

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

744



FROM: Economic Development Agency

SUBMITTAL DATE:
March 3, 2011

SUBJECT: Loan Agreement for the Use of HOME Funds for Summerhouse Apartments in the City of Temecula

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the attached Loan Agreement for the use of \$1,000,000 in HOME Funds between the County of Riverside and Summerhouse Housing Associates, L.P., a California Limited Partnership;
2. Approved the attached Deed of Trust with Assignment of Rents and Promissory Note;
3. Authorize the Chairman of the Board to execute the attached Loan Agreement and Deed of Trust;
4. Authorize the Executive Director, or designee, to execute a Subordination Agreement with a construction lender to be named at a later date in an amount up to \$11,000,000, subject to approval by County Counsel;
5. Authorize the Executive Director, or designee, to execute a Subordination Agreement with a permanent lender to be named at a later date in an amount up to \$2,800,000, subject to approval by County Counsel;

(Continued)

Robert Field

Robert Field
Assistant County Executive Officer/EDA

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 1,000,000	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2010/11

COMPANION ITEM ON BOARD OF DIRECTORS AGENDA: No

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

C.E.O. RECOMMENDATION: APPROVE

BY: *Jennifer L. Sargent*

County Executive Office Signature
Jennifer L. Sargent

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Buster, seconded by Supervisor Stone and duly carried, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Buster, Stone, Benoit and Ashley
Nays: None
Absent: Tavaglione
Date: March 15, 2011
xc: EDA, Auditor

Kecia Harper-Ihem
Clerk of the Board
By: *Kecia Harper-Ihem*
Deputy

FISCAL PROCEDURES APPROVED
 PAUL ANGULO, CPA, AUDITOR-CONTROLLER
 BY: *Samuel Wong* 3/2/11
 SAMUEL WONG
 DATE
 ANITA C. WILLIS
 FORM APPROVED COUNTY COUNSEL
 BY: *Anita C. Willis* 3-2-11

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

RECOMMENDED MOTION: (Continued)

6. Authorize the Executive Director, or designee, to execute a Subordination Agreement with the City of Temecula Redevelopment Agency in an amount up to \$8,600,000, subject to approval by County Counsel; and,
7. Authorize the Executive Director, or designee, to take all necessary steps to implement the Loan Agreement, Deed of Trust, and Subordination Agreements including, but not limited to, signing subsequent necessary and relevant documents subject to County Counsel.

BACKGROUND:

Summerhouse Housing Associates, L.P. (SHALP), a California Limited Partnership, is requesting \$1,000,000 in HOME funds for the development of an 80-unit multi-family housing complex for qualified low to moderate income family households in the City of Temecula. The proposed development has a unit mix of six one-bedroom, 36 two-bedroom, and 38 three-bedroom units. One of the three-bedroom units will be reserved for an on-site manager. The one-bedroom units are approximately 740 square feet, the two-bedroom units are approximately 1,139 square feet, and the three-bedroom units are approximately 1,561 square feet. The project is located on a 6.8-acre site on the northwest corner of Dartola Road and Margarita Road with Assessor's Parcel Numbers 959-080-024 and 959-080-025. The site plan will be comprised of nine two-story garden-court residential buildings with amenities that include two recreational buildings, laundry rooms, two pools, barbeque/picnic areas, community green/open space, and tot lots. The project is currently entitled for a 110-unit multi-family and senior-household development. However, the project has a revised scope that consists of an 80-unit multi-family household mix, of which 20 units will be completed and available for lease by March of 2011.

SHALP intends to use the HOME funds for construction expenses. Other funding sources include a \$2,550,000 conventional loan; a loan of \$8,438,595 from the Temecula Redevelopment Agency (Temecula RDA); tax credit equity contribution of \$8,252,558; and general partner equity \$300,000. The total cost of development is estimated to be \$20,541,153. A total of 11 units will be designated as Fixed Low HOME rent units which are limited to very low-income households whose incomes do not exceed 50% of the Riverside County Median Income for a period of at least 55 years.

The county's HOME Loan will be in the third position behind a construction loan and permanent first mortgage from a permanent lender, and behind the second loan from Temecula RDA. Both the permanent lender and Temecula RDA will require that the County of Riverside execute subordination agreements at a later date to signify their senior position to the HOME Loan.

On July 14, 2009, the Board approved the Notice of Finding of No Significant Impact on the Environment, and the county has received authorization from the U.S. Department of Housing and Urban Development to incur costs. The project activity was included in the 2010/2011 One-Year Action Plan on March 1, 2011.

County Counsel has reviewed and approved the attached Loan Agreement and Deed of Trust. Staff recommends that the Board approve the attached documents.

CLERK'S COPY

to Riverside County Clerk of the Board, Stop 1010
Post Office Box 1147, Riverside, Ca 92502-1147
Thank you.

2/24/2011, File No: HM3-11-001
Summerhouse Apts., Temecula

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

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

6 RECORDING REQUESTED BY AND
7 WHEN RECORDED MAIL TO:

8 County of Riverside
9 Economic Development Agency
10 3403 Tenth Street, Suite 500
11 Riverside, CA 92501
12 Attn. Benjamin Cendejas

13 SPACE ABOVE THIS LINE FOR RECORDERS USE

14 LOAN AGREEMENT FOR THE USE OF
15 HOME FUNDS

16 This Agreement is made and entered into this 15TH day of MARCH, 2011
17 by and between the COUNTY OF RIVERSIDE ("COUNTY"), a political subdivision of the
18 State of California, and Summerhouse Housing Associates, L.P., a California limited
19 partnership ("OWNER"), whose Managing General Partner is BRIDGE SC, LLC, a California
20 limited liability company ("BRIDGE"), whose sole member is BRIDGE Housing Corporation-
21 Southern California, a California nonprofit public benefit corporation. OWNER will develop
22 the multi-family housing complex identified as "Summerhouse Apartments" in the City of
23 Temecula in Riverside County (the "Project").

24 WITNESSETH:

25 WHEREAS, the Home Investment Partnerships ("HOME") Program, which was
26 enacted under Title II of the Cranston-Gonzalez National Affordable Housing Act (the "Act"),
27 as amended (commencing at 42 U.S.C. 12701 et seq.), and implemented under 24 CFR Part 92,
28 has as its purposes to expand the supply of decent, safe, sanitary, and affordable housing with
primary attention to rental housing, for very low-income and low-income families; to
strengthen public-private partnerships to carry out affordable housing programs; and to provide
for coordinated assistance to participants in the development of affordable low-income
housing; and

MAR 15 2011 3:17

201-3-106287

1 WHEREAS, COUNTY has qualified as an “Urban County” for purposes of
2 receiving HOME funds which are to be used to assist and undertake essential housing
3 assistance activities pursuant to the Act; and

4 WHEREAS, OWNER is eligible under the Act to apply and receive HOME
5 funds to perform those activities described herein; and

6 WHEREAS, OWNER has proposed to develop and construct an affordable
7 rental housing development for families and set aside certain units as HOME-assisted units;
8 and

9 WHEREAS, the HOME-assisted activities described herein comply with the
10 objectives as required under 24 CFR Part 92; and

11 WHEREAS, the HOME-assisted activities described herein are consistent with
12 COUNTY’s “Consolidated Plan.”

13 NOW, THEREFORE, COUNTY and OWNER mutually agree as follows:

14 1. PURPOSE. COUNTY has agreed to lend up to One Million Dollars
15 (\$1,000,000) of HOME Funds to OWNER upon the terms and conditions set forth herein (the
16 “HOME Loan”). Subject to **Section 52** hereof, Project Financing Contingency, OWNER
17 promises and agrees to undertake and assist with the HOME activities by utilizing such HOME
18 funds, as specifically identified in **Exhibit “A”**, which is attached hereto and by this reference
19 incorporated herein.

20 2. OWNER’S OBLIGATIONS. OWNER hereby agrees to undertake and
21 complete the following activities, subject to its receipt of the HOME funds and the terms of
22 **Section 51** hereof:

- 23 a. Develop the Project in accordance with the timeline set forth in
24 **Exhibit “A”**.
- 25 b. Obtain a tax credit allocation from the California Tax Credit
26 Allocation Committee (“CTCAC”) in accordance with the
27 timeline set forth in **Exhibit “A”**.
- 28 c. Obtain financing from the Redevelopment Agency for the City of

1 Temecula (“Temecula RDA”) in accordance with the timeline set
2 forth in **Exhibit “A”**.

- 3 d. Obtain equity financing in a sufficient amount to complete the
4 Project.
- 5 e. Obtain legal title of the property as specifically identified in
6 **Exhibit “A”**, hereinafter referred to as the (“Property” or “Project
7 Site”).
- 8 f. Operate the Project in such a manner so that it will remain
9 affordable to qualified very low-income and low-income tenants
10 for the affordability period as defined in **Section 15** herein
11 without regard to (i) the term of the promissory note or (ii)
12 transfer of ownership.
- 13 g. Shall maintain the Project in compliance with applicable local,
14 state, federal laws, codes and regulations for the duration of the
15 Agreement.

16 3. COUNTY’S OBLIGATIONS. COUNTY hereby agrees to undertake and
17 complete the following activities, subject to its receipt of HOME funds from U.S. Department
18 of Housing and Urban Development (“HUD”):

- 19 a. Provide the HOME Loan in the amount identified in **Section 1** to
20 OWNER for financing of HOME-eligible construction costs of
21 the Project.
- 22 b. Comply with all of its obligations as participating recipient under
23 the applicable regulations set forth in 24 CFR Part 92.

24 4. HOME Loan. OWNER shall borrow the HOME funds from COUNTY
25 for financing of the Project under the following terms and conditions:

- 26 a. HOME Loan Term. The maturity of the HOME Loan shall be the
27 first to occur of (i) December 31, 2068 or (ii) fifty-five (55) years
28 from the first certificate of occupancy for the Project.

- 1 b. Principal. The principal of the HOME Loan shall be the amount
2 identified in **Section 1** and evidenced by a promissory note, as
3 specifically identified in **Exhibit "B-2"**, which is attached hereto
4 and by this reference incorporated herein, executed by OWNER
5 in favor of COUNTY in a form satisfactory to COUNTY,
6 hereinafter referred to as "Note".
- 7 c. Interest. The interest rate shall be one percent (1.00%) per annum.
- 8 d. Repayment. The Note shall provide the following:
- 9 1. That the HOME Loan will accrue simple interest at a rate of
10 one percent (1.00%) per annum, except in the case of default
11 as hereinafter provided, and shall be repaid on an annual basis
12 from the Project's Residual Receipts as defined herein;
- 13 2. The Note shall be repaid according to the following:
- 14 i) Sixty-seven and five hundredths percent (67.05%)
15 of the Project's Residual Receipts shall be used
16 towards the payment of the Temecula RDA loan;
17 and
- 18 ii) Seven and ninety-five hundredths percent (7.95%)
19 of the Project's Residual Receipts shall be used
20 towards the payment of the HOME Loan; and
- 21 iii) The remaining twenty-five percent (25%) of the
22 Project's Residual Receipts will be paid to
23 OWNER.
- 24 3. Residual Receipts shall be determined based on an annual
25 review of certified financial statements for the Project.
26 Annual audited financial statements shall be submitted within
27 ninety (90) days following the close of the project fiscal year.
28 All outstanding principal along with accrued interest shall be

1 due upon the first to occur of (i) December 31, 2068 or (ii)
2 fifty-five (55) years from the issuance of the first certificate of
3 occupancy for the Project. The first payment shall be due on
4 July 1st in the first full calendar year following the date of the
5 issuance of the first certificate of occupancy for the Project, to
6 the extent of available Residual receipts, as set forth above.
7 Subsequent payments shall be made on July 1st thereafter to
8 the extent of available Residual receipts until sooner of full
9 repayment of the Loan or the Loan maturity date as set forth
10 above; and

11 4. Project Residual Receipts are defined as gross receipts, not
12 including interest on required reserve accounts, less the
13 following:

- 14 i) auditing and accounting fees;
- 15 ii) a property management fee not to exceed \$40 per
16 unit per month and increased annually by the
17 percentage equal to the percent increase in the
18 Consumer Price Index ("CPI");
- 19 iii) operating expenses;
- 20 iv) reserves;
- 21 v) deferred developer fee;
- 22 vi) a partnership management fee due to the General
23 Partner not to exceed \$25,000 per year and
24 increased annually by the percentage equal to the
25 percentage increase in the CPI; and
- 26 vii) a Limited Partnership asset management fee not to
27 exceed \$7,500 per year and increased annually by
28 the percentage equal to the percentage increase in

1 the CPI; and

2 viii) payments of principal and interest on amortized
3 loans and indebtedness senior to the HOME Loan,
4 which have been approved by COUNTY
5 (collectively, the "Senior Debt").

6 e. Security. The HOME Loan shall be secured by a deed of trust
7 recorded against the Project (the "HOME Deed of Trust"). The
8 form of the HOME Deed of Trust to be recorded is shown in
9 **Exhibit "B-1"** which is attached hereto and by this reference
10 incorporated herein. COUNTY hereby agrees that the HOME
11 Deed of Trust and the terms of this Agreement shall be
12 subordinated to: 1) a construction deed of trust; 2) a permanent
13 financing deed of trust; and 3) a deed of trust, regulatory
14 agreement, and notice of affordability restrictions in favor of
15 Temecula RDA in connection with the Temecula RDA Loan
16 (collectively, the "Senior Loans"). In addition, COUNTY agrees
17 to execute any and all documents necessary to effectuate
18 subordination of this Agreement and the HOME Deed of Trust to
19 the deeds of trust securing the Senior Loans and to the Temecula
20 RDA Regulatory Agreement and Notice of Affordability
21 Restrictions, and any future refinancing upon OWNER'S request.

22 f. Prepayment. Prepayment of principal and/or interest may occur at
23 any time without penalty. The requirements of **Section 18**,
24 Compliance with Laws and Regulations, however, shall remain in
25 full force and effect for a term specified in **Section 6** hereof.

26 5. PRIOR COUNTY APPROVAL. OWNER shall obtain COUNTY'S
27 approval, through its Economic Development Agency ("EDA"), of all items requiring such
28 approvals as described in this Agreement.

