DISPOSITION AND DEVELOPMENT AGREEMENT

By and Between

LA QUINTA REDEVELOPMENT AGENCY

and

CORAL MOUNTAIN PARTNERS, L.P.

Dated as of January __, 2011

DISPOSITION AND DEVELOPMENT AGREEMENT

THIS DISPOSITION AND DEVELOPMENT AGREEMENT (the "Agreement") is made and entered into as of January __, 2011 (the "Effective Date"), by and between the **LA QUINTA REDEVELOPMENT AGENCY**, a public body, corporate and politic (the "Agency"), and **CORAL MOUNTAIN PARTNERS, L.P.**, a California limited partnership (the "Developer"), with reference to the following:

RECITALS

A. Agency owns fee title to that certain real property located southeast of the intersection of Dune Palms Road and Highway 111, in the City of La Quinta, County of Riverside, State of California (the "Property').

B. Pursuant to the California Community Redevelopment Law, Agency is required to expend a certain portion of the taxes which are allocated to it pursuant to Health and Safety Code Section 33670 for the purposes of increasing, improving, and preserving the community's supply of low- and moderate-income housing available at affordable housing costs (the "Housing Set-Aside Funds").

C. The Parties intend, in this Agreement, to set forth the terms and conditions relating to (i) the Agency's lease of the Property to Developer, (ii) Developer's design, construction, and operation on the Property of an affordable rental housing development, and Developer's installation of certain public improvements, and (iii) the Agency's provision of a loan to Developer to assist Developer to fulfill its obligations hereunder.

D. Agency's lease of the Property to Developer and provision of financial assistance to the Developer, and Developer's design, construction, and operation thereon of an affordable rental housing development pursuant to the terms of this Agreement are in the vital and best interest of Agency and the City of La Quinta, and the health, safety, morals and welfare of its residents, and in accord with the public purposes and provisions of applicable federal, state and local laws and requirements under which the redevelopment of the Property has been undertaken.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and conditions herein contained, Agency and Developer hereto agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Defined Terms. As used in this Agreement, capitalized terms are defined where first used or as set forth in this Section 1.1. Capitalized terms used in an attachment attached hereto and not defined therein shall also have the meanings set forth in this Section 1.1.

"**Affiliate**" means any person or entity directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Developer which, if Developer is a partnership or limited liability company, shall include each of the constituent members or partners, respectively thereof. The term "control" as used in the immediately preceding sentence, means, with respect to a person that is a corporation, the right to the

exercise, directly or indirectly, of more than fifty percent (50%) of the voting rights attributable to the shares of the controlled corporation, and, with respect to a person that is not a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled person.

"Agency" means the La Quinta Redevelopment Agency, a public body, corporate and politic.

"Agency Deed of Trust" means a deed of trust encumbering Developer's leasehold interest in the Property, substantially in the form attached hereto and incorporated herein as Attachment No. 7, to be executed by Developer pursuant to Section 6.2 in order to secure repayment of the Agency Note.

"Agency Loan" has the meaning set forth in Section 6.2.

"Agency Note" means a promissory note substantially in the form attached hereto and incorporated herein as Attachment No. 6, to be executed by Developer in favor of Agency to evidence the obligation of Developer to repay the Agency Loan.

"Agency Regulatory Agreement" means a regulatory agreement substantially in the form attached hereto and incorporated herein as Attachment No. 10, which will establish certain restrictive covenants against the Property.

"Agency Title Policy" has the meaning set forth in Section 7.2(r).

"Building Permit" means all permits issued by City and required for commencement of construction of the Project.

"Business Day" means a weekday on which La Quinta City Hall is open to conduct the public's business.

"City" means the City of La Quinta, California.

"Construction Contract" has the meaning set forth in Section 7.2(d).

"Construction Lender" means the lender that provides construction financing for the Project. If the Project is financed through issuance of the Tax-Exempt Bonds, then Construction Lender shall be understood to mean the institution or institutions that hold such Tax-Exempt Bonds through the construction period (*e.g.*, until a "conversion date"). The Construction Lender may or may not also be the Take-Out Lender. The Construction Lender shall be an Institutional Lender.

"Construction Loan" means the construction loan for the Project secured by the Construction Loan Security Documents. If the Project is financed through issuance of the Tax-Exempt Bonds, then Construction Loan shall be understood to mean the proceeds of such Tax-Exempt Bonds.

"Construction Loan Security Loan Documents" means the documents and instruments required by the Construction Lender to secure the Construction Loan.

"Construction Portion of Agency Loan" means the portion of the Agency Loan to be disbursed to Developer to assist Developer to construct the Project, in an amount to be set forth in the Project Budget approved by the Agency.

"County" means the County of Riverside, California.

"**Conversion Date**" has the meaning set forth in the Construction Loan Security Documents, or, if such term is not defined therein, means the date the Construction Loan converts from construction loan to permanent loan.

"Developer" has the meaning set forth in the opening paragraph of this Agreement.

"Developer Title Policy" has the meaning set forth in Section 7.3(h).

"Escrow" means the escrow through which the Property Closing is conducted.

"Escrow Holder" means First American Title Insurance Company, with its offices located at _____.

"Event of Default" has the meaning set forth in Section 13.1.

"Executive Director" means the Executive Director of Agency or his or her designee.

"Final Construction Documents" means the final plans, drawings and specifications upon which the Building Permit is issued.

"General Contractor" has the meaning set forth in Section 7.2(c).

"**Governmental Requirements"** means all laws, ordinances, statutes, codes, rules, regulations, orders and decrees, of the United States, the State of California, the County of Riverside, the City and of any other political subdivision, agency or instrumentality exercising jurisdiction over Agency, Developer, or the Project.

"Ground Lease" means a ground lease substantially in the form attached hereto and incorporated herein as Attachment No. 9, to be executed by Developer and Agency to set forth the terms and conditions for Agency's lease of the Property to Developer.

"Hazardous Materials" means any substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a "hazardous waste", "acutely hazardous waste", "extremely hazardous waste", or "restricted hazardous waste" under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account

Act), (iii) defined as a "hazardous material", "hazardous substance", or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) asbestos, (vii) polychlorinated byphenyls, (viii) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Code of Regulations, Chapter 20, (ix) designated as "hazardous substances" pursuant to Section 311 of the Clean Water Act (33 U.S.C. Section 1317), (x) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903), (xi) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq., (xii) methyl-tertiary butyl ether, (xiii) perchlorate or (xiv) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any governmental requirements either requires special handling in its use, transportation, generation, collection, storage, handling, treatment or disposal, or is defined as "hazardous" or harmful to the environment. For purposes hereof, "Hazardous Materials" excludes materials and substances in quantities as are commonly used in the construction and operation of an apartment complex, provided that such materials and substances are used in accordance with all applicable laws.

"Housing Development" means an affordable rental housing development consisting of one hundred seventy-six (176) residential dwelling units and all required on-site improvements that will remain privately owned and that are necessary to serve the Housing Development.

"Housing Development Architect" means John Vuksic, of Prest Vuksic Architects, or such other architect or architectural firm as may be approved by the Executive Director.

"Housing Development Budget" means the preliminary budget materials attached hereto and incorporated herein as Attachment No. 8.

"Indemnitees" means the Agency, City, and their respective officers, officials, members, employees, representatives, agents and volunteers.

"Institutional Lender" means any of the following institutions having assets or deposits in the aggregate of not less than One Hundred Million Dollars ($100,000,000): a California chartered bank; a bank created and operated under and pursuant to the laws of the United States of America; an "incorporated admitted insurer" (as that term is used in Section 1100.1 of the California Insurance Code); a "foreign (other state) bank" (as that term is defined in Section 1700(1) of the California Financial Code); a federal savings and loan association (Cal. Fin. Code Section 8600); a commercial finance lender (within the meaning of Sections 2600 et seq. of the California Financial Code); a "foreign (other nation) bank" provided it is licensed to maintain an office in California, is licensed or otherwise authorized by another state to maintain an agency or branch office in that state, or maintains a federal agency or federal branch in any state (Section 1716 of the California Financial Code); a bank holding company or a subsidiary of a bank holding company which is not a bank (Section 3707 of the California Financial Code); a trust company, savings and loan association, insurance company, investment banker; college or university; pension or retirement fund or system, either governmental or private, or any pension

or retirement fund or system of which any of the foregoing shall be trustee, provided the same be organized under the laws of the United States or of any state thereof; and a Real Estate Investment Trust, as defined in Section 856 of the Internal Revenue Code of 1986, as amended, provided such trust is listed on either the American Stock Exchange or the New York Stock Exchange. Citibank, N.A. is hereby deemed to be an Institutional Lender, but has not yet been selected by Developer as the Construction Lender or Take-Out Lender.

"Investor" means the purchaser of the Tax Credits.

"Land Use Entitlements" has the meaning set forth in Section 4.

"Lot Line Adjustment" means a lot line adjustment to be processed by the Agency on or before the Property Closing, that will establish the boundaries of the Property consistent with the depiction set forth in Attachment No. 1 and the terms of this Agreement.

"Management Agreement" has the meaning set forth in Section 7.2(n).

"Memorandum of Ground Lease" means the Memorandum of Unrecorded Ground Lease to record in the Official Records pursuant to Section 1.4 of the Ground Lease.

"Notice of Affordability" means a Notice of Affordability Restrictions on Transfer of Property substantially in the form attached hereto and incorporated herein as Attachment No. 11, to be executed by Agency and Developer and recorded in the Official Records to notify members of the public regarding the affordability restrictions for the Project.

"Notices" has the meaning set forth in Section 14 hereof.

"Official Records" means the Official Records of the County.

"Outside Closing Date" means August 24, 2012.

"Permanent Portion of Agency Loan" means the portion of the Agency Loan to be disbursed by Agency to pay down the Construction Loan at the Conversion Date, in an amount to be set forth in the Project Budget approved by the Agency.

"Permitted Encumbrances" means the Construction Loan Security Documents and such other exceptions to title approved by the Executive Director.

"Predevelopment Portion of Agency Loan" means the portion of the Agency Loan to be disbursed to Developer to pay for predevelopment expenses incurred in connection with the Housing Development, in an amount not to exceed Two Million Four Hundred Twenty-One Thousand Nine Hundred Seventy-Eight Dollars ($2,421,978.).

"Project" means the Developer's construction of the Housing Development and Public Improvements in accordance with this Agreement, including, without limitation, in accordance with the Scope of Development and the Final Construction Documents.

"Project Costs" means all costs of any nature incurred in connection with the planning, design, and development of the Project.

"Project Documents" means, collectively, this Agreement, the Ground Lease, the Agency Note, the Agency Deed of Trust, the Agency Regulatory Agreement, the Notice of Affordability, the Memorandum of Ground Lease, and any other agreement, document or instrument that Developer and Agency enter into pursuant to this Agreement or in order to effectuate the purposes of this Agreement.

"Project Financing" has the meaning set forth in Section 6.1.

"**Project Financing Disbursement Agreement**" means an agreement among the Agency, Developer, Construction Lender, and Investor on the order of disbursement of the Project Financing and the method and manner of disbursement of the Agency Loan.

"Property" means that certain real property depicted in Attachment No. 1, which is attached hereto and incorporated herein by this reference.

"Property Closing" means closing of the Project Financing (except that the Predevelopment Portion of Agency Loan may be disbursed prior to the Property Closing), execution of the Ground Lease and delivery of possession of the Property to Developer pursuant thereto.

"Public Improvements" means all on- and off-site improvements that (i) are required to be constructed to serve the Housing Development and (ii) will be dedicated to the City of La Quinta upon Developer's completion thereof. The Public Improvements are described in the Scope of Development.

"Public Improvements Contract" has the meaning set forth in Section 7.2(f).

"Public Improvements Contractor" has the meaning set forth in Section 7.2(f).

"Redevelopment Plan" means the Redevelopment Plan for Project Area No. 2, which was approved by the City Council of City by Ordinance No. 139, adopted on or about May 16, 1989, as the same has been amended from time to time.

"Release of Construction Covenants" means a release document substantially in the form attached hereto and incorporated herein as Attachment No. 12, to be executed by Agency and recorded in the Official Records upon Developer's completion of the Project, as described in Section 10.16.

"Request for Notice" has the meaning set forth in Section 7.2(p)

"Schedule of Performance" means the Schedule of Performance attached hereto and incorporated herein as Attachment No. 2.

"Scope of Development" means the Scope of Development attached hereto and incorporated herein as Attachment No. 3.

"Sources and Uses of Funds Statement" means the Sources and Uses of Funds Statement attached to the Project Budget, as such statement may be amended pursuant to this Agreement.

"Take-Out Lender" means the lending institution that makes the Take-Out Loan. If the Project is financed through issuance of Tax-Exempt Bonds, then Take-Out Lender shall be understood to mean the institution that holds or institutions that hold such Tax-Exempt Bonds from and after the construction period (*e.g.*, from and after the Conversion Date). The Take-Out Lender may or may not also be the Construction Lender. The Take-Out Lender shall be an Institutional Lender.

"Take-Out Loan" means the long-term loan made by the Take-Out Lender to Developer in order to take out the Construction Loan. If the Project is financed through issuance of Tax-Exempt Bonds, then Take-Out Loan shall be understood to mean the proceeds of such Tax-Exempt Bonds.

"Tax Credits" has the meaning set forth in Section 6.1(b).

"Tax Credit Funds" has the meaning set forth in Section 7.2(b)(ii).

"Tax-Exempt Bonds" has the meaning set forth in Section 6.1(a).

"Title Company" means First American Title Insurance Company or such other title insurance company as may be agreed to by Developer and Executive Director.

1.2 Singular and Plural Terms. Any defined term used in the plural in this Agreement shall refer to all members of the relevant class and any defined term used in the singular shall refer to any of the members of the relevant class.

1.3 Accounting Principles. Any accounting term used and not specifically defined in this Agreement shall be construed, and all financial data required to be submitted under this Agreement shall be prepared, in conformity with generally accepted accounting principles applied on a consistent basis or in accordance with such other principles or methods as are reasonably acceptable to Agency.

1.4 References and Other Terms. References herein to Articles, Sections and Attachments shall be construed as references to this Agreement unless a different document is named. References to subparagraphs shall be construed as references to the same Section in which the reference appears. The terms "including" and "include" mean "including (include) without limitation."

1.5 Attachments Incorporated. All attachments to this Agreement, as now existing and as the same may from time to time be modified, are incorporated herein by this reference.

2. PARTIES

2.1 Agency. Agency is the La Quinta Redevelopment Agency and any successor to its rights, powers and responsibilities. The principal offices of the Agency are located at 78-495 Calle Tampico, La Quinta, California 92253.

2.2 Developer. Developer is Coral Mountain Partners, L.P., a California limited partnership and any successor to its rights, powers, and responsibilities. The principal offices of the Developer are located at 46753 Adams Street, La Quinta, CA 92253.

3. SCHEDULE OF PERFORMANCE

The Schedule of Performance sets forth the times by which the parties are required to perform certain obligations under this Agreement.

4. LAND USE ENTITLEMENTS

Developer shall be responsible for processing through the City any and all land use entitlements necessary to allow Developer to develop the Property in the manner required by this Agreement including, without limitation, a site development permit (collectively, the "Land Use Entitlements"). Agency, without any cost or expense to the Agency other than as may be expressly provided in the Project Budget, agrees to reasonably assist Developer to secure said Land Use Entitlements.

5. PERMISSION TO ENTER PROPERTY

Agency shall permit Developer and Developer's representatives and agents to enter onto the Property commencing on the Effective Date and continuing for a period of ninety (90) days thereafter ("Due Diligence Period"), for purposes of examining, inspecting and investigating the Property, including any foundations, soil, subsurface soils, drainage, seismic and other geological and topographical matters, location of asbestos, toxic substances, Hazardous Materials, if any, and, at Developer's sole and absolute discretion, determining whether the Property is acceptable to Developer; provided, however, in no event shall Developer conduct any intrusive testing procedures on the Property without the prior written consent of Agency, which consent may not be unreasonably withheld. Developer and Developer's representatives and agents shall also be entitled to enter onto the Property to conduct additional examinations and investigations at any time after expiration of the Due Diligence Period and through the Property Closing upon the notification and conditions described below. Developer shall provide to Agency a copy of all reports, studies and test results prepared by Developer's consultants. Developer shall notify Agency, in writing, at least twenty-four (24) hours prior to any entry by Developer or Developer's representatives on the Property. Agency shall have the right, but not the obligation, to accompany the Developer during such investigations. As a condition of such entry, Developer shall (i) conduct all work or studies in a diligent, expeditious, and safe manner and not allow any dangerous or hazardous conditions to occur on the Property during or after the investigation, (ii) comply with all applicable laws and governmental regulations; (iii) keep the Property free and clear of all materialmen's liens, lis pendens and other liens arising out of the entry and work performed under this paragraph; (iv) maintain or assure maintenance of workers' compensation insurance (or state approved self-insurance) on all persons entering the property in

the amounts required by the State of California; (v) provide to Agency prior to initial entry a certificate of insurance evidencing that Developer and/or the persons entering the Property have procured and have in effect commercial general liability insurance that satisfies the requirements set forth in Section 10.6 hereof. Any preliminary work undertaken pursuant to this Section 5 shall be undertaken only after securing any necessary permits from the appropriate governmental agencies. Developer shall, in a timely manner, repair any and all damage to the Property caused by such inspections or investigations and shall indemnify and defend the Indemnitees for any liability arising from the entries of Developer and its representatives and agents on the Property pursuant to this Section 5. Notwithstanding Developer's right to enter the Property after expiration of the Due Diligence Period pursuant to the second sentence in this Section 5, Developer shall notify Agency in writing on or before the expiration of the Due Diligence Period of Developer's approval or disapproval of the physical and environmental condition of the Property and Developer's investigations with respect thereto. Developer's disapproval shall constitute Developer's election to terminate this Agreement and cancel the Escrow. Developer's failure to deliver notice to Agency on or before the expiration of the Due Diligence Period shall be conclusively deemed Developer's approval thereof and Developer shall be deemed to have waived its termination/cancellation right set forth in this Section 5.

6. FINANCING PLAN FOR THE PROJECT

6.1 Financing Plan. It is contemplated that Developer will finance the Project (the "Project Financing") through a combination of:

(a) Tax-Exempt Bonds. Tax-exempt multifamily housing mortgage revenue bonds to be issued by Agency (the "Tax-Exempt Bonds");

(b) Tax Credits. Developer equity, consisting of equity raised by the sale to reputable investors of state and/or federal low-income housing credit consistent with the Tax-Exempt Bonds and obtained pursuant to 26 U.S.C. §42 (the "Tax Credits"); and

(c) Agency Loan. The Agency Loan, as more particularly provided in Section 6.2 below.

6.2 Agency Loan. Subject to the terms and conditions of this Agreement, Agency agrees to make a loan to Developer in the principal amount of up to Twenty-Nine Million Dollars ($29,000,000.00) (the "Agency Loan") to be used to fund construction of the Housing Development. The Agency Loan shall be evidenced by the Agency Note and shall be secured by the Agency Deed of Trust. No portion of the Predevelopment Portion of the Agency Loan shall be disbursed to Developer until the conditions set forth in Section 6.2(a) below have been satisfied,.

(a) Conditions Precedent to Disbursement of Predevelopment Portion of Agency Loan. Agency's obligation to disburse any portion of the Predevelopment Portion of Agency Loan to Developer shall be subject to satisfaction of the following conditions:

(i) Agency Note. Developer shall have duly executed the Agency Note and delivered it to Agency or the Escrow Holder.

(ii) Total Project Cost. Nothing shall have come to the attention of Developer and/or Agency to indicate that the Project cannot be completed at a cost consistent with the Project Budget and, if there has been such an indication, Developer has provided evidence, reasonably satisfactory to the Executive Director, of the availability of funding sources other than the Agency to complete the Project. If Developer becomes aware of any such information, Developer shall promptly give notice thereof to Agency.

(iii) Organizational Documents. The Executive Director has received and approved a copy of such portions of the organizational documents (*e.g.*, partnership agreement) of Developer or Developer's successor-in-interest as the Executive Director deems reasonably necessary to document the power and authority of the organization to perform its obligations under this Agreement. Developer has also made full disclosure to Agency of the names and addresses of all persons and entities that have a beneficial interest in Developer.

(iv) Representations and Warranties. The representations of Developer contained in this Agreement shall be correct in all material respects as of the date of the disbursement as though made on and as of that date and, if requested by the Executive Director, Agency shall have received a certificate to that effect signed by Developer.

(v) Insurance. Developer shall have submitted to Agency and Agency shall have approved Developer's evidence of the liability insurance required pursuant to Section 10.6 hereof.

(vi) No Default. No Event of Default by Developer shall then exist, and no event shall then exist which, with the giving of notice or the passage of time or both, would constitute an Event of Default by Developer and, if requested by Executive Director, Agency shall have received a certificate to that effect signed by Developer.

(b) Conditions Precedent to Disbursement of Construction Portion of Agency Loan. Agency's obligation to disburse any portion of the Construction Portion of Agency Loan to Developer shall be subject to satisfaction of the following conditions:

(i) Conditions to Predevelopment Portion of Agency Loan. All of the conditions precedent set forth in Section6.2(a) to Agency's obligation to disburse portions of the Predevelopment Portion of Agency Loan shall have been satisfied or waived by the Agency.

(ii) Conditions to Ground Lease. All of the conditions precedent set forth in Section 7.2 to Agency's obligation to ground lease the Property to Developer shall have been satisfied, or waived by the Agency.

(iii) Total Project Cost. Nothing shall have come to the attention of Developer and/or Agency to indicate that the Project cannot be completed at a cost consistent with the Project Budget and, if there has been such an indication,

Developer has provided evidence, reasonably satisfactory to Executive Director, of the availability of funding sources other than the Agency to complete the Project. If Developer becomes aware of any such information, Developer shall promptly give notice thereof to Agency.

(iv) Project Financing Disbursement Agreement. The Project Financing Disbursement Agreement shall have been fully executed, and shall provide for disbursement of a portion of the Construction Loan, as shown on the Financing Plan, to fund the Public Improvements and Housing Development prior to the disbursement of any portion of the Construction Portion of Agency Loan.

(v) Representations and Warranties. The representations of Developer contained in this Agreement shall be correct in all material respects as of the date of the disbursement as though made on and as of that date and, if requested by the Executive Director, Agency shall have received a certificate to that effect signed by Developer.

(vi) No Default. No Event of Default by Developer shall then exist, and no event shall then exist which, with the giving of notice or the passage of time or both, would constitute an Event of Default by Developer and, if requested by Executive Director, Agency shall have received a certificate to that effect signed by Developer.

(c) Disbursement Requests. The Predevelopment Portion of Agency Loan and Construction Portion of Agency Loan shall be disbursed on a line-item by line-item basis in accordance with the Project Budget and the Project Financing Disbursement Agreement. In no event shall Agency have any obligation to disburse any amount for any item in excess of the amount allocated to such item in the Project Budget, unless approved, in writing, by the Executive Director; provided, however, that upon completion and payment of all work for a particular line item, Developer may move any amounts remaining in such line to any other line item where payment for work has not been completed, and no Agency consent shall be required therefor. Disbursement shall be made only upon Developer's written request in the form attached hereto as Attachment No. 5 (a "Disbursement Request") showing all costs that Developer intends to fund with such disbursement, itemized in such detail as the Executive Director may reasonably require, accompanied in each case by (a) invoices and lien releases (if such work could give rise to mechanic's or materialmen's liens) reasonably satisfactory to the Executive Director, including in any event conditional lien releases executed by each contractor and subcontractor who has received any payment for work performed, and (b) all other documents and information reasonably required by the Executive Director. Agency agrees to fund each Disbursement Request within twenty-one (21) days after Agency's receipt of the Disbursement Request in completed form with all required supporting documentation, and determination by Agency that all of the conditions to disbursement set forth in this Section 6.2(c) have been satisfied, or waived by Agency.

(d) Manner of Disbursement. Agency may make any disbursement (i) by check payable to Developer; (ii) on a voucher basis; (iii) by check payable jointly to Developer

and any contractor, subcontractor other claimant; or (iv) by any other means reasonably selected by the Executive Director.

(e) Permanent Portion of Agency Loan. Agency shall disburse to Escrow Holder the Permanent Portion of Agency Loan and shall instruct Escrow Holder to disburse the same to the Construction Lender to pay down the Construction Loan at the Conversion Date.

(f) Waiver of Conditions. The conditions set forth in Sections 6.2(a) and 6.2(b) are for Agency's benefit only and the Executive Director may waive all or any part of such rights by written notice to Developer.

6.3 Financing Applications. Developer shall pursue the Project Financing by taking all of the following actions:

(a) CDLAC Application. Developer shall prepare for filing a complete application to the California Debt Limit Allocation Committee ("CDLAC") for an allocation for the Tax-Exempt Bonds by the time required in the Schedule of Performance.

(b) Tax-Exempt Bonds Placement. Developer shall apply to reputable institutional lenders for the private placement of the Tax Exempt Bonds in order to provide Construction and Take-Out financing for the Project; and

(c) Investor Selection. Developer shall apply to reputable institutional investors to act as the Investor.

6.4 Project Budget. The Project Budget includes all of the following: (i) a detailed budget; (ii) a Sources and Uses of Funds Statement; (iii) a Cash Flow Projection; and (iv) a First Year Operating Budget. Until the Property Closing, Developer, if, as and when additional information becomes available, shall promptly revise the documents comprising the Project Budget to reflect the best information then available to Developer, and shall submit the proposed revisions to the Executive Director for review and approval.

6.5 Final Project Budget. Prior to the Property Closing, Agency, Developer, Construction Lender and Investor shall agree on the final project budget and, once approved, such final project budget shall replace the Project Budget attached in Attachment No. 8 and shall thereafter be the Project Budget.

6.6 Developer Efforts to Minimize Agency Cost. In order to minimize the principal amount of the Agency Loan, Developer agrees to use commercially reasonable efforts to finance the Project in the manner that yields the largest part possible of the costs to develop the Housing Development from sources other than the Agency Loan. Accordingly, Developer shall (i) make commercially reasonable efforts to obtain an allocation for the long-term Tax-Exempt Bonds in principal amount consistent with the Sources of Uses of Funds Statement; (ii) make commercially reasonable efforts to obtain the Tax Credits in principal amount consistent with the Sources and Uses of Funds Statement and to sell such Tax Credits to a reputable institutional investor at the highest price and on the best terms reasonably possible, assuming typical corporate guaranties and payment of developer fee in accordance with the approved Project

Budget; and (iii) make commercially reasonable efforts to obtain the largest Take-Out Loan reasonably supportable by the Project.

6.7 Financing Commitments. Not later than the time provided in the Schedule of Performance, Developer shall submit to Executive Director for approval (i) preliminary commitments for the Project Financing, including, without limitation, bids received from qualified parties for the Tax Credits as the result of a competitive bidding process; and (ii) a draft Project Financing Disbursement Agreement acceptable to Developer, Construction Lender and Investor.

6.8 Developer Right to Terminate.

(a) Failure to Obtain Allocation. Prior to the Property Closing, Developer, if it is not then in material default under this Agreement (subject to the notice and cure provisions of Section 13.1), may terminate this Agreement by giving thirty (30) days' written notice to Agency if, despite having made commercially reasonable efforts and by the time provided in the Schedule of Performance, it has been unable to obtain from CDLAC an allocation for Tax-Exempt Bonds under the application filed pursuant to Section 6.3, above.

(b) Failure to Obtain Other Project Financing. Prior to the Property Closing, Developer, if it is not then in material default under this Agreement (subject to the notice and cure provisions of Section 13.1), may terminate this Agreement by giving thirty (30) days' written notice to Agency if, despite having obtained from CDLAC an allocation for Tax-Exempt Bonds and despite having made commercially reasonable efforts, it has been unable, by the time provide in the Schedule of Performance, to obtain the balance of the Project Financing approved by the Agency in accordance with this Agreement.

6.9 Agency Right to Terminate.

(a) Failure to Obtain Allocation. Prior to the Property Closing, Agency, if it is not then in material default under this Agreement (subject to the notice and cure provisions of Section 13.1), may terminate this Agreement by giving written notice to Developer if Developer, by the time provided in the Schedule of Performance, fails to obtain from CDLAC an allocation for Tax-Exempt Bonds under the application filed pursuant to Section 6.3, above.

(b) Failure to Obtain Other Project Financing. Prior to the Property Closing, Agency, if it is not then in material default under this Agreement (subject to the notice and cure provisions of Section 13.1), may terminate this Agreement by giving thirty (30) days' written notice to Developer if Developer, despite having obtained from CDLAC an allocation for Tax-Exempt Bonds, has been unable, by the time provided in the Schedule of Performance, to obtain the balance of the Project Financing approved by the Agency in accordance with this Agreement.

(c) Project Infeasibility. If, prior to the Property Closing, (a) it becomes reasonably evident to Agency that the Project cannot be constructed within the Project Budget, and (b) Developer is unwilling or unable to make up the shortfall from funds from a source other than the Agency and reasonably acceptable to the Executive Director, then Agency, provided that it is not then in default under this Agreement, may terminate this Agreement by written notice to Developer.

6.10 Developer Fee. The parties acknowledge and agree that Developer shall not be entitled to any fee for developing the Project except as expressly set forth in the Project Budget.

6.11 Cost Savings Obligation. Developer hereby agrees to provide and pay to Agency a "Cost Savings" payment for the Housing Development in an amount to be determined based on the "Audit" (as those terms are described in subparagraph (a) below) to be conducted upon completion of construction for the Project.

(a) Audit to Determine Cost Savings Amount. The actual amount of Cost Savings to be paid to Agency shall be determined after the Audit, as hereafter described, and the amount of such Cost Savings shall be equal to the amount by which the total sources of permanent financing for the Project exceed the costs of development incurred for the Project. Within one hundred twenty (120) days following the completion of construction of the Project, as evidenced by issuance of a Release of Construction Covenants by the Agency, Developer shall cause its certified public accountant(s) to perform a final audit of the costs of development of the Project in accordance with the requirements of the Tax Credits and generally accepted accounting principles ("GAAP") and generally accepted auditing standards (herein referred to as "Audit"). If the Audit determines that the total sources of permanent financing for the Project (including long-term permanent debt and equity) exceed Developer's total costs to develop the Project (including, without limitation, all hard and soft costs and all on-site and off-site improvements required in connection with the development of the Project), such excess shall be considered the "Cost Savings" for the Project.

(b) Cost Savings Payment as Payment of Principal on Agency Loan. The Cost Savings for the Project, once determined by the Audit pursuant to Section 6.11(a) above, shall be due and paid by Developer to Agency and allocated and credited as a principal payment on the Agency Loan, as and when paid.

(c) Timing of Payment of Cost Savings. The Cost Savings for the Project shall become due and payable by Developer to Agency after receipt by Developer of the final Tax Credit equity and completion of construction, but not later than sixty (60) days after Developer receives its final Tax Credit equity payment for the Project, and such Cost Savings shall be paid in a lump sum as a principal payment toward the Agency Loan balance.

7. GROUND LEASE OF PROPERTY

7.1 Agreement. Agency, subject to the conditions set forth in Section 7.2 below, agrees to ground lease to Developer, and Developer, subject to the conditions set forth in Section 7.3 below, agrees to ground lease from Agency, the Property pursuant to the Ground Lease.

7.2 Conditions for Agency's Benefit. Agency's obligation to ground lease the Property to Developer shall be subject to satisfaction of the following conditions precedent:

(a) Final Approval of Project Budget. The Executive Director, Developer, Construction Lender and Investor shall have approved the Project Budget, including, without limitation, the amount of the Development Fee and the terms and conditions of payment thereof.

(b) Evidence of Project Financing. The Executive Director has received and reasonably approved the following:

(i) Construction Loan. True and complete copies of the Construction Loan documents evidencing the obligation of an Institutional Lender, subject only to reasonable and customary conditions, to make the Construction Loan to Developer.

(ii) Tax Credit Financing. Documentary evidence reasonably acceptable to the Executive Director that Developer has committed, or caused to be committed, funds from the sale of the Tax Credits (the "Tax Credit Funds") to construction of the Project, which commitment may be subject only to reasonable and customary conditions.

(iii) Take-Out Loan Commitment. A commitment from an Institutional Lender, subject only to reasonable and customary conditions, pursuant to which said lender agrees to make a permanent loan to Developer, with a term of not less than fifteen (15) years, in sum sufficient, when added to any Tax Credit Funds to be disbursed for such purpose, to take-out any existing short-term financing.

(iv) Disbursement of Agency Loan. A Project Financing Disbursement Agreement shall have been fully executed and a copy thereof delivered to Agency.

(c) General Contractor. The general contractor for the Project (the "General Contractor") shall have been approved by the Executive Director. The Agency hereby approves Consolidated Contracting as the General Contractor, provided that the financial status, principal personnel and management, and reputation of Consolidated Contracting does not adversely change during the period commencing on the Effective Date and ending on the date of the Property Closing.

(d) Construction Contract. Agency shall have received a true and complete copy of a contract by and between Developer and the General Contractor pursuant to which the General Contractor has agreed to construct the Housing Development at a cost consistent with the costs set forth therefor in the Project Budget (the "Construction Contract") and the Executive Director shall have approved said Construction Contract.

(e) Final Construction Documents. City shall have approved the Final Construction Documents for the Project and Agency has received a full set thereof.

(f) Public Improvements Contractor; Public Improvements Contract. The contractor selected by Developer to construct the Public Improvements (the "Public Improvements Contractor") shall have been approved by the Executive Director, and Agency shall have received a true and complete copy of a contract by and between Developer and the Public Improvements Contractor pursuant to which the Public Improvements Contractor has agreed to construct the Public Improvements at a cost consistent with the costs set forth therefor in the Project Budget (the "Public Improvements Contract"), which Public Improvements Contract shall have been approved by the Executive Director.

(g) Completion Bond. If the Construction Lender or the Investor require that a completion bond be posted by the General Contractor and/or by the Public Improvements Contractor, then such completion bond shall name Agency as a co-obligee.

(h) Completion Guaranty. If the Construction Lender or the purchaser of the Tax Credits require a completion guaranty from Developer, or any Affiliate thereof, then Agency shall have also received a completion guaranty from Developer in similar form and content.

(i) Building Permit. The Building Permit for the Project shall have issued or shall be ready to issue upon only payment of a sum certain.

(j) Construction to Commence. The Executive Director shall be reasonably satisfied that construction of the Project will commence not later than ten (10) days after the Property Closing and will thereafter be completed in a diligent and continuous manner.

(k) Assignment of Final Construction Documents. Developer shall, by an instrument substantially in the form attached hereto and incorporated herein as Attachment No. 4, have conditionally assigned to Agency the Final Construction Documents for the Project, which assignment shall be subordinated to any pledge or assignment to the Construction Lender. Developer shall have also delivered to Agency, in the form included as part of said Attachment No. 4, the written consent of the other party to each such Final Construction Document to said assignment, including, without limitation, to the use by Agency of the Final Construction Documents, as well as the ideas, designs, and concepts contained within them.

(l) Assignment of Construction Contract. Developer shall, by an instrument substantially in the form attached hereto and incorporated herein as Attachment No. 4, have conditionally assigned to Agency the Construction Contract, including obtaining the consent thereto of the General Contractor, which assignment shall be subordinated to any pledge or assignment to the Construction Lender.

(m) Management Plan. Executive Director has received from Developer and reasonably approved a comprehensive management plan for the Project.

(n) Management Agreement. Executive Director shall have received and reasonably approved an executed agreement by and between Developer and a property manager approved by the Agency for management of the Project (the "Management Agreement"), which Management Agreement shall be consistent with this Agreement and the requirements of Section 7 of the Agency Regulatory Agreement.

(o) Lot Line Adjustment. The Lot Line Adjustment shall have been recorded in the Official Records.

(p) Request for Notice of Default. Escrow Holder shall be ready to record a request for notice of default pursuant to Civil Code Section 2924(b), requesting that any beneficiaries of liens senior to the Agency Deed of Trust and Agency Regulatory Agreement notify Agency of any default under the instrument creating the lien (the "Request for Notice").

(q) Documents Executed. Developer shall have duly executed the Ground Lease, Memorandum of Ground Lease, Agency Deed of Trust, Agency Regulatory Agreement, and Notice of Affordability, with signatures acknowledged (as applicable) and deposited them into Escrow.

(r) Title Policy. Title Company is prepared to issue its LP-10 loan policy of title insurance naming Agency as the insured, in a policy amount not less than the principal amount of the Agency Loan, showing Developer as holding leasehold title to the Property and insuring the Agency Deed of Trust to be a valid lien on the Property subject only to exceptions approved by the Agency (the "Agency Title Policy").

(s) Representations and Warranties. The representations of Developer contained in this Agreement shall be correct in all material respects as of the Property Closing as though made on and as of that date and, if requested by the Executive Director, Agency shall have received a certificate to that effect signed by Developer.

(t) No Default. No Event of Default by Developer shall then exist, and no event shall then exist which, with the giving of notice or the passage of time or both, would constitute an Event of Default by Developer and, if requested by the Executive Director, Agency shall have received a certificate to that effect signed by Developer.

7.3 Condition for Developer's Benefit. Developer's obligation to ground lease the Property from Agency shall be subject to satisfaction of the following conditions precedent:

(a) Land Use Entitlements. The Property shall be satisfactorily entitled for the land use required by this Agreement.

(b) Property Vacant. The Property shall be free of any occupants.

(c) Project Budget. The Executive Director, Developer, Construction Lender, and Investor shall have approved the Project Budget.

(d) Building Permit. The Building Permit for the Project shall have issued or is ready to issue upon only payment of a sum certain.

(e) Evidence of Project Financing. The Executive Director has received and reasonably approved the following:

(i) Construction Loan. True and complete copies of the Construction Loan documents evidencing the obligation of an Institutional Lender, subject only to reasonable and customary conditions, to make the Construction Loan to Developer.

(ii) Tax Credit Financing. Documentary evidence reasonably acceptable to the Executive Director that Developer has committed, or caused to be committed, the Tax Credit Funds, which commitment may be subject only to reasonable and customary conditions.

(iii) Take-Out Loan Commitment. A commitment from an Institutional Lender (including, without limitation, the Construction Lender), subject only to reasonable and customary conditions, pursuant to which said lender agrees to make a permanent loan to Developer (or to convert the Construction Loan to its permanent phase), with a term of not less than fifteen (15) years, in sum sufficient, when added to any Tax Credit Funds to be disbursed for such purpose, to take-out (or convert) any existing short-term financing.

(iv) Disbursement of Agency Loan. A Project Financing Disbursement Agreement shall have been fully executed and a copy thereof delivered to Developer.

(f) Lot Line Adjustment. The Lot Line Adjustment shall have been recorded in the Official Records.

(g) Condition of Title. Developer shall have approved of the condition of title to the Property. With respect thereto, Developer shall, within fifteen (15) days after the Effective Date, cause the Title Company to provide to Developer a Preliminary Title Report, with copies of all exceptions noted therein (the "Report"). Developer intends to obtain a survey reflecting the Lot Line Adjustment. Developer shall have thirty (30) days after the Effective Date to notify Agency of approval or disapproval of any of the exceptions in the Report or of anything shown by the Survey. If Developer objects to any exception or exceptions in the Report or anything shown by the Survey, Agency shall notify Developer within ten (10) days whether or not Agency will cause such exception, or such objectionable item shown by the Survey, to be removed by the Property Closing. If Agency declines to cause any such exception or such objectionable item shown by the Survey, to be removed, Developer shall, within ten (10) days, elect either to waive the exception and/or objection or terminate this Agreement by written notice to Agency. From and after the Effective Date and continuing until the earlier of (i) the Close of the Property Escrow; and (ii) termination of this Agreement, the Agency shall not further encumber the Property with additional exceptions to title or matters which would be shown on a Survey, without the Developer's prior written consent.

(h) Title Insurance. The Title Company shall be prepared to issue its ALTA leasehold form policy of title insurance, with liability in the amount of the total of the equity raised from the sale of the Tax Credits plus the principal amounts of the Take-Out Loan and Agency Loan, showing leasehold title to the Property and fee title to the improvements located thereon vested in Developer, subject only to the lien of the Construction Loan Security Documents, the Project Documents, and such other exceptions as Developer previously approved (the "Developer Title Policy").

(i) No Default. No Event of Default by Agency shall then exist, and no event shall then exist which, with only the giving of notice or the passage of time or both, would constitute an Event of Default by Agency.

7.4 Developer Right to Terminate. Prior to the Property Closing, Developer, if it is not then in material default under this Agreement (subject to the notice and cure provisions of Section 13.1), may terminate this Agreement by giving thirty (30) days' written notice to Agency

if, by the time provided in the Schedule of Performance, any of the conditions set forth in Section 7.3 have not been satisfied.

7.5 Agency Right to Terminate. Prior to the Property Closing, Agency, if it is not then in material default under this Agreement (subject to the notice and cure provisions of Section 13.1), may terminate this Agreement by giving thirty (30) days' written notice to Developer if, by the time provided in the Schedule of Performance, any of the conditions set forth in Section 7.2 have not been satisfied.

7.6 Waiver of Conditions. The conditions set forth in Section 7.2 are for Agency's benefit only and the Executive Director may waive all or any part of such rights by written notice to Developer. The conditions set forth in Section 7.3 are for Developer's benefit only and Developer may waive all or any part of such rights by written notice to Agency.

7.7 "AS-IS". Developer acknowledges and agrees that it is leasing the Property solely in reliance on its own investigation, and that no representations and/or warranties of any kind whatsoever, express or implied, have been made by Agency, or by its officers, employees, representatives or agents. Subject to Section 7.8, Developer further acknowledges and agrees that Developer will be leasing the Property in "AS IS" condition with all faults and conditions then existing in and on the Property, whether known or unknown; provided that the foregoing shall not constitute a release of Agency under any statute or common law theory. Notwithstanding the foregoing, Agency acknowledges and agrees that neither this Section 7.7, nor any other term, provision or condition of this Agreement obligates Developer, as between it and Agency, and prior to the Property Closing, to remediate, or to incur any cost to remediate, any Hazardous Materials that were released or existed on the Property prior to the Property Closing. In the event that Hazardous Materials are so discovered, disposition of the situation shall be governed by the conditions set forth in Section 7.8. Developer acknowledges and agrees that, as between it and Agency, nothing in this Agreement or in the Ground Lease shall ever be deemed, construed or interpreted to obligate Agency to remediate, or to incur any expense to remediate, any Hazardous Materials discovered on the Property either before or after the Property Closing unless and until Agency expressly agrees to do so in writing.

7.8 Developer Right to Terminate. If, prior to the expiration of the Due Diligence Period, Developer discovers Hazardous Materials the cost of remediation of which exceeds the limits of any applicable insurance policy, then Developer, subject to the condition set forth below, shall have the right, prior to the Property Closing, to terminate this Agreement by thirty (30) days' notice to Agency. Developer's right so to terminate this Agreement shall be subject to the condition precedent that Developer first have (a) submitted to Agency any and all information then available to Developer as to the nature and scope of the Hazardous Materials discovered and as to the cost estimated to remediate them, if any such cost estimate exists, and (b) offered to Agency the right, within fifteen (15) days after receipt of said statement, or such longer period of time as may reasonably be required by Agency to obtain competitive bids for the work, to elect, at its sole and absolute discretion, to cause such work to be performed, at Agency's sole cost and expense, to the reasonable satisfaction of Developer. If Agency so elects and causes such work to be performed as soon as reasonably possible, then Developer shall not have the right to terminate this Agreement under this Section 7.8.

8. PROPERTY CLOSING; ESCROW EXPENSES

8.1 Property Closing. Upon receipt by the Escrow Holder of (i) the Memorandum of Ground Lease, and (ii) all other funds and documents required to conduct the Property Closing in accordance with this Agreement, and when the conditions precedent described in Section 7.2 have been satisfied or waived by the Executive Director, and the conditions precedent described in Section 7.3 have been satisfied or waived by Developer, the Escrow Holder shall take all of the following actions:

(a) Recordation. Escrow Holder shall, in the following order, record in the Official Records:

(i) the Memorandum of Ground Lease;

(ii) the Agency Regulatory Agreement;

(iii) the Construction Loan Security Documents;

(iv) the Agency Deed of Trust;

(v) the Request for Notice;

(vi) the Notice of Affordability; and

(vii) such other documents required to close the Escrow in accordance with this Agreement;

(b) Deliveries to Agency. Escrow Holder shall deliver to Agency:

(i) a conformed copy of each of the documents recorded pursuant to paragraph (a) above;

(ii) the Agency Title Policy;

(c) Deliveries to Developer. Escrow Holder shall deliver to Developer:

(i) a conformed copy of the Memorandum of Ground Lease; and

(ii) the Developer Title Policy.

8.2 Expenses of Developer. Developer shall pay: (a) any and all documentary transfer taxes and recording fees arising from the leasehold conveyance of the Property from Agency to Developer by the Ground Lease, (b) the Escrow fee, (c) the premium for the Agency Title Policy and Developer Title Policy, and (d) all such other costs and expenses related to the Escrow and not expressly provided for herein.

