term of the HOME loan agreement be reduced from ninety-nine years to fifty-five years from the first certificate of occupancy so that the HOME loan can be repaid within a much shorter time period.

County Counsel has reviewed and approved the First Amendment to the Loan Agreement for Use of HOME Funds, Construction Leasehold Deed of Trust and Promissory Note as to form. Staff recommends that the Board approve the attached documents.

FINANCIAL DATA:

All the costs related to the development of the project will be fully funded with HOME funds. The County of Riverside has budgeted this expense in the FY 2012/2013 budget.

Attachments:

- First Amendment to Loan Agreement
- Construction Leasehold Deed of Trust
- Promissory Note

1 NO FEE FOR RECORDING PURSUANT
2 TO GOVERNMENT CODE SECTION 6103

3 Order No.
4 Escrow No.
5 Loan No.

6 RECORDING REQUESTED BY AND
7 WHEN RECORDED MAIL TO:

8 County of Riverside
9 Economic Development Agency
10 5555 Arlington Avenue
11 Riverside, CA 92504
12 Attn. Benjamin Cendejas

13 SPACE ABOVE THIS LINE FOR RECORDERS USE

14
15 **FIRST AMENDMENT TO LOAN AGREEMENT**
16 **FOR THE USE OF HOME FUNDS**

17 This First Amendment to the Loan Agreement for the use of Home Investment
18 Partnerships ("HOME") Program funds ("First Amendment") is made and entered into as of
19 the ____ day of _____, 2013 by and between the COUNTY OF RIVERSIDE
20 ("COUNTY"), a political subdivision of the State of California, and Riverside Cedar Glen
21 Partners LP, ("BORROWER"), a California limited partnership. BORROWER will develop
22 and construct an affordable multi-family housing complex identified as "Cedar Glen
23 Apartments" in the City of Riverside in Riverside County (the "Project").

24 WITNESSETH:

25 WHEREAS, COUNTY owns that certain real property located in the City of
26 Riverside as more particularly described in **Exhibit "A"** (the "PROPERTY"). Concurrently
27 with the execution of this First Amendment, the COUNTY and BORROWER have entered
28 into a ground lease agreement and grant of easements (the "Ground Lease"), dated as of the
date first written above, for BORROWER'S long-term lease of the PROPERTY; and

WHEREAS, BORROWER entered into a loan agreement for the use of HOME
funds (the "HOME Loan Agreement" or the "Loan Agreement"), dated July 3, 2012, to
develop and construct the Project as further described in **Exhibit "A"**, which is attached hereto
and by this reference incorporated herein; and

1 WHEREAS, capitalized terms used in the First Amendment, but not defined, shall
2 have the meaning set forth in the Loan Agreement; and

3 WHEREAS, COUNTY and BORROWER desire to enter into this First
4 Amendment to (i) amend the term of the HOME Loan from ninety-nine (99) years to the term
5 set forth herein; (ii) amend and revise the contents of **Exhibit "A"** to the Loan Agreement,
6 including, but not limited to the legal description of the Property; and (iii) to make other
7 modifications to the Loan Agreement as set forth in this First Amendment; and

8 NOW, THEREFORE, in consideration of the foregoing, and the promises and
9 mutual covenants and conditions hereinafter set forth, COUNTY and BORROWER mutually
10 agree as follows:

- 11 1. **Section 2(d)** of the HOME Loan Agreement is deleted in its entirety.
- 12 2. **Section 4(a)** of the HOME Loan Agreement is deleted and replaced in its entirety with the
13 following:
 - 14 a. Term. The maturity of the HOME Loan shall be the earlier of: (i) fifty-five (55) years
15 from the first certificate of occupancy for the Project, issued by the City of Riverside (the
16 "Certificate of Occupancy"), or (ii) July 3, 2072 (the "Term").
- 17 3. **Section 6** of the HOME Loan Agreement is deleted and replaced in its entirety with the
18 following:
 - 19 6. Term of Agreement. This Agreement shall become effective upon execution and
20 unless terminated earlier pursuant to the terms hereof, shall continue in full force and
21 effect for the Term. The expiration of the Term shall have no effect on the term of the
22 Ground Lease, nor the rights and obligations of the COUNTY and BORROWER
23 thereunder.
- 24 4. The following sentence is added to the end of **Section 9**:
25 For the purposes of this Agreement, "Force Majeure" means event(s) beyond the
26 reasonable control of Borrower, and which could not have been reasonably anticipated,
27 which prevent(s) Borrower from complying with any of its obligations under this
28 Agreement, including, but not limited to: acts of God, acts of war, acts or threats of

1 terrorism, civil disorders, strikes, labor disputes, flood, fire, explosion, earthquake or other
2 similar acts.

- 3 5. **Section 19** of the HOME Loan Agreement is deleted and replaced in its entirety with the
4 following:

5 19. Income Targeting Requirements. BORROWER will set aside eleven (11) units
6 of the Project to be designated as "Floating" Low HOME rent units, as defined under 24
7 CFR 92.252(j) (the "HOME-Assisted Units") and may overlap such units with the
8 designated MHSA units. The eleven (11) HOME-Assisted Units (3 – 1 Bedroom, 3 – 2
9 Bedroom, 3 – 3 Bedroom, and 2 – 4 Bedroom) shall be limited to households whose
10 incomes do not exceed fifty percent (50%) of the median family income for the County of
11 Riverside, adjusted by family size at the time of occupancy. Three (3) units of the eleven
12 (11) HOME Assisted Units shall be further limited to households whose incomes do not
13 exceed thirty percent (30%) of the median family income for the County of Riverside,
14 adjusted by family size at the time of occupancy. Once the HOME-Assisted Units are
15 identified, they will remain in place throughout the affordability period.

- 16 6. **Section 24(b)** of the HOME Loan Agreement is deleted and replaced in its entirety with
17 the following:

18 b. Upon prior written approval by COUNTY, BORROWER may transfer the Project
19 and/or accomplish any of the following: (i) the admission of limited partners to
20 BORROWER'S limited partnership, or similar mechanism, and the purchase of any such
21 limited partnership interest or interests or BORROWER'S leasehold interest in the
22 improvements by BORROWER'S general partner (or its affiliate); (ii) the replacement of
23 BORROWER'S general partner or similar mechanism, by an affiliate of the general
24 partner; (iii) the removal of cause of any general partner by a limited partner of
25 BORROWER, and the replacement thereof; (iv) the lease for occupancy of all or any of
26 the Units; (v) the granting of easements or permits to facilitate the development of the
27 Property in accordance with this HOME Loan Agreement; and (iv) the withdrawal,
28 removal, and/or replacement of any limited partner of BORROWER.

1 County's approval of the transfers in **Section 24(b)** shall not be unreasonably
2 withheld and County's Assistant County Executive Officer/EDA, or designee(s), are
3 authorized to execute such written instrument necessary or appropriate to evidence
4 approval of the transfers in **Section 24(b)**. Notwithstanding anything to the contrary
5 herein, the following shall not require COUNTY'S prior approval: (1) any transfer
6 described in (i) and (vi) above; (2) notwithstanding (iii) above, the removal and
7 replacement of any general partner of BORROWER by a limited partner or any affiliate of
8 a limited partner pursuant to the terms of the BORROWER'S partnership agreement as
9 amended from time to time; (3) any transfer described in (iv), provided that the lease
10 complies with the applicable requirements of the HOME program. Notwithstanding
11 anything to the contrary herein, the amendment of the organizational documents of
12 BORROWER to effectuate the transfers described in (i), (iii) and (iv) above shall not
13 require the prior consent of the COUNTY.

14 7. **Section 57** of the HOME Loan Agreement is deleted and replaced in its entirety with the
15 following:

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

23 COUNTY

24 Assistant Director, Housing
25 Riverside County
26 Economic Development Agency
27 5555 Arlington Avenue
28 Riverside, CA 92504

BORROWER

Riverside Cedar Glen Partners LP
c/o Palm Communities
15635 Alton Parkway, Ste. 375
Irvine, CA 92618
Attn: President

with a copy to :
BCCC, Inc.

1 c/o Boston Capital Partners
2 One Boston Place
3 Boston, MA 02108
4 Attn: Cedar Glen Asset Management

5 and

6 Holland & Knight LLP
7 10 St. James Avenue
8 Boston, MA 02116
9 Attn: Douglas W. Clapp, Esq.

10 8. The following clauses and/or provisions are added to the HOME Loan Agreement:

11 References to Term. All references to the "Term" of the HOME Loan in the Loan
12 Agreement shall be deemed to mean the Term set forth in this First Amendment. Upon
13 expiration of the Term, the HOME Loan Agreement, and all obligations set forth therein,
14 shall terminate, including, but not limited to the HOME Loan affordability restrictions set
15 forth in **Section 40**; provided, however the affordability restrictions set forth in the
16 Ground Lease shall continue in effect for the term of the Ground Lease.

17 Conflicts with the Agreement. In the event of any conflict between this First Amendment
18 and the Agreement, the provisions of this First Amendment shall prevail.

19 9. **Exhibit "A"** of the HOME Loan Agreement is hereby replaced in its entirety with the
20 revised **Exhibit "A"** of this First Amendment, which is attached hereto and by this
21 reference incorporated herein.

22 10. **Exhibit "B-1"** of the HOME Loan Agreement is hereby replaced in its entirety with the
23 revised **Exhibit "B-1"** of this First Amendment, which is attached hereto and by this
24 reference incorporated herein.

25 11. **Exhibit "B-2"** of the HOME Loan Agreement is hereby replaced in its entirety with the
26 revised **Exhibit "B-2"** of this First Amendment, which is attached hereto and by this
27 reference incorporated herein.

28 12. **Exhibit "H"** of the HOME Loan Agreement is hereby replaced in its entirety with the
revised **Exhibit "H"** of this First Amendment, which is attached hereto and by this
reference incorporated herein.

1 13. This First Amendment and HOME Loan Agreement set forth and contain the entire
2 understanding and agreement of COUNTY and BORROWER hereto. There are no oral or
3 written representations, understandings, or ancillary covenants, undertakings or
4 agreements, which are not contained or expressly referred to within this First Amendment
5 and the HOME Loan Agreement.

6 14. Except as modified and amended by this First Amendment, all other terms and conditions
7 of the First Amendment and HOME Loan Agreement remain unmodified and in full force
8 and effect.

9 15. This First Amendment may be signed by the different parties hereto in counterparts, each
10 of which shall be an original but all of which together shall constitute one and the same
11 agreement.