1 6. TERM OF AGREEMENT. This Agreement shall become effective upon
2 execution and unless terminated earlier pursuant to the terms hereof, shall continue in full force
3 and effect for a period of fifty-five (55) years from the issuance of the first certificate of
4 occupancy for the Project.

5 7. OWNER'S REPRESENTATIONS. OWNER represents and warrants to
6 COUNTY as follows:

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

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

23 c. No Owner Bankruptcy. OWNER is not the subject of a
24 bankruptcy proceeding.

25 d. Prior to Closing. OWNER shall upon learning of any fact or
26 condition which would cause any of the warranties and
27 representations in this **Section 8** not to be true as of Closing,
28 immediately give written notice of such fact or condition to

1 COUNTY. Such exception(s) to a representation shall not be
2 deemed a breach by OWNER hereunder, but shall constitute an
3 exception which COUNTY shall have the right to approve or
4 disapprove if such exception would have an effect on the value
5 and/or operation of the Project Site.

6 8. COMPLETION SCHEDULE. OWNER shall proceed consistent with the
7 completion schedule set forth in **Exhibit "A"**, as the same may be amended by the parties from
8 time to time, and subject to Force Majeure Delays, as defined in Section 9.

9 9. FORCE MAJEURE DELAYS. Delay due to Force Majeure that, in each
10 case, (i) materially adversely affects the performance by OWNER of its obligations hereunder,
11 (ii) is not reasonably foreseeable and is beyond OWNER's reasonable control, (iii) despite the
12 exercise of reasonable diligence, cannot be prevented, avoided or removed by OWNER and is
13 not attributable to the negligence, willful misconduct or bad faith of OWNER, and (iv) is not
14 the result of the failure of OWNER to perform any of its obligations under this Agreement.
15 Notwithstanding the foregoing, a Force Majeure Delay shall not be deemed to have occurred
16 unless OWNER has notified COUNTY of such occurrence of Force Majeure within fifteen
17 (15) days after such occurrence and has provided COUNTY with the details of such event and
18 the length of the anticipated delay within an additional fifteen (15) days thereafter. OWNER
19 shall diligently attempt to remove, resolve, or otherwise eliminate such event, keep COUNTY
20 advised with respect thereto, and shall commence performance of its obligations hereunder
21 immediately upon such removal, resolution or elimination. During the occurrence and
22 continuance of a Force Majeure Delay, OWNER shall be excused from performance of its
23 obligations under this Agreement to the extent the Force Majeure prevents OWNER from
24 performing such obligations.

25 10. EXTENSION OF TIME. COUNTY may grant an extension to the
26 completion schedule for the purpose of completing OWNER's activities which cannot be
27 completed as outlined in **Exhibit "A"**. OWNER shall request said extension in writing, stating
28 the reasons therefore, and may be granted only by receiving written approval from COUNTY.

1 Every term, condition, covenant, and requirement of this Agreement shall continue in full force
2 and effect during the period of any such extension.

3 11. LETTER TO PROCEED. OWNER shall not initiate nor incur expenses
4 for the HOME funded activity covered under the terms of this Agreement prior to receiving
5 written authorization to proceed.

6 12. REALLOCATION OF FUNDS. If OWNER fails to meet the deadlines
7 set forth in the Schedule of Performance, subject to the notice and cure periods set forth in
8 **Section 32** herein, the funds allocated, reserved, or placed in a HOME Investment Trust Fund
9 may be reallocated by COUNTY after at least sixty (60) days' prior written notice is given to
10 OWNER; provided that COUNTY agrees not to reallocate the funds while an application for
11 funding from another source is pending. Upon such reallocation, this Agreement shall be
12 terminated and be of no further force and effect and OWNER shall be released and discharged
13 from any obligations under this Agreement.

14 13. CONDITIONS FOR DISPOSITION OF FUNDS. COUNTY, through its
15 EDA, shall: (1) make payments of the HOME funds to OWNER as designated in **Exhibit**
16 **"A"**, and (2) monitor the Project to ensure compliance with applicable federal regulations and
17 the terms of this Agreement. There will be no disbursement of funds until the following events
18 first occur:

- 19 a. OWNER obtains legal title of Project site.
- 20 b. OWNER executes and records this Agreement.
- 21 c. OWNER executes and delivers the Note as shown in **Exhibit "B-**
22 **2"** to COUNTY.
- 23 d. OWNER executes, records, and delivers the HOME Deed of
24 Trust as shown in **Exhibit "B-1"**.
- 25 e. OWNER provides, at its expense, an ALTA lender's policy
26 insuring the HOME Deed of Trust upon the close of escrow.
- 27 f. OWNER provides documentation showing that matching funds of
28 not less than twenty-five percent (25%) of the total HOME funds

1 allocated under this Agreement have been provided.

2 g. OWNER provides satisfactory evidence that it has all the
3 financing documents required to cause the proceeds of the
4 construction loan and the equity investment from the investor to
5 be committed and available, in an amount sufficient, when
6 combined with the HOME Loan and Temecula RDA loan, to pay
7 for development costs.

8 h. OWNER provides copies of receipts, paid invoices and
9 conditional lien releases (upon receipt of payment) for
10 construction costs.

11 i. OWNER provides satisfactory evidence that it has secured any
12 and all land use entitlements, permits, approvals which may be
13 required for construction of the Project pursuant to the applicable
14 rules and regulations of, COUNTY, the City of Temecula, or any
15 other governmental agency affected by such construction work.
16 OWNER shall, without limitation, secure all entitlement, change
17 of zone, lot line adjustment, any and all necessary studies required
18 including but not limited to archaeological, cultural,
19 environmental, traffic studies and lead-based paint surveys, as
20 applicable, and pay all costs, charges and fees associated
21 therewith, all conditions precedent to the issuance of all permits
22 necessary for the construction of the development and all such
23 permits are available for issuance, other than payment of fees.

24 j. OWNER provides duly executed documents and instruments
25 showing the ownership of the property as specifically identified in
26 **Exhibit "A"**.

27 k. COUNTY will retain ten percent (10%) of the total HOME Loan
28 amount and release final draw down of HOME funds upon receipt

of all of the following:

- 1) Conditional lien release from general contractor;
- 2) recorded Notice of Completion;
- 3) Certificate of Occupancy;
- 4) architect certification identifying units that are accessible to individuals with mobility impairments and units that are accessible to individuals with sensory impairments in compliance with Section 504 of the Rehabilitation Act of 1973, as described in **Section 18(i)**;
- 5) final Contract and Subcontract Activity report, Minority Business Enterprise/Women Business Enterprise (“MBE/WBE”) report, HUD form 2516;
- 6) submission of documentation that shows compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and 24 CFR Part 42.
- 7) submission of a Project completion report including Tenant Checklist as shown in **Exhibit “F”** which is attached hereto and by this reference incorporated herein;
- 8) Affirmative Fair Housing Marketing Plan – Multifamily Housing, HUD form 935.2A, as described in **Section 18**;
- 9) Tenant Selection Policy;
- 10) Management Plan;
- 11) final development costs; and
- 12) final sources and uses of funds. A final Certified Public Accountant’s construction cost certification must be provided within 6 months of the Certificate of Occupancy (but not as a condition to release HOME Loan retention).

1. If Davis Bacon wages are required to be paid, OWNER hires a

1 qualified professional firm to review and monitor Davis Bacon
2 prevailing wage compliance for all submissions of contractors
3 certified payrolls to COUNTY.

4 m. OWNER provides documentation of a Payment and Performance
5 Bond or letter of credit to secure performance under the
6 construction contract issued by a bonding company or financial
7 institution reasonably approved by COUNTY. Policy shall name
8 COUNTY as Co-Obligee.

9 n. OWNER provides satisfactory evidence that it has satisfied all
10 conditions precedent to the issuance of all permits necessary for
11 the construction of the development and all such permits are
12 available for issuance, other than payment of fees.

13 o. OWNER provides duly executed documents and instruments
14 showing the ownership of the Property as specifically identified in
15 **Exhibit "A"**.

16 p. OWNER obtains and submits at OWNER's sole cost and expense
17 the following documents for COUNTY's review and acceptance
18 of in its sole and absolute discretion:

- 19 1) Copies of Phase I Environmental audit prepared by
20 licensed entity in accordance with State of California
21 requirements.
- 22 2) Copies of Phase II Environmental audit prepared by
23 licensed entity, if the audit on Phase I indicates the
24 possible presence of hazardous substances.
- 25 3) Copies of soil reports.
- 26 4) Any findings identified in the soil, Phase I and Phase II
27 reports shall be fully remediated by OWNER at its sole
28 cost and expense.

1 14. DISTRIBUTION OF FUNDS. The HOME Investment Trust Fund
2 account established in the United States Treasury is managed through HUD, Integrated
3 Disbursement and Information System (IDIS) for the HOME Investment Partnerships Program.
4 The IDIS System is a computerized system which manages, disburses, collects, and reports
5 information on the use of HOME funds in the United States Treasury Account. Disbursement
6 of HOME funds shall occur upon the satisfactory receipt of copies of invoices and conditional
7 (upon receipt of payment) lien releases for construction costs to be paid with the proceeds of
8 the HOME Loan. Any disbursement of funds is expressly conditioned upon the satisfaction of
9 conditions set forth in **Section 13**. COUNTY shall pay OWNER the sum specified in **Section 1**
10 above on a "cost-as-incurred" basis for all eligible approved costs under itemized schedule
11 shown in **Exhibit "A"**:

- 12 a. Up to thirty percent (30%) of the HOME Loan upon thirty percent
13 (30%) completion of Project, as certified and documented by the
14 project architect.
- 15 b. Up to sixty (60%) of the HOME Loan upon sixty percent (60%)
16 completion of Project, as certified and documented by the project
17 architect.
- 18 c. Up to ninety percent (90%) of the HOME Loan upon ninety
19 percent (90%) completion of Project, as certified and documented
20 by the project architect.
- 21 d. AGENCY shall release final draw down of ten percent (10%) of
22 the AGENCY Loan following receipt of all of the items listed in
23 **Section 13(k)**.

24 15. TERMS OF AFFORDABILITY. The period of affordability shall be
25 fifty-five (55) years from the issuance of the first certificate of occupancy for the Project.

26 16. INSURANCE. Without limiting or diminishing OWNER'S obligation to
27 indemnify or hold COUNTY harmless, OWNER shall procure and maintain or cause to be
28 maintained, at its sole cost and expense, the following insurance coverage's during the term of

1 this Agreement.

2 a. Worker's Compensation Insurance.

3 If OWNER has employees as defined by the State of California,
4 OWNER shall maintain statutory Workers' Compensation
5 Insurance (Coverage A) as prescribed by the laws of the State of
6 California. Policy shall include Employers' Liability (Coverage
7 B) including Occupational Disease with limits not less than
8 \$1,000,000 per person per accident. The policy shall be endorsed
9 to waive subrogation in favor of The County of Riverside, and, if
10 applicable, to provide a Borrowed Servant/Alternate Employer
11 Endorsement.

12 b. Commercial General Liability Insurance.

13 Commercial General Liability insurance coverage, including but
14 not limited to, premises liability, contractual liability, products
15 and completed operations liability, personal and advertising
16 injury, and cross liability coverage, covering claims which may
17 arise from or out of OWNER'S performance of its obligations
18 hereunder. Policy shall name the County of Riverside, its
19 Agencies, Districts, Special Districts, and Departments, their
20 respective directors, officers, Board of Supervisors, employees,
21 elected or appointed officials, agents or representatives as
22 Additional Insured. Policy's limit of liability shall not be less
23 than \$1,000,000 per occurrence combined single limit. If such
24 insurance contains a general aggregate limit, it shall apply
25 separately to this agreement or be no less than two (2) times the
26 occurrence limit.

27 c. Vehicle Liability Insurance.

28 If vehicles or mobile equipment are used in the performance of

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

12 d. General Insurance Provisions – All Lines.

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

20 2) OWNER's insurance carrier(s) must declare its
21 insurance self-insured retentions. If such self-insured retentions
22 exceed \$500,000 per occurrence such retentions shall have the
23 prior written consent of COUNTY Risk Manager before the
24 commencement of operations under this Agreement. Upon
25 notification of self insured retention unacceptable to COUNTY,
26 and at the election of COUNTY's Risk Manager, OWNER's
27 carriers shall either: (a) reduce or eliminate such self-insured
28 retention as respects this Agreement with COUNTY, or (b)

1 procure a bond which guarantees payment of losses and related
2 investigations, claims administration, and defense costs and
3 expenses.

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

1 4) It is understood and agreed to by the parties hereto that
2 OWNER's insurance shall be construed as primary insurance, and
3 COUNTY's insurance and/or deductibles and/or self-insured
4 retention's or self-insured programs shall not be construed as
5 contributory.

6 5) If, during the term of this Agreement or any extension
7 thereof, there is a material change in the scope of services; or,
8 there is a material change in the equipment to be used in the
9 performance of the scope of work which will add additional
10 exposures (such as the use of aircraft, watercraft, cranes, etc.); or,
11 the term of this Agreement, including any extensions thereof,
12 exceeds five (5) years COUNTY reserves the right to adjust the
13 types of insurance required under this Agreement and the
14 monetary limits of liability for the insurance coverage's currently
15 required herein, if, in COUNTY Risk Manager's reasonable
16 judgment, the amount or type of insurance carried by OWNER
17 has become inadequate.

18 6) OWNER shall pass down the insurance obligations
19 contained herein to all tiers of subcontractors working under this
20 Agreement.

21 7) The insurance requirements contained in this
22 Agreement may be met with a program(s) of self-insurance
23 acceptable to COUNTY.

24 8) OWNER agrees to notify COUNTY of any claim by a
25 third party or any incident or event that may give rise to a claim
26 arising from the performance of this Agreement.