8.3 Instruction to Escrow Holder Regarding Waiver of Transfer Taxes and Recording Fees. The Escrow Holder is hereby instructed to seek such waivers and exemptions from

transfer taxes and recording fees as are available pursuant to Revenue and Taxation Code Section 11922 and Government Code Sections 6103 and 27383, respectively.

8.4 Broker's Commissions. Developer represents and warrants that it has not engaged any broker, agent or finder in connection with this Agreement, and Developer agrees to indemnify, protect, hold harmless, and defend the Indemnitees from any claim by any brokers, agents or finders retained by Developer.

9. OTHER ESCROW INSTRUCTIONS

9.1 Funds in Escrow. All funds received in the Escrow shall be deposited by the Escrow Holder in a general escrow account with any state or national bank doing business in the State of California and reasonably approved by the Executive Director and Developer, and such funds may be combined with other escrow funds of the Escrow Holder. All disbursements shall be made on the basis of a thirty (30) day month.

9.2 Failure to Close. If the Property Closing does not occur on or before the Outside Closing Date (subject to Section 17.11 below), any party who then shall have fully performed the acts to be performed before the conveyance of a leasehold interest may, in writing, demand the return of its money, papers, or documents from the Escrow Holder. No demand for return shall be recognized until fifteen (15) days after the Escrow Holder (or the party making such demand) shall have mailed copies of such demand to the other party. Objections, if any, shall be raised by written notice to the Escrow Holder and to the other party within the fifteen (15) day period, in which event the Escrow Holder is authorized to hold all money, papers and documents until instructed by mutual agreement of the parties or, upon failure thereof, by a court of competent jurisdiction. If no such demands are made, the Escrow Holder shall conduct the Property Closing as soon as possible.

If objections are raised in the manner provided above, the Escrow Holder shall not be obligated to return any such money, papers or documents except upon the written instructions of both the Executive Director and Developer, or until the party entitled thereto has been determined by a final decision of a court of competent jurisdiction. If no such objections are made within said fifteen (15) period, the Escrow Holder shall immediately return the demanded money, papers or documents.

9.3 Amendments. Any amendment to these Escrow instructions shall be in writing and signed by the Executive Director or Agency Counsel and Developer. At the time of any amendment, the Escrow Holder shall agree to carry out its duties as the Escrow Holder under such amendment.

9.4 Notices. All Notices from the Escrow Holder to Agency or Developer shall be given in the manner provided in Section 14.

9.5 Liability. The liability of the Escrow Holder under this Agreement is limited to performance of the obligations imposed upon it under Sections 6, 8 and 9.

10. DEVELOPMENT OF THE PROJECT

10.1 Scope of Development. The Developer shall construct the Project on the Property in accordance with the Scope of Development. Subject to Section 17.11 below, the Developer shall commence and complete construction of the Project on the Property by the respective times established therefore in the Schedule of Performance. The Scope of Development shall be deemed to include any plans and specifications submitted to the City and/or Agency for approval, and shall incorporate or show compliance with all mitigation measures.

10.2 Site Development Permit. By the time set forth therefor in the Schedule of Performance, the Developer shall prepare and submit to the City for its approval an application for a Site Development Permit and related documents which conform to the requirements of the City and which contain the overall plan for development of the Project in sufficient detail to enable the City to evaluate the proposal for conformity to the requirements of the La Quinta Municipal Code and this Agreement. The landscaping and finish grading plans shall be prepared by a professional landscape architect or registered civil engineer who may be the same firm as the Developer's architect or civil engineer. During the preparation of all drawings and plans, staff of the Agency and the Developer shall hold regular progress meetings to coordinate the preparation of, submission to, and review of drawings, plans and related documents by the City. The staff of the Agency and the Developer shall communicate and consult informally as frequently as is necessary to insure that the formal submittal of any documents to the Agency can receive prompt and speedy consideration.

10.3 Review and Approval of Plans, Drawings, and Related Documents. The Agency and the City shall have the right to conduct all planning for the Project, including plan check, and review of all plans and submissions, including any changes therein. During each stage of the processing of plans for the Project, the Agency and the City shall have the right to require additional information and the Agency shall advise the Developer, in writing, if any submittal of plans or drawings is not substantially complete or not in accordance with City/Agency procedures and/or requirements. If the Agency or the City determines that such a submittal is not substantially complete or not in accordance with procedures, such tender shall not be deemed to constitute a submittal for purposes of satisfying the Schedule of Performance. If the Developer desires to make any material changes in the construction plans after their approval by the Agency and/or the City, the Developer shall submit the proposed change to the Agency and the City for their approval. If the construction plans, as modified by the proposed change, conform to the requirements of this Section 10.3 and the Scope of Development, the Agency shall approve, and shall use commercially reasonable efforts to cause City to approve, the proposed change, and shall notify the Developer in writing within thirty (30) days after submission to the Agency and the City.

10.4 Cost of Development. With the exception of the Agency Loan that the Agency has agreed to provide Developer hereunder to assist Developer with the costs to construct the Housing Development all Project Costs shall be borne exclusively by the Developer. The Developer shall also bear all costs related to discharging the duties of the Developer set forth in this Agreement. The Developer shall be responsible for all fees associated with development of the Project, including, but not limited to, school facilities fees and development impact fees.

Notwithstanding anything herein to the contrary, no Agency Loan proceeds shall be used to fund the construction of the Public Improvements. Developer shall fund the construction of such improvements with funds received from other Project Financing funding sources. The Public Improvements shall be constructed pursuant to the Public Improvements Contract, which shall be separate and distinct from the Construction Contract.

10.5 Indemnity. Developer shall defend (by counsel satisfactory to Agency), assume all responsibility for and hold the Agency and the City, and their respective officers, officials, members, agents, representatives, and employees, harmless from all claims or suits for, and damages to, property and injuries to persons, including accidental death (including expert witness fees, attorneys fees and costs), which may be caused by the activities or performance of Developer or any of Developer's employees, agents, representatives, contractors, or subcontractors under (i) this Agreement, (ii) the making of the Agency Loan; (iii) a claim, demand or cause of action that any person has or asserts against Developer; (iv) any act or omission of Developer, any of Developer's contractors, subcontractors or material suppliers, engineers, architects or other persons with respect to the Property; or (v) the leasehold, occupancy or use of the Property by Developer, whether such damage shall accrue or be discovered before or after termination of this Agreement. The obligations and indemnifications in this Section 10.5 shall constitute covenants running with the land.

10.6 Insurance Requirements.

(a) Commencing on the date of the Property Closing and continuing throughout the term of the Ground Lease, the Developer shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to the Agency's Executive Director, the following policies of insurance:

(i) Commercial General Liability Insurance covering bodily injury, property damage, personal injury and advertising injury written on a per-occurrence and not a claims-made basis containing the following minimum limits: (i) general aggregate limit of Three Million Dollars ($3,000,000); (ii) products-completed operations aggregate limit of Three Million Dollars ($3,000,000); (iii) personal and advertising injury limit of One Million Dollars ($1,000,000); and (iv) each occurrence limit of One Million Dollars ($1,000,000). Said policy shall include the following coverages: (i) blanket contractual liability (specifically covering the indemnification clause contained in Section 10.5 hereof); (ii) products and completed operations; (iii) independent contractors; (iv) Owner's broad form property damage; (v) severability of interest; (vi) cross liability; and (vii) property damage liability arising out of the so-called "XCU" hazards (explosion, collapse and underground hazards). The policy shall be endorsed to have the general aggregate apply to this Project only.

(ii) A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California and which shall indemnify, insure, and provide legal defense for the Agency and the Developer against any loss, claim or damage arising from any injuries or occupational diseases occurring to any worker employed by or any persons retained by the

Developer in the course of carrying out the work or services contemplated in this Agreement, and Employers Liability Insurance in an amount not less than One Million Dollars ($1,000,000) combined single limit for all damages arising from each accident or occupational disease.

(iii) A policy of comprehensive automobile liability insurance written on a per-occurrence basis in an amount not less than Three Million Dollars ($3,000,000) combined single limit covering all owned, non-owned, leased and hired vehicles used in connection with the Work.

(b) Commencing on the Date of the Property Closing and continuing until the Agency issues a Release of Construction Covenants for the Project, the Developer shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to the Agency's Executive Director, Builder's Risk (course of construction) insurance coverage in an amount equal to the full cost of the hard construction costs of the Project. Such insurance shall cover, at a minimum: all work, materials, and equipment to be incorporated into the Project; the Project during construction; the completed Project until such time as the City issues a final certificate of occupancy for the Project, and storage and transportation risks. Such insurance shall protect/insure the interests of Developer/owner and all of Developer's contractor(s), and subcontractors, as each of their interests may appear. If such insurance includes an exclusion for "design error," such exclusion shall only be for the object or portion which failed. Agency shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement

(c) Developer shall cause any general contractor with whom it has contracted for the performance of work on the Property to secure, prior to commencing any activities hereunder and maintain insurance that satisfies all of the requirements of this Section 10.6.

(d) Commencing on the date Agency issues a Release of Construction Covenants, and continuing throughout the term of the Ground Lease, Developer shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to Agency's Executive Director, the following types of insurance:

(i) Insurance against fire, extended coverage, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in Riverside County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. The above insurance policy or policies shall include coverage for earthquakes to the extent generally and commercially available at commercially reasonable rates, if such insurance is generally obtained for affordable housing developments in the counties of Riverside or San Bernardino. Agency shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

(ii) Business interruption and extra expense insurance to protect Developer and Agency covering loss of revenues and/or extra expense incurred

(iii) Boiler and machinery insurance in the aggregate amount of the full replacement value of the equipment typically covered by such insurance.

(e) The following additional requirements shall apply to all of the above policies of insurance:

(i) All of the above policies of insurance shall be primary insurance and, except the Worker's Compensation, Employer Liability insurance, and automobile liability insurance, shall name the Indemnitees as additional insureds on an ISO Form CG 20:10 (current version) or substantially similar form and not an ISO Form CG 20:09. The insurer shall waive all rights of subrogation and contribution it may have against the Indemnitees and their respective insurers. All of said policies of insurance shall provide that said insurance may not be amended or cancelled without providing thirty (30) days' prior written notice to the Agency. In the event any of said policies of insurance are cancelled, the Developer shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section to the Executive Director. Not later than the Effective Date, the Developer shall provide the Executive Director with Certificates of Insurance or appropriate insurance binders evidencing the above insurance coverages and said Certificates of Insurance or binders shall be subject to the reasonable approval of the Executive Director.

(ii) The policies of insurance required by this Agreement shall be satisfactory only if issued by companies of recognized good standing authorized to do business in California, rated "A-" or better in the most recent edition of Best Rating Guide, The Key Rating Guide or in the Federal Register, and only if they are of a financial category Class VII or better, unless such requirements are waived by the Executive Director, in consultation with the City's Risk Consultant through the California Joint Powers Insurance Authority, due to unique circumstances.

(iii) The Executive Director, in consultation with the City's Risk Consultant through the California Joint Powers Insurance Authority, is hereby authorized to reduce or otherwise modify Developer's insurance requirements set forth herein in the event they collectively determine, in their sole and absolute discretion, that such reduction or modification is consistent with reasonable commercial practices.

(iv) The Developer agrees that the provisions of this Section shall not be construed as limiting in any way the Agency's right to indemnification or the extent to which the Developer may be held responsible for the payment of damages to any persons or property resulting from the Developer's activities or the activities of any person or persons for which the Developer is otherwise responsible.

10.7 Remedies for Defaults Re: Insurance. In addition to any other remedies the Agency may have, if Developer commits a default hereunder by failing to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, the Agency may at its sole option, and after delivery of written notice to Developer and expiration of a fifteen (15) day cure period, obtain such insurance and deduct the amount of the premium for such insurance from any sums due to Developer by the Agency from the Agency Loan; provided, however, that if Agency's Executive Director reasonably determines that the Developer, Property, and/or Project will be uninsured or under-insured in the absence of such insurance, then Agency need not provide for any cure period in its notice of default to Developer, but may instead obtain such insurance immediately upon its provision of such notice. Exercise of the remedy set forth herein, however, is an alternative to other remedies the Agency may have and is not the exclusive remedy for Developer's failure to maintain insurance or secure appropriate endorsements.

10.8 Obligation to Repair and Restore Damage Due to Casualty Covered by Insurance. If the Project shall be totally or partially destroyed or rendered uninhabitable by fire or other casualty required to be insured against by Developer, Developer shall promptly proceed to obtain all available insurance proceeds and, to the extent proceeds are available, take all steps necessary to begin reconstruction and, immediately upon receipt of insurance proceeds, to promptly and diligently commence the repair or replacement of the Project to substantially the same condition as it existed prior to the casualty and Developer shall complete or cause to be completed the same as soon as possible thereafter so that the Project can be operated in accordance with this Agreement. The Agency shall cooperate with Developer, at no expense to the Agency, in obtaining any governmental permits required for the repair, replacement, or restoration.

10.9 City and Other Governmental Agency Permits. Before commencement of construction or development of any buildings, structures or other works of improvement upon the Property or in connection with the construction of any Public Improvement, the Developer shall, at its own expense, secure or cause to be secured any and all permits which may be required by the City or any other governmental agency affected by or with jurisdiction over such construction, development or work. Developer shall pay all necessary fees and timely submit to the City Final Construction Documents with final corrections to obtain a Building Permit; the Agency will, without obligation to incur liability or expense therefor, use its reasonable efforts to expedite issuance of building permits and certificates of occupancy for construction that meets the requirements of the La Quinta Municipal Code.

10.10 Rights of Access. For purposes of assuring compliance with this Agreement, representatives of the Agency and the City shall have the right of access to the Property without charges or fees, at normal business hours during the construction of the Project, including, but not limited to, the inspection of the work being performed in constructing the Project, so long as

they comply with all safety rules. Such representatives of the Agency or of the City shall be those who are so identified in writing by the Executive Director of the Agency. The Agency shall hold the Developer harmless from any bodily injury or related damages arising out of the activities of the Agency and the City as referred to in this Section 10.10.

10.11 Compliance with Laws; Compliance with Prevailing Wage Laws.

(a) Compliance with Laws. The Developer shall carry out the construction, development and operation of the Project in conformity with all applicable laws, including all applicable state labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City's Municipal Code, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, et seq., Government Code Section 4450, et seq., Government Code Section 11135, et seq., and the Unruh Civil Rights Act, Civil Code Section 51, et seq., and any other applicable Governmental Requirements.

(b) Compliance with Prevailing Wage Laws.

(i) Developer shall carry out the construction through completion of the Project and the overall development of the Property in conformity with all applicable federal, state and local labor laws and regulations, including, without limitation, if applicable, the requirements to pay prevailing wages under federal law (the Davis-Bacon Act, 40 U.S.C. Section 3141, et seq., and the regulations promulgated thereunder set forth at 29 CFR Part 1 (collectively, "Davis-Bacon")) and California law (Labor Code Section 1720, et seq.). The parties acknowledge that a financing structure utilizing certain federal and/or state funding sources and financing scenarios may trigger compliance with applicable state and federal prevailing wage laws and regulations. Subject to the subparagraph (ii) below, which requires Developer to pay prevailing wages for construction of the Public Improvements, Developer shall determine the applicability of federal, state and local prevailing wage laws based upon the final financing structure and sources of funding of the Project, as approved by the Agency Executive Director.

(ii) Notwithstanding anything herein to the contrary, Developer hereby expressly acknowledges and agrees that the Agency hereby states to Developer and its contractor(s) for the construction or development of the Public Improvements, that the construction or development of the Public Improvements is a "public work" as defined in Section 1720 of the Labor Code. Developer shall have the obligation to provide any and all disclosures or identifications required by Labor Code Section 1781 and/or by Davis Bacon, as the same may be amended from time to time, or any other similar law or regulation. Developer shall indemnify, protect, pay for, defend and hold harmless the Indemnitees, with legal counsel reasonably acceptable to Agency and City, from and against any and all loss, liability, damage, claim, cost, expense and/or "increased costs" (including reasonable attorneys' fees, court and litigation costs, and fees of expert witnesses) which, in connection with the development or construction (as defined by applicable law) of the Public Improvements, including, without limitation, any

and all public works (as defined by applicable law), results or arises in any way from any of the following: (1) the noncompliance by Developer or its contractor with any applicable local, state and/or federal law or regulation, including, without limitation, any applicable federal and/or state labor laws or regulations (including, without limitation, if applicable, the requirement to pay state and/or federal prevailing wages and hire apprentices); (2) the implementation of Section 1781 of the Labor Code and/or Davis Bacon, as the same may be amended from time to time, or any other similar law or regulation; and/or (3) failure by Developer to provide any required disclosure or identification as required by Labor Code Section 1781 and/or Davis Bacon, as the same may be amended from time to time, or any other similar law or regulation. It is agreed by the parties that, in connection with the development and construction (as defined by applicable law) of the Public Improvements, including, without limitation, any and all public works (as defined by applicable law), Developer shall bear all risks of payment or non-payment of prevailing wages under California law and/or the implementation of Labor Code Section 1781, as the same may be amended from time to time, and/or any other similar law. The foregoing indemnity shall survive termination of this Agreement and shall continue after completion of the construction and development of the Public Improvements by Developer.

(iii) Subject to the representations and warranties set forth in subparagraph (iv) below, the Developer shall be solely responsible, expressly or impliedly and legally and financially, for determining and effectuating compliance with all applicable federal, state and local public works requirements, prevailing wage laws, and labor laws and standards, and, except as provided in subparagraph (iv) below, the Agency makes no representation, either legally and/or financially, as to the applicability or non-applicability of any federal, state and local laws to the construction of the Housing Development, including all onsite improvements. The Developer expressly, knowingly and voluntarily acknowledges and agrees that neither the Agency nor City have previously represented to the Developer or to any representative, agent or Affiliate of Developer, or any contractor(s) or any subcontractor(s) for the construction or development of the Project, in writing or otherwise, in a call for bids or otherwise, that the work and construction of the Housing Development is (or is not) a "public work," as defined in Section 1720 of the Labor Code or under Davis-Bacon.

(iv) Notwithstanding the foregoing, the Agency hereby represents and warrants to the Developer, its successors and assigns, that all funds used by the Agency in connection with this Agreement and the transactions contemplated hereby, including, without limitation, funds used and to be used by the Agency to acquire each and every component of the Property, funds used and to be used to pay for relocation and demolition of existing improvements on the Property, if any, and funds used and to be used to fund the Agency Loan, are completely and accurately described in the letter prepared by Frank Spevacek dated _____ _____, which was delivered to Developer prior to the Effective Date. The Agency understands and agrees that the Developer will materially rely on the foregoing warranties in its determination as to whether prevailing wages are

required in the construction of the Housing Development pursuant to California law or Davis-Bacon and specifically, without limitation, whether the funds used by the Agency in connection with this Agreement and the transactions contemplated hereby solely constitute moneys from a Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the California Health and Safety Code, all within the meaning of Section 1720(c)(4) of the California Labor Code.

(v) The Developer knowingly and voluntarily agrees that the Developer shall have the obligation to provide any and all disclosures or identifications as required by Labor Code Section 1781 and/or by Davis Bacon, as the same may be amended from time to time, or any other similar law or regulation. If and only if the representation and warranty provided by the Agency to the Developer in subparagraph (iv) above remains true, correct and complete in every respect, the Developer shall indemnify, protect, pay for, defend and hold harmless the Indemnitees, with legal counsel reasonably acceptable to City and Agency, from and against any and all loss, liability, damage, claim, cost, expense and/or "increased costs" (including reasonable attorneys fees, court and litigation costs, and fees of expert witnesses) which, in connection with the development, construction (as defined by applicable law) and/or operation of the Housing Development, including, without limitation, any and all public works (as defined by applicable law), results or arises in any way from any of the following: (i) the noncompliance by the Developer or its contractor with any applicable local, state and/or federal law or regulation, including, without limitation, any applicable federal and/or state labor laws or regulations (including, without limitation, if applicable, the requirement to pay state and/or federal prevailing wages and hire apprentices); (ii) the implementation of Section 1781 of the Labor Code and/or of Davis Bacon, as the same may be amended from time to time, or any other similar law or regulation; and/or (iii) failure by the Developer to provide any required disclosure or identification as required by Labor Code Section 1781 and/or by Davis Bacon, as the same may be amended from time to time, or any other similar law or regulation. If and only if the representation and warranty provided by the Agency to the Developer in subparagraph (iv) above remains true, correct and complete in every respect, it is agreed by the parties that, in connection with the development and construction (as defined by applicable law or regulation) of the Housing Development, including, without limitation, any and all public works (as defined by applicable law or regulation), the Developer shall bear all risks of payment or non-payment of prevailing wages under applicable federal, state and local law or regulation and/or the implementation of Labor Code Section 1781 and/or by Davis Bacon, as the same may be amended from time to time, and/or any other similar law or regulation. The foregoing indemnity shall survive termination of this Agreement and shall continue after completion of the construction and development of the Housing Development by the Developer.

(vi) "Increased costs," as used in this Section 10.11, shall have the meaning ascribed to it in Labor Code Section 1781, as the same may be amended from time to time.

10.12 Anti-Discrimination. Pursuant to Section 33050 of the California Community Redevelopment Law, the Developer for itself and its successors and assigns, agrees, that in the construction of the Project on the Property or other performance under this Agreement, the Developer shall not discriminate against any employee or applicant for employment on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955 and Section 12955.2 of the Government Code.

10.13 Taxes and Assessments. Developer shall pay prior to delinquency all real estate taxes and assessments on the Property so long as the Developer retains any interest thereon. Notwithstanding the above, the Developer shall have the right to contest the validity or amounts of any tax, assessment, or encumbrance available to the Developer in respect thereto, or obtain any available exemptions.

10.14 Right of the Agency to Satisfy Other Liens on the Property(s). At any time prior to the completion of construction, and after the Developer has had written notice and has failed after a reasonable time, but in any event not less than forty-five (45) days, to challenge, cure, adequately bond against, or satisfy any liens or encumbrances on the Property which are not otherwise permitted under this Agreement, the Agency shall have the right but no obligation to satisfy any such liens or encumbrances. Notwithstanding the above, the Developer shall have the right to contest the validity or amounts of any tax, assessment, or encumbrance available to the Developer in respect thereto.

10.15 Nonliability of Agency. Developer acknowledges and agrees that:

(a) Agency neither undertakes nor assumes any responsibility to review, inspect, supervise, approve (other than for aesthetics) or inform Developer of any matter in connection with the Project, including matters relating to: (i) the Final Construction Documents, (ii) architects, contractors, subcontractors and materialmen, or the workmanship of or materials used by any of them, and/or (iii) the progress of the Project and its conformity with the Final Construction Documents; and Developer shall rely entirely on its own judgment with respect to such matters and acknowledge that any review, inspection, supervision, approval or information supplied to Developer by Agency in connection with such matters is solely for the protection of Agency and that neither Developer nor any third party is entitled to rely on it;

(b) Notwithstanding any other provision of this Agreement: (i) Agency is not a partner, joint venturer, alter-ego, manager, controlling person or other business associate or participant of any kind of Developer and Agency does not intend to ever assume any such status; (ii) Agency shall not be deemed responsible for or a participant in any acts, omissions or decisions of Developer;

(c) Agency shall not be directly or indirectly liable or responsible for any loss or injury of any kind to any person or property resulting from any construction on, or occupancy or use of, the Property whether arising from: (i) any defect in any building, grading, landscaping or other onsite or offsite improvement; (ii) any act or omission of Developer or any of Developer's agents, employees, contractors, licensees or invitees; or (iii) from and after the

Property Closing any accident on the Property or any fire or other casualty or hazard thereon not caused by the Indemnitees; and

(d) By accepting or approving anything required to be performed or given to Agency under this Agreement, including any certificate, financial statement, survey, appraisal or insurance policy, Agency shall not be deemed to have warranted or represented the sufficiency or legal effect of the same, and no such acceptance or approval shall constitute a warranty or representation by Agency to anyone.

10.16 Release of Construction Covenants. Promptly after completion of construction of the Project by Developer in conformity with this Agreement, Agency shall furnish Developer with a Release of Construction Covenants upon written request therefor by Developer. Agency shall not unreasonably withhold such Release of Construction Covenants. Such Release of Construction Covenants shall be a conclusive determination of satisfactory completion of the construction required by this Agreement and the Release of Construction Covenants shall so state. The Release of Construction Covenants shall be in the form attached hereto as Attachment No.12 or such other similar form as to permit it to be recorded in the Official Records. If Agency refuses or fails to furnish a Release of Construction Covenants for the Project after written request from Developer, Agency shall, within fifteen (15) days of written request therefor, provide Developer with a written statement of the reasons Agency refused or failed to furnish the requested Release of Construction Covenants. The statement shall also contain Agency's opinion of the actions Developer must take to obtain the Release of Construction Covenants. If the reason for such refusal is confined to the immediate unavailability of specific items of materials for landscaping or other minor "punch list" items, Agency shall issue its Release of Construction Covenants upon the posting of cash, a bond, or other security acceptable to Agency in Agency's sole discretion by Developer with Agency in an amount representing the fair value of the work not yet completed, and Developer shall thereafter complete the "punch list" work within sixty (60) days of issuance of the Release of Construction Covenants. A Release of Construction Covenants shall not constitute evidence of compliance with or satisfaction of any obligation of Developer to any holder of any mortgage or any insurer of a mortgage securing money loaned to finance the improvements, or any part of this Agreement, or a release of any obligations under this Agreement which survives issuance of the Release of Construction Covenants. A Release of Construction Covenants is not a notice of completion as referred to in the California Civil Code Section 3093.

11. AFFORDABILITY COVENANTS

As more particularly provided in the Agency Regulatory Agreement, for a period of fifty-five (55) years, (i) thirty-six (36) of the dwelling units in the Project shall be rented to households whose incomes do not exceed the qualifying limits under California law for "very low income households" as established by HUD, and as published periodically by HCD; (ii) one hundred thirty-eight (138) of the dwelling units in the Project shall be rented to households whose incomes do not exceed the qualifying limits under California law for "lower income households" as established by HUD, and published periodically by HCD; and (ii) two (2) of the dwelling units in the Project (which units shall be the two (2) on-site manager's units) shall be rented to households whose incomes do not exceed the qualifying limits under California law for "persons and families of moderate income" as established by HUD, and as published periodically by HCD.

12. GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS

12.1 Developer's Formation, Qualification and Compliance. Developer represents and warrants that (a) it is validly existing and in good standing under the laws of the State of California, (b) it has all requisite authority to conduct its business and own and lease its properties, (c) it has all requisite authority to execute and perform its obligations under this Agreement, (d) this Agreement is binding upon Developer in accordance with its terms, and (e) the individuals executing this Agreement on behalf of Developer are duly authorized to execute and deliver this Agreement on behalf of Developer.

12.2 Litigation. Developer represents and warrants that there are no actions, lawsuits or proceedings pending or, to the best of Developer's knowledge, threatened against or affecting Developer, the adverse outcome of which could have a material adverse affect on Developer's ability to perform its obligations under this Agreement.

12.3 Developer's Covenants Regarding Adjacent Property. Developer acknowledges that Agency intends to sell the adjacent real property located directly to the north of the Property and identified on Attachment No. 1 as "Parcel 1" (the "Adjacent Property") to a commercial developer for development and subsequent operation thereon of a commercial use, including, without limitation, for possible use as an automobile dealership that would include, without limitation, sales facilities, a vehicle showroom, and service and repair facilities (the "Commercial Use"). Developer covenants that it will not, directly or indirectly, object to any applications or City and/or Agency approvals related to the Commercial Use. Agency shall not unreasonably withhold its consent to, and shall cooperate with, any request by Developer to remove dirt from the Adjacent Property for use as fill on the Property.

12.4 Agency. Agency represents and warrants that (a) it is validly existing and in good standing under the laws of the State of California, (b) it has all requisite authority to conduct its business and own and lease its properties, (c) it has all requisite authority to execute and perform its obligations under this Agreement, (d) this Agreement is binding upon Agency in accordance with its terms, and (e) the individuals executing this Agreement on behalf of Agency are duly authorized to execute and deliver this Agreement on behalf of Agency.

13. DEFAULTS AND REMEDIES

13.1 Event of Default. Any of the following events or occurrences with respect to either party shall constitute a material breach of this Agreement and, after the expiration of any applicable cure period, shall constitute an "Event of Default" by such party:

(a) The failure by either party to pay any amount in full when it is due under this Agreement, if the failure has continued for a period of fifteen (15) days after the party entitled to payment demands in writing that the other party cure that failure.

(b) The failure by either party to perform any other obligation under this Agreement, including, without limitation, under the other Project Documents, if the failure has continued for a period of thirty (30) days after demand in writing that such party cure the failure. If, however, by its nature the failure cannot reasonably be cured within thirty (30) days, such party may have such longer period of time as is reasonably necessary to cure the failure,

provided that such party commence said cure within said thirty (30)-day period, and thereafter diligently prosecute said cure to completion within ninety (90) days thereafter.

13.2 No Waiver. Except as otherwise expressly provided in this Agreement, any failure or delay by any party in asserting any of its rights or remedies as to any default shall not operate as a waiver of any default, or of any such rights or remedies, or deprive any such party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

13.3 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by any party of one or more of such rights or remedies shall not preclude the exercise by it, at the same time or different times, of any other rights or remedies for the same default or any other default by another party.

13.4 Attorneys' Fees. If either party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorneys' fees. If either party to this Agreement is required to initiate or defend litigation with a third party because of the violation of any term or provision of this Agreement by the other party, then the party so litigating shall be entitled to reasonable attorneys' fees from the other party to this Agreement. Attorneys' fees shall include attorney's fees on any appeal, and in addition a party entitled to attorney's fees shall be entitled to all other reasonable costs for investigating such action, retaining expert witnesses, taking depositions and discovery, and all other necessary costs incurred with respect to such litigation. All such fees shall be deemed to have accrued on commencement of such action and shall be enforceable whether or not such action is prosecuted to judgment.

13.5 Reimbursement of Agency. Subject to Section 13.4, Developer shall, within fifteen (15) days after written demand, reimburse Agency for all costs reasonably incurred by Agency (including the reasonable fees and expenses of attorneys, accountants, appraisers and other consultants) in connection with Agency enforcement of the Project Documents and all related matters, including, without limitation, the following: (a) Agency's commencement of, appearance in, or defense of any action or proceeding purporting to affect the rights or obligations of the parties to any Project Document; and (b) all claims, demands, causes of action, liabilities, losses, and other costs against which Agency is indemnified under the Project Documents. Such reimbursement obligations shall bear interest from the date occurring fifteen (15) days after Agency makes written demand to Developer at the rate of ten percent (10%) per annum. Such reimbursement obligations shall survive termination of this Agreement.

14. NOTICES

All notices, consents, demands, approvals and other communications (the "Notices") that are given pursuant to this Agreement shall be in writing to the appropriate party and shall be deemed to have been fully given when delivered, including delivery by reputable commercial delivery service that provides a receipt with the time and date of delivery, or if deposited in the

United States mail, certified or registered, postage prepaid, within two (2) days after deposit. All Notices shall be addressed as follows:

If to Developer:	Coral Mountain Partners, L.P. 46753 Adams Street, La Quinta, CA 92253 Phone No.: (760) 771-3345 Facsimile No.: (760) 771-0686 Attention: Robert High
with a copy to:	Bocarsly Emden Cowan Esmail & Arndt LLP 633 West Fifth Street, 70th Floor Los Angeles, CA 90071 Phone No.: 213-239-8088 Facsimile No.: 213-559-0733 Attention: Lance Bocarsly
If to Agency:	Notices Delivered by U.S. Mail: La Quinta Redevelopment Agency P.O. Box 1504 La Quinta, CA 92247 Phone No.: 760-777-7031 Facsimile No.: 760-777-7101 Attention: Executive Director Notices Delivered Personally or by Courier: La Quinta Redevelopment Agency 78-495 Calle Tampico La Quinta, California 92253 Phone No.: 760-777-7031 Facsimile No.: 760-777-7101 Attention: Executive Director
with a copy to	Rutan & Tucker, LLP 611 Anton, Suite 1400 Costa Mesa, CA 92626 Phone No.: 714-641-5100 Facsimile No.: 714-546-9035 Attention: M. Katherine Jenson, Esq.

Addresses for notice may be changed from time to time by notice to all other parties. Notwithstanding that Notices shall be deemed given when delivered, the non-receipt of any Notice as the result of a change of address of which the sending party was not notified shall be deemed receipt of such Notice.

15. ASSIGNMENT

15.1 Generally Prohibited. Except as otherwise expressly provided to the contrary in this Agreement, Developer shall not assign any of its rights or delegate any of its duties under this Agreement, nor shall any changes occur with respect to the ownership and/or control of Developer, including, without limitation, stock transfers, sales of issuances, or transfers, sales or issuances of membership or ownership interests, or statutory conversions, without the prior written consent of the Executive Director, which consent may be withheld in his or her sole and absolute discretion. Any such assignment or delegation without such consent shall, at Agency's option, be void. Notwithstanding the foregoing, however, Developer may admit the Investor as a 99.99% Tax Credit limited partner without obtaining any consent.

15.2 Release of Developer. Upon any such assignment made in compliance with Section 15.1 above, Developer shall be released from any liability under this Agreement arising from and after the date of such assignment.

16. ADMINISTRATION

Following approval of this Agreement by Agency, this Agreement shall be administered and executed on behalf of Agency by the Executive Director. The Executive Director shall have the authority to issue interpretations, waive terms and conditions, and enter into amendments of this Agreement (including, without limitation, to the Schedule of Performance) on behalf of Agency provided that such actions do not substantially change the uses or development permitted on the Property or materially add to the costs of Agency provided herein. All other waivers or amendments shall require the formal consent of Agency.

17. MISCELLANEOUS

17.1 Counterparts. This Agreement may be executed in counterparts, all of which, taken together, shall be deemed to be one and the same document.

17.2 Prior Agreements; Amendments. This Agreement contains the entire agreement between Agency and Developer with respect to the Property, and all prior negotiations, understandings and agreements are superseded by this Agreement. No modification of this Agreement (including waivers of rights and conditions) shall be effective unless in writing and signed by the party against whom enforcement of such modification is sought, and then only in the specific instance and for the specific purpose given. Agency agrees to make reasonable modifications to this Agreement that are necessary to finance the development of the Project.

17.3 Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the internal laws of the State of California, without regard to conflict of law principles.

17.4 Acceptance of Service of Process. In the event that any legal action is commenced by Developer against Agency, service of process on Agency shall be made by personal service upon the Executive Director or in such other manner as may be provided by law. In the event that any legal action is commenced by Agency against Developer, service of process on Developer shall be made in such manner as may be provided by law.

17.5 Severability of Provisions. No provision of this Agreement that is held to be unenforceable or invalid shall affect the remaining provisions, and to this end all provisions of this Agreement are hereby declared to be severable.

17.6 Headings. Article and section headings are included in this Agreement for convenience of reference only and shall not be used in construing this Agreement.

17.7 Time of the Essence. Time is of the essence of this Agreement.

17.8 Conflict of Interest. No member, official or employee of Agency shall have any direct or indirect interest in this Agreement, nor participate in any decision relating to this Agreement which is prohibited by law.

17.9 Warranty Against Payment of Consideration. Developer warrants that it has not paid or given, and will not pay or give, any third person any money or other consideration for obtaining this Agreement.

17.10 Nonliability of Agency Officials and Employees. No member, official or employee of Agency shall be personally liable to Developer, or any successor in interest, in the event of any default or breach by Agency or for any amount which may become due to Developer or successor, or on any obligation under the terms of this Agreement.

17.11 Force Majeure. In addition to specific provisions of this Agreement, performance by either party hereunder shall not be deemed to be in default where delays or defaults are due to war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; acts of God or other deities; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; litigation beyond the reasonable control of a party; unusually severe weather; inability, despite commercially reasonable efforts, to secure necessary labor, materials or tools; delays of any contractor, subcontractor or supplier beyond the reasonable control of a party; acts of the other party; acts or the failure to act of any public or governmental entity (except that acts or the failure to act of Agency shall not excuse performance by Agency); or any other acts or causes beyond the reasonable control of the party claiming an extension of time to perform. An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the party claiming such extension is sent to the other party within thirty (30) days of the commencement of the cause. Force Majeure shall serve also to extend the time by which any condition, for the benefit of either party, shall be satisfied under this Agreement. Notwithstanding any provision of this Agreement to the contrary, the lack of funding or difficulty obtaining financing to complete the Project shall not constitute grounds of enforced delay pursuant to this Section.

17.12 Nondiscrimination Covenants. Developer covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor shall the grantee or any person claiming under or through him or her, establish or permit any

practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. The foregoing covenants shall run with the land.

Developer shall refrain from restricting the rental, sale or lease of the Property on any of the bases listed above in this Section 17.12. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

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

> "That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased."

(c) In contracts: "There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this Agreement, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy

of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

The covenants established in this Section 17.12 shall, without regard to technical classification and designation, be binding for the benefit and in favor of Agency and its successors and assigns, and shall remain in effect in perpetuity.

17.13 Consents and Approvals. Unless otherwise expressly set forth in this Agreement, any consents or approvals to be given by a party under this Agreement shall not be unreasonably withheld, conditioned or delayed.

[End of Agreement – Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed.

"Developer"

CORAL MOUNTAIN PARTNERS, L.P.,
a California limited partnership

By: Coral Mountain AGP, LLC,
a California limited liability company
Its: General Partner

Date:_____, 2011

By:_____
Its:_____

"Agency"

LA QUINTA REDEVELOPMENT AGENCY, a public body, corporate and politic

Date:_____, 2011

By: _____
Executive Director

ATTEST:

_____
Agency Secretary

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Agency Counsel

ATTACHMENTS

1	-	Legal Description of the Property
2	-	Schedule of Performance
3	-	Scope of Development
4	-	Form of Assignment of Plans and Contract
5	-	Form of Disbursement Request
6	-	Form of Agency Note
7	-	Form of Agency Deed of Trust
8	-	Project Budget
9	-	Form of Ground Lease
10	-	Form of Agency Regulatory Agreement
11	-	Form of Notice of Affordability
12	-	Form of Release of Construction Covenants

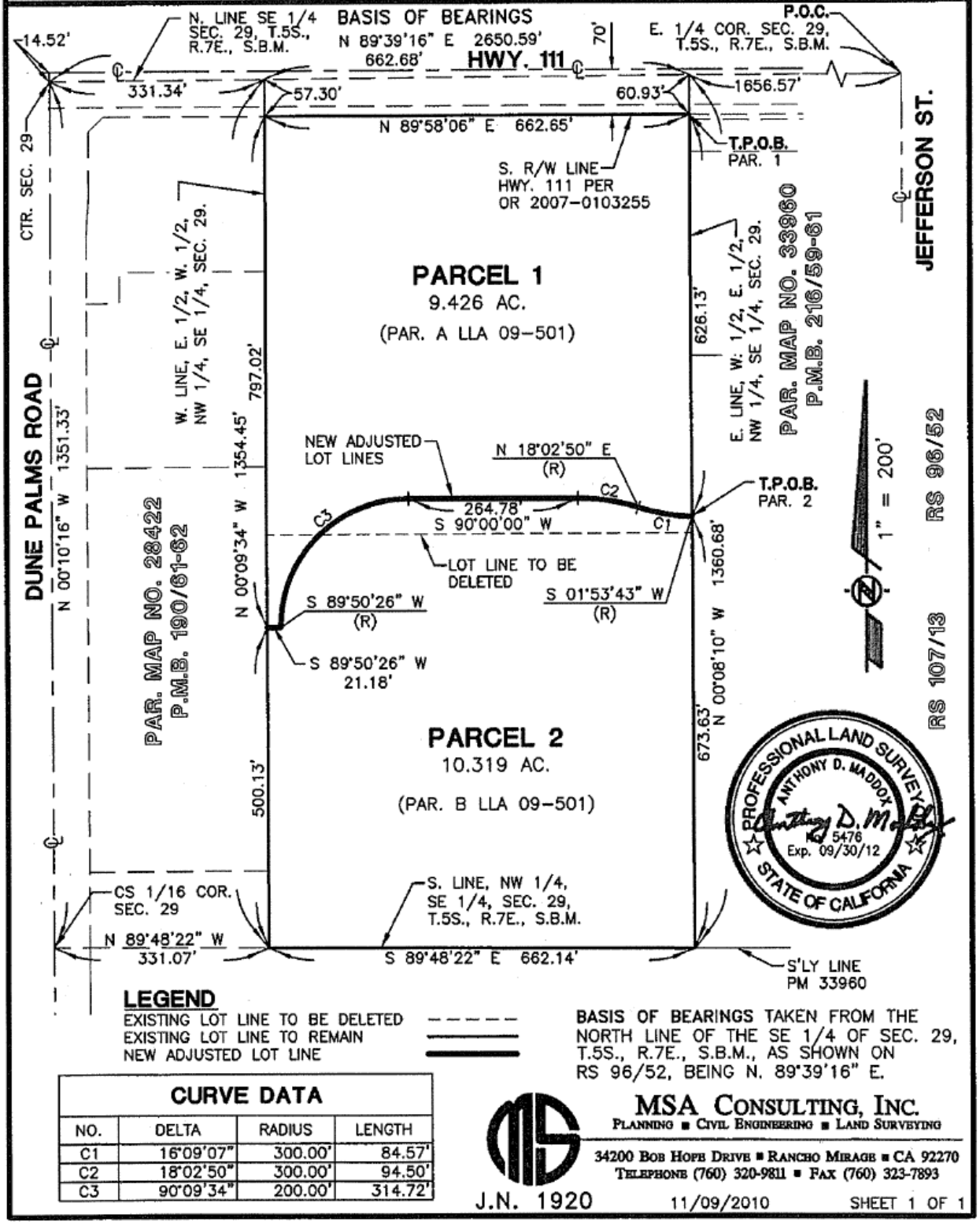
ATTACHMENT NO. 1

DEPICTION OF PROPERTY

[See attached]

CITY OF LA QUINTA - CERTIFICATE OF LOT LINE ADJUSTMENT

EXHIBIT "B" | LOT LINE ADJUSTMENT NO. 2010-508



LEGEND

EXISTING LOT LINE TO BE DELETED - - - - -
EXISTING LOT LINE TO REMAIN ———
NEW ADJUSTED LOT LINE ———

BASIS OF BEARINGS TAKEN FROM THE NORTH LINE OF THE SE 1/4 OF SEC. 29, T.5S., R.7E., S.B.M., AS SHOWN ON RS 96/52, BEING N. 89°39'16" E.

CURVE DATA

NO.	DELTA	RADIUS	LENGTH
C1	16°09'07"	300.00'	84.57'
C2	18°02'50"	300.00'	94.50'
C3	90°09'34"	200.00'	314.72'

MSA CONSULTING, INC.
PLANNING ■ CIVIL ENGINEERING ■ LAND SURVEYING
34200 BOB HOPE DRIVE ■ RANCHO MIRAGE ■ CA 92270
TELEPHONE (760) 320-9811 ■ FAX (760) 323-7893

J.N. 1920 11/09/2010 SHEET 1 OF 1

ATTACHMENT NO. 2

SCHEDULE OF PERFORMANCE

	Task/Event	Time for Performance
1.	Developer and Agency open Escrow.	By the earlier of (i) within 5 days after the Effective Date; or (ii) January 10, 2011.
2.	Developer prepares and submits to City application for Site Development Permit.	By April 5, 2011.
3.	SPDA considered by Architecture and Land Committee.	By June 22, 2011.
4.	Planning Commission public hearing regarding Site Development Permit application.	By July 12, 2011.
5.	City Council public hearing regarding Site Development Permit application.	By August 2, 2011.
6.	Developer submits precise grading plan for plan check.	By October 8, 2011.
7.	Developer obtains approval of precise grading plan.	By December 30, 2011.
8.	Developer submits to City for plan check the Final Construction Documents.	Not later than March 15, 2012
9.	Developer submits applications for building permits.	By March 27, 2012.
10.	Developer obtains allocation of Tax-Exempt Bonds.	By July 2, 2012.
11.	Developer submits to Agency preliminary commitment for the Project Financing and draft Project Financing Disbursement Agreement.	By July 10, 2012.
12.	Developer submits to Agency final Project Financing Disbursement Agreement	August 24, 2012.
13.	Developer submits to Agency Evidence Financing Commitments.	August 24, 2012.

14.	Developer causes the conditions set forth in Section 7.2 to be satisfied and the Property Closing shall occur.	Upon satisfaction of the conditions set forth in Section 7.2, but not later than the Outside Closing Date.
15.	Developer commences construction of Project.	Within 10 days after the Property Closing, but not later than by September 3, 2012.
16.	Developer completes construction of Project.	By February 25, 2014.
17.	Developer commences leasing the Units	Not later than by February 27, 2014.
18.	Developer completes leasing of all Units.	Not later than by March 23, 2015.

