

**SUBMITTAL TO THE BOARD OF COMMISSIONERS  
HOUSING AUTHORITY  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

268



**FROM:** Housing Authority

**SUBMITTAL DATE:**  
November 13, 2014

**SUBJECT:** Approve the Termination and Property Transfer Agreement with Joint Escrow Instructions for Tres Lagos Senior Apartments in the City of Wildomar, District 1/District 1, [\$1,600,000], General Fund 100%, CEQA Exempt

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

1. Find that the Termination and Property Transfer Agreement with Joint Escrow Instructions for Tres Lagos Senior Apartments in the City of Wildomar, between the Housing Authority of the County of Riverside and Wildomar Tres Lagos Limited Partnership is exempt under CEQA as the transfer of vacant property will not change the physical conditions and will not result in any adverse or significant effect on the environment pursuant to Section 15002 of the CEQA Guidelines;

(Continued)

Robert Field  
Executive Director

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
<b>COST</b>	\$ 1,600,000	\$ 0	\$ 1,600,000	\$ 0	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
<b>NET COUNTY COST</b>	\$ 1,600,000	\$ 0	\$ 1,600,000	\$ 0	
<b>SOURCE OF FUNDS:</b> General Fund 100%				<b>Budget Adjustment:</b> No	
				<b>For Fiscal Year:</b> 2014/15	

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

APPROVE

BY:

Rohini Dasika

County Executive Office Signature

**MINUTES OF THE HOUSING AUTHORITY BOARD OF COMMISSIONERS**

FISCAL PROCEDURES ASSOCIATES  
 PAUL ANGLIC, CPA, AUDITOR-CONTROLLER  
 BY: [Signature] 11/10/14  
 Esteban Hernandez

Departmental Concurrence

FORM APPROVED COUNTY COUNSEL  
 BY: [Signature] 11-6-14  
 ANITA C. WILLIS DATE

- A-30
- 4/5
- Vote
- Positions Added
- Change Order

**Prev. Agn. Ref.:** 4.3 of 6/5/07; 4.2 of 1/29/08; 4.6 of 6/24/08; 4.2 of 12/9/08; 10.2 of 7/17/12

**District:** 1/1

**Agenda Number:**

10-1

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

Housing Authority

**FORM 11:** Approve the Termination and Property Transfer Agreement with Joint Escrow Instructions for Tres Lagos Senior Apartments in the City of Wildomar, District 1/District 1, [\$1,600,000], General Fund 100%, CEQA Exempt

**DATE:** November 13, 2014

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**RECOMMENDED MOTION:** (Continued)

2. Approve the attached Termination and Property Transfer Agreement with Joint Escrow Instructions for Tres Lagos Senior Apartments in the City of Wildomar, including all attachments thereto, between the Housing Authority of the County of Riverside and Wildomar Tres Lagos Limited Partnership, terminating the project for low-income senior households in the City of Wildomar and transferring the vacant property acquired with \$4,365,000 of former Redevelopment Low and Moderate-Income Housing Taxable Bond Proceeds from Wildomar Tres Lagos Limited Partnership to the Housing Authority;
3. Authorize the Chairman of the Board of Commissioners to execute the attached Termination and Property Transfer Agreement with Joint Escrow Instructions;
4. Authorize the Executive Director, or designee, to take all necessary steps to implement the Termination and Property Transfer Agreement with Joint Escrow Instructions including, but not limited to, signing subsequent necessary and relevant documents, subject to approval by County Counsel;
5. Direct the Clerk of the Board to file the Notice of Exemption.

**BACKGROUND:**

**Summary**

On June 5, 2007, the former Redevelopment Agency for the County of Riverside (RDA) approved \$4,365,000 in Redevelopment Low and Moderate-Income Housing Taxable Bond proceeds to Palm Desert Development Company, now known as Palm Communities (Palm), to acquire 10.16 acres of land for the development and construction of a 204-unit apartment complex for low-income senior households located in the former unincorporated area of the County of Riverside in the community of Wildomar, east of Arnett Road, west of Fox Ridge Lane and south of Catt Road. On June 24, 2008, the former RDA and Palm entered into that certain First Amendment to Loan Agreement converting the Acquisition Loan to a grant.

On July 1, 2008, the community of Wildomar incorporated into a city and Wildomar was no longer in the territorial jurisdiction of the former RDA, halting further RDA funding for development of the Project. On September 27, 2010, California Senate Bill No. 977 was passed allowing the former RDA jurisdiction to fund further development and construction of the Project. During this time, the Partnership secured predevelopment loans against the property to fund work for entitlements, land carrying costs, design, architecture and engineering costs attributable to the Project including a \$2,500,000 loan from Farmers & Merchants Bank and a \$900,000 loan from Century Housing Corporation. The current outstanding amount for the predevelopment loans is \$1,503,036.61 plus interest and closing costs.

On December 9, 2008, the former RDA approved that certain Assignment and Contribution Agreement with Palm to assign to Wildomar Tres Lagos Limited Partnership (Partnership) the right to construct and operate the project.

On June 29, 2011, Assembly Bill X1 26 (AB x1 26), which provided for the dissolution of all California redevelopment agencies, was adopted and enacted into law. California Redevelopment agencies were dissolved on February 1, 2012 such that the former RDA is now deemed a former redevelopment agency under Health and Safety Code section 34173 and AB x1 26, as modified by Assembly Bill No. 1484.

(Continued)

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

Housing Authority

**FORM 11:** Approve the Termination and Property Transfer Agreement with Joint Escrow Instructions for Tres Lagos Senior Apartments in the City of Wildomar, District 1/District 1, [\$1,600,000], General Fund 100%, CEQA Exempt

**DATE:** November 13, 2014

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**BACKGROUND:**

**Summary (Continued)**

Pursuant to Health and Safety Code Section 34176 (a), and Housing Authority Resolution Nos. 2012-035, 2012-001 and 2012-005, all housing functions previously performed by the former RDA, including related rights, powers, duties, obligations, and housing assets (excluding amounts in the Low and Moderate Income Housing Fund and enforceable obligations retained by the successor agency) were transferred to the Housing Authority. On July 17, 2012, Housing Authority and Partnership entered into that certain Loan Agreement for Tres Lagos Senior Apartments in Wildomar in the amount of \$10,500,000 to develop the first phase of Tres Lagos Senior Apartments (Development Loan), an 81-unit apartment complex for low-income senior households in the City of Wildomar. The parties understood that the implementation of AB 1484 may impact the funding of the development, so the loan was contingent upon approval of funding pursuant to AB x1 26 and AB 1484 and the transfer of funds from the Successor Agency to the Housing Authority.

On December 18, 2012, the California Department of Finance issued its final determination after a meet and confer process which concluded with the denial of funding for the project, thereby making the project infeasible. As a result, the Partnership and Housing Authority mutually desire to terminate the project and Partnership agrees to convey and transfer the vacant property to the Housing Authority. The property will remain available for low and moderate income housing purposes. The Partnership will have exclusive negotiating rights to develop the property for a period of three years from the close of escrow.

In order to convey and transfer the property, Partnership has requested \$1,600,000 from Authority to pay off the outstanding principal and interest on predevelopment loans for entitlements, land carrying costs, design, architecture and engineering costs attributable to Tres Lagos Senior Apartments in the City of Wildomar, and to pay transaction fees to consummate the transfer of the vacant property from Wildomar Tres Lagos Limited Partnership to the Housing Authority of the County of Riverside. Housing Authority has requested a loan from the County for the above amount and proposes to repay the County loan from the sale of Housing Authority land assets.

The approval of this Termination and Property Transfer Agreement will not have an adverse or significant impact on the environment as stated in CEQA Guidelines Section 15002. It is simply a transfer of vacant lands and no other activities or actions are contemplated at this time. To the extent a project is proposed at some future date, any developer will be required to comply with CEQA.

County Counsel has reviewed and approved the attached Termination and Property Transfer Agreement with Joint Escrow Instructions as to form. Staff recommends the Board of Commissioners approve the Termination and Property Transfer Agreement with Joint Escrow Instructions.

**Impact on Citizens and Businesses**

Approving this item will preserve the County's investment to produce affordable housing for low-income households. The Housing Authority will continue to seek out an affordable housing project on the property which is expected to generate construction, permanent maintenance and property management jobs, and provide affordable housing for residents of the County of Riverside.

(Continued)

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Housing Authority

**FORM 11:** Approve the Termination and Property Transfer Agreement with Joint Escrow Instructions for Tres Lagos Senior Apartments in the City of Wildomar, District 1/District 1, [\$1,600,000], General Fund 100%, CEQA Exempt

**DATE:** November 13, 2014

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**SUPPLEMENTAL:**

**Additional Fiscal Information**

\$1,600,000 in County General Funds will be loaned to Housing Authority to consummate the transfer and the loan will be repaid from the sale of Housing Authority assets within two years.

**ATTACHMENTS:**

Termination and Property Transfer Agreement with Joint Escrow Instructions  
Notice of Exemption



**Notice of Exemption**

**To:**

Office of Planning and Research  
For U.S Mail: Street Address:  
P.O. Box 3044 1400 Tenth St.  
Sacramento, CA 95812-3044 Sacramento, CA 95814

**From:**

Public  
Agency: County of Riverside  
Address: 4080 Lemon Street, Suite 400  
Riverside, CA 92501  
Contact: Mervyn Manalo  
Phone: (951) 343-5495

County Clerk  
County of: Riverside  
2724 Gateway Drive  
P.O. Box 751  
Address: Riverside, CA 92502-0751

Lead Agency (if different from above):  
Address: \_\_\_\_\_  
Contact: \_\_\_\_\_  
Phone: \_\_\_\_\_

**SUBJECT: Filing of Notice of Determination in Compliance with Section 21108 or 21152 of the public Resources Code.**

State Clearinghouse Number (if submitted to State Clearinghouse): \_\_\_\_\_

Project Title: Termination and Property Transfer Agreement with Joint Escrow Instructions for Tres Lagos Senior Apartments in the City of Wildomar

Project Location (include county): County of Riverside-Assessor Parcel Numbers 380-100-008; -009; -010; -011; and -012

Project Description: Wildomar Tres Lagos Limited Partnership will be terminating the project to build 204 units of low-income senior housing, Tres Lagos Senior Apartments in the City of Wildomar, and transferring the vacant property to the Housing Authority of the County of Riverside. The approval of the Termination and Property Transfer Agreement with Joint Escrow Instructions for Tres Lagos Senior Apartments in the City of Wildomar will not change the physical conditions of the site and will not result in any adverse or significant effect on the environment pursuant to Section 15002 of the CEQA Guidelines.

Project Sponsor: Housing Authority of the County of Riverside

This is to advise that the County of Riverside Board of Commissioners approved the above project on

Lead agency or  Responsible Agency

November 25, 2014 and has made the following determinations regarding the above described project:  
(tentative date)

1. Find that the Termination and Property Transfer Agreement with Joint Escrow Instructions for Tres Lagos Senior Apartments in the City of Wildomar, between the Housing Authority of the County of Riverside and Wildomar Tres Lagos Limited Partnership is exempt under CEQA as the transfer of vacant property will not change the physical conditions and will not result in any adverse or significant effect on the environment pursuant to Section 15002 of the CEQA Guidelines.