27 17. FINANCIAL RECORDS. OWNER shall maintain financial,
28 programmatic, statistical, and other supporting records of its operations and financial activities

1 in accordance with the requirements of the HOME Investment Partnerships Program Final
2 Rule, and the regulations as amended promulgated thereunder, which records shall be open to
3 inspection and audit by authorized representatives of COUNTY, HUD, and the Comptroller
4 General of the United States during regular working hours. COUNTY, HUD, and the
5 Comptroller General, or any of their representatives, have the right of access with at least forty-
6 eight (48) hours prior notice, to any pertinent books, documents, papers, or other records of
7 OWNER, in order to make audits, examinations, excerpts, and transcripts. Said records shall
8 be retained for such time as may be required by the regulations of the HOME Program, but in
9 no case for less than five (5) years after the Project completion date; except that records of
10 individual tenant income verifications, project rents, and project inspections must be retained
11 for the most recent five (5) year period, until five (5) years after the affordability period
12 terminates. If any litigation, claim, negotiation, audit, or other action has been started before
13 the expiration of the regular period specified, the records must be retained until completion of
14 the action and resolution of all issues which arise from it, or until the end of the regular period,
15 whichever is later.

16 18. COMPLIANCE WITH LAWS AND REGULATIONS. By executing
17 this Agreement, OWNER hereby certifies that it will adhere to and comply with all federal,
18 state and local laws, regulations and ordinances. In particular, OWNER shall comply with the
19 following as they may be applicable to an OWNER of funds granted pursuant to the HOME
20 Program:

- 21 a. The HOME Program and its implementing regulations set forth in
22 the Final Rule, as it now exists and may hereafter be amended.
- 23 b. Section 92.350 Other Federal requirements and non
24 discrimination. As set forth in 24 CFR part 5, sub part A,
25 OWNER is required to include the following requirements: non
26 discrimination and equal opportunity under Section 282 of the
27 Act; disclosure; debarred, suspended, or ineligible contractors;
28 and drug-free workplace.

1 c. Section 92.351 Affirmative marketing and minority outreach
2 program. OWNER must adopt affirmative marketing procedures
3 and requirements. These must include:

4 (1) Methods for informing the public, owners, and potential
5 tenants about Federal fair housing laws and the affirmative
6 marketing policy (e.g., the use of the Equal Housing
7 Opportunity logotype or slogan in press releases and
8 solicitations for owners, and written communication to fair
9 housing and other groups).

10 (2) Requirements and practices that OWNER must adhere to
11 in order to carry out the affirmative marketing procedures
12 and requirements (e.g., use of commercial media, use of
13 community contacts, use of the Equal Housing
14 Opportunity logotype or slogan, and display of fair
15 housing poster).

16 (3) Procedures to be used by OWNER to inform and solicit
17 applications from persons in the housing market area who
18 are not likely to apply without special outreach (e.g., use
19 of community organizations, employment centers, fair
20 housing groups, or housing counseling agencies).

21 (4) Records that will be kept describing actions taken by
22 OWNER to affirmatively market units and records to
23 assess the results of these actions.

24 (5) A description of how OWNER will annually assess the
25 success of affirmative marketing actions and what
26 corrective actions will be taken where affirmative
27 marketing requirements are not met.

28 (6) OWNER must prescribe procedures to establish and

1 oversee a minority outreach program to ensure the
2 inclusion, to the maximum extent possible, of minorities
3 and women, and entities owned by minorities and women,
4 including, without limitation, real estate firms,
5 construction firms, appraisal firms, management firms,
6 financial institutions, investment banking firms,
7 underwriters, accountants, and providers of legal services,
8 in all contracts entered into by OWNER with such persons
9 or entities, public and private, in order to facilitate the
10 activities of COUNTY to provide affordable housing
11 authorized under this Act or any other Federal housing
12 law. Section 24 CFR 85.36(e) provided affirmative steps
13 to assure that minority business enterprises and women
14 business enterprises are used when possible in the
15 procurement of property and services. The steps include:

- 16 (i) Placing qualified small and minority businesses
17 and women's business enterprises on solicitation
18 lists.
- 19 (ii) Assuring that small and minority businesses, and
20 women's business enterprises are solicited
21 whenever they are potential sources.
- 22 (iii) Dividing total requirements, when economically
23 feasible, into smaller tasks or quantities to permit
24 maximum participation by small and minority
25 business, and women's business enterprises.
- 26 (iv) Establishing delivery schedules, where the
27 requirement permits, which encourage
28 participation by small and minority business, and

women's business enterprises.

(v) Using the services and assistance of the Small Business Administration, and the Minority Business Development Agency of the Department of Commerce.

(vi) Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed in (i) through (v) above of this section.

d. Section 92.352 Environmental review. The environmental effects of each activity carried out with HOME funds must be assessed in accordance with the provisions of the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321) and the related authorities listed in HUD's implementing regulations at 24 CFR Parts 50 and 58.

e. Section 92.353 Displacement, relocation, and acquisition. The relocation requirements of Title II and the acquisition requirements of Title III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, and the implementing regulations at 24 CFR Part 42. OWNER must ensure that it has taken all reasonable steps to minimize the displacement of persons as a result of this project assisted with HOME Funds.

f. Section 92.354 Labor. Every contract for the construction of housing that includes twelve (12) or more units assisted with HOME funds must contain a provision requiring the payment of not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (40 U.S.C. 276a-276a-5), to all laborers and mechanics employed in

1 the development of any part of the housing. Such contracts must
2 also be subject to the overtime provisions, as applicable, of the
3 Contract Work Hours and Safety Standards Act (40 U.S.C. 327-
4 332).

5 g. Section 92.355 Lead-based paint. Housing assisted with HOME
6 funds is subject to the lead-based paint requirements of 24 CFR
7 Part 35 issued pursuant to the Lead-Based Paint Poisoning
8 Prevention Act (42 U.S.C. 4821, et seq.). The lead-based paint
9 provisions of 24 CFR 982.401 (j), except 24 CFR 982.401
10 (j)(1)(i), also apply, irrespective of the applicable property
11 standard under §92.251.

12 h. Section 92.356 Conflict of Interest. In the procurement of
13 property and services by OWNER, the conflict of interest
14 provisions in 24 CFR 85.36 and 24 CFR 85.42, respectively shall
15 apply. Section 92.356 shall cover all cases not governed by 24
16 CFR 85.36 and 24 CFR 84.42.

17 i. Section 504 of the Rehabilitation Act of 1973; Housing
18 accessibility requirement at 24 CFR Part 8, implementing Section
19 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794). The
20 design and construction of multi-family dwellings as defined at 24
21 CFR 100.201 must comply with the requirements set forth in 24
22 CFR 100.205 implementing the Fair Housing Act. For new
23 construction of multi-family projects, 5 percent (5%) of the units
24 (but not less than one unit) must be accessible to individuals with
25 mobility impairments, and an additional 2 percent (2%) of the
26 units (but not less than one unit) must be accessible to individuals
27 with sensory impairments. Dwelling units designed and
28 constructed in accordance with the Uniform Federal Accessibility

1 Standards (UFAS) will be deemed to comply with the Section 504
2 regulation.

3 j. Model Energy Code published by the Council of American
4 Building Officials.

5 k. Section 3 of the Housing and Urban Development Act of 1968.

6 To the greatest extent feasible, opportunities for training and
7 employment arising from HOME funds will be provided to low-
8 income persons residing in the program service area. To the
9 greatest extent feasible, contracts for work to be performed in
10 connection with HOME funds will be awarded to business
11 concerns that are located in or owned by persons residing in the
12 program service area as outlined in the Riverside County EDA
13 Section 3 Contract Requirements attached hereto as **Exhibit "C"**.
14 Contracts funded from Section 3 covered funding sources must
15 abide by the Section 3 Clause prescribed at 24 CFR 135.38.

16 l. Section 92.358 Consultant Activities. No person providing
17 consultant services in an employer-employee type relationship
18 shall receive more than a reasonable rate of compensation for
19 personal services paid with HOME funds.

20 m. OWNER shall carry out its activity pursuant to this Agreement in
21 compliance with all federal laws and regulations described in
22 Subpart E of Part 92 of the Code of Federal Regulations, except
23 that:

24 (1) OWNER does not assume COUNTY'S environmental
25 responsibilities described at 24 CFR Part 92.352; and

26 (2) OWNER does not assume COUNTY's responsibility for
27 initiating the review process under the provisions of 24
28 CFR Part 92.352

- 1 n. Uniform Administrative Requirements of 24 CFR 92.505 Part 84
2 and 85 “Common Rule”, OMB Circular Nos. A-87 (for
3 government entities), A-122 (for non-profit organizations), and
4 the following §§85.6, 85.12, 85.20, 85.22, 85.26, 85.32 through
5 85.34, 85.36, 85.44, 85.51 and 85.52 (for government entities),
6 and the following §§84.2, 84.5, 84.13 through 84.16, 84.21,
7 84.22, 84.26 through 84.28, 84.30, 84.31, 84.34 through 84.37,
8 84.40 through 84.48, 84.51, 84.60 through 84.62, 84.72, and
9 84.73 (for non-profit organizations).
- 10 o. OWNER shall include written agreements that include all
11 provisions of **Section 18** if OWNER provides HOME funds to
12 for-profit owners or developers, non-profit owners or developers,
13 sub-recipients, homeowners, homebuyers, tenants receiving
14 tenant-based rental assistance, or contractors.
- 15 p. OWNER shall comply with all applicable local, state and federal
16 laws in addition to the above mentioned laws.

17 19. INCOME TARGETING REQUIREMENTS. OWNER will set aside
18 eleven (11) units of the Project to be designated as “Fixed” Low HOME rent units, as defined
19 under 24 CFR 92.252(j) (the “HOME-Assisted Units). The eleven (11) HOME-Assisted Units
20 (1 – 1 Bedroom, 5 – 2 Bedroom, and 5 – 3 Bedroom) shall be reasonably distributed in
21 Buildings 1, 2, 3, 5, 6, and 7 and limited to households whose incomes do not exceed fifty
22 percent (50%) of the median family income for the County of Riverside, adjusted by family
23 size at the time of occupancy. Once the HOME-Assisted Units are identified, they will remain
24 in place throughout the affordability period.

25 20. RENT LIMITATIONS. OWNER shall comply with the rent limitations
26 set forth under 24 CFR 92.252. COUNTY shall review and approve proposed rents to the
27 extent required under this section. OWNER shall ensure that the HOME-assisted units are
28 rented to qualified applicants at the HOME rent levels, adjusted by family size at the time of

1 occupancy, published by HUD from time to time.

- 2 a. Additional Rent Limitations: The current HUD published Low
3 HOME rent effective May 2010 is: 1 bedroom at \$624, 2 bedroom
4 at \$748, and 3 bedroom at \$865. In order to calculate net rent to
5 be charged, an applicable utility allowance must be subtracted
6 from the gross rents listed.
- 7 b. Initial rent schedule and utility allowance: The maximum monthly
8 allowances for utilities and services (excluding telephone) will not
9 exceed the utility allowance set by the Housing Authority of the
10 County of Riverside. COUNTY shall review and approve rents
11 proposed by OWNER for HOME-Assisted Units subject to the
12 maximum rent limitations to ensure that the rents do not exceed
13 the maximum rent minus the monthly allowances for utilities and
14 services.

15 21. TENANT PROTECTIONS. OWNER shall provide protection to the
16 tenants of the HOME-Assisted Units in accordance to the requirements set forth at 24 CFR
17 92.253 and described as follows:

- 18 a. Provide written lease agreement for not less than one year, unless
19 by mutual agreement between the tenant and OWNER. COUNTY
20 shall review the initial form of the lease agreement prior to
21 OWNER executing any leases and, provided that OWNER uses
22 the approved lease form, OWNER shall be permitted to enter into
23 residential leases without COUNTY's prior written consent.
- 24 b. Prohibited Lease Terms. The rental agreement/lease may not
25 contain any of the following provisions:
- 26 (1) Agreement to be sued. Agreement by the tenant to be
27 sued, to admit guilt or to a judgment in favor of OWNER
28 in a lawsuit brought in connection with the lease.

- 1 (2) Treatment of property. Agreements by tenant that
2 OWNER may take, hold, or sell personal property of
3 household members without notice to the tenant and a
4 court decision on the rights of the parties. This prohibition,
5 however, does not apply to an agreement by the tenant
6 concerning disposition of personal property remaining in
7 the housing unit after the tenant has moved out of the unit.
8 OWNER may dispose of this personal property in
9 accordance with State law.
- 10 (3) Excusing OWNER from responsibility. Agreement by the
11 tenant not to hold OWNER or OWNER's agents legally
12 responsible for any action or failure to act, whether
13 intentional or negligent.
- 14 (4) Waiver of notice. Agreement of the tenant that OWNER
15 may institute a lawsuit without notice to the tenant.
- 16 (5) Waiver of legal proceeding. Agreement by the tenant that
17 the OWNER may evict the tenant or household members
18 without instituting a civil court proceeding in which the
19 tenant has the opportunity to present a defense, or before a
20 court decision on the rights of the parties.
- 21 (6) Waiver of a jury trial. Agreement by the tenant to waive
22 any right to a trial by jury.
- 23 (7) Waiver of right to appeal court decision. Agreement by the
24 tenant to waive the tenant's right to appeal, or to otherwise
25 challenge in court, a court decision in connection with the
26 lease.
- 27 (8) Tenant chargeable with cost of legal actions regardless of
28 outcome. Agreement by the tenant to pay attorneys' fees

1 or other legal costs even if the tenant wins in a court
2 proceeding by OWNER against the tenant. The tenant,
3 however, may be obligated to pay costs if the tenant loses.

4 22. FEDERAL REQUIREMENTS. OWNER shall comply with the
5 provisions of the Act and any amendments thereto and all applicable federal regulations and
6 guidelines now or hereafter enacted pursuant to the Act.

7 23. REPAYMENT INCOME. COUNTY must record the receipt and
8 expenditure of HOME repayment income in accordance with the standards specified in 24 CFR
9 92.503.

10 24. SALE OR TRANSFER OF THE PROJECT.

11 a) OWNER hereby covenants and agrees not to sell, transfer or otherwise
12 dispose of the Project or any portion thereof, without obtaining the prior written consent of
13 COUNTY, which consent shall be conditioned solely upon receipt by COUNTY of reasonable
14 evidence satisfactory to COUNTY that transferee has assumed in writing and in full, and is
15 reasonably capable of performing and complying with OWNER's duties and obligations under
16 this Agreement and where upon OWNER shall be released of all obligations hereunder which
17 accrue from and after the date of such sale.