It is understood that the foregoing Schedule is subject to all of the terms and conditions of the text of the Agreement, including, without limitation, Section 17.11. The summary of items of performance in the Schedule is not intended to supersede or modify any more complete description in the text; in the event of any conflict or inconsistency between this Schedule and text of the Agreement, the text of the Agreement shall govern. Subject to Section 17.11, times of performance under this Agreement may be extended by mutual written agreement of Agency and Developer. The Executive Director of Agency shall have the authority on behalf of Agency to approve extensions of time, with the exception of any extension that would result in the Outside Closing Date, the date to commence construction of the Project, or the date to complete construction of the Project, being extended by more than one hundred twenty (120) days.

ATTACHMENT NO. 3

SCOPE OF DEVELOPMENT

PROJECT DESCRIPTION

The Project will consist of the development of a 176-unit affordable multi-family apartment project, located southeast of the intersection of Dune Palms Road and Highway 111 in the City of La Quinta.

The proposed 176-unit development will consist of the following unit mix:

40	1-bedroom/1bath
82	2-bedroom/1 bath
54	3-bedroom/2 bath
176	**total units**

Unit amenities will consist of:

- Energy STAR rated appliances
- Energy efficient lighting
- Low flow faucets
- Water conserving water closets
- Ceiling fans
- Granite kitchen countertops
- Fully equipped kitchens (e.g., refrigerator, dishwasher, oven, and stovetop)
- Master bedroom with adjoining bath
- High efficiency HVAC units

The parking provision consists of 352 spaces, of which not less than 176 spaces are covered, and not less than 8 spaces are handicapped access spaces.

Project amenities will include a pool, recreation area, open space, walks, parking drive, and a Resident Services Center, which will contain the management office and a laundry room.

Developer shall provide oversight and coordination of resident services. Resident services will include the following:

- An after-school tutoring program for school age children. Specific programs and age limitations to be determined by the demographic requirement of the residents

- Educational workshops for the adults on such topics as financial literacy, job readiness skills, computer training, and English as a second language.

- A monthly newsletter to keep residents informed about community activities.

DEVELOPMENT STANDARDS

All of the development standards in the Dune Palms Road and Highway 111 Specific Plan, as well as the following development standards, shall apply to the Project:

A. Building Setbacks. Minimum building setbacks for building and parking areas shall be as required by the Redevelopment Plan and approved by the Agency, and shall conform to the La Quinta Municipal Code (the "City Code").

B. Building Coverage. The amount of land within the Property covered by buildings shall be as required by the Redevelopment Plan and local zoning.

C. Building Height. Buildings shall not exceed the height as may be limited by the Redevelopment Plan and local zoning.

D. Landscaping. Landscaping shall be subject to approval by the City's Planning Department prior to planting.

E. Utilities. Sewer drainage and utility lines, conduits or systems shall not be constructed or maintained above the ground level of the Property. Storm drainage for all hard surfaced areas shall be drained or may be sheet flowed to storm sewers. All non-polluted waste water, such as waste air conditioning water, shall be drained to the storm or sanitary drainage systems as permitted by local codes.

F. Stormwater Treatment and Retention. Stormwater treatment and retention facilities and improvements shall be constructed for the Housing Development's storm water runoff to be routed to the Coachella Valley Water District evacuation channel, per the requirements set forth in any permits issued for the Project, including, without limitation, a site development permit, and all conditions of approval issued in connection therewith.

G. Building Materials. All exterior walls shall be painted or covered by the Developer with color(s) and materials subject to approval by the City's Community Development Department. In satisfaction of this requirement, the Developer shall submit a color and materials board for approval by the Agency.

H. Green Building Requirements.

Property

- Protect glazing on south and west elevations
- Separate sidewalks from roadways

- Provide bicycle storage
- Provide smart weather based irrigation controllers
- Minimize turf
- Specify drought tolerant plants that require minimal shearing
- Provide outdoor gathering places
- Community garden
- Recycle during construction (80% divert min. is the goal)

Water Efficiency

- Low-flow fixtures
- Dual-flush toilets
- Water-efficient dishwashers and laundry appliances
- Eliminate hose bibs on patios
- Drip Irrigation
- Hot Water recirculation system in units

Energy Efficiency and Renewable Energy

- Passive solar design
- Incorporate solar photovoltaics
- Programmable thermostats
- Natural ventilation
- Ceiling fans in all bedrooms and living rooms
- High efficiency water heaters with circ system
- Extensive day lighting and high efficiency lighting (energy star)
- High efficiency appliances (energy star)
- Radiant barrier roof sheeting or cool roof technology
- Low-e windows
- Strategic tree planting to provide some seasonal shading

Durability and Resource-Efficiency

- Maximum use of locally-sourced materials
- Paper-less drywall in high moisture areas
- Drain or automatic shutoff valves in all laundry areas
- Durable low maintenance exterior materials (example steel vs wood for columns)
- No vinyl windows
- Recycling or organic composting incorporated into design

Indoor Environmental Health

- Non-toxic, low/no-VOC wood composites, adhesives, paints and finishes
- Formaldehyde free cabinets, shelving and trim
- Outdoor venting of bathrooms
- Automatic and delay on bathroom exhaust
- Paperless drywall wet areas (mold prevention)

- Hard surface and hypo-allergenic floor coverings

Operations

- Operation and maintenance manuals for management and residents
- Green and sustainable education for management and residents

I. Building Design. The Project shall be constructed such that the Project shall conform to the La Quinta Municipal Code, and shall be effectively and aesthetically designed.

PUBLIC IMPROVEMENTS AND UTILITIES

The Developer, at its own cost and expense, shall provide or cause to be provided the Public Improvements. The Public Improvements shall include street, drainage, and utilities improvements, as required by the City pursuant to the usual City building permit requirements for on- and off-site improvements to residential development, and/or as required as a condition of approval to any permit or approval required by the City in connection with the development of the Project and shall include, but not be limited to, the construction of "A" Street street improvements to allow access to the Housing Development and adjacent real property. The roadway shall be constructed to a minimum width of 32 feet, measured curb-to-curb, pursuant to City roadway standards. Improvements also include parkway landscaping on both sides and 6 foot wide sidewalk on east side.

All of such improvements shall be completed within the time set forth for the completion of the Project in the Schedule of Performance.

AMENDMENTS

Any material change, as reasonably determined by the Agency, in this Scope of Development or in the approved site plan which affects the size, quality, or type of development proposed for the Property shall require the written approval of the Agency, which approval may be contingent upon the review and renegotiation of all of the economic and financial terms of this Agreement and such other matters as the Agency shall deem appropriate.

It shall be up to the discretion of the Agency Executive Director whether a proposed material change to this Scope of Development requires approval by the Agency Board or whether such change may be approved in writing by the Agency Executive Director.

ATTACHMENT NO. 4

ASSIGNMENT OF ARCHITECTURAL AGREEMENTS

[See following document]

ASSIGNMENT OF ARCHITECTURAL AGREEMENTS AND PLANS AND SPECIFICATIONS

FOR VALUE RECEIVED, the undersigned, CORAL MOUNTAIN PARTNERS, L.P., a California limited partnership ("Developer"), assigns to LA QUINTA REDEVELOPMENT AGENCY, a public body, corporate and politic ("Agency"), all of its right, title and interest in and to:

1. All architectural, design, engineering and development agreements, and any and all amendments, modifications, supplements, addenda and general conditions thereto (collectively, "Architectural Agreements"), and

2. All plans and specifications, blueprints, sketches, shop drawings, working drawings, landscape plans, utilities plans, soils reports, noise studies, environmental assessment reports, and grading plans, and all amendments, modifications, changes, supplements, general conditions and addenda thereto (collectively, "Plans and Specifications"), heretofore or hereafter entered into or prepared by any architect, engineer or other person or entity (collectively, "Architect"), for or on behalf of Developer in connection with the Real Property described on Exhibit "A" attached hereto. The Plans and Specifications, as of the date hereof, are those which Developer have heretofore, or will hereafter deliver to Agency. The Architectural Agreements include, but are not limited to, the architectural agreement or contract between _____ and _____, dated _____.

This ASSIGNMENT OF ARCHITECTURAL AGREEMENTS AND PLANS AND SPECIFICATIONS ("Assignment") constitutes a present, absolute and unconditional assignment to Agency.

Developer acknowledges that by accepting this Assignment, Agency does not assume any of Developer's obligations under the Architectural Agreements with respect to the Plans and Specifications.

Developer represents and warrants to Agency that: (a) no default by Developer, or event which would constitute a default by Developer after notice or the passage of time, or both, exists with respect to said Architectural Agreements, and (b) all copies of the Architectural Agreements and Plans and Specifications delivered to Agency are complete and correct. Developer has not assigned any of its rights under the Architectural Agreements or with respect to the Plans and Specifications. Notwithstanding the foregoing, this Assignment shall be subordinated to any assignment required to be made by Developer to the "Construction Lender" (as that term is defined in that certain Disposition and Development Agreement entered into by and between Agency and Developer on or about January __ (the "DDA")) at the close of the "Property Escrow" (as that term is defined in the DDA).

This Assignment shall be governed by the laws of the State of California, except to the extent that federal laws preempt the laws of the State of California, and Developer consents to the jurisdiction of any federal or state court within the State of California having proper venue for the filing and maintenance of any action arising hereunder and agrees that the prevailing

party in any such action shall be entitled, in addition to any other recovery, to reasonable attorneys' fees and costs.

This Assignment shall be binding upon and inure to the benefit of the heirs, legal representatives, assigns, and successors-in-interest of Developer and Agency.

The attached Architect's/Engineer's Consent and Exhibit "A" are incorporated by reference.

Executed by _____ on _____, 2011.

"Developer"

CORAL MOUNTAIN PARTNERS, L.P.,
a California limited partnership

By: Coral Mountain AGP, LLC,
a California limited liability company
Its: General Partner

Date:_____, 2011

By:_____
Its:_____

"Agency"

LA QUINTA REDEVELOPMENT AGENCY, a public body, corporate and politic

Date:_____, 2011

By: _____
Executive Director

ATTEST:

_____
Agency Secretary

APPROVED AS TO FORM:
ROTAN & TUCKER, LLP

_____
Agency Counsel

ARCHITECT'S/ENGINEER'S CONSENT

The undersigned architect and/or engineer (collectively referred to as "Architect") hereby consents to the foregoing Assignment to which this Architect's/Engineer's Consent ("Consent") is a part, and acknowledges that there presently exists no unpaid claims due to the Architect/Engineer arising out of the preparation and delivery of the Plans and Specifications to _____ and/or the performance of the Architect's obligations under the Architectural Agreements described in the Assignment.

Architect agrees that, by virtue of the foregoing Assignment, Agency has succeeded to all of _____'s right, title and interest in, to and under the Architectural Agreements and the Plans and Specifications and, therefore, so long as the Architect continues to receive the compensation called for under the Architectural Agreements, Agency and its successors and assigns may, at their option, use and rely on the Plans and Specifications for the purposes for which they were prepared, and Architect will continue to perform its obligations under the Architectural Agreements for the benefit and account of Agency and its successors and assigns in the same manner as if performed for the benefit or account of _____ in the absence of the Assignment.

Architect warrants and presents that it/he has no knowledge of any prior assignment(s) of any interest in either the Plans and Specifications and/or the Architectural Agreements. Except as otherwise defined herein, the terms used herein shall have the meanings given them in the Assignment.

Executed on _____, 2011.

"Architect"

_____,
a _____

By: _____
Name: _____
Its: _____

Architect's Address:
_____
_____
_____
_____
Phone No.: (_____) _____
Fax No.: (_____) _____

EXHIBIT “A”

PROPERTY DESCRIPTION

[to be inserted]

ATTACHMENT NO. 5

DISBURSEMENT REQUEST FORM

[See following document]

DISBURSEMENT REQUEST FORM

Property Address: _____, La Quinta, California

Disbursement No. _____

The undersigned, on behalf of **CORAL MOUNTAIN PARTNERS, L.P.**, hereby requests a disbursement in the amount, and on the date, set forth below, pursuant to that certain Disposition and Development Agreement (the "Agreement") dated as of _____, between **LA QUINTA REDEVELOPMENT AGENCY**, a public body, corporate and politic ("Agency"), and **CORAL MOUNTAIN PARTNERS, L.P.**, a California limited partnership ("Developer"). Capitalized terms used and not otherwise defined herein shall have the meanings set forth for them in the Agreement.

REQUEST AMOUNT: _____

REQUEST DATE: _____

Developer hereby represents and warrants to Agency that:

1. The requested disbursement shall be applied to pay costs in accordance with the itemized Payment Request attached hereto.

2. All costs shown in all prior Disbursement Requests (and Payment Requests) have been paid in full, Developer has received valid lien releases or waivers from all contractors, subcontractors and materialmen with respect to all payments made for work and materials if the work or materials could give rise to a mechanic's or a materialmen's lien against the Property, and Developer has no knowledge of any mechanic's lien claims against the Property.

3. The work is being performed in substantial conformance with the Scope of Development, and all applicable governmental requirements, and the work has progressed to the point indicated on the attached Payment Request.

4. The attached Payment Request is an accurate and complete statement of all amounts previously paid or now due and all amounts expected to be incurred in connection with the completion of the work.

5. All representations and warranties in the Agreement and the other Project Documents are true and correct in all material respects as of the date of this request as if made on and as of the date of this request. No Event of Default by Developer remains uncured, and no event has occurred which, with the giving of notice or the passage of time or both, would constitute an Event of Default by Developer.

DATE: _____ _____

Designated Representative

Contractor hereby certifies that Paragraphs 2 (with respect to costs covered by Contractor's Contract), 3 (with respect to work covered by Contractor's Contract), 4 (with respect to costs and work covered by Contractor's Contract) and 5, above, are true to the best of Contractor's knowledge.

_____
Contractor

PAYMENT APPROVED:

_____ _____
Agency Inspector Agency Officer

APPROVED CHANGE ORDERS:

Order No.	Work Item	Amount	Approved Date

ATTACHMENT NO. 6

AGENCY NOTE

[See following document]

AGENCY LOAN PROMISSORY NOTE

$29,000,000.00
_____, 2011 La Quinta, California

FOR VALUE RECEIVED, CORAL MOUNTAIN PARTNERS, L.P., a California limited partnership ("Borrower"), as maker and obligor, promises to pay to the **LA QUINTA REDEVELOPMENT AGENCY**, a public body, corporate and politic ("Agency"), as holder and beneficiary, or order, at Agency's office at P.O. Box 1504, La Quinta, California 92247, or such other place as Agency may designate in writing, the sum of (a) Twenty-Nine Million Dollars ($29,000,000.00), or so much thereof as may be disbursed hereunder ("Note Amount"), and (b) all costs and expenses payable hereunder, in currency of the United States of America, which at the time of payment is lawful for the payment of public and private debts.

1. Agreement. This Agency Loan Promissory Note ("Note") is given in accordance with that certain Disposition and Development Agreement executed by Agency and Borrower, as "Developer," dated as of January __, 2011 ("Agreement"). The rights and obligations of Borrower and Agency under this Note shall be governed by the Agreement and by the additional terms set forth in this Note. In the event of any inconsistencies between the terms of this Note and the terms of the Agreement or any other document related to the Note Amount, the terms of this Note shall prevail. Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Agreement. An Event of Default by Developer under any of the provisions of the Agreement, and/or a default under any and all attachments and all breakout documents executed, attested and/or recorded in implementation of the Agreement, including, without limitation, the Agency Deed of Trust, Agency Regulatory Agreement, and Ground Lease, or the income and/or rent restrictions as set forth in the Tax Credit Regulatory Agreement (collectively, the "Transaction Documents") shall, after the expiration of any cure period under the respective agreement or document, be a default under this Note (a "Default"), and a default under this Note, after notice and expiration of a fifteen (15) day cure period, shall be an Event of Default under the Agreement and a default under the Transaction Documents.

2. Interest. The Note Amount shall bear simple interest at one percent (1%) per annum.

3. Repayment of Note Amount. The Note Amount shall be paid by the Borrower's annual payment to Agency of an amount equal to fifty percent (50%) of the Residual Receipts from operation of the Housing Development, as determined by a Residual Receipts calculation from the operation of the Housing Development the preceding calendar year.

Annual Residual Receipts payments shall be made by the Borrower by cashier's check and shall be delivered on or before May 1 for each year during the term of this Note commencing in the first fiscal year following the Conversion Date until the Note Amount and all unpaid interest thereon has been repaid in full. Additionally, the Note Amount shall be paid by any or all of the following: (i) fifty percent (50%) of the Refinancing Net Proceeds immediately upon any refinancing of the loans secured by the Property (or any part thereof), and (ii) one hundred

percent (100%) of the Transfer Net Proceeds immediately upon any transfer in whole or in part of the Housing Development.

As used herein, *"Affiliate"* means any person or entity directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Borrower which, if Borrower is a partnership or limited liability company, shall include each of the constituent members or partners, respectively thereof. The term "control" as used in the immediately preceding sentence, means, with respect to a person that is a corporation, the right to the exercise, directly or indirectly, of more than fifty percent (50%) of the voting rights attributable to the shares of the controlled corporation, and, with respect to a person that is not a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled person.

As used herein, "*Annual Financial Statement*" shall mean each certified financial statement of Borrower for the Housing Development using generally accepted accounting principles ("GAAP"), as separately accounted for this Housing Development, including Operating Expenses and Annual Project Revenue, prepared annually at Borrower's expense, by an independent certified public accountant reasonably acceptable to Agency, as well as the Residual Receipts Report.

As used herein, "*Annual Project Revenue*" means all gross income and all revenues of any kind from the Housing Development in a calendar year, of whatever form or nature, whether direct or indirect, with the exception of the items excluded below, actually received by or paid to or for the account or benefit of Borrower or any Affiliate of Borrower or any of their agents or employees, from any and all sources, resulting from or attributable to the ownership, operation, leasing and occupancy of the Housing Development, determined on the basis of generally accepted accounting principles applied on a consistent basis, and shall include, but not be limited to: (i) gross rentals paid by tenants of the Housing Development under leases, and payments and subsidies of whatever nature, including without limitation any payments, vouchers or subsidies from the U.S. Department of Housing and Urban Development or any other person or organization, received on behalf of tenants under their leases, (ii) amounts paid by residents of the Housing Development to Borrower or any Affiliate of Borrower on account of Operating Expenses for further disbursement by Borrower or such Affiliate to a third party or parties, (iii) late charges and interest paid on rentals, (iv) rents and receipts from licenses, concessions, vending machines, coin laundry and similar sources, (v) other fees, charges or payments not denominated as rental but payable to Borrower in connection with the rental of office, retail, storage, or other space in the Housing Development, (vi) consideration received in whole or in part for the cancellation, modification, extension or renewal of leases, and (vii) interest and other investment earnings on security deposits, reserve accounts and other Housing Development accounts to the extent disbursed for other than the purpose of the reserve. Notwithstanding the foregoing, gross income shall not include the following items: (a) security deposits from tenants (except when applied by Borrower to rent or other amounts owing by tenants); (b) capital contributions to Borrower by its members, partners or shareholders (including capital contributions required to pay any Deferred Developer Fee); (c) condemnation or insurance proceeds; (d) funds received from any source actually and directly used for initial development of the Housing Development; (e) receipt by an Affiliate of management fees or other bona fide

arms-length payments for reasonable and necessary Operating Expenses associated with the Housing Development, including but not limited to, any Partnership Related Fees; (f) Transfer Net Proceeds; or (g) Refinancing Net Proceeds.

As used herein "*Capital Replacement Reserve*" shall have the meaning ascribed thereto in the Agency Regulatory Agreement.

As used herein, "*CPI Adjustment***"** means the increase in the cost of living index, as measured by the Consumer Price Index for all urban consumers, Los Angeles-Anaheim-Riverside statistical area, all items (1982-84 = 100) published by the United States Department of Labor, Bureau of Labor Statistics ("CPI") in effect as of the date on which the Certificate of Occupancy is issued for the Housing Development to the CPI in effect as of the date on which an adjustment is made. If such index is discontinued or revised, such other index with which such index is replaced (or if not replaced, another index which reasonably reflects and monitors consumer prices) shall be used in order to obtain substantially the same results as would have been obtained if the discontinued index had not been discontinued or revised. If the CPI is changed so that the base year is other than 1982-84, the CPI shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics.

As used herein, "*Debt Service*" shall mean payments made in a calendar year pursuant to the approved Construction Loan or the Take-Out Loan, as applicable, obtained for the construction/development, and ownership of the Project pursuant to Section 6.7 of the Agreement or any permitted refinancing or modification thereof, but excluding payments made pursuant to this Note.

As used herein, "*Deferred Developer Fee*" shall mean the portion of the Borrower's development fee, if any, that is payable out of the Annual Project Revenue and not from capital sources, as set forth in the Housing Development Budget. Disbursement of the Deferred Developer Fee (all or any part thereof) shall be subject to the provisions of the next paragraph.

In connection with Borrower's eligibility to disburse all or any part of the Deferred Developer Fee, in the event the cost of completing the Project exceeds the amount set forth in the final Budget; then, to the extent necessary, the funds otherwise available to pay the developer fee from capital sources shall be expended and used to pay the remaining costs of completing the Project to the extent necessary to ensure the completion of the Project and the balance of the developer fee shall be paid as Deferred Developer Fee in accordance with the priority set forth in the Partnership Agreement, and/or payable from the proceeds of any approved refinancing or transfer of the Property and/or the Housing Development. In no event shall Borrower be eligible for disbursement of the Deferred Developer Fee or any part thereof prior to completion of the Project, as approved by the Executive Director as evidenced by the issuance by the Agency of the Release of Construction Covenants.

As used herein, "*Operating Expenses*" shall mean actual, reasonable and customary (for comparable high quality rental housing developments in Riverside County) costs, fees and expenses directly incurred, paid, and attributable to the operation, maintenance and management

of the Housing Development in a calendar year, which are in accordance with the annual Operating Budget approved by Agency pursuant to Section 9 of the Agency Regulatory Agreement, including, without limitation, painting, cleaning, repairs, alterations, landscaping, utilities, refuse removal, certificates, permits and licenses, sewer charges, real and personal property taxes, assessments, insurance, security, advertising and promotion, janitorial services, cleaning and building supplies, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of property management, fees and expenses of accountants, attorneys and other professionals, repayment of any completion or operating loans made to Borrower, its approved successors or assigns, and other actual, reasonable and customary operating costs which are directly incurred and paid by Borrower, but which are not paid from or eligible to be paid from the Operating Reserve or any other reserve accounts. In addition, Operating Expenses shall include a social services fee in the amount of Twenty-Two Thousand Dollars ($22,000) for calendar year 2011, which shall be increased annually by three percent (3%) per year, provided Borrower provides the social services described in the Tenant Services Agreement that was included in Borrower's tax credit application. Operating Expenses shall not include any of the following: (i) salaries of employees of Borrower or Borrower's general overhead expenses, or expenses, costs and fees paid to an Affiliate of Borrower, to the extent any of the foregoing exceed the expenses, costs or fees that would be payable in a bona fide arms' length transaction between unrelated parties in the Riverside County area for the same work or services; (ii) any amounts paid directly by a tenant of the Housing Development to a third party in connection with expenses which, if incurred by Borrower, would be Operating Expenses; (iii) optional or elective payments with respect to the Construction Loan; (iv) any payments with respect to any Project-related loan or financing that has not been approved by the Agency; (v) expenses, expenditures, and charges of any nature whatsoever arising or incurred by Borrower prior to completion of the Housing Development with respect to the development of the Housing Development, or any portion thereof, including, without limitation, all predevelopment and preconstruction activities conducted by Borrower in connection with the Housing Development, including without limitation, the preparation of all plans and the performance of any tests, studies, investigations or other work, and the construction of the Housing Development and any on site or off site work in connection therewith; or (vi) depreciation, amortization, and accrued principal and interest expense on deferred payment debt.

As used herein, "*Operating Reserve*" means an operating reserve for the Housing Development (i) initially consisting of not less than Four Hundred Ninety-Five Thousand Dollars ($495,000) (or such greater amount required under either of the Additional Regulatory Agreements, or under the Partnership Agreement) set aside in a separate interest-bearing trust account, commencing upon the rental of the units in the Housing Development, and (ii) replenished to Four Hundred Ninety-Five Thousand Dollars ($495,000) from annual deposits of the Annual Project Revenue, to the extent available, such that the balance of the Operating Reserve consists of not less than four (4) months of projected Operating Expenses, adjusted annually by the CPI Adjustment (unless otherwise agreed to by Developer and Agency) or as required under the Partnership Agreement (or such greater amount required under either of the Additional Regulatory Agreements, or under the Partnership Agreement), provided in no event shall the balance in such account exceed a sum equal to one (1) year of Debt Service for the Housing Development (or such greater amount required under the Tax Credit Regulatory Agreement, pursuant to any of the Approved Financing or under the Partnership Agreement).

As used herein, "*Partnership Agreement*" means the agreement which sets forth the terms of the Borrower's limited partnership, as such agreement may be amended from time to time.

As used herein, "*Partnership Related Fees*" means partnership fees actually incurred pursuant to the terms of the Partnership Agreement, which are reasonable and customary to developer/owner entities for similar projects in Southern California, and may include, but shall not exceed: (i) a general partner(s) (administrative and/or managing partner(s)) partnership management fee payable to the general partner(s) (ii) a limited partner asset management fee payable to the investor limited partner; and (iii) an annual audit fee in and for any calendar year. In no event shall the annual fees for (i) and (ii) above cumulatively exceed Forty Thousand Dollars ($40,000.00), but such fees in (i) and (ii) may be increased annually by the CPI Adjustment. In the event insufficient Annual Project Revenues exist to provide for payment of all or part of the specific Partnership Related Fees listed above, no interest shall accrue on the unpaid portions of such Partnership Related Fees, but the unpaid balance of such fees alone will be added to the Partnership Related Fees due in the following year.

As used herein, "*Refinancing Net Proceeds"* means the proceeds of any approved refinancing of the Construction Loan or other approved financing secured by the Property, net of the following actual costs and fees incurred: (i) the amount of the financing which is satisfied out of such proceeds, (ii) reasonable and customary costs and expenses incurred in connection with the refinancing, (iii) the balance, if any, of the Deferred Developer Fee, (iv) the balance, if any, of authorized loans to the Housing Development made by the limited partners of Borrower, including interest at the rate set forth in the Partnership Agreement for such loans, (v) the balance, if any, of authorized operating loans or development loans made by the general partners of a limited partnership that succeeds to Borrower's interest in the Agreement and the Housing Development, including interest at the rate set forth in the Partnership Agreement for such loans, (vi) the return of capital contributions, if any, to the Project made by the general partners of a limited partnership that succeeds to Borrower's interest in the Agreement and the Housing Development that were used to pay the Deferred Developer Fee, (vii) the amount of proceeds required to be reserved for the repair, rehabilitation, reconstruction or refurbishment of the Housing Development; and (viii) the payment to general partner of Borrower of a refinancing fee, which is agreed to be set at three percent (3%) of the amount of the approved refinancing.

As used herein, "*Reserve Deposits*" shall mean any payments to the Capital Replacement Reserve account and payments to the Operating Reserve account pursuant to Sections 10 and 11, respectively, of the Agency Regulatory Agreement.

As used herein, "*Residual Receipts*" shall mean Annual Project Revenue ***less*** the sum of:

(i) Operating Expenses;

(ii) Debt Service;

(iii) Reserve Deposits to the Capital Replacement Reserve;

(iv) Reserve Deposits to the Operating Reserve;

(v) Partnership Related Fees;

(vi) Deferred Developer Fees;

(vii) Property management fee for the Housing Development which remains unpaid after payment of Operating Expenses, if any;

(viii) Unpaid Tax Credit adjustment amounts, if any, pursuant to the Partnership Agreement;

(ix) Repayment of loans to the Project, if any, made by the limited partner(s) of Borrower pursuant to the Partnership Agreement, including interest at the rate set forth in Borrower's limited partnership agreement, for eligible development and/or operating expense deficits or other eligible loans (provided that if made during the compliance period Borrower shall provide to Executive Director documentation showing the propriety of such loan(s) and if made subsequent to the expiration of the compliance period each such loan must be reasonably approved by the Executive Director before being provided to the Project after review of documentation provided by Borrower showing propriety of such loans);

(x) Repayment to the administrative and/or managing general partners of Borrower for loans to the Project for development advance(s) pursuant to the Partnership Agreement, operating deficit advance(s) pursuant to the Partnership Agreement), credit adjuster payment(s) pursuant to the Partnership Agreement), and/or Development Fee advance(s) pursuant to the Partnership Agreement, and with all such loans to be repaid without interest (provided that if made during the compliance period Borrower shall provide to Executive Director documentation showing the propriety of such loan(s) and if made subsequent to the expiration of the compliance period each such loan must be reasonably approved by the Executive Director before being provided to the Project after review of documentation provided by Borrower showing propriety of such loans);

(xi) Repayment to the administrative and/or managing general partners of Borrower of certain loans made to the Project after the expiration or earlier termination of the Partnership Agreement to cover shortfalls in funding for Operating Expenses in excess of the Operating Expenses included in the approved annual Operating Budget for the year in which such loan is made (if at all), all such loans to be repaid without interest (provided that if made during the compliance period Borrower shall provide to Executive Director documentation showing the propriety of such loan(s) and if made subsequent to the expiration of the compliance period each such loan must be reasonably approved by the Executive Director before being provided to the Project after review of documentation provided by Borrower showing propriety of such loans); and

(xii) Capital contributions to the Project, if any, made by the general partners of Borrower that were used to pay the Developer Fee.

In the event any calculation of Annual Project Revenue less subsections (i) through (xii) inclusive above results in a negative number, then Residual Receipts shall be zero ($0) for that year and shall not carry over to the next or any other subsequent year.

In addition, none of the fees, costs, expenses, or items described above in calculation of Residual Receipts shall include any duplicate entry/item, or double accounting for a cost item.

For example, an audit fee incurred by Borrower and deducted or included above in subsection (i) for Operating Expenses shall not also be deducted or included in subsection (v) for Partnership Related Fees in the calculation of Residual Receipts. The calculation of Residual Receipts shall be conducted at Borrower's sole cost and expense, by a third party auditor and submitted to Borrower annually, along with Borrower's payment of Residual Receipts.

As used herein, "*Transfer Net Proceeds*" shall mean the proceeds of any sale or other transfer, in whole or part, of the Property or Borrower's interests therein, net only of (i) the reasonable and customary costs and expenses incurred in connection with such transfer; (ii) the amount of the financing which is satisfied out of such proceeds, (iii) the balance, if any, of the Deferred Developer Fee, (iv) the balance, if any, of loans to the Project made by the limited partners of Borrower, including interest thereon as provided in the Partnership Agreement, (v) the balance, if any, of operating loans or development loans made by the general partners of Borrower, including interest thereon as provided in the Partnership Agreement, (vi) the return of capital contributions, if any, to the Project made by the general partners of Borrower that were used to pay the Deferred Developer Fee, and (vii) the payment to the general partner of Borrower of a disposition fee set forth in the Partnership Agreement, which is agreed to be set at three percent (3%) of the amount of the approved transfer.

4. Security. Prior to Borrower's purchase of the Property, Borrower's obligations under this Note and the Agreement shall be secured by that certain Assignment of Architectural Agreements and Plans and Specifications executed by Borrower in favor of Agency pursuant to the Agreement.

Borrower's obligations under this Note and the Agreement shall, at all times subsequent to the purchase of the Property by Borrower during which any amount remains outstanding hereunder, be secured by the Agency Deed of Trust, which Agency Deed of Trust shall only be subordinated to approved deed(s) of trust for the Construction Loan and such encumbrances approved by the Agency in writing, pursuant to a written subordination agreement in a form approved by Agency counsel. Upon execution of the same, the terms of the Agency Deed of Trust are incorporated herein and made a part hereof to the same extent and with the same force and effect as if fully set forth herein.

5. Maturity. This Note shall be due and payable on the date of expiration of the term of the Ground Lease, as such term may be extended pursuant to the terms thereof, or earlier termination thereof.

6. Application of Payments. All payments shall be applied (i) first, to costs and fees owing under this Note, (ii) second, to the payment of unpaid accrued interest owing under this Note for each calendar year in which no payment was made by Borrower pursuant to Section 3 above, (iii) third, to the payment of accrued interest for the preceding calendar year, and (iv) fourth, to payment of principal.

7. Waivers.

(a) Borrower expressly agrees that this Note or any payment hereunder may be extended from time to time at Agency's sole discretion and that Agency may accept security

in consideration for any such extension or release any security for this Note at its sole discretion all without in any way affecting the liability of Borrower.

(b) No extension of time for payment of this Note made by agreement by Agency with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability of Borrower under this Note, either in whole or in part.

(c) The obligations of Borrower under this Note shall be absolute and Borrower waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reasons whatsoever.

(d) Borrower waives presentment, demand, notice of protest and nonpayment, notice of default or delinquency, notice of acceleration, notice of costs, expenses or leases or interest thereon, notice of dishonor, diligence in collection or in proceeding against any of the rights or interests in or to properties securing this Note, and the benefit of any exemption under any homestead exemption laws, if applicable.

(e) No previous waiver and no failure or delay by Agency in acting with respect to the terms of this Note or the Deed of Trust shall constitute a waiver of any breach, default, or failure or condition under this Note, the Agency Deed of Trust or the obligations secured thereby. A waiver of any term of this Note, the Agency Deed of Trust or of any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.

8. Attorneys' Fees and Costs. Borrower agrees that if any amounts due under this Note are not paid when due, Borrower will pay all costs and expenses of collection and reasonable attorneys' fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed.

9. Joint and Several Obligation. This Note is the joint and several obligation of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their heirs, successors and assigns.

10. Amendments and Modifications. This Note may not be changed orally, but only by an amendment approved by Agency and evidenced in a writing signed by Borrower and by Agency.

11. Agency May Assign. Agency may, at its option, assign its right to receive payment under this Note without necessity of obtaining the consent of the Borrower.

12. Borrower Assignment Prohibited. In no event shall Borrower assign or transfer any portion of this Note without the prior express written consent of Agency, which consent shall not unreasonably be withheld, except pursuant to a transfer that is authorized under Section 15 of the Agreement.

13. Acceleration and Other Remedies. Upon the occurrence of a Default, Agency may, at Agency's option, declare the outstanding principal amount of this Note, together with the

then accrued and unpaid interest thereon and other charges hereunder, and all other sums secured by the Agency Deed of Trust, to be due and payable immediately, and upon such declaration, such principal and interest and other sums shall immediately become and be due and payable without demand or notice, all as further set forth in the Agency Deed of Trust. All costs of collection, including, but not limited to, reasonable attorneys' fees and all expenses incurred in connection with protection of, or realization on, the security for this Note, may be added to the principal hereunder, and shall accrue interest as provided herein. Agency shall at all times have the right to proceed against any portion of the security for this Note in such order and in such manner as Agency may consider appropriate, without waiving any rights with respect to any of the security. Any delay or omission on the part of Agency in exercising any right hereunder, under the Agreement or under the Agency Deed of Trust shall not operate as a waiver of such right, or of any other right. No single or partial exercise of any right or remedy hereunder or under the Agreement or any other document or agreement shall preclude other or further exercises thereof, or the exercise of any other right or remedy. The acceptance of payment of any sum payable hereunder, or part thereof, after the due date of such payment shall not be a waiver of Agency's right to either require prompt payment when due of all other sums payable hereunder or to declare a Default for failure to make prompt or complete payment.

14. Alternate Rate. Upon the occurrence of any Default, or upon the maturity hereof (by acceleration or otherwise), the entire unpaid principal sum, at the option of Agency, shall bear interest, from the date of occurrence of such Default or maturity and after judgment and until collection, at the "Alternate Rate", such rate being the highest interest rate then permitted by law. Interest calculated at the Alternate Rate, when and if applicable, shall be due and payable immediately without notice or demand. Borrower agrees that in the event of any Default, Agency will incur additional expense in servicing the loan evidenced by this Note and will suffer damage and loss resulting from such Default. Borrower agrees that in such event Agency shall be entitled to damages for the detriment caused thereby, which damages are extremely difficult and impractical to ascertain. Therefore, Borrower agrees that the Alternate Rate (as applied to the unpaid principal balance, accrued interest, fees, costs and expenses incurred) is a reasonable estimate of such damages to Agency, and Borrower agrees to pay such sum on demand.

15. Consents. Borrower hereby consents to: (a) any extension (whether one or more) of the time of payment under this Note, (b) the release or surrender or exchange or substitution of all or any part of the security, whether real or personal, or direct or indirect, for the payment hereof, (c) the granting of any other indulgences to Borrower, and (d) the taking or releasing of other or additional parties primarily or contingently liable hereunder. Any such extension, release, surrender, exchange or substitution may be made without notice to Borrower or to any endorser, guarantor or surety hereof, and without affecting the liability of said parties hereunder.

16. Interest Rate Limitation. Agency and Borrower stipulate and agree that none of the terms and provisions contained herein or in any of the loan instruments shall ever be construed to create a contract for the use, forbearance or detention of money requiring payment of interest at a rate in excess of the maximum interest rate permitted to be charged by the laws of the State of California. In such event, if any holder of this Note shall collect monies which are deemed to constitute interest which would otherwise increase the effective interest rate on this

Note to a rate in excess of the maximum rate permitted to be charged by the laws of the State of California, all such sums deemed to constitute interest in excess of such maximum rate shall, at the option of such holder, be credited to the payment of the sums due hereunder or returned to Borrower.

17. Successors and Assigns. Whenever "Agency" is referred to in this Note, such reference shall be deemed to include the La Quinta Redevelopment Agency and its successors and assigns, including, without limitation, any successor to its rights, powers, and responsibilities, and any subsequent assignee or holder of this Note. All covenants, provisions and agreements by or on behalf of Borrower, and on behalf of any makers, endorsers, guarantors and sureties hereof which are contained herein shall inure to the benefit of Agency and Agency's successors and assigns.

18. Miscellaneous. Time is of the essence hereof. This Note shall be governed by and construed under the laws of the State of California except to the extent Federal laws preempt the laws of the State of California. Borrower irrevocably and unconditionally submits to the jurisdiction of the Superior Court of the State of California for the County of Riverside or the United States District Court of the Central District of California, as Agency may deem appropriate, in connection with any legal action or proceeding arising out of or relating to this Note. Borrower also waives any objection regarding personal or in rem jurisdiction or venue.

19. Non-Recourse Obligation. Borrower and its partners shall not be personally liable for the payment of this Note or for the payment of any deficiency established after judicial foreclosure or trustee's sale; provided, however, that the foregoing shall not in any way affect any rights Agency may have (as a secured party or otherwise) hereunder or under the Agreement or Agency Deed of Trust to recover directly from Borrower any amounts, or any funds, damages or costs (including without limitation reasonable attorneys' fees and costs) incurred by Agency as a result of fraud, intentional misrepresentation or bad faith, waste, and any costs and expenses incurred by Agency in connection therewith (including without limitation reasonable attorneys' fees and costs).

20. Accounting.

(a) **Accounting Terms and Determinations**. Unless otherwise specified herein, (i) all accounting terms used herein shall be interpreted, (ii) all accounting determinations hereunder shall be made, and (c) all books, records and financial statements required to be delivered hereunder shall be prepared, in accordance with GAAP, consistently applied, except for changes approved by Agency.

(b) **Financial Reporting and Accounting Covenants**. Borrower shall permit the representatives of Agency at any time or from time to time, upon three (3) business days' notice and during normal business hours, to inspect, audit, and copy all of Borrower's books, records, and accounts relating to the Property. Borrower shall furnish or cause to be furnished to Agency the following:

(i) **Annual Financial Statement.** Borrower shall submit to Agency, on or before May 1 of each year commencing in the first year after the issuance of the first

certificate of occupancy for the Housing Development, an Annual Financial Statement, with respect to the Housing Development that has been reviewed by an independent certified public accountant, together with an expressed written opinion of the certified public accountant that such Annual Financial Statement presents the financial position, results of operations, and cash flows of the Housing Development fairly and in accordance with GAAP.

(ii) **Tax Returns**. As soon as available, but in no event later than thirty (30) days after the time of filing with the Internal Revenue Service, the federal tax returns (and supporting schedules, if any) of Borrower.

(iii) **Audit Reports**. Not later than ten (10) days after receipt thereof by Borrower, copies of all reports submitted to Borrower by independent public accountants in connection with each annual, interim or special audit of the financial statements of Borrower, made by such accountants, including the comment letter submitted by such accountants to management in connection with their annual audit. If any such audit report results in Borrower restating Residual Receipts upward for any fiscal year, then Borrower shall accompany delivery of such audit report to Agency with the additional payment to Agency resulting from said restatement pursuant to Section 3 of this Note. If any such audit report results in Borrower restating Residual Receipts downward for any fiscal year, Borrower may carry forward the overpayment made to Agency pursuant to such Section 3 as a credit against payments thereunder in subsequent fiscal years.

(c) **Late Payment**. If any annual payment required pursuant to Section 3 above is not received by Agency within ten (10) calendar days after payment is due, Borrower shall pay to Agency a late charge of five percent (5%) of such payment, such late charge to be immediately due and payable without demand by Agency.

(d) **Dispute Regarding Annual Financial Statement**. If Agency disputes any Annual Financial Statement, Agency shall notify Borrower of such dispute within sixty (60) days after receipt of an Annual Financial Statement and the parties shall cause their representatives to meet and confer concerning the dispute and to use all reasonable efforts to reach a mutually acceptable resolution of the matter in question within thirty (30) days after Agency's notice of such dispute. If the parties are unable to reach a mutually acceptable resolution within such thirty (30) day period, then, within twenty (20) days after the expiration of such period, Borrower and Agency shall appoint a national firm of certified public accountants to review the dispute and to make a determination as to the matter in question within thirty (30) days after such appointment. If the parties cannot, within ten (10) days, agree upon the firm to be appointed, then, upon the application of either party, such firm shall be appointed by the Presiding Judge of the Superior Court for the County of Riverside, California. Such firm's determination shall be final and binding upon the parties. Such firm shall have full access to the books, records and accounts of Borrower and the Property.

(e) **Underpayment**. If any audit by Agency reports an underpayment by Borrower on this Note, Borrower shall pay the amount of such underpayment, together with the late charge set forth in Section 20(c) of this Note, to Agency within ten (10) days after written notice thereof to Borrower or, in the event of a dispute, after timely notice to Borrower of the resolution of such dispute by the independent firm of certified public accountants, as the case

may be, and if such underpayment amounts to more than five percent (5%) of the disputed payment for the period audited, then, notwithstanding anything to the contrary in this section, Borrower shall pay to Agency, within ten (10) days after written demand, Agency's reasonable costs and expenses in conducting such audit and exercising its rights under this Section 20 of this Note.

BORROWER:

CORAL MOUNTAIN PARTNERS, L.P.,
a California limited partnership

By: Coral Mountain AGP, LLC,
a California limited liability company
Its: General Partner

Date:_____, 2011

By:_____
Its:_____

ATTACHMENT NO. 7

AGENCY DEED OF TRUST

[See following document]

RECORDING REQUESTED BY:
AND WHEN RECORDED RETURN TO:

La Quinta Redevelopment Agency
P.O. Box 1504
La Quinta, California 92247
Attention: Executive Director

APN: _____

[Free Recording Requested
Government Code Sections 6103 and 27383]

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS

This **DEED OF TRUST,** dated as of _____, 2011 for identification purposes only, is made by and among **CORAL MOUNTAIN PARTNERS, L.P.**, a California limited partnership ("Trustor"), **FIRST AMERICAN TITLE INSURANCE COMPANY**, a California corporation ("Trustee"), and **LA QUINTA REDEVELOPMENT AGENCY**, a public body, corporate and politic ("Beneficiary").

Trustor grants, transfers and assigns to Trustee in trust, upon the trusts, covenants, conditions and agreements and for the uses and purposes hereinafter contained, with power of sale, and right of entry and possession, all of its title and interest in that real property (the "Property") in the City of La Quinta, County of Riverside, State of California, described in Exhibit A attached hereto and incorporated herein by this reference.

Together with Beneficiary's interest in all buildings, structures and improvements of every nature whatsoever now or hereafter situated on the Property; and

Together with the rents, issues and profits thereof; and together with all buildings and improvements of every kind and description now or hereafter erected or placed thereon, and all fixtures, including but not limited to all gas and electric fixtures, engines and machinery, radiators, heaters, furnaces, heating equipment, laundry equipment, steam and hot-water boilers, stoves, ranges, elevators and motors, bathtubs, sinks, water closets, basins, pipes, faucets and other plumbing and heating fixtures, mantles, cabinets, refrigerating plant and refrigerators, whether mechanical or otherwise, cooking apparatus and appurtenances, and all shades, awnings, screens, blinds and other furnishings, it being hereby agreed that all such fixtures and furnishings shall to the extent permitted by law be deemed to be permanently affixed to and a part of the realty; and

Together with all building materials and equipment now or hereafter delivered to said premises and intended to be installed therein; and

Together with all plans, drawings, specifications, and articles of personal property now or hereafter attached to or used in and about the building or buildings now erected or hereafter to be erected on the Property which are necessary to the completion and comfortable use and occupancy of such building or buildings for the purposes for which they were or are to be erected, including all other goods and chattels and personal property as are ever used or

furnished in operating a building, or the activities conducted therein, similar to the one herein described and referred to, and all renewals or replacements thereof or articles in substitution therefor, whether or not the same are, or shall be attached to said building or buildings in any manner.