Signature: (Public Agency) Tom Fan Title: Principal Development Specialist

Tom Fan

Date: 11/5/2014 Date received for filing at OPR: \_\_\_\_\_



1 further RDA funding for development and construction of the Project;

2 D. WHEREAS, on September 27, 2010, California Senate Bill No. 977 passed  
3 allowing the former RDA jurisdiction to fund further development and construction of the  
4 Project;

5 E. WHEREAS, on December 9, 2008, the former RDA approved that certain  
6 Assignment and Contribution Agreement with Palm to assign to Wildomar Tres Lagos Limited  
7 Partnership the right to construct and operate the Project;

8 F. WHEREAS, Partnership secured predevelopment loans against the property to  
9 fund work for entitlements, land carrying costs, design, architecture and engineering costs  
10 attributable to the Project with the following lenders (collectively, the "Predevelopment Loans")  
11 with principal amounts as follows: a) \$2,500,000 loan from Farmers & Merchants Bank and b)  
12 \$900,000 loan from Century Housing Corporation.

13 G. WHEREAS, California redevelopment agencies were dissolved on February 1,  
14 2012 such that the former RDA is now deemed a former redevelopment agency under Health  
15 and Safety Code section 34173 and AB x1 26, as modified by Assembly Bill No. 1484  
16 ("Dissolution Act"), which added Parts 1.8 and 1.85 to Division 24 of the California  
17 Community Redevelopment Law (Health and Safety Code sections 33000 et seq., the "CRL");

18 H. WHEREAS, pursuant to Health and Safety Code Section 34176 (a), and  
19 Authority Resolution Nos. 2012-035, 2012-001 and 2012-005, all housing functions previously  
20 performed by the former RDA, including related rights, powers, duties, obligations, and housing  
21 assets (excluding amounts in the Low and Moderate Income Housing Fund and enforceable  
22 obligations retained by the successor agency) were transferred to Authority, including the  
23 Development Loan (defined below);

24 I. WHEREAS, Authority is a California housing authority acting under the  
25 California Housing Authorities Law, Part 2 of Division 24 of the Health and Safety Code (the  
26 "Housing Authorities Law") acting in its capacity as housing successor to the former RDA;

27 J. WHEREAS, Authority and Partnership entered into that certain Loan Agreement  
28 for Tres Lagos Senior Apartments in Wildomar ("Development Loan"), dated July 17, 2012, for

1 Ten Million Five Hundred Thousand Dollars (\$10,500,000) to develop the first phase of Tres  
2 Lagos Senior Apartments, consisting of eighty (80) affordable rental housing units for qualified  
3 low- to extremely low-income senior households and one (1) onsite manager's unit;

4 K. WHEREAS, the Parties understood that the implementation of AB 1484 may  
5 impact the funding of the Development Loan;

6 L. WHEREAS, the Development Loan was contingent upon approval of funding  
7 pursuant to AB x1 26 and AB 1484 and the transfer of funds from the Successor Agency to  
8 Authority;

9 M. WHEREAS, pursuant to Section 45 of the Development Loan, entitled  
10 Conditional Loan Commitment, the loan agreement is expressly subject to and conditioned  
11 upon (1) approvals from the State of California Department of Finance, the Oversight Board of  
12 the Successor Agency and the Successor Agency to the former Redevelopment Agency for the  
13 County of Riverside; (2) receipt of financing commitments by June 1, 2013; and (3) start of  
14 construction within twelve (12) months of the date of the Development Loan;

15 N. WHEREAS, on December 18, 2012, the California Department of Finance issued  
16 a final determination after a meet and confer process which concluded with the denial of  
17 funding for the Project, thereby making the Project infeasible;

18 O. WHEREAS, pursuant to Section 45 of the Development Loan, if Partnership fails  
19 to receive the approvals, the project financing or start construction as required, then either  
20 Authority or Partnership may elect to terminate the loan agreement with ten (10) days written  
21 notice to the other party;

22 P. WHEREAS, upon such termination, the Development Loan shall be null and  
23 void, and Partnership is waiving its right to notice and cure set forth in Section 28 of the  
24 Development Loan;

25 Q. WHEREAS, Partnership and Authority mutually desire to terminate the Project  
26 and

27 R. Partnership shall convey and transfer Property to Authority;

28 S. WHEREAS, Partnership has requested One Million Six Hundred Thousand



1 Dollars (\$1,600,000) in assistance to pay the outstanding principal and interest on the  
2 Predevelopment Loans, as well as other amounts owed to the lenders (collectively, the  
3 “Outstanding Balance”) as further described in **Exhibit D**, which is attached hereto and by this  
4 reference incorporated herein;

5 T. WHEREAS, Authority has confirmed that the Predevelopment Loan expenditures  
6 set forth herein were in furtherance of the Project and has agreed to pay an amount not to  
7 exceed the Outstanding Balance plus escrow fees described in **Section 12** and Partnership  
8 agrees to pay all other unrecorded or recorded liens or encumbrances, should there be any;

9 U. WHEREAS, Authority has requested a loan from the County of Riverside General  
10 Fund (“Bridge Loan”) and proposed to pledge its sales proceeds from the sale of its Authority-  
11 owned properties to repay the Bridge Loan;

12 V. WHEREAS, County has agreed to provide the Bridge Loan in order to  
13 consummate the transfer of Property from Partnership to Authority for affordable housing  
14 purposes;

15 W. WHEREAS, the Parties agree and understand that this Agreement is contingent  
16 upon approval of funding of the Bridge Loan which may impact the funding to pay off the  
17 Outstanding Balance and escrow fees.

18 NOW, THEREFORE, in consideration of the mutual promises, covenants and  
19 agreements hereinafter contained, the Parties do hereby agree as follows:

20 **1. Termination.** Based on the foregoing, the Parties desire to terminate and cancel  
21 the Development Loan. The Parties agree that the Development Loan shall terminate as of the  
22 Effective Date, and that all rights and obligations of the Parties under the Development Loan  
23 shall be of no further force or effect as of the Effective Date.

24 **2. No Prior Assignment.** The Parties each represent and warrant that there has been  
25 no prior assignment of the Development Loan.

26 **3. Escrow.** Due to the infeasibility to construct the Project and as consideration for  
27 the termination of the Development Loan by the Authority, and the conveyance of the Property  
28 by the Partnership, in accordance with the terms with this Agreement, Partnership agrees to

1 open an escrow for the conveyance of the Property to Authority consisting of five (5) parcels of  
2 land approximately 10.16 acres, located east of Arnett Road, west of Fox Ridge Lane, and south  
3 of Catt Road in the city of Wildomar with Assessor's Parcel Numbers 380-100-008, 380-100-  
4 009, 380-100-010, 380-100-011 and 380-100-012, as legally described in **Exhibit A**. Authority  
5 agrees to accept Property from Partnership under the terms and conditions of this Agreement  
6 and the instructions to Lawyers Title Company, or such other title or escrow company mutually  
7 agreed to by the Parties ("Escrow Holder") with regard to the escrow ("Escrow") as set forth  
8 herein.

9 This Agreement shall constitute the joint escrow instructions of Partnership and  
10 Authority with respect to the conveyance of the Property, and a duplicate original of this  
11 Agreement shall be delivered to the Escrow Holder upon the opening of the escrow.

12 Authority and Partnership shall provide such additional escrow instructions as  
13 shall be necessary to close the escrow with respect to the conveyance of the Property, and  
14 consistent with this Agreement. The Escrow Holder hereby is empowered to act under such  
15 instructions, and upon indicating its acceptance thereof in writing, delivered to Authority and to  
16 Partnership within five (5) days after the opening of the escrow, shall carry out its duties as  
17 Escrow Holder hereunder.

18 **a. Opening of Escrow.** For purposes of this Agreement, the Escrow shall be  
19 deemed opened on the date Escrow Holder shall have received an executed counterpart of this  
20 Agreement from the Parties ("Opening Date"). Escrow Holder shall notify the Parties, in  
21 writing, of the Opening Date and the Closing Date, as defined below. In addition, the Parties  
22 agree to execute, deliver, and be bound by any reasonable or customary supplemental joint  
23 order escrow instructions of Escrow Holder, or other instruments as may reasonably be required  
24 by Escrow Holder, in order to consummate the transaction contemplated by this Agreement.  
25 Any such supplemental instructions shall not conflict with, amend, or supersede any portion of  
26 this Agreement. If there is any inconsistency between such supplemental instructions and this  
27 Agreement, then this Agreement shall control.

28 **b. Close of Escrow.** For purposes of this Agreement, "Close of Escrow"

1 shall be defined as the date the Grant Deed, the form of which is attached hereto as **Exhibit B**  
2 and incorporated herein by this reference (“Grant Deed”) conveying the Property to Authority,  
3 is recorded in the Official Records of Riverside County, California. The Close of Escrow shall  
4 occur on or before thirty (30) days after the Opening Date, unless extended in writing by the  
5 mutual written agreement of the Parties (“Closing Date”). In the event the Close of Escrow  
6 does not occur thirty (30) days after the Opening Date, Escrow Holder shall deposit funds in an  
7 interest bearing account. Any interest accrued in such account shall be applied toward payment  
8 of closing costs and any remaining balance shall be returned to Authority upon the Close of  
9 Escrow.

10 **c. Due Diligence Period.** Authority shall have ten (10) days from the  
11 Opening Date (the “Due Diligence Period”) to inspect the Property and Due Diligence Materials  
12 (as defined below). In the event Authority finds the Property unsatisfactory for any reason,  
13 Authority at its sole discretion, shall notify Partnership and Escrow Holder in writing prior to  
14 expiration of the Due Diligence Period. Thereafter, the Parties shall have no obligation to each  
15 other (except as otherwise set forth herein) and Authority shall be entitled to the return of its  
16 Escrow Deposit. In the event of a cancellation of Escrow, Authority shall bear any Escrow  
17 cancellation fees.

18 **4. Closing Funds.**

19 **a. Authority’s Deposit.** Authority shall deposit One Million Six Hundred  
20 Thousand Dollars (\$1,600,000) towards the closing and related costs as set forth in Section 12,  
21 and to pay off of the outstanding balances, which amount includes all fees, costs and expenses  
22 of each lender, of the deeds of trusts secured against the Property for entitlements, land carrying  
23 costs, design, architecture and engineering costs attributable to the Project for the following  
24 liens:

25 **i.** Exception 17, a Deed of Trust to secure an original indebtedness of  
26 \$2,500,000.00 recorded November 17, 2010 as Instrument No. 2010-  
27 0554586 of Official Records.