18 b) Upon prior written approval by COUNTY, OWNER may transfer the
19 Project and/or accomplish any of the following: (i) a conveyance of a security interest in the
20 Property in connection with any Senior Loan and any transfer of title by foreclosure, deed or
21 other conveyance in lieu of foreclosure in connection therewith; (ii) a conveyance of the
22 Property to any affiliate of BRIDGE Housing Corporation or assignee pursuant to an option
23 agreement granted with respect to the tax credit financing; (iii) the admission of limited
24 partners to OWNER's limited partnership, or similar mechanism, and the purchase of any such
25 limited partnership interest or interests by OWNER's general partner; (iv) the replacement of
26 OWNER's general partner or similar mechanism, by an affiliate of the general partner or
27 BRIDGE Housing Corporation; (v) the removal for cause of any general partner by a limited
28 partner of OWNER's partnership, and the replacement thereof; (vi) the lease for occupancy of

1 all or any of the Units; (vii) the granting of easements or permits to facilitate the development
2 of the Property in accordance with this Agreement; and (viii) the withdrawal, removal and/or
3 replacement of any limited partner of OWNER.

4 COUNTY's approval of the transfers in **Section 24(b)** shall not be unreasonably
5 withheld and COUNTY's Assistant County Executive Officer/Economic Development Agency
6 or designee(s) are authorized to execute such written instrument necessary or appropriate to
7 evidence approval of the transfers in **Section 24(b)**. Notwithstanding anything to the contrary
8 herein, any transfer described in **subsection (vi)** above shall not require COUNTY's prior
9 approval, and any transfer described in **subsection (i)** above shall not require COUNTY's prior
10 approval as long as the lease complies with **Section 21** of this Agreement.

11 25. INDEPENDENT CONTRACTOR. OWNER and its agents, servants and
12 employees shall act at all times in an independent capacity during the term of this Agreement,
13 and shall not act as, shall not be, nor shall they in any manner be construed to be agents,
14 officers, or employees of COUNTY.

15 26. NONDISCRIMINATION. OWNER shall abide by §92.350 of Title 24 of
16 the Federal Code of Regulations, which require that no person in the United States shall, on the
17 grounds of race, color, age, religious creed, sex, sexual orientation, marital status, national
18 origin, ancestry, familial status, source of income, physical or mental disability, be excluded
19 from participation in, be denied the benefits of, or be subjected to discrimination under any
20 program or activity funded in whole or in part with HOME funds.

21 27. PROHIBITION AGAINST CONFLICTS OF INTEREST:

22 a. OWNER and its assigns, employees, agents, consultants, officers
23 and elected and appointed officials shall become familiar with and
24 shall comply with the conflict of interest provisions in OMB
25 Circular A-110, 24 CFR 85.36, 24 CFR 84.42, 24 CFR 92.356
26 and Policy Manual #A-11, attached hereto as **Exhibit "D"** and by
27 this reference incorporated herein.

28 b. OWNER understands and agrees that no waiver or exception can

1 be granted to the prohibition against conflict of interest except
2 upon written approval of HUD pursuant to 24 CFR 92.356(d).
3 Any request by OWNER for an exception shall first be reviewed
4 by COUNTY to determine whether such request is appropriate for
5 submission to HUD. In determining whether such request is
6 appropriate for submission to HUD, COUNTY will consider the
7 factors listed in 24 CFR 92.356(e).

8 c. Prior to any funding under this Agreement, OWNER shall provide
9 COUNTY with a list of all employees, agents, consultants,
10 officers and elected and appointed officials who are in a position
11 to participate in a decision-making process, exercise any functions
12 or responsibilities, or gain inside information with respect to the
13 HOME activities funded under this Agreement. OWNER shall
14 also promptly disclose to COUNTY any potential conflict,
15 including even the appearance of conflict that may arise with
16 respect to the HOME activities funded under this Agreement.

17 d. Any violation of this section shall be deemed a material breach of
18 this Agreement, and the Agreement shall be immediately
19 terminated by COUNTY.

20 28. RELIGIOUS ACTIVITIES. Under federal regulations, 24 CFR 92.257
21 HOME funds may not be provided to primarily religious organizations, such as churches, for
22 any activity including secular activities. In addition, HOME funds may not be used to
23 rehabilitate or construct housing owned by primarily religious organizations or to assist
24 primarily religious organizations in acquiring housing. However, HOME funds may be used
25 by a secular entity to acquire housing from a primarily religious organization, and a primarily
26 religious entity may transfer title to property to a wholly secular entity and the entity may
27 participate in the HOME program in accordance with the requirements set forth at 24 CFR
28 92.257. The entity may be an existing or newly established entity, which may be an entity

1 established by the religious organization. The completed housing project must be used
2 exclusively by the owner/participant entity for secular purposes, available to all persons
3 regardless of religion. In particular, there must be no religious or membership criteria for
4 tenants of the property.

5 29. PROJECT MONITORING AND EVALUATION. OWNER shall submit
6 a Tenant Checklist Form to COUNTY, as shown in **Exhibit "E"** which is attached hereto and
7 by this reference is incorporated herein and may be revised by COUNTY, summarizing the
8 racial/ethnic composition, number and percentage of very low-income and low-income
9 households who are tenants of the HOME-Assisted Units. The Tenant Checklist Form shall be
10 submitted upon completion of the construction and thereafter, on a semi-annual basis on or
11 before March 31 and September 30. OWNER shall maintain financial, programmatic,
12 statistical and other supporting records of its operations and financial activities in accordance
13 with the requirements of the HOME Program under 24 CFR 92.508, including the submission
14 of Tenant Checklist Form. Except as otherwise provided for in this Agreement, OWNER shall
15 maintain and submit records to COUNTY within ten business days of COUNTY's request
16 which clearly documents OWNER's performance under each requirement of the HOME
17 Program. A list of document submissions and timeline are shown in **Exhibit "A"** and such list
18 may be amended from time to time subject to HUD and COUNTY reporting requirements.

19 30. ACCESS TO PROJECT SITE. COUNTY and HUD shall have the right
20 to visit the Project site at all reasonable times, and upon completion of the Project upon
21 reasonable written notice to OWNER, to review the operation of the Project in accordance with
22 this HOME Agreement.

23 31. EVENTS OF DEFAULT. The occurrence of any of the following events
24 shall constitute an "Event of Default" under this Agreement:

- 25 a. Monetary Default. (1) OWNER's failure to pay when due any
26 sums payable under the Note or any advances made by COUNTY
27 under this Agreement; (2) OWNER's or any agent of OWNER's
28 use of HOME funds for costs other than costs or for uses

1 inconsistent with terms and restrictions set forth in this
2 Agreement; (3) OWNER's or any agent of OWNER's failure to
3 make any other payment of any assessment or tax due under this
4 Agreement;

5 b. Non-Monetary Default - Operation. (1) Discrimination by
6 OWNER or OWNER's agent on the basis of characteristics
7 prohibited by this Agreement or applicable law; (2) the imposition
8 of any encumbrances or liens on the Project without COUNTY's
9 prior written approval that are prohibited under this Agreement or
10 that have the effect of reducing the priority or invalidating the
11 HOME Deed of Trust; (3) OWNER's failure to obtain and
12 maintain the insurance coverage required under this Agreement;
13 (4) any material default under this Agreement;

14 c. General Performance of Loan Obligations. Any substantial or
15 continuous or repeated breach by OWNER or OWNER's agents
16 of any material obligations on OWNER imposed in the HOME
17 Agreement;

18 d. General Performance of Other Obligations. Any substantial or
19 continuous or repeated breach by OWNER or OWNER's agents
20 of any material obligations on the Project imposed by any other
21 agreement with respect to the financing, development, or
22 operation of the Project; whether or not COUNTY is a party to
23 such agreement; but only following any applicable notice and
24 cure periods with respect to any such obligation;

25 e. Representations and Warranties. A determination by COUNTY
26 that any of OWNER's representations or warranties made in this
27 Agreement, any statements made to COUNTY by OWNER, or
28 any certificates, documents, or schedules supplied to COUNTY

1 by OWNER were untrue in any material respect when made, or
2 that OWNER concealed or failed to disclose a material fact from
3 COUNTY.

4 f. Damage to Project. In the event that the Project is materially
5 damaged or destroyed by fire or other casualty, and OWNER
6 receives an award or insurance proceeds sufficient for the repair
7 or reconstruction of the Project, and OWNER does not use such
8 award or proceeds to repair or reconstruct the Project.

9 g. Bankruptcy, Dissolution and Insolvency. OWNER's or any
10 general partner of OWNER's (1) filing for bankruptcy,
11 dissolution, or reorganization, or failure to obtain a full dismissal
12 of any such involuntary filing brought by another party before the
13 earlier of final relief or sixty (60) days after such filing; (2)
14 making a general assignment for the benefit of creditors; (3)
15 applying for the appointment of a receiver, trustee, custodian, or
16 liquidator, or failure to obtain a full dismissal of any such
17 involuntary application brought by another party before the earlier
18 of final relief or seventy-five (75) days after such filing; (4)
19 insolvency; or (5) failure, inability or admission in writing of its
20 inability to pay its debts as they become due.

21 32. NOTICE OF DEFAULT AND OPPORTUNITY TO CURE. For
22 monetary and non-monetary Events of Default, COUNTY shall give written notice to OWNER
23 and its investor limited partner, of any Event of Default by specifying: (a) the nature of the
24 Event of Default or the deficiency giving rise to the default, (b) the action required to cure the
25 deficiency, and (c) a date, which shall not be more than sixty (60) calendar days from the
26 mailing of the notice for a monetary default, or a date, which shall not be more than ninety (90)
27 calendar days from the mailing of the notice for a non-monetary default, by which such action
28 to cure must be taken. COUNTY agrees that OWNER and any beneficiary under a deed of

1 trust permitted by this Agreement and the investor limited partner of OWNER (collectively, the
2 “Interested Parties”) shall have the right to cure any and all defaults under this Agreement.

3 33. RIGHT TO CURE DEFAULTS. The investor limited partner shall have
4 the right to cure any Event of Default existing under the Agreement which right must be
5 exercised by the later of (a) the cure period provided in the Agreement, or (b) fifteen (15) days
6 after receipt of written notice of default by the investor limited partner. For the investor
7 limited partner to effectively exercise its cure rights, the investor limited partner must fully pay
8 the amount past due or perform the defaulted obligations, including the payment of any
9 amounts due for legal expenses incurred in connection with the default. Notwithstanding
10 anything to the contrary in the Agreement, upon the occurrence of an Event of Default arising
11 out of: (i) the bankruptcy, insolvency or assignment of assets for the benefit of creditors by the
12 General Partner of OWNER, or (ii) the withdrawal from OWNER of OWNER’s General
13 Partner, or (iii) a breach of the representations concerning such General Partner, the investor
14 limited partner shall have the option, but not the obligation, within forty-five (45) days of
15 receipt of written notice of such Event of Default from COUNTY, to cure any such default by
16 appointing a substitute or additional General Partner that is an affiliate of the investor limited
17 partner to act as such General Partner.

18 34. COUNTY REMEDIES. Upon the happening of an Event of Default and a
19 failure by OWNER or other Interested Party to cure said default within the time specified in
20 the notice of default (if an action to cure is specified in said notice), COUNTY's obligation to
21 disburse HOME funds shall terminate, and COUNTY may also in addition to other rights and
22 remedies permitted by this Agreement or applicable law, proceed with any or all of the
23 following remedies in any order or combination COUNTY may choose in its sole discretion:

- 24 a. Terminate this Agreement, in which event the entire amount as
25 well as any other monies advanced to OWNER by COUNTY
26 under this Agreement including administrative costs, shall
27 immediately become due and payable at the option of COUNTY.
28 b. Bring an action in equitable relief (1) seeking the specific

1 performance by OWNER of the terms and conditions of this
2 Agreement, and/or (2) enjoining, abating, or preventing any
3 violation of said terms and conditions, and/or (3) seeking
4 declaratory relief.

5 c. Accelerate the HOME Loan, and demand immediate full payment
6 of the principal payment outstanding and all accrued interest under
7 the Note, as well as any other monies advanced to OWNER by
8 COUNTY under this Agreement.

9 d. Enter the Project and take any remedial actions necessary in its
10 judgment with respect to hazardous materials that COUNTY
11 deems necessary to comply with hazardous materials laws or to
12 render the Project suitable for occupancy.

13 e. Enter upon, take possession of, and manage the Project, either in
14 person, by agent, or by a receiver appointed by a court, and collect
15 rents and other amounts specified in the assignment of rents in the
16 Deed of Trust and apply them to operate the Project or to pay off
17 the HOME Loan or any advances made under this Agreement, as
18 provided for by the Deed of Trust.

19 f. Pursue any other remedy allowed at law or in equity.

20 35. OWNER'S REMEDIES. Upon the fault or failure of COUNTY to meet
21 any of its obligations under this Agreement, OWNER may:

22 a. Demand payment from COUNTY of any sums due OWNER;
23 and/or

24 b. Bring an action in equitable relief seeking the specific performance
25 by COUNTY of the terms and conditions of this Agreement;
26 and/or

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

28 36. OWNER'S WARRANTIES. OWNER represents and warrants (1) that it

1 has access to professional advice and support to the extent necessary to enable OWNER to
2 fully comply with the terms of this Agreement, and to otherwise carry out the Project, (2) that
3 it is duly organized, validly existing and in good standing under the laws of the State of
4 California, (3) that it has the full power and authority to undertake the Project and to execute
5 this Agreement, (4) that the persons executing and delivering this Agreement are authorized to
6 execute and deliver such documents on behalf of OWNER and (5) that neither OWNER nor
7 any of its principals is presently debarred, suspended, proposed for debarment, declared
8 ineligible, or voluntarily excluded from participation in connection with the transaction
9 contemplated by this Agreement.