To have and to hold the property hereinbefore described (including the Property and all appurtenances), all such property being referred to collectively herein as the "Property," to Trustee, its successors and assigns forever.

FOR THE PURPOSE of securing (1) payment of indebtedness of Trustor to the Beneficiary in the principal sum of TWENTY-NINE MILLION DOLLARS ($29,000,000) (the "Agency Loan"), evidenced by a promissory note dated _____, 2011 between Trustor and Beneficiary (the "Agency Loan Note"), together with all sums due thereunder including interest and other charges; and (2) the performance of each agreement of Trustor in this Deed of Trust and the Agency Loan Note, including, without limitation, that certain Disposition and Development Agreement entered into by and between Trustor and Beneficiary on or about January __, 2011 (the "DDA"), that certain Ground Lease entered into by and between Trustor and Beneficiary on or about the same date hereof, and that certain Affordable Housing Regulatory Agreement entered into by and between Trustor and Beneficiary on or about the same date hereof (collectively, the "Agency Loan Documents"). Said Agency Loan Note and all of its terms are incorporated herein by reference and this conveyance shall secure any and all extensions, amendments, modifications or renewals thereof however evidenced, and additional advances of the Agency Loan evidenced by any note reciting that it is secured hereby.

AND TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR COVENANTS AND AGREES:

1. That it will pay the Agency Loan Note at the time and in the manner provided therein;

2. That it will not permit or suffer the use of any of the Property for any purpose other than the use for which the same was intended at the time this Deed of Trust was executed, namely, as affordable rental housing;

3. That the Agency Loan Note is incorporated herein and made a part of this Deed of Trust. Upon default under the Agency Loan Note or this Deed of Trust, Beneficiary, at its option, may declare the whole of the indebtedness secured hereby to be due and payable;

4. That all rents, profits and income from the Property covered by this Deed of Trust are hereby assigned to Beneficiary for the purpose of discharging the debt hereby secured. Permission is hereby given to Trustor so long as no default exists hereunder, to collect such rents, profits and income;

5. That upon default hereunder, Beneficiary shall be entitled to the appointment of a receiver by any court having jurisdiction, without notice, to take possession and protect the Property described herein and operate same and collect the rents, profits and income therefrom;

6. That Trustor will keep the improvements now existing or hereafter erected on the Property insured against loss by fire and such other hazards, casualties and contingencies as may

be required in writing from time to time by Beneficiary, and all such insurance shall be evidenced by standard fire and extended coverage insurance policy or policies, in the amount of the replacement value of the improvements. Such policies shall be endorsed with a standard mortgage clause with loss payable to Beneficiary subordinate to the rights and interest of the beneficiary of the deed of trust securing the Senior Loan, as described in paragraph 31, below) and certificates thereof together with copies of original policies shall be deposited with Beneficiary;

7. To pay, before delinquency, any taxes and assessments affecting said Property 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 unless exemption is obtained therefrom;

8. To keep said Property in good condition and repair, not to remove or demolish any buildings thereon, to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged, or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor (unless contested in good faith if Trustor provides security satisfactory to Beneficiary that any amounts found to be due will be paid and no sale of the Property or other impairment of the security hereunder will occur); to comply with all laws affecting said Property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said Property in violation of law and/or covenants, conditions and/or restrictions affecting said Property; not to permit or suffer any alteration of or addition to the buildings or improvements hereafter constructed in or upon said Property without the consent of Beneficiary;

9. To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including cost of evidence of title and attorneys' fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear;

10. Should Trustor fail to make any payment or do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor 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. Beneficiary or Trustee, being authorized to enter upon said Property for such purposes, may commence, appear in and/or defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; may 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, may pay necessary expenses, employ counsel, and pay counsel's reasonable fees;

11. Beneficiary shall have the right to pay fire and other property insurance premiums when due should Trustor fail to make any required premium payments. All such payments made by Beneficiary shall be added to the principal sum secured hereby;

12. To pay immediately and without demand all sums so expended by Beneficiary or Trustee, under permission given under this Deed of Trust, with interest from date of expenditure at the rate specified in the Agency Loan Note;

13. That the Agency Loan advanced hereunder is to be used in the development of the Property; and upon the failure of Trustor to keep and perform such covenants, the principal sum and all arrears of interest, and other charges provided for in the Agency Loan Note shall, at the option of Beneficiary, become due and payable, anything contained herein to the contrary notwithstanding;

14. Trustor further covenants that it will not voluntarily create, suffer or permit to be created against the Property, subject to this Deed of Trust, any lien or liens (other than the lien of a deed of trust recorded prior in time and right to this Deed of Trust and/or the lien of a deed of trust to which Trustor has expressly agreed to subordinate the lien of this Deed of Trust) except as authorized by Beneficiary, and further that it will keep and maintain the Property free from the claims of all persons supplying labor or materials which will enter into the construction of any and all buildings now being erected or to be erected on the Property;

15. That any and all improvements made or about to be made upon the Property, and all plans and specifications, comply with all applicable municipal ordinances and regulations and all other regulations made or promulgated, now or hereafter, by lawful authority, and that the same will upon completion comply with all such municipal ordinances and regulations and with the rules of the applicable fire rating or inspection organization, bureau, association or office;

16. Trustor herein agrees to pay to Beneficiary or to the authorized loan servicing representative of Beneficiary a charge not to exceed that permitted by law for providing a statement regarding the obligation secured by this Deed of Trust as provided by Section 2954, Article 2, Chapter 2, Title 14, Division 3 of the California Civil Code.

IT IS MUTUALLY AGREED THAT:

17. Subject to any cure rights under the DDA, if the construction of any improvements as herein referred to shall not be carried on with reasonable diligence, or shall be discontinued at any time for any reason other than events of *Force Majeure* pursuant to Paragraph 36 hereof, Beneficiary, after due notice to Trustor or any subsequent owner, is hereby invested with full and complete authority to enter upon the Property, employ watchmen to protect such improvements from depredation or injury and to preserve and protect the personal property therein, and to continue any and all outstanding contracts for the erection and completion of said building or buildings, to make and enter into any contracts and obligations wherever necessary, either in its own name or in the name of Trustor, and to pay and discharge all debts, obligations and liabilities incurred thereby. All such sums so advanced by Beneficiary (exclusive of advances of the principal of the indebtedness secured hereby) shall be added to the principal of the indebtedness secured hereby and shall be secured by this Deed of Trust and shall be due and payable on demand;

18. In the event of any fire or other casualty to the Project or eminent domain proceedings resulting in condemnation of the Project or any part thereof, Trustor shall have the right to rebuild the Project, and to use all available insurance or condemnation proceeds therefor, provided that (a) such proceeds are sufficient to rebuild the Project in a manner that provides adequate security to Beneficiary for repayment of the Agency Loan or if such proceeds are insufficient then Trustor shall have funded any deficiency, (b) Beneficiary shall have the right to approve plans and specifications for any major rebuilding and the right to approve disbursements

of insurance or condemnation proceeds for rebuilding under a construction escrow or similar arrangement, and (c) no material default then exists under the Agency Loan Note or this Deed of Trust. If the casualty or condemnation affects only part of the Project and total rebuilding is infeasible, then proceeds may be used for partial rebuilding and partial repayment of the Agency Loan in a manner that provides adequate security for repayment of the remaining balance of the Agency Loan. The rights of the Beneficiary to any insurance proceeds or condemnation awards pursuant to this paragraph 18 are and shall be subject to the prior right to any insurance proceeds or condemnation awards of the beneficiary of the deed of trust securing the Senior Loan, as described in paragraph 31;

19. Upon default by Trustor in making any payments provided for herein or in the Agency Loan Note secured hereby, and if such default is not made good within fifteen (15) days after notice from Beneficiary, or if Trustor shall fail to perform any covenant or agreement in this Deed of Trust within thirty (30) days after written demand therefor by Beneficiary (or, in the event that more than thirty (30) days is reasonably required to cure such default, should Trustor fail to promptly commence such cure, and diligently prosecute same to completion), Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale, and of written notice of default and of election to cause the Property to be sold, which notice Trustee shall cause to be duly filed for record and Beneficiary may foreclose this Deed of Trust. Beneficiary shall also deposit with Trustee this Deed of Trust, the Agency Loan Note and all documents evidencing expenditures secured hereby;

20. After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell Trustor's interest in said Property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said interest by public announcement at the time and place of sale, and from time to time thereafter may postpone the sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to the purchaser its deed conveying Trustor's interest in the property so sold, but without any covenant or warranty, express or implied. The recitals in the deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee or Beneficiary, may purchase at the sale. Trustee shall apply the proceeds of sale to payment of (1) the expenses of such sale, together with the reasonable expenses of this trust including therein reasonable Trustee's fees or attorneys' fees for conducting the sale, and the actual cost of publishing, recording, mailing and posting notice of the sale; (2) the cost of any search and/or other evidence of title procured in connection with such sale and revenue stamps on Trustee's deed; (3) all sums expended under the terms hereof, not then repaid, with accrued interest at the rate specified in the Agency Loan Note; (4) all other sums then secured hereby; and (5) the remainder, if any, to the person or persons legally entitled thereto;

21. Beneficiary may from time to time substitute a successor or successors to any Trustee named herein or acting hereunder to execute this Deed of Trust. Upon such appointment, and without conveyance to the successor trustee, the latter shall be vested with all title, powers, and duties conferred upon any Trustee herein named or acting hereunder. Each such appointment

and substitution shall be made by written instrument executed by Beneficiary, containing reference to this Deed of Trust and its place of record, which, when duly recorded in the proper office of the county or counties in which the property is situated, shall be conclusive proof of proper appointment of the successor trustee;

22. The pleading of any statute of limitations as a defense to any and all obligations secured by this Deed of Trust is hereby waived to the full extent permissible by law;

23. Upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and the Agency Loan Note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters of fact shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto";

24. The trust created hereby is irrevocable by Trustor;

25. This Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors, and assigns. The term "Beneficiary" shall include not only the original Beneficiary hereunder but also any successor to Beneficiary's rights, powers, and responsibilities, and any future owner and holder including pledgees, of the Agency Loan Note secured hereby. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural. All obligations of each Trustor hereunder are joint and several;

26. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made public record as provided by law. Except as otherwise provided by law, Trustee is not obligated to notify any party hereto of pending sale under this Deed of Trust or of any action or proceeding in which Trustor, Beneficiary, or Trustee shall be a party unless brought by Trustee;

27. The undersigned Trustor requests that copies of any notice of default and of any notice of sale hereunder be mailed to it at Coral Mountain Partners, L.P., 46753 Adams Street, La Quinta, CA 92253 and to:

Bocarsly Emden Cowan Esmail & Arndt LLP
633 West Fifth Street, 70th Floor
Los Angeles, CA 90071
Phone No.: 213-239-8088
Facsimile No.: 213-559-0733
Attention: Lance Bocarsly

28. Trustor agrees, at any time after receipt of a written request from Beneficiary, to furnish to Beneficiary a detailed statement in writing of income, rents, profits, and operating expenses of the premises, and the names of the occupants and tenants in possession, together with the expiration dates of their leases and full information regarding all rental and occupancy agreements, and the rents provided for by such leases and rental and occupancy agreements, and such other information regarding the Property and their use as may be requested by Beneficiary.

29. The full principal amount outstanding plus accrued but unpaid interest thereon, shall be due and payable on the earlier to occur of the following:

(a) Sale, transfer, assignment or refinancing of the Property as provided further in this paragraph 29; unless: (i) in the case of a sale in which the sale proceeds are insufficient to repay in full the Agency Loan, the Beneficiary approves such sale and the purchaser assumes the balance of the Agency Loan in accordance with the terms of the Agency Loan Note; or (ii) in the case of a refinancing in which the refinancing proceeds are insufficient to repay in full the Agency Loan, the Beneficiary approves such refinancing and the Borrower remains obligated pursuant to the terms of the Note.

(b) In order to induce Beneficiary to make the loan evidenced hereby, Trustor agrees that in the event of any transfer of the Property without the prior written consent of Beneficiary (other than a transfer resulting from a foreclosure, or conveyance by deed in lieu of foreclosure, by the holder of the deed of trust securing the Senior Loan), Beneficiary shall have the absolute right at its option, without prior demand or notice, to declare all sums secured hereby immediately due and payable. Consent to one such transaction shall not be deemed to be a waiver of the right to require consent to future or successive transactions. Beneficiary may grant or deny such consent in its sole discretion and, if consent should be given, any such transfer shall be subject to this paragraph 29, and any such transferee shall assume all obligations hereunder and agree to be bound by all provisions contained herein. Such assumption shall not, however, release Trustor from any liability thereunder without the prior written consent of Beneficiary.

(c) As used herein, "transfer" includes the sale, agreement to sell, transfer or conveyance of Trustor's leasehold interest in the Property, or any portion thereof or interest therein, whether voluntary, involuntary, by operation of law or otherwise, the execution of any installment land sale contract or similar instrument affecting all or a portion of the Property, or the lease of all or substantially all of the Property. "Transfer" shall not include the leasing of individual residential units on the Property or any transfers of the limited partnership interests in Trustor or any replacement of a general partner of Trustor by its limited partner pursuant to the agreement that sets forth the terms of the Trustor's limited partnership (the "Partnership Agreement").

(d) The term "Sale'' means any transfer, assignment, conveyance or lease (other than to a tenant for occupancy) of Trustor's leasehold interest in the Property and/or the improvements thereon, or any portion thereof, or any interest therein by the Trustor, but excludes any purchase option agreement given to Trustor's general partner(s). Sale includes a sale in condemnation or under threat thereof. Sale does not include dedications and grants of easements to public and private utility companies of the kind customary in real estate development. Sale shall also not include any transfers of the limited partnership interests in Trustor or any replacement of a general partner of Trustor by its limited partner pursuant to the Partnership Agreement.

Notwithstanding anything to the contrary contained in this Deed of Trust or in the Agency Loan Note, prior to declaring any default or taking any remedy permitted under this Deed of Trust, the Agency Loan Note or applicable law based upon an alleged default, _____ (the "Investor") shall have a period of not less than

thirty (30) days to cure such alleged default; provided, however, if in order to cure such default the Investor reasonably believes that it must remove a general partner of Trustor, or all of them, pursuant to the Partnership Agreement, the Investor shall so notify Beneficiary and so long as the Investor is reasonably and diligently attempting to remove the general partner or general partners, the Investor shall have until the date thirty (30) days after the effective date of the removal of the general partner or general partners to cure such default.

30. Trustor shall permit Beneficiary and its agents or representatives, to inspect the Property at any and all reasonable times, with twenty-four (24) hours advance notice. Inspections shall be conducted so as not to interfere with the tenants' use and enjoyment of the Property.

31. It is hereby expressly agreed and acknowledged by Trustor and Beneficiary that this Deed of Trust is a second and subordinate deed of trust, and that the Agency Loan secured hereby, and the Agency Loan Note are subject and subordinate only to the deed of trust securing a loan to Trustor in original principal amount of $_____ in which _____ ("Senior Lender") is the Beneficiary, including any loan that refinances the balance of the Senior Loan or an assignment of the Senior Loan (collectively referred to as the "Senior Loan").

32. For purposes of this Deed of Trust, "Hazardous Materials" means any substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a "hazardous waste", "acutely hazardous waste", "extremely hazardous waste", or "restricted hazardous waste" under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a "hazardous material", "hazardous substance", or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) asbestos, (vii) polychlorinated byphenyls, (viii) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Code of Regulations, Chapter 20, (ix) designated as "hazardous substances" pursuant to Section 311 of the Clean Water Act (33 U.S.C. Section 1317), (x) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903), (xi) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq., (xii) methyl-tertiary butyl ether, (xiii) perchlorate or (xiv) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any governmental requirements either requires special handling in its use, transportation, generation, collection, storage, handling, treatment or disposal, or is defined as "hazardous" or harmful to the environment. For purposes hereof, "Hazardous Materials" excludes materials and substances in quantities as are commonly used in the construction and operation of an apartment complex provided that such materials and substances are used in accordance with all applicable laws.

33. In addition to the general and specific representations, covenants and warranties set forth in this Deed of Trust or otherwise, Trustor represents, covenants and warrants, with respect to Hazardous Materials, as follows:

(a) Neither Trustor nor, to the best knowledge of Trustor, any other person, has ever caused or permitted any Hazardous Materials to be manufactured, placed, held, located or disposed of on, under or at the Property or any part thereof, and neither the Property nor any part thereof, or any property adjacent thereto, has ever been used (whether by Trustor or, to the best knowledge of the Trustor, by any other person) as a manufacturing site, dump site or storage site (whether permanent or temporary) for any Hazardous Materials;

(b) Trustor hereby agrees to indemnify Beneficiary, its officers, employees, contractors and agents, and hold Beneficiary, its officers, employees, contractors and agents harmless from and against any and all losses, liabilities, damages, injuries, costs, expenses and claims of any and every kind whatsoever paid, incurred or suffered by, or asserted against Beneficiary, its officers, employees, contractors or agents for, with respect to, or as a direct or indirect result of, the presence or use, generation, storage, release, threatened release or disposal of Hazardous Materials on or under the Property or the escape, seepage, leakage, spillage, discharge, emission or release of any Hazardous Materials from the Property (including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under CERCLA, any so-called "Superfund" or "Superlien" law, or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to or imposing liability or standards of conduct concerning any Hazardous Materials), caused by Trustor.

(c) Trustor has not received any notice of (i) the happening of any event involving the use, spillage, discharge or cleanup of any Hazardous Materials ("Hazardous Discharge") affecting Trustor or the Property or (ii) any complaint, order, citation or notice with regard to air emissions, water discharges, noise emissions or any other environmental, health or safety matter affecting Trustor or the Property ("Environmental Complaint") from any person or entity, including, without limitation, the United States Environmental Protection Agency ("EPA"). If Trustor receives any such notice after the date hereof, then Trustor will give, within seven (7) business days thereafter, oral and written notice of same to Beneficiary.

(d) Without limitation of Beneficiary's rights under this Deed of Trust, Beneficiary shall have the right, but not the obligation, to enter onto the Property or to take such other actions as it deems necessary or advisable to clean up, remove, resolve or minimize the impact of, or otherwise deal with, any such Hazardous Materials or Environmental Complaint upon its receipt of any notice from any person or entity, including without limitation, the EPA, asserting the existence of any Hazardous Materials or an Environmental Complaint on or pertaining to the Property which, if true, could result in an order, suit or other action against Trustor affecting any part of the Property by any governmental agency or otherwise which, in the sole opinion of Beneficiary, could jeopardize its security under this Deed of Trust. All reasonable costs and expenses incurred by Beneficiary in the exercise of any such rights shall be secured by this Deed of Trust and shall be payable by Trustor upon demand together with interest thereon at a rate equal to the highest rate payable under the Agency Loan Note secured hereby.

34. The following shall be an "Event of Default:"

(a) Failure of Trustor to pay, when due, principal and interest and any other sums or charges on the Agency Loan Note, in accordance with the provisions set forth in the Agency Loan Note and such failure is not cured within fifteen (15) days after receipt of written notice from Beneficiary; or

(b) A violation of the terms, conditions or covenants of the Agency Loan Note, this Deed of Trust, the DDA, Agency Regulatory Agreement, or Ground Lease

35. Subject to the extensions of time set forth in paragraph 36, and subject to the further provisions of this paragraph 35 and of paragraphs 37 and 38, failure or delay by the Trustor to perform any term or provision of this Deed of Trust constitutes a default under this Deed of Trust. The Trustor must immediately commence to cure, correct, or remedy such failure or delay and shall complete such cure, correction or remedy with reasonable diligence.

(a) The Beneficiary shall give written notice of default to the Trustor with a copy to the limited partners of Trustor for which Beneficiary has been supplied with address for notice, specifying the default complained of by the Beneficiary. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default.

(b) The Trustor shall not be in default so long as it endeavors to complete such cure, correction or remedy with reasonable diligence, provided such cure, correction or remedy is completed within thirty (30) days after receipt of written notice (or such additional time as may be reasonably necessary to correct the cause).

(c) Any failures or delays by the Beneficiary in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies. Delays by the Beneficiary in asserting any of its rights and remedies shall not deprive the Beneficiary of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.

36. Notwithstanding specific provisions of this Deed of Trust, performance hereunder shall not be deemed to be in default where delays or defaults are due to: war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God or other deities; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; litigation; unusually severe weather; inability to secure necessary labor, materials or tools; delays of any contractor or supplier; acts of the other party; acts or failure to act of the Beneficiary, or any other public or governmental agency or entity (except that any act or failure to act of Beneficiary shall not excuse performance by Beneficiary); or any other causes beyond the reasonable control or without the fault of the party claiming an extension of time to perform. An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time the party claiming such extension gives notice to the other party, provided notice by the party claiming such extension is given within thirty (30) days after the commencement of the cause. Times of performance under this Deed of Trust may also be extended in writing by the Beneficiary and Trustor.

37. If a monetary event of default occurs under the terms of the Agency Loan Note or this Deed of Trust, prior to exercising any remedies thereunder Beneficiary shall give Trustor

written notice of such default. Trustor shall have a period of fifteen (15) days after such notice is given within which to cure the default prior to exercise of remedies by Beneficiary under the Agency Loan Note and this Deed of Trust.

38. If a non-monetary event of default occurs under the terms of the Agency Loan Note or this Deed of Trust, prior to exercising any remedies hereunder or thereunder, Beneficiary shall give Trustor notice of such default. If the default is reasonably capable of being cured within thirty (30) days, Trustor shall have such period to effect a cure prior to exercise of remedies by the Beneficiary under the Agency Loan Note and this Deed of Trust. If the default is such that it is not reasonably capable of being cured within thirty (30) days, and Trustor (a) initiates corrective action within said period, and (b) diligently, continually, and in good faith works to effect a cure as soon as possible, then Trustor shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by Beneficiary. In no event shall Beneficiary be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within one hundred eighty (180) days after the first notice of default is given.

39. Beneficiary shall provide those limited partners of Trustor for which Beneficiary has been supplied with address for notice with a copy of any written notice provided to Trustor under the terms of the Agency Loan Documents. In the event of a monetary event of default, Trustor's limited partners shall have a period of fifteen (15) days after receipt of such notice, or such longer period of time as may be set forth in the Agency Loan Documents, to cure the default prior to exercise of any remedy by Beneficiary. In the event a non-monetary event of default occurs under any Agency Loan Document, Trustor's limited partners shall have a period of thirty (30) days after receipt of such notice, or such longer period of time as may be set forth in the Agency Loan Documents, to cure the default prior to exercise of any remedy by Beneficiary. Notwithstanding anything to the contrary contained in the Agency Loan Documents, Beneficiary hereby agrees that any cure of any default made or tendered by Trustor's limited partners shall be deemed to be a cure by Trustor and shall be accepted or rejected on the same basis as if such cure were made or tendered by Trustor.

40. Subject to paragraph 36, Trustor, upon the occurrence of an Event of Default as described in paragraph 34 that has not been cured with the applicable cure period set forth in paragraph 37 or 38, shall be obligated to repay the Agency Loan and, subject to the nonrecourse provision of the Agency Loan Note, Beneficiary may seek to enforce payment of any and all amounts due by Trustor pursuant to the terms of the Agency Loan Note.

41. All expenses (including reasonable attorneys' fees and costs and allowances) incurred in connection with an action to foreclose, or the exercise of any other remedy provided by this Deed of Trust, including the curing of any Event of Default, shall be the responsibility of Trustor.

42. Except as provided in paragraph 31, each successor owner of an interest in the Property, other than through foreclosure, deed in lieu of foreclosure or an owner who takes an interest in the Property after a foreclosure has occurred, shall take its interest subject to this Deed of Trust.

43. Notwithstanding anything to the contrary herein, Beneficiary agrees that this Deed of Trust is and shall be subordinate to any extended low-income housing commitment (as such term is defined in Section 42(h)(6)(B) of the Internal Revenue Code) (the "Extended Use Agreement") recorded against the Property; provided that such Extended Use Agreement, by its terms, will terminate upon foreclosure or upon a transfer of the Property by instrument in lieu of foreclosure in accordance with said Section 42(h)(6)(B).

"Trustor"

CORAL MOUNTAIN PARTNERS, L.P.,
a California limited partnership

By: Coral Mountain AGP, LLC,
a California limited liability company
Its: General Partner

Date:_____, 2011

By:_____
Its:_____

EXHIBIT "A"

LEGAL DESCRIPTION OF THE PROPERTY

[To be recorded against Trustor's interest under the Ground Lease.]

ATTACHMENT NO. 8

PROJECT BUDGET

[see following pages]

CORAL MOUNTAIN APARTMENTS 176 UNITS

SOURCE of FUNDS

CONSTRUCTION PERIOD		Per Unit
Tax Exempt Bonds	24,000,000	136,364
Tax Credit Equity	2,683,316	15,246
Advance on Agency Loan	20,887,344	118,678
Deferred Costs to Perm Loan Close	2,779,610	15,793
Additional Construction Sources		
TOTAL CONST SOURCES	50,350,270	286,081
PERMANENT OPERATIONS		
Permanent 1st Mortgage	7,933,689	45,078
Tax Credit Equity	13,416,581	76,231
Total Agency Loan	29,000,000	164,773
TOTAL PERM SOURCES	**50,350,270**	**286,081**

USES OF FUNDS

Land & Buildings		Basis	Per Unit
Purchase Price	N / A		
Legal	$ 25,000	XXXXXX	$ 142
Title, & Escrow	$ 25,000	XXXXXX	$ 142
Construction			
"On Site" Sitework	$ 5,000,000	$ 5,000,000	$ 28,409
"Off Site" Improvements	$ 1,400,000	XXXXXX	$ 7,955
Buildngs	$ 21,801,801	$ 21,801,801	$ 123,874
Gen Cond, POH, Bonds, Ins, etc	$ 4,441,784	$ 4,441,784	$ 25,237
Construction Contingency	$ 2,611,487	$ 2,611,487	$ 14,838
Soft Costs			
Architecture & Engineering	$ 1,543,400	$ 1,543,400	$ 8,769
Includes Eng. Reports, Studies	$ -	$ -	$ -
3rd Party Studies & Reports	$ 27,000	$ 27,000	$ 153
Insurance	$ 325,000	$ 325,000	$ 1,847
Real Estate Taxes	$44,371	$ 44,371	$ 252
Tax Credit Fees	$ 88,577	XXXXXX	$ 503
Title, Escrow & Recording	$ 55,000	$ 55,000	$ 313
Site Security	$ 60,000	$ 60,000	$ 341
Legal & Accounting	$ 202,000	$ 172,000	$ 1,148
Models & Furnishings, Equipt	$ 165,000	$ 165,000	$ 938
Mkting & Leasing	$ 95,000	XXXXXX	$ 540
Consultants/Estimation	$ 65,000	$ 65,000	$ 369
Misc Other costs	$ 35,000	$ 35,000	$ 199
Permits & Fees	$ 3,567,637	$ 3,567,637	$ 20,271
Soft Cost Contingency	$ 501,839	$301,103	$ 2,851
Development Overhead	$ 650,000	$ 650,000	$ 3,693
Development Profit	$ 1,850,000	$ 1,850,000	$ 10,511
Construction Financing Costs			
Bond Issuance	$ 629,559	$ 629,559	$ 3,577
Construction Interest	$ 2,340,000	$ 2,340,000	$ 13,295
Construction Lender Costs	$ 68,000	$ 68,000	$ 386
Lease up Interest and Carry	$ 1,300,000	XXXXXX	$ 7,386
Bridge Loan Fees and Interest	$ 31,500	$ 31,500	$ 179
Permanent Financing Costs			
Bond Issuance	$ 419,706	XXXXXX	$ 2,385
Title & Recording	$ 12,000	XXXXXX	$ 68
Syndication Costs	$ 40,000		$ 227
Project Reserves			
Capitalized Reserves	$ 929,610	XXXXXX	$ 5,282
Subtotal Project Costs	$ 50,350,270	$ 45,784,642	$ 286,081
Project Contingency	$ -		$ -
TOTAL PROJECT COSTS:	**$ 50,350,270**	**$ 45,784,642**	**$ 286,081**

ATTACHMENT NO. 9

GROUND LEASE

[See following document]

GROUND LEASE

By and Between

LA QUINTA REDEVELOPMENT AGENCY

"Landlord"

and

CORAL MOUNTAIN PARTNERS, L.P.

"Tenant"

Dated as of _____

GROUND LEASE

This **GROUND LEASE** ("Ground Lease") dated as of _____ ("Effective Date"), is entered into by and between **LA QUINTA REDEVELOPMENT AGENCY**, a public body, corporate and politic ("Landlord"), and **CORAL MOUNTAIN PARTNERS, L.P.,** a California limited partnership ("Tenant").

R E C I T A L S

A. Landlord is a California redevelopment agency organized and existing under the California Community Redevelopment Law (Section 33000 *et seq.* of the Health and Safety Code).

B. Tenant is controlled by an experienced owner, developer and manager of affordable housing for low and moderate-income families.

C. Landlord is the owner of certain real property situated in the City of La Quinta, County of Riverside, State of California, and legally described in Exhibit "A", which is attached hereto and incorporated herein by this reference ("Property").

D. Landlord entered into a Disposition and Development Agreement with Tenant dated as of January __, 2011 ("Agreement").

E. The Agreement provides for Landlord to ground lease the Property to Tenant, and for Tenant to construct and operate a one hundred seventy-six (176) unit multifamily apartment project with all of such units restricted for occupancy by very low income, lower income, and moderate income families (the "Project").

F. All conditions precedent to the parties entering into this Ground Lease have been satisfied or waived.

G. This Ground Lease is in the vital and best interests of the City of La Quinta, California, and the health, safety and welfare of its residents.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and conditions herein contained, Landlord and Tenant agree as follows:

ARTICLE 1. LEASE OF THE PROPERTY

1.1 Ground Lease of the Property; Acquisition of Improvements. Landlord leases the Property to Tenant, and Tenant hires the Property from Landlord, on the terms and conditions as set forth in this Ground Lease. Pursuant to the Agreement and subject to the provisions of Section 5.3 hereof, Tenant will concurrent with the Effective Date of this Ground Lease acquire fee title to all Improvements on the Property and shall hold fee title to such Improvements during the Term hereof.

1.2 Purpose of Ground Lease. The purpose of this Ground Lease is to provide for the construction, maintenance, management and operation of the Project as a 176-unit multifamily apartment project. Tenant will not occupy or use the Property, nor permit the Property to be occupied or used, nor do or permit anything to be done in or on the Property, in whole or in part, for any other purpose.

1.3 Recorded Encumbrances. This Ground Lease, the interests of Landlord and Tenant hereunder, and the Property, are in all respects subject to and bound by all of the covenants, conditions, restrictions, reservations, rights, rights-of-way and easements of record prior to the recordation of this Ground Lease.

1.4 Memorandum of Ground Lease. A short form Memorandum of Unrecorded Ground Lease referring to this Ground Lease, substantially in the form attached hereto and incorporated herein as "Exhibit B", shall be executed by Landlord and Tenant concurrently herewith, and recorded in the Official Records of the County of Riverside, California ("Official Records").

ARTICLE 2. DEFINITIONS.

Capitalized terms used herein are defined where first used in this Ground Lease and/or as set forth in this Article 2.All capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement. For the purpose of supplying such definitions, the Agreement, notwithstanding anything contained therein or herein to the contrary, shall not merge with this Ground Lease.

"Affiliate" means any person or entity directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Tenant which, if Tenant is a partnership or limited liability company, shall include each of the constituent members or partners, respectively thereof. The term "control" as used in the immediately preceding sentence, means, with respect to a person that is a corporation, the right to the exercise, directly or indirectly, of more than fifty percent (50%) of the voting rights attributable to the shares of the controlled corporation, and, with respect to a person that is not a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled person.

"Agency Loan" means that certain loan made by Landlord to Tenant in the original principal amount of Twenty-Nine Million Dollars ($29,000,000).

"Agency Loan Note" means that certain promissory note made by Tenant in favor of Landlord on or about _____, 2011, evidencing the Agency Loan.

"Agreement" means the Disposition and Development Agreement between Landlord and Tenant, dated as of January __, 2011.

"Annual Project Revenue" means all gross income and all revenues of any kind from the Housing Development in a calendar year, of whatever form or nature, whether direct or indirect, with the exception of the items excluded below, actually received by or paid to or for the account or benefit of Tenant or any Affiliate of Tenant or any of their agents or employees, from any and all sources, resulting from or attributable to the ownership, operation, leasing and occupancy of the Housing Development, determined on the basis of generally accepted accounting principles applied on a consistent basis, and shall include, but not be limited to: (i) gross rentals paid by tenants of the Housing Development under leases, and payments and subsidies of whatever nature, including without limitation any payments, vouchers or subsidies from HUD or any other person or organization, received on behalf of tenants under their leases, (ii) amounts paid by residents of the Property to Tenant or any Affiliate of Tenant on account of Operating Expenses for further disbursement by Tenant or such Affiliate to a third party or parties, (iii) late charges and interest paid on rentals, (iv) rents and receipts from licenses, concessions, vending machines, coin laundry and

similar sources, (v) other fees, charges or payments not denominated as rental but payable to Tenant in connection with the rental of office, retail, storage, or other space in the Housing Development, (vi) consideration received in whole or in part for the cancellation, modification, extension or renewal of leases, and (vii) interest and other investment earnings on security deposits, reserve accounts and other Housing Development accounts to the extent disbursed for other than the purpose of the reserve. Notwithstanding the foregoing, gross income shall not include the following items: (a) security deposits from tenants (except when applied by Tenant to rent or other amounts owing by tenants); (b) capital contributions to Tenant by its members, partners or shareholders (including capital contributions required to pay any deferred developer fee); (c) condemnation or insurance proceeds; (d) funds received from any source actually and directly used for initial development of the Housing Development; (e) receipt by an Affiliate of management fees or other bona fide arms-length payments for reasonable and necessary Operating Expenses associated with the Housing Development, including but not limited to, any Partnership Related Fees; or (f) Transfer Net Proceeds and/or Refinancing Net Proceeds.

"Approved Financing" means the financing approved by the Landlord pursuant to Section 6.7 of the Agreement, obtained by Tenant for the construction/development and ownership of the Project.

"Award" means any compensation or payment made or paid for the Total, Partial or Temporary Taking of all of any part of or interest in the Property and/or the Improvements, whether pursuant to judgment, agreement or otherwise.

"Capital Improvements" means all work and improvements with respect to the Property for which costs and expenses may be capitalized in accordance with GAAP.

"Capital Replacement Reserve" shall have the meaning ascribed thereto in the Regulatory Agreement.

"Certificate of Occupancy" means the final certificate of occupancy issued by the City for the Project.

"City" means the City of La Quinta, a California municipal corporation and charter city.

"Commencement Date" means the date upon which the Memorandum of Ground Lease is recorded in the Official Records of the County of Riverside.

"Construction Loan" refers to the loan from a Mortgagee (or consortium of Mortgagees) authorized pursuant to Section 17.1 hereof, the proceeds of which are used to perform the construction of the Project.

"CPI Adjustment" means the increase in the cost of living index, as measured by the Consumer Price Index for all urban consumers, Los Angeles-Anaheim-Riverside statistical area, all items (1982-84 = 100) published by the United States Department of Labor, Bureau of Labor Statistics("CPI") in effect as of the date on which the Certificate of Occupancy is issued to the CPI in effect as of the date on which an adjustment is made. If such index is discontinued or revised, such other index with which such index is replaced (or if not replaced, another index which reasonably reflects and monitors consumer prices) shall be used in order to obtain substantially the same results as would have been obtained if the discontinued index had not been discontinued or revised. If the

CPI is changed so that the base year is other than 1982-84, the CPI shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics.

"Debt Service" means payments made in a calendar year pursuant to the Approved Financing obtained for the construction/development and ownership of the Project or any permitted refinancing or modification thereof, but excluding Rent.

"Deferred Developer Fees" means any deferred developer fee allowable under the Approved Financing.

"Event of Default" has the meaning set forth in Article 20.

"Executive Director" means the Executive Director of Landlord or his or her designee.

"First Mortgage-Construction Financing" means a loan in an amount not less than Twenty Million Dollars ($20,000,000) from a Mortgagee to be secured by a leasehold deed of trust in first (1st) lien position against the Tenant's leasehold interest in the Property.

"Foreclosure Transferee" shall mean any Mortgagee or other transferee of the leasehold interest under this Ground Lease as a result of a judicial foreclosure, non-judicial foreclosure or assignment of the leasehold in lieu of foreclosure.

"Housing Development" means an affordable rental housing development consisting of one hundred seventy-six (176) residential dwelling units and all required on-site improvements that will remain privately owned and that are necessary to serve the Housing Development.

"Impositions" means all taxes (including, without limitation, sales and use taxes); assessments (including, without limitation, all assessments for public improvements or benefits whether or not commenced or completed prior to the Commencement Date and whether or not to be completed within the Term); water, sewer or other rents, rates and charges; excises; levies; license fees; permit fees; inspection fees and other authorization fees and other charges; in each case whether general or special, ordinary or extraordinary, foreseen or unforeseen, of every character (including all interests and penalties thereon), which are attributable or applicable to any portion of the Term and may be assessed, levied, confirmed or imposed on or in respect of, or be a lien upon (a) the Property or the Improvements, or any part thereof, or any estate, right or interest therein, (b) any occupancy, use or possession of or activity conducted on the Property or the Improvements, or any part thereof, or (c) this Ground Lease. The term "Impositions" shall also include any and all increases in the foregoing, whether foreseen or unforeseen, ordinary or extraordinary, including, without limitation, any increase in real property taxes resulting from a sale of the Property by Landlord.

"Improvements" means all buildings, structures and other improvements, including the building fixtures thereon, now located on the Property or hereafter constructed on the Property; all landscaping, fencing, walls, paving, curbing, drainage facilities, lighting, parking areas, roadways and similar site improvements now located or hereafter placed upon the Property.

"Institutional Lender" means any of the following institutions having assets or deposits in the aggregate of not less than One Hundred Million Dollars ($100,000,000): a California chartered bank; a bank created and operated under and pursuant to the laws of the United States of America; an

"incorporated admitted insurer" (as that term is used in Section 1100.1 of the California Insurance Code); a "foreign (other state) bank" (as that term is defined in Section 1700(1) of the California Financial Code); a federal savings and loan association (Cal. Fin. Code Section 8600); a commercial finance lender (within the meaning of Sections 2600 et seq. of the California Financial Code); a "foreign (other nation) bank" provided it is licensed to maintain an office in California, is licensed or otherwise authorized by another state to maintain an agency or branch office in that state, or maintains a federal agency or federal branch in any state (Section 1716 of the California Financial Code); a bank holding company or a subsidiary of a bank holding company which is not a bank (Section 3707 of the California Financial Code); a trust company, savings and loan association, insurance company, investment banker; college or university; pension or retirement fund or system, either governmental or private, or any pension or retirement fund or system of which any of the foregoing shall be trustee, provided the same be organized under the laws of the United States or of any state thereof; and a Real Estate Investment Trust, as defined in Section 856 of the Internal Revenue Code of 1986, as amended, provided such trust is listed on either the American Stock Exchange or the New York Stock Exchange. Citibank, N.A. is hereby deemed to be an Institutional Lender.

"Insurance Requirements" means all terms of any insurance policy covering or applicable to the Property or the Improvements, or any part thereof, all requirements imposed by the issuer of any such policy, and all orders, rules, regulations and other requirements of the National Board of Fire Underwriters (or any other body exercising similar functions) applicable to or affecting the Property or the Improvements, or any part thereof, or any use or condition of the Property or the Improvements, or any part thereof.

"Investor" means the limited partners of Tenant.

"Maintenance Standards" means those standards set forth in Article 10 hereof.

"Memorandum of Ground Lease" refers to the memorandum of unrecorded ground lease which has been recorded as described in Section 1.4.

"Mortgage" has the meaning set forth in Section 17.1 of this Ground Lease.

"Mortgagee" has the meaning set forth in Section 17.1 of this Ground Lease.

"Notice of Intended Taking" means any notice or notification on which a reasonably prudent person would rely and which said person would interpret as expressing an existing intention of Taking as distinguished from a mere preliminary inquiry or proposal. It includes, without limitation, the service of a condemnation summons and complaint on a party to this Ground Lease. The notice is considered to have been received when a party to this Ground Lease receives from the condemning agency or entity a notice of intent to take, in writing, containing a description or map of the taking which reasonably defines the extent of the taking.

"Official Records" means the Official Records of Riverside County, California.

"Operating Budget" means an operating budget for the Project, which budget shall be subject to the annual written approval of Landlord in accordance with Section 9 of the Regulatory Agreement.

"Operating Expenses" means actual, reasonable and customary (for comparable high quality multifamily residential developments in Riverside County) costs, fees and expenses directly incurred, paid, and attributable to the operation, maintenance and management of the Housing Development in a calendar year, including, without limitation: painting, cleaning, repairs, alterations, landscaping, utilities, refuse removal, certificates, permits and licenses, sewer charges, real and personal property taxes, assessments, insurance, security, advertising and promotion, janitorial services, cleaning and building supplies, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of property management, fees and expenses of accountants, attorneys and other professionals, repayment of any completion or operating loans made to Tenant, its approved successors or assigns, and other actual, reasonable and customary operating costs which are directly incurred and paid by Tenant, but which are not paid from or eligible to be paid from the operating reserve or other reserve accounts. In addition, Operating Expenses shall include a social services fee in the amount of Twenty-Two Thousand Dollars ($22,000) for calendar year 2011, which shall be increased annually by three percent (3%) per year, provided Tenant provides the social services described in the Tenant Services Agreement that was included in Tenant's tax credit application. Operating Expenses shall not include any of the following: (i) salaries of employees of Tenant or Tenant's general overhead expenses, or expenses, costs and fees paid to an Affiliate of Tenant, to the extent any of the foregoing exceed the expenses, costs or fees that would be payable in a bona fide arms' length transaction between unrelated parties in the Riverside County area for the same work or services; (ii) any amounts paid directly by a tenant of the Housing Development to a third party in connection with expenses which, if incurred by Tenant, would be Operating Expenses; (iii) optional or elective payments with respect to the First Mortgages or the Second Mortgage; (iv) any payments with respect to any Project-related loan or financing that has not been approved by the Landlord; (v) expenses, expenditures, and charges of any nature whatsoever, arising or incurred by Tenant prior to completion of the Project with respect to the development of the Project, or any portion thereof, including, without limitation, all predevelopment and preconstruction activities conducted by Tenant in connection with the Project, including without limitation, the preparation of all plans and the performance of any tests, studies, investigations or other work, and the construction and any on-site or off-site work in connection therewith; or (vi) depreciation, amortization, and accrued principal and interest expense on deferred payment debt.

"Operating Reserve" shall have the meaning ascribed thereto in the Regulatory Agreement.

"Partial Taking" means any taking of the fee title of the Property and/or the Improvements that is not either a Total, Substantial or Temporary Taking.

"Partnership Agreement" means the agreement which sets forth the terms of the Tenant's limited partnership, as such agreement may be amended from time to time.

"Partnership Related Fees" means partnership fees actually incurred pursuant to the terms of the Partnership Agreement, which are reasonable and customary to developer/owner entities for similar projects in Southern California, and may include, but shall not exceed: (i) a general partner(s) (administrative and/or managing partner(s)) partnership management fee payable to the general partner(s) (ii) a limited partner asset management fee payable to the investor limited partner; and (iii) an annual audit fee in and for any calendar year. In no event shall the annual fees for (i) and (ii) above cumulatively exceed Forty Thousand Dollars ($40,000.00), but such fees in (i) and (ii) may be increased annually by the CPI Adjustment. In the event insufficient Annual Project Revenues exist to provide for payment of all or part of the specific Partnership Related Fees listed above, no interest

shall accrue on the unpaid portions of such Partnership Related Fees, but the unpaid balance of such fees alone will be added to the Partnership Related Fees due in the following year.

"Plans" means the plans and specifications for the construction of the Project, a set of which, initialed by Tenant, are on file in the offices of Landlord.

"Potential Default" means any condition or event which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default.

"Project" means Tenant's construction of the Housing Development and certain public improvements, all as more particularly described in the Agreement.

"Property" has the meaning set forth in Recital C above.

"Redevelopment Plan" means the Redevelopment Plan for Project Area No. 2, adopted by Ordinance No. 139 of the City Council of the City on May 16, 1989, as the same has been amended from time to time.