28 **ii.** Exception 18, a Deed of Trust to secure an original indebtedness of

1 \$900,000.00 recorded March 19, 2012 as Instrument No. 2012-  
2 0125249 of Official Records.

3 **5. Conditions of Title.** It shall be a condition to the Close of Escrow and a  
4 covenant of Partnership that Partnership shall convey good and marketable fee simple title to  
5 the Property by the Grant Deed, subject only to the following approved conditions of title  
6 (“Approved Condition of Title”):

- 7 a. A lien to secure payment of real estate taxes, not delinquent.  
8 b. Matters created by or with the written consent of Authority.  
9 c. Exceptions which are disclosed by the Title Report described hereof and  
10 which are approved or deemed approved by Authority in accordance with  
11 **Section 7** hereof.

12 Partnership covenants and agrees during the term of this Escrow, Partnership will  
13 not cause or permit title to the Property to differ from the Approved Condition of Title  
14 described in this **Section 5**. Any liens, encumbrances, easements, restrictions, conditions,  
15 covenants, rights, rights-of-way, or other matters affecting the Approved Condition of Title  
16 which may appear of record or be revealed after the date of the Title Report described in  
17 **Section 7** below, shall also be subject to Authority’s approval and must be eliminated or  
18 ameliorated to Authority’s satisfaction by Partnership prior to the Close of Escrow as a  
19 condition to the Close of Escrow for Authority’s benefit.

20 **6. Condition of Property.** Partnership, at its expense, shall maintain, or cause to be  
21 maintained, the Property (i.e., weed abatement, clearance of debris and illegal dumping, if  
22 applicable, throughout the Property and within right-of-way adjacent to Property), prior to  
23 conveyance to Authority, so that it is insubstantially the same condition as of the Effective Date.  
24 Except as expressly set forth in this Agreement, the Property shall be conveyed in its current “as  
25 is” conditions with all faults, if any, and without any warranty (either express or implied).

26 **7. Title Policy.** Title shall be evidenced by the willingness of the title company to  
27 issue its ALTA Policy of Title Insurance, or a CLTA Policy of Title Insurance (“Title Policy”)  
28 in the amount of \$4,365,000 showing title to the Property vested in Authority subject only to the

1 Approved Condition of Title. Partnership shall pay for all premiums for all title insurance  
2 policies and coverage and special endorsements, if any, with respect to the Property.

3 **8. Conditions to Close of Escrow.**

4 a. **Conditions to Authority's Obligations.** The Close of Escrow and  
5 Authority's obligation to consummate the transaction contemplated by this Agreement are  
6 subject to the satisfaction of the following conditions for Authority's benefit on or prior to the  
7 dates designated below for the satisfaction of such conditions:

8 i. **Bridge Loan Approval.** This Agreement is expressly subject to  
9 and conditioned upon the approval of the Bridge Loan by the Riverside County Board of  
10 Supervisors prior to the Opening of Escrow. If the Bridge Loan fails to receive approval, this  
11 Agreement shall be null and void and the Parties shall be released and discharged from its  
12 obligations under this Agreement. At that time all costs incurred by each party will be assumed  
13 respectively.

14 ii. **No Outstanding Liens or Obligations.** Partnership represents  
15 and warrants that all outstanding liens, including mechanics liens or obligations against the  
16 Property shall be removed upon transfer and that Partnership shall defend, indemnify and hold  
17 harmless Authority and its officers, Boards, Districts, Special Districts, agencies, Holders,  
18 employees and independent contractors free and harmless from any and all claims by any third  
19 party against Authority or the Property for any outstanding liens or obligations related to  
20 Partnership's use of the Property, should they exist as of the Effective Date.

21 Prior to the Closing Date, Partnership shall remove the following exceptions from  
22 Schedule B, Section Two of the Preliminary Title Report dated October 17, 2014, which is  
23 attached hereto and by this reference incorporated herein as **Exhibit C**:

- 24 1. Exception 9, Notice and certificate of occupancy for mobile home installation on a  
25 foundation system HCD 433A(4/86) recorded September 27, 2002 as Instrument No.  
26 2002-539184 of Official Records of Riverside County, California.
- 27 2. Exception 17, a Deed of Trust to secure an original indebtedness of \$2,500,000.00  
28 recorded November 17, 2010 as Instrument No. 2010-0554586 of Official Records.

1           3. Exception 18, a Deed of Trust to secure an original indebtedness of \$900,000.00  
2           recorded March 19, 2012 as Instrument No. 2012-0125249 of Official Records.

3           In order to remove Exception 17 and Exception 18, Authority shall deposit the amount  
4 identified in **Section 4(a)** towards pay off of the outstanding balances of the deeds of trusts  
5 secured against the Property. Partnership agrees to pay all other unrecorded or recorded liens or  
6 encumbrances, should there be any, prior to the close of escrow in order to transfer Property to  
7 Authority.

8                       iii.     **Due Diligence Materials/Title.** Within ten (10) days of the  
9 Opening Date, Partnership will deliver to Authority copies of the following items, if and to the  
10 extent such items are in Partnership's possession (collectively referred to herein as the "Due  
11 Diligence Materials"): (i) a current Preliminary Title Report ("Title Report") for the Property  
12 and legible copies of all documents, whether recorded or unrecorded, referred to in the Title  
13 Report; and (ii) any and all environmental reports relating to the Property.

14                       iv.     **Review and Approval of Due Diligence Materials.** Prior to the  
15 expiration of the Due Diligence Period, Authority shall have the right to review and approve or  
16 disapprove, in its discretion, at Authority's sole cost and expense, the Due Diligence Materials.  
17 Failure of Authority to give disapproval of the Due Diligence Materials, in a writing delivered  
18 by Authority to Partnership on or before the expiration of the Due Diligence Period, shall be  
19 deemed to constitute Authority's approval of all Due Diligence Materials. If Authority  
20 disapproves or conditionally approves any matters of title shown in the Title Report, then  
21 Partnership may, within five (5) days after its receipt of Authority's notice of disapproval of the  
22 Due Diligence Materials, elect to eliminate or ameliorate to Authority's satisfaction the  
23 disapproved or conditionally approved title matters. Partnership shall thereupon give Authority  
24 written notice of those disapproved or conditionally approved title matters, if any, which  
25 Partnership covenants and agrees to either eliminate from the Title Policy as exceptions to title  
26 to the Property or to ameliorate to Authority's satisfaction by the Closing Date as a condition to  
27 the Close of Escrow for Authority's benefit. If Partnership does not elect to eliminate or  
28 ameliorate to Authority's satisfaction any disapproved or conditionally approved title matters,

1 or if Authority disapproves of Partnership's notice, or if, despite its reasonable efforts,  
2 Partnership is unable to eliminate or ameliorate to Authority's satisfaction all such disapproved  
3 matters prior to the Closing Date, then Authority shall have the right to, by a writing delivered  
4 to Partnership and Escrow Holder: (i) waive its prior disapproval, in which event the  
5 disapproved matters shall be deemed approved; or (ii) terminate this Agreement and the Escrow  
6 created pursuant thereto, in which event Authority shall be entitled to the return of all monies  
7 previously deposited with Escrow Holder or released to Partnership pursuant to this Agreement,  
8 and the Escrow and the rights and obligations of the parties hereunder shall thereafter terminate.

9 **v. Representations, Warranties, and Covenants of Partnership.**

10 Partnership shall have duly performed each and every agreement to be performed by Partnership  
11 hereunder and Partnership's representations, warranties, and covenants set forth in **Section 14**  
12 shall be true and correct in all material respects as of the Closing Date.

13 **vi. No Material Changes.** At the Closing Date, there shall have been  
14 no material adverse changes in the physical condition of the Property.

15 **vii. Inspections and Studies.** Prior to the expiration of the Due  
16 Diligence Period, Authority shall have approved the results of any and all inspections,  
17 investigations, tests and studies (including, without limitation, investigations with regard to  
18 zoning, building codes and other governmental regulations, architectural inspections,  
19 engineering tests, economic feasibility studies and soils, seismic and geologic reports) with  
20 respect to the Property (including all structural and mechanical systems and leased areas) as  
21 Authority may elect to make or obtain. The failure of Authority to disapprove the results of said  
22 inspections, investigations, tests and studies in writing on or prior to the expiration of the Due  
23 Diligence Period shall be deemed to constitute Authority's approval of the results. The cost of  
24 any such inspections, tests and studies shall be borne by Partnership. During the term of this  
25 Escrow, Authority, its Holders, contractors and subcontractors shall have the right to enter upon  
26 the Property, at reasonable times during ordinary business hours, to make any and all  
27 inspections and tests as may be necessary or desirable in Authority's sole judgment and  
28 discretion. Authority shall use care and consideration in connection with any of its inspections.

1 Authority hereby indemnifies Partnership and Partnership's directors, officers, shareholders,  
2 employees and Holders from and against any and all personal injuries, damage to the Property  
3 and mechanics' liens, arising out of any such entry by Authority or its Holders, designees,  
4 contractors, subcontractors, or representatives onto the Property. From and after the Opening  
5 Date, Authority and Authority's representatives, Holders and designees shall have the right to  
6 (a) consult with any party for any purpose relating to the Property, and (b) enter upon the  
7 Property during normal business hours, at Authority's sole cost and expense, for any reasonable  
8 purpose in connection with Authority's proposed purchase, development or operation of the  
9 Property, including, without limitation, to examine all books, records and files of Partnership  
10 (or its Holders) relating to the Property and to make such inspections, investigations and tests as  
11 Authority may elect to make.

12           b.     **Conditions Precedents to Partnership's Obligation.** For the benefit of  
13 Partnership, the Close of Escrow shall be conditioned upon the occurrence and satisfaction of  
14 each of the following conditions (or Partnership's waiver thereof, it being agreed Partnership  
15 may waive any or all of such conditions):

- 16                     i.    Authority's Obligations. Authority shall have timely performed all of  
17                     the obligations required by the terms of this Agreement to be  
18                     performed by Authority; and  
19                     ii.   Authority's Representations. All representations and warranties made  
20                     by Authority to Partnership in this Agreement shall be true and  
21                     correct in all material respects as of the Close of Escrow.

22           **9.     Deposits by Partnership.** At least three (3) business days prior to the Close of  
23 Escrow, Partnership shall deposit or cause to be deposited with Escrow Holder the following  
24 documents and instruments:

- 25                     a.    **Partnership's Nonforeign Affidavit.** A Certificate of Nonforeign Status  
26                     (Partnership's Certificate), duly executed by Partnership.  
27                     b.    **Grant Deed.** The Grant Deed conveying the Property to Authority duly  
28                     executed by Partnership, acknowledged and in recordable form, substantially



1 similar to **Exhibit B**. Upon receiving said executed Grant Deed, escrow  
2 holder is instructed to forward a copy of Grant Deed to Authority so that an  
3 original Certificate of Acceptance can be attached.

4 **10. Deposits by Authority.** At least three (3) business days prior to the Close of  
5 Escrow, Authority shall deposit or cause to be deposited with Escrow Holder the following  
6 documents and instruments:

7 a. **Closing funds.** The amount identified in **Section 4(a)** of this Agreement.