10 37. OWNER'S CERTIFICATION. OWNER certifies, to the best of its
11 knowledge and belief, that:

- 12 a. No federally appropriated funds have been paid or will be paid, by
13 or on behalf of the undersigned, to any person for influencing or
14 attempting to influence an officer or employee of any agency, a
15 member of Congress, an officer or employee of Congress, or an
16 employee of a member of Congress in connection with the
17 awarding of any federal contract, the making of any federal grant,
18 the making of any federal loan, the entering into of any cooperative
19 agreement, and the extension, continuation, review, amendment, or
20 modification of any federal contract, grant, loan, or cooperative
21 agreement.
- 22 b. If any funds other than federally appropriated funds have been paid
23 or will be paid to any person for influencing or attempting to
24 influence an officer or employee of any agency, a member of
25 Congress, an officer or employee of Congress, or an employee of a
26 member of Congress in connection with this federal contract,
27 grant, loan, or cooperative agreement, the undersigned shall
28 complete and submit Standard Form-LLL, "Disclosure Form to

1 Report Lobbying," in accordance with its instructions.

2 c. The undersigned shall require that the language of this certification
3 be included in the award documents for all sub-awards at all tiers
4 (including subcontracts, sub-grants, and contracts under grants,
5 loans, and cooperative agreements) and that OWNER shall certify
6 and disclose accordingly. This certification is a material
7 representation of fact upon which reliance was placed when this
8 transaction was made or entered into.

9 38. HOLD HARMLESS AND INDEMNIFICATION. OWNER shall
10 indemnify and hold harmless the County of Riverside, its Agencies, Districts, Special Districts
11 and Departments, their respective directors, officers, Board of Supervisors, elected and
12 appointed officials, employees, agents and representatives from any liability whatsoever, based
13 or asserted upon any services of OWNER, its officers, employees, subcontractors, agents or
14 representatives arising out of their performance under this Agreement, including but not limited
15 to property damage, bodily injury, or death or any other element of any kind or nature
16 whatsoever arising from the performance of OWNER, its officers, agents, employees,
17 subcontractors, agents or representatives under this Agreement. OWNER shall defend, at its
18 sole expense, all costs and fees including, but not limited, to attorney fees, cost of investigation,
19 defense and settlements or awards, the County of Riverside, its Agencies, Districts, Special
20 Districts and Departments, their respective directors, officers, Board of Supervisors, elected and
21 appointed officials, employees, agents and representatives in any claim or action based upon
22 such alleged acts or omissions.

23 With respect to any action or claim subject to indemnification herein by OWNER,
24 OWNER shall, at their sole cost, have the right to use counsel of their own choice and shall have
25 the right to adjust, settle, or compromise any such action or claim without the prior consent of
26 COUNTY; provided, however, that any such adjustment, settlement or compromise in no
27 manner whatsoever limits or circumscribes OWNER'S indemnification to COUNTY as set forth
28 herein.

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

4 The specified insurance limits required in this Agreement shall in no way limit or
5 circumscribe OWNER's obligations to indemnify and hold harmless COUNTY herein from third
6 party claims.

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

10 39. TERMINATION.

11 a. OWNER. OWNER may terminate this Agreement consistent with
12 the Act, the regulations consistent implementing the Act, and 24
13 CFR 85.44. In addition, OWNER may terminate this Agreement
14 in accordance with **Section 52** below.

15 b. COUNTY. Notwithstanding the provisions of **Section 39(a)**,
16 COUNTY may suspend or terminate this Agreement upon written
17 notice to OWNER of the action being taken and the reason for
18 such action:

19 (1) In the event OWNER fails to perform the covenants herein
20 contained at such times and in such manner as provided in
21 this Agreement after the applicable notice and cure
22 provision hereof; or

23 (2) In the event there is a conflict with any federal, state or
24 local law, ordinance, regulation or rule rendering any
25 material provision, in the judgment of COUNTY of this
26 Agreement invalid or untenable; or

27 (3) In the event the funding from HUD to in **Section 1** above is
28 terminated or otherwise becomes unavailable.

1 c. This Agreement may be terminated or funding suspended in whole
2 or in part for cause in accordance with 24 CFR 85.43. Cause shall
3 be based on the failure of OWNER to materially comply with
4 either the terms or conditions of this Agreement after the
5 expiration of all applicable notice and cure provisions hereof.
6 Upon suspension of funding, OWNER agrees not to incur any
7 costs related thereto, or connected with, any area of conflict from
8 which COUNTY has determined that suspension of funds is
9 necessary. The award may be terminated for convenience in
10 accordance with 24 CFR 85.44.

11 d. Upon expiration of this Agreement, OWNER shall transfer to
12 COUNTY any unexpended HOME funds in its possession at the
13 time of expiration of the Agreement as well as any accounts
14 receivable held by OWNER which are attributable to the use of
15 HOME funds awarded pursuant to this Agreement.

16 40. AFFORDABILITY RESTRICTIONS. COUNTY and OWNER hereby
17 declare their express intent that the restrictions set forth in this Agreement shall be affordable
18 for a period of fifty-five (55) years from the first certificate of occupancy, and shall bind all
19 successors in title to the Property until the expiration of this Agreement. Each and every
20 contract, deed or other instrument hereafter executed covering and conveying the Property or
21 any portion thereof shall be held conclusively to have been executed, delivered and accepted
22 subject to such restrictions, regardless whether such restrictions are set forth in such contract,
23 deed or other instrument.

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

1 assurance reasonably satisfactory to COUNTY that the lien or stop notice will be paid or
2 discharged.

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

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

12 44. WAIVER. Failure by a party to insist upon the strict performance of any
13 of the provisions of this Agreement by the other party, or the failure by a party to exercise its
14 rights upon the default of the other party, shall not constitute a waiver of such party's rights to
15 insist and demand strict compliance by the other party with the terms of this Agreement
16 thereafter.

17 45. INTERPRETATION AND GOVERNING LAW. This Agreement and
18 any dispute arising hereunder shall be governed by and interpreted in accordance with the laws
19 of the State of California. This Agreement shall be construed as a whole according to its fair
20 language and common meaning to achieve the objectives and purposes of the parties hereto,
21 and the rule of construction to the effect that ambiguities are to be resolved against the drafting
22 party shall not be employed in interpreting this Agreement, all parties having been represented
23 by counsel in the negotiation and preparation hereof.

24 46. JURISDICTION AND VENUE. Any action at law or in equity arising
25 under this Agreement or brought by a party hereto for the purpose of enforcing, construing or
26 determining the validity of any provision of this Agreement shall be filed in the consolidated
27 Courts of Riverside County, State of California, and the parties hereto waive all provisions of
28 law providing for the filing, removal or change of venue to any other court or jurisdiction.

1 47. SEVERABILITY. Each paragraph and provision of this Agreement is
2 severable from each other provision, and if any provision or part thereof is declared invalid, the
3 remaining provisions shall nevertheless remain in full force and effect.

4 48. MINISTERIAL ACTS. COUNTY's Assistant County Executive
5 Officer/Economic Development Agency or designee(s) are authorized to take such ministerial
6 actions as may be necessary or appropriate to implement the terms, provisions, and conditions
7 of this Agreement as it may be amended from time to time by both parties.

8 49. MODIFICATION OF AGREEMENT. COUNTY or OWNER may
9 consider it in its best interest to change, modify or extend a term or condition of this
10 Agreement. Any such change, extension or modification, which is mutually agreed upon by
11 COUNTY and OWNER shall be incorporated in written amendments to this Agreement. Such
12 amendments shall not invalidate this Agreement, nor relieve or release COUNTY or OWNER
13 from any obligations under this Agreement, except for those parts thereby amended. No
14 amendment to this Agreement shall be effective and binding upon the parties, unless it
15 expressly makes reference to this Agreement, is in writing and is signed and acknowledged by
16 duly authorized representatives of all parties.

17 50. ASSIGNMENT. Except as otherwise permitted hereunder, OWNER will
18 not make any sale, assignment, conveyance, or lease of any trust or power, or transfer in any
19 other form with respect to this Agreement or the Project, without prior written approval of
20 COUNTY. Any proposed transferee shall have the qualifications and financial responsibility,
21 as reasonably determined by COUNTY necessary and adequate to fulfill the obligations
22 undertaken in this Agreement by OWNER. Any proposed transferee shall, by instrument in
23 writing, for itself and its successor and assigns, and expressly for the benefit of COUNTY,
24 assume all of the obligations of OWNER under this Agreement and agree to be subject to all
25 the conditions and restrictions to which OWNER is subject.

26 51. CONDITIONAL HOME COMMITMENT. As defined under 24 CFR
27 92.2, COUNTY can reasonably expect for OWNER to start construction within twelve (12)
28 months of the execution of this Agreement. Notwithstanding all other sections in this

1 Agreement, OWNER must provide COUNTY with letter confirmation of the federal/state tax
2 credit award from the California Tax Credit Allocation Committee (CTCAC) by **October 31,**
3 **2011** (the "CTCAC Deadline"). COUNTY's HOME commitment is expressly contingent upon
4 the Project receiving federal/state tax credit on or before the CTCAC Deadline. If OWNER
5 cannot provide COUNTY with letter confirmation of the federal/state tax credit award from
6 CTCAC by the CTCAC Deadline, then COUNTY and OWNER mutually agree that this
7 Agreement will self-terminate. Upon such termination, this Agreement shall be null and void.
8 COUNTY and OWNER shall be released and discharged respectively from its obligations
9 under this Agreement.

10 52. PROJECT FINANCING CONTINGENCY. This Agreement is expressly
11 conditioned upon OWNER's receipt, on or prior to **March 31, 2012** of (i) such binding loan
12 commitments for new loans as may be required by OWNER, on terms and conditions
13 acceptable to OWNER, in its sole discretion, including, without limitation, (a) Temecula RDA
14 financing, and (b) any conventional construction and/or permanent financing, including
15 without limitation, a construction and permanent loan from an institutional construction lender
16 (the "Senior Lien Holder"), and (c) a binding reservation of federal low income housing tax
17 credits pursuant to Section 42 of the Internal Revenue Code of 1986, as amended (collectively,
18 the "Project Financing") on or before the CTCAC Deadline. Either COUNTY or OWNER
19 may elect to terminate this Agreement with ten (10) days written notice to the other party if
20 OWNER fails to acquire the project financing as required by this **Section 52**. Furthermore,
21 this Agreement shall be self-terminating if OWNER does not reserve the binding reservation of
22 federal low income housing tax credits by the CTCAC Deadline. Upon such termination, this
23 Agreement shall be null and void, and:

- 24 a. If OWNER elects to terminate this Agreement, OWNER shall
25 be released and discharged by COUNTY from its obligations
26 under this Agreement; or
27 b. If COUNTY elects to terminate this Agreement, COUNTY shall
28 be released and discharged by OWNER from its obligations

1 under this Agreement.

2 At that time all cost incurred by each party on the Project will be assumed
3 respectively.

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

1 HOME Deed of Trust to receive such income upon an Event of Default (as defined under the
2 HOME Deed of Trust).

3 54. EXHIBITS AND ATTACHMENTS. Each of the attachments and
4 exhibits attached hereto is incorporated herein by this reference.

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

11 COUNTY

12 Assistant Director, Housing
13 Riverside County
14 Economic Development Agency
15 3403 Tenth Street, Suite 500
16 Riverside, CA 92501

11 OWNER

12 Summerhouse Housing Associates, L.P.
13 c/o BRIDGE Housing Corporation
14 345 Spear Street
15 San Francisco, CA 94105
16 Attn: President

17 With copies to:

18 BRIDGE Housing Corporation – Southern California
19 2202 30th Street
20 San Diego, CA 94104
21 Attn: Project Manager

22 And:

23 Goldfarb & Lipman, LLP
24 1300 Clay Street, 11th Floor
25 Oakland, CA 94612
26 Attn: Polly V. Marshall

27 56. MEDIA RELEASES. OWNER agrees to allow COUNTY to provide
28 input regarding all media releases regarding the Project. Any publicity generated by OWNER
for the Project must make reference to the contribution of COUNTY in making the Project
possible. COUNTY's name shall be prominently displayed in all pieces of publicity generated
by OWNER, including flyers, press releases, posters, signs, brochures, and public service

1 announcements. OWNER agrees to cooperate with COUNTY in any COUNTY-generated
2 publicity or promotional activities with respect to the Project.

3 57. COUNTERPARTS. This Agreement may be signed by the different
4 parties hereto in counterparts, each of which shall be an original but all of which together shall
5 constitute one and the same agreement.

6 58. EFFECTIVE DATE. The effective date of this Agreement is the date the
7 parties execute the Agreement. If the parties execute the Agreement on more than one date,
8 then the last date the Agreement is executed by a party shall be the effective date.

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IN WITNESS WHEREOF, COUNTY and OWNER have executed this Agreement as of the
date first above written.

COUNTY OF RIVERSIDE

OWNER
SUMMERHOUSE HOUSING ASSOCIATES, L.P.,
a California limited partnership

By: *Bob Buster*
Bob Buster
Chairman, Board of Supervisors

By: BRIDGE SC, LLC,
a California limited liability company,
General Partner

By: BRIDGE Housing Corporation – Southern
California, a California nonprofit public
benefit corporation, its sole member/manager

ATTEST:
KECIA HARPER-IHEM, Clerk
By: *[Signature]*
DERUTY

By: _____
Cynthia Parker, President

APPROVED AS TO FORM:
PAMELA J. WALLS, County Counsel

By: *[Signature]*
Anita C. Willis, Deputy

(Signatures on this page need to be notarized)

STATE OF CALIFORNIA

COUNTY OF RIVERSIDE

} §

On March 15, 2011, before me, Karen Barton, Board Assistant, personally appeared Bob Buster, Chairman of the Board of Supervisors, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument; and that a copy of this paper, document or instrument has been delivered to the chairperson.