"Refinancing Net Proceeds" means the proceeds of any approved refinancing of the Approved Financing secured by the Property, net of the following actual costs and fees incurred:(i) the amount of the financing which is satisfied out of such proceeds, (ii) reasonable and customary costs and expenses incurred in connection with the refinancing, (iii) the balance, if any, of the Deferred Developer Fee, (iv) the balance, if any, of authorized loans to the Project made by the limited partners of Tenant, including interest at the rate set forth in the Partnership Agreement for such loans, (v) the balance, if any, of authorized operating loans or development loans made by the general partners of a limited partnership that succeeds to Tenant's interest in the Agreement and the Project, including interest at the rate set forth in the Partnership Agreement for such loans, (vi) the return of capital contributions, if any, to the Project made by the general partners of a limited partnership that succeeds to Tenant's interest in the Agreement and the Project that were used to pay the Deferred Developer Fee, (vii) the amount of proceeds required to be reserved for the repair, rehabilitation, reconstruction or refurbishment of the Project; and (viii) the payment to general partner of Tenant of a refinancing fee, which is agreed to be set at three percent (3%) of the amount of the approved refinancing..

"Regulatory Agreement" means that certain Regulatory Agreement executed by and between Tenant, as "Developer," and Landlord, as "Agency," on even date herewith, which Regulatory Agreement was recorded in the Official Records.

"Rent" means the rent payable pursuant to Article 4 of this Ground Lease.

"Rental Period" means each of the calendar years throughout the Lease Term. The first Rental Period shall commence upon the issuance of the Certificate of Occupancy and terminate upon the December 31 of that year; each Rental Period thereafter shall commence on January 1 and terminate on December 31.

"Rent Payment Date" means the May 1 of each year following the end of each Rental Period; the first Rent Payment Date shall occur on the May 1 after the expiration of the first Rental Period.

"Reserve Deposits" means any payments to the Capital Replacement Reserve account and the Operating Reserve account pursuant to Sections 10 and 11, respectively, of the Regulatory Agreement.

"Residual Receipts" shall mean Annual Project Revenue less the sum of:

(i) Operating Expenses;

(ii) Debt Service;

(iii) Reserve Deposits to the Capital Replacement Reserve;

(iv) Reserve Deposits to the Operating Reserve;

(v) Partnership Related Fees;

(vi) Deferred Developer Fees;

(vi) Property management fee for the Housing Development which remains unpaid after payment of Operating Expenses, if any;

(viii) Unpaid Tax Credit adjustment amounts, if any, pursuant to the Partnership Agreement;

(ix) Repayment of loans to the Project, if any, made by the limited partner(s) of Tenant pursuant to the Partnership Agreement, including interest at the rate set forth in the Partnership Agreement for such loans, for eligible development and/or operating expense deficits or other eligible loans (provided that if made during the compliance period Tenant shall provide to Executive Director documentation showing the propriety of such loan(s) and if made subsequent to the expiration of the compliance period each such loan must be reasonably approved by the Executive Director before being provided to the Project after review of documentation provided by Tenant showing propriety of such loans);

(x) Repayment to the administrative and/or managing general partners of Tenant for loans to the Project for development advance(s) pursuant to the Partnership Agreement, operating deficit advance(s) pursuant to the Partnership Agreement), credit adjuster payment(s) pursuant to the Partnership Agreement), and/or Development Fee advance(s) pursuant to the Partnership Agreement, and with all such loans to be repaid without interest (provided that if made during the compliance period Tenant shall provide to Executive Director documentation showing the propriety of such loan(s) and if made subsequent to the expiration of the compliance period each such loan must be reasonably approved by the Executive Director before being provided to the Project after review of documentation provided by Tenant showing propriety of such loans);

(xi) Repayment to the administrative and/or managing general partners of Tenant of certain loans made to the Project after the expiration or earlier termination of the Partnership Agreement to cover shortfalls in funding for Operating Expenses in excess of the Operating Expenses included in the approved annual Operating Budget for the year in which such loan is made (if at all), all such loans to be repaid without interest (provided that if made during the compliance period Tenant shall provide to Executive Director documentation showing the propriety of such loan(s) and if made subsequent to the expiration of the compliance period each such loan must be

reasonably approved by the Executive Director before being provided to the Project after review of documentation provided by Tenant showing propriety of such loans); and

(xii) Capital contributions to the Project, if any, made by the general partners of Tenant that were used to pay the Developer Fee.

In the event any calculation of Annual Project Revenue less subsections (i) through (xii) inclusive above results in a negative number, then Residual Receipts shall be zero ($0) for that year and shall not carry over to the next or any other subsequent year.

In addition, none of the fees, costs, expenses, or items described above in calculation of Residual Receipts shall include any duplicate entry/item, or double accounting for a cost item. For example, an audit fee incurred by Tenant and deducted or included above in subsection (i) for Operating Expenses shall not also be deducted or included in subsection (v) for Partnership Related Fees in the calculation of Residual Receipts. The calculation of Residual Receipts shall be conducted at Tenant's sole cost and expense, by a third party auditor and submitted to Tenant annually, along with Tenant's payment of Residual Receipts.

"Substantial Taking" means the taking of so much of the Property and/or the Improvements that the portion of the Property and/or the Improvements not taken cannot be repaired or reconstructed, taking into consideration the amount of the award available for repair or reconstruction, so as to constitute a complete, rentable structure, capable of producing a proportionately fair and reasonable net annual income after payment of all Operating Expenses, and all other charges payable under this Ground Lease, and after performance of all covenants and conditions required by Tenant by law and under this Ground Lease.

"Take-Out Loan" refers to the loan, if any, from Citibank, N.A., or from another lender acceptable to the Executive Director of Landlord, pursuant to which said lender agrees to make a take-out loan for the purpose of paying all amounts due under the Construction Loan.

"Taking" means a taking or damaging, including severance damage, by eminent domain or by inverse condemnation or for any public or quasi-public use under any statute. The taking may occur as a result of a transfer pursuant to the recording of a final order in condemnation, a voluntary transfer or conveyance to the taking authority under threat of condemnation, or a transfer while condemnation proceedings are pending. Unless otherwise provided, the taking shall be deemed to occur as of the earlier of (a) the date actual physical possession is taken by the condemnor, or (b) the date on which the right to compensation and damages accrues under the law applicable to the Property and/or the Improvements. A taking as used in this Ground Lease does not include the voluntary dedication of any portion of the Property necessary to obtain building permits or to comply with any other applicable governmental rule, regulation or statute; nor does it include the enactment of any law, ordinance or regulation which may affect the use or value of the Property but which does not involve an actual taking of any portion thereof. Eminent domain actions filed by Landlord against former owners of portions of the Property and pending as of the Commencement Date shall not be deemed, construed or interpreted as a Taking under this Ground Lease.

"Tax Credits" means Low Income Housing Tax Credits granted pursuant to Section 42 of the Internal Revenue Code and/or California Revenue and Taxation Code Sections 17057.5, 17058, 23610.4 and 23610.5 and California Health and Safety Code Section 50199, *et seq*.

"Tax Credit Regulatory Agreement" means the regulatory agreement which may be required to be recorded against the Property with respect to the issuance of Tax Credits for the Project.

"Temporary Taking" means a taking of all or any part of the Property and/or the Improvements for a term certain which term is specified at the time of taking. Temporary Taking does not include a taking which is to last for an indefinite period or a taking which will terminate only upon the happening of a specified event unless it can be determined at the time of the taking substantially when such event will occur. If a taking for an indefinite term should take place, it shall be treated as a Total, Substantial or Partial Taking in accordance with the definitions set forth herein.

"Term" has the meaning set forth in Article 3 of this Ground Lease.

"Total Taking" means the taking of the fee title to all of the Property.

"Transaction Documents" means, collectively, the Agreement and the Regulatory Agreement.

"Transfer Net Proceeds" shall mean the proceeds of any sale or other transfer, in whole or part, of the Property or Tenant's interests therein, net only of (i) the reasonable and customary costs and expenses incurred in connection with such transfer; (ii) the amount of the financing which is satisfied out of such proceeds, (iii) the balance, if any, of the Deferred Developer Fee, (iv) the balance, if any, of loans to the Project made by the limited partners of Tenant, including interest thereon as provided in the Partnership Agreement, (v) the balance, if any, of operating loans or development loans made by the general partners of Tenant, including interest thereon as provided in the Partnership Agreement, (vi) the return of capital contributions, if any, to the Project made by the general partners of Tenant that were used to pay the Deferred Developer Fee, and (vii) the payment to the general partner of Tenant of a disposition fee set forth in the Partnership Agreement, which is agreed to be set at three percent (3%) of the amount of the approved transfer.

ARTICLE 3. TERM.

The term of this Ground Lease ("Term") shall commence on the date of recordation of the Memorandum of Ground Lease in the Official Records ("Commencement Date"), and shall continue thereafter until the earlier to occur of:(a) December 31, 2070, and the (b) fifty-fifth (55th) anniversary of the date seventy-five percent (75%) of the units have been leased to and occupied by income-qualified tenants in accordance with the terms of the Regulatory Agreement.

Notwithstanding the foregoing, the Term may be extended for two (2) additional ten (10) year periods, provided Tenant notifies Landlord in writing of Tenant's desire to so extend at least six (6) months prior to expiration of the Term, as it may have been extended pursuant to the terms hereof. In such event, the Landlord and Tenant shall meet and confer to determine whether to so extend and whether any modifications to the terms and provisions hereof are necessary. If each of Landlord and Tenant agree, in their sole and absolute discretion, to any such extension, including to any such additional terms and modifications, then the Term of this Ground Lease shall be so extended, and except for any modifications agreed to, all other terms and conditions of this Ground Lease shall apply and be in effect during any such extension period.

ARTICLE 4. RENT.

4.1 Rent.

4.1.1 Initial Rent. On each Rent Payment Date, Tenant shall pay to Landlord Rent in the nominal sum of One Dollar ($1.00).

4.1.2 Rent Adjustment. Upon the later to occur of (i) full payment of the Agency Loan Note or (ii) the twentieth (20th) anniversary of the Commencement Date, the Rent due under this Ground Lease shall be reset based on the fair market value of the remaining leasehold interest under this Ground Lease (taking into account the restrictions set forth in the Regulatory Agreement, hereinafter referred to as the "Recorded Restrictions" as independently appraised and at an annual rental based on a percentage of such appraised value as determined by a qualified, independent appraiser (conducted by a certified appraiser reasonably acceptable to Executive Director and Tenant), who shall take into account the cumulative amounts which have been actually paid to the Landlord as Rent under this Ground Lease, including without limitation taking into consideration the remaining balance, if any, on the Agency Loan as of the time of the appraisal, and including a reasonable return on investment of between six percent (6%) and eight percent (8%). Such independent appraisal shall determine the fair market value of the Property, at its highest and best use (but taking the Recorded Restrictions into account), at the time of such appraisal but shall also take into consideration an overall fair market ground lease rent over the 55-year Term of this Ground Lease with an objective that Landlord receive over such 55-year term cumulatively a fair market value ground lease rent (taking the Recorded Restrictions into account), under this Ground Lease. In such regard, if the Rent paid to date has underpaid, cumulatively, toward achieving a fair market ground lease rent (taking the Recorded Restrictions into account), over the 55-year Term of this Ground Lease, then the appraiser shall take that fact into consideration when determining an adjusted fair market Rent for the remainder of the Term. Likewise, if the Rent paid to date has been overpaid, cumulatively, toward achieving a fair market ground lease rent (taking the Recorded Restrictions into account) over the 55-year Term, then the appraiser shall take that fact into consideration when determining the adjusted Rent for the remainder of the Term.

This adjusted annual rent for the remaining Term of this Ground Lease, as determined by the independent appraiser as described above, with the Rent due and required to be paid annually under this Ground Lease shall be re-adjusted to the lesser of (1) such appraised rent for the Property (to be increased by 20% every five (5) years to account for inflation), or (2) fifty percent (50%) of the Residual Receipts for the Housing Development. In any year, if the appraised value rent (to be increased by 20% every five (5) years to account for inflation) exceeds fifty percent (50%) of the Residual Receipts for the Housing Development, the amount by which such appraised value rent (increased by 20% every five (5) years to account for inflation) exceeds 50 percent (50%) of the Residual Receipts for the Housing Development to be paid pursuant to this Section 4.1 in a given year shall accrue and be carried over and added to the amount of the Rent to be paid in later years by Tenant.

Additionally, the adjusted annual rent shall include all of the following: (i) fifty percent (50%) of the Refinancing Net Proceeds immediately upon any refinancing of the loans secured

by the Property (or any part thereof), and (ii) one hundred percent (100%) of the Transfer Net Proceeds immediately upon any transfer in whole or in part of the Housing Development.

4.2 Payment of Rent. All rent that becomes due and payable pursuant to this Ground Lease shall be paid to Landlord at the address listed in Section 23.1 or such other place as the Landlord may from time to time designate by written notice to the Tenant without notice or demand, and without setoff, counterclaim, abatement, deferment, suspension or deduction. Except as expressly provided herein or in the Agreement, under no circumstances or conditions, whether now existing or hereafter arising, or whether beyond the present contemplation of the parties, shall Landlord be expected or required to make any payment of any kind whatsoever or to perform any act or obligation whatsoever or be under any obligation or liability hereunder or with respect to the Property.

4.3 Right to Audit. Tenant shall keep full and accurate books of account, records and other pertinent data with respect to operations of the Housing Development. Such books of account, records, and other pertinent data shall be kept for a period of three (3) years after the end of each Rental Period.

Landlord shall be entitled within two (2) years after the end of each Rental Period to inspect and examine all of Tenant's books of account, records, and other pertinent data. Tenant shall cooperate fully with Landlord in making the inspection. Landlord shall also be entitled, also within two (2) years after the end of each Rental Period, to an independent audit of Tenant's books of account, records, and other pertinent data.

4.4 Utilities. Tenant shall be responsible for the payment of all water, gas, electricity, refuse collection and disposal, and all other utilities used by Tenant on the Property. Landlord expressly has no obligation regarding provision of or payment for utilities serving the Property.

4.5 Taxes and Assessments.

4.5.1 Notice of Possessory Interest; Payment of Taxes and Assessments on Value of Entire Property. In accordance with California Revenue and Taxation Code Section 107.6(a), Landlord notices Tenant that by entering into this Ground Lease, a possessory interest subject to assessment and collection of property taxes may be created. Tenant or other party in whom the possessory interest is vested may be subject to the payment of property taxes levied on such interest. If possessory interest taxes are assessed, Tenant agrees it is responsible for payment thereof and Landlord has no obligation or liability of any kind or nature relating to payment of property taxes. Tenant shall, at its sole cost and expense, seek exemption from, or contest the payment of, assessments and the collection of property taxes pursuant to Revenue and Taxation Code Section 214, or a successor statute. During the pendency of such contest or request, Tenant's non-payment of assessments or taxes when due shall not constitute a default hereunder if (i) the validity of such assessments and taxes are actively contested in good faith and by appropriate proceedings, (ii) Tenant has demonstrated to Landlord's reasonable satisfaction that leaving such assessments or taxes unpaid pending the outcome of such proceedings could not result in conveyance of the Property in satisfaction of such assessments or taxes or otherwise impair Landlord's estates in the Property, (iii) Tenant has furnished Landlord with a bond or other security satisfactory to Landlord in an amount not less than 100% of the

applicable claim (including interest and penalties) and (iv) upon the final disposition of such proceedings, Tenant shall promptly pay all taxes and assessments then due, inclusive of any unpaid accrued penalties and interest. Landlord is a tax exempt public entity and no property taxes will be or are legally assessable against its fee interest.

4.5.2 Payment of Taxes. Subject to any applicable exemptions, Tenant is responsible for and shall pay the real property and/or possessory interest taxes applicable to the Property during the term of this Ground Lease. All such payments shall be made prior to the delinquency date of such payment. Tenant shall promptly furnish Landlord with satisfactory evidence that such taxes have been paid or that an exemption from such taxes has been obtained. If any such taxes paid by Tenant shall cover any period of time prior to or after the expiration of the Term, Tenant's share of such taxes shall be equitably prorated to cover only the period of time within the tax fiscal year during which this Ground Lease shall be in effect, and Landlord shall reimburse Tenant to the extent required. If Tenant shall fail to pay any such taxes, Landlord shall have the right to pay the same, in which case Tenant shall repay such amount to Landlord within ten (10) days after demand from Landlord together with interest at the rate set forth in Section 4.6.

4.5.3 Definition. As used herein, the term "real property tax" shall include any form of real estate tax or assessment (including, without limitation, on possessory interests), general, special, ordinary or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income, or estate taxes) imposed on the Property or any interest (including, without limitation, possessory interests) therein by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, as against any legal or equitable interest of Landlord or Tenant in the Property or in the real property of which the Property are a part, as against Landlord's right to rent or other income therefrom, and as against Landlord's business of leasing the Property. The term "real property tax" shall also include any tax, fee, levy, assessment or charge (i) in substitution of, partially or totally, any tax, fee, levy, assessment or charge hereinabove included within the definition of "real property tax," or (ii) the nature of which was hereinbefore included within the definition of "real property tax," or (iii) which is imposed as a result of a transfer, either partial or total, of Landlord's interest in the Property or which is added to a tax or charge hereinbefore included within the definition of real property tax by reason of such transfer, or (v) which is imposed by reason of this lease transaction, any modifications or changes hereto, or any transfers hereof.

4.5.4 Personal Property. Tenant shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, equipment and all other personal property of Tenant contained in the Property or elsewhere. When possible, Tenant shall cause said trade fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Landlord.

4.5.5 Apportionment. If any of Tenant's said personal property shall be assessed with Landlord's real property, first Tenant shall advise the County of Riverside Tax Assessor and Tax Collector of the same in writing, and Tenant shall pay Landlord the taxes attributable to Tenant not later than the later of (a) ten (10) days after receipt of a written

statement setting forth the taxes applicable to Tenant's property or (b) fifteen (15) days prior to the date said taxes are due and payable.

4.6 Overdue Interest. Any amount due to Landlord, if not paid when due and on or before expiration of the period for cure as set forth herein, after Landlord's delivery of notice thereof to the Tenant, shall bear interest from the date due until paid at the lower of:(a) the reference or prime rate of Bank of America, N.T. & S.A., in effect from time to time plus three percent (3%); or (b) the highest rate of interest allowed under applicable usury law.

ARTICLE 5. POSSESSION OF PROPERTY.

5.1 Acceptance of Premises. Tenant hereby accepts the Property and acknowledges that the Property is in the condition called for by the Agreement and this Ground Lease.

5.2 Ownership of Improvements. Unless otherwise provided herein, during the Term of this Ground Lease, as it may be extended pursuant to the terms hereof, fee title to all Improvements, now existing or later made, on the Property are and shall be vested in Tenant as set forth in Article 11 hereof.

5.3 Surrender of Property.

5.3.1 Expiration or Termination. Tenant agrees that on the expiration or earlier termination of the Term, as it may be extended pursuant to the terms hereof, the leasehold estate hereby granted to Tenant may be terminated by Landlord. Upon such termination, the leasehold estate shall be forfeited and shall revert to Landlord, its successors and assigns, and all Improvements on the Property shall become the property of Landlord, its successors and assigns, free and clear from any liens or claims whatsoever (other than non-monetary liens previously approved or otherwise accepted in writing by Landlord), in good condition, reasonable wear and tear excepted without further compensation therefor from Landlord to Tenant or any other person. Following any such expiration or termination, Tenant shall execute, acknowledge and deliver to Landlord a quitclaim deed, or other document required by a reputable title company, conveying all Tenant's right, title, and interest in and to the Property and Improvements to Landlord. In the event Tenant receives a written default notice relating to or arising from any Construction Loan, Take-Out Loan or any mortgage, deed of trust or security instrument secured by the leasehold interest granted hereunder, the Property or the Improvements, or from the Tax Credit Allocation Committee or the Internal Revenue Service, then Tenant shall provide written notice of such alleged default to the Executive Director within five (5) days of receipt thereof. Tenant hereby irrevocably appoints Landlord as Tenant's agent and attorney-in-fact (such agency being coupled with an interest), and as such agent and attorney-in-fact Landlord may, without the obligation to do so, in Tenant's name, or in the name of Landlord, prepare, execute and file or record such statements, applications and other documents necessary to create, perfect or preserve any of Landlord's interests and rights in or to the Property and any of the Improvements, and, upon the earlier expiration or termination of the Term, take any other action required of Tenant. Notwithstanding any other provisions herein, unless the Low Income Housing Tax Credit Extended Use Agreement is terminated pursuant to Internal Revenue Code Section 42(h)(6)(E)(i)(I) or otherwise as permitted by the Internal Revenue Code, Landlord, and its successors and assigns specifically agree that upon any termination of this Ground Lease prior

to the end of the Low Income Housing Tax Credit Extended Use Period, Landlord, and its successors and assigns shall, for the balance of the term of the Low Income Housing Tax Credit Extended Use Period, continue to operate the Property such that _____ (___) of the units in the Housing Development shall be leased to households who, at the time of initial occupancy, have incomes of no more than sixty percent (60%) of the area median income, adjusted for family size, and that the rents charged such tenants shall not exceed the maximum low income housing tax credit rents for such households.

5.3.2 Condition. On expiration or earlier termination of the Term and in furtherance of the provisions relating to surrender of the Property set forth in Section 5.3.1 above, Tenant shall peaceably and quietly leave and surrender the Property and the Improvements to Landlord in good order, condition and repair, reasonable wear and tear and obsolescence excepted. Tenant shall leave in place and in good order, condition and repair, all fixtures and machinery; except (if Tenant is not then in default under this Ground Lease) Tenant shall have the right to remove only Tenant-owned appliances, other unattached equipment, furniture and merchandise that Tenant shall have installed, which removal must be done without damage to the Property or Improvements. Landlord shall have the right to have the Property and the Improvements inspected at Tenant's cost to determine whether the Property and the Improvements have been properly maintained, repaired and restored in accordance with the terms of this Ground Lease. That notwithstanding and subject to the exception of the environmental indemnities which shall survive any termination in perpetuity, Tenant shall not be responsible for the interior physical condition of individual occupied apartments on the termination or expiration of this Ground Lease.

5.3.3 Delivery of Documents. Contemporaneous with the expiration or earlier termination of the Term, as it may be extended pursuant to the terms hereof, and subject to the provisions of Sections 5.3.1 and 5.3.2 hereof, Tenant shall immediately deliver to Landlord the following:

(a) Such documents, instruments and conveyances as Landlord may reasonably request to enable Landlord's ownership of the Property and the Improvements to be reflected of record, including, without limitation, a quitclaim deed in recordable form to the Property and the Improvements.

(b) If requested by Landlord, a lender's policy of title insurance (as provided in Section 7.2(r) of the Agreement), surety bond, or other security reasonably acceptable to Landlord insuring against all claims and liens against the Property and the Improvements other than those incurred by Landlord or accepted by Landlord in writing.

(c) All construction plans, surveys, permits, existing contracts for services, maintenance, operation, and any other documents relating to use, operation, management, and maintenance of the Improvements as may be in effect and/or in the possession of Tenant at the time and from time to time thereafter.

(d) All documents and instruments required to be delivered by Tenant to Landlord pursuant to this Section shall be in form reasonably satisfactory to Landlord,

including without limitation such documents and instruments shall be complete, originals or true copies, and legible.

5.4 Abandonment. Tenant shall not abandon or vacate the Property or the Improvements at any time during the Term. If Tenant shall abandon, vacate or otherwise surrender the Property or the Improvements, or be dispossessed (other than dispossession as the result of a Substantial Taking or a Taking and subject to Section 22.1 below) thereof by process of law or otherwise, the same shall constitute a default under this Ground Lease on the part of Tenant and, in addition to any other remedy available on the part of Landlord, any of Tenant's property left in, upon or about the Property or the Improvements (except for underground storage tanks) shall, at Landlord's option, be deemed to be abandoned and shall become the property of Landlord. The appointment of a receiver pursuant to a Mortgagee's exercise of its rights under a Mortgage, or the foreclosure of a Mortgage, shall not be a default under this Section.

ARTICLE 6. REPRESENTATIONS AND WARRANTIES.

6.1 Landlord's Representations. Landlord represents and warrants to Tenant it owns the Property in fee simple and has the power and authority to enter into this Ground Lease and perform all obligations and agreements incidental or pertinent to the Ground Lease. Landlord makes no representation or warranty with respect to the condition of the Property or its fitness or availability for any particular use, and Landlord shall not be liable for any latent or patent defect therein. Landlord represents and warrants to tenant as follows:

(A) Landlord. Landlord is a public body, corporate and politic, organized and existing pursuant to the Community Redevelopment Law (Health and Safety Code Section 33000, *et seq.*), which has been authorized to transact business pursuant to action of the City. The execution, performance and delivery of this Ground Lease by Landlord has been fully authorized by all requisite actions on the part of Landlord.

(B) No Conflict. To the best of Landlord's knowledge, Landlord's execution, delivery and performance of its obligations under this Ground Lease will not constitute a default or a breach under any contract, agreement or order to which Landlord is a party or by which it is bound.

(C) No Landlord Bankruptcy. Landlord is not the subject of a bankruptcy proceeding.

As used herein, "Landlord's knowledge" shall be limited to the actual knowledge of Douglas R. Evans, Assistant City Manager-Development Services, with no duty of inquiry or investigation.

6.2 Tenant's Representations. Tenant represents and warrants to Landlord it has examined the Property and acknowledges that it hereby accepts possession of the Property in its "AS IS" condition, with all faults and defects, including, without limitation, any physical condition or environmental condition of the Property. Tenant represents and warrants to Landlord as follows:

(A) **Tenant.** Tenant is a duly organized limited partnership formed within and in good standing under the laws of the State of California. Upon request by Landlord, Tenant shall deliver to Landlord true and complete copies of the original documents evidencing the organization of Tenant, as amended to the date of this Ground Lease. Tenant has full right, power and lawful authority to undertake all obligations as provided herein and the execution, performance and delivery of this Ground Lease by Tenant have been fully authorized by all requisite actions on the part of Tenant.

(B) **No Conflict.** To the best of Tenant's knowledge, Tenant's execution, delivery and performance of its obligations under this Ground Lease will not constitute a default or a breach under any contract, agreement or order to which Tenant is a party or by which it is bound.

(C) **No Tenant Bankruptcy.** Tenant is not the subject of a bankruptcy proceeding.

Tenant shall, upon learning of any fact or condition which would cause any of the warranties and representations in this Section not to be true, immediately give written notice of such fact or condition to Landlord.

ARTICLE 7. CONSTRUCTION OF THE IMPROVEMENTS.

7.1 Construction. Tenant shall construct the Improvements in accordance with plans and specifications (the "Plans") approved by Landlord pursuant to the Agreement. All Improvements, including the Public Improvements, shall be constructed in a good and workmanlike manner using materials of good quality and in substantial compliance with this Ground Lease, and shall comply with all applicable governmental permits, laws, ordinances and regulations.

7.2 Construction Cost. With the exception of the "Agency Loan" provided to Tenant pursuant to the Agreement, Tenant shall bear the entire and sole cost of constructing the Improvements, including all fees and mitigation measures.

7.3 Landlord's Right to Discharge Lien. If Tenant does not cause to be recorded the bond described in California Civil Code Section 3143 or otherwise protect the Property under any alternative or successor statute, and a final judgment has been entered against Tenant by a court of competent jurisdiction for the foreclosure of a mechanic's, materialmen's, contractor's, or subcontractor's lien claim, and if Tenant fails to stay the execution of the judgment by lawful means or to pay the judgment, Landlord shall have the right, but not the duty, subject to the notice and cure rights of Mortgagees and the Investor set forth elsewhere in this Ground Lease, to pay or otherwise discharge, stay, or prevent the execution of any such judgment or lien or both. Tenant shall reimburse Landlord for all sums paid by Landlord under this Section, together with all Landlord's reasonable attorneys' fees and costs, plus interest on those sums, fees, and costs from the date of payment until the date of reimbursement at the rate set forth in Section 4.7.

7.4 Notice of Non-Responsibility. After the recordation of the Certificate of Completion for the Improvements in the Official Records, Tenant shall provide Landlord with

prior written notice of not less than fifteen (15) days before commencing construction of any structural alteration of the Improvements, or any non-structural alteration which will cost more than Ten Thousand Dollars ($10,000), and shall permit Landlord to record and post appropriate notices of non-responsibility on the Property. The foregoing Ten Thousand Dollar ($10,000) limitation shall be increased each calendar year by the CPI Adjustment.

7.5 Notice of Completion. On completion of construction of the Improvements, Tenant shall file or cause to be filed a notice of completion. Tenant hereby appoints Landlord as Tenant's attorney-in-fact to file the notice of completion on Tenant's failure to do so after the work of improvement has been substantially completed.

7.6 Subsequent Alterations. Following completion of the construction of the Improvements in accordance with the Plans, Tenant may from time to time, at its sole expense, make improvements and other alterations to the Property which Tenant reasonably determines to be beneficial. Tenant shall not make any alteration or improvement to the Property, the cost of which exceeds Fifty Thousand Dollars ($50,000), without Landlord's prior written consent, which consent shall not be unreasonably withheld or delayed. The foregoing dollar amount limitations shall be increased each calendar year by the CPI Adjustment. Tenant shall timely pay any obligation incurred by Tenant with respect to any such alterations or improvements that could become a lien against the Property and shall defend, indemnify and hold Landlord harmless in connection therewith.

ARTICLE 8. USE OF THE PROPERTY.

8.1 Covenant to Use in Accordance with Redevelopment Plan, City Municipal Code, Regulatory Agreement, and this Ground Lease. Tenant covenants and agrees for itself, its successors, assigns, and every successor in interest to Tenant's interest in the Property or any part thereof, that Tenant shall devote the Property to the uses specified in the Redevelopment Plan, the Regulatory Agreement and this Ground Lease until the expiration of the Term hereof, as it may be extended pursuant to the terms hereof, as applicable to the Property. All uses conducted on the Property, including, without limitation, all activities undertaken by Tenant pursuant to this Ground Lease, shall conform to the Redevelopment Plan and all applicable provisions of the La Quinta Municipal Code. The foregoing covenants shall run with the land.

8.2 Covenant to Pay Taxes and Assessments. Tenant shall pay prior to delinquency all ad valorem real estate taxes, special taxes, assessments and special assessments levied against the Property, subject to Tenant's right to contest any such tax in good faith and any property tax exemptions.

8.3 Covenants Regarding Nondiscrimination. Tenant covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of any person, or group of persons on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, or any part thereof, nor shall Tenant, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the

selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Property, or any part thereof. The foregoing covenants shall run with the land.

Tenant agrees for itself and any successor in interest that Tenant shall refrain from restricting the rental, sale, or lease of any portion of the Property, or contracts relating to the Property, on the basis of race, color, creed, religion, sex, marital status, ancestry, or national origin of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(A) **In deeds**:"The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

(B) **In leases**:"The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:"That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased."

(C) **In contracts pertaining to the realty**:"There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease,

transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this agreement, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

The covenants established in this Lease shall, without regard to technical classification and designation, be binding for the benefit and in favor of the Landlord, its successors and assigns, the City and any successor in interest to the Property, together with any property acquired by the Tenant pursuant to this Agreement, or any part thereof. The covenants against discrimination shall remain in effect in perpetuity.

ARTICLE 9. INSURANCE.

9.1 Tenant's Insurance. Without limiting Landlord's right to indemnification, Tenant shall secure and maintain insurance coverage as set forth in this Article 9.

9.2 Commercial General and Automobile Liability; Worker's Compensation. Commencing on the Effective Date and continuing throughout the term of this Ground Lease, the Tenant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to the Landlord's Executive Director, the following policies of insurance:

(A) Commercial General Liability Insurance covering bodily injury, property damage, personal injury and advertising injury written on a per-occurrence and not a claims-made basis containing the following minimum limits:(i) general aggregate limit of Three Million Dollars ($3,000,000.00); (ii) products-completed operations aggregate limit of Three Million Dollars ($3,000,000.00); (iii) personal and advertising injury limit of One Million Dollars ($1,000,000.00); and (iv) each occurrence limit of One Million Dollars ($1,000,000.00).Said policy shall include the following coverages:(i) blanket contractual liability (specifically covering the indemnification clause contained in Section 8 below); (ii) products and completed operations; (iii) independent contractors; (iv) Owner's broad form property damage; (v) severability of interest; (vi) cross liability; and (vii) property damage liability arising out of the so-called "XCU" hazards (explosion, collapse and underground hazards).The policy shall be endorsed to have the general aggregate apply to this Project only.

(B) A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California and which shall indemnify, insure, and provide legal defense for the Landlord and the Tenant against any loss, claim or damage arising from any injuries or occupational diseases occurring to any worker employed by or any persons retained by the Tenant in the course of carrying out the work or services contemplated in this Ground Lease, and Employers Liability Insurance in an amount not

less than One Million Dollars ($1,000,000) combined single limit for all damages arising from each accident or occupational disease.

(C) A policy of comprehensive automobile liability insurance written on a per-occurrence basis in an amount not less than Three Million Dollars ($3,000,000.00) combined single limit covering all owned, non-owned, leased and hired vehicles used in connection with the Work.

9.3 Builders Risk. Commencing on the Effective Date and continuing until the Landlord issues a Release of Construction Covenants for the Project, the Tenant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to the Landlord's Executive Director, Builder's Risk (course of construction) insurance coverage in an amount equal to the full cost of the hard construction costs of the Project. Such insurance shall cover, at a minimum: all work, materials, and equipment to be incorporated into the Project; the Project during construction; the completed Project until such time as the City issues a final certificate of occupancy for the Project, and storage and transportation risks. Such insurance shall protect/insure the interests of Tenant/owner and all of Tenant's contractor(s), and subcontractors, as each of their interests may appear. If such insurance includes an exclusion for "design error," such exclusion shall only be for the object or portion which failed. Landlord shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

9.4 Property; Business Interruption; Boiler and Machinery Insurance. Commencing on the date Agency issues a Release of Construction Covenants for the Project and continuing throughout the term of the Ground Lease, the Developer shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to the Agency's Executive Director, the following insurance:

(A) Insurance against fire, extended coverage, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in Riverside County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. The above insurance policy or policies shall include coverage for earthquakes to the extent generally and commercially available at commercially reasonable rates, if such insurance is generally obtained for affordable housing developments in the counties of Riverside and San Bernardino. Agency shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

(B) Business interruption and extra expense insurance to protect Tenant and Landlord covering loss of revenues and/or extra expense incurred by reason of the total or partial suspension or delay of, or interruption in, the operation of the Project caused by loss or damage to, or destruction of, any part of the insurable real property structures or equipment as a result of the perils insured against under the all risk physical damage insurance,

covering a period of suspension, delay or interruption of at least twelve (12) months, in an amount not less than the amount required to cover such business interruption and/or extra expense loss during such period.

(C) Boiler and machinery insurance in the aggregate amount of the full replacement value of the equipment typically covered by such insurance.

9.5 Contractor Insurance Requirements. Tenant shall cause any general contractor with whom it has contracted for the performance of work on the Property to secure, prior to commencing any activities hereunder and maintain insurance that satisfies all of the requirements of this Section 9.

9.6 Additional Requirements. The following additional requirements shall apply to all of the above policies of insurance:

(A) All of the above policies of insurance shall be primary insurance and, except the Worker's Compensation, Employer Liability insurance, and automobile liability insurance, shall name the Landlord, City and their respective officers, officials, members, employees, agents, and representatives (collectively, "Landlord and City and Landlord and City Personnel") as additional insureds on an ISO Form CG 20:10 (current version) or substantially similar form and not an ISO Form CG 20:09.The insurer shall waive all rights of subrogation and contribution it may have against Landlord and City and Landlord and City Personnel and their respective insurers. All of said policies of insurance shall provide that said insurance may not be amended or cancelled without providing thirty (30) days' prior written notice to the Landlord. In the event any of said policies of insurance are cancelled, the Tenant shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section to the Executive Director. Not later than the Effective, the Tenant shall provide the Executive Director with Certificates of Insurance or appropriate insurance binders evidencing the above insurance coverages and said Certificates of Insurance or binders shall be subject to the reasonable approval of the Executive Director.

(B) The policies of insurance required by this Ground Lease shall be satisfactory only if issued by companies of recognized good standing authorized to do business in California, rated "A-" or better in the most recent edition of Best Rating Guide, The Key Rating Guide or in the Federal Register, and only if they are of a financial category Class VII or better, unless such requirements are waived by the Executive Director, in consultation with the City's Risk Consultant through the California Joint Powers Insurance Authority, due to unique circumstances.

(C) The Executive Director, in consultation with the City's Risk Consultant through the California Joint Powers Insurance Authority, is hereby authorized to reduce or otherwise modify Tenant's insurance requirements

set forth herein in the event they collectively determine, in their sole and absolute discretion, that such reduction or modification is consistent with reasonable commercial practices.

(D) The Tenant agrees that the provisions of this Section shall not be construed as limiting in any way the Landlord's right to indemnification or the extent to which the Tenant may be held responsible for the payment of damages to any persons or property resulting from the Tenant's activities or the activities of any person or persons for which the Tenant is otherwise responsible.

9.7 Remedies for Defaults Re: Insurance. addition to any other remedies Landlord may have if Tenant fails to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, Landlord may, at its sole option, after fifteen (15) days Notice to Tenant:

(A) Obtain such insurance and charge Tenant the amount of the premium for such insurance, in which event Tenant shall promptly remit such sum to Landlord; provided, however, if Landlord's Executive Director reasonably determines that the Tenant, Property and/or Project will be uninsured or underinsured in the absence of such insurance then Landlord need not provide for any cure period in its notice to Tenant but may instead obtain such insurance immediately upon its provision of such notice;

(B) Withhold any payment(s) which become due to Tenant hereunder until Tenant demonstrates compliance with the requirements hereof; and

(C) Declare Tenant in Default and exercise its rights and remedies under this Ground Lease.

Exercise of any of the above remedies, however, is an alternative to other remedies Landlord may have and is not the exclusive remedy for Tenant's failure to maintain insurance or secure appropriate endorsements.

Nothing herein contained shall be construed as limiting in any way the extent to which Tenant may be held responsible for payment of damages to persons or property resulting from Tenant's contractors or any subcontractor's performance under this Ground Lease.

9.8 Indemnification. Tenant shall defend, indemnify, assume all responsibility for, and hold Landlord, its officers, employees and agents, harmless from, all claims, demands, damages, defense costs (including attorneys' fees and costs) or liability of any kind or nature relating to the subject matter of this Ground Lease or the implementation hereof, including but not limited to any damages to property or injuries to persons, including accidental death, arising out of or in connection with Tenant's activities, acts, errors, omissions, performance or work under this Ground Lease, whether such activities or performance thereof be by Tenant or by anyone directly or indirectly employed, controlled or contracted by Tenant and whether such damage shall accrue or be discovered before or after termination of this Ground Lease. Tenant shall not be liable for any such claims, demands, damages, defense costs, or liability, including

any damages to property or injuries to persons, to the extent occasioned by the active negligence or willful misconduct of Landlord or its designated agents or employees.

ARTICLE 10. MAINTENANCE; REPAIRS

Tenant shall maintain the Property and all improvements thereon, including lighting and signage, in good condition, free of debris, waste and graffiti, and in compliance with the terms of the Redevelopment Plan and all applicable provisions of the City of La Quinta Municipal Code, and in accordance with the HUD Housing Quality Standards. Tenant shall maintain in accordance with the "Maintenance Standards," as hereinafter defined, the improvements and landscaping on the Property. Such Maintenance Standards shall apply to all buildings, signage, lighting, landscaping, irrigation of landscaping, architectural elements identifying the Property and any and all other improvements on the Property. To accomplish the maintenance, Tenant shall either staff or contract with and hire licensed and qualified personnel to perform the maintenance work, including the provision of labor, equipment, materials, support facilities, and any and all other items necessary to comply with the requirements of this Ground Lease.

Tenant and its maintenance staff, contractors or subcontractors shall comply with the following standards (the "Maintenance Standards"):

(A) The Property shall be maintained in conformance and in compliance with the approved plans and permits, and reasonable maintenance standards for similar, neighboring structures, including but not limited to painting and cleaning of all exterior surfaces and other exterior facades comprising all private improvements and public improvements to the curb line. The Property shall be maintained in good condition and in accordance with the custom and practice generally applicable to comparable apartment complexes.

(B) Landscape maintenance shall include, but not be limited to: watering/irrigation; fertilization; mowing; edging; trimming of grass; tree and shrub pruning; trimming and shaping of trees and shrubs to maintain a healthy, natural appearance and safe road conditions and visibility, and irrigation coverage; replacement, as needed, of all plant materials; control of weeds in all planters, shrubs, lawns, ground covers, or other planted areas; and staking for support of trees.

(C) Clean-up maintenance shall include, but not be limited to: maintenance of all sidewalks, paths and other paved areas in clean and weed-free condition; maintenance of all such areas clear of dirt, mud, trash, debris or other matter which is unsafe or unsightly; removal of all trash, litter and other debris from improvements and landscaping prior to mowing; clearance and cleaning of all areas maintained prior to the end of the day on which the maintenance operations are performed to ensure that all cuttings, weeds, leaves and other debris are properly disposed of by maintenance workers.

Upon Landlord's written notification to Tenant of any maintenance deficiency, Tenant shall have thirty (30) days within which to correct, remedy or cure the deficiency, or such longer period as is reasonably necessary to complete the cure, provided such correction, remedy, or cure is commenced within such thirty (30) day period and diligently proceed to completion. If the written notification states the problem is urgent relating to the public health and safety of the City or Landlord, then Tenant shall have forty-eight (48) hours to rectify the problem, or such longer period as is reasonably necessary to complete the cure. In the event Tenant does not maintain the Property in the manner set forth herein and in accordance with the Maintenance Standards, Landlord shall have, in addition to any other rights and remedies hereunder, the right to maintain the Property, or to contract for the correction of such deficiencies, after Notice to Tenant, and Tenant shall be responsible for the payment of all such costs incurred by Landlord.

ARTICLE 11. OWNERSHIP OF AND RESPONSIBILITY FOR IMPROVEMENTS.

11.1 Ownership During Term.

11.1.1 Improvements. Subject to the provisions of Sections 5.3.1 and 5.3.2 hereof, all Improvements on the Property as permitted or required by this Ground Lease shall, during the Term, be and remain the property of Tenant, and Landlord shall not have title thereto. Tenant shall not, however, demolish, remove, sell, encumber, lease, assign or otherwise convey any Improvements from the Property except as permitted herein.

11.1.2 Personal Property. All personal property, furnishings, fixtures and equipment, including, without limitation, Tenant-owned appliances, which are not so affixed to the Property or the buildings thereon as to require substantial damage to the buildings upon removal thereof shall constitute personal property including, but not limited to:(a) functional items related to the everyday operations of the Property; (b) personal property furnishings, fixtures and equipment of the nature or type deemed by law as permanently resting upon or attached to the buildings or land by any means, including, without limitation, cement, plaster, nails, bolts or screws, or essential to the ordinary and convenient use of the Property and the Improvements. If Tenant is not then in default under this Ground Lease, at any time during the Term and at termination thereof, Tenant shall have the right to remove any and all such personal property, furnishings, fixtures and equipment; provided, that Tenant repairs any damage to the Property or the Improvements caused by such removal.

11.1.3 Basic Building Systems. For purposes of this Ground Lease, the personal property, furnishings, fixtures and equipment described in this Section 11.1 shall not include those major building components or fixtures necessary for operation of the basic building systems such as, but not limited to, the elevators, plumbing, sanitary fixtures, heating and central air-cooling system.

11.2 Ownership at Expiration or Termination.

11.2.1 Property of Landlord. In accordance with provisions of Sections 5.3.1 and 5.3.2 hereof, and except as provided in Section 11.2.2, all Improvements which constitute or are a part of the Property shall become (without the payment of compensation to Tenant or

others) the property of Landlord free and clear of all claims and encumbrances on such Improvements by Tenant, and anyone claiming under or through Tenant, except for such title exceptions permitted or required during the Term with Landlord's prior written consent. Tenant shall then quitclaim to Landlord any and all rights, interests and claims to the Improvements. Tenant agrees to and shall defend, indemnify and hold Landlord harmless from and against all liability and loss which may arise from the assertion of any such claims and any encumbrances on such Improvements (except to the extent such claims arise due to Landlord's actions) and except for such title exceptions permitted or required during the Term.

11.2.2 Removal by Tenant. Tenant shall not be required or permitted to remove the Improvements, or any of them, at the expiration or sooner termination of the Term; provided, however, that, subject to the provisions of Section 5.3.2 hereof, within thirty (30) days following the expiration or sooner termination of the Term, Tenant may remove all personal property, furniture, and equipment.

11.2.3 Unremoved Property. Any personal property, furnishings or equipment not removed by Tenant pursuant to Section 11.2.2 hereof, shall, without compensation to Tenant, become Landlords' property, free and clear of all claims to or against them by Tenant or any third person, firm or entity arising by, through or under Tenant.