8 b. **Certificate of Acceptance to Grant Deed.** An original Certificate of  
9 Acceptance, acknowledged and in recordable form, substantially similar to  
10 **Exhibit C**.

11 **11. Recordation of Documents.** Upon receipt by the Escrow Holder of all executed  
12 and acknowledged documents, as required by this Agreement, the Escrow Holder shall record  
13 all documents when the Property can be vested in Authority in accordance with the terms and  
14 provisions of this Agreement. The Escrow Holder shall buy, affix and cancel any transfer  
15 stamps required by law. Any insurance policies governing the Property or any portion thereof  
16 are not to be transferred. All documents to be recorded shall be recorded in the Official Records  
17 of the County of Riverside.

18 **12. Costs and Expenses.**

19 a. The cost and expense of the Title Policy plus the cost attributable to an  
20 endorsement insuring Authority's title against any mechanics' liens as of the Closing Date shall  
21 be paid by Authority.

22 b. In addition, the Authority shall pay in escrow to the Escrow Holder the  
23 following fees, charges and costs promptly after the Escrow Holder has notified Authority of  
24 the amount of such fees, charges and costs within two (2) weeks after the Closing Date for  
25 conveyance of the Property from the Partnership to Authority:

26 i. Escrow fees;

27 ii. Escrow Holder's customary charges to Authority and Partnership  
28 for document drafting, recording, and miscellaneous charges;

- 1                   iii. Notary fees;
- 2                   iv. Ad valorem taxes and any other taxes, assessments or impositions
- 3                   of any kind, if any, attributable to Partnership's ownership of the
- 4                   Property prior to conveyance of the Property; and
- 5                   v. State, county, city or other documentary stamps and transfer taxes,
- 6                   if any, payable in connection with the recordation of the Grant
- 7                   Deed. The amount of such transfer taxes shall not be posted on the
- 8                   Grant Deed, but shall be supplied by separate affidavit.

9           **13. Disbursements and Other Actions by Escrow Holder.** The Escrow Holder is  
10 authorized to:

- 11           a. Pay, and charge Authority, for any fees, charges and costs payable under
- 12           **Section 12.** Before such payments are made, the Escrow Holder shall notify
- 13           Authority and Partnership of the fees, charges and costs necessary to clear
- 14           title and convey the Property;
- 15           b. Disburse funds and deliver documents to the parties entitled thereto when the
- 16           conditions of the escrow have been fulfilled by Authority and Partnership;
- 17           c. Record any instruments delivered through the escrow if necessary or proper
- 18           to vest the applicable interests in Partnership and Authority in accordance
- 19           with the terms and provisions of this Agreement. Cause the Grant Deed and
- 20           any other documents which the parties hereto may mutually direct, to be
- 21           recorded in the Official Records of Riverside County, California ("Official
- 22           Records"). Escrow Holder is instructed not to affix the amount of
- 23           documentary transfer tax on the face of the Deed, but to supply same by
- 24           separate affidavit.
- 25           d. Prorate all matters referenced herein, based upon the statement delivered into
- 26           Escrow signed by the parties.
- 27           e. From funds deposited by Authority with Escrow Holder, disburse balance,
- 28           after deduction for all items chargeable to the account of Authority, to

1 Authority.

2 f. Deliver the Partnership's Certificate, executed by Partnership, and, when  
3 issued, the Title Policy, to Authority.

4 g. Deliver, when issued, the Title Policy, to Partnership.

5 h. Authority and Partnership hereby acknowledge and agree that the Escrow  
6 Holder is designated as the "Reporting Person" for the transaction which is  
7 the subject of this Agreement pursuant to Section 6045(e) of the Internal  
8 Revenue Code.

9 All funds received in the escrow shall be deposited by the Escrow Holder in an interest  
10 bearing account for the benefit of the depositing party as directed by the depositing party.

11 If any escrow is not in condition to close on or before the Closing Date, either party who  
12 then shall have fully performed the acts to be performed before the Closing Date may, in  
13 writing, demand the return of its money, papers or documents. No demand for return shall be  
14 recognized until ten (10) days after the Escrow Holder shall have mailed copies of such demand  
15 to the other party at the address of its principal place of business. Objections, if any, shall be  
16 raised by written notice to the Escrow Holder and to the other party within the ten- (10) day  
17 period. If any objections are raised within the ten- (10) day period, the Escrow Holder is  
18 authorized to hold the money, paper and documents until instructed by mutual agreement of the  
19 parties or, upon failure thereof, by a court of competent jurisdiction. If no such demands are  
20 made, the escrow shall be closed as soon as possible.

21 The Escrow Holder shall not be obligated to return any such money, papers or documents  
22 except upon the written instructions of both Authority and Partnership affected thereby, or until  
23 the party entitled thereto has been determined by a final decision of a court of competent  
24 jurisdiction.

25 Any amendments to these escrow instructions shall be in writing and signed by both  
26 Authority and Partnership. At the time of any amendment, the Escrow Holder shall agree to  
27 carry out its duties as Escrow Holder under such amendment.

28 All communications from the Escrow Holder to Authority or Partnership shall be directed

1 to the addresses and in the manner established under Notices, **Section 23**.

2 **14. Partnership's Representations and Warranties.** In consideration of Authority  
3 entering into this Agreement, and as an inducement to Authority to accept the Property,  
4 Partnership makes the following representations and warranties, each of which is material and is  
5 being relied upon by Authority (and the continued truth and accuracy of which shall constitute a  
6 condition precedent to Authority's obligations hereunder).

7 a. **Authorization.** This Agreement has been duly and validly authorized,  
8 executed and delivered by Partnership, and no other action is requisite to the  
9 execution and delivery of this Agreement by Partnership.

10 b. **Threatened Actions.** There are no actions, suits or proceedings pending  
11 against, or, to the best of Partnership's knowledge, threatened or affecting the  
12 Property in law or equity.

13 c. **Third Party Consents.** No consents or waivers of, or by, any third party are  
14 necessary to permit the consummation by Partnership of the transactions  
15 contemplated pursuant to this Agreement.

16 d. **Violations of Law.** Partnership has not received notice of any outstanding  
17 violations, past or present, of any governmental laws, ordinances, rules,  
18 requirements or regulations of every governmental agency, body or  
19 subdivision thereof bearing on the Property, and Partnership has no  
20 knowledge or reason to have knowledge of any condition which constitutes  
21 such a violation.

22 e. **Condemnation.** There are no pending, or, to the best of Partnership's  
23 knowledge, threatened proceedings in eminent domain or otherwise, which  
24 would affect the Property or any portion thereof.

25 f. **Compliance with Law.** To the best of Partnership's knowledge, all laws,  
26 ordinances, rules, and requirements and regulations of every governmental  
27 agency, body, or subdivision thereof bearing on the Property have been  
28 complied with by Partnership.

1 g. **Agreements.** There are no agreements (whether oral or written) affecting or  
2 relating to the right of any party with respect to the possession of the  
3 Property, or any portion thereof, which are obligations which will affect the  
4 Property or any portion thereof subsequent to the recordation of the Grant  
5 Deed, except as may be reflected in the Title Report, which shall have been  
6 approved by Authority pursuant to the terms of this Agreement.

7 h. **Documents.** To the best of Partnership's knowledge, all documents  
8 delivered to Authority pursuant to this Agreement are true and correct copies  
9 of originals, and any and all information supplied to Authority by Partnership  
10 in accordance **Section 9** hereof is true and correct.

11 i. **Occupancy Agreements.** There are no leases, subleases, occupancies or  
12 tenancies in effect pertaining to the Property, and Partnership has no  
13 knowledge of any oral agreements with anyone, with respect to the  
14 occupancy of the Property.

15 Partnership's representations and warranties made in this **Section 14** shall be continuing  
16 and shall be true and correct as of the Close of Escrow with the same force and effect as if  
17 remade by Partnership in a separate certificate at that time and shall not merge into the Close of  
18 Escrow and the recording of the Grant Deed in the Official Records.

19 **15. Authority's Representations and Warranties.** In consideration of Partnership  
20 entering into this Agreement, and as an inducement to Partnership to convey the Property to  
21 Authority, Authority makes the following representations and warranties, each of which is  
22 material and is being relied upon by Partnership:

23 a. This Agreement has been duly and validly authorized, executed and  
24 delivered by Authority, and no other action is requisite to the execution and  
25 delivery of this Agreement by Authority.

26 b. This Agreement has been, and all documents executed by Authority under  
27 this Agreement which are to be delivered to Partnership at the time of Close  
28 of Escrow will be, duly authorized, executed, and delivered by Authority,

1 and is, or, as to all documents to be executed by Authority at the Close of  
2 Escrow, will be, legal, valid, and binding obligations of Authority, and do  
3 not, and at the Close of Escrow will not violate any provisions of any  
4 agreement or judicial order to which Authority is a party or to which it is  
5 subject.

6 c. Authority's representations and warranties made in this Paragraph 15 shall be  
7 continuing and shall be true and correct as of the Close of Escrow with the  
8 same force and effect as if remade by Authority in a separate certificate at  
9 that time.

10 **16. Indemnification.** Partnership shall indemnify and hold harmless Authority,  
11 County of Riverside, its Agencies, Boards, Districts, Special Districts and Departments, their  
12 respective directors, officers, Board of Commissioners, elected and appointed officials,  
13 employees, Holders and representatives from any liability whatsoever, based or asserted upon  
14 any services of Partnership, its officers, employees, subcontractors, Holders or representatives  
15 arising out of their performance under this Agreement, including but not limited to property  
16 damage, bodily injury, or death or any other element of any kind or nature whatsoever arising  
17 from the performance of Partnership, its officers, Holders, employees, subcontractors, Holders  
18 or representatives under this Agreement that occur or otherwise arise prior to the Close of  
19 Escrow. Partnership shall defend, at its sole expense, all costs and fees including, but not  
20 limited, to attorney fees, cost of investigation, defense and settlements or awards, Authority,  
21 County of Riverside, its Agencies, Districts, Special Districts and Departments, their respective  
22 directors, officers, Board of Commissioners, elected and appointed officials, employees,  
23 Holders and representatives in any claim or action based upon such alleged acts or omissions.

24 With respect to any action or claim subject to indemnification herein by  
25 Partnership, Partnership shall, at their sole cost, have the right to use counsel of their own  
26 choice and shall have the right to adjust, settle, or compromise any such action or claim subject  
27 to the prior consent of Authority which shall not unreasonably be withheld; provided, however,  
28 that any such adjustment, settlement or compromise in no manner whatsoever limits or

1 circumscribes Partnership's indemnification to Authority as set forth herein.

2 Partnership's obligation hereunder shall be satisfied when Partnership has  
3 provided to Authority the appropriate form of dismissal relieving Authority from any liability  
4 for the action or claim involved.