I certify under the 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

Kecia Harper-Ihem
Clerk of the Board of Supervisors

By: 
Deputy Clerk

(SEAL)

1 IN WITNESS WHEREOF, COUNTY and OWNER have executed this Agreement as of the
2 date first above written.

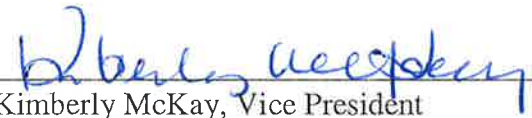
3
4
5 COUNTY OF RIVERSIDE

OWNER
SUMMERHOUSE HOUSING ASSOCIATES, L.P.,
a California limited partnership

6
7
8 By: _____
9 Bob Buster
Chairman, Board of Supervisors

By: BRIDGE SC, LLC,
a California limited liability company,
General Partner

10
11 By: BRIDGE Housing Corporation – Southern
12 California, a California nonprofit public
benefit corporation, its sole member/manager

13
14 By: 
15 Kimberly McKay, Vice President

16 APPROVED AS TO FORM:
17 PAMELA J. WALLS, County Counsel

18
19 By: _____
Anita C. Willis, Deputy

20
21
22
23
24 (Signatures on this page need to be notarized)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF San Francisco }

On March 2, 2011, before me, Mary E. Russell, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Kimberly McKay
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 Mary E. Russell
Signature of Notary Public

Place Notary Seal Above

EXHIBIT "A"

OWNER: Summerhouse Housing Associates, L.P.
Address: 2202 30th Street
San Diego, CA 92104
Project Title: Summerhouse Apartments

Location: The project site is approximately 6.8 acres and is situated on the northwest corner of Dartola Road and Margarita Road in the City of Temecula. Assessor's Parcel Numbers (APNs): 959-080-024 & 959-080-025

Description:

OWNER will utilize \$1,000,000 in HOME funds for the development and construction of an 80-unit multifamily housing complex in the City of Temecula in Riverside County. The Project consists of 6 one-bedroom units, 36 two-bedroom units, and 38 three-bedroom units. One of the three-bedroom units will be reserved for an on-site manager. The units will be located in 9 two-story, wood frame, stucco buildings. The 80 units consist of 60 affordable family units and 20 moderate income family units. The one-bedroom units are approximately 740 square feet, the two-bedroom units are on the average approximately 1,139 square feet, and the three-bedroom units are approximately 1,561 square feet. The residents of Summerhouse Apartments will have access to 2 recreational buildings, laundry rooms, pool, barbeque/picnic areas, community green/open space, and tot lots.

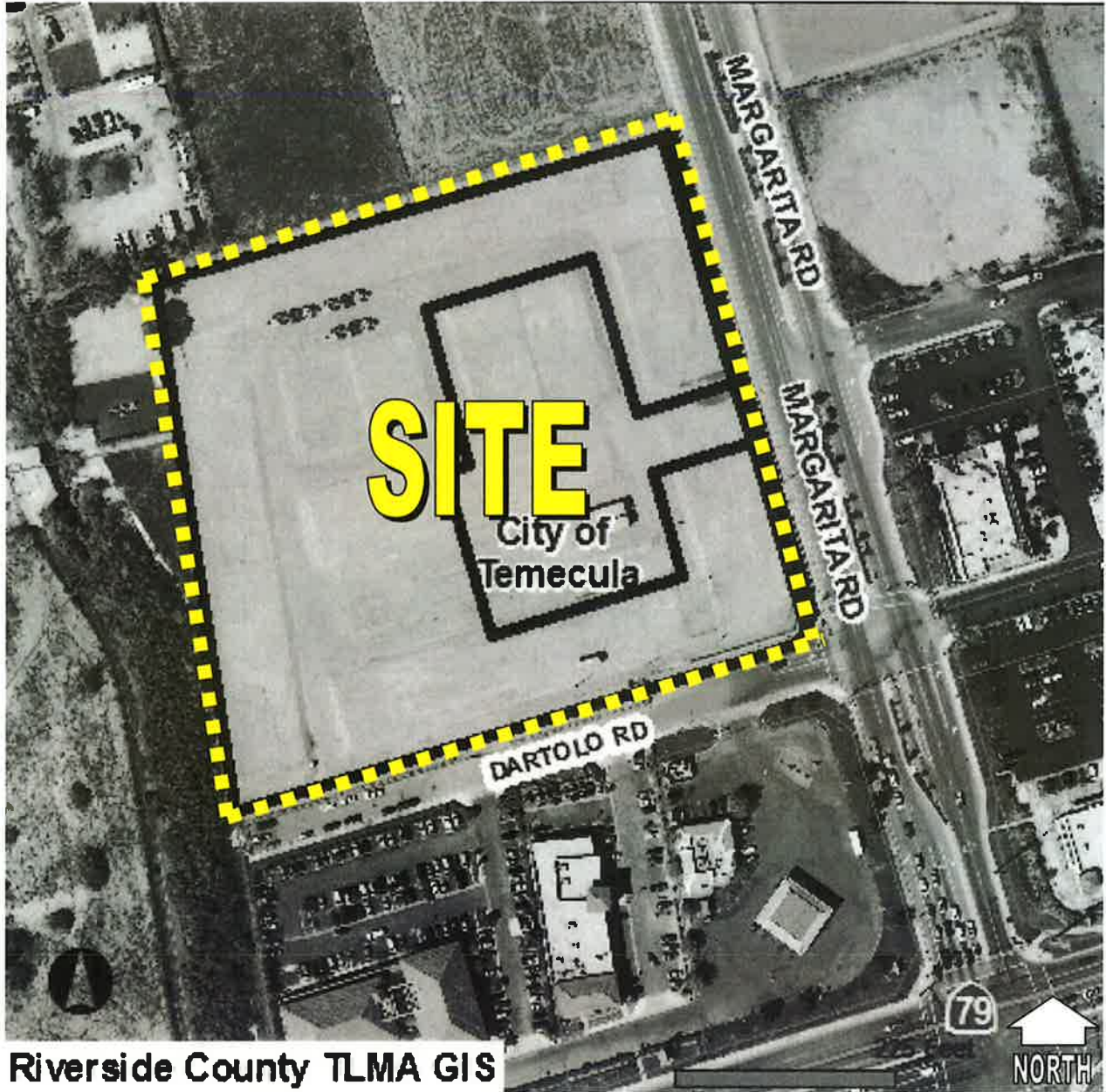
The Project will include two (2) community buildings, which will include a kitchen, restrooms, laundry facilities, a computer lab room, and a manager's office.

A total of eleven (11) units shall be designated as "Fixed" Low HOME rent units. Eleven (11) units (1 – 1 Bedroom, 5 – 2 Bedroom, and 5 – 3 Bedroom) shall be limited to very low-income households whose incomes do not exceed fifty percent (50%) of the area median family income in Riverside County. The HOME units shall be restricted for a period of at least 55 years from the first certificate of occupancy.

LEGAL DESCRIPTION OF PROPERTY

Parcels 1 and 2 of Parcel Map 36219, recorded in book 231 pages 58-60 of parcel maps, records of Riverside County, California.

APN's : 959-080-024 & 959-080-025



Project Permanent Sources and Uses of Fund:

Sources:

The Temecula Redevelopment Agency Loan 55 Yrs @ 3.00%	\$ 8,438,595
Deferred Developer Fee	\$ 300,000
Conventional Bank Loan	\$ 2,550,000
Limited Partner Tax Credit Equity	\$ 8,252,558
County of Riverside HOME Loan 55 Yrs @ 1%	<u>\$ 1,000,000</u>
Total Sources	\$ 20,541,153

Uses:

Acquisition and Demolition Costs	\$ 5,078,418
New construction (includes site work, common area bldgs and structures)	\$ 7,366,328
Contractor's Overhead & Profit & Gen'l Req.	\$ 1,393,472
General Liability Insurance	\$ 155,956
Architectural & Engineering Cost	\$ 836,000
Construction Interest & Fees	\$ 892,394
Construction Contingency (Hard and Soft)	\$ 668,682
Permanent Financing costs	\$ 78,785
Legal Fees	\$ 111,971
Reserves	\$ 176,540
Land Development Impact and Permit Processing Fees	\$ 1,559,753
TCAC Fees	\$ 62,493
Other Fees, Marketing & Furnishings	\$ 560,361
Developer's Overhead & Profit	<u>\$ 1,600,000</u>
Total Uses	\$ 20,541,153

OWNER will obtain a reservation of Federal/State tax credit award from the California Tax Credit Allocation Committee.

HOME Match:

Matching funds in a minimum amount of twenty-five percent (25%) of the total HOME allocation (\$1,000,000) are required. The HOME match in the amount of \$250,000 will be satisfied from the below-market interest loan from the Redevelopment Agency of the City of Temecula Set-Aside Funds.

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

IMPLEMENTATION SCHEDULE

Milestone	Completion Date
1. CTCAC Award	October 15, 2011
2. Letter Confirmation of CTCAC award due to COUNTY	October 31, 2011
3. Permanent Financing Commitment	March 31, 2012
4. Building Permit	November 30, 2012
5. Begin Construction	December 1, 2012
6. Marketing & Affirmative Action	September 1, 2013
7. Lease Agreement, Proposed Rents, and Utilities	December 1, 2013
8. Certificate of Occupancy	March 1, 2014
9. Occupancy of HOME units	June 1, 2014
10. Submission of Final actual project costs and Sources and Uses of Funds	December 1, 2014
11. Submission of income & ethnic characteristics report	December 1, 2014

DOCUMENT SUBMISSION SCHEDULE

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

EXHIBIT “B-1”

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

Riverside County
Economic Development Agency
3403 Tenth Street, Suite 500
Riverside, CA 92501
ATTN: Benjamin Cendejas

SPACE ABOVE THIS LINE FOR RECORDER'S USE

DEED OF TRUST WITH ASSIGNMENT OF RENTS

This DEED OF TRUST is made on this 15th day of MARCH, 2011. The trustor is Summerhouse Housing Associates, L.P., a California limited partnership ("Borrower" or "OWNER"), and whose address is 345 Spear Street, Suite 700, San Francisco, CA 94105. The trustee is RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY ("Trustee"). The lender is the COUNTY OF RIVERSIDE ("COUNTY" or "Lender"), a public agency, organized and existing under the laws of the State of California, and whose address is 3403 Tenth Street, Suite 500, Riverside, CA 92501. Pursuant to the terms of the HOME Loan Agreement, dated MARCH 15, 2011, Borrower owes Lender the principal sum of One Million and No/100 Dollars (U.S. \$1,000,000.00) (the "HOME Loan"). This debt is evidenced by Borrower's Note dated MARCH 15, 2011 ("Note"). Capitalized terms not defined herein shall have the meaning ascribed to them in the HOME Loan Agreement.

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

exercised its rights under the HOME Deed of Trust to receive such income upon an Event of Default (as defined under the HOME Deed of Trust).

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

Pursuant to the HOME Loan Agreement, the term of the HOME Loan shall be fifty-five (55) years from the first certificate of occupancy.

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

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

BORROWER COVENANTS that the Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the fee interest of the Property and, except for the Deed of Trust in favor of the Senior Lien Holder ("First Deed of Trust"), the Deed of Trust, Regulatory Agreement, and Notice of Affordability Restrictions in favor of the Redevelopment Agency of the City of Temecula (collectively, the "Second Deed of Trust") and other encumbrances of record acceptable to the Senior Lien Holder, the Property is unencumbered. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to such encumbrances of record.

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

UNIFORM COVENANTS Borrower and Lender covenant and agree as follows:

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

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

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

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

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

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

5. Subordination. This Deed of Trust shall be recorded in third position, subordinate to a construction loan during the construction phase; and to a permanent first mortgage; and a deed of trust, Regulatory Agreement, and Notice of Affordability Restrictions in favor of the Redevelopment Agency for the City of Temecula. COUNTY hereby agrees to execute any and all documents necessary to effectuate such subordination. Borrower shall request Lender approval of any additional subordination and Lender consent shall not be unreasonably withheld.

6. Hazard or Property Insurance. Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss of fire, hazards included within the term "extended coverage" and any other hazards, including floods or flooding, for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods as

required in the HOME Loan Agreement. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's approval which shall not be unreasonably withheld. If Borrower fails to maintain coverage described above, Lender may, at Lender's option, obtain coverage to protect Lender's rights in the Property in accordance with **Section 8**.

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

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

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

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

7. Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leaseholds. Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate, or commit waste on the Property. Borrower shall be in default if any forfeiture action or proceeding, whether civil or criminal, is begun that in Lender's good faith judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Deed of Trust or Lender's security interest. Borrower may cure such a default and reinstate, as provided in **Section 19**, by causing the action or proceeding to be dismissed with a ruling that, in Lender's good faith determination, precludes forfeiture of the Borrower's interest in the Property or other material impairment of the lien created by this Deed of Trust or Lender's security interest. Borrower shall also be in default if Borrower, during the loan application process, gave materially false or inaccurate information or statements to Lender (or failed to

provide Lender with any material information) in connection with the loan evidenced by the Note, including, but not limited to representations concerning Borrower's use of Property for affordable housing. If this Deed of Trust is on a leasehold, Borrower shall comply with all provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

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

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

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

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

9. Not used

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

11. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property,

or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender, subject to the terms of the Senior Deeds of Trust.

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

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

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

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

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

14. Loan Charges. If the loan secured by this Deed of Trust is subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the

permitted limit; and (b) any sums already collected from Borrower which exceeded permitted limits will be promptly refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge under the Note.

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

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

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

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

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

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

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

d. Notwithstanding anything to the contrary contained herein, the transfer of the limited partner interest to the investment limited partner or the assignment of that interest to a limited liability company or limited partnership in which the investor limited partner or an affiliate is the managing member or general partner, respectively, shall not constitute a prohibited transfer under this Deed of Trust.

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

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

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

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

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

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

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

a. If Lender invokes the power of sale, Lender or Trustee shall mail copies of a notice of sale in the manner prescribed by applicable law to Borrower, the investor limited partner, the

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

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

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

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

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

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

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

29. Removal, Demolition or Alteration of Personal Property and Fixtures. Except to the extent permitted by the following sentence, no personal property or fixtures shall be

removed, demolished or materially altered without the prior written consent of the Beneficiary. Trustor may remove and dispose of, free from the lien of this HOME Deed of Trust, such personal property and fixtures as from time to time become worn out or obsolete, providing that, (a) the same is done in the ordinary course of business, and (2) either (i) at the time of, or prior to, such removal, any such personal property or fixtures are replaced with other personal property or fixtures which are free from liens other than encumbrances permitted hereunder and which have a value at least equal to that of the replaced personal property and fixtures (and by such removal replacement Trustor shall be deemed to have subjected such replacement personal property and fixtures to the lien of this HOME Deed of Trust), or (ii) such personal property and fixtures may not require replacement if functionally, economically or operationally obsolete and so long as the fair market value of and operational efficiency of the Project is not reduced or adversely effected thereby.