11.2.4 Maintenance and Repair of Improvements. Subject to the provisions of this Ground Lease concerning condemnation, alterations and damage and destruction, Tenant agrees to assume full responsibility for the operation and maintenance of the Property and the Improvements and all fixtures and furnishings thereon or therein throughout the Term hereof without expense to Landlord, and to perform all repairs and replacements necessary to maintain and preserve the Property, the Improvements, fixtures and furnishings in a decent, safe and sanitary condition consistent with good practices and in compliance with all applicable laws. Tenant agrees that Landlord shall not be required to perform any maintenance, repairs or services, or to assume any expense not specifically assumed herein in connection with the Property and the Improvements thereon unless specifically required under the terms of this Ground Lease.

Except as otherwise provided in this Section 11.2 and in Section 11.4, the condition of the Improvements required to be maintained hereunder upon completion of the work of maintenance or repair shall be equal in value, quality and use to the condition of such Improvements before the event giving rise to the work.

11.3 Waste. Subject to the alteration rights of Tenant and damage and destruction or condemnation of the Property or any part thereof, Tenant shall not commit or suffer to be committed any waste of the Property or the Improvements, or any part thereof.

Tenant agrees to keep the Property and the Improvements clean and clear of refuse and obstructions, and to dispose properly of all garbage, trash and rubbish.

11.4 Alteration of Improvements. Except as provided in Section 7.1, Tenant shall not make or permit to be made any material exterior alteration of, addition to or change in, the Improvements which would affect the exterior elevations (including materials selection and

color) or the size, bulk and scale of the Property, other than routine maintenance and repairs, nor demolish all or any part of the Improvements, without the prior written consent of Landlord. Nothing herein shall prohibit interior alterations or decorations, or the removal and replacement of interior improvements consistent with the specified use of the Property. In requesting consent for such exterior improvements as required by the foregoing, Tenant shall submit to Landlord detailed plans and specifications of the proposed work and an explanation of the need and reasons thereof. Tenant may make such other improvements, alterations, additions or changes to the Improvements which do not materially affect the exterior elevations (including materials selection and color) or the size, bulk and scale thereof without Landlord's prior written consent.

Notwithstanding the prohibition in this Section 11.4, Tenant may make such changes, repairs, alterations, improvements, renewals or replacements to the exterior elevations, materials, size, bulk or scale of the Improvements as are required (a) by reason of any law, ordinance, regulation or order of a competent government authority, (b) for the continued safe and orderly operation of the Property, or (c) to continue to receive the Tax Credits or any other government funding that may be available to the Project.

ARTICLE 12. SIGNS AND MARKETING.

Tenant shall not place or suffer to be placed on the Property or upon the roof or any exterior door or wall or on the exterior or interior of any window of the Improvements, any sign, awning, canopy, marquee, advertising matter, decoration, lettering or other thing of any kind (exclusive of the signs, awnings and canopies, if any, which may be provided for in the Plans) without the written consent of the Executive Director first had and obtained.

ARTICLE 13. DAMAGE OR DESTRUCTION OF PROPERTY OR IMPROVEMENTS.

13.1 Tenant's Repair Obligation.

13.1.1 In case of damage to or destruction of the Property or the Improvements, or any part thereof, by fire or other cause at any time during the Term of this Ground Lease, Tenant, if and to the extent insurance proceeds are available, shall restore the same as nearly as possible to their value, condition and character immediately prior to such damage or destruction. Such restoration shall be commenced with due diligence and in good faith, and prosecuted with due diligence and in good faith, unavoidable delays excepted.

13.1.2 In case of damage to or destruction of the Improvements by fire or other cause resulting in a loss exceeding in the aggregate Ten Thousand Dollars ($10,000), Tenant shall promptly give written notice thereof to Landlord.

13.1.3 In the event insurance proceeds are insufficient to restore the Property or the Improvements to its/their value, condition and character immediately prior to such damage or destruction, then Landlord shall have the right to terminate this Ground Lease by providing written notice thereof to Tenant.

13.2 Tenant's Restoration of Premises.

13.2.1 If, during the Term, the Improvements are damaged or destroyed, and the total amount of loss does not exceed thirty-three percent (33%) of the replacement value of the Improvements, Tenant shall make the loss adjustment with the insurance company insuring the loss, with the approval of Landlord, which approval shall not be unreasonably withheld or delayed. The proceeds shall be paid directly to a Mortgagee, if any, and if there is not a Mortgagee, to Landlord and Tenant for the sole purpose of making the restoration of the Improvements in accordance with this Article 13.

13.2.2 If, during the Term, the Improvements are damaged or destroyed, and the total amount of loss exceeds thirty-three percent (33%) of the replacement value of the Improvements, Tenant shall make the loss adjustment with the insurance company insuring the loss, with the approval of Landlord, which approval shall not be unreasonably withheld or delayed, and the insurance company shall immediately pay the proceeds to a Mortgagee, if any, and if there is not a Mortgagee, then to a bank or trust company designated by Landlord and approved by Tenant (such Mortgagee or other institution, the "Insurance Trustee"), which approval shall not be unreasonably withheld or delayed. All sums deposited with the Insurance Trustee shall be held for the following purposes and the Insurance Trustee shall have the following powers and duties:

(a) The sums shall be paid in installments by the Insurance Trustee to the contractor retained by Tenant and approved by Landlord as construction progresses, for payment of the cost of restoration. A ten percent (10%) retention fund shall be established that will be paid to the contractor on completion of restoration, payment of all costs, expiration of all applicable lien periods, and proof that the Property and the Improvements are free of all mechanics' liens and lienable claims;

(b) Payments shall be made on presentation of certificates or vouchers from the architect or engineer retained by Tenant and approved by Landlord (which approval shall not be unreasonably withheld, conditioned or delayed) showing the amount due. If the Insurance Trustee, in its reasonable discretion, determines that the certificates or vouchers are being improperly approved by the architect or engineer retained by Tenant, the Insurance Trustee shall have the right to appoint an architect or an engineer to supervise construction and to make payments on certificates or vouchers approved by the architect or engineer retained by the Insurance Trustee. The reasonable expenses and charges of the architect or engineer retained by the Insurance Trustee shall be paid by the Insurance Trustee out of the trust fund;

(c) If, after the work of restoration has commenced, the sums held by the Insurance Trustee are not sufficient to pay the actual cost of restoration, Tenant shall deposit the amount of the deficiency with the Insurance Trustee within ten (10) days after receipt of request for payment of such amount from the Insurance Trustee, which request shall be made by the Insurance Trustee promptly after it is determined there will be a deficiency;

(d) If the Insurance Trustee has received notice from Landlord that the Tenant is in default under this Ground Lease, then, subject to the lien of a Mortgagee's Mortgage

and the Mortgagee's prior written consent, the Insurance Trustee shall pay to Landlord an amount sufficient to cure such default as specified in Landlord's notice to the Insurance Trustee;

(e) Any amounts remaining after making the payments hereinabove referred to in clauses (a), (b) and (c) shall be paid to any leasehold Mortgagee to the extent (a) required by any Mortgage and (b) such leasehold Mortgagee makes written demand therefor to the Insurance Trustee;

(f) Any undisbursed funds remaining after compliance with all of the provisions of this Section 13.2 shall, if and to the extent required by any Mortgage, be delivered to the Mortgagee, and if there is no leasehold Mortgagee, to Tenant; and

(g) All actual costs and charges of the Insurance Trustee shall be paid by Tenant. If the Insurance Trustee resigns or for any reason is unwilling to act or continue to act, Landlord shall substitute a new Insurance Trustee in the manner described in this Section.

13.2.3 Both parties shall promptly execute all documents and perform all acts reasonably required by the Insurance Trustee to perform its obligations under this Section 13.2.

13.3 Procedure for Restoring Improvements.

13.3.1 If and to the extent Tenant is obligated to restore the Improvements pursuant to this Article 13, Tenant shall restore the Improvements substantially in accordance with the Plans, to the extent insurance proceeds are available. Within forty-five (45) days after the date of such damage or destruction, Tenant, at its cost, shall prepare and deliver to Landlord final plans and specifications and working drawings complying with applicable laws that will be necessary for such restoration. Such plans and specifications shall specify differences from the Plans. The plans and specifications and working drawings are subject to the approval of Landlord only insofar as they vary from the Plans. Landlord shall have twenty (20) days after receipt of the plans and specifications and working drawings to either approve or disapprove the plans and specifications and working drawings and return them to Tenant. If Landlord disapproves the plans and specifications and working drawings, Landlord shall notify Tenant of its objections in writing, specifying the objections clearly and stating what modifications are required for Landlord's approval. Tenant acknowledges that the plans and specifications and working drawings shall be subject to approval of the appropriate government bodies and that they will be prepared in such a manner as to obtain that approval.

13.3.2 The restoration shall be accomplished as follows:

(a) Tenant shall complete the restoration within eighteen (18) months after final plans and specifications and working drawings have been approved by the appropriate government bodies and all required permits have been obtained.

(b) Tenant shall retain a licensed contractor that is bondable. The contractor shall be required to carry public liability and property damage insurance, builders risk insurance, standard fire and extended coverage insurance, with vandalism and malicious mischief endorsements, during the period of construction in accordance with Article 9.Such

insurance shall contain waiver of subrogation clauses in favor of Landlord and Tenant in accordance with the provisions of and to the extent required by Section 9.6.

(c) Tenant shall notify Landlord of the date of commencement of the restoration not later than ten (10) days before commencement of the restoration to enable Landlord to post and record notices of non-responsibility. The contractor retained by Tenant shall not commence construction until a completion bond and a labor and materials bond have been delivered to Landlord to insure completion of the construction.

(d) Tenant shall accomplish the restoration in a manner that will cause the least inconvenience, annoyance, and disruption to the Property and the Improvements.

(e) On completion of the restoration Tenant shall immediately record a notice of completion.

(f) The restoration shall not be commenced until sums sufficient to cover the cost of restoration are placed with the Insurance Trustee as provided in Section 13.2.

13.4 Mortgagee Protection. The following provisions are for the protection of a Mortgagee and shall, notwithstanding anything contained in this Ground Lease to the contrary, control:

13.4.1 Insurance. Any insurance proceeds payable from any policy of insurance (other than liability insurance) required by the Ground Lease shall be paid to and applied by the Mortgagees, if any, in accordance with their respective Mortgage. Each Mortgagee, if any, shall have the right to participate in all adjustments, settlements, negotiations or actions with the insurance company regarding the amount and allocation of any such insurance proceeds. Any insurance policies permitted or required by this Ground Lease shall name each Mortgagee, if any, as an additional insured or loss payee, as appropriate, if required by such Mortgagees.

13.4.2 Restoration. Tenant shall have no obligation to restore or repair the Improvements following the occurrence of any casualty for which insurance is not required under this Ground Lease. The Mortgagee, if any and if it exercises any of its remedies set forth in this Ground Lease to acquire the leasehold estate hereunder, shall have no obligation to restore or repair damage to the Improvements that cost in excess of available insurance proceeds. Tenant shall have no obligation to restore or repair damage to the Improvements if the casualty occurs during the last five (5) years of the Ground Lease term. In the event such a loss occurs in the last five (5) years, then, at the election of Tenant, with the prior written consent of the Mortgagee, if any, insurance proceeds shall be used, first, to clear the Property of the damaged Improvements and any debris, and second, to reduce or pay in full the Mortgage, with any excess being payable as provided in this Ground Lease.

ARTICLE 14. EMINENT DOMAIN.

14.1 Notice. The party receiving any notice of the kind specified in this Section 14.1 shall promptly give the other party notice of the receipt, contents and date of the notice received. For purposes of this Article 14, the term "Notice" shall include:

(a) Notice of Intended Taking;

(b) Service of any legal process relating to condemnation of the Property or the Improvements;

(c) Notice in connection with any proceedings or negotiations with respect to such condemnation; or

(d) Notice of intent or willingness to make or negotiate a private purchase, sale or transfer in lieu of condemnation.

14.2 Representation in Proceedings or Negotiations. Landlord and Tenant shall each have the right to represent their respective interests in each proceeding or negotiation with respect to a Taking or intended Taking and to make full proof of their claims. No agreements or settlement with or sale or transfer to the condemning authority shall be made without the consent of Landlord, but, as to its reversionary interest only, Landlord may enter into such agreement, settlement, sale or transfer without the consent of Tenant. Landlord and Tenant each agree to execute and deliver to the other any instruments which may be required to effectuate or facilitate the provisions of this Ground Lease relating to condemnation.

14.3 Total Taking.

14.3.1 In the event of a Total Taking, this Ground Lease shall terminate as of the date of the Taking.

14.3.2 If this Ground Lease is terminated pursuant to this Section 14.3, the Award for such Taking shall be apportioned and distributed as follows:

(a) First, to the Mortgagees, if any, to the extent of their respective Mortgages;

(b) Second, to Landlord, a sum equal to the fair market value of the Landlord's fee interest in the Property (subject to the remaining Term and the Rent reserved) on the date immediately preceding the Taking or threat of condemnation, as determined by the appraisal method set forth in Section 14.9.The parties shall commence said appraisal by the earlier of ten (10) days after Tenant's receipt of a Notice of Intended Taking or ten (10) days after the date of the Taking;

(c) Third, to Tenant, a sum equal to the fair market value of the Improvements made by Tenant as of the date immediately preceding the Taking or threat of condemnation plus the residual value of the Term, subject to Rent reserved, plus any part of the Award attributable to the Tax Credits and any other governmental funding provided to the Project, other than funding provided to the Project by Landlord;

(d) Fourth, to Landlord, the remainder, if any.

14.4 Substantial Taking.

14.4.1 In the event of a Taking that does not constitute a Total Taking, Partial Taking, or Temporary Taking, Landlord and Tenant shall meet and confer to determine whether the Taking is material and, in the event Landlord and Tenant determine that such Taking is material, then, subject to the rights of the Mortgagees, either of Landlord or Tenant may terminate this Ground Lease. In the event Landlord and Tenant do not agree as to whether the Taking is material, then such decision shall be made solely by the Agency, in the Agency's reasonable judgment. In such event, if Agency determines that the Taking is material, then, subject to the rights of the Mortgagees, Landlord may terminate this Ground Lease. In the event this Ground Lease is terminated pursuant to this Section 14.4.1, the terminating party shall give written notice of its election to terminate to the other party within thirty (30) days after the parties have met and conferred.

14.4.2 In the event this Ground Lease is terminated pursuant to Section 14.4.1 above, such termination shall be as of the time when the Taking entity takes possession of the portion of the Property and the Improvements taken. In such event, the Award for such Substantial Taking (including any award for severance, consequential or other damages which will accrue to the portion of the Property and/or the Improvements not taken) shall be apportioned and distributed as follows:

(a) First, to the Mortgagees, if any, to the extent of their respective Mortgages;

(b) Second, to Landlord, a sum equal to the fair market value of the Property taken (subject to the remaining Term and Rent reserved) on the date immediately preceding the Taking as determined by the appraisal process provided for in Section 14.9 commenced as provided in Section 14.3.2;

(c) Third, to Landlord, an amount equal to the portion of the award for severance, consequential or other damages which accrued to the portion of the Property or Improvements not taken;

(d) Fourth, to Tenant, a sum equal to the fair market value of the Improvements made by Tenant as of the date immediately preceding the Taking or threat of condemnation, plus the residual value of the Term, subject to Rent reserved, plus any part of the Award attributable to the Tax Credits and any other governmental funding provided to the Project, other than funding provided to the Project by Landlord;

(e) Fifth, to Landlord, the remainder, if any.

14.5 Partial Taking.

14.5.1 In the event of a Partial Taking, this Ground Lease shall continue in full force and effect, and there shall be no abatement in or reduction of any of Tenant's obligations hereunder.

14.5.2 The Award for such Partial Taking shall be apportioned and distributed first to the Mortgagees, if any, to the extent of their respective Mortgages, then to Landlord and Tenant in proportion to the fair market value of their respective interests; provided, however, that any part of the Award attributable to the Tax Credits or other governmental funding provided to the Project, other than funding provided to the Project by Landlord, shall belong to Tenant.

14.5.3 Any Award for severance, consequential or other damages which accrues by reason of the Partial Taking to the portion of the Property or the Improvements not taken shall be distributed first to the Mortgagees, if any, to the extent of their respective Mortgages, and the remainder, if any, shall be payable to Landlord and Tenant in proportion to the fair market value of their respective interests.

14.6 Obligation to Repair on Partial Taking. Promptly after any Partial Taking, Tenant shall, to the extent of the Award received by Tenant and in the manner specified in the provisions of this Ground Lease, repair, alter, modify or reconstruct the Improvements and/or other improvements on the Property so as to make them usable for the designated purpose and capable of producing a fair and reasonable net income.

14.7 Temporary Taking.

14.7.1 In the event of a Temporary Taking of the whole or any part of the Property and/or Improvements, the Term shall not be reduced or affected in any way and Tenant shall continue to pay in full any sum or sums of money and charges herein reserved and provided to be paid by Tenant, and, subject to the other provisions of this Section 14.7, Tenant shall be entitled to any Award or payment for the temporary use of the Property and/or Improvements prior to the termination of this Ground Lease and Landlord shall be entitled to any award or payment for such use after the termination of this Ground Lease.

14.7.2 If, after the occurrence of a temporary taking, possession of the Property and/or Improvements shall revert to Tenant prior to the expiration of the Term, Tenant shall, to the extent of the amount of any award or payment, unless at such time there remains less than five (5) years in the Term, restore the Property and/or Improvements and in all other respects indemnify and hold Landlord harmless from the effects of such Taking so that the Property and/or Improvements in every respect shall upon completion of such restoration be in the same condition as they were prior to the taking thereof.

14.7.3 Any Award or payment for damages or cost of restoration made on or after the termination of this Ground Lease shall be paid first to the Mortgagees, if any, to the extent of their respective Mortgages, then to Landlord absolutely, together with the remaining balance of any other funds paid to Tenant for such damages or cost of restoration and Tenant shall thereupon be excused from any obligation to restore the Property and/or Improvements upon the termination of such Temporary Taking except that any obligation that may have accrued for Tenant to restore the Property and/or Improvements prior to the commencement of said Temporary Taking shall continue to be the obligation of Tenant

14.8 Mortgagee Protection. Notwithstanding anything contained in this Ground Lease to the contrary, any and all condemnation proceeds shall be paid first to the Mortgagees, if

any, to be applied to reduce their respective Mortgages if required by the applicable mortgage documents.

14.9 Appraisal. Whenever an appraisal of the Property is called for under the terms of this Ground Lease, the parties shall use the following procedure:

14.9.1 Appointment of Appraiser. Within ten (10) days after notice from Landlord to Tenant, Landlord and Tenant shall each appoint an MAI appraiser to participate in the appraisal process provided for in this Section 14.9 and shall give written notice thereof to the other party. Upon the failure of either party so to appoint, the nondefaulting party shall have the right to apply to the Superior Court of Riverside County, California, to appoint an appraiser to represent the defaulting party. Within ten (10) days of the parties' appointment, the two (2) appraisers shall jointly appoint a third MAI appraiser and give written notice thereof to Landlord and Tenant, or if within ten (10) days of the appointment of said appraisers the two (2) appraisers shall fail to appoint a third, then either party hereto shall have the right to make application to said Superior Court to appoint such third appraiser.

14.9.2 Determination of Fair Market Value.

(a) Within thirty (30) days after the appointment of the third appraiser, the appraisers shall determine the fair market value of the Property and the Improvements in accordance with the provisions hereof, and shall execute and acknowledge their determination of fair market value in writing and cause a copy thereof to be delivered to each of the parties hereto.

(b) The appraisers shall determine the fair market value of the Property and the Improvements as of the date of Landlord's notice referred to in Section 14.9.1 above, based on sales of comparable property in the area in which the Property is located, subject to the restrictions encumbering the Property. If, however, in the judgment of a majority of the appraisers, no such comparable sales are available, then the appraisal shall be based on the assumption that the Property is available for immediate sale and development for the purposes and at the density and intensity of development permitted under the zoning, subdivision and land use planning ordinances and regulations applicable to the Property in effect on the Commencement Date of this Ground Lease, and any changes or amendments thereto or modification or variance from the provisions thereof or conditional use permits which could reasonably be anticipated to have been granted or approved as of the date of this Ground Lease. Notwithstanding anything contained herein to the contrary, if the appraisal, for the particular purposes for which it is being done, should reasonably reflect the rent restrictions imposed on the Property pursuant to the Regulatory Agreement, then such rent restrictions shall be taken into consideration by the appraisers.

(c) If a majority of the appraisers are unable to agree on fair market value within thirty (30) days of the appointment of the third appraiser, the three (3) appraisals shall be added together and their total divided by three (3).The resulting quotient shall be the fair market value of the Property and the Improvements. If, however, the low appraisal and/or high appraisal is or are more than ten percent (10%) lower and/or higher than the middle appraisal, the low and/or high appraisal shall be disregarded. If only one appraisal is disregarded, the remaining two appraisals shall be added together and their total divided by two (2).The resulting

14.9.3 Payment of Fees. Each of the parties hereto shall (a) pay for the services of its appointee, (b) pay one-half (l/2) of the fee charged by the appraiser selected by their appointees, and (c) pay one-half (1/2) of all other proper costs of the appraisal.

ARTICLE 15. COMPLIANCE WITH LAWS; ENVIRONMENTAL MATTERS.

15.1 Compliance With Laws. Tenant shall comply with (i) all ordinances, regulations and standards of the City, Landlord, County of Riverside, any regional governmental entity, State of California, and federal government applicable to the Property; (ii) all rules and regulations of any assessment district of the City with jurisdiction over the Property; and (iii) all applicable labor standards of California law and federal law; and (iv) the requirements of California law and federal law with respect to the employment of undocumented workers or illegal aliens.

15.2 Indemnity. Tenant shall save, protect, defend, indemnify and hold harmless Landlord and the City and their respective officers, officials, members, employees, agents, and representatives from and against any and all liabilities, suits, actions, claims, demands, penalties, damages (including, without limitation, penalties, fines and monetary sanctions), losses, costs or expenses (including, without limitation, consultants' fees, investigation and laboratory fees, reasonable attorneys' fees and remedial and response costs) (the foregoing are hereinafter collectively referred to as "Liabilities") which may now or in the future be incurred or suffered by Landlord or City or their respective officers, officials, members, employees, agents, or representatives by reason of, resulting from, in connection with, or existing in any manner whatsoever as a direct or indirect result of (i) Tenant's placement on or under the Property of any Hazardous Materials or Hazardous Materials Contamination, (ii) the escape, seepage, leakage, spillage, discharge, emission or release from the Property of any Hazardous Materials or Hazardous Materials Contamination that occurs after the Commencement Date, or (iii) any Liabilities incurred under any Governmental Requirements relating to the acts described in the foregoing clauses (i) and (ii).

For the purposes of this Ground Lease, unless the context otherwise specifies or requires, the following terms shall have the meanings herein specified:

The term "Hazardous Materials" shall mean any substance, material, or waste which is or becomes regulated by any local governmental authority, the City, the County of Riverside, the State of California, a regional governmental authority, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a "hazardous waste," "extremely hazardous waste," or "restricted hazardous waste" under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law)), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a "hazardous material," "hazardous substance," or "hazardous waste" under Section 25501 of the California

Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) friable asbestos, (vii) polychlorinated biphenyls, (viii) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20, (ix) designated as "hazardous substances" pursuant to Section 311 of the Clean Water Act (33 U.S.C. § 1317), (x) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 *et seq*. (42 U.S.C. § 6903) or (xi) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. § 9601 *et seq*. For purposes hereof, "Hazardous Materials" excludes materials and substances in quantities as are commonly used in the construction and operation of an apartment complex, provided that such materials and substances are used in accordance with all applicable laws.

The term "Hazardous Materials Contamination" shall mean the contamination (whether presently existing or hereafter occurring) of the improvements, facilities, soil, groundwater, air or other elements on, in or of the Property by Hazardous Materials, or the contamination of the buildings, facilities, soil, groundwater, air or other elements on, in or of any other property as a result of Hazardous Materials at any time emanating from the Property.

The term "Governmental Requirements" shall mean all past, present and future laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the state, the county, the city, or any other political subdivision in which the Property is located, and any other state, county city, political subdivision, agency, instrumentality or other entity exercising jurisdiction over the Property.

15.3 Duty to Prevent Hazardous Material Contamination. Tenant shall take commercially reasonable action to prevent the release of any Hazardous Materials into the environment. Such precautions shall include compliance with all Governmental Requirements with respect to Hazardous Materials. In addition, Tenant shall install and utilize such equipment and implement and adhere to such procedures as are consistent with the standards generally applied by apartment complexes in Riverside County, California as respects the disclosure, storage, use, removal, and disposal of Hazardous Materials.

15.4 Obligation of Tenant to Remediate Premises. Notwithstanding the obligation of Tenant to indemnify Landlord, City, and their respective officers, officials, members, employees, agents, and representatives pursuant to Section 15.2, and provided no Hazardous Materials exist on the Property as a result of Landlord's action, Tenant shall, at its sole cost and expense, promptly take (i) all actions required by any federal, state, regional, or local governmental agency or political subdivision or any Governmental Requirements and (ii) all actions necessary to make full economic use of the Property for the purposes contemplated by the Regulatory Agreement, the Agreement, and this Ground Lease, which requirements or necessity arise from the presence upon, about or beneath the Property, of any Hazardous Materials or Hazardous Materials Contamination. Such actions shall include, but not be limited to, the investigation of the environmental condition of the Property, the preparation of any

feasibility studies or reports and the performance of any cleanup, remedial, removal or restoration work.

15.5 Environmental Inquiries. Tenant, when it has received any notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, or cease and desist orders related to Hazardous Materials or Hazardous Materials Contamination, or when Tenant is required to report to any governmental agency any violation or potential violation of any Governmental Requirement pertaining to Hazardous Materials or Hazardous Materials Contamination, shall concurrently notify the Executive Director, and provide to him/her a copy or copies, of the environmental permits, disclosures, applications, entitlements or inquiries relating to the Property, the notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, cease and desist orders, reports filed pursuant to self-reporting requirements, and reports filed or applications made pursuant to any Governmental Requirement relating to Hazardous Materials and underground tanks, and Tenant shall report to the Executive Director, as soon as possible after each incident, any unusual, potentially important incidents.

In the event of a responsible release of any Hazardous Materials into the environment, Tenant shall, as soon as possible after it becomes aware of the release, furnish to the Executive Director a copy of any and all reports relating thereto and copies of all correspondence with governmental agencies relating to the release. Upon request of the Executive Director, Tenant shall furnish to the Executive Director a copy or copies of any and all other environmental entitlements or inquiries relating to or affecting the Property including, but not limited to, all permit applications, permits and reports including, without limitation, those reports and other matters which may be characterized as confidential.

ARTICLE 16. ASSIGNMENT.

Because of the importance that Landlord places on Tenant's qualification, expertise and identity, and the reliance Landlord makes upon Tenant's ability to construct and operate the Project, during the Term, Tenant shall not assign or attempt to assign this Ground Lease or any right herein, except to such transferees as approved or permitted pursuant to Section 15 of the Regulatory Agreement. Notwithstanding the foregoing, Tenant may sublease the units to low, moderate, and very low income households as provided in the Agreement and the Regulatory Agreement.

ARTICLE 17. MORTGAGES.

17.1 Ground Leasehold Mortgages. Notwithstanding anything to the contrary contained elsewhere herein, at all times during the Term, Tenant shall have the right to mortgage, pledge, deed in trust, assign rents, issues and profits and/or collaterally (or absolutely for purposes of security if required by any lender) assign its interest in this Ground Lease, or otherwise encumber this Ground Lease, and/or the interest of Tenant hereunder, in whole or in part, and any interests or rights appurtenant to this Ground Lease, and to assign or pledge the same as security for any debt (the holder of any such mortgage, pledge or other encumbrance, and the beneficiary of any such deed of trust being hereafter referred to as "Mortgagee" and the mortgage, pledge, deed of trust or other instrument hereafter referred to as "Mortgage"), upon and subject to each and all of the terms and conditions listed in Paragraphs (a) – (c) below. As

used in this Ground Lease, the term "Mortgage" includes the Agency Loan, and the term "Mortgagee" includes Landlord, as the beneficiary under the Agency Loan Note:

(a) Prior to the issuance of a Release of Construction Covenants by Landlord, Mortgages entered into by Tenant shall be limited in purpose to and shall not exceed the amount necessary and appropriate to develop the Improvements, and to acquire and install equipment and fixtures thereon. Said amount shall include all hard and soft costs of acquisition, development, construction, lease-up and operation of the Improvements. After the recordation of the Release of Construction Covenants, the limitation contained in this subsection shall no longer apply.

(b) Any permitted Mortgages entered into by Tenant are to be originated only by Institutional Lenders approved in writing by Landlord, which approval will not be unreasonably conditioned, delayed or withheld. Landlord shall state the reasons for any such disapproval.

(c) All rights acquired by said Mortgagee shall be subject to each and all of the covenants, conditions and restrictions set forth in this Ground Lease, and to all rights of Landlord thereunder, none of which covenants, conditions and restrictions is or shall be waived by Landlord by reason of the giving of such Mortgage.

If Tenant encumbers its leasehold estate by way of a Mortgage as permitted herein, and should Landlord be advised in writing of the name and address of the Mortgagee, then this Ground Lease shall not be terminated or canceled on account of any Event of Default by Tenant in the performance of the terms, covenants or conditions hereof until Landlord shall have complied with the provisions of this Ground Lease as to the Mortgagee's rights to cure. In addition, no cancellation, surrender, termination, amendment or modification of this Ground Lease shall be effective without the written consent of each Mortgagee and the Investor.

17.2 Landlord's Forbearance and Right to Cure Defaults on Ground Leasehold Mortgages.

(a) Landlord will give to any Mortgagee, at such address as is specified by the Mortgagee in accordance with Section 23.1 hereof, a copy of each notice or other communication with respect to any claim that a default exists or is about to exist from Landlord to Tenant hereunder at the time of giving such notice or communication to Tenant, and Landlord will give to the Mortgagee a copy of each notice of any rejection of this Ground Lease by any trustee in bankruptcy of Tenant. Landlord will not exercise any right, power or remedy with respect to any Event of Default hereunder, and no notice to Tenant of any such Event of Default and no termination of this Ground Lease in connection therewith shall be effective, unless Landlord has given to the Mortgagee written notice or a copy of its written notice to Tenant of such Event of Default or any such termination, as the case may be, and an opportunity to cure as provided below. Each such notice to a Mortgagee shall be given by U.S. certified mail, postage prepaid, return receipt requested, and shall be effective upon receipt.

(b) In the event the leasehold estate hereunder shall be acquired by foreclosure, trustee's sale or deed, or assignment in lieu of foreclosure of a Mortgage, the

purchaser at such sale or the transferee by such assignment and its successors as holders of the leasehold estate hereunder shall not be liable for any past due Rent, if any, or other obligations hereunder accruing after its or their subsequent sale or transfer of such leasehold estate and such purchaser or transferee and its successors shall be entitled to transfer such estate or interest one time without consent or approval of Landlord. Additionally, in the event the leasehold estate hereunder shall be acquired by foreclosure, trustee's sale or deed, or assignment in lieu of foreclosure of a Mortgage, the purchaser at such sale or the transferee by such assignment and its successors as holders of the leasehold estate hereunder shall only be liable for payment of Rent pursuant to Section 4.1 becoming due with respect to the period during which such purchaser, transferee or other successor is the holder of the leasehold estate hereunder. This Section shall also apply to the rights of a Mortgagee in connection with the entry into a New Ground Lease under Section 17.10 and to the appointment of a receiver on behalf of a Mortgagee.

17.3 Limited Liability of Mortgagee for Prior Indemnified Acts. A Mortgagee shall not be obligated to assume the liability of Tenant for any indemnities arising for a period prior to the Mortgagee's acquisition of the leasehold estate created under this Ground Lease or after such Mortgagee disposes of such leasehold estate.

17.4 Landlord Cooperation. Landlord covenants and agrees that it will act and fully cooperate with Tenant in connection with Tenant's right to grant leasehold mortgages as hereinabove provided. At the request of Tenant or any proposed or existing Mortgagee, Landlord shall promptly execute and deliver (i) any documents or instruments reasonably requested to evidence, and/or acknowledge the rights of the Mortgagees as herein provided; and (ii) an estoppel certificate certifying the status of this Ground Lease and Tenant's interest herein and such matters as are reasonably requested by Tenant or such Mortgagees. Such estoppel certificate shall include, but not be limited to, certification by Landlord that (a) this Ground Lease is unmodified and in full force and effect (or, if modified, state the nature of such modification and certify that this Ground Lease, as so modified, is in full force and effect), (b) all rents currently due under the Ground Lease have been paid (or, if unpaid, the period and amount of any arrearages, penalties, interest and other charges), (c) there are not, to Landlord's knowledge, any uncured Events of Default on the part of Tenant under the Ground Lease or facts, acts or omissions which with the giving of notice or passing of time, or both, would constitute an Event of Default (or, if there is a default, the nature and scope of the default).Any such estoppel certificate may be conclusively relied upon by any proposed or existing leasehold Mortgagee or assignee of Tenant's interest in this Ground Lease.

17.5 No Subordination of Landlord's Interest. Landlord's fee interest in the Property shall be senior to, and not be subordinated to, any financing obtained by Tenant in connection with the Property.

17.6 Priority. This Ground Lease, and any extensions, renewals or replacements thereof, and any sublease entered into by Tenant as sublessor, and any Mortgage or other encumbrance now or hereafter recorded by any Mortgagee shall be superior to any future mortgages, deeds of trust or similar encumbrances placed by Landlord on the Property and to any lien right, if any, of Landlord on the buildings, and any furniture, fixtures, equipment or other personal property of Tenant upon the Property or any interest of Landlord in sublease rentals or similar agreements.

17.7 Claims. Landlord and Tenant shall deliver to each Mortgagee written notice of any litigation or arbitration proceedings between the parties or involving the Property or this Ground Lease. Any Mortgagee shall have the right, at its option and its expense, to intervene and become a party to any such proceedings. If a Mortgagee elects not to intervene or become a party, Landlord shall deliver to said Mortgagee prompt written notice of and a written copy of any award, decision or settlement agreement made in connection with any such proceeding.

17.8 Further Amendments. Landlord and Tenant shall cooperate in including in this Ground Lease by suitable amendment from time to time any provision which may be reasonably requested by any proposed Mortgagee for the purpose of implementing the mortgagee protection provisions contained in this Ground Lease and allowing the Mortgagee reasonable means to protect or preserve the lien of its Mortgage upon the occurrence of a default under the terms of this Ground Lease. Landlord and Tenant each agree to execute and deliver (and to acknowledge for recording purposes, if necessary) any agreement reasonably required to effect any such amendment.

17.9 Loan Obligations. Nothing contained in this Ground Lease shall relieve Tenant of its obligations and responsibilities under any Mortgage loans and Mortgage loan documents to operate the Project as set forth therein.

17.10 Liens and Encumbrances Against Tenant's Interest in the Leasehold Estate

(a) Tenant (and Foreclosure Trustee, if applicable) shall have the right to encumber the leasehold estate created by this Ground Lease and the Improvements with one or more deeds of trust or mortgages, in conformance with the requirements of Section 17.1 hereof.

(b) Tenant shall not have the right to encumber Landlord's fee interest in the Property or Landlord's reversionary interest in the Improvements.

(c) For as long as there is any lien securing any Mortgage loans:

(1) Landlord shall not agree to any mutual termination or cancellation of, or accept any surrender of this Ground Lease, nor shall Landlord consent to any amendment or modification of this Ground Lease, in each case without the prior written consent of each Mortgagee which has an outstanding Mortgage loan. Tenant may not exercise any right to terminate this Ground Lease without the prior written consent of each Mortgagee.

(2) Notwithstanding any default by Tenant under this Ground Lease, Landlord shall have no right to terminate this Ground Lease unless Landlord shall have given each Mortgagee which have an outstanding Mortgage loan written notice of such default and such Mortgagees shall have failed to remedy such default or acquire Tenant's leasehold estate created by this Ground Lease or commence foreclosure or other appropriate proceedings as set forth in, and within the time specified by, this Section.

(3) Each Mortgagee which has an outstanding Mortgage loan shall have the right, but not the obligation, at any time to pay any or all of the Rent due pursuant to the terms of this Ground Lease, and do any other act or thing required of Tenant by the terms of this Ground Lease, to prevent termination of this Ground Lease. Each Mortgagee and its

agents and contractors shall have a right to enter the Property for purposes of accomplishing the foregoing, so long as such Mortgagee indemnifies and holds Landlord harmless from any and all liability arising from such entry upon the Property. Each Mortgagee shall have sixty (60) days after receipt of written notice from Landlord describing a default by Tenant to cure the default. All payments so made and all things so done shall be as effective to prevent a termination of this Ground Lease as the same would have been if made and performed by Tenant instead of by Mortgagee(s).

(4) In addition to the cure period provided in paragraph (3) above, if the default is such that possession of the Property may be reasonably necessary to remedy the default, each Mortgagee which has an outstanding Mortgage loan shall have such additional time after the expiration of such sixty (60) day period as such Mortgagee may reasonably require to remedy such default, provided that (i) such Mortgagee shall have fully cured any default in the payment of any monetary obligations of Tenant under this Ground Lease within such sixty (60) day period and shall continue to pay currently such monetary obligations when the same are due, and (ii) within one hundred twenty (120) days after receipt of Landlord's notice of default, such Mortgagee shall have acquired Tenant's leasehold estate hereunder or commenced foreclosure or other appropriate proceedings, and shall be diligently prosecuting the same.

(5) Any default under this Ground Lease which by its nature cannot be remedied by any Mortgagee shall be deemed to be remedied if (i) within one hundred twenty (120) days after receiving written notice from Landlord describing the default, or prior thereto, any Mortgagee shall have acquired Tenant's leasehold estate or commenced foreclosure or other appropriate proceedings, (ii) the Mortgagee shall diligently prosecute any such proceedings to completion, (iii) the Mortgagee shall have fully cured any default in the payment of any monetary obligations of Tenant hereunder which does not require possession of the Property, and (iv) after gaining possession of the Property, the Mortgagee shall perform all other obligations of Tenant hereunder capable of performance by the Mortgagee when the obligations are due.

(6) If a Mortgagee is prohibited, stayed or enjoined by any bankruptcy, insolvency or other judicial proceedings involving Tenant from commencing or prosecuting foreclosure or other appropriate proceedings, the times specified for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such stay prohibition or injunction; provided that any Mortgagee shall have fully cured any default in the payment of any monetary obligations of Tenant under this Ground Lease and shall continue to pay currently such monetary obligations when the same fall due (subject to the notice and cure provision contained herein).

(7) Landlord shall deliver, by U.S. certified mail, postage prepaid, return receipt requested, to each Mortgagee which has any outstanding Mortgage loan a duplicate copy of all notices which Landlord may from time to time give to Tenant pursuant to this Ground Lease.

(8) In the event any Foreclosure Transferee becomes Tenant under this Ground Lease by means of foreclosure or assignment of the leasehold interest

hereunder in lieu of foreclosure or pursuant to any new lease obtained under paragraph (9) below, that Foreclosure Transferee shall be personally liable under this Ground Lease or such new lease only for the period of time that Foreclosure Transferee remains Tenant thereunder, and that Foreclosure Transferee's right to assign this Ground Lease or such new lease shall not be subject to the restrictions set forth in this Ground Lease. Nothing in this Section shall be construed to obligate any Foreclosure Transferee to remedy any default of Tenant, and any failure of any Mortgagee to complete any such cure after commencing the same shall not give rise to any liability of any Mortgagee to Landlord or Tenant.

(9) If this Ground Lease is terminated, whether by foreclosure, order of a bankruptcy court or otherwise, upon written request by any Mortgagee given within sixty (60) days after Landlord gives written notice of such termination to each Mortgagee, Landlord shall enter into a new lease of the Property with the Mortgagee for the remainder of the Term with the same agreements, covenants, reversionary interests and conditions (except for any requirements which have been fulfilled by Tenant prior to termination) as are contained in this Ground Lease and with priority equal to this Ground Lease, which new lease shall be effective as of the date of termination of the original Ground Lease; provided, however, that a requesting Mortgagee shall promptly cure any defaults by Tenant reasonably susceptible to cure by the Mortgagee. The Tenant under the new lease shall have the same right, title and interest in and to all Improvements located on the Property as Tenant had under the terminated Ground Lease immediately prior to its termination. Landlord shall by quitclaim deed or by the terms of the new lease convey to the Mortgagee, title to the improvements, if any, which become vested in Landlord as a result of the termination of the Ground Lease. The Mortgagee shall be responsible for all costs reasonably incurred by Landlord in connection with the preparation and execution of such new lease.

(10) The Investor of Tenant shall have the same rights to receive notices of default and to cure as any Mortgagee authorized under this paragraph (c).

(11) Landlord shall include in this Ground Lease by suitable amendment from time to time any provision which may reasonably be requested by any Mortgagee for the purpose of implementing the mortgagee-protection provisions contained in this Ground Lease and allowing such Mortgagee reasonable means to protect or preserve the lien of the leasehold mortgage and the value of its security. Any such amendment shall not in any way affect the Term under this Ground Lease nor otherwise in any material respect adversely affect any rights of Landlord under this Ground Lease.

(12) The parties shall not amend this Ground Lease without the consent of the Mortgagees and Investor of Tenant. Landlord shall not terminate this Ground Lease without the Investor's consent prior to the expiration of the fifteen (15) year Tax Credit compliance period described in Section 42(i)(1) of the Internal Revenue Code of 1986, as amended (the "Code").

(13) No Mortgagee shall be required to perform any act which is not susceptible to performance by a Mortgagee, such as to cure a filing or condition of bankruptcy or insolvency or to cure or commence the cure of any default which is Tenants'

failure to pay any lien, charge or encumbrance which is junior in priority to the Mortgagee's encumbrance.

(d) Any Mortgage created pursuant to subsection (a) of this Section shall be subject to the provisions of this Ground Lease and all rights of Landlord under this Ground Lease.

(e) No Mortgagee or its designee or transferee shall be or become liable to Landlord as an assignee of this Ground Lease or otherwise unless it expressly assumes by written instrument executed by Landlord and the Mortgagee or its designee or transferee such liability (in which event the Mortgagee's, designee's or transferee's liability shall be limited to the period of time during which it is the owner of the leasehold estate created hereby) and no assumption shall be inferred from or result from acceptance of an estoppel certificate from Landlord, acceptance of a Mortgage of Tenant's leasehold estate, or by foreclosure or other appropriate proceedings in the nature thereof or as the result of any other action or remedy provided for by such Leasehold Mortgage or other instrument or from a conveyance from Tenant pursuant to which the purchaser at foreclosure or grantee shall acquire the rights and interest of Tenant under the terms of this Ground Lease. If any Mortgagee (or its affiliate or nominee) acquires the Property by foreclosure or deed in lieu of foreclosure, or obtains a new lease under this Section 17, the Rent shall be One Dollar ($1.00) for each Rental Period until the "Conversion Date" (as defined in the first mortgage loan documents); thereafter, the Rent payable shall be fifty percent (50%) of the Residual Receipts, if any, for the subject Rental Period, except that Operating Expenses, Debt Service, Reserve Deposits and Partnership Related Fees shall be calculated based upon the actual amounts of operating expenses, debt service, reserve deposits and partnership related fees, respectively, incurred by the Tenant (without giving effect the limitations contained in the definitions of those terms or other provisions of this Lease).Additionally, the Rent shall include all of the following:(i) fifty percent (50%) of the Refinancing Net Proceeds immediately upon any refinancing of the Project (or part thereof), and (ii) one hundred percent (100%) of the Transfer Net Proceeds immediately upon any transfer in whole or in part of the Project. Further, in such event, the requirements concerning compliance with applicable regulations of the California Tax Credit Allocation Committee and applicable requirements of the Tax Credit Regulatory Agreement in Article 18.1 shall automatically have no further force or effect (and this Ground Lease shall be construed as if those requirements had never been included in this Ground Lease).

(f) On transfer of this Ground Lease at any foreclosure sale, or upon creation of a new Ground Lease, any or all of the following Events of Default relating to the prior owner of the Ground Lease shall be deemed cured:

(1) Attachment, execution or other judicial levy upon the Ground Lease;

(2) Assignment of the Ground Lease for the direct or indirect benefit of creditors of the prior Tenant;

(3) Judicial appointment of a receiver or similar officer to take possession of the Ground Lease;

(4) Filing a petition by, for or against Tenant under any chapter of the federal Bankruptcy Act or any federal or state debtor relief statute, as amended; and

(5) Any other defaults personal to Tenant and/or not otherwise reasonably curable by Mortgagee.

(g) A Foreclosure Transferee shall succeed to all interest of Tenant in any security or other deposits or other impound payments paid by Tenant to Landlord, except to the extent such security or other deposit or impound payment is used by Landlord to cure an Event of Default of Tenant hereunder.