12 16. The effective date of this First Amendment is the date the parties execute the First
13 Amendment. If the parties execute the First Amendment on more than one date, then the
14 last date the First Amendment is executed by a party shall be the effective date.

15 17. This First Amendment is not binding until approved by the Board of Supervisors.

16
17 (SIGNATURES ON NEXT PAGE)

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1 IN WITNESS WHEREOF, COUNTY and BORROWER have executed this First Amendment
2 as of the date first above written.

3
4 COUNTY:

BORROWER:

5 **COUNTY OF RIVERSIDE**, a political
6 Subdivision of the State of California

RIVERSIDE CEDAR GLEN PARTNERS LP,
a California limited partnership

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

9 By: _____
10 John J. Benoit, Chairman
Board of Supervisors

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

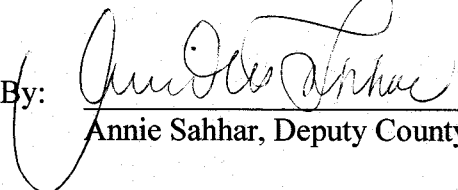
11
12 By: _____
13 Todd A. Deutscher, President

14 ATTEST:

15 **KECIA HARPER-IHEM**, Clerk of the Board

16
17 By: _____
18 Deputy

19
20
21 APPROVED AS TO FORM:
22 **PAMELA J. WALLS**, County Counsel

23 By: 
24 _____
25 Annie Sahhar, Deputy County Counsel

26
27 **(Signatures on this page need to be notarized)**

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

1 IN WITNESS WHEREOF, COUNTY and BORROWER have executed this First Amendment
2 as of the date first above written.

3
4 COUNTY:

BORROWER:

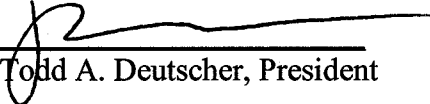
5 COUNTY OF RIVERSIDE, a political
6 Subdivision of the State of California

RIVERSIDE CEDAR GLEN PARTNERS LP,
a California limited partnership

7
8 By: _____
9 John J. Benoit, Chairman
10 Board of Supervisors

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, President

11
12
13
14 ATTEST:

15 KECIA HARPER-IHEM, Clerk of the Board

16
17 By: _____
18 Deputy

19
20
21 APPROVED AS TO FORM:
22 PAMELA J. WALLS, County Counsel

23
24 By: _____
25 Annie Sahhar, Deputy County Counsel

26
27 (Signatures on this page need to be notarized)

28

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF Orange }

On February 12, 2013, before me, Susan E. Roberts
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.

WITNESS my hand and official seal.

Signature Susan E. Roberts
Signature of Notary Public

Place Notary Seal Above

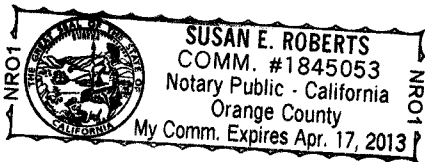


EXHIBIT "A"

Borrower: Riverside Cedar Glen Partners LP
Address: 15635 Alton Parkway, Suite 375
Irvine, CA 92618
Project Title: Cedar Glen Apartments (Phase 1)

Location: The overall site is approximately 3.63. The Project Site is situated on the southeast corner of County Farm Road and Reynolds Road in the City of Riverside in Riverside County, and consists of a portion of Assessor's Parcel Numbers (APNs): 145-260-011 and 145-260-020.

Description:

BORROWER will utilize \$550,000 in HOME funds for the construction of a 51-unit multi-family affordable housing complex (the "Project") located along the southeast corner of County Farm Road and Reynolds Road in the City of Riverside in the County of Riverside.

The Project will consist of 14 one-bedroom units, 14 two-bedroom units, 17 three-bedroom units and 6 four-bedroom units. One of the three-bedroom units will be set aside for an onsite manager's unit. Project amenities will include a 3,000 square foot community building, pool/splash pad, picnic areas, tot lots, low-impact cardio walking circuit, assigned carports, surveillance cameras with web access, and laundry facilities.

A total of 11 units will be designated as "floating" HOME-assisted units limited to households whose incomes do not exceed 50% of the area median income for the County of Riverside, adjusted by family size at the time of occupancy. The HOME-assisted units will consist of 3 one-bedroom units, 3 two-bedroom units, 3 three-bedroom units and 2 four-bedroom units. The HOME-assisted units will be restricted for a period of at least 55 years from the issuance of Certificate of Occupancy. Also, as a requirement of the Mental Health Services Act (MHSA) financing, a total of 15 "floating" units will be restricted for special needs persons such as individuals with illness and homelessness or at risk of homelessness that are referred by MHSA. The HOME-assisted units and MHSA-assisted units may overlap.

The Developer's Fee shall not exceed \$1,812,510.

LEGAL DESCRIPTION OF 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, located in Section 12, Township 3 South, Range 6 West, S.B.M., and in Section 7, Township 3 South, Range 5 West, S.B.M., more particularly described as follows:

COMMENCING at the northeast corner of said Parcel 2, said corner also being the northwesterly corner of Parcel 1 of Grant Deed recorded February 1, 1991 as Instrument No. 38278 of Official Records of said County;

Thence along the easterly line of said Parcel 2 the following 3 courses: South 00°56'07" West 80.00 feet to a line that is parallel with and distant 80.00 feet southerly, as measured at right angles, from the north line of said Parcel 2, and being the **TRUE POINT OF BEGINNING**;

Thence South 37°29'17" East 18.51 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°01'10" East;

Thence along said curve southeasterly 237.98 feet through a central angle of 25°03'52" to the most easterly corner of said Parcel 2;

Thence leaving said easterly line, along the southerly line of Parcel 2 South 56°23'13" West 399.29 feet;

Thence leaving said southerly line, North 33°38'54" West 69.70 feet;

Thence North 33°36'09" West 48.79 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 57.54 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 57.51 feet through a central angle of 32°57'11";

Thence tangent from said curve North 00°38'58" West 118.07 feet;

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


Thence North 00°56'25" East 94.41 feet to said line parallel with and distant 80.00 feet south of the North line of said Parcel 2;

Thence South 89°03'24" East 389.48 feet along said parallel line to the **TRUE POINT OF BEGINNING.**

CONTAINING 3.628 acres, more or less.

Plat attached and by this reference made a part hereof.

This description was prepared by
me or under my direction.

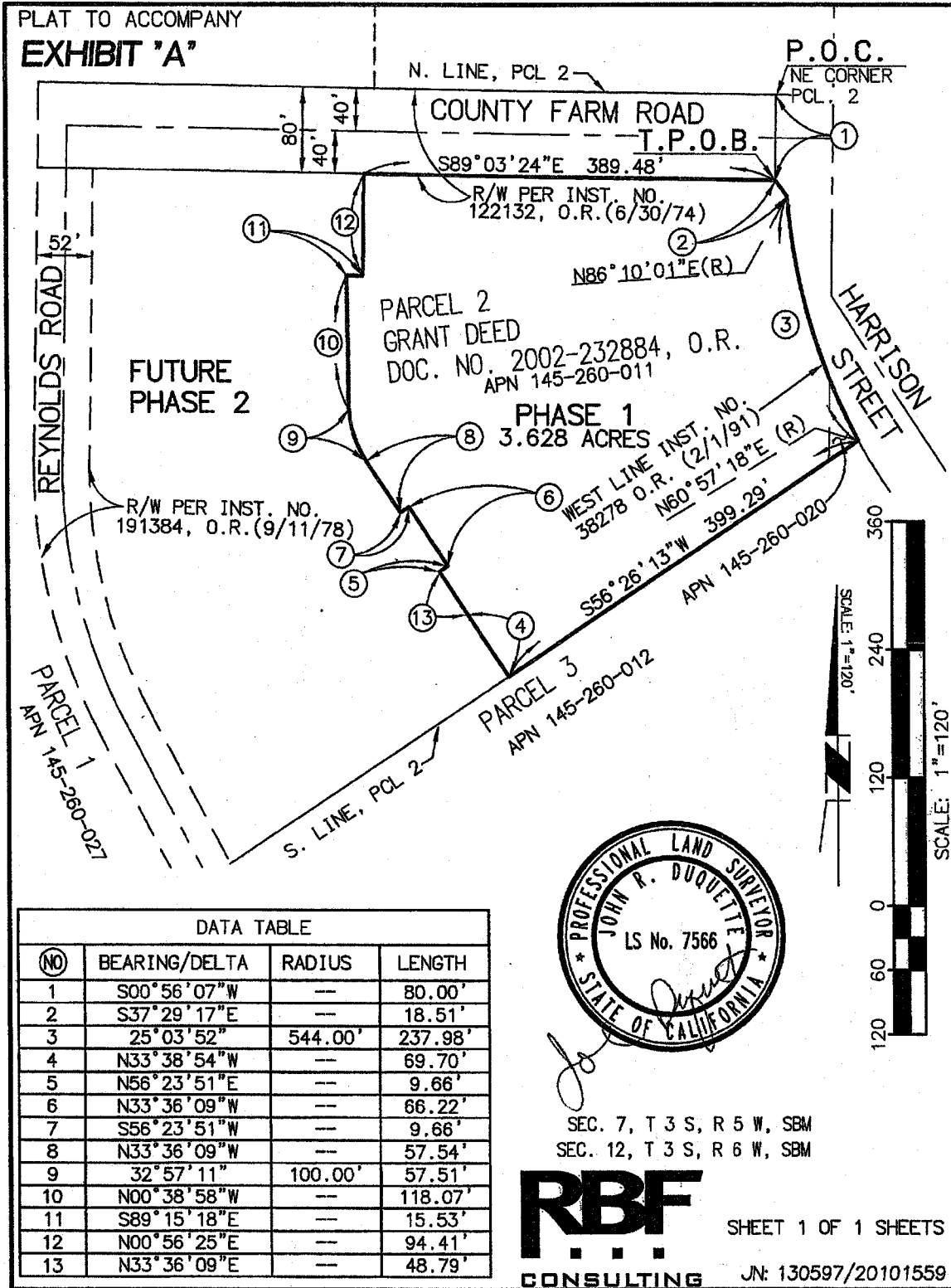


John R. Duquette P.L.S. 7566

2/22/13

Date





APN's : 145-260-011 & 145-260-020



Project Permanent Sources and Uses of Fund:

Sources:

Mental Health Service Act	\$ 2,500,000
Permanent Loan	\$ 948,716
Prestabilization Income	\$ 24,914
Limited Partner Tax Credit Equity	\$12,085,112*
Deferred Developer Fee	\$ 4,435
County of Riverside HOME Loan 55 Yrs @ 1%	<u>\$ 550,000</u>
Total Sources	\$ 16,113,177

*Subject to adjustment as to timing and amount pursuant to the terms BORROWER'S Amended and Restated Agreement of Limited Partnership expected to be executed by and among BORROWER'S general partner, BCP/Cedar Glen, LLC and BCCC, Inc. on or about March 6, 2013 as the same be amended from time to time.