(SIGNATURES ON NEXT PAGE)

BY SIGNING BELOW, the Borrower and the Lender accept and agree to the terms and covenants contained in this Deed of Trust.

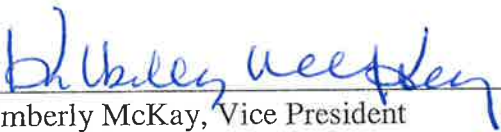
Date: MARCH 2, 2011

BORROWER:

SUMMERHOUSE HOUSING ASSOCIATES, L.P.,
a California limited partnership

By: BRIDGE SC, LLC,
a California limited liability company,
General Partner

By: BRIDGE Housing Corporation – Southern California
a California nonprofit public benefit corporation
its sole member/manager

By: 
Kimberly McKay, Vice President

(SIGNATURES CONTINUE ON NEXT PAGE)

SIGNATURES MUST BE NOTARIZED

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF San Francisco }

On March 2, 2011, before me, Mary E. Russell, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Kimberly McKay
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 Mary E. Russell
Signature of Notary Public



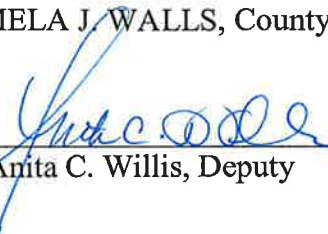
Place Notary Seal Above

LENDER:

COUNTY OF RIVERSIDE

By: 
Bob Buster
Chairman, Board of Supervisors

APPROVED AS TO FORM:
PAMELA J. WALLS, County Counsel

By: 
Anita C. Willis, Deputy

ATTEST.
KECIA HARPER-IHEM, Clerk
By: 
DEPUTY

SIGNATURES ON THIS PAGE MUST BE NOTARIZED

STATE OF CALIFORNIA }
COUNTY OF RIVERSIDE } §

On March 15, 2011, before me, Karen Barton, Board Assistant, personally appeared Bob Buster, Chairman of the Board of Supervisors, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument; and that a copy of this paper, document or instrument has been delivered to the chairperson.

I certify under the 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

Kecia Harper-Ihem
Clerk of the Board of Supervisors

By: 
Deputy Clerk

(SEAL)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

STATE OF CALIFORNIA }

COUNTY OF _____ }

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

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

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

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

WITNESS my hand and official seal.

Place Notary Seal Above

Signature _____
Signature of Notary Public

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 _____
Signature of Notary Public

Place Notary Seal Above

EXHIBIT "B-1"

LEGAL DESCRIPTION OF PROPERTY

Parcels 1 and 2 of Parcel Map 36219, recorded in book 231 pages 58-60 of parcel maps, records of Riverside County, California.

EXHIBIT “B-2”

PROMISSORY NOTE

\$1,000,000

Riverside, CA

In installments as hereafter stated, for value received, Summerhouse Housing Associates, L.P., a California limited partnership ("Borrower" or "OWNER") promises to pay the COUNTY OF RIVERSIDE, a political subdivision of the State of California ("COUNTY"), or order, at 3403 Tenth Street, Suite 500, Riverside, CA 92501, the sum of One Million and No/100 Dollars (U.S. \$1,000,000.00) with simple interest on the unpaid principal amount, at the rate of one percent (1.00%) per annum (the "HOME Loan"), interest and principal payable as follows:

This Promissory Note (the "Note") shall provide the following: (1) That the HOME Loan will accrue simple interest at a rate of one percent (1.00%) per annum, except in the case of default as hereinafter provided, and shall be repaid on an annual basis from the Project's Residual Receipts as defined herein; (2) The Note shall be repaid as defined herein: i) Sixty-seven and five hundredths percent (67.05%) of the Project's Residual Receipts shall be used towards the payment of the loan from the Redevelopment Agency for the City of Temecula ("Temecula RDA Loan"); ii) Seven and ninety-five hundredths percent (7.95%) of the Project's Residual Receipts towards the payment of the HOME Loan; and iv) The remaining twenty-five percent (25%) of the Project's Residual Receipts will be paid to OWNER. (3) The HOME Loan shall be subordinated to a construction loan, permanent first mortgage, and the Temecula RDA Loan. Available residual receipts shall be determined based on a review of certified financial statements for the project. Quarterly financial statements shall be submitted within forty-five (45) days following the close of each quarter of the project fiscal year. In addition, the annual audited financial statements shall be submitted within ninety (90) days following the close of the project fiscal year. All outstanding principal along with accrued interest shall be due upon the first to occur of (i) July 1, 2068 or (ii) fifty-five (55) years from the first certificate of occupancy. The first payment shall be due on July 1st of the year after the calendar year in which the first certificate of occupancy occurs, to the extent of available Residual Receipts, as set forth above; and (4) Project Residual Receipts are defined as gross receipts, not including interest on required reserve accounts, less the following: i) auditing and accounting fees; ii) property management fee not to exceed \$40 per unit per month and increased annually by the percentage equal to the percentage increase in the Consumer Price Index ("CPI"); iii) operating expenses; iv) reserves; v) deferred developer's fee; vi) a partnership management fee due to the General Partner not to exceed \$25,000 per year and increased annually by the percentage equal to the percentage increase in the CPI; vii) a Limited Partnership asset management fee not to exceed \$7,500 per year and increased annually by the percentage equal to the percentage increase in the CPI; and viii) payments of principal and interest on amortized loans and indebtedness senior to the HOME Loan, which have been approved by COUNTY (collectively, the "Senior Debt").

This note may be prepaid in whole or in part by the undersigned at any time without prepayment penalty or premium.

Pursuant to the HOME Loan Agreement, the term of the HOME Loan shall be fifty-five (55) years from the first certificate of occupancy.

In any action commenced to enforce the obligation of the Borrower to pay principal and interest under the Note, the obligations hereunder shall be non-recourse to the Borrower and the judgment shall not be enforceable personally against the Borrower, Borrower's partners, or the Borrower's assets, and the recourse of COUNTY for the collection of such amounts shall be

limited to actions against the Property described in the Deed of Trust executed by the Borrower to secure the Note and the rents, profits, issues, products, and income from the Property.

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

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

(SIGNATURE ON NEXT PAGE)

DATE: _____

BORROWER:

SUMMERHOUSE HOUSING ASSOCIATES, L.P.,
a California limited partnership

By: BRIDGE SC, LLC,
a California limited liability company,
General Partner

By: BRIDGE Housing Corporation – Southern California
a California nonprofit public benefit corporation
its sole member/manager .

By:  _____
Kimberly McKay, Vice President

EXHIBIT "C"

**RIVERSIDE COUNTY
ECONOMIC DEVELOPMENT AGENCY**

**SECTION 3
24 CFR PART 135**

**ECONOMIC OPPORTUNITIES FOR
LOW-AND VERY LOW-INCOME PERSONS**

CONTRACT REQUIREMENTS

RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY

I. Section 135.1 Purpose

The purpose of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (Section 3) is to ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons.

Section 135.30 Numerical Goals for Meeting the Greatest Extent Feasible Requirement

A. GENERAL

- (1) Recipients and covered contractors may demonstrate compliance with the "greatest extent feasible" requirement of Section 3 by meeting the numerical goals set forth in this Section for providing training, employment, and contracting opportunities to Section 3 residents and Section 3 Business Concerns.
- (2) The goals established in this section apply to the entire amount of the Section 3 covered assistance awarded to a recipient in any Federal Fiscal Year (FY) commencing with the first FY following the effective date of this rule - (October 1, 1994).
- (3) For Recipients that do not engage in training, or hiring, but award contracts to contractors that will engage in training, hiring and subcontracting, recipients must ensure that, to the greatest extent feasible, contractors will provide training, employment, and contracting opportunities to Section 3 residents and Section 3 Business Concerns.
- (4) The numerical goals established in this Section represent minimum numerical goals.

B. TRAINING AND EMPLOYMENT

The numerical goals set forth in this Section apply to new hires. The numerical goals reflect the aggregate hires. Efforts to employ Section 3 residents, to the greatest extent feasible, should be made at all levels.

Recipients of Section 3 covered community development assistance, and their contractors and subcontractors may demonstrate compliance with the requirements of this part by committing to employ Section 3 residents as:

- (i) 10 percent of the aggregate number of new hires for the one year period beginning in FY 1995 (October 1, 1994 to September 30, 1995),
- (ii) 20 percent of the aggregate number of the new hires for the one year period beginning in FY 1996 (October 1, 1995 to September 1996); and
- (iii) 30 percent of the aggregate number of new hires for the one year period beginning in FY 1997 and continuing thereafter (October 1, 1996 and thereafter).

C. CONTRACTS

Numerical goals set forth in this Section apply to contracts awarded in connection with all Section 3 covered project and Section 3 covered activities. Each recipient and contractor and subcontractor may demonstrate compliance with the requirements of this part by committing to award to Section 3 Business Concerns:

- (1) At least 10 percent to of the total dollar amount of all Section 3 covered contracts for building trades work arising in connection with housing rehabilitation, housing construction and other public construction; and
- (2) At least three (3) percent of the total dollar amount of all other Section 3 covered contracts.

D. SAFE HARBOR AND COMPLIANCE DETERMINATIONS

- (1) In the absence of evidence to the contrary, a recipient that meets the minimum numerical goals set forth in this section will be considered to have complied with the Section 3 preference requirements.
- (2) In evaluating compliance, a recipient that has not met the numerical goals set forth in this section has the burden of demonstrating why it was not feasible to meet the numerical goals set forth in this section. Such justification may include impediments encountered despite actions taken. A recipient or contractor also can indicate other economic opportunities, such as those listed in Sec. 135.40, which were provided in its efforts to comply with Section 3 and the requirement of this part.

III. **SECTION 135.34 Preference for Section 3 Residents in Training and Employment Opportunities.**

A. Order of providing preference. Recipients, contractors, and subcontractors shall direct their efforts to provide, to the greatest extent feasible, training and employment opportunities generated from the expenditure of Section 3 covered assistance to Section 3 residents in the order of priority provided in this section.

- (1) Housing and community development programs. In housing and community development programs, priority consideration shall be given, where feasible, to:
 - (i) Section 3 residents residing in the Riverside or San Bernardino County (collectively, referred to as category 1 residents); and
 - (ii) Participants in HUD Youth build programs (category 2 residents).
 - (iii) Where the Section 3 project is assisted under the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11301 et seq.), homeless persons residing in the Riverside or San Bernardino County shall be given the highest priority;

B. Eligibility for Preference: A Section 3 resident seeking the preference in training and employment provided by this part shall certify, or submit evidence to the recipient contractor or subcontractor, if requested, that the person is a Section 3 resident, as defined in Sec. 135.5 (An example of evidence of eligibility for the

preference is evidence of receipt of public assistance, or evidence of participation in a public assistance program.)

- C. Eligibility for employment: Nothing in this part shall be construed to require the employment of a Section 3 resident who does not meet the qualifications of the position to be filled.

IV SECTION 135.36 Preference for Section 3 Business Concerns in Contracting Opportunities.

- A. Order of Providing Preference: Recipients, contractors and subcontractors shall direct their efforts to award Section 3 covered contract, to the greatest extent feasible, to Section 3 Business Concerns in the order of priority provided in this section.
- (1) Housing and community development programs. In housing and community development programs, priority consideration shall be given, where feasible, to:
- (i) Section 3 business concerns that provide economic opportunities for Section 3 residents in the Riverside or San Bernardino County (category 1 businesses); and
- (ii) Applicants (as this term is defined in 42 U.S.C. 12899) selected to carry out HUD Youthbuild programs (category 2 businesses);
- (iii) Other Section 3 business concerns.
- B. Eligibility for Preference: A Business Concern seeking to qualify for a Section 3 contracting preference shall certify or submit evidence, if requested, that the Business Concern is a Section 3 Business Concern as defined in Section 135.5.
- C. Ability to Complete Contract: A Section 3 Business Concern seeking a contract or a subcontract shall submit evidence to the recipient, contractor, or subcontractor (as applicable), if requested, sufficient to demonstrate to the satisfaction of the party awarding the contract that the business concern is responsible and has the ability to perform successfully under the terms and conditions of the proposed contract. (The ability to perform successfully under the terms and conditions of the proposed contract is required of all contractors and subcontractors subject to the procurement standards of 24 CFR 85.36 (see 24 CFR 85.36 (b) (8)). This regulation requires consideration of, among other factors, the potential contractor's record in complying with public policy requirements. Section 3 compliance is a matter properly considered as part of this determination.

SECTION 135.38 Section 3 Clause.

All Section 3 covered contracts shall include the following clause (referred to as the Section 3 clause):

- A. The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (Section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance of HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low-and very low-income

persons, particularly persons who are recipients of HUD assistance for housing.

- B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.
- C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.
- D. The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate actions, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.
- E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 35 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.
- F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

VI. SECTION 135.40 Providing Other Economic Opportunities

- A. General. In accordance with the findings of the Congress, as stated in Section 3, that other economic opportunities offer an effective means of empowering low-income persons, a recipient is encouraged to undertake efforts to provide to low-income persons economic opportunities other than training, employment, and contract awards, in connection with Section 3 covered assistance.

- B. Other training and employment related opportunities. Other economic opportunities to train and employ Section 3 residents include, but need not be limited to, use of "upward mobility", "bridge" and trainee positions to fill vacancies; hiring Section 3 residents in management and maintenance positions within other housing developments; and hiring Section 3 residents in part-time positions.
- C. Other business related economic opportunities:
- (1) A recipient or contractor may provide economic opportunities to establish stabilize or expand Section 3 Business Concerns, including micro-enterprises. Such opportunities include, but are not limited to the formation of Section 3 Joint Ventures, financial support for affiliating with franchise development, use of labor only contracts for building trades, purchase of supplies and materials from housing authority resident-owned businesses, purchase of materials and supplies from Public Housing Agency resident-owned businesses. A recipient or contractor may employ these methods directly or may provide incentives to non-Section 3 businesses to utilize such methods to provide other economics opportunities to low-income persons.
 - (2) A Section 3 Joint Venture means an association of Business Concerns, one of which qualifies as a Section 3 Business Concern, formed by written joint venture agreement to engage in and carry out a specific business venture for which purpose the Business Concerns combine their efforts, resources, and skills for joint profit, but not necessarily on a continuing or permanent basis for conducting business generally, and for which the Section 3 Business Concern:
 - (i) Is responsible for clearly defined portion of the work to be performed and holds management responsibilities in the joint venture; and
 - (ii) Performs at least 25 percent of the work and is contractually entitled to compensation proportionate to its work.