5 In the event there is conflict between this clause and California Civil Code  
6 Section 2782, this clause shall be interpreted to comply with Civil Code 2782. Such  
7 interpretation shall not relieve Partnership from indemnifying Authority to the fullest extent  
8 allowed by law.

9 **17. Indemnification of Escrow Holder.**

10 a. If this Agreement or any matter relating hereto shall become the subject of  
11 any litigation or controversy, Authority and Partnership agree, jointly and severally, to hold  
12 Escrow Holder free and harmless from any loss or expense, including attorney's fees, that may  
13 be suffered by it by reason thereof except for losses or expenses as may arise from Escrow  
14 Holder's negligent or willful misconduct. If conflicting demands are made or notices served  
15 upon Escrow Holder with respect to this Agreement, the parties expressly agree that Escrow  
16 Holder shall be entitled to file a suit in interpleader and obtain an order from the court requiring  
17 the parties to interplead and litigate their several claims and rights among themselves. Upon the  
18 filing of the action in interpleader, Escrow Holder shall be fully released and discharged from  
19 any obligations imposed upon it by this Agreement, and

20 b. Escrow Holder shall not be liable for the sufficiency or correctness as to  
21 form, manner, execution, or validity of any instrument deposited with it, nor as to the identity,  
22 authority or rights of any person executing such instrument, nor for failure of Authority or  
23 Partnership to comply with any of the provisions of any agreement, contract or other instrument  
24 filed with Escrow Holder, or referred to herein. Escrow Holder's duties hereunder shall be  
25 limited to the safekeeping of all monies, instruments, or other documents received by it as  
26 Escrow Holder, and for their disposition in accordance with the terms of this Agreement.

27 **18. Binding Agreement.** This Agreement is and shall be binding upon and shall inure  
28 to the benefit of the predecessors, affiliates, subsidiaries, successors, assigns, parties, Holders,

1 officers, employees, shareholders, associates, legal representatives, heirs, executives and/or  
2 administrators of both Authority and Partnership.

3 **19. Paragraph Headings and Captions.** Paragraph headings are for reference only  
4 and shall not affect the interpretation of any paragraph hereto. Any captions to, or headings of,  
5 the paragraphs or subparagraphs of this Agreement are solely for the convenience of the parties  
6 hereto, are not a part of this Agreement, and shall not be used for the interpretation or  
7 determination of the validity of this Agreement or any provision hereof.

8 **20. Authority to Enter Agreement.** This Agreement is based on the mutual  
9 agreement of the Parties. The Parties represent and warrant to the other that the persons  
10 executing this Agreement on behalf of Authority and Partnership are duly and fully authorized  
11 to do so, and that each is acting pursuant to the power and authority granted by their respective  
12 principals, and that no further approvals are required to be obtained from any persons or  
13 entities.

14 **21. Additional Documents.** The Parties agree to cooperate fully to take any and all  
15 steps, perform any acts, and execute any documents consistent with the terms and conditions of  
16 this Agreement, which may be needed or required to effectuate the terms, intent, conditions,  
17 covenants, and provisions hereof.

18 **22. Entire Agreement.** This Agreement, including all exhibits hereto, constitutes the  
19 full and entire agreement of the terms between the Parties and both Authority and Partnership  
20 acknowledge that there is no other agreement, oral and/or written, between Authority and  
21 Partnership hereto.

22 **23. Notices.** All notices or other communications required or permitted hereunder  
23 shall be in writing, and shall be personally delivered or sent by registered or certified mail,  
24 postage prepaid, return receipt requested, delivered, or sent by facsimile, and shall be deemed  
25 received upon the earlier of (a) if personally delivered, the date of delivery to the address of the  
26 person to receive such notice, (b) if mailed, four (4) business days after the date of posting by  
27 the United States post office, or (c) if given by facsimile, when sent. Any notice, request,  
28 demand, direction, or other communication sent by facsimile must be confirmed within forty-



1 eight (48) hours by letter mailed or delivered in accordance with the foregoing:

2           **To Authority:** Attention: Assistant Director  
3                           Housing Authority of the County of Riverside  
4                           5555 Arlington Avenue, Riverside, CA 92504

5           **To Partnership:** Wildomar Tres Lagos Limited Partnership  
6                           c/o Palm Communities  
7                           15635 Alton Parkway, Suite 375  
8                           Irvine, CA 92618  
9                           Attn: President/Chief Executive Officer

10           **With a copy to:** Goldfarb & Lipman LLP  
11                           1300 Clay Street, 11<sup>th</sup> Floor  
12                           Oakland, CA 94612  
13                           Attn: Robert Mills

14           Notice of change of address shall be given by written notice in the manner detailed  
15 in this paragraph. Rejection or other refusal to accept, or the inability to deliver because of  
16 changed address of which no notice was given, shall be deemed to constitute receipt of the  
17 notice, demand, request, or communication sent.

18           **24. Interpretative Law.** This Agreement is made and entered into in the State of  
19 California and in all respects shall be interpreted, enforced and governed by and under the laws  
20 of the State of California. If any provision of this Agreement is held by a court of competent  
21 jurisdiction to be invalid, void, or unenforceable for whatever reason, the remaining provisions  
22 not so declared shall nonetheless continue in full force and effect without being impaired in any  
23 manner whatsoever.

24           **25. Jurisdiction and Venue.** Any action at law or in equity brought by either of the  
25 parties hereto for the purpose of enforcing a right or rights provided for by this Agreement shall  
26 be tried in the Superior Court, Central Division of the County of Riverside, State of California  
27 and Authority and Partnership hereby waive all provision of law providing for a change of  
28 venue in such proceedings to any other County.

1           **26. Incorporation by Reference.** Each of the attachments and exhibits attached  
2 hereto is incorporated herein by this reference.

3           **27. Survival of Covenants.** The covenants, representations and warranties of both  
4 Authority and Partnership set forth in this Agreement shall survive the recordation of the Grant  
5 Deed and the Close of Escrow, and shall remain in effect until six (6) months after the Close of  
6 Escrow.

7           **28. Required Actions of Authority and Partnership.** Authority and Partnership  
8 agree to execute such instruments and documents and to diligently undertake such actions as  
9 may be required in order to consummate the transfer of Property herein contemplated, and shall  
10 use their best efforts to accomplish the Close of Escrow in accordance with the provisions  
11 hereof.

12           **29. Time of Essence.** Time is of the essence of each and every term, condition,  
13 obligation, and provision hereof.

14           **30. Broker.** Authority and Partnership each represent and warrant to the other party  
15 that neither has dealt with or engaged a broker in connection with this transaction, and agrees to  
16 indemnify and save harmless the other party from and against all claims, costs, liabilities and  
17 expense (including court costs and reasonable attorneys' fees) incurred by the other party as a  
18 result of a breach of this representation.

19           **31. No Obligations to Third Parties.** Except as otherwise expressly provided  
20 herein, the execution and delivery of this Agreement shall not be deemed to confer any rights  
21 upon, nor obligate any of the parties hereto, to any person or entity other than the parties hereto.

22           **32. Amendment to this Agreement.** The terms of this Agreement may not be  
23 modified or amended except by an instrument in writing executed by each of the Parties hereto.

24           **33. Modification of Agreement.** Parties may consider it in its best interest to  
25 change, modify or extend a term or condition of this Agreement, provided such change,  
26 modification or extension is agreed to in writing by the other party. Any such change, extension  
27 or modification, which is mutually agreed upon by Parties shall be incorporated in written  
28 amendments to this Agreement. Such amendments shall not invalidate this Agreement, nor

1 relieve or release the Parties from any obligations under this Agreement, except for those parts  
2 thereby amended. No amendment to this Agreement shall be effective and binding upon the  
3 Parties, unless it expressly makes reference to this Agreement, is in writing and is signed and  
4 acknowledged by duly authorized representatives of each Party.

5 **34. Ministerial Acts.** Authority's Executive Director or designee(s) are authorized to  
6 take such ministerial actions as may be necessary or appropriate to implement the terms,  
7 provisions, and conditions of this Agreement as it may be amended from time to time by both  
8 parties.

9 **35. Waiver.** The waiver or failure to enforce any provision of this Agreement shall  
10 not operate as a waiver of any future breach of any such provision or any other provision hereof.

11 **36. Applicable Law.** This Agreement shall be governed by and construed in  
12 accordance with the laws of the State of California.

13 **37. Fees and Other Expenses.** Except as otherwise provided herein, each of the  
14 Parties shall pay its own fees and expenses in connection with this Agreement.

15 **38. Severability.** In the event that any provision of this Agreement or the application  
16 thereof becomes or is declared by a court of competent jurisdiction to be illegal, void or  
17 unenforceable, the remainder of this Agreement will continue in full force and effect and the  
18 application of such provision to other persons or circumstances will be interpreted so as  
19 reasonably to effect the intent of the parties hereto. The parties further agree to replace such  
20 void or unenforceable provision of this Agreement with a valid and enforceable provision that  
21 will achieve, to the extent possible, the economic, business and other purposes of such void or  
22 unenforceable provision.

23 **39. Counterparts.** This Agreement and any attachment to be executed by the parties  
24 may be executed by each party on a separate signature page, and when the executed signature  
25 pages are combined, shall constitute one single instrument.

26 **40. Effective Date.** The effective date of this Agreement shall be the date this  
27 Agreement is fully executed by both parties ("Effective Date"). If the parties execute this  
28 Agreement on separate dates, then the last date this Agreement was executed by a party shall be

1 the Effective Date.

2       **41. Exclusive Negotiation Period.** In consideration of the conveyance of the  
3 Property by the Partnership in accordance with this Agreement, commencing on the Close of  
4 Escrow, the Authority and the Partnership shall negotiate diligently and in good faith, from the  
5 date of the Close of Escrow until the third (3rd) anniversary of the Close of Escrow (the  
6 “Negotiating Period”), the terms of a disposition and development agreement, or other  
7 appropriate documents (collectively, the “DDA”), for the development of an affordable housing  
8 project on the Property, and the conveyance of the Property from the Authority to the  
9 Partnership. The Negotiating Period may be extended on the Authority's behalf for up to an  
10 additional one (1) year period by the Authority's Executive Director. If a DDA has not been  
11 executed by the Authority and the Partnership by the expiration of the Negotiating Period (as  
12 the Negotiating Period may be extended as set forth above), then right set forth in this Section  
13 shall terminate and neither party shall have any further rights or obligations under this  
14 Agreement. If a DDA is executed then, upon such execution, the right set forth in this Section  
15 shall terminate, and all rights and obligations of the Parties shall be as set forth in the executed  
16 DDA. This Section shall not obligate either the Authority to enter into a DDA or to enter into  
17 any particular agreement to convey the Property. By execution of this Agreement the Authority  
18 is not committing to the disposition of the Property to the Partnership. Execution of this  
19 Agreement by the Authority is merely an agreement to conduct a period of exclusive  
20 negotiations with the Partnership in accordance with the terms hereof, reserving for subsequent  
21 action by the Authority's Board of Commissioners the final discretion and approval regarding  
22 the execution of a DDA. Any approval of a DDA, all proceedings and decisions in connection  
23 therewith, shall be in accordance with all applicable laws including, but not limited to  
24 compliance with the applicable requirements of the California Environmental Quality Act, the  
25 applicable provisions of SB 341, and any other laws governing the disposition of real property  
26 by the Authority. During the Negotiating Period (as such Negotiating Period may be extended  
27 as set forth above), the Authority shall not negotiate with any entity, other than the Partnership,  
28 regarding the development of the Property, or solicit or entertain bids or proposals to do so.