Uses:

New construction (includes site work, common area bldgs. and structures)	\$7,405,310
Contractor's Overhead & Profit & Gen'l Req.	\$1,036,744
General Liability Insurance	\$ 211,051
Permanent Financing costs	\$ 45,000
Construction Contingency (Hard and Soft)	\$ 662,481
Architectural & Engineering Cost	\$ 1,099,231
Construction Interest & Fees	\$ 634,716
Reserves	\$1,275,000
Land Development Impact and Permit Processing Fees	\$1,144,158
Other Fees, Marketing & Furnishings	\$ 444,818
TCAC Fees	\$ 122,758
Legal Fees	\$ 170,000
Developer's Fee	\$1,812,510
Land & Acquisition Cost	<u>\$ 49,400</u>
Total Uses	\$16,113,177

The BORROWER has obtained a reservation of Federal/State tax credit award from the California Tax Credit Allocation Committee.

HOME Match:

Matching funds in a minimum amount of twenty-five percent (25%) of the total HOME allocation (\$550,000) are required. The HOME match in the amount of \$137,500 will be satisfied from the below-market interest loan from MHSA.

BORROWER shall submit to COUNTY copies of the final funding commitment, copies of all executed agreements, final Certified Public Accountant's construction cost certification, and proof that the funds were disbursed for the Project.

IMPLEMENTATION SCHEDULE

Milestone	Completion Date
1. CTCAC Award	09/2012
2. Letter Confirmation of CTCAC award due to COUNTY	10/2012
3. MHSA Award	07/2012
4. Permanent Financing Commitment	03/2013
5. Building Permit	03/2013
6. Begin Construction	03/2013
7. Project Financing Contingency (Section 52)	09/2013
8. Marketing & Affirmative Action	03/2014
9. Lease Agreement, Proposed Rents, and Utilities	04/2014
10. Certificate of Occupancy	05/2014
11. Occupancy of HOME units	08/2014
12. Submission of Final actual project costs and Sources and Uses of Funds	11/2014
13. Submission of income & ethnic characteristics report	11/2014

DOCUMENT SUBMISSION SCHEDULE

Documents	Due Date
1. Construction Activities Reporting	Monthly, due by the 5 th of each month
2. Liability and Certificate of Workers' Compensation Insurance for RCGPLP and General Contractor (GC)	BORROWER – At the execution of this Agreement. GC – Before start of construction. Copies of Certificates must be filed and up-to-date throughout the course of the Project with COUNTY additionally insured.
3. Minority & Women Business Enterprise Report – HUD form 2516, and Section 3 Reporting	Semi-Annually– Sept 30th & March 31st
4. Section 504 Architect Certification	Beginning of Construction – initial letter End of Construction – final letter
5. HOME Match Contribution	Beginning of Construction
6. Project Site Photos	Bimonthly, due by the 5 th of each month
7. Notice of Completion	End of Construction
8. Certificate of Occupancy	End of Construction
9. Monitoring Fee	Within 180 days of the issuance of the Certificate of Occupancy for the Project and annually thereafter
10. Tenant Checklist Reporting	Close of Project; and Semi-Annually– Sept 30th & March 31st
11. Conditional/Unconditional Release for Final from GC, and if applicable, Sub-contractors	Close of Project
12. Project Completion Report	Close of Project
13. Final Development Cost - Sources and Uses	Close of Project
14. Final Cost Certification by CPA	Close of Project and Audits Completed
15. Final 15/30 Year Cash Flow Projection	Close of Project
16. Affirmative Fair Housing Marketing Plan, HUD form 935.2A	Marketing Stage
17. Management Plan	Marketing Stage
18. Tenant Selection Policy	Marketing Stage
19. Copy of Lease Agreement	Marketing Stage
20. Flyers, Community Contacts, Outreach, Press Releases, Grand Opening info	Marketing Stage
21. Project Operating Budget	Annual submission
22. Audited Yearly Income Expense Report for the Project	Annual submission

EXHIBIT "B-1"

EXHIBIT "B-1"

CONSTRUCTION LEASEHOLD DEED OF TRUST

EXEMPT RECORDING FEE CODE 6103
RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

Riverside County
Economic Development Agency
5555 Arlington Avenue
Riverside, CA 92504
ATTN: Benjamin Cendejas

SPACE ABOVE THIS LINE FOR RECORDER'S USE

CONSTRUCTION LEASEHOLD DEED OF TRUST

This CONSTRUCTION LEASEHOLD DEED OF TRUST ("HOME Deed of Trust" or "Deed of Trust") is made on this ____ day of _____, 2013. The trustor is Riverside Cedar Glen Partners LP, a California limited partnership ("BORROWER"), and whose address is 15635 Alton Parkway, Suite 375, Irvine, CA 92618. The trustee is RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY ("Trustee"). The lender is the COUNTY OF RIVERSIDE ("COUNTY" or "Lender"), a political subdivision of the State of California, and whose address is 5555 Arlington Avenue, Riverside, CA 92504. Pursuant to the terms of the HOME Loan Agreement, dated July 3, 2012, as amended by that certain First Amendment dated concurrently herewith (collectively, the "HOME Loan Agreement"), Borrower owes Lender the principal sum of up to Five Hundred Fifty Thousand and No/100 Dollars (U.S. \$550,000.00) (the "HOME Loan"). This debt is evidenced by Borrower's Note dated _____ ("Note"). Capitalized terms not defined herein shall have the meaning ascribed to them in the HOME Loan Agreement.

The Borrower and its partners, officers, directors, employees, and agents shall not have any direct or indirect personal liability for payment of the principal of, or interest on, the HOME Loan or the performance of the Borrower's obligations under the HOME documents. The sole recourse of COUNTY with respect to payment of the principal of, or interest on, the HOME Loan, shall be to the Project. No money judgment (or execution on a money judgment) entered in any action (whether legal or equitable) on the HOME documents shall be enforced personally against the Borrower or its partners, officers, directors, employees, and agents, but shall be enforced only against the Project and such other property as may from time to time be hypothecated in connection with the Borrower's obligations under the HOME documents. This non-recourse provision does not limit or impair the enforcement against all such security for the HOME Loan of all the rights and remedies of COUNTY, nor does it impair the right of COUNTY to assert the unpaid principal amount of the HOME Loan as a demand for money within the meaning of California Code of Civil Procedure Section 431.70 or any successor provision. In addition, this non-recourse provision does not relieve the Borrower of personal liability for damage to or loss suffered by COUNTY as a result of any of the following (i) fraud or willful misrepresentation; (ii) any misappropriation of rental proceeds resulting in the failure to pay taxes, assessments, or other charges that could create statutory liens on the Project and

that are payable or applicable prior to any foreclosure under the HOME Deed of Trust; (iii) the fair market value of any personal property of fixtures removed or disposed of by the Borrower other than in accordance with the HOME Deed of Trust; (iv) the misapplication of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss, or destruction to any portion of the Project (to the extent of the misapplied proceeds or awards); and (v) any rental income or other income arising with respect to the Project received by the Borrower after COUNTY has properly exercised its rights under the HOME Deed of Trust to receive such income upon an Event of Default (as defined under the HOME Deed of Trust).

The HOME Loan evidenced by the Note and secured by this Deed of Trust is being made pursuant to the HOME Investment Partnerships Program and the regulations issued thereunder (Title II, the Cranston-Gonzales National Affordable Housing Act, Public Law No. 101-625, 104 Stat. 4079 (1990), (24 C.F.R. Part 92) (the "HOME Program").

Pursuant to the HOME Loan Agreement, the term of the HOME Loan shall be the earlier of: (i) fifty-five (55) years from the first certificate of occupancy for the Project, issued by the City of Riverside, or (ii) July 3, 2072.

This Deed of Trust secures to Lender: (a) the repayment of the debt evidenced by the Note, with interest as provided in the Note, and all renewals, extensions and modifications of the Note; (b) the payment of all other sums, with interest as provided in the Note, advanced under **Section 8** to protect the security of this Deed of Trust; and (c) the performance of Borrower's covenants and agreements under this Deed of Trust and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, subject to the rights of the holder of the First Deed of Trust (the "Senior Lien Holder"), all of Borrower's right, title and interest in and to the leasehold interest in the property located in Riverside County, California. The legal description of the property is further described in **Exhibit "B-1"** attached hereto;

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

BORROWER COVENANTS that the Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the leasehold interest of the Property and, except for the Deed of Trust in favor of the Senior Lien Holder ("First Deed of Trust"), and the Deed of Trust in favor of California Housing Finance Agency ("CalHFA") ("Second Deed of Trust"), and other encumbrances of record acceptable to the Senior Lien Holder, the Property is unencumbered. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to such encumbrances of record.

Notwithstanding anything herein to the contrary, by acceptance of this Leasehold Deed of Trust, Borrower acknowledges and agrees that the fee interest of the County in the real property described in **Exhibit "B-1"** is not liened, encumbered or otherwise affected by any of the covenants made herein.

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

UNIFORM COVENANTS Borrower and Lender covenant and agree as follows:

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

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

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

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

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

a. Except for the liens permitted by the Lender, Borrower shall promptly discharge any other lien which shall have attained priority over this Deed of Trust unless Borrower: (1) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (2) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in the Lender's opinion operate to prevent the enforcement of the lien; or (3) bond around the lien (4) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Deed of Trust. Except for the liens approved herein, if

Lender determines that any part of the Property is subject to a lien which may attain priority over this Deed of Trust, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy such lien or take one or more of the actions set forth above within 30 days of the giving of notice.

5. Subordination. This Deed of Trust shall be recorded in the third position behind a first deed of trust which is anticipated to be repaid by a permanent loan from a lender to be named at later date and a deed of trust in favor of CalHFA. COUNTY hereby agrees to execute any and all documents necessary to effectuate such subordination. Borrower shall request Lender approval of any additional subordination and Lender consent shall not be unreasonably withheld.

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

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

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

c. Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of Note. If under **Section 23** the Property is acquired by Lender, Borrower's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Deed of Trust immediately prior to the acquisition.