VII. SECTION 135.5 Definitions.

As used in this part:

Applicant means any entity which makes an application for Section 3 covered assistance and includes, but is not limited to, any State, unit of local government, public housing agency, Indian housing authority, Indian tribe, or other public body, public or private nonprofit organization, private agency or institution, mortgagor, owner, developer, limited dividend sponsor, builder, property manager, community housing development organization (CHDO), resident management corporation, resident council, or cooperative association.

Assistant Secretary means the Assistant Secretary for Fair Housing and Equal Opportunity.

Business Concern means a business entity formed in accordance with State law, and which is licensed under State, county or municipal law to engage in the type of business activity for which it was formed.

Contract. See the definition of "Section 3 covered contract" in this section.

Contractor means any entity which contracts to perform work generated by the expenditure of Section 3 covered assistance, or for work in connection with a Section 3 covered project.

Department or HUD means the Department of Housing and Urban Development, including its Field Offices to which authority has been delegated to perform functions under this part.

Employment opportunities generated by Section 3 covered assistance means (with respect to Section 3 covered housing and community development assistance), this term means all employment opportunities arising in connection with Section 3 covered projects (as described in Section 135.3(a) (2)), including management and administrative jobs connected with the Section 3 covered project. Management and administrative jobs, include architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups; and jobs directly related to administrative support of these activities, e.g., construction manager, relocation specialist, payroll clerk, etc.

Housing and community development assistance means any financial assistance provided or otherwise made available through a HUD housing or community development program through any grant, loan, loan guarantee, cooperative agreement, or contract, and includes community development funds in the form of community development block grants, and loans guaranteed under Section 108 of the Housing and Community Development Act of 1974, as amended. Housing and community development assistance does not include financial assistance provided through a contract of insurance or guaranty.

Housing development means low-income housing owned, developed, or operated by public housing agencies or Indian housing authorities in accordance with HUD's public and Indian housing program regulations codified in 24 CFR Chapter IX.

HUD Youth build Programs means programs that receive assistance under subtitle D of Title IV of the National Affordable Housing Act, as amended by the Housing and Community Development Act of 1992 (42 U.S.C. 12899), and provide disadvantaged youth with opportunities for employment, education, leadership development, and training in the construction or rehabilitation of housing for homeless individuals and members of low and very low-income families.

Low income person. See the definition of "Section 3 Resident" in this section.

New hires mean full-time employees for permanent, temporary, or seasonal employment opportunities.

Public Housing resident has the meaning given this term in 24 CFR Part 963.

Recipient means any entity which receives Section 3 covered assistance, directly from HUD or from another recipient and includes, but is not limited to, any State, unit or local government, PHA, Indian Housing Authority, Indian tribe, or other public body, public or private nonprofit organization, private agency or institution, mortgagor, owner,

PARTICIPANT, developer, limited dividend sponsor, builder, property manager, community development organization, resident management corporation, resident council, or cooperative association. Recipient also includes any successor, assignee, or transferee of any such entity, but does not include any ultimate beneficiary under the HUD program to which Section 3 applies and does not include contractors.

Secretary means the Secretary of Housing and Urban Development.

Section 3 means Section 3 of the Housing and Urban Development Act of 1968, as amended (12 U.S.C. 1701u)

Section 3 Business Concern means a business concern, as defined in this Section:

- (1) That is 51 percent or more owned by Section 3 residents; or
- (2) Whose permanent, full-time employees include persons, at least 30 percent of whom are currently Section 3 residents, or within three years of the date of first employment with the business concern were Section 3 residents; or
- (3) That provides evidence of a commitment to subcontract in excess of 25 percent of the dollar award of all subcontracts to be awarded to business concerns that meet the qualifications set forth in Sections (1) or (2) in this definition of "Section 3 Business Concern"

Section 3 Clause means the contract provisions set forth in Sec. 135.38.

Section 3 covered activity means any activity which is funded by Section 3 covered assistance public and Indian housing assistance.

Section 3 covered assistance means:

- (1) Assistance provided under any HUD housing or community development program that is expended for work arising in connection with:
 - (i) Housing rehabilitation (including reduction and abatement of lead-based paint hazards, but excluding routine maintenance, repair and replacement):
 - (ii) Housing construction; or
 - (iii) Other public construction project (which includes other buildings or improvements regardless of ownership).

Section 3 covered contract means a contract or subcontract (including a professional service contract) awarded by a recipient or contractor for work generated by the expenditure of Section 3 covered assistance, or for work arising in connection with a Section 3 covered project. "Section 3 covered contracts" do not include contracts awarded under HUD's procurement program, which are governed by the Federal Acquisition Regulation System (see 48 CFR, Chapter 1). "Section 3 covered contracts" also do not include contracts for the purchase of supplies and materials. However, whenever a contract for materials includes the installation of the materials, the contract constitutes a Section 3 covered contract. For example, a contract for the purchase and installation of a furnace would be a Section 3 covered contract because the contract is for work (i.e., the installation of the furnace) and thus is covered by Section 3.

Section 3 covered project means the construction, reconstruction, conversion or rehabilitation of housing (including reduction and abatement of lead-based paint hazards), other public construction which includes buildings or improvements (regardless of ownership) assisted with housing or community development assistance.

Section 3 resident means:

- (1) A public housing resident; or
- (2) An individual who resides in the San Bernardino or Riverside County, and who is:
 - (i) A low income person, is defined as families whose incomes do not exceed 80 percent of the median income for the Riverside and San Bernardino Counties, as determined by the Secretary, with adjustments for smaller and larger families.
 - (ii) A very low income person, is defined as families whose incomes do not exceed 50 percent of the median income for the Riverside and San Bernardino Counties, as determined by the Secretary, with adjustments for smaller and larger families.
 - (iii) A person seeking the training and employment preference provided by Section 3 bears the responsibility of providing evidence (if requested) that the person is eligible for the preference.

Subcontractor means any entity (other than a person who is an employee of the contractor) which has a contract with a contractor to undertake a portion of the contractor's obligation for the performance of work generated by the expenditure of Section 3 covered assistance, or arising in connection with a Section 3 covered project.

Very low income person. See the definition of "Section 3 resident" in this section.

Exhibit "C"

RIVERSIDE COUNTY ECONOMIC DEVELOPMENT AGENCY

CONTRACTOR CERTIFICATION

REGARDING STATUS AS A SECTION 3 BUSINESS CONCERN

I, _____, hereby certify that the business
(print name and title)

known as _____
(print business name)

_____ is not a Section 3 business. (Please complete the bottom section.)

_____ is a Section 3 business **because** (check one of the following):

_____ 51 percent or more is owned by Section 3 residents; or

_____ 30 percent of the permanent full-time employees are currently Section 3 residents or were Section 3 residents when first hired (if within the past three years); **or**

_____ The business commits in writing to subcontract over 25 percent of the total dollar amount of all subcontracts to be let to businesses that meet the requirements of Sections 1 and 2 of this definition;

AND

The business was formed in accordance with state law and is licensed under state, county, or municipal law to engage in the business activity for which it was formed.

A Section 3 Resident is a person living in San Bernardino or Riverside County who is a Public Housing resident or who is low income.

Low-Income Persons mean families (including single persons) whose income does not exceed 80 percent of the median income, as adjusted by HUD, for Riverside and San Bernardino Counties.

Signature _____

Project _____

Date _____

Project _____

\$ _____

Effective 02/2011

Persons in Household	1	2	3	4	5	6	7	8
Low Income Family	\$36,400	\$41,600	\$46,800	\$52,000	\$56,200	\$60,350	\$64,500	\$68,650

A new hire is qualified as a Section 3 resident if he/she resides in Riverside or San Bernardino County and his/her total family income is less than the family income shown above for his/her household size.

Prohibition Against Conflicts of Interest

EXHIBIT "D"

§ 92.356 Conflict of interest.

(a) Applicability. In the procurement of property and services by participating jurisdictions, State recipients, and sub-recipients, the conflict of interest provisions in 24 CFR 85.36 and 24 CFR 84.42, respectively, apply. In all cases not governed by 24 CFR 85.36 and 24 CFR 84.42, the provisions of this section apply.

(b) Conflicts prohibited. No persons described in **paragraph (c)** of this section who exercise or have exercised any functions or responsibilities with respect to activities assisted with HOME funds or who are in a position to participate in a decision making process or gain inside information with regard to these activities, may obtain a financial interest or benefit from a HOME-assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

(c) Persons covered. The conflict of interest provisions of **paragraph (b)** of this section apply to any person who is an employee, agent, consultant, officer, or elected official or appointed official of COUNTY, State recipient, or sub-recipient which are receiving HOME funds.

(d) Exceptions: Threshold requirements. Upon the written request of the recipient, HUD may grant an exception to the provisions of **paragraph (b)** of this section on a case-by-case basis when it determines that the exception will serve to further the purposes of the HOME Investment Partnerships Program and the effective and efficient administration of COUNTY's program or project. An exception may be considered only after the recipient has provided the following:

(1) A disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made; and

(2) An opinion of the recipient's attorney that the interest for which the exception is sought would not violate State or local law.

(e) Factors to be considered for exceptions. In determining whether to grant a requested exception after the recipient has satisfactorily met the requirements of **paragraph (d)** of this section, HUD shall consider the cumulative effect of the following factors, where applicable:

(1) Whether the exception would provide a significant cost benefit or an essential degree of expertise to the program or project which would otherwise not be available;

(2) Whether the person affected is a member of a group or class of low-income persons intended to be the beneficiaries of the assisted activity, and the exception will permit such person to receive generally the same interests or benefits as are being made available or provided to the group or class;

- (3) Whether the affected person has withdrawn from his or her functions or responsibilities, or the decision making process with respect to the specific assisted activity in question;
- (4) Whether the interest or benefit was present before the affected person was in a position as described in **paragraph (c)** of this section;
- (5) Whether undue hardship will result either to COUNTY or the person affected when weighed against the public interest served by avoiding the prohibited conflict;
- (6) Any other relevant considerations.

Owners/Participants and Developers.

- (1) No owner, developer, or sponsor of a project assisted with HOME funds (or officer, employee, agent or consultant of the owner, developer, or sponsor) whether private, for profit or non-profit (including a community housing development organization (CHDO) when acting as an owner, developer or sponsor) may occupy a HOME-assisted affordable housing unit in a project. This provision does not apply to an individual who receives HOME funds to acquire or rehabilitate his or her principal residence or to an employee or agent of the owner or developer of a rental housing project who occupies a housing unit as the project manager or maintenance worker.
- (2) Exceptions. Upon written request of owner or developer, COUNTY may grant an exception to the provisions of **paragraph (f)(1)** of this section on a case-by-case basis when it determines that the exception will serve to further the purpose of the HOME program and the effective and efficient administration of the owner's or developer's HOME-assisted project. In determining whether to grant a requested exception, COUNTY shall consider the following factors:
 - (i) Whether the person receiving the benefit is a member of a group or class of low-income persons intended to be the beneficiaries of the assisted housing, and the exception will permit such person to receive generally the same interests or benefits as are being made available or provided to the group or class;
 - (ii) Whether the person has withdrawn from his or her functions or responsibilities, or the decision making process with respect to the specific assisted housing in question;
 - (iii) Whether the tenant protection requirements of § 92.253 are being observed;
 - (iv) Whether the affirmative marketing requirements of § 92.351 are being observed and followed; and
 - (v) Any other factor relevant to COUNTY's determination, including the timing of the requested exception.

Community Development Block Grant
Policy Manual, I.D. # A-11

TOPIC: CONFLICT OF INTEREST CODED
RIVERSIDE COUNTY
ECONOMIC DEVELOPMENT AGENCY
DATE: MARCH 1999

This Conflict of Interest Code is written to comply with Federal Regulations (24 CFR Part 85). These Regulations. "Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments" require that grantees and sub-grantees will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts.

- 1) No employee, officer, or agent of the grantee shall participate in the selection, in the award or in the administration of a contract supported by Federal Funds if a conflict of interest, real or apparent, would be involved.
- 2) Such a conflict will arise when:
 - i) The employee, officer or agent;
 - ii) Any member of the immediate family;
 - iii) His/Her partners; or
 - iv) An organization which employs, or is about to employ any of the above has a financial or other interest in the firm's selection for award.
- 3) The grantee's or sub-grantee's officers, employees or agents will neither solicit nor accept gratuities, favors or anything of monetary value from contractors or parties to sub-agreements except as noted in Section 4.
- 4) A grantee's or sub-grantee's officers, employees or agents will be presumed to have a financial interest in a business if their financial interest exceeds the following:
 - i) Any business entity in which the official has a direct or indirect investment worth one thousand dollars (\$1,000) or more.
 - ii) Any real property in which the official has a direct or indirect interest worth one thousand dollars (\$1,000) or more.
 - iii) Any source of income, other than gifts and other than loans by a commercial lending institution in the regular course of business on terms available to the public without regard to official status, aggregating two hundred fifty dollars (\$250) or more in value provided to, received by or promised to the official within 12 months prior to the time when the decision is made.
 - iv) Any business entity in which the official is a director, officer, partner, trustee, employee, or holds any position of management.
 - v) Any donor of, or any intermediary or agent for a donor of, a gift or gifts aggregating two hundred fifty dollars (\$250) or more in value provided to, received by, or promised to the official within 12 months prior to the time when the decision is made.
- 5) For purposes of **Section 4**, indirect investment or interest means any investment or interest owned by the spouse or dependent child of an official, by an agent on behalf of an official, or by a business entity or trust in which the official, the official's agents, spouse, and dependent children own directly, indirectly, or beneficially a 10-percent interest or more.