1 Any legal expenses or internal costs including, but not limited to, staffing, administration, and  
2 general expenses incurred by Palm or Partnership during such Negotiating Period shall not be  
3 reimbursable. The rights, duties, and obligations set forth in this Section survive the recordation  
4 of the Grant Deed.

5 ///

6 ///

7 ///

8 [remainder of page intentionally blank]

9  
10 [signatures on following page]

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1 IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective  
2 Date of this Agreement.

3  
4 **AUTHORITY:**

5 Housing Authority of the County of  
6 Riverside, a public entity, corporate and  
7 politic, in its capacity as housing successor  
8 to the former Redevelopment Agency for  
9 the County of Riverside

10 By: \_\_\_\_\_  
11 Jeff Stone, Chairman  
12 Board of Commissioners

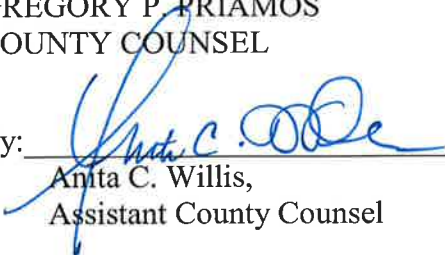
13 **ATTEST:**

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

16 By: \_\_\_\_\_  
17 Deputy

18 **APPROVED AS TO FORM:**

19 **GREGORY P. PRIAMOS**  
20 **COUNTY COUNSEL**

21 By:  \_\_\_\_\_  
22 Anita C. Willis,  
23 Assistant County Counsel

**PARTNERSHIP:**

Wildomar Tres Lagos Limited  
Partnership,  
a California limited partnership

By: PC Wildomar Developers I, LLC, a  
California limited liability company  
Its Administrative General Partner

By: Palm Communities, a California  
corporation  
Its sole member/manager

By:  \_\_\_\_\_  
Danavon Horn, President

# EXHIBIT A

## Property

### Legal Description:

#### PARCEL 1:

PARCEL 3 OF PARCEL MAP NO. 8617, AS SHOWN BY PARCEL MAP ON FILE IN BOOK 35, PAGE(S) 32 OF PARCEL MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

#### PARCEL 2:

ALL THAT PORTION OF PARCEL 1 AND LETTERED LOT "B" OF PARCEL MAP 9084 AS SHOWN BY MAP RECORDED IN PARCEL MAP BOOK 40 PAGE 25 OF RECORDS OF RIVERSIDE COUNTY, EXCEPTING THEREFROM THE EAST 260.00 FEET, SAID 260.00 FEET BEING MEASURED ALONG THE NORTH AND SOUTH LINES OF SAID PARCEL 1.

#### PARCEL 3:

PARCEL 1, 2 AND LOT B OF PARCEL MAP NO. 8617, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, RECORDED MAY 17, 1977 IN BOOK 35, PAGE 32 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

#### PARCEL 4:

THE EAST 260 FEET OF PARCEL (S) 1 OF PARCEL MAP NO. 9084, AS PER PLAT RECORDED IN BOOK 40 OF PARCEL MAPS, PAGE (S) 25, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, PER CERTIFICATE OF COMPLIANCE RECORDED NOVEMBER 16, 1978 AS INSTRUMENT NO. 242267, OFFICIAL RECORDS.

APN: 380-100-009-5 (Affects: Parcel 4) and 380-100-012-7 (Affects: Parcel 1) and 380-100-008-4 (Affects: Parcel 2) and 380-100-010-5 (Affects: Parcel 1 of Parcel 3) and 380-100-011-6 (Affects : Parcel 2 and Lot B of Parcel 3)

# **Exhibit B**

Grant Deed



OFFICIAL BUSINESS

Document entitled to free recording  
Per Government Code Section 6103 and 27383

WHEN RECORDED MAIL TO

Housing Authority of the  
County of Riverside  
5555 Arlington Avenue  
Riverside, CA 92504  
Attn: Mervyn Manalo

---

APN: 380-100-008, 380-100-009, 380-100-010,  
380-100-011 and 380-100-012

SPACE ABOVE LINE FOR RECORDERS USE

**GRANT DEED**

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, WILDOMAR TRES LAGOS LIMITED PARTNERSHIP, a California limited partnership (“Grantor”), hereby grants to the HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE, a public body, corporate and politic, in its capacity as housing successor to the former Redevelopment Agency for the County of Riverside (“Grantee”), the real property located in the City of Wildomar, County of Riverside, State of California, as more particularly described in that certain legal description attached hereto as **Exhibit A** and incorporated herein by this reference, together with all appurtenant easements and access rights and other rights and privileges appurtenant to the land, and subject only to matters of records (“Property”).

Said Property is conveyed in accordance with and subject to the Termination and Property Transfer Agreement with Joint Escrow Instructions entered into by and between Grantor and Grantee, dated as of \_\_\_\_\_, 2014.

**SEE EXHIBIT A ATTACHED**

[remainder of page intentionally blank]

[signatures on following page]

IN WITNESS WHEREOF, Grantor has caused this instrument to be executed on its behalf.

**“GRANTOR”**

Wildomar Tres Lagos Limited Partnership,  
a California limited partnership

By: PC Wildomar Developers I, LLC, a  
California limited liability company  
Its Administrative General Partner

By: Palm Communities, a California corporation  
Its sole member/manager

By: \_\_\_\_\_  
Danavon Horn, President

**EXHIBIT A**

**LEGAL DESCRIPTION OF PROPERTY**

Legal Description:

PARCEL 1:

PARCEL 3 OF PARCEL MAP NO. 8617, AS SHOWN BY PARCEL MAP ON FILE IN BOOK 35, PAGE(S) 32 OF PARCEL MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

PARCEL 2:

ALL THAT PORTION OF PARCEL 1 AND LETTERED LOT "B" OF PARCEL MAP 9084 AS SHOWN BY MAP RECORDED IN PARCEL MAP BOOK 40 PAGE 25 OF RECORDS OF RIVERSIDE COUNTY, EXCEPTING THEREFROM THE EAST 260.00 FEET, SAID 260.00 FEET BEING MEASURED ALONG THE NORTH AND SOUTH LINES OF SAID PARCEL 1.

PARCEL 3:

PARCEL 1, 2 AND LOT B OF PARCEL MAP NO. 8617, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, RECORDED MAY 17, 1977 IN BOOK 35, PAGE 32 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

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APN: 380-100-009-5 (Affects: Parcel 4) and 380-100-012-7 (Affects: Parcel 1) and 380-100-008-4 (Affects: Parcel 2) and 380-100-010-5 (Affects: Parcel 1 of Parcel 3) and 380-100-011-6 (Affects : Parcel 2 and Lot B of Parcel 3)

**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.

Signature \_\_\_\_\_

Place Notary Seal Above

Signature of Notary Public

**CERTIFICATE OF ACCEPTANCE**

This is to certify that the interest in real property conveyed by the Grant Deed dated as of \_\_\_\_\_, 2014 from the Grantor, WILDOMAR TRES LAGOS LIMITED PARTNERSHIP, a California limited partnership, granted to the Grantee, the HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE, a public entity, corporate and politic, in its capacity as housing successor to the former Redevelopment Agency for the County of Riverside, is hereby accepted by that certain Termination and Property Transfer Agreement with Joint Escrow Instructions entered into by and between Grantor and Grantee, dated as of \_\_\_\_\_, 2014.

**“GRANTEE”**

Housing Authority of the County of  
Riverside, a public entity, corporate and  
politic, in its capacity as housing successor  
to the former Redevelopment Agency for  
the County of Riverside

By: \_\_\_\_\_  
Heidi Marshall,  
Deputy Executive Director

APPROVED AS TO FORM:

GREGORY P. PRIAMOS  
COUNTY COUNSEL

By: \_\_\_\_\_  
Anita C. Willis,  
Assistant County Counsel

# **Exhibit C**

## Preliminary Title Report

**Update 7**



**First American Title Company  
National Commercial Services**

**3281 E. Guasti Road, Suite 440  
Ontario, CA 91761**

October 22, 2014

Title Officer: Greg Franke  
Phone: (909)510-6233  
Fax No.: (714)481-2309  
E-Mail: gfranke@firstam.com

Escrow Officer:  
Phone:

Buyer:

Property: 36101 Fox Ridge Lane and 23345, 23365 & 23385 Catt Road,  
Wildomar, CA

Attached please find the following item(s):

Commitment

Thank You for your confidence and support. We at First American Title Insurance Company maintain the fundamental principle:

*Customer First!*

**First American Title Insurance Company**  
**INFORMATION**

The Title Insurance Commitment is a legal contract between you and the company. It is issued to show the basis on which we will issue a Title Insurance Policy to you. The Policy will insure you against certain risks to the land title, subject to the limitations shown in the policy.

The Company will give you a sample of the Policy form, if you ask.

The Commitment is based on the land title as of the Commitment Date. Any changes in the land title or the transaction may affect the Commitment and the Policy.

The Commitment is subject to its Requirements, Exceptions and Conditions.

This information is not part of the title insurance commitment.

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3. Interest in the Land and Owner	4
4. Description of the Land	4
Schedule B-1 - Requirements	
Schedule B-2 - Exceptions	
Conditions	

**YOU SHOULD READ THE COMMITMENT VERY CAREFULLY.**  
**If you have any questions about the Commitment,**  
**please contact the issuing office.**



COMMITMENT FOR TITLE INSURANCE

Issued by

*First American Title Insurance Company*

Agreement to Issue Policy

We agree to issue a policy to you according to the terms of this Commitment.

When we show the policy amount and your name as the proposed insured in Schedule A, this Commitment becomes effective as of the Commitment Date shown in Schedule A.

If the Requirements shown in this Commitment have not been met within six months after the Commitment Date, our obligation under this Commitment will end. Also, our obligation under this Commitment will end when the Policy is issued and then our obligation to you will be under the Policy.

Our obligation under this Commitment is limited by the following:

The Provisions in Schedule A.

The Requirements in Schedule B-1.

The Exceptions in Schedule B-2.

The Conditions.

This Commitment is not valid without Schedule A and Sections 1 and 2 of Schedule B.