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

7. Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leaseholds. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate, or commit waste on the Property. Borrower shall be in default if any forfeiture action or proceeding, whether civil or criminal, is begun that in Lender's good faith judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Deed of Trust or Lender's security interest. Borrower may cure such a default and reinstate, as provided in **Section 19**, by causing the action or proceeding to be dismissed with a ruling that, in Lender's good faith determination, precludes forfeiture of the Borrower's interest in the Property or other material impairment of the lien created by this Deed of Trust or Lender's security interest. Borrower shall also be in default if Borrower, during the loan application process, gave materially false or inaccurate information or statements to Lender (or failed to provide Lender with any material information) in connection with the loan evidenced by the Note, including, but not limited to representations concerning Borrower's use of Property for affordable housing. If this Deed of Trust is on a leasehold, Borrower shall comply with all provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

a. The Borrower acknowledges that this Property is subject to certain use and occupancy restrictions (which may be further evidenced by a separate agreement recorded in the land records where the Property is located), limiting the Property's use to "low-income housing" within the meaning of the HOME Program. The use and occupancy restrictions may limit the Borrower's ability to rent the Property. The violation of any use and occupancy restrictions may, if not prohibited by federal law, entitle the Lender to the remedies provided in **Section 23** hereof.

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

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

b. Prior to taking any actions under this **Section 8**, however, Lender shall notify the Senior Lien Holder of such default in the manner provided in **Section 23** of this Deed

of Trust, and shall provide the Senior Lien Holder with the opportunity to cure any such default under this Deed of Trust. All amounts advanced by the Senior Lien Holder to cure a default hereunder shall be deemed advanced by the Senior Lien Holder and shall be secured by the Deed of Trust held by such Senior Lien Holder. In addition, the Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder at least 60 days' prior written notice. Any action by Lender hereunder to foreclose or accept a deed in lieu of foreclosure shall be subject to the "due on sale" provisions of the First Deed of Trust.

9. Not used

10. Inspection. Lender or its agent may make reasonable entries upon and inspections of the Property. Lender shall give Borrower at least forty-eight (48) hours prior written notice for an inspection and such notice shall specify the reasonable cause for the inspection.

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

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

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

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

12. Borrower Not Released; Forbearance By Lender Not a Waiver. Except in connection with any successor in interest approved by Lender, extension of the time for payment

or modification of amortization of the sums secured by this Deed of Trust granted by Lender to any successor in interest of Borrower shall not operate to release the liability of the original Borrower or Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Deed of Trust by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

13. Successors and Assigns Bound; Joint and Several Liability; Co-signers. The covenants and agreements of this Deed of Trust shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of **Section 18**. Borrower's covenants and agreements shall be joint and several.

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

15. Notices. Any notice to Borrower provided for in this Deed of Trust shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Borrower's mailing address stated herein or any other address Borrower designates by notice to Lender. All such notices to Borrower shall also be provided to the investment limited partner. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any other address Lender designates by notice to Borrower. Any notice required to be given to the Senior Lien Holder shall be given by first class mail to such other address the Senior Lien Holder designates by notice to the Borrower. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Lender when given as provided in this Section.

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

17. Borrower's Copy. Borrower shall be given one conformed copy of the Note and of this Deed of Trust.

18. Transfer of the Property or a Beneficial Interest in Borrower. Except for a conveyance to the trustee under the First Deed of Trust or the Second Deed of Trust or this Deed of Trust or as otherwise allowed under the HOME Loan Agreement, if all or any part of the

Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent (including a transfer of all or any part of the Property to any person who, at initial occupancy of the Property, does not use the Property for "low-income housing" within the meaning of the HOME Program) Lender may, at its option, require immediate payment in full of all sums secured by this Deed of Trust. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Deed of Trust. Nothing in this Deed of Trust shall be deemed to require Lender's approval of a transfer of a limited partnership interest in the Borrower or of a conveyance of an easement interest in the Property for utility purposes. In the event of any conflict between the terms of this Deed of Trust and the HOME Loan Agreement regarding the transfer of the Property or beneficial interests in the Borrower, the terms of the HOME Loan Agreement shall control.

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

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

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

d. Upon prior written approval by County, Borrower may transfer the Project and/or accomplish any of the following: (i) the admission of limited partners to Borrower's limited partnership, or similar mechanism, and the purchase of any such limited partnership interest or interests or Borrower's leasehold interest in the improvements by Borrower's general partner (or its affiliate); (ii) the replacement of Borrower's general partner or similar mechanism, by an affiliate of the general partner; (iii) the removal of cause of any general partner by a limited partner of Borrower, 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 in accordance with this HOME Loan Agreement; and (iv) the withdrawal, removal, and/or replacement of any limited partner of Borrower.

County's approval of the transfers shall not be unreasonably withheld and County's Assistant County Executive Officer/EDA, or designee(s), are authorized to execute such written instrument necessary or appropriate to evidence approval of the transfers. Notwithstanding

anything to the contrary herein, the following shall not require County's prior approval: (1) any transfer described in (i) and (vi) above; (2) notwithstanding (iii) above, the removal and replacement of any general partner of Borrower by a limited partner or any affiliate of a limited partner pursuant to the terms of the Borrower's partnership agreement as amended from time to time; (3) any transfer described in (iv), provided that the lease complies with the applicable requirements of the HOME program. Notwithstanding anything to the contrary herein, the amendment of the organizational documents of Borrower to effectuate the transfers described in (i), (iii) and (iv) above shall not require the prior consent of the County.

19. Borrower's Right to Reinstate. If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Deed of Trust discontinued at any time prior to the earlier of: (a) 5 days (or such other period as applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Deed of Trust; or (b) entry of a judgment enforcing this Deed of Trust. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Deed of Trust and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Deed of Trust, including, but not limited to, reasonable attorneys' fees; and (d) takes such action as Lender may reasonably require to assure that the lien of this Deed of Trust, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Deed of Trust shall continue unchanged. Upon reinstatement by Borrower, this Deed of Trust and the obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under **Section 18**.

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

21. No Assignment. Until the loan secured by the First Deed of Trust has been satisfied in full, the Lender and the Borrower agree that the Note and the Deed of Trust will not be assigned without the Senior Lien Holder's prior written consent.

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

a. Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower

has actual knowledge. If Borrower learns, or is notified in writing by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law. Prior to taking any such remedial action, however, the Borrower shall notify the Senior Lien Holder that such remedial action is necessary and shall obtain the Senior Lien Holder's prior written consent for such remedial action.

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

23. Acceleration; Remedies. Lender shall give notice to Borrower, the investor limited partner, and the Senior Lien Holder prior to acceleration following Borrower's breach of any covenant or agreement in this Deed of Trust. The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, which shall not be more than sixty (60) calendar days from the mailing of the notice for a monetary default, or a date, which shall not be more than ninety (90) calendar days from the mailing of the notice for a non-monetary default, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured by the Borrower on or before the date specified in the notice, and the Senior Lien Holder or the investor limited partner have not exercised their right to cure the default, but subject to any non-recourse provisions then in effect, then Lender at its option may require immediate payment in full of all sums secured by this Deed of Trust without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Notwithstanding Lender's right to invoke any remedies hereunder, as provided in **Section 8** above, the Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder and the investor limited partner at least 60 days' prior written notice. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this **Section 23**, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

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

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

24. Release. Upon payment of all sums secured by this Deed of Trust, Lender shall release this Deed of Trust without charge to Borrower. Borrower shall pay any recordation costs.

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

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

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

28. Not used.

29. Removal, Demolition or Alteration of Personal Property and Fixtures. Except to the extent permitted by the following sentence, no personal property or fixtures shall be removed, demolished or materially altered without the prior written consent of the Beneficiary. Trustor may remove and dispose of, free from the lien of this HOME Deed of Trust, such personal property and fixtures as from time to time become worn out or obsolete, providing that, (a) the same is done in the ordinary course of business, and (2) either (i) at the time of, or prior to, such removal, any such personal property or fixtures are replaced with other personal property or fixtures which are free from liens other than encumbrances permitted hereunder and which have a value at least equal to that of the replaced personal property and fixtures (and by such removal replacement Trustor shall be deemed to have subjected such replacement personal property and fixtures to the lien of this HOME Deed of Trust), or (ii) such personal property and fixtures may not require replacement if functionally, economically or operationally obsolete and so long as the fair market value of and operational efficiency of the Project is not reduced or adversely effected thereby.

(SIGNATURE ON NEXT PAGE)

BY SIGNING BELOW, the BORROWER accepts and agrees to the terms and covenants contained in this Deed of Trust.

BORROWER:

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, President

(Signature on this page needs to be notarized)

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 "B-1"
LEGAL DESCRIPTION OF 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, located in Section 12, Township 3 South, Range 6 West, S.B.M., and in Section 7, Township 3 South, Range 5 West, S.B.M., more particularly described as follows:

COMMENCING at the northwest corner of said Parcel 2;

thence South $00^{\circ}59'11''$ West 80.00 feet along the west line of said Parcel 2 to a line parallel with and 80.00 feet southerly of the north line of said Parcel 2;

thence leaving said westerly line along said parallel line South $89^{\circ}03'24''$ East 72.77 feet to the **TRUE POINT OF BEGINNING**;

thence continuing South $89^{\circ}03'24''$ East 235.91 feet;

thence leaving said parallel line South $00^{\circ}56'25''$ West 94.41 feet;

thence North $89^{\circ}15'18''$ West 15.53 feet;

thence South $00^{\circ}38'58''$ East 118.07 feet to the beginning of a tangent curve concave to the northeast and having a radius of 100.00 feet;

thence along said curve southeasterly 57.51 feet through a central angle of $32^{\circ}57'11''$;

thence tangent from said curve South $33^{\circ}36'09''$ East 57.54 feet;

thence North $56^{\circ}23'51''$ East 9.66 feet;

thence South $33^{\circ}36'09''$ East 66.22 feet;

thence South $56^{\circ}23'51''$ West 9.66 feet;

thence South $33^{\circ}36'09''$ East 48.79 feet;

thence South $33^{\circ}38'54''$ East 69.70 feet to the south line of said Parcel 2;

thence along said southerly line and its southwesterly prolongation South $56^{\circ}26'13''$ West 320.55 feet to a line parallel with and 49.50 feet northeasterly of the west line of said Parcel 2;

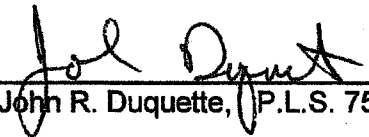
thence along said parallel line North $27^{\circ}52'04''$ West 163.69 feet to the beginning of a tangent curve concave to the northeast and having a radius of 477.50 feet;

thence along said curve northwesterly 240.47 feet through a central angle of 28°51'15";
thence tangent from said curve North 00°59'11" East 250.37 feet;
thence North 46°01'07" East 32.89 feet to the **TRUE POINT OF BEGINNING.**

CONTAINING 3.776 acres, more or less.