(h) Foreclosure of any Mortgage or any sale thereunder, whether by judicial proceedings or by virtue of any power of sale contained in such Mortgage, or any conveyance of the leasehold estate under this Ground Lease from Tenant to a Foreclosure Transferee in lieu of foreclosure or other appropriate proceedings in the nature thereof, shall not require the consent of Landlord or constitute a breach of any provision or a default under this Ground Lease. Landlord shall recognize the Foreclosure Transferee as the Tenant under this Ground Lease following any such transfer, subject to the obligations of the Foreclosure Transferee to comply with this Ground Lease.

17.11 Cost of Loans to be Paid by Tenant. The Tenant affirms that it shall bear all of the costs and expenses in connection with (i) the preparation and securing of the Mortgage loans, (ii) the delivery of any instruments and documents and their filing and recording, if required, (iii) all taxes and charges payable in connection with the Mortgage loans, and (iv) all costs reasonably incurred by Landlord in making any amendments of this Lease requested by Tenant or Mortgagees.

17.12 No Merger. There shall be no merger, without the consent of the Mortgagee under any Mortgage, of the leasehold estate and the fee estate in the Property merely because both estates are acquired or become vested in the same person or entity.

17.13 Transfer Rights. Foreclosure of any Mortgage, or any sale thereunder, whether by judicial proceedings or by virtue of any power contained in the Mortgage, or any conveyance of the leasehold estate hereunder from Tenant to any Mortgagee or an affiliate of Mortgagee or entity controlled by Mortgagee, through, or in lieu of, foreclosure or other appropriate proceedings in the nature thereof, shall not require the consent of Landlord or constitute a breach of any provision of or a default under this Ground Lease, and upon such foreclosure, sale or conveyance, Landlord shall recognize the purchaser or other transferee in connection therewith as the Tenant hereunder. The Foreclosure Transferee may transfer to another party one time without the approval of Landlord. Any further assignments shall require the approval of the Landlord, which shall not unreasonably be withheld, conditioned, or delayed.

ARTICLE 18. SUBLEASING.

18.1 Subleasing of Property. All subleases made by Tenant to residents of units in the Project ("Resident Leases") shall be in compliance with the applicable (if any) regulations of the California Tax Credit Allocation Committee and the applicable (if any) requirements of the

Tax Credit Regulatory Agreement, and shall be subject to the following provisions and restrictions:

18.1.1 Each Resident Lease shall contain a provision, satisfactory to Landlord, requiring the Subtenant to attorn to Landlord upon (a) an Event of Default by Tenant under this Ground Lease, and (b) receipt by such Subtenant of written notice of such Event of Default and instructions to make such Subtenant's rental payments to Landlord.

18.1.2 On any termination of this Ground Lease prior to the expiration of the Term, all of Tenant's interest as sublessor under any and all existing valid and enforceable Resident Leases for which Landlord has issued a non-disturbance agreement shall be deemed automatically assigned, transferred and conveyed to Landlord and subtenants under such Resident Leases shall be deemed to have attorned to Landlord. Landlord shall thereafter be bound on such Resident Leases to the same extent Tenant, as sublessor, was bound thereunder and Landlord shall have all the rights under such Resident Leases that Tenant, as sublessor, had under such Resident Leases; provided, however, that any amendments to any such Resident Lease made after the issuance of a non-disturbance agreement to a subtenant shall not be binding on Landlord.

18.1.3 Each Resident Lease shall expressly provide that it is subject to each and all of the covenants, conditions, restrictions and provisions of this Ground Lease.

18.2 Rights of Mortgagees. Notwithstanding anything contained in this Ground Lease to the contrary, all attornment provisions applicable to the Landlord shall also be applicable to a Mortgagee and, as between Landlord and the Mortgagee, the Mortgagee shall have priority in any attornment situation.

ARTICLE 19. PERFORMANCE OF TENANT'S COVENANTS.

19.1 Right of Performance. If Tenant shall at any time fail to pay any Imposition or other charge in accordance with Article 4 hereof, within the time period therein permitted, or shall fail to pay for or maintain any of the insurance policies provided for in Article 9 hereof, within the time therein permitted, or to make any other payment or perform any other act on its part to be made or performed hereunder, within the time permitted by this Ground Lease, then Landlord, after thirty (30) days' written notice to Tenant (or, in case of an emergency, on such notice, or without notice, as may be reasonable under the circumstances) and without waiving or releasing Tenant from any obligation of Tenant hereunder, may (but shall not be required to):

(a) pay such Imposition or other charge payable by Tenant pursuant to the provisions of Article 4 hereof, or

(b) pay for and maintain such insurance policies provided for in Article 9 hereof, or

(c) make such other payment or perform such other act on Tenant's part to be made or performed as in this Ground Lease provided.

19.1.2 Rights of Mortgagees. Notwithstanding anything in this Ground Lease to the contrary, all of the performance rights available to Landlord under Section 19.1 shall also be available to any Mortgagee.

19.2 Reimbursement and Damages. All sums paid by Landlord pursuant to Section 19.1 and all costs and expenses incurred by Landlord in connection with the performance of any such act, together with interest thereon at the rate provided in Section 4.7 from the respective dates of Landlord's making of each such payment or incurring of each such cost or expense, shall constitute additional Rent payable by Tenant under this Ground Lease and shall be paid by Tenant to Landlord on demand. Landlord shall not be limited in the proof of any damages which Landlord may claim against Tenant arising out of or by reason of Tenant's failure to provide and keep in force insurance as aforesaid, to the amount of the insurance premium or premiums not paid or incurred by Tenant and which would have been payable upon such insurance, but Landlord shall also be entitled to recover as damages for such breach, the uninsured amount of any loss (to the extent required to be insured against pursuant to the terms of this Ground Lease of any deficiency in the insurance required by the provisions of this Ground Lease), damages, costs and expenses of suit, including reasonable attorneys' fees, suffered or incurred by reason of damage to, or destruction of, the Improvements, occurring during any period in which Tenant shall have failed or neglected to provide insurance as aforesaid.

ARTICLE 20. EVENTS OF DEFAULT; REMEDIES.

20.1 Events of Default. Any one or all of the following events shall, subject to Section 22.1, constitute an Event of Default hereunder:

20.1.1 If Tenant shall default in the payment of any Rent when and as the same becomes due and payable and such default shall continue for more than fifteen (15) days after Landlord shall have given written notice thereof to Tenant; or

20.1.2 If Tenant shall materially default under one or more of the Transaction Documents, and such default is not timely cured within the greater of thirty (30) days after Landlord has given Tenant written notice of such default or such longer period as may be granted Tenant under such document to cure such default; or

20.1.3 The abandonment or vacation of the Property by Tenant for a period of thirty (30) days after prior written notice thereof by Landlord; or

20.1.4 The entry of any decree or order for relief by any court with respect to Tenant, or any assignee or transferee of Tenant (hereinafter "Assignee"), in any involuntary case under the Federal Bankruptcy Code or any other applicable federal or state law; or the appointment of or taking possession by any receiver, liquidator, assignee, trustee, sequestrator or other similar official of Tenant or any Assignee (unless such appointment is in connection with a Mortgagee's exercise of its remedies under its Mortgage), or of any substantial part of the property of Tenant or such Assignee, or the ordering or winding up or liquidating of the affairs of Tenant or any Assignee and the continuance of such decree or order unstayed and in effect for a period of ninety (90) days or more (whether or not consecutive); or the commencement by Tenant or any such Assignee of a voluntary proceeding under the Federal Bankruptcy Code or

any other applicable state or federal law or consent by Tenant or any such Assignee to the entry of any order for relief in an involuntary case under any such law, or consent by Tenant or any such Assignee to the appointment of or taking of possession by a receiver, liquidator, assignee, trustee, sequestrator or other similar official of Tenant or any such Assignee, or of any substantial property of any of the foregoing, or the making by Tenant or any such Assignee of any general assignment for the benefit of creditors; or Tenant or any such Assignee takes any other voluntary action related to the business of Tenant or any such Assignee or the winding up of the affairs of any of the foregoing.

20.1.5 If Tenant shall materially default in the performance of or compliance with any other term, covenant or condition of this Ground Lease (other than as set forth in Sections 20.1.1 and 20.1.2) and such default shall continue for more than thirty (30) days after Landlord shall have given written notice thereof to Tenant, provided, however, if cure of such default reasonably requires more than thirty (30) days, then, provided that Tenant commences to cure within such thirty (30) day period and thereafter diligently and continuously prosecutes the cure to completion, Tenant shall not be in default.

20.1.6 Notwithstanding anything to the contrary contained in this Ground Lease, prior to declaring any default or taking any remedy permitted under this Ground Lease or applicable law based upon an alleged default under this Ground Lease by Tenant, Landlord shall deliver written notice to Tenant's limited partners of Tenant's failure to cure such default, and Tenant's limited partners shall have an additional period of not less than (a) ten (10) days from the date of such notice to cure such alleged default if of a monetary nature, and (b) thirty (30) days from the date of such notice to cure such alleged default if of a nonmonetary nature; provided, however, if in order to cure such a default the limited partners must remove the general partner of Tenant, the limited partner shall so notify Landlord and so long as the limited partner is diligently and continuously attempting to so remove such general partner, the limited partner shall have until the date thirty (30) days after the effective date of the removal of the general partner or general partners to cure such default.

Nothing herein shall be deemed to permit Landlord to terminate this Ground Lease without the Investor's consent prior to expiration of the fifteen (15) year Tax Credit compliance period described in Section 42(i)(1) of the Code.

20.2 Remedies.

20.2.1 If an Event of Default shall occur and continue as aforesaid, then in addition to any other remedies available to Landlord at law or in equity, but subject to Article 17, Landlord shall have the immediate option to terminate this Ground Lease and bring suit against Tenant and recover as an award in such suit or arbitration proceeding the following:

(a) the worth at the time of award of the unpaid rent and all other sums due hereunder which had been earned at the time of termination;

(b) the worth at the time of award of the amount by which the unpaid rent and all other sums due hereunder which would have been earned after termination until the

time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided;

(c) the worth at the time of award of the amount by which the unpaid rent and all other sums due hereunder for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided;

(d) any other amount necessary to compensate Landlord for all the detriment proximately caused by the Tenant's failure to perform its obligations under this Ground Lease or which in the ordinary course of things could be likely to result therefrom; and

(e) such amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable California law.

20.2.2 The "worth at the time of the award" of the amounts referred to in Subparagraphs 20.2.1(a) and 20.2.1(b) above shall be computed by allowing interest at the rate provided in Section 4.7 as of the date of the award. The "worth at the time of award" of the amount referred to in subparagraph 20.2.1(c) above shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

20.3 Receipt of Rent, No Waiver of Default. The receipt by Landlord of the rents or any other charges due to Landlord, with knowledge of any breach of this Ground Lease by Tenant or of any default on the part of Tenant in the observance or performance of any of the conditions or covenants of this Ground Lease, shall not be deemed to be a waiver of any provisions of this Ground Lease. No acceptance by Landlord of a lesser sum than the rents or any other charges then due shall be deemed to be other than on account of the earliest installment of the rents or other charges due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment of rent or charges due be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or pursue any other remedy provided in this Ground Lease. The receipt by Landlord of any rent or any other sum of money or any other consideration paid by Tenant after the termination of this Ground Lease, or after giving by Landlord of any notice hereunder to effect such termination, shall not, except as otherwise expressly set forth in this Ground Lease, reinstate, continue, or extend the term of this Ground Lease, or destroy, or in any manner impair the efficacy of any such notice of termination as may have been given hereunder by Landlord to Tenant prior to the receipt of any such sum of money or other consideration, unless so agreed to in writing and signed by Landlord. Neither acceptance of the keys nor any other act or thing done by Landlord or by its agents or employees during the Term shall be deemed to be an acceptance of a surrender of the Property or the Improvements, excepting only an agreement in writing signed by Landlord accepting or agreeing to accept such a surrender.

20.4 Effect on Indemnification. Notwithstanding the foregoing, nothing contained in this Article 20 shall be construed to limit Landlord's and/or the City's right to indemnification as otherwise provided in this Ground Lease.

ARTICLE 21. PERMITTED CONTESTS.

Tenant, at no cost or expense to Landlord, may contest(after prior written notice to Landlord), by appropriate legal proceedings conducted with due diligence, the amount or validity or application, in whole or in part, of any Imposition or lien, provided that (a) in the case of liens of mechanics, materialmen, suppliers or vendors, or Impositions or liens therefor, such proceedings shall suspend the collection thereof from Landlord, and shall suspend a foreclosure against the Property and/or the Improvements, or any interest therein, or any Rent, if any, (b) neither the Property or the Improvements, nor any part thereof or interest therein, or the Rent, if any, or any portion thereof, would be in any danger of being sold, forfeited or lost by reason of such proceedings, and (c) Tenant shall have furnished to Landlord, if requested, a bond or other security, satisfactory to Landlord. If Tenant shall fail to contest any such matters, or to give Landlord security as hereinabove provided, Landlord may, but shall not be obligated to, contest the matter or settle or compromise the same without inquiring into the validity or the reasonableness thereof. Landlord, at the sole cost and expense of Tenant, will cooperate with Tenant and execute any documents or pleadings legally required for any such contest.

ARTICLE 22. FORCE MAJEURE.

22.1 Delay of Performance. Subject to Paragraph 23.2 below, any prevention, delay, nonperformance or stoppage by Tenant due to any of the following causes shall be excused: any regulation, order, act, restriction or requirement or limitation imposed by any federal, state, municipal or foreign government or any department or agency thereof, or civil or military authority; acts of God; acts or omissions of Landlord or its agents or employees; fire, explosion or floods; strikes, walkouts or inability to obtain materials; war, terrorism, riots, sabotage or civil insurrection; or any other causes beyond the reasonable control of Tenant.

22.2 Notice and Cure Requirements. No prevention, delay, or stoppage of performance shall be excused unless:

(a) Tenant notifies Landlord within thirty (30) days of such prevention, delay or stoppage that it is claiming excuse of its obligations under this Article 22; and

(b) Tenant diligently proceeds within thirty (30) days of the conclusion of such prevention, delay or stoppage to cure the condition causing the prevention, delay or stoppage; and

(c) Tenant effects such cure within a reasonable time.

ARTICLE 23. GENERAL PROVISIONS.

23.1 Notices. Written notices, demands and communications between Landlord and Tenant shall be sufficiently given if (i) delivered by hand, (ii) delivered by reputable same-day or overnight messenger service that provides a receipt showing date and time of delivery, or (iii) dispatched by registered or certified mail, postage prepaid, return receipt requested, to the principal offices of Landlord and Tenant at the addresses specified in this Section 23.1.Such written notices, demands and communications may be sent in the same manner to such other

addresses as either party may from time to time designate by mail as provided in this Section 23.1.

Any written notice, demand, or communication shall be deemed received immediately if delivered by hand or delivered by messenger in accordance with the preceding paragraph, and shall be deemed received on the third (3rd) day from the date it is postmarked if delivered by registered or certified mail in accordance with the preceding paragraph.

If to Tenant:	Coral Mountain Partners, L.P. 46753 Adams Street La Quinta, CA 92253 Phone No.: (760) 771-3345 Facsimile No.: (760) 771-0686 Attention: Robert High
with a copy to:	Bocarsly Emden Cowan Esmail & Arndt LLP 633 West Fifth Street, 70th Floor Los Angeles, CA 90071 Phone No.:213-239-8088 Facsimile No.:213-559-0733 Attention: Lance Bocarsly
If to Landlord:	Notices Delivered by U.S. Mail: La Quinta Redevelopment Agency P.O. Box 1504 La Quinta, CA92247 Phone No.: 760-777-7031 Facsimile No.: 760-777-7101 Attention: Executive Director Notices Delivered Personally or by Courier: La Quinta Redevelopment Agency 78-495 Calle Tampico La Quinta, California92253 Phone No.: 760-777-7031 Facsimile No.: 760-777-7101 Attention: Executive Director
with a copy to	Rutan & Tucker, LLP 611 Anton, Suite 1400 Costa Mesa, CA92626 Phone No.: 714-641-5100 Facsimile No.: 714-546-9035 Attention: M. Katherine Jenson, Esq.

Addresses for notice may be changed from time to time by notice to all other parties. Notwithstanding that Notices shall be deemed given when delivered, the non-receipt of any

Notice as the result of a change of address of which the sending party was not notified shall be deemed receipt of such Notice.

23.2 Certificates. Landlord or Tenant, as the case may be, shall execute, acknowledge and deliver to the other, promptly upon request by Landlord, Tenant, a Mortgagee or Investor, a Certificate of Landlord or Tenant, as the case may be, certifying (a) that this Ground Lease is unmodified and in full force and effect (or, if there have been modifications, that the Ground Lease is in full force and effect, as modified, and stating the date of each instrument so modifying the Ground Lease), (b) the date, if any, through which the Rent, if any, has been paid, (c) whether there are then existing any offsets or defenses against the enforcement of any term hereof on the part of Tenant to be performed or complied with (and, if so, specifying the same), and (d) whether any default exists hereunder and, if any such default exists, specifying the nature and period of existence thereof and what action Landlord or Tenant, as the case may be, is taking or proposes to take with respect thereto and whether notice thereof has been given to the party in default. Any Certificate may be relied upon by any prospective purchaser, transferee, mortgagee or trustee under a deed of trust or leasehold estate in the Property or any part thereof or of Landlord's or Tenant's interest under this Ground Lease. Tenant will also deliver to Landlord, promptly upon request, such information with respect to the Property or any part thereof as from time to time may reasonably be requested.

23.3 No Merger of Title. There shall be no merger of this Ground Lease or the leasehold estate created by this Ground Lease with any other estate in the Property or any part thereof by reason of the fact that the same person, firm, corporation or other entity may acquire or own or hold, directly or indirectly:(a) this Ground Lease or the leasehold estate created by this Ground Lease or any interest in this Ground Lease or in any such leasehold estate, and (b) any other estate in the Property and the Improvements or any part thereof or any interest in such estate, and no such merger shall occur unless and until all persons, corporations, firms and other entities, including any leasehold Mortgagee or leasehold Mortgagees, having any interest (including a security interest) in (i) this Ground Lease or the leasehold estate created by this Ground Lease, and (ii) any other estate in the Property or the Improvements or any part thereof shall join in a written instrument effecting such merger and shall duly record the same.

23.4 Utility Services. Tenant shall pay or cause to be paid all charges for all public or private utility services and all sprinkler systems and protective services at any time rendered to or in connection with the Property or the Improvements, or any part thereof, and shall comply with all contracts existing on the date hereof or subsequently executed by Tenant relating to any such services, and will do all other things required for the maintenance and continuance of all such services.

23.5 Quiet Enjoyment. Tenant, upon paying the Rent, if any, and other charges herein provided for and upon performing and complying with all covenants, agreements, terms and conditions of this Ground Lease to be performed or complied with by it, shall lawfully and quietly hold, occupy and enjoy the Property during the term of this Ground Lease without hindrance or molestation by Landlord, or any person or persons claiming through Landlord.

23.6 No Claims Against Landlord. Nothing contained in this Ground Lease shall constitute any consent or request by Landlord, express or implied, for the performance of any

labor or services or the furnishing of any materials or other property in respect of the Property or any part thereof, nor as giving Tenant any right, power or authority to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Landlord or its interest in the Property in respect thereof.

23.7 Inspection. Landlord and its authorized representatives may enter the Property or any part thereof at all reasonable times for the purpose of inspecting, servicing or posting notices, protecting the Property or the Improvements, or for any other lawful purposes. That notwithstanding, Landlord may only enter residential units after giving Tenant three (3) days prior written notice and subject to all rights of such tenants.

23.8 No Waiver by Landlord. To the extent permitted by applicable law, no failure by Landlord to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a default under this Ground Lease, and no acceptance of rent during the continuance of any such default, shall constitute a waiver of any such default or of any such term. No waiver of any default shall affect or alter this Ground Lease, which shall continue in full force and effect, or the rights of Landlord with respect to any other then existing or subsequent default.

23.9 Holding Over. In the event Tenant shall hold over or remain in possession of the Property or the Improvements with the consent of Landlord after the expiration of the Term, such holding over or continued possession shall create a tenancy for month-to-month only, upon the same terms and conditions as are herein set forth so far as the same are applicable.

23.10 Exculpation of Tenant's Personal Liability. Notwithstanding anything to the contrary provided in this Ground Lease, including, without limitation, the remedies provisions set forth in Section 20.2 above, it is specifically understood and agreed that there shall be no personal liability or obligation on the part of any partner of Tenant or any assignee or successor in interest of the partners of Tenant hereunder (including, without limitation, any mortgagee, trustee or beneficiary under any mortgage or deed of trust which may acquire Tenant's interest under this Ground Lease through foreclosure or deed in lieu of foreclosure or any purchaser at a foreclosure sale) with respect to the provisions of this Ground Lease relating to the payment of Rent or performance of any other obligations under this Ground Lease; but that Landlord and all those claiming by, through or under Landlord, its successors and assigns, shall look solely to the interest of Tenant, its successors and assigns in this Ground Lease and the Improvements, for the satisfaction of each and every provision and each and every right, privilege or remedy of Landlord or any other party, in the event of any breach or default of Tenant or any assignee or successor in interest of any of the provisions made by or to be performed by the Tenant. However, Tenant acknowledges and agrees that this exculpation of personal liability of the partners of Tenant for the payment of Rent shall in no way limit the exercise of Landlord's other remedies, including, without limitation, termination of this Ground Lease.

23.11 No Partnership. Anything contained herein to the contrary notwithstanding, Landlord does not in any way or for any purpose become a partner of Tenant in the conduct of its business, or otherwise, or a joint venturer or member of a joint enterprise with Tenant hereunder.

23.12 Remedies Cumulative. The various rights, options, elections and remedies of Landlord and Tenant, respectively, contained in this Ground Lease shall be cumulative and no one of them shall be construed as exclusive of any other, or of any right, priority or remedy allowed or provided for by law and not expressly waived in this Ground Lease.

23.13 Attorney's Fees. In the event of a dispute between the parties arising out of or in connection with this Ground Lease, whether or not such dispute results in arbitration or litigation, the prevailing party (whether resulting from settlement before or after arbitration or litigation is commenced) shall be entitled to have and recover from the losing party reasonable attorneys' fees and costs of suit, including expert witness fees, incurred by the prevailing party.

23.14 Time Is of The Essence. Time is of the essence of this Ground Lease and all of the terms, provisions, covenants and conditions hereof.

23.15 Survival of Representations, Warranties and Covenants. The respective representations, warranties and covenants contained herein shall survive the Commencement Date and continue throughout the Term, as it may be extended pursuant to the terms hereof.

23.16 Construction of Agreement. This Ground Lease shall be construed in accordance with the substantive laws of the State of California, without regard to the choice of law rules thereof. The rule of construction that a document be construed strictly against its drafter shall have no application to this Ground Lease.

23.17 Severability. If one or more of the provisions of this Ground Lease shall be held to be illegal or otherwise void or invalid, the remainder of this Ground Lease shall not be affected thereby and shall remain in full force and effect to the maximum extent permitted under applicable laws and regulations.

23.18 Entire Agreement: Modification. This Ground Lease contains the entire agreement of the parties with respect to the matters discussed herein. This Ground Lease may be amended only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extensions or discharge is sought.

23.19 Binding Effect and Benefits. This Ground Lease shall inure to the benefit of and be binding on the parties hereto and their respective successors and assigns. Except as otherwise set forth herein, nothing in this Ground Lease, expressed or implied, is intended to confer on any person other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Ground Lease.

23.20 Further Assurances. Each party hereto will promptly execute and deliver such additional agreement, assignments, endorsements and other documents as the other party hereto may reasonably request to carry out the purposes of this Ground Lease.

23.21 Counterparts. This Ground Lease may be executed simultaneously in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Ground Lease.

23.22 Number and Gender. Whenever the singular number is used in this Ground Lease and required by the context, the same shall include the plural, and the masculine gender shall include the feminine and neuter genders.

23.23 Conflicts. The parties acknowledge that certain provisions of this Ground Lease overlap and conflict with the provisions of the Agreement or complete missing information in the Agreement. It is the intention of the parties that this Ground Lease and the Agreement be read consistently. To the extent conflicting provisions exist in this Ground Lease and the Agreement, the provisions of this Ground Lease shall control over the conflicting or incomplete provision in the Agreement.

23.24 Incorporation by Reference. Every Exhibit attached to this Ground Lease and referred to herein is hereby incorporated by reference.

23.25 Consent Rights. Unless otherwise expressly provided in this Ground Lease, all approvals or consents of Landlord (or Landlord's Executive Director), Tenant or any Mortgagee shall not be unreasonably withheld, conditioned or delayed.

[end – signatures on next page]

IN WITNESS WHEREOF, the undersigned have executed this Ground Lease as of the date first above written.

"Landlord"

LA QUINTA REDEVELOPMENT AGENCY, a public body, corporate and politic

Date:_____, 2011

By:_____

Its: Executive Director

ATTEST:

_____
Agency Secretary

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Agency Counsel

"Tenant"

CORAL MOUNTAIN PARTNERS, L.P., a California limited partnership

By: Coral Mountain AGP, LLC,
a California limited liability company
Its: General Partner

Date:_____, 2011

By:_____
Its:_____

EXHIBIT "A"

LEGAL DESCRIPTION OF THE PROPERTY

[to be inserted]

EXHIBIT "B"

MEMORANDUM OF LEASE

(See following document)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

La Quinta Redevelopment Agency
P.O. Box 1504
La Quinta, CA 92247
Attn: Executive Director

Exempt From Recording Fee Pursuant to
Government Code Section 27383

MEMORANDUM OF UNRECORDED GROUND LEASE

This **MEMORANDUM OF UNRECORDED GROUND LEASE** ("Memorandum") is hereby entered into as of _____ by and between **LA QUINTA REDEVELOPMENT AGENCY**, a public body, corporate and politic ("Landlord"), and **CORAL MOUNTAIN PARTNERS, L.P.**, a California limited partnership ("Tenant").

RECITALS

A. Landlord and Tenant have entered into a "Ground Lease" dated concurrently herewith for that certain real property owned by the Landlord (the "Property"), which provides for the construction, maintenance, management and operation of a 176-unit affordable multifamily apartment project, to be made available long term at an affordable housing cost (the "Project").The Property is legally described in Exhibit "A," which is attached hereto and incorporated herein by this reference. A copy of the Ground Lease is available for public inspection at the office of the City Clerk of the City of La Quinta, 78-495 Calle Tampico, La Quinta, CA 92253.

B. The term of the Ground Lease commences on the date of recordation of this Memorandum of Unrecorded Ground Lease in the Official Records of Riverside County and continues until the earlier to occur of (a) December 31, 2070, or (b) the fifty-fifth (55th) anniversary of the date seventy-five percent (75%) of the units have been leased to and are occupied by income-qualified tenants at affordable rents. The term may be extended by agreement of Landlord and Tenant for two additional ten (10) year periods.

C. The Ground Lease provides that a short form memorandum of the Ground Lease shall be executed and recorded in the Official Records of Riverside County, California.

NOW, THEREFORE, the parties hereto certify as follows:

Landlord, pursuant to the Ground Lease, hereby leases the Property to the Tenant upon the terms and conditions provided for therein. This Memorandum of Lease is not a complete summary of the Ground Lease, and shall not be used to interpret the provisions of the Ground Lease.

[end - signatures on next page]

"Landlord"

LA QUINTA REDEVELOPMENT AGENCY,
a public body, corporate and politic

Date:_____, 2011

By:_____

Its: Executive Director

ATTEST:

_____
Agency Secretary

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Agency Counsel

"Tenant"

CORAL MOUNTAIN PARTNERS, L.P.,
a California limited partnership

By: Coral Mountain AGP, LLC,
a California limited liability company
Its: General Partner

Date:_____, 2011

By:_____
Its:_____

State of California)
County of Riverside)

On _____, before me, _____,
(insert name and title of the officer)
Notary Public, personally appeared _____,
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_____ (Seal)

State of California)
County of Riverside)

On _____, before me, _____,
(insert name and title of the officer)
Notary Public, personally appeared _____,
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_____ (Seal)

EXHIBIT A TO MEMORANDUM OF LEASE

LEGAL DESCRIPTION

[to be inserted]

ATTACHMENT NO. 10

AGENCY REGULATORY AGREEMENT

[See following document]

REQUESTED BY
AND WHEN RECORDED MAIL TO:

La Quinta Redevelopment Agency
P.O. Box 1504
La Quinta, California 92247
Attn: Executive Director

This document is exempt from a recording fee pursuant to Government Code Sections 6103 and 27383.

AFFORDABLE HOUSING REGULATORY AGREEMENT

This **AFFORDABLE HOUSING REGULATORY AGREEMENT** (this "Regulatory Agreement"), dated for purposes of identification only as of _____ (the "Date of Regulatory Agreement"), is entered by and between the **LA QUINTA REDEVELOPMENT AGENCY**, a public body, corporate and politic, (the "Agency"), and **CORAL MOUNTAIN PARTNERS, L.P.**, a California limited partnership (the "Developer").

RECITALS

The following recitals are a substantive part of this Regulatory Agreement; all capitalized terms set forth in the Recitals shall have the meanings ascribed to such terms in Section 1 hereof.

A. The Agency and the Developer have entered into that certain Disposition and Development Agreement concerning Developer's construction of the Project at the Property (the "DDA").

B. Copies of the DDA are available for inspection and copying as a public record in the office of the Agency Secretary located at 78-495 Calle Tampico, La Quinta, California, 92253.

C. The DDA provides, among other things, that (i) Agency provide Developer with a leasehold interest in the Property, (ii) Developer construct the Project and thereafter operate the Housing Development, and (iii) the Parties execute and record this Regulatory Agreement against the Property.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

SECTION 1. DEFINITIONS.

"Additional Regulatory Agreements" means, collectively, the Bond Regulatory Agreement and the Tax Credit Regulatory Agreement.

"Affiliate" means any person or entity directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Developer which, if Developer is a partnership or limited liability company, shall include each of the constituent members or partners, respectively thereof. The term "control" as used in the immediately preceding sentence, means, with respect to a person that is a corporation, the right to the

exercise, directly or indirectly, of more than fifty percent (50%) of the voting rights attributable to the shares of the controlled corporation, and, with respect to a person that is not a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled person.

"Affordability Period" means the period commencing upon the date on which the Release of Construction Covenants is recorded in the Official Records of Riverside County, California and ending on the earlier to occur of (a) December 31, 2070, or (b) the fifty-fifth (55^{th}) anniversary of the date seventy-five percent (75%) of the Affordable Units in the Housing Development have been leased to and occupied by Eligible Tenants at an Affordable Rent. Notwithstanding the foregoing, if the term of the Ground Lease is extended pursuant to the terms thereof, the Affordability Term shall automatically be extended to be coterminous therewith.

"Affordable Units" means the following one hundred seventy-six (176) rental units in the Housing Development:

(i) forty (40), one (1) bedroom, one (1) bath units;

(ii) eighty-two (82), two (2) bedroom, one (1) bath units; and

(iii) fifty-four (54), three (3) bedroom, two (2) bath units.

"Affordable Rent" means the maximum Monthly Rent that may be charged to and paid by Very Low Income Households, Lower Income Households, and Moderate Income Households, as applicable, for the Affordable Units as annually determined pursuant to Health and Safety Code Section 50053(b), as of the date hereof, and the regulations promulgated pursuant to and incorporated therein.

"Agency" means the La Quinta Redevelopment Agency, a public body, corporate and politic, exercising governmental functions and powers and organized and existing under the California Community Redevelopment Law, and any assignee of or successor to its rights, powers and responsibilities. The Executive Director of Agency, or his or her designee, (hereinafter defined as the "Executive Director") shall represent Agency in all matters pertaining to this Regulatory Agreement. Whenever a reference is made herein to an action or approval to be undertaken by Agency, the Executive Director is authorized to act unless this Regulatory Agreement specifically provides otherwise or the context should otherwise require.

"Agency Deed of Trust" means that certain deed of trust executed by Developer, as "Trustor," in favor of Agency, as "Beneficiary," securing Developer's repayment under the Agency Note.

"Agency Loan" means the loan provided by the Agency to Developer pursuant to the DDA to develop the Project.

"Agency Note" means that certain Agency Loan Promissory Note executed by Developer on or about _____, that evidences Developer's obligation to repay the Agency Loan.

"Annual Project Revenue" has the meaning ascribed thereto in the Agency Note.

"Approved Financing" means generally, the financing approved by the Agency pursuant to Section 6.7 of the DDA obtained by Developer for the acquisition of a leasehold interest in the Property and the construction/development and ownership of the Project. In addition, "Approved Financing" shall include any refinancing of the Approved Financing which has been approved by Agency.

"Approved Pro Forma" means that certain pro forma created in connection with the Project Budget attached to the DDA.

"Bond Regulatory Agreement" means the regulatory agreement which may be required to be recorded against the Property with respect to the issuance of tax-exempt multi-family housing revenue bonds.

"Capital Replacement Reserve" means a capital replacement reserve for the Project (i) initially consisting of not less than Zero Dollars ($0.00), (or such greater amount required under either of the Additional Regulatory Agreements, or under the Partnership Agreement) set aside in a separate interest-bearing trust account, commencing upon the rental of the Affordable Units, and (ii) replenished from annual deposits of Forty-Four Thousand Dollars ($44,000) of Annual Project Revenue, adjusted annually by the CPI Adjustment (unless otherwise agreed to by Developer and Agency) or as required under the Partnership Agreement (or such greater amount required under either of the Additional Regulatory Agreements, or under the Partnership Agreement).

"Certification of Continuing Program Compliance" means an annual recertification form substantially in the form attached hereto and incorporated herein as Exhibit E.

"Certificate of Occupancy" means the final certificate of occupancy issued by the City for the completion of construction of the Project.

"City" means the City of La Quinta, a California municipal corporation and charter city.

"Community Redevelopment Law" is codified as California Health and Safety Code Section 33000 *et seq.*

"Construction Financing" means a loan in an amount not less than Twenty Million Dollars ($20,000,000) from an Institutional Lender to be secured by a leasehold deed of trust in first (1st) lien position against the Property.

"CPI Adjustment" means the increase in the cost of living index, as measured by the Consumer Price Index for all urban consumers, Los Angeles-Anaheim-Riverside statistical area, all items (1982-84 = 100) published by the United States Department of Labor, Bureau of Labor Statistics ("CPI") in effect as of the date on which the Certificate of Occupancy is issued to the CPI in effect as of the date on which an adjustment is made. If such index is discontinued or revised, such other index with which such index is replaced (or if not replaced, another index which reasonably reflects and monitors consumer prices) shall be used in order to obtain substantially the same results as would have been obtained if the discontinued index had not

been discontinued or revised. If the CPI is changed so that the base year is other than 1982-84, the CPI shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics.

"Date of Regulatory Agreement" is defined in the initial paragraph hereof.

"DDA" is defined in Recital A hereof.

"Default" means the failure of a Party to perform any action or covenant required by the DDA or hereunder within the time periods provided in the DDA or hereunder, respectively, following notice and opportunity to cure, as set forth in Section 13.1 of the DDA and Section 16.01 hereof, respectively.

"Developer" means Coral Mountain Partners, L.P., a California limited partnership, and any permitted assignees of Developer.

"Eligible Tenant" means, with respect to a Low Income Unit, a Lower Income Household; with respect to a Moderate Income Unit, a Moderate Income Household; and with respect to a Very Low Income Unit, a Very Low Income Household.

"Environmental Laws" means (i) Sections 25115, 25117, 25122.7 or 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law)), (ii) Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) Article 9 or Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20, (vi) Section 311 of the Clean Water Act (33 U.S.C. §1317), (vii) Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. §6901 *et seq.* (42 U.S.C. §6903) or (viii) Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §9601 et seq.

"Executive Director" means the Executive Director of the Agency, or his or her designee.

"Governmental Requirements" means all laws, ordinances, statutes, codes, rules, regulations, orders and decrees, of the United States, the State of California, the County of Riverside, the City and of any other political subdivision, agency or instrumentality exercising jurisdiction over Agency, Developer, or the Project.

"Ground Lease" means that certain Ground Lease entered into by and between the Agency and Developer concurrently herewith.

"Hazardous Materials" means any substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a "hazardous waste", "acutely hazardous waste", "extremely hazardous waste", or "restricted

hazardous waste" under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a "hazardous material", "hazardous substance", or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) asbestos, (vii) polychlorinated byphenyls, (viii) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Code of Regulations, Chapter 20, (ix) designated as "hazardous substances" pursuant to Section 311 of the Clean Water Act (33 U.S.C. Section 1317), (x) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903), (xi) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq., (xii) methyl-tertiary butyl ether, (xiii) perchlorate, or (xiv) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any Governmental Requirements either requires special handling in its use, transportation, generation, collection, storage, handling, treatment or disposal, or is defined as "hazardous" or harmful to the environment. For purposes hereof, "Hazardous Materials" excludes materials and substances in quantities as are commonly used in constructing and operating apartment complexes, provided such materials and substances are used in accordance with all applicable laws.

"HCD" means the California Department of Housing and Community Development.

"Housing Development" means an affordable rental housing development consisting of one hundred seventy-six (176) residential dwelling units and all required on-site improvements that will remain privately owned and that are necessary to serve the Housing Development.

"HUD" means the United States Department of Housing and Urban Development.

"Institutional Lender" means any of the following institutions having assets or deposits in the aggregate of not less than One Hundred Million Dollars ($100,000,000): a California chartered bank; a bank created and operated under and pursuant to the laws of the United States of America; an "incorporated admitted insurer" (as that term is used in Section 1100.1 of the California Insurance Code); a "foreign (other state) bank" (as that term is defined in Section 1700(1) of the California Financial Code); a federal savings and loan association (Cal. Fin. Code Section 8600); a commercial finance lender (within the meaning of Sections 2600 et seq. of the California Financial Code); a "foreign (other nation) bank" provided it is licensed to maintain an office in California, is licensed or otherwise authorized by another state to maintain an agency or branch office in that state, or maintains a federal agency or federal branch in any state (Section 1716 of the California Financial Code); a bank holding company or a subsidiary of a bank holding company which is not a bank (Section 3707 of the California Financial Code); a trust company, savings and loan association, insurance company, investment banker; college or university; pension or retirement fund or system, either governmental or private, or any pension or retirement fund or system of which any of the foregoing shall be trustee, provided the same be

organized under the laws of the United States or of any state thereof; and a Real Estate Investment Trust, as defined in Section 856 of the Internal Revenue Code of 1986, as amended, provided such trust is listed on either the American Stock Exchange or the New York Stock Exchange._____ is hereby deemed to be an Institutional Lender.

"Legal Description" means that certain legal description of the Property which is attached hereto and incorporated herein as Exhibit B.

"Lower Income Household" means those person(s) or households whose income does not exceed the qualifying limit for "lower income households" pursuant to Health and Safety Code Section 50079.5, which, as of the date of this Regulatory Agreement means persons and families whose income does not exceed the qualifying limit for lower income households as established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937, as published from time to time by HCD in the California Code of Regulations.

"Low Income Unit" means the one hundred thirty-eight (138) Affordable Units that are required to be rented to and occupied by Lower Income Households. Thirty-one (31) of such units shall contain one (1) bedroom and one (1) bathroom; sixty-four (64) of such units shall contain two (2) bedrooms and two (2) bathrooms; and forty-three (43) of such units shall contain three (3) bedrooms and two (2) bathrooms.

"Map" means a map depicting the Property which is attached hereto and incorporated herein as Exhibit A.

"Marketing Plan" means a marketing plan for the rental of the Affordable Units which provides, to the extent authorized by applicable federal, state or local laws or regulations, that a preference be given to tenants who are currently residents of the City, or currently work in the City, or who have been displaced by redevelopment activities of the Agency in the implementation of the Redevelopment Plan or any other redevelopment plan of the Agency. The Marketing Plan shall include a tenant selection system in conformance with fair housing laws and the Tax Credit Rules which establishes a chronological waiting list system for selection of tenants. Agency shall have approved the Marketing Plan, in its reasonable discretion, as one of the Agency's conditions to the Property Closing.

"Moderate Income Household" means those person(s) or households whose income does not exceed the qualifying limits for "persons and families of moderate income" pursuant to Health and Safety Code Section 50093, which, as of the date of this Regulatory Agreement means persons and families whose income exceeds the income limit for lower income households, but does not exceed the income limit for persons and families of low or moderate income as established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937, as published from time to time by HCD in the California Code of Regulations.

"Moderate Income Units" means the two (2) Affordable Units that shall be used for on-site management, and that are required to be rented to and occupied by Moderate Income Households. The Moderate Income Units shall each contain two (2) bedrooms and two (2) bathrooms.

"Monthly Rent" means the total of monthly payments for (a) use and occupancy of each Affordable Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by Developer which are required of all tenants, other than security deposits, (c) a reasonable allowance for an adequate level of service of utilities not included in (a) or (b) above, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuels, but not including telephone or cable service, and (d) possessory interest, taxes or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than Developer. In the event that all utility charges are paid by the landlord rather than the tenant, no utility allowance shall be deducted from the rent.

"Notice" means a notice in the form prescribed by Section 17.01 hereof.

"Operating Budget" means an operating budget for the Housing Development, which budget shall be subject to the annual written approval of Agency in accordance with Section 9.01 hereof.

"Operating Expenses" has the meaning ascribed thereto in the Agency Note.

"Operating Reserve" means an operating reserve for the Housing Development (i) initially consisting of not less than Four Hundred Ninety-Five Thousand Dollars ($495,000) (or such greater amount required under either of the Additional Regulatory Agreements, or under the Partnership Agreement) set aside in a separate interest-bearing trust account, commencing upon the rental of the Affordable Units, and (ii) replenished to Four Hundred Ninety-Five Thousand Dollars ($495,000) from annual deposits of the Annual Project Revenue, to the extent available, such that the balance of the Operating Reserve consists of not less than four (4) months of projected Operating Expenses, adjusted annually by the CPI Adjustment (unless otherwise agreed to by Developer and Agency) or as required under the Partnership Agreement(or such greater amount required under either of the Additional Regulatory Agreements, or under the Partnership Agreement), provided in no event shall the balance in such account exceed a sum equal to one (1) year of debt service for the Housing Development (or such greater amount required under the Tax Credit Regulatory Agreement, pursuant to any of the Approved Financing or under the Partnership Agreement).

"Outside Construction Commencement Date" means that date which is ten (10) days after the Property Closing Date.

"Parties" means jointly, Agency and Developer; Agency and Developer are each a "Party."

"Partnership Agreement" means the agreement which sets forth the terms of the Developer's limited partnership, as such agreement may be amended from time to time.

"Partnership Related Fees" means partnership fees actually incurred pursuant to the terms of the Partnership Agreement, which are reasonable and customary to developer/owner entities for similar projects in Southern California, and may include, but shall not exceed: (i) a general partner(s) (administrative and/or managing partner(s)) partnership management fee payable to the general partner(s) (ii) a limited partner asset management fee payable to the

investor limited partner; and (iii) an annual audit fee in and for any calendar year. In no event shall the annual fees for (i) and (ii) above cumulatively exceed Forty Thousand Dollars ($40,000), but such fees in (i) and (ii) may be increased annually by the CPI. In the event insufficient Annual Project Revenues exist to provide for payment of all or part of the specific Partnership Related Fees listed above, no interest shall accrue on the unpaid portions of such Partnership Related Fees, but the unpaid balance of such fees alone will be added to the Partnership Related Fees due in the following year.

"Permanent Financing" means a loan in an amount not to exceed the amount of the Construction Financing from an Institutional Lender to be secured by a leasehold deed of trust against the Property which replaces the Construction Financing upon the Developer's completion of the construction of the Project.

"Permitted Senior Debt - Regulatory Agreement" means generally, the liens of the debt on the Property to which this Regulatory Agreement may be made subordinate, and means specifically: the Construction Financing.

"Project" means the Developer's construction of the Housing Development and Public Improvements in accordance with this Agreement, including, without limitation, in accordance with the Scope of Development and the Final Construction Documents.

"Property" means that certain real property (i) consisting of approximately 9.3 acres, (ii) generally located at the southeast corner of Dune Palms Road and Highway 111, (iii) depicted on the Map, and (iv) described in the Legal Description.

"Property Closing" means generally, the closing for the Approved Financing (except that certain portions of the Agency Loan may be disbursed to Developer prior to the Property Closing pursuant to the terms of the DDA), and particularly, the time and day that this Regulatory Agreement and the Memorandum of Ground Lease are filed for record with the Riverside County Recorder.

"Property Closing Date" means the date on which the Property Closing occurs.

"Public Improvements" means all on- and off-site improvements that (i) are required to be constructed to serve the Housing Development and (ii) will be dedicated to the City of La Quinta upon Developer's completion thereof. The Public Improvements are described in the Scope of Development attached to the DDA as Attachment No. 3.

"Redevelopment Plan" means the Redevelopment Plan for the Redevelopment Project, adopted by Ordinance No. 139 of the City Council of the City adopted on May 16, 1989, as the same has been amended from time to time, which is incorporated herein by reference.