**SCHEDULE A  
(UPDATE #4)**

1. Commitment Date: October 17, 2014 at 7:30 A.M.
  
2. Policy or Policies to be issued: Amount
  - (A) ALTA Owner's Policy \$TBD  
TBD  
Proposed Insured:  
  
TBD
  
  - (B) ALTA Loan Policy \$TBD  
TBD  
Proposed Insured:  
  
TBD
  
3. (A) The estate or interest in the land described in this Commitment is:  
  
Fee Simple  
  
(B) Title to said estate or interest at the date hereof is vested in:  
  
Wildomar Tres Lagos Limited Partnership, a California limited partnership
  
4. The land referred to in this Commitment is situated in the Widomar area, County of Riverside , State of California, and is described as follows:

PARCEL 1:

PARCEL 3 OF PARCEL MAP NO. 8617, AS SHOWN BY PARCEL MAP ON FILE IN BOOK 35, PAGE(S) 32 OF PARCEL MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

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APN: 380-100-009-5 (Affects: Parcel 4) and 380-100-012-7 (Affects: Parcel 1) and 380-100-008-4 (Affects: Parcel 2) and 380-100-010-5 (Affects: Parcel 1 of Parcel 3) and 380-100-011-6 (Affects : Parcel 2 and Lot B of Parcel 3)

## **SCHEDULE B**

### **SECTION ONE REQUIREMENTS**

The following requirements must be met:

1. Pay the agreed amounts for the interest in the land and/or the mortgage to be insured.
2. Pay us the premiums, fees and charges for the policy.
3. Documents satisfactory to us creating the interest in the land and/or the mortgage to be insured must be signed, delivered and recorded.
4. You must tell us in writing the name of anyone not referred to in this Commitment who will get an interest in the land or who will make a loan on the land. We may then make additional requirements or exceptions.
5. Releases(s) or Reconveyance(s) of Item(s):
6. You must give us the following information:
  - A. Any off record leases, surveys, etc.
  - B. Statement(s) of Identity, all parties.
7. Should any of the following entities be involved in this transaction, the Company will require:
  - A. WITH RESPECT TO A CORPORATION:
    1. A certificate of good standing of recent date issued by the Secretary of State of the corporation's state of domicile.
    2. A certificate copy of a resolution of the Board of Directors authorizing the contemplated transaction and designating which corporate officers shall have the power to execute on behalf of the corporation.
    3. Other requirements which the Company may impose following its review of the material required herein and other information which the Company may require.
  - B. WITH RESPECT TO A CALIFORNIA LIMITED PARTNERSHIP:
    1. That a certified copy of the certificate of limited partnership (form LP-1) and any amendments thereto (form LP-2) be recorded in the public records;
    2. A full copy of the partnership agreement and any amendments;
    3. Satisfactory evidence of the consent of a majority in interest of the limited partners to the contemplated transaction;
    4. Other requirements which the Company may impose following its review of the material required herein and other information which the Company may require.

C. WITH RESPECT TO A FOREIGN LIMITED PARTNERSHIP:

1. That a certified copy of the application for registration, foreign limited partnership (form LP-5) and any amendments thereto (form LP-6) be recorded in the public records;
2. A full copy of the partnership agreement and any amendment;
3. Satisfactory evidence of the consent of a majority in interest of the limited partners to the contemplated transaction;
4. Other requirements which the Company may impose following its review of the material required herein and other information which the Company may require.

D. WITH RESPECT TO A GENERAL PARTNERSHIP:

1. That a certified copy of a statement of partnership authority pursuant to Section 16303 of the California Corporation Code (form GP-I), executed by at least two partners, and a certified copy of any amendments to such statement (form GP-7), be recorded in the public records;
2. A full copy of the partnership agreement and any amendments;
3. Other requirements which the Company may impose following its review of the material required herein and other information which the Company may require.

E. WITH RESPECT TO A LIMITED LIABILITY COMPANY:

1. A copy of its operating agreement and any amendments thereto;
2. If it is a California limited liability company, that a certified copy of its articles of organization (LLC-1) and any certificate of correction (LLC-11), certificate of amendment (LLC-2), or restatement of articles of organization (LLC-10) be recorded in the public records;
3. If it is a foreign limited liability company, a certified copy of its application for registration (LLC-5) be recorded in the public records;
4. With respect to any deed, deed of trust, lease, subordination agreement or other document or instrument executed by such limited liability company and presented for recordation by the Company or upon which the Company is asked to rely, that such document or instrument be executed in accordance with one of the following, as appropriate:
  - (i) If the limited liability company properly operates through officers appointed or elected pursuant to the terms of a written operating agreement, such documents must be executed by at least two duly elected or appointed officers, as follows: the chairman of the board, the president or any vice president, and any secretary, assistant secretary, the chief financial officer or any assistant treasurer;
  - (ii) If the limited liability company properly operates through a manager or managers identified in the articles of organization and/or duly elected pursuant to the terms of a written operating agreement, such document must be executed by at least two such managers or by one manager if the limited liability company properly operates with the existence of only one manager.
5. Other requirements which the Company may impose following its review of the material required herein and other information which the Company may require.

F. WITH RESPECT TO A TRUST:

1. A certification pursuant to Section 18100.5 of the California Probate Code in a form satisfactory to the Company.
2. Copies of those excerpts from the original trust documents and amendments thereto which designate the trustee and confer upon the trustee the power to act in the pending transaction.
3. Other requirements which the Company may impose following its review of the material require herein and other information which the Company may require.

G. WITH RESPECT TO INDIVIDUALS:

1. A statement of information.

## SCHEDULE B

### SECTION TWO

#### EXCEPTIONS

Any policy we issue will have the following exceptions unless they are taken care of to our satisfaction. The printed exceptions and exclusions from the coverage of the policy or policies are set forth in Exhibit A attached. Copies of the policy forms should be read. They are available from the office which issued this Commitment.

1. General and special taxes and assessments for the fiscal year 2014-2015.

First Installment:	\$2,606.02, OPEN
Penalty:	\$0.00
Second Installment:	\$2,606.02, OPEN
Penalty:	\$0.00
Tax Rate Area:	025-007
A. P. No.:	380-100-008-4

(Affects Parcel 2)

1a. General and special taxes and assessments for the fiscal year 2014-2015.

First Installment:	\$2,712.47, OPEN
Penalty:	\$0.00
Second Installment:	\$2,712.47, OPEN
Penalty:	\$0.00
Tax Rate Area:	025-007
A. P. No.:	380-100-009-5

(Affects Parcel 4)

1b. General and special taxes and assessments for the fiscal year 2014-2015.

First Installment:	\$2,771.03, OPEN
Penalty:	\$0.00
Second Installment:	\$2,771.03, OPEN
Penalty:	\$0.00
Tax Rate Area:	025-007
A. P. No.:	380-100-010-5

(Affects Parcel 1 of parcel 3)

1c. General and special taxes and assessments for the fiscal year 2014-2015.

First Installment: \$2,771.03, OPEN  
Penalty: \$0.00  
Second Installment: \$2,771.03, OPEN  
Penalty: \$0.00  
Tax Rate Area: 025-007  
A. P. No.: 380-100-011-6

1d. General and special taxes and assessments for the fiscal year 2014-2015.

First Installment: \$4,401.06, OPEN  
Penalty: \$0.00  
Second Installment: \$4,401.06, OPEN  
Penalty: \$0.00  
Tax Rate Area: 025-007  
A. P. No.: 380-100-012-7

(Affects Parcel 1)

2. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

**The Following Matters Affect Parcel 1:**

3. An easement in favor of the public over any portion of the herein described property included within public roads.

4. An easement for either or both pole lines, conduits or underground facilities and incidental purposes, recorded August 15, 1977 as Instrument No. 157934 of Official Records.

In Favor of: Southern California Edison Company  
Affects: As described therein

**The Following Matters Affect Parcel 2:**

5. Rights of the public in and to that portion of the land lying within public roads.

**The Following Matters Affect Parcel 3:**

6. An easement in favor of the public over way portion of the herein described property included within public roads.

(Affects Parcel 2 and Lot B)

7. An easement for overhead, underground electrical supply, communication systems and incidental purposes, recorded August 08, 1977 as Instrument No. 152687 of Official Records.

In Favor of: Southern California Edison Company, a corporation and General Telephone Company of California, a corporation  
Affects: Parcel 1

8. An easement for public utilities and incidental purposes, recorded September 06, 1977 as Instrument No. 173890 of Official Records.  
In Favor of: General Telephone Company of California, a corporation  
Affects: As described therein
9. Notice and certificate of occupancy for mobile home installation on a foundation system (HCD 433A(4/86) recorded September 27, 2002 as Instrument No. 2002-539184 of Official Records of Riverside County, California.

(Affects Parcel 1)

10. An easement for right of way to construct, use, maintain, operate, alter, add to, repair, replace, reconstruct, inspect and remove at any time and from time to time underground electrical supply systems and communication systems, consisting of wires, underground conduits, cables, vaults, manholes, handholes, and including above-ground enclosures, markers and concrete pads and other appurtenant fixtures and equipment necessary or useful for distributing electrical energy and for transmitting intelligence by electrical means and incidental purposes, recorded October 05, 2005 as Instrument No. 2005-0826121 of Official Records.  
In Favor of: Southern California Edison Company, a corporation  
Affects: Parcel 1

**The Following Matters Affect Parcel 4:**

11. Rights of the public in and to that portion of the land lying within any Lawful Established Streets, Roads, or Highways.
12. An easement for public utilities and incidental purposes, recorded August 08, 1977 as Instrument No. 152688 of Official Records.  
In Favor of: Southern California Edison Company, a corporation  
Affects: As described therein
13. The terms and provisions contained in the document entitled "Covenant Agreement" recorded June 20, 2007 as Instrument No. 2007-401579 of Official Records.

A document declaring a First Amendment to Loan Agreement for Tres Lagos Senior Apartments recorded November 21, 2008 as Inst. No. 2008-0622348 of Official Records.

(Affects all parcels)

The terms and provisions contained in the document entitled "Loan Agreement for Tres Lagos Senior Apartments" recorded July 24, 2008 as Instrument No. 2008-0406478 of Official Records.

(Affects all parcels)

14. The terms and provisions contained in the document entitled "Covenant Agreement" recorded July 24, 2008 as Instrument No. 2008-0406480 of Official Records.

(Affects all parcels)



15. A Deed of Trust to secure an original indebtedness of \$Not Set Out recorded November 21, 2008 as Inst. No. 2008-0622349 of Official Records.

Dated: June 24, 2008  
Trustor: Palm Desert Development Company  
Trustee: County of Riverside  
Beneficiary: Redevelopment Agency of the County of Riverside

(Affects all parcels)

A document recorded November 17, 2010 as Instrument No. 2010-0554588 of Official Records provides that the lien or charge of the deed of trust was subordinated to the lien or charge of the deed of trust recorded November 17, 2010 as Instrument No. 2010-0554586 of Official Records.

16. The terms and provisions contained in the document entitled "Assignment and Contribution Agreement" recorded December 26, 2008 as Inst. No. 2008-0671952 of Official Records.