Plat attached and by this reference made a part hereof.

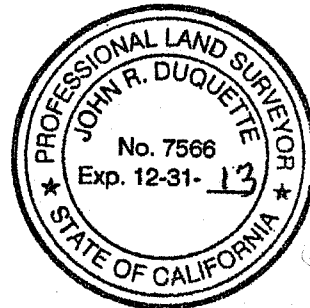
This description was prepared by
me or under my direction.

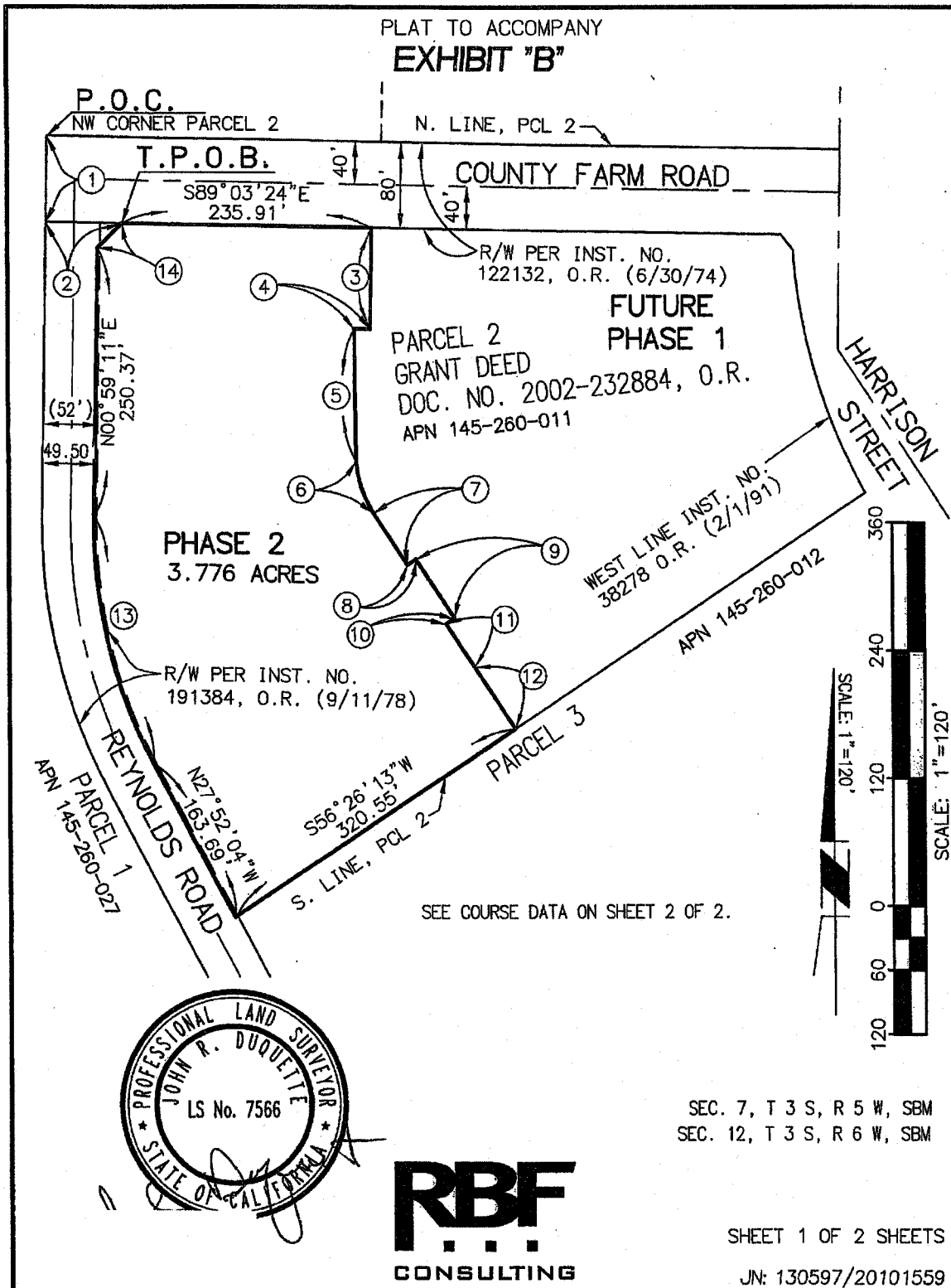


John R. Duquette, P.L.S. 7566

2/24/13

Date





PLAT TO ACCOMPANY
EXHIBIT "B"

DATA TABLE			
(NO)	BEARING/DELTA	RADIUS	LENGTH
1	S00°59'11"W	--	80.00'
2	S89°03'24"E	--	72.77'
3	S00°56'25"W	--	94.41'
4	N89°15'18"W	--	15.53'
5	S00°38'58"E	--	118.07'
6	32°57'11"	100.00'	57.51'
7	S33°36'09"E	--	57.54'
8	N56°23'51"E	--	9.66'
9	S33°36'09"E	--	66.22'
10	S56°23'51"W	--	9.66'
11	S33°36'09"E	--	48.79'
12	S33°38'54"E	--	69.70'
13	28°51'15"	477.50'	240.47'
14	N46°01'07"E	--	32.89'



SHEET 2 OF 2 SHEETS

JN: 130597/20101559

EXHIBIT "B-2"

PROMISSORY NOTE

PROMISSORY NOTE

\$550,000

Riverside, CA

In installments as hereafter stated, for value received, Riverside Cedar Glen Partners LP, a California limited partnership ("Borrower") promises to pay the COUNTY OF RIVERSIDE, a political subdivision of the State of California ("COUNTY"), or order, at 5555 Arlington Avenue, Riverside, CA 92504, the sum of up to Five Hundred Fifty Thousand and No/100 Dollars (U.S. \$550,000.00) (the "HOME Loan") which at the time of payment is lawful for the payment of public and private debts.

This Promissory Note (the "Note") is given in accordance with that certain Loan Agreement for the Use of HOME Funds executed by COUNTY and Borrower, dated as of July 3, 2012, as amended by that certain First Amendment dated concurrently herewith (collectively, the "HOME Loan Agreement"). Excepting to the extent otherwise expressly defined in this Note, all capitalized terms shall have the meanings established in the HOME Loan Agreement. The rights and obligations of the Borrower and COUNTY under this Note shall be governed by the Agreement and by the additional terms of as follows:

(1) That the HOME Loan will accrue simple interest at a rate of one percent (1.00%) per annum, except in the case of default as hereinafter provided, and shall be repaid on an annual basis from the Project's Residual Receipts as defined herein; (2) The Note shall be repaid as defined herein: i) Fifty percent (50%) of the Project's Residual Receipts shall be used towards the payment of the residual receipts loans secured by the Project, and the payment shall be prorated based on the percentage of each relative loan amount of all such loan; and ii) The remaining fifty percent (50%) of the Project's Residual Receipts will be paid to BORROWER; (3) The HOME Loan shall be subordinated to a construction loan, permanent first mortgage, and the Mental Health Services Act loan. Available residual receipts shall be determined based on a review of certified financial statements for the project. Quarterly financial statements shall be submitted within forty-five (45) days following the close of each quarter of the project fiscal year. In addition, the annual audited financial statements shall be submitted within ninety (90) days following the close of the project fiscal year. All outstanding principal along with accrued interest shall be due the earlier of: (i) fifty-five (55) years from the first certificate of occupancy (as defined in the HOME Loan Agreement) for the Project, issued by the City of Riverside, or (ii) July 3, 2072. fifty-five (55) years from the first Certificate of Occupancy (as defined in the First Amendment to the HOME Loan Agreement). The first payment shall be due on July 1st of the year after the calendar year in which the first certificate of occupancy occurs, to the extent of available Residual Receipts, as set forth above; and (4) Project Residual Receipts are defined as gross receipts, not including interest on required reserve accounts, less the following: (i) auditing and accounting fees; (ii) property management fee not to exceed \$42.50 per unit per month, increased annually by an amount equal to the increase in the Consumer Price Index ("CPI"); (iii) lease up

fee of \$150 per unit; (iv) an Investor Annual Review Fee which shall be in the initial amount of \$7,000 and increased annually by an amount equivalent to the rise in CPI; (v) operating expenses (any expense reasonably and normally incurred in carrying out the Project's day-to-day activities, which shall include administration, on-site management, utilities, on-site staff payroll, payroll taxes, and maintenance); (vi) reserves; (vii) deferred developer's fee; (viii) an Administrative General Partner monitoring fee, which shall be in the initial amount of \$50,000 and increased annually by an amount equivalent to the rise in CPI; (ix) a Managing General Partner partnership fee which shall be in the initial amount of \$15,000 and increased annually by an amount equivalent to the rise in the CPI; and (x) payments of principal and interest on amortized loans and indebtedness senior to the HOME Loan, which have been approved by COUNTY (collectively, the "Senior Debt").

In any action commenced to enforce the obligation of the Borrower to pay principal and interest under the Note, the obligations hereunder shall be non-recourse to the Borrower and the judgment shall not be enforceable personally against the Borrower, Borrower's partners, or the Borrower's assets, and the recourse of COUNTY for the collection of such amounts shall be limited to actions against the Property described in the Construction Leasehold Deed of Trust ("HOME Deed of Trust") executed by the Borrower to secure the Note and the rents, profits, issues, products, and income from the Property.

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

The Borrower and its partners, officers, directors, employees, and agents shall not have any direct or indirect personal liability for payment of the principal of, or interest on, the HOME Loan or the performance of the Borrower's obligations under the HOME documents. The sole recourse of COUNTY with respect to payment of the principal of, or interest on, the HOME Loan, shall be to the Project. No money judgment (or execution on a money judgment) entered in any action (whether legal or equitable) on the HOME documents shall be enforced personally against the Borrower or its partners, officers, directors, employees, and agents, but shall be enforced only against the Project and such other property as may from time to time be hypothecated in connection with the Borrower's obligations under the HOME documents. This non-recourse provision does not limit or impair the enforcement against all such security for the HOME Loan of all the rights and remedies of COUNTY, nor does it impair the right of COUNTY to assert the unpaid principal amount of the HOME Loan as a demand for money within the meaning of California Code of Civil Procedure Section 431.70 or any successor provision. In addition, this non-recourse provision does not relieve the Borrower of personal liability for damage to or loss suffered by COUNTY as a result of any of the following (i) fraud or willful misrepresentation; (ii) any misappropriation of rental proceeds resulting in the failure to pay taxes, assessments, or other charges that could create statutory liens on the Project and that are payable or applicable prior to any foreclosure under the HOME Deed of Trust; (iii) the

fair market value of any personal property of fixtures removed or disposed of by the Borrower other than in accordance with the HOME Deed of Trust; (iv) the misapplication of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss, or destruction to any portion of the Project (to the extent of the misapplied proceeds or awards); and (v) any rental income or other income arising with respect to the Project received by the Borrower after COUNTY has properly exercised its rights under the HOME Deed of Trust to receive such income upon an Event of Default (as defined under the HOME Deed of Trust).

(Signature on next page)

DATE: _____

BORROWER:

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, President

EXHIBIT "H"

EXHIBIT "H"
REQUEST FOR NOTICE

NO FEE FOR RECORDING PURSUANT
TO GOVERNMENT CODE SECTION 6103

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

County of Riverside
Economic Development Agency
5555 Arlington Avenue
Riverside, CA 92504
Attn: Benjamin Cendejas

SPACE ABOVE THIS LINE FOR RECORDERS USE

REQUEST for NOTICE
UNDER SECTION 2924b CIVIL CODE

In accordance with Civil Code, section 2924b, request is hereby made that a copy of any Notice of Default and a copy of any Notice of Sale under the Construction Leasehold Deed of Trust recorded as Instrument No. _____ concurrent herewith, in book _____, page _____, Official Records of RIVERSIDE County, California, and describing land therein as:

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, said corner also being the northwesterly corner of Parcel 1 of Grant Deed recorded February 1, 1991 as Instrument No. 38278 of Official Records of said County;

Thence along the easterly line of said Parcel 2 the following courses: South 00°56'07" West 80.00 feet to a line that is parallel with and distant 80.00 feet southerly, as measured at right angles, from the north line of said Parcel 2, and being the **TRUE POINT OF BEGINNING**;

Thence South 37°29'17" East 18.51 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°01'10" East;

Thence along said curve southeasterly 237.98 feet through a central angle of 25°03'51" to the most easterly corner of said Parcel 2;

Thence leaving said easterly line, along the southerly line of Parcel 2 South 56°23'13" West 399.29 feet;

Thence leaving said southerly line, North 33°38'54" West 69.70 feet;

Thence North 33°36'09" West 48.79 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 57.54 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 57.51 feet through a central angle of 32°57'11";

Thence tangent from said curve North 00°38'58" West 118.07 feet;

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

Thence North 00°56'25" East 94.41 feet to said line parallel with and distant 80.00 feet south of the North line of said Parcel 2;

Thence South 89°03'24" East 389.48 feet along said parallel line to the TRUE POINT OF BEGINNING.

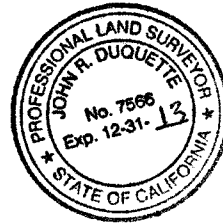
CONTAINING 3.628 acres, more or less.

Plat 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.

John R. Duquette
John R. Duquette P.L.S. 7566
1/28/13
Date



Executed by Riverside Cedar Glen LP, as trustor in which the County of Riverside Economic Development Agency, a political subdivision of the State of California is named as Beneficiary, and the County of Riverside Economic Development Agency, as Trustee, be mailed to the County of Riverside Economic Development Agency, Housing Division at 5555 Arlington Avenue, Riverside, CA 92504.

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

<p>Dated _____</p> <p>CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT</p> <p>STATE OF CALIFORNIA</p> <p>COUNTY OF <u>RIVERSIDE</u> } S.S.</p> <p>On _____ before me, _____ a Notary Public, personally appeared <u>Tom Fan</u> 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.</p> <p>I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.</p> <p>WITNESS my hand and official seal</p> <p>Signature _____</p>	<p>RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY</p> <hr/> <p>Tom Fan / Principal Development Specialist</p> <p>(This area for official notarial seal)</p>
<p>Escrow or Loan No. _____</p>	

EXEMPT RECORDING FEE CODE 6103
RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

Riverside County
Economic Development Agency
5555 Arlington Avenue
Riverside, CA 92504
ATTN: Benjamin Cendejas

EXECUTED
(FOR REFERENCE
ONLY)

SPACE ABOVE THIS LINE FOR RECORDER'S USE

CONSTRUCTION LEASEHOLD DEED OF TRUST

This CONSTRUCTION LEASEHOLD DEED OF TRUST ("HOME Deed of Trust" or "Deed of Trust") is made on this _____ day of _____, 2013. The trustor is Riverside Cedar Glen Partners LP, a California limited partnership ("BORROWER"), and whose address is 15635 Alton Parkway, Suite 375, Irvine, CA 92618. The trustee is RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY ("Trustee"). The lender is the COUNTY OF RIVERSIDE ("COUNTY" or "Lender"), a political subdivision of the State of California, and whose address is 5555 Arlington Avenue, Riverside, CA 92504. Pursuant to the terms of the HOME Loan Agreement, dated July 3, 2012, as amended by that certain First Amendment dated concurrently herewith (collectively, the "HOME Loan Agreement"), Borrower owes Lender the principal sum of up to Five Hundred Fifty Thousand and No/100 Dollars (U.S. \$550,000.00) (the "HOME Loan"). This debt is evidenced by Borrower's Note dated _____ ("Note"). Capitalized terms not defined herein shall have the meaning ascribed to them in the HOME Loan Agreement.

The Borrower and its partners, officers, directors, employees, and agents shall not have any direct or indirect personal liability for payment of the principal of, or interest on, the HOME Loan or the performance of the Borrower's obligations under the HOME documents. The sole recourse of COUNTY with respect to payment of the principal of, or interest on, the HOME Loan, shall be to the Project. No money judgment (or execution on a money judgment) entered in any action (whether legal or equitable) on the HOME documents shall be enforced personally against the Borrower or its partners, officers, directors, employees, and agents, but shall be enforced only against the Project and such other property as may from time to time be hypothecated in connection with the Borrower's obligations under the HOME documents. This non-recourse provision does not limit or impair the enforcement against all such security for the HOME Loan of all the rights and remedies of COUNTY, nor does it impair the right of COUNTY to assert the unpaid principal amount of the HOME Loan as a demand for money within the meaning of California Code of Civil Procedure Section 431.70 or any successor provision. In addition, this non-recourse provision does not relieve the Borrower of personal liability for damage to or loss suffered by COUNTY as a result of any of the following (i) fraud or willful misrepresentation; (ii) any misappropriation of rental proceeds resulting in the failure to pay taxes, assessments, or other charges that could create statutory liens on the Project and that are payable or applicable prior to any foreclosure under the HOME Deed of Trust; (iii) the fair market value of any personal property of fixtures removed or disposed of by the Borrower other than in accordance with the HOME Deed of Trust; (iv) the misapplication of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power

of eminent domain or by reason of damage, loss, or destruction to any portion of the Project (to the extent of the misapplied proceeds or awards); and (v) any rental income or other income arising with respect to the Project received by the Borrower after COUNTY has properly exercised its rights under the HOME Deed of Trust to receive such income upon an Event of Default (as defined under the HOME Deed of Trust).

The HOME Loan evidenced by the Note and secured by this Deed of Trust is being made pursuant to the HOME Investment Partnerships Program and the regulations issued thereunder (Title II, the Cranston-Gonzales National Affordable Housing Act, Public Law No. 101-625, 104 Stat. 4079 (1990), (24 C.F.R. Part 92) (the "HOME Program").

Pursuant to the HOME Loan Agreement, the term of the HOME Loan shall be the earlier of: (i) fifty-five (55) years from the first certificate of occupancy for the Project, issued by the City of Riverside, or (ii) July 3, 2072.

This Deed of Trust secures to Lender: (a) the repayment of the debt evidenced by the Note, with interest as provided in the Note, and all renewals, extensions and modifications of the Note; (b) the payment of all other sums, with interest as provided in the Note, advanced under **Section 8** to protect the security of this Deed of Trust; and (c) the performance of Borrower's covenants and agreements under this Deed of Trust and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, subject to the rights of the holder of the First Deed of Trust (the "Senior Lien Holder"), all of Borrower's right, title and interest in and to the leasehold interest in the property located in Riverside County, California. The legal description of the property is further described in **Exhibit "B-1"** attached hereto;

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

BORROWER COVENANTS that the Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the leasehold interest of the Property and, except for the Deed of Trust in favor of the Senior Lien Holder ("First Deed of Trust"), and the Deed of Trust in favor of California Housing Finance Agency ("CalHFA") ("Second Deed of Trust"), and other encumbrances of record acceptable to the Senior Lien Holder, the Property is unencumbered. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to such encumbrances of record.

Notwithstanding anything herein to the contrary, by acceptance of this Leasehold Deed of Trust, Borrower acknowledges and agrees that the fee interest of the County in the real property described in **Exhibit "B-1"** is not liened, encumbered or otherwise affected by any of the covenants made herein.

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

UNIFORM COVENANTS Borrower and Lender covenant and agree as follows:

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

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

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

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

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

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

5. Subordination. This Deed of Trust shall be recorded in the third position behind a first deed of trust which is anticipated to be repaid by a permanent loan from a lender to be named at later date and a deed of trust in favor of CalHFA. COUNTY hereby agrees to execute any and all documents necessary to effectuate such subordination. Borrower shall request Lender approval of any additional subordination and Lender consent shall not be unreasonably withheld.

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

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

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

c. Unless Lender and Borrower otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of Note. If under **Section 23** the Property is acquired by Lender, Borrower's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Lender to the extent of the sums secured by this Deed of Trust immediately prior to the acquisition.

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

7. Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leaseholds. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate, or commit waste on the Property. Borrower shall be in default if any forfeiture action or proceeding, whether civil or criminal, is begun that in Lender's good faith judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Deed of Trust or Lender's security interest. Borrower may cure such a default and reinstate, as provided in **Section 19**, by causing the action or proceeding to be dismissed with a ruling that, in Lender's good faith determination, precludes forfeiture of the Borrower's interest in the Property or other material impairment of the lien created by this Deed of Trust or Lender's security interest. Borrower shall also be in default if Borrower, during the loan application process, gave materially false or inaccurate information or statements to Lender (or failed to provide Lender with any material information) in connection with the loan evidenced by the Note, including, but not limited to representations concerning Borrower's use of Property for affordable housing. If this Deed of Trust is on a leasehold, Borrower shall comply with all provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

a. The Borrower acknowledges that this Property is subject to certain use and occupancy restrictions (which may be further evidenced by a separate agreement recorded in the land records where the Property is located), limiting the Property's use to "low-income housing" within the meaning of the HOME Program. The use and occupancy restrictions may limit the Borrower's ability to rent the Property. The violation of any use and occupancy restrictions may, if not prohibited by federal law, entitle the Lender to the remedies provided in **Section 23** hereof.