(Affects all parcels)

17. A Deed of Trust to secure an original indebtedness of \$2,500,000.00 recorded November 17, 2010 as Instrument No. 2010-0554586 of Official Records.

Dated: July 26, 2010  
Trustor: Wildomar Tres Lagos Limited Partnership, a California limited partnership, et al  
Trustee: Farmers and Merchants Trust Company of Long beach  
Beneficiary: Farmers and Merchants Bank of Long Beach

A document recorded March 19, 2012 as Inst. No. 2012-0125250 of Official Records provides that the lien or charge of the deed of trust was subordinated to the lien or charge of the deed of trust recorded March 19, 2012 as Inst. No. 2012-0125249 of Official Records.

A document recorded August 14, 2013 as Instrument No. 2013-0396695 of Official Records provides that the deed of trust or the obligation secured thereby has been modified.

A document recorded September 4, 2014 as Instrument No. 2014-0336687, provides that the Deed of Trust/Mortgage or the obligation secured thereby has been modified.

(Affects all parcels with other property)

18. A Deed of Trust to secure an original indebtedness of \$900,000.00 recorded March 19, 2012 as Instrument No. 2012-0125249 of Official Records.

Dated: January 12, 2012  
Trustor: Wildomar Tres Lagos Limited Partnership, a California limited partnership  
Trustee: Century Trust Deed Services  
Beneficiary: Century Housing Corporation, a California nonprofit corporation

(Affects All parcels)

**INFORMATIONAL NOTES**

1. According to the latest available equalized assessment roll in the office of the county tax assessor, there is located on the land a(n) Single Family Residence known as 36101 Fox Ridge Lane, Wildomar, California.  
  
(Affects Parcel 1 & Parcel 1 of Parcel 3)
2. According to the latest available equalized assessment roll in the office of the county tax assessor, there is located on the land a(n) Commercial Structure known as 23345, 23365 and 23385 Catt Road, Wildomar, California.  
  
(Affects Parcel 2 & 4)
3. The property covered by this report is vacant land.  
  
(Affects Parcel 2 and Lot B of Parcel 3)
4. According to the public records, there has been no conveyance of the land within a period of twenty-four months prior to the date of this report, except as follows:  
  
None
5. This preliminary report/commitment was prepared based upon an application for a policy of title insurance that identified land by street address or assessor's parcel number only. It is the responsibility of the applicant to determine whether the land referred to herein is in fact the land that is to be described in the policy or policies to be issued.

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

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

## **CONDITIONS**

### **1. DEFINITIONS**

(a)"Mortgage" means mortgage, deed of trust or other security instrument.

(b)"Public Records" means title records that give constructive notice of matters affecting the title according to the state law where the land is located.

### **2. LATER DEFECTS**

The Exceptions in Schedule B - Section Two may be amended to show any defects, liens or encumbrances that appear for the first time in the public records or are created or attached between the Commitment Date and the date on which all of the Requirements (a) and (c) of Schedule B - Section One are met. We shall have no liability to you because of this amendment.

### **3. EXISTING DEFECTS**

If any defects, liens or encumbrances existing at Commitment Date are not shown in Schedule B, we may amend Schedule B to show them. If we do amend Schedule B to show these defects, liens or encumbrances, we shall be liable to you according to Paragraph 4 below unless you knew of this information and did not tell us about it in writing.

### **4. LIMITATION OF OUR LIABILITY**

Our only obligation is to issue to you the Policy referred to in this Commitment, when you have met its Requirements. If we have any liability to you for any loss you incur because of an error in this Commitment, our liability will be limited to your actual loss caused by your relying on this Commitment when you acted in good faith to:

comply with the Requirements shown in Schedule B - Section One

or

eliminate with our written consent any Exceptions shown in Schedule B - Section Two.

We shall not be liable for more than the Policy Amount shown in Schedule A of this Commitment and our liability is subject to the terms of the Policy form to be issued to you.

### **5. CLAIMS MUST BE BASED ON THIS COMMITMENT**

Any claim, whether or not based on negligence, which you may have against us concerning the title to the land must be based on this commitment and is subject to its terms.

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

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

**EXCEPTIONS FROM COVERAGE**

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

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

**EXCLUSIONS FROM COVERAGE**

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

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

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

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

created subsequent to Date of Policy; or (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.

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

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

**SCHEDULE B**

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

Part One

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

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

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

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

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

**SCHEDULE B**

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

Part One

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

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

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

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

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

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

**SCHEDULE B**

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

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

**8. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 1992**

### EXCLUSIONS FROM COVERAGE

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

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

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

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

#### SCHEDULE B

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

Part One:

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

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

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

1. Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:
  - \* land use
  - \* improvements on the land
  - \* land division
  - \* environmental protection

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

2. The right to take the land by condemning it, unless:
  - \* a notice of exercising the right appears in the public records on the Policy Date
  - \* the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking.
3. Title Risks:
  - \* that are created, allowed, or agreed to by you
  - \* that are known to you, but not to us, on the Policy Date - unless they appeared in the public records
  - \* that result in no loss to you
  - \* that first affect your title after the Policy Date - this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks
4. Failure to pay value for your title.
5. Lack of a right:
  - \* to any land outside the area specifically described and referred to in Item 3 of Schedule A, or
  - \* in streets, alleys, or waterways that touch your landThis exclusion does not limit the access coverage in Item 5 of Covered Title Risks.

#### 11. EAGLE PROTECTION OWNER'S POLICY

##### CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE - 1998 ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE - 1998

Covered Risks 14 (Subdivision Law Violation), 15 (Building Permit), 16 (Zoning) and 18 (Encroachment of boundary walls or fences) are subject to Deductible Amounts and Maximum Dollar Limits of Liability

#### EXCLUSIONS

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

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

a. building	b. zoning
c. land use	d. improvements on the land
e. land division	f. environmental protection

This exclusion does not apply to violations or the enforcement of these matters if notice of the violation or enforcement appears in the Public Records at the Policy Date.  
This exclusion does not limit the coverage described in Covered Risk 14, 15, 16, 17 or 24.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not apply to violations of building codes if notice of the violation appears in the Public Records at the Policy Date.
3. The right to take the Land by condemning it, unless:
  - a. a notice of exercising the right appears in the Public Records at the Policy Date; or
  - b. the taking happened before the Policy Date and is binding on You if You bought the Land without Knowing of the taking.
4. Risks:
  - a. that are created, allowed, or agreed to by You, whether or not they appear in the Public Records;
  - b. that are Known to You at the Policy Date, but not to Us, unless they appear in the Public Records at the Policy Date;
  - c. that result in no loss to You; or
  - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.d, 22, 23, 24 or 25.
5. Failure to pay value for Your Title.
6. Lack of a right:
  - a. to any Land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
  - b. in streets, alleys, or waterways that touch the Land.This exclusion does not limit the coverage described in Covered Risk 11 or 18.

#### 12. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1992 WITH A.L.T.A. ENDORSEMENT FORM 1 COVERAGE WITH EAGLE PROTECTION ADDED

#### EXCLUSIONS FROM COVERAGE

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



1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the Land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the Land; (iii) a separation in ownership or a change in the dimensions or area of the Land or any parcel of which the Land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the Land has been recorded in the Public Records at Date of Policy. This exclusion does not limit the coverage provided under insuring provisions 14, 15, 16 and 24 of this policy.  
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the Public Records at Date of Policy. This exclusion does not limit the coverage provided under insuring provisions 14, 15, 16 and 24 of this policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the Public Records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without Knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:  
(a) created, suffered, assumed or agreed to by the Insured Claimant;  
(b) not known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;  
(c) resulting in no loss or damage to the Insured Claimant;  
(d) attaching or created subsequent to Date of Policy (this paragraph (d) does not limit the coverage provided under insuring provisions 7, 8, 16, 17, 19, 20, 21, 23, 24 and 25); or  
(e) resulting in loss or damage which would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of the Insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the state in which the Land is situated.
5. Invalidity or unenforceability of the lien of the Insured Mortgage, or claim thereof, which arises out of the transaction evidenced by the Insured Mortgage and is based upon:  
(a) usury, except as provided under insuring provision 10 of this policy; or  
(b) any consumer credit protection or truth in lending law.
6. Taxes or assessments of any taxing or assessment authority which become a lien on the Land subsequent to Date of Policy.
7. Any claim, which arises out of the transaction creating the interest of the mortgagee insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:  
(a) the transaction creating the interest of the insured mortgagee being deemed a fraudulent conveyance or fraudulent transfer; or  
(b) the subordination of the interest of the insured mortgagee as a result of the application of the doctrine of equitable subordination; or  
(c) the transaction creating the interest of the insured mortgagee being deemed a preferential transfer except where the preferential transfer results from the failure:  
(i) to timely record the instrument of transfer; or  
(ii) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.
8. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This exclusion does not limit the coverage provided under insuring provision 7.
9. Lack of priority of the lien of the Insured Mortgage as to each and every advance made after Date of Policy, and all interest charged thereon, over liens, encumbrances and other matters affecting title, the existence of which are Known to the Insured at:  
(a) The time of the advance; or  
(b) The time a modification is made to the terms of the Insured Mortgage which changes the rate of interest charged, if the rate of interest is greater as a result of the modification than **it would have** been before the modification.  
This exclusion does not limit the coverage provided under insuring provision 7.

#### SCHEDULE B

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

1. Environmental protection liens provided for by the following existing statutes, which liens will have priority over the lien of the Insured Mortgage when they arise: NONE.

#### 13. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1992 WITH EAGLE PROTECTION ADDED WITH REGIONAL EXCEPTIONS

When the American Land Title Association loan policy with EAGLE Protection Added is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 12 above are used and the following exceptions to coverage appear in the policy.

#### SCHEDULE B

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

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.

3. Easements, claims of easement or encumbrances which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.
5. Unpatented mining claims; reservations or exceptions in patents or in acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material theretofore or hereafter furnished, imposed by law and not shown by the public records.

Part Two:

1. Environmental protection liens provided for by the following existing statutes, which liens will have priority over the lien of the Insured Mortgage when they arise: NONE

## Exhibit D

### Authority's Deposit

Outstanding Century Housing Loan Amount	\$	894,209.59
Century Housing Loan Interest Accrued	\$	11,943.21
Century Housing Loan fees	\$	14,625.81
Outstanding Farmer's & Merchants Loan Amount	\$	582,258.00
Title Insurance Policy	\$	3,667.00
Escrow fees	\$	6,400.00
Notary fees	\$	250.00
Ad valorem taxes and any other taxes, assessments or impositions of any kind, if any, attributable to Partnership's ownership of the Property prior to conveyance of the Property	\$	30,523.22
State, county, city or other documentary stamps and transfer taxes, if any, payable in connection with the recordation of the Grant Deed	\$	4,876.50
Sub-Total deposit	\$	1,548,753.33
Additional deposit (pad to close escrow)	\$	51,246.67
<b>Total deposit</b>	<b>\$</b>	<b>1,600,000.00</b>