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

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

b. Prior to taking any actions under this **Section 8**, however, Lender shall notify the Senior Lien Holder of such default in the manner provided in **Section 23** of this Deed of Trust, and shall provide the Senior Lien Holder with the opportunity to cure any such default under this Deed of Trust. All amounts advanced by the Senior Lien Holder to cure a default hereunder shall be deemed advanced by the Senior Lien Holder and shall be secured by the Deed of Trust held by such Senior Lien Holder. In addition, the Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other

rights or remedies hereunder until it has given the Senior Lien Holder at least 60 days' prior written notice. Any action by Lender hereunder to foreclose or accept a deed in lieu of foreclosure shall be subject to the "due on sale" provisions of the First Deed of Trust.

9. Not used

10. Inspection. Lender or its agent may make reasonable entries upon and inspections of the Property. Lender shall give Borrower at least forty-eight (48) hours prior written notice for an inspection and such notice shall specify the reasonable cause for the inspection.

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

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

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

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

12. Borrower Not Released; Forbearance By Lender Not a Waiver. Except in connection with any successor in interest approved by Lender, extension of the time for payment or modification of amortization of the sums secured by this Deed of Trust granted by Lender to any successor in interest of Borrower shall not operate to release the liability of the original Borrower or Borrower's successors in interest. Lender shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Deed of Trust by reason of any demand made

by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

13. Successors and Assigns Bound; Joint and Several Liability; Co-signers. The covenants and agreements of this Deed of Trust shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of **Section 18**. Borrower's covenants and agreements shall be joint and several.

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

15. Notices. Any notice to Borrower provided for in this Deed of Trust shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Borrower's mailing address stated herein or any other address Borrower designates by notice to Lender. All such notices to Borrower shall also be provided to the investment limited partner. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any other address Lender designates by notice to Borrower. Any notice required to be given to the Senior Lien Holder shall be given by first class mail to such other address the Senior Lien Holder designates by notice to the Borrower. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Lender when given as provided in this Section.

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

17. Borrower's Copy. Borrower shall be given one conformed copy of the Note and of this Deed of Trust.

18. Transfer of the Property or a Beneficial Interest in Borrower. Except for a conveyance to the trustee under the First Deed of Trust or the Second Deed of Trust or this Deed of Trust or as otherwise allowed under the HOME Loan Agreement, if all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent (including a transfer of all or any part of the Property to any person who, at initial occupancy of the Property, does not use the Property for "low-income housing" within the meaning of the HOME Program) Lender may, at its option, require immediate payment in full of all sums

secured by this Deed of Trust. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Deed of Trust. Nothing in this Deed of Trust shall be deemed to require Lender's approval of a transfer of a limited partnership interest in the Borrower or of a conveyance of an easement interest in the Property for utility purposes. In the event of any conflict between the terms of this Deed of Trust and the HOME Loan Agreement regarding the transfer of the Property or beneficial interests in the Borrower, the terms of the HOME Loan Agreement shall control.

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

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

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

d. Upon prior written approval by County, Borrower may transfer the Project and/or accomplish any of the following: (i) the admission of limited partners to Borrower's limited partnership, or similar mechanism, and the purchase of any such limited partnership interest or interests or Borrower's leasehold interest in the improvements by Borrower's general partner (or its affiliate); (ii) the replacement of Borrower's general partner or similar mechanism, by an affiliate of the general partner; (iii) the removal of cause of any general partner by a limited partner of Borrower, 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 in accordance with this HOME Loan Agreement; and (iv) the withdrawal, removal, and/or replacement of any limited partner of Borrower.

County's approval of the transfers shall not be unreasonably withheld and County's Assistant County Executive Officer/EDA, or designee(s), are authorized to execute such written instrument necessary or appropriate to evidence approval of the transfers. Notwithstanding anything to the contrary herein, the following shall not require County's prior approval: (1) any transfer described in (i) and (vi) above; (2) notwithstanding (iii) above, the removal and replacement of any general partner of Borrower by a limited partner or any affiliate of a limited partner pursuant to the terms of the Borrower's partnership agreement as amended from time to time; (3) any transfer described in (iv), provided that the lease complies with the applicable

requirements of the HOME program. Notwithstanding anything to the contrary herein, the amendment of the organizational documents of Borrower to effectuate the transfers described in (i), (iii) and (iv) above shall not require the prior consent of the County.

19. Borrower's Right to Reinstate. If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Deed of Trust discontinued at any time prior to the earlier of: (a) 5 days (or such other period as applicable law may specify for reinstatement) before sale of the Property pursuant to any power of sale contained in this Deed of Trust; or (b) entry of a judgment enforcing this Deed of Trust. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Deed of Trust and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Deed of Trust, including, but not limited to, reasonable attorneys' fees; and (d) takes such action as Lender may reasonably require to assure that the lien of this Deed of Trust, Lender's rights in the Property and Borrower's obligation to pay the sums secured by this Deed of Trust shall continue unchanged. Upon reinstatement by Borrower, this Deed of Trust and the obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under **Section 18**.

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

21. No Assignment. Until the loan secured by the First Deed of Trust has been satisfied in full, the Lender and the Borrower agree that the Note and the Deed of Trust will not be assigned without the Senior Lien Holder's prior written consent.

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

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

Borrower shall notify the Senior Lien Holder that such remedial action is necessary and shall obtain the Senior Lien Holder's prior written consent for such remedial action.

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

23. Acceleration; Remedies. Lender shall give notice to Borrower, the investor limited partner, and the Senior Lien Holder prior to acceleration following Borrower's breach of any covenant or agreement in this Deed of Trust. The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, which shall not be more than sixty (60) calendar days from the mailing of the notice for a monetary default, or a date, which shall not be more than ninety (90) calendar days from the mailing of the notice for a non-monetary default, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured by the Borrower on or before the date specified in the notice, and the Senior Lien Holder or the investor limited partner have not exercised their right to cure the default, but subject to any non-recourse provisions then in effect, then Lender at its option may require immediate payment in full of all sums secured by this Deed of Trust without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Notwithstanding Lender's right to invoke any remedies hereunder, as provided in **Section 8** above, the Lender agrees that it will not commence foreclosure proceedings or accept a deed in lieu of foreclosure, or exercise any other rights or remedies hereunder until it has given the Senior Lien Holder and the investor limited partner at least 60 days' prior written notice. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this **Section 23**, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

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

b. Trustee shall deliver to the purchaser Trustee's deed conveying the Property without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including,

but not limited to, reasonable Trustee's and attorneys' fees; (b) to all sums secured by this Deed of Trust; and (c) any excess to the person or persons legally entitled to it.

24. Release. Upon payment of all sums secured by this Deed of Trust, Lender shall release this Deed of Trust without charge to Borrower. Borrower shall pay any recordation costs.

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

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

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

28. Not used.

29. Removal, Demolition or Alteration of Personal Property and Fixtures. Except to the extent permitted by the following sentence, no personal property or fixtures shall be removed, demolished or materially altered without the prior written consent of the Beneficiary. Trustor may remove and dispose of, free from the lien of this HOME Deed of Trust, such personal property and fixtures as from time to time become worn out or obsolete, providing that, (a) the same is done in the ordinary course of business, and (2) either (i) at the time of, or prior to, such removal, any such personal property or fixtures are replaced with other personal property or fixtures which are free from liens other than encumbrances permitted hereunder and which have a value at least equal to that of the replaced personal property and fixtures (and by such removal replacement Trustor shall be deemed to have subjected such replacement personal property and fixtures to the lien of this HOME Deed of Trust), or (ii) such personal property and fixtures may not require replacement if functionally, economically or operationally obsolete and so long as the fair market value of and operational efficiency of the Project is not reduced or adversely effected thereby.

(SIGNATURE ON NEXT PAGE)

BY SIGNING BELOW, the BORROWER accepts and agrees to the terms and covenants contained in this Deed of Trust.

BY SIGNING BELOW, the BORROWER accepts and agrees to the terms and covenants contained in this Deed of Trust.

BORROWER:

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, President

(Signature on this page needs to be notarized)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF Orange }

On Feb. 12, 2013, before me, Susan E. Roberts
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.

WITNESS my hand and official seal.

Signature Susan E. Roberts
Signature of Notary Public

Place Notary Seal Above



EXHIBIT "B-1"
LEGAL DESCRIPTION OF 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, located in Section 12, Township 3 South, Range 6 West, S.B.M., and in Section 7, Township 3 South, Range 5 West, S.B.M., more particularly described as follows:

COMMENCING at the northwest corner of said Parcel 2;

thence South 00°59'11" West 80.00 feet along the west line of said Parcel 2 to a line parallel with and 80.00 feet southerly of the north line of said Parcel 2;

thence leaving said westerly line along said parallel line South 89°03'24" East 72.77 feet to the **TRUE POINT OF BEGINNING**;

thence continuing South 89°03'24" East 235.91 feet;

thence leaving said parallel line South 00°56'25" West 94.41 feet;

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

thence South 00°38'58" East 118.07 feet to the beginning of a tangent curve concave to the northeast and having a radius of 100.00 feet;

thence along said curve southeasterly 57.51 feet through a central angle of 32°57'11";

thence tangent from said curve South 33°36'09" East 57.54 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°36'09" East 48.79 feet;

thence South 33°38'54" East 69.70 feet to the south line of said Parcel 2;

thence along said southerly line and its southwesterly prolongation South 56°26'13" West 320.55 feet to a line parallel with and 49.50 feet northeasterly of the west line of said Parcel 2;

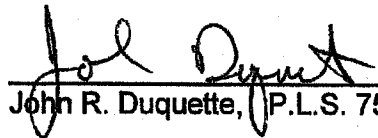
thence along said parallel line North 27°52'04" West 163.69 feet to the beginning of a tangent curve concave to the northeast and having a radius of 477.50 feet;

thence along said curve northwesterly 240.47 feet through a central angle of 28°51'15";
thence tangent from said curve North 00°59'11" East 250.37 feet;
thence North 46°01'07" East 32.89 feet to the **TRUE POINT OF BEGINNING.**

CONTAINING 3.776 acres, more or less.

Plat attached and by this reference made a part hereof.

This description was prepared by
me or under my direction.

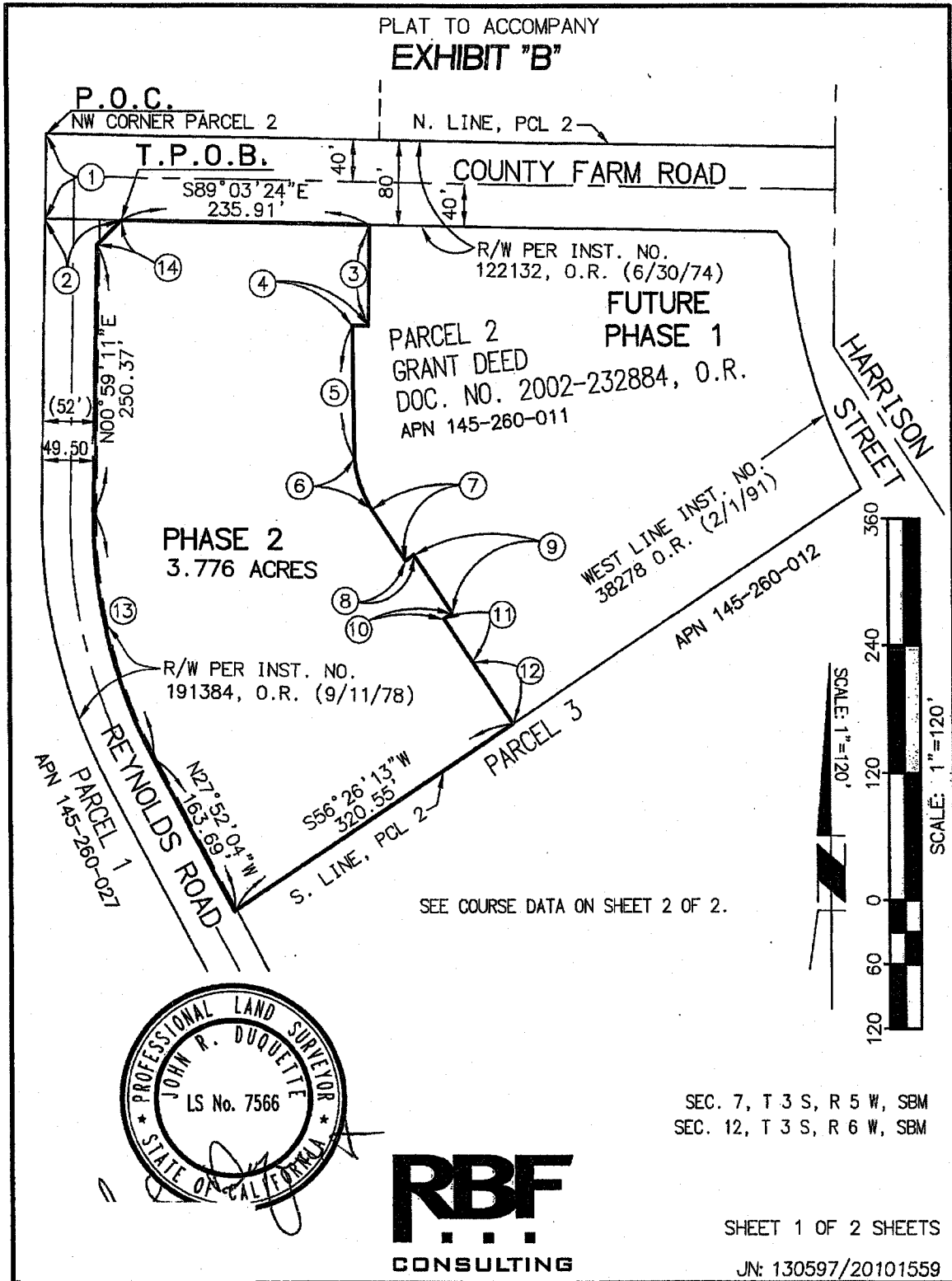


John R. Duquette, P.L.S. 7566

2/24/13

Date





PLAT TO ACCOMPANY
EXHIBIT "B"

DATA TABLE			
(NO)	BEARING/DELTA	RADIUS	LENGTH
1	S00°59'11"W	--	80.00'
2	S89°03'24"E	--	72.77'
3	S00°56'25"W	--	94.41'
4	N89°15'18"W	--	15.53'
5	S00°38'58"E	--	118.07'
6	32°57'11"	100.00'	57.51'
7	S33°36'09"E	--	57.54'
8	N56°23'51"E	--	9.66'
9	S33°36'09"E	--	66.22'
10	S56°23'51"W	--	9.66'
11	S33°36'09"E	--	48.79'
12	S33°38'54"E	--	69.70'
13	28°51'15"	477.50'	240.47'
14	N46°01'07"E	--	32.89'



SHEET 2 OF 2 SHEETS

JN: 130597/20101559



~~ACCOUNT~~
COPY
(FOR REFERENCE ONLY)
PROMISSORY NOTE

\$550,000

Riverside, CA

In installments as hereafter stated, for value received, Riverside Cedar Glen Partners LP, a California limited partnership ("Borrower") promises to pay the COUNTY OF RIVERSIDE, a political subdivision of the State of California ("COUNTY"), or order, at 5555 Arlington Avenue, Riverside, CA 92504, the sum of up to Five Hundred Fifty Thousand and No/100 Dollars (U.S. \$550,000.00) (the "HOME Loan") which at the time of payment is lawful for the payment of public and private debts.

This Promissory Note (the "Note") is given in accordance with that certain Loan Agreement for the Use of HOME Funds executed by COUNTY and Borrower, dated as of July 3, 2012, as amended by that certain First Amendment dated concurrently herewith (collectively, the "HOME Loan Agreement"). Excepting to the extent otherwise expressly defined in this Note, all capitalized terms shall have the meanings established in the HOME Loan Agreement. The rights and obligations of the Borrower and COUNTY under this Note shall be governed by the Agreement and by the additional terms of as follows:

(1) That the HOME Loan will accrue simple interest at a rate of one percent (1.00%) per annum, except in the case of default as hereinafter provided, and shall be repaid on an annual basis from the Project's Residual Receipts as defined herein; (2) The Note shall be repaid as defined herein: i) Fifty percent (50%) of the Project's Residual Receipts shall be used towards the payment of the residual receipts loans secured by the Project, and the payment shall be prorated based on the percentage of each relative loan amount of all such loan; and ii) The remaining fifty percent (50%) of the Project's Residual Receipts will be paid to BORROWER; (3) The HOME Loan shall be subordinated to a construction loan, permanent first mortgage, and the Mental Health Services Act loan. Available residual receipts shall be determined based on a review of certified financial statements for the project. Quarterly financial statements shall be submitted within forty-five (45) days following the close of each quarter of the project fiscal year. In addition, the annual audited financial statements shall be submitted within ninety (90) days following the close of the project fiscal year. All outstanding principal along with accrued interest shall be due the earlier of: (i) fifty-five (55) years from the first certificate of occupancy (as defined in the HOME Loan Agreement) for the Project, issued by the City of Riverside, or (ii) July 3, 2072. fifty-five (55) years from the first Certificate of Occupancy (as defined in the First Amendment to the HOME Loan Agreement). The first payment shall be due on July 1st of the year after the calendar year in which the first certificate of occupancy occurs, to the extent of available Residual Receipts, as set forth above; and (4) Project Residual Receipts are defined as gross receipts, not including interest on required reserve accounts, less the following: (i) auditing and accounting fees; (ii) property management fee not to exceed \$42.50 per unit per month, increased annually by an amount equal to the increase in the Consumer Price Index ("CPI"); (iii) lease up fee of \$150 per unit; (iv) an Investor Annual Review Fee which shall be in the initial amount of \$7,000 and increased annually by an amount equivalent to the rise in CPI; (v) operating expenses (any expense reasonably and normally incurred in carrying out the Project's day-to-day activities, which shall include administration, on-site management, utilities, on-site staff payroll, payroll taxes, and maintenance); (vi) reserves; (vii) deferred developer's fee; (viii) an Administrative General Partner monitoring fee, which shall be in the initial amount of \$50,000 and increased annually by an amount equivalent to the rise in CPI; (ix) a Managing General Partner partnership fee which shall be in the initial amount of \$15,000 and increased annually by

an amount equivalent to the rise in the CPI; and (x) payments of principal and interest on amortized loans and indebtedness senior to the HOME Loan, which have been approved by COUNTY (collectively, the "Senior Debt").

In any action commenced to enforce the obligation of the Borrower to pay principal and interest under the Note, the obligations hereunder shall be non-recourse to the Borrower and the judgment shall not be enforceable personally against the Borrower, Borrower's partners, or the Borrower's assets, and the recourse of COUNTY for the collection of such amounts shall be limited to actions against the Property described in the Construction Leasehold Deed of Trust ("HOME Deed of Trust") executed by the Borrower to secure the Note and the rents, profits, issues, products, and income from the Property.

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

The Borrower and its partners, officers, directors, employees, and agents shall not have any direct or indirect personal liability for payment of the principal of, or interest on, the HOME Loan or the performance of the Borrower's obligations under the HOME documents. The sole recourse of COUNTY with respect to payment of the principal of, or interest on, the HOME Loan, shall be to the Project. No money judgment (or execution on a money judgment) entered in any action (whether legal or equitable) on the HOME documents shall be enforced personally against the Borrower or its partners, officers, directors, employees, and agents, but shall be enforced only against the Project and such other property as may from time to time be hypothecated in connection with the Borrower's obligations under the HOME documents. This non-recourse provision does not limit or impair the enforcement against all such security for the HOME Loan of all the rights and remedies of COUNTY, nor does it impair the right of COUNTY to assert the unpaid principal amount of the HOME Loan as a demand for money within the meaning of California Code of Civil Procedure Section 431.70 or any successor provision. In addition, this non-recourse provision does not relieve the Borrower of personal liability for damage to or loss suffered by COUNTY as a result of any of the following (i) fraud or willful misrepresentation; (ii) any misappropriation of rental proceeds resulting in the failure to pay taxes, assessments, or other charges that could create statutory liens on the Project and that are payable or applicable prior to any foreclosure under the HOME Deed of Trust; (iii) the fair market value of any personal property of fixtures removed or disposed of by the Borrower other than in accordance with the HOME Deed of Trust; (iv) the misapplication of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss, or destruction to any portion of the Project (to the extent of the misapplied proceeds or awards); and (v) any rental income or other income arising with respect to the Project received by the Borrower after COUNTY has properly exercised its rights under the HOME Deed of Trust to receive such income upon an Event of Default (as defined under the HOME Deed of Trust).

(Signature on next page)

DATE: 02/12/13

BORROWER:

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, President