"Redevelopment Plan Termination Date" means the date on which the Redevelopment Plan terminates with respect to the Property.

"Redevelopment Project" means Project Area No. 2, adopted by the City pursuant to the Redevelopment Plan.

"Regulatory Agreement" means this Regulatory Agreement.

"Release of Construction Covenants" means the document which evidences Developer's satisfactory completion of construction of the Project, as set forth in Section 10.16 of the DDA, substantially in the form which is attached thereto as Attachment No. 12 and incorporated therein by reference.

"Scope of Development" means that certain Scope of Development which is attached to the DDA as Attachment No. 3 and incorporated therein by reference. The Scope of Development describes the scope, amount and quality of the construction to be done by Developer pursuant to the terms and conditions of the DDA and this Regulatory Agreement.

"Tax Credits" means Low Income Housing Tax Credits granted pursuant to Section 42 of the Internal Revenue Code and/or California Revenue and Taxation Code Sections 17057.5, 17058, 23610.4 and 23610.5 and California Health and Safety Code Section 50199, *et seq*.

"Tax Credit Regulatory Agreement" means the regulatory agreement which may be required to be recorded against the Property with respect to the issuance of Tax Credits for the Project.

"Tax Credit Rules" means Section 42 of the Internal Revenue Code and/or California Revenue and Taxation Code Sections 17057.5, 17058, 23610.4 and 23610.5 and California Health and Safety Code Section 50199, *et seq.*, and the rules and regulations implementing the foregoing, as the same may be amended from time to time.

"TCAC" means the California Tax Credit Allocation Committee.

"Very Low Income Household" means those person(s) or households whose income does not exceed the qualifying limit for "very low income households" pursuant to Health and Safety Code Section 50105, which, as of the date of this Regulatory Agreement means persons and families whose income does not exceed the qualifying limit for very low income households as established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937, as published from time to time by HCD in the California Code of Regulations.

"Very Low Income Units" means the thirty-six (36) Affordable Units that are required to be rented to and occupied by Very Low Income Households. Nine (9) of such units shall contain one (1) bedroom and one (1) bathroom; sixteen (16) of such units shall contain two (2) bedrooms and two (2) bathrooms; and eleven (11) of such units shall contain three (3) bedrooms and two (2) bathrooms.

SECTION 2. COVENANTS REGARDING CONSTRUCTION OF THE IMPROVEMENTS.

Developer shall carry out the design, construction, and operation of the Project in conformity with all applicable laws, including all applicable state labor standards, the City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City of La Quinta Municipal Code, all applicable disabled and handicapped access requirements, including without limitation the accessibility standards

pursuant to 24 CFR part 8, the Americans With Disabilities Act, 42 U.S.C. Section 12101, et seq., Government Code Section 4450, et seq., Government Code Section 11135, et seq., and the Unruh Civil Rights Act, Civil Code Section 51, et seq., the Federal Housing Quality Standards, the lead based paint requirements of Title X, and 24 CFR part 35, and other applicable Governmental Requirements.

2.01 Nondiscrimination in Employment. Developer certifies and agrees that all persons employed or applying for employment by it and all subcontractors, bidders and vendors, are and will be treated equally by it without discrimination or segregation on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, and in compliance with Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 2000, et seq., the Federal Equal Pay Act of 1963, 29 U.S.C. Section 206(d), the Age Discrimination in Employment Act of 1967, 29 U.S.C. Section 621, et seq., the Immigration Reform and Control Act of 1986, 8 U.S.C. Section 1324b, et seq., 42 U.S.C. Section 1981, the California Fair Employment and Housing Act, Cal. Government Code Section 12900, et seq., the California Equal Pay Law, Cal. Labor Code Section 1197.5, Cal. Government Code Section 11135, the Americans with Disabilities Act, 42 U.S.C. Section 12101, et seq., and all other antidiscrimination laws and regulations of the United States and the State of California as they now exist or may hereafter be amended. Developer shall allow representatives of Agency access to its employment records related to this Regulatory Agreement during regular business hours to verify compliance with these provisions when so requested by Agency.

2.02 Levies and Attachments on Property. After recordation of the Memorandum of Ground Lease, Developer shall remove or have removed any levy or attachment made on the Property or any part thereof, or assure the satisfaction thereof within a reasonable time. Nothing herein shall be deemed to prohibit Developer from contesting the validity or amount of any levy or attachment nor to limit the remedies available to Developer with respect thereto.

2.03 Mechanics Liens and Stop Notices. After recordation of the Memorandum of Ground Lease, Developer shall remove or have removed any mechanics lien or stop notice made on the Property or any part thereof, or assure the satisfaction thereof as provided herein. If a claim of a lien or stop notice is given or recorded affecting construction of the Project, Developer shall within thirty (30) days of such recording or service or within thirty (30) days of Agency's demand whichever last occurs:

(a) pay and discharge the same; or

(b) affect the release thereof by recording and delivering to Agency a surety bond in sufficient form and amount, or otherwise; or

(c) provide Agency with other assurance which Agency deems, in its reasonable discretion, to be satisfactory for the payment of such lien or bonded stop notice and

for the full and continuous protection of Agency from the effect of such lien or bonded stop notice.

SECTION 3. COVENANTS REGARDING USE.

3.01 Covenants To Use In Accordance With Redevelopment Plan, City Municipal Code And DDA. Developer covenants and agrees for itself, its successors, assigns, and every successor in interest to Developer's interest in the Property or any part thereof, that Developer shall devote the Property to the uses specified in the Redevelopment Plan, the City Municipal Code and this Regulatory Agreement until the later of (i) the expiration of the Redevelopment Plan, as applicable to the Property, or (ii) the termination of Developer's right to occupy the Property under the Ground Lease. All uses conducted on the Property, including, without limitation, all activities undertaken by Developer pursuant to this Regulatory Agreement, shall conform to the Redevelopment Plan and all applicable provisions of the La Quinta Municipal Code. The foregoing covenants shall run with the land.

3.02 Covenant Regarding Specific Uses. Developer covenants and agrees for itself, its successors, assigns, and every successor in interest to Developer's interest in the Property or any part thereof, that Developer shall use the Property to operate the Housing Development until the expiration of the Affordability Period.

3.03 Covenants Regarding Term And Priority Of Agreement. This Regulatory Agreement shall remain in effect throughout the Affordability Period, notwithstanding the payment in full of the Agency Loan. Developer's performance under this Regulatory Agreement is secured by the Agency Deed of Trust and Developer shall not be entitled to a reconveyance of the Agency Deed of Trust prior to the expiration of the Affordability Period; provided that, upon Developer's repayment of the Agency Loan, Developer shall be entitled to a partial reconveyance of the Agency Deed of Trust solely to release therefrom Developer's obligations to repay such loan. This Regulatory Agreement shall unconditionally be and remain at all times prior and superior to the liens created by the Tax Credit Regulatory Agreement, the Bond Regulatory Agreement, and any other documents related to any of the foregoing and all of the terms and conditions contained therein and to the lien of any new mortgage debt which is for the purpose of refinancing all or any part of the Construction Financing.

SECTION 4. COVENANTS REGARDING AFFORDABLE UNITS.

Developer shall provide for the Affordable Units in accordance with this Section.

4.01 Residential Use. Without the Agency's prior written consent, which consent may be given or withheld in its sole and absolute discretion, none of the Affordable Units in the Housing Development will at any time be utilized on a transient basis or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, or trailer court or park, nor shall the Affordable Units be used as a place of business except as may otherwise be allowed by applicable law.

4.02 Provision of Affordable Units. Developer shall make available, restrict occupancy to, and rent the Affordable Units to Eligible Tenants at Affordable Rents throughout the Affordability Period.

4.03 Selection of Tenants. Developer shall be responsible for the selection of tenants for the Affordable Units in compliance with all lawful and reasonable criteria, as set forth in the Marketing Plan. Developer shall not refuse to lease to a holder of a certificate of family participation under 24 CFR part 882 (Rental Certificate Program) or a rental voucher under 24 CFR part 887 (Rental Voucher Program) or to the holder of a comparable document evidencing participation in a Section 8 program or other tenant-based assistance program, who is otherwise qualified to be a tenant in accordance with the approved tenant selection criteria.

4.04 Occupancy By Eligible Tenant. An Affordable Unit occupied by an Eligible Tenant who qualified as an Eligible Tenant at the commencement of the occupancy shall be treated as occupied by an Eligible Tenant until a recertification of such Eligible Tenant's income in accordance with Section 4.07 below demonstrates that such tenant no longer qualifies as an Eligible Tenant at the applicable income level. An Affordable Unit previously occupied by an Eligible Tenant and then vacated shall be considered occupied by an Eligible Tenant until the Affordable Unit is reoccupied, provided Developer uses its best efforts to re-lease the vacant Affordable Unit to an Eligible Tenant. Any vacated Affordable Unit shall be held vacant until re-leased to an Eligible Tenant. Developer shall take any or all of the following actions, as necessary, to locate Eligible Tenants for the Housing Development:(i) notification to the City of the available Affordable Unit; and (ii) advertisement of the available Affordable Unit in a newspaper of general circulation in the City.

4.05 Income Computation and Certification. Immediately prior to an Eligible Tenant's occupancy of an Affordable Unit, Developer shall obtain an Income Computation and Certification Form in the form attached hereto and incorporated herein as Exhibit "C", or on a similar form required by either of the Additional Regulatory Agreements if Developer obtains the Tax Credits and issuance of the Tax-Exempt Bonds, and such form requires inclusion of the same information as required in Exhibit "C", from each such Eligible Tenant dated no more than 90 days prior to the date of initial occupancy in the Housing Development by such Eligible Tenant. In addition, Developer shall provide such further information as may be reasonably required in the future by the Agency for purposes of verifying a tenant's status as an Eligible Tenant. Developer shall use good faith efforts to verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process:(i) obtain three (3) pay stubs for the most recent pay periods; (ii) obtain a written verification of income and employment from the applicant's current employer; (iii) obtain an income verification form from the Social Security Administration, California Department of Social Services, and/or California Employment Development Department if the applicant receives assistance from any of said agencies; (iv) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other evidence and/or verification of such applicant's total income received during the calendar year from any source, taxable or nontaxable, or such other information as is satisfactory to the Agency. Developer shall

maintain in its records each Income Computation and Certification Form obtained pursuant to this section for a minimum of five (5) years.

4.06 Rental Priority. Subject to the requirements of local, state and federal fair housing laws, and any funding obtained by Developer to operate and/or develop the Housing Development that has been approved by Agency, during the term of this Regulatory Agreement, Developer shall use its reasonable commercial efforts to lease the Affordable Units to credit-worthy Eligible Tenants in the following order of priority: (a) who have been or will be displaced by an Agency activity, or (b) who live and/or work in the City of La Quinta. Should multiple tenants be equally eligible (as to income, credit history, and other nondiscriminatory criteria) and qualified to rent a unit, Developer shall rent available Affordable Units to Eligible Tenants on a first-come, first-served basis.

4.07 Recertification. Within sixty (60) days prior to the first anniversary date of the occupancy of an Affordable Unit by an Eligible Tenant, and on each anniversary date thereafter, Developer shall recertify the income of such Eligible Tenant by obtaining a completed Income Recertification Form, in the form attached hereto and incorporated herein as Exhibit "D", based upon the current income of each known occupant of the Affordable Unit; provided, however, that if Developer obtains the Tax Credits and issuance of the Tax-Exempt Bonds, and either of the Additional Regulatory Agreements requires Developer to obtain a recertification form which requires inclusion of the same information as required in Exhibit "D", then Developer shall not be deemed to be in default hereunder if during the term of such Additional Regulatory Agreement Developer obtains from each Eligible Tenant the recertification form required pursuant to said Additional Regulatory Agreement.

If, after renting a Very Low Income Unit, the household income increases above the income level permitted for the Very Low Income Unit, but meets the income level permitted for a Low Income Unit, the household shall continue to be permitted to reside in such Unit provided that Developer shall increase the rent for that Very Low Income Unit to the rent level designated for a Low Income Unit, and shall restrict and designate as a Very Low Income Unit the next available Affordable Unit with the same number of bedrooms that is not already designated hereunder as a Very Low Income Unit.

If, after renting to a Very Low Income Unit or a Low Income Unit, the household increases above the income level permitted for a Low Income Unit, but does not exceed the income level permitted for a Moderate Income Unit, the household shall continue to be permitted to reside in such Affordable Unit, and Developer shall increase the rent for that Affordable Unit to the rent level designated for a Moderate Income Unit.

If, after renting an Affordable Unit, the household income increases above the income level permitted for a Moderate Income Unit, that household may not be permitted to remain in the unit unless requiring such household to move will violate the Tax Credit Rules. In such event, Developer shall notify Agency in writing of such occurrence, and shall inform Agency of (1) its plans for removing the household from the Affordable Unit, or (2) the specific rule in the Tax Credit Rules that prohibits such action providing written evidence of the same.

4.08 Certification of Continuing Program Compliance. During the term of this Regulatory Agreement, on or before each May 1 following the date Agency issues a Release of Construction Covenants for the Project, Developer shall annually advise the Agency of the occupancy of the Housing Development during the preceding calendar year by delivering a Certification of Continuing Program Compliance in the form attached hereto and incorporated herein as Exhibit "E", stating (i) the Affordable Units of the Housing Development which have been rented to and are occupied by Eligible Tenants and (ii) that to the knowledge of Developer either (a) no unremedied default has occurred under this Regulatory Agreement, or (b) a default has occurred, in which event said certification shall describe the nature of the default and set forth the measures being taken by the Developer to remedy such default.

4.09 Leases; Rental Agreements for Affordable Units. Developer shall submit a standard lease form, which shall comply with the requirements of this Regulatory Agreement, to Agency for its approval. Agency shall reasonably approve such lease form upon finding that such lease form is consistent with this Regulatory Agreement. Developer shall enter into a written lease, in the form approved by Agency, with each tenant/tenant household of the Affordable Units. Notwithstanding any other provisions required pursuant to this Regulatory Agreement to be included in any such lease form, the lease form shall include a disclosure that the property located immediately to the north of the Housing Development is contemplated to be sold to a commercial developer for development and subsequent operation of a commercial use, including, without limitation, for possible use as an automobile dealership that would include, without limitation, sales facilities, vehicle showroom, and service and repair facilities. Developer shall not make any material revisions to such form until such revisions have been approved by Agency.

4.10 Reliance on Tenant Representations. Each tenant lease shall contain a provision to the effect that Developer has relied on the income certification and supporting information supplied by the tenant in determining qualification for occupancy of the Affordable Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease.

4.11 Monitoring and Record Keeping. Representatives of Agency shall be entitled to enter the Property during normal business hours, upon at least twenty-four (24) hours notice, to monitor compliance with this Regulatory Agreement, to inspect the records of the Property, and to conduct an independent audit or inspection of such records. Developer agrees to cooperate with Agency in making the Property and all Affordable Units thereon available for such inspection or audit. Developer agrees to maintain records in a businesslike manner, and to maintain copies of original tenant certifications for fifteen (15) years (or such longer period as required under the Tax Credit Rules) and all other records pertaining to the Housing Development for five (5) years.

4.12 Remedy For Violation of Rental Requirements.

(a) It shall constitute a default for Developer to charge or accept for any Affordable Unit rent amounts in excess of the amount provided for in Section 4.02 of this Regulatory Agreement. In the event that Developer charges or receives such higher rental amounts, Developer shall be required to reimburse the tenant that occupied said Affordable Unit at the time the excess rent was received for the entire amount of such excess rent received, provided that such tenant can be found following reasonable inquiry, and to pay to such tenant interest on said excess amount, at the rate of six percent (6%) per annum, for the period commencing on the date the first excess rent was received from said tenant and ending on the date reimbursement is made to the tenant. For purposes of this Section 4.12, "reasonable inquiry" shall include Developer's review of information provided by the tenant as part of the tenant's application, and forwarding information provided by the tenant, and Developer's reasonable attempts to contact the tenant and any other persons listed in either of such documents. If, after such reasonable inquiry, Developer is unable to locate the tenant, Developer shall pay all of such amounts otherwise to be paid to the tenant to the Agency.

(b) Except as otherwise provided in this Regulatory Agreement, it shall constitute a default for Developer to knowingly (or without investigation as required herein) initially rent any Affordable Unit to a tenant who is not an Eligible Tenant. In the event Developer violates this Section, in addition to any other equitable remedy Agency shall have for such default, Developer, for each separate violation, shall be required to pay to Agency an amount equal to (i) the greater of (A) the total rent Developer received from such ineligible tenant, or (B) the total rent Developer was entitled to receive for renting that Affordable Unit, plus (ii) any relocation expenses incurred by Agency or the City as a result of Developer having rented to such ineligible person. The terms of this Section shall not apply if Developer rents to an ineligible person as a result of such person's fraud or misrepresentation.

(c) It shall constitute a default for Developer to knowingly (or without investigation as required herein) rent an Affordable Unit in violation of the leasing preference requirements of Section 4.06 of this Regulatory Agreement. In the event Developer violates this Section, in addition to any other equitable remedy Agency shall have for such default, Developer, for each separate violation, shall be required to pay Agency an amount equal to two (2) months of rental charges.

THE PARTIES HERETO AGREE THAT THE AMOUNTS SET FORTH IN THIS SECTION 4.12 (THE "DAMAGE AMOUNTS") CONSTITUTE A REASONABLE APPROXIMATION OF THE ACTUAL DAMAGES THAT AGENCY WOULD SUFFER DUE TO THE DEFAULTS BY DEVELOPER SET FORTH IN THIS SECTION 4.12, CONSIDERING ALL OF THE CIRCUMSTANCES EXISTING ON THE DATE OF REGULATORY AGREEMENT, INCLUDING THE RELATIONSHIP OF THE DAMAGE AMOUNTS TO THE RANGE OF HARM TO AGENCY AND ACCOMPLISHMENT OF AGENCY'S PURPOSE OF ASSISTING IN THE PROVISION OF AFFORDABLE HOUSING TO ELIGIBLE TENANTS THAT REASONABLY COULD BE ANTICIPATED AND THE ANTICIPATION THAT PROOF OF ACTUAL DAMAGES WOULD BE COSTLY OR INCONVENIENT. THE AMOUNTS SET FORTH IN THIS SECTION 4.12 SHALL BE THE SOLE MONETARY DAMAGES REMEDY FOR THE DEFAULTS SET FORTH IN THIS SECTION 4.12, BUT

NOTHING IN THIS SECTION 4.12 SHALL BE INTERPRETED TO LIMIT AGENCY'S REMEDY FOR SUCH DEFAULT TO SUCH A DAMAGES REMEDY AND IN THAT REGARD AGENCY MAY DECLARE A DEFAULT UNDER THE TERMS OF THE AGENCY NOTE, THE GROUND LEASE, THE DDA, OR OTHER AGREEMENTS ENTERED INTO BY AND BETWEEN AGENCY AND DEVELOPER.IN PLACING ITS INITIALS AT THE PLACES PROVIDED HEREINBELOW, EACH PARTY SPECIFICALLY CONFIRMS THE ACCURACY OF THE STATEMENTS MADE ABOVE AND THE FACT THAT EACH PARTY HAS BEEN REPRESENTED BY COUNSEL WHO HAS EXPLAINED THE CONSEQUENCES OF THE LIQUIDATED DAMAGES PROVISION AT OR PRIOR TO THE TIME EACH EXECUTED THIS REGULATORY AGREEMENT.

DEVELOPER'S INITIALS: AGENCY'S INITIALS:

_____ _____

4.13 Relationship to Tax Credit Regulatory Agreement and Bond Regulatory Agreement. Notwithstanding any other provisions of this Regulatory Agreement and subject to the following sentence, to the extent that the provisions related to tenant selection, tenant income levels and unit rent levels set forth in either of the Additional Regulatory Agreements are less restrictive than those provisions set forth in this Section 4, then the provisions set forth in this Section 4 shall govern and control. To the extent of any inconsistency between this Regulatory Agreement and either of the Additional Regulatory Agreements regarding Affordable Rent for the Affordable Units, the more restrictive agreement or covenants shall prevail unless compliance with such more restrictive provisions would violate the provisions of the less restrictive document.

Developer agrees to perform all of Developer's obligations under this Regulatory Agreement, and under the Additional Regulatory Agreements. In the event Agency is prevented by a final, non-appealable order of a court of competent jurisdiction in a lawsuit involving the Project, or by an applicable and binding published appellate opinion, or by a final, non-appealable order of a regulatory body having jurisdiction, from enforcing, for any reason, the affordability restrictions set forth in this Regulatory Agreement or in the DDA, then in such event Agency shall be a third-party beneficiary under the Additional Regulatory Agreements, and shall have full authority to enforce any breach or default by Developer thereunder in the same manner as though it were a breach or default hereunder. Without Agency's prior written consent, which consent may be withheld in Agency's sole and absolute discretion, Developer shall not consent to any amendment of or modification to either of the Additional Regulatory Agreements which (i) shortens the term of the affordability restrictions on the Affordable Units or (ii) modifies the affordability mix.

SECTION 5. COVENANT TO PAY TAXES AND ASSESSMENTS.

Developer shall pay prior to delinquency all ad valorem real estate taxes, special taxes, assessments and special assessments levied against the Property, subject to Developer's right to contest any such tax in good faith and any property tax exemption.

SECTION 6. COVENANTS REGARDING MAINTENANCE.

Developer shall maintain the Property and all improvements thereon, including lighting and signage, in good condition, free of debris, waste and graffiti, and in compliance with the terms of the Redevelopment Plan and all applicable provisions of the City of La Quinta Municipal Code, and in accordance with the HUD Housing Quality Standards. Developer shall maintain the improvements and landscaping on the Property in accordance with the "Maintenance Standards," as hereinafter defined. Such Maintenance Standards shall apply to all buildings, signage, lighting, landscaping, irrigation of landscaping, architectural elements identifying the Property and any and all other improvements on the Property. To accomplish the maintenance, Developer shall either staff or contract with and hire licensed and qualified personnel to perform the maintenance work, including the provision of labor, equipment, materials, support facilities, and any and all other items necessary to comply with the requirements of this Regulatory Agreement.

Developer and its maintenance staff, contractors or subcontractors shall comply with the following standards (the "Maintenance Standards"):

(a) The Property shall be maintained in good condition and in accordance with the custom and practice generally applicable to comparable high quality, well-managed apartment complexes, including but not limited to painting and cleaning of all exterior surfaces and other exterior facades comprising all private improvements and public improvements to the curbline.

(b) Landscape maintenance shall include, but not be limited to: watering/irrigation; fertilization; mowing; edging; trimming of grass; tree and shrub pruning; trimming and shaping of trees and shrubs to maintain a healthy, natural appearance and safe road conditions and visibility, and irrigation coverage; replacement, as needed, of all plant materials; control of weeds in all planters, shrubs, lawns, ground covers, or other planted areas; and staking for support of trees.

(c) Clean-up maintenance shall include, but not be limited to: maintenance of all sidewalks, paths and other paved areas in clean and weed-free condition; maintenance of all such areas clear of dirt, mud, trash, debris or other matter which is unsafe or unsightly; removal of all trash, litter and other debris from improvements and landscaping prior to mowing; clearance and cleaning of all areas maintained prior to the end of the day on which the maintenance operations are performed to ensure that all cuttings, weeds, leaves and other debris are properly disposed of by maintenance workers.

Upon Agency's written notification to Developer of any maintenance deficiency, Developer shall have thirty (30) days within which to correct, remedy or cure the deficiency, or such longer period as is reasonably necessary to complete the cure, provided Developer commences the correction, remedy, or cure within such thirty (30) day period and diligently pursues such correction, remedy, or cure to completion.

SECTION 7. COVENANTS REGARDING MANAGEMENT.

Developer shall provide for the management of the Housing Development in accordance with this Section.

7.01 Property Manager. Developer shall manage or cause the Housing Development, and all appurtenances thereto that are a part of the Housing Development, to be managed in a prudent and business-like manner, consistent with property management standards for other comparable high quality, well-managed rental housing projects and commercial developments in Riverside County, California. Developer may contract with a property management company or property manager to operate and maintain the Housing Development in accordance with the terms of this Section ("Property Manager"); provided, however, the selection and hiring of the Property Manager (and each successor or assignee) is and shall be subject to prior written approval of Agency. Developer shall conduct due diligence and background evaluation of any potential outside property manager or property management company to evaluate experience, references, credit worthiness, and related qualifications as a property manager. Any proposed property manager shall have prior experience with projects and properties comparable to the Housing Development and the references and credit record of such manager/company shall be investigated (or caused to be investigated) by Developer prior to submitting the name and qualifications of such proposed property manager to Agency for review and approval. A complete and true copy of the results of such background evaluation shall be provided to Agency. Approval of a Property Manager by Agency shall not be unreasonably delayed and shall be in Agency's reasonable discretion, and Agency shall use good faith efforts to respond as promptly as practicable in order to facilitate effective and ongoing management of the Housing Development. Furthermore, the identity and retention of any approved Property Manager shall not be changed without the prior written approval of Agency, which approval shall not be unreasonably delayed, and shall be in Agency's reasonable discretion. The selection by Developer of any new Property Manager also shall be subject to the foregoing requirements.

7.02 Management Plan. Prior to and as one of Agency's conditions to the Property Closing under the DDA, Developer shall have prepared and submitted to Agency for review and approval an updated and supplemented management plan which includes a detailed plan and strategy for long-term marketing for the Affordable Units, operation, maintenance, repair and security of the Housing Development, method of selection of tenants, rules and regulations for tenants, and other rental policies for the Affordable Units (the "Management Plan").Subsequent to approval of the Management Plan by Agency, the ongoing management and operation of the Housing Development shall be in compliance with the approved Management Plan. Developer and Property Manager may from time to time submit to Agency proposed amendments to the Management Plan, which are also subject to the prior written approval of Agency.

7.03 Social Services. Developer shall provide a variety of social services at the Housing Development; such social services are subject to the prior written approval of the Executive Director, in his or her reasonable discretion. Developer shall use its best

efforts to create a comprehensive social service program that is targeted to the needs of the residents of the Housing Development which shall include, in addition to all of the services listed in Developer's application for Tax Credits, the following services: after school programs of an ongoing nature for school age children, and the availability of a bona fide services coordinator or social worker to the tenants. Any substantive change in the scope, amount, or type of supportive services to be provided at the Property shall be subject to prior reasonable approval of Agency. Agency shall respond to any such changes within thirty (30) days after submittal to Agency by Developer.

7.04 Gross Mismanagement. In the event of "Gross Mismanagement" (as that term is defined below) of the Affordable Units or any part of the Housing Development, Agency shall have and retain the authority to direct and require any condition(s), acts, or inactions of Gross Mismanagement to cease and/or be corrected immediately, and further to direct and require the immediate removal of the Property Manager and replacement with a new qualified and approved Property Manager, if such condition(s) is/are not ceased and/or corrected after expiration of thirty (30) days from the date of Notice from Agency. If such condition(s) acts, or inactions of gross mismanagement do persist beyond such period, Agency shall have the sole and absolute right to immediately and without further notice to Developer (or to Property Manager or any other person/entity) replace the Property Manager with a new property manager of Agency's selection at the sole cost and expense of Developer. If Developer takes steps to select a new property manager that selection is subject to the requirements set forth above for selection of a Property Manager.

For purposes of this Regulatory Agreement, the term "Gross Mismanagement" shall mean management of any part of the Housing Development in a manner which materially violates the terms and/or intention of this Regulatory Agreement to operate a high quality, well-managed residential complex, and shall include, but is not limited to, any one or more of the following:

(a) knowingly leasing Affordable Units to tenants who exceed the prescribed income levels;

(b) knowingly allowing the tenants of Affordable Units to exceed the prescribed occupancy levels without taking immediate action to stop such overcrowding;

(c) underfunding Capital Replacement or Operating Reserve accounts, unless funds are not available to deposit in such accounts;

(d) failing to timely maintain the Housing Development in accordance with the Management Plan and the manner prescribed herein;

(e) failing to submit timely and/or adequate annual reports to Agency as required herein;

(f) committing fraud or embezzlement with respect to Housing Development funds, including without limitation funds in the reserve accounts;

(g) failing to reasonably cooperate with the County Sheriff or other local law enforcement agency(ies) with jurisdiction over the Housing Development, in maintaining a crime-free environment within the Housing Development;

(h) failing to reasonably cooperate with the Fire District or other local public safety agency(ies) with jurisdiction over the Housing Development, in maintaining a safe environment within the Housing Development;

(i) failing to reasonably cooperate with the La Quinta Planning & Building Department, including the Code Enforcement Division, or other local health and safety enforcement agency(ies) with jurisdiction over the Housing Development, in maintaining a safe environment within the Housing Development; and

(j) spending funds from the Capital Reserve account(s) for items that are not defined as capital costs under the standards imposed by generally accepted accounting principles (GAAP) (and/or, as applicable, generally accepted auditing principles.)

Notwithstanding the requirements of the Property Manager to correct any condition of Gross Mismanagement as described above, Developer is obligated and shall use its best efforts to correct any defects in property management or operations at the earliest feasible time and, if necessary, to replace the Property Manager as provided above. Developer shall include advisement and provisions of the foregoing requirements and requirements of this Regulatory Agreement within any contract between Developer and its Property Manager.

7.05 Code Enforcement. Developer acknowledges and agrees Agency and the City and their employees and authorized agents shall have the right to conduct code compliance and/or code enforcement inspections of the Housing Development and the individual Affordable Units, both exterior and interior, at reasonable times and upon reasonable notice (not less than 48 hours prior notice) to Developer and/or an individual tenant. If such notice is provided by Agency, City or their representative(s) to Developer, then Developer (or its Property Manager) shall immediately and directly advise tenants of such upcoming inspection and cause access to the area(s) and/or units to be made available and open for inspection. Developer shall include express advisement of such inspection rights within the lease/rental agreements for each Affordable Unit in order for each and every tenant and tenant household to be aware of this inspection right.

SECTION 8. COVENANTS REGARDING NONDISCRIMINATION.

Developer covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of any person, or group of persons on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, or any part thereof, nor shall Developer, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Property, or any part thereof. The foregoing covenants shall run with the land.

Developer agrees for itself and any successor in interest that Developer shall refrain from restricting the rental, sale, or lease of any portion of the Property, or contracts relating to the Property, on the basis of race, color, creed, religion, sex, marital status, ancestry, or national origin of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) **In deeds**:"The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

(b) **In leases**:"The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:"That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased."

(c) **In contracts pertaining to the realty**:"There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this agreement, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

The covenants established in this Regulatory Agreement shall, without regard to technical classification and designation, be binding for the benefit and in favor of the Agency, its successors and assigns, the City and any successor in interest to the Property, together with any property acquired by the Developer pursuant to this Regulatory Agreement, or any part thereof. The covenants against discrimination shall remain in effect in perpetuity.

SECTION 9. OPERATING BUDGET OR ANNUAL BUDGET; ANNUAL AND QUARTERLY REPORTS

9.01 Operating Budget**.** Developer shall submit to Agency on or before December 1 of each year during the Affordability Period an operating budget for the Housing Development ("Operating Budget" or "Annual Budget"), which budget, including the format thereof, shall be subject to the written approval of the Executive Director or designee, which approval shall not be unreasonably withheld or conditioned so long as such budget is not inconsistent with this Regulatory Agreement. The Executive Director's discretion in review and approval of each proposed annual Operating Budget or Annual Budget shall include, without limitation, authority to review individual categories, line items, and accounts, such as the following: extent, type, and amount for social services at or associated with the Housing Development; existing balance(s) in and proposed deposits to the Capital Replacement Reserve to evaluate shortfalls and/or cumulative unexpended/unencumbered deposits (provided that required annual deposits thereto are not required to exceed $250/per unit); conformity of any annual authorized increases in the Partnership Related Fees with the increases permitted in the definition of "Residual Receipts" (as that term is defined in the Agency Note); reasonableness and conformity to prevailing market rates in Riverside County and rates and fees for goods and services to be provided by Developer or any Affiliate thereof. In the event Developer requires an amendment to an approved Annual Budget during an applicable year of the Affordability Period, then Developer shall submit a written request to the Executive Director explaining the requested amendment and reasons therefor; the Executive Director shall reasonably review and approve (or disapprove) each request for an amendment to an approved Annual Budget. The Executive Director shall communicate to Developer his or her reasonable approval or disapproval of a proposed annual Operating Budget or Annual Budget within thirty (30) days after receipt thereof; as to each amendment, the Executive Developer shall communicate to Developer his or her reasonable approval or disapproval within fifteen (15) days after receipt of a complete submittal requesting an amendment to an approved Annual Budget. In the event the Executive Director fails to approve a proposed annual Operating Budget or Annual Budget within thirty (30) days after receipt thereof, Developer may operate the Housing Development in accordance with such proposed annual Operating Budget or Annual Budget until the Executive Director notifies Developer that such proposed annual Operating Budget or Annual Budget is not approved; provided, however, that in such case any expenditure made by Developer prior to the Executive Director's notification that the proposed annual Operating Budget or Annual Budget is not approved shall be deemed an approved expenditure. If the Executive Director fails to approve or disapprove a proposed annual Operating Budget or Annual Budget within the time set forth in this Section 9.01, Developer may give written notice to the Executive Director demanding that such proposed annual Operating Budget or Annual Budget be either approved or disapproved within ten (10) days following the Executive Director's receipt of such notice.

9.02 Annual Reports. Developer covenants and agrees to submit to the Agency an annual report (the "Annual Report"), which shall include the information required by California Health & Safety Code Section 33418.The Annual Report shall include for each

Affordable Unit the rental rate and the income and family size of the occupants. The Developer shall submit the Annual Report on or before February 15 of the year following the year covered by the Annual Report. The Developer shall provide for the submission of household information and certification in its leases with tenants.

9.03 Quarterly Reports. Beginning on the date of first occupancy, and for each fiscal year thereafter during the term of this Regulatory Agreement, Developer shall also submit on a quarterly basis a quarterly report for the management of the Property (the "Quarterly Report").The Quarterly Report shall include a profit and loss statement, budget to date figures, and occupancy report and shall clearly show Housing Development revenues, operation expenses, deposits to and withdrawals from the Housing Development's Capital Replacement Reserve and cash flow available for residual receipts payments. The Quarterly Report shall be in a form that is reasonably acceptable to the Executive Director. The Executive Director, in his/her sole discretion may waive the requirement of the Quarterly Report for one or more quarterly reporting periods. However, such waiver shall not operate to waive any subsequent requirement of the Quarterly Report for the Affordability Period. After receipt of such certified financial statements for the Housing Development, Agency may request additional financial analysis or obtain a third party review at Agency's own expense, of financial statements for the Housing Development to verify the accuracy of the payments by Developer on the Agency Note or the required deposits into the Capital Replacement Reserve.

SECTION 10. COVENANTS REGARDING CAPITAL REPLACEMENT RESERVE.

Promptly upon the issuance of the Certificate of Occupancy, the Developer shall establish the Capital Replacement Reserve. Funds in the Capital Replacement Reserve shall be used only for capital repairs, improvements, and replacements to the Housing Development fixtures and equipment which are normally capitalized under generally accepted accounting principles. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve or lessen Developer's obligation to undertake any and all necessary capital repairs, improvements, or replacements and to continue to maintain the Housing Development in the manner prescribed herein. Not less than once per year, Developer, at its expense, shall submit to Agency an accounting for the Capital Replacement Reserve. Capital repairs to and replacement of the Housing Development shall include only those items with a long useful life, including without limitation the following: carpet and drape replacement; appliance replacement; exterior painting, including exterior trim; hot water heater replacement; plumbing fixtures replacement, including tubs and showers, toilets, lavatories, sinks, faucets; air conditioning and heating replacement; asphalt repair and replacement, and seal coating; roofing repair and replacement; landscape tree replacement; irrigation pipe and controls replacement; sewer line replacement; water line replacement; gas line pipe replacement; lighting fixture replacement; elevator replacement and upgrade work; miscellaneous motors and blowers; common area furniture replacement; and common area repainting.

SECTION 11. COVENANTS REGARDING OPERATING RESERVE.

Promptly upon the issuance of the Certificate of Occupancy, the Developer shall establish the Operating Reserve. The Operating Reserve shall be used to cover shortfalls between Annual

Project Revenue and actual operating expenses, but shall in no event be used to pay for capital items or capital costs properly payable from the Capital Replacement Reserve. Developer shall, not less than once per every twelve (12) months, submit to Agency evidence reasonably satisfactory to the Agency of compliance herewith.

SECTION 12. EFFECT OF VIOLATION OF THE TERMS AND PROVISIONS OF THIS REGULATORY AGREEMENT AFTER COMPLETION OF CONSTRUCTION.

Agency is deemed the beneficiary of the terms and provisions of this Regulatory Agreement and of the covenants running with the land, for and in its own right and for the purposes of protecting the interests of the community and other parties, public or private, in whose favor and for whose benefit this Regulatory Agreement and the covenants running with the land have been provided, without regard to whether Agency has been, remains or is an owner of any land or interest therein in the Property or in the Housing Development. Agency shall have the right, if this Regulatory Agreement or any of the covenants herein are breached, to exercise all rights and remedies, and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breaches to which it or any other beneficiaries of this Regulatory Agreement and covenants may be entitled. The City is hereby deemed to be a third party beneficiary of this Regulatory Agreement and the covenants contained herein with the right, but not the obligation, to enforce the terms hereof. Except as provided in the following sentence, the covenants contained in this Regulatory Agreement shall remain in effect until the expiration of the Affordability Period. The covenants regarding discrimination as set forth in Section 8 shall remain in effect in perpetuity.

SECTION 13. COMPLIANCE WITH LAWS; ENVIRONMENTAL MATTERS.

13.01 Compliance With Laws. Developer shall comply with (i) all ordinances, regulations and standards of the City, Agency, County of Riverside, any regional governmental entity, State of California, and federal government applicable to the Property; (ii) all rules and regulations of any assessment district of the City with jurisdiction over the Property; and (iii) all applicable labor standards of California law and federal law; and (iv) the requirements of California law and federal law with respect to the employment of undocumented workers or illegal aliens.

13.02 Indemnity. Developer shall save, protect, defend, indemnify and hold harmless Agency and the City and their respective officers, officials, members, employees, agents, and representatives from and against any and all liabilities, suits, actions, claims, demands, penalties, damages (including, without limitation, penalties, fines and monetary sanctions), losses, costs or expenses (including, without limitation, consultants' fees, investigation and laboratory fees, reasonable attorneys' fees and remedial and response costs) (the foregoing are hereinafter collectively referred to as "Liabilities") which may now or in the future be incurred or suffered by Agency or City or their respective officers, officials, members, employees, agents, or representatives by reason of, resulting from, in connection with, or existing in any manner whatsoever as a direct or indirect result of (i) Developer's placement on or under the Property of any Hazardous Materials or Hazardous Materials Contamination, (ii) the escape, seepage,

leakage, spillage, discharge, emission or release from the Property of any Hazardous Materials or Hazardous Materials Contamination that occurs after the Property Closing Date, or (iii) any Liabilities incurred under any Governmental Requirements relating to the acts described in the foregoing clauses (i) and (ii).

For the purposes of this Regulatory Agreement, unless the context otherwise specifies or requires, the following terms shall have the meanings herein specified:

The term "Hazardous Materials" shall mean any substance, material, or waste which is or becomes regulated by any local governmental authority, the City, the County of Riverside, the State of California, a regional governmental authority, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a "hazardous waste," "extremely hazardous waste," or "restricted hazardous waste" under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law)), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a "hazardous material," "hazardous substance," or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) friable asbestos, (vii) polychlorinated biphenyls, (viii) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20, (ix) designated as "hazardous substances" pursuant to Section 311 of the Clean Water Act (33 U.S.C. § 1317), (x) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 *et seq*. (42 U.S.C. § 6903) or (xi) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. § 9601 *et seq*.For purposes hereof, "Hazardous Materials" excludes materials and substances in quantities as are commonly used in the construction and operation of apartment complexes, provided such materials and substances are used in accordance with applicable laws.

The term "Hazardous Materials Contamination" shall mean the contamination (whether presently existing or hereafter occurring) of the improvements, facilities, soil, groundwater, air or other elements on, in or of the Property by Hazardous Materials, or the contamination of the buildings, facilities, soil, groundwater, air or other elements on, in or of any other property as a result of Hazardous Materials at any time emanating from the Property.

The term "Governmental Requirements" shall mean all past, present and future laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the state, the county, the city, or any other political subdivision in which the Property is located, and any other state, county city, political subdivision, agency, instrumentality or other entity exercising jurisdiction over the Property.

13.03 Duty to Prevent Hazardous Material Contamination. Developer shall take commercially reasonable action to prevent the release of any Hazardous Materials into

the environment. Such precautions shall include compliance with all Governmental Requirements with respect to Hazardous Materials. In addition, Developer shall install and utilize such equipment and implement and adhere to such procedures as are consistent with the standards generally applied by apartment complexes in Riverside County, California as respects the disclosure, storage, use, removal, and disposal of Hazardous Materials.

13.04 Obligation of Developer to Remediate Premises. Notwithstanding the obligation of Developer to indemnify Agency, City, and their respective officers, officials, members, employees, agents, and representatives pursuant to Section 13.02, and provided no Hazardous Materials exist on the Property as a result of the Agency's actions, Developer shall, at its sole cost and expense, promptly take (i) all actions required by any federal, state, regional, or local governmental agency or political subdivision or any Governmental Requirements and (ii) all actions necessary to make full economic use of the Property for the purposes contemplated by this Regulatory Agreement and the DDA, which requirements or necessity arise from the presence upon, about or beneath the Property, of any Hazardous Materials or Hazardous Materials Contamination. Such actions shall include, but not be limited to, the investigation of the environmental condition of the Property, the preparation of any feasibility studies or reports and the performance of any cleanup, remedial, removal or restoration work.

13.05 Environmental Inquiries. Developer, when it has received any notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, or cease and desist orders related to Hazardous Materials or Hazardous Materials Contamination, or when Developer is required to report to any governmental agency any violation or potential violation of any Governmental Requirement pertaining to Hazardous Materials or Hazardous Materials Contamination, shall concurrently notify the Executive Director, and provide to him/her a copy or copies, of the environmental permits, disclosures, applications, entitlements or inquiries relating to the Property, the notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, cease and desist orders, reports filed pursuant to self-reporting requirements, and reports filed or applications made pursuant to any Governmental Requirement relating to Hazardous Materials and underground tanks, and Developer shall report to the Executive Director, as soon as possible after each incident, any unusual, potentially important incidents.

In the event of a responsible release of any Hazardous Materials into the environment, Developer shall, as soon as possible after it becomes aware of the release, furnish to the Executive Director a copy of any and all reports relating thereto and copies of all correspondence with governmental agencies relating to the release. Upon request of the Executive Director, Developer shall furnish to the Executive Director a copy or copies of any and all other environmental entitlements or inquiries relating to or affecting the Property including, but not limited to, all permit applications, permits and reports including, without limitation, those reports and other matters which may be characterized as confidential.

SECTION 14. INSURANCE REQUIREMENTS.

14.01 Commercial General Automobile Liability; Worker's Compensation. Commencing on the Property Closing Date and continuing throughout the term of the Ground Lease, the Developer shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to the Agency's Executive Director, the following policies of insurance:

(a) Commercial General Liability Insurance covering bodily injury, property damage, personal injury and advertising injury written on a per-occurrence and not a claims-made basis containing the following minimum limits:(i) general aggregate limit of Three Million Dollars ($3,000,000.00); (ii) products-completed operations aggregate limit of Three Million Dollars ($3,000,000.00); (iii) personal and advertising injury limit of One Million Dollars ($1,000,000.00); and (iv) each occurrence limit of One Million Dollars ($1,000,000.00).Said policy shall include the following coverages:(i) blanket contractual liability (specifically covering the indemnification clause contained below); (ii) products and completed operations; (iii) independent contractors; (iv) Owner's broad form property damage; (v) severability of interest; (vi) cross liability; and (vii) property damage liability arising out of the so-called "XCU" hazards (explosion, collapse and underground hazards).The policy shall be endorsed to have the general aggregate apply to this Project only.

(b) A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California and which shall indemnify, insure, and provide legal defense for the Agency and the Developer against any loss, claim or damage arising from any injuries or occupational diseases occurring to any worker employed by or any persons retained by the Developer in the course of carrying out the work or services contemplated in this Regulatory Agreement, and Employers Liability Insurance in an amount not less than One Million Dollars ($1,000,000) combined single limit for all damages arising from each accident or occupational disease.

(c) A policy of comprehensive automobile liability insurance written on a per-occurrence basis in an amount not less than Three Million Dollars ($3,000,000.00) combined single limit covering all owned, non-owned, leased and hired vehicles used in connection with the Work.

14.02 Builder's Risk. Commencing on the Property Closing Date and continuing until the Agency issues a Release of Construction Covenants for the Project, the Developer shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to the Agency's Executive Director, Builder's Risk (course of construction) insurance coverage in an amount equal to the full cost of the hard construction costs of the Project. Such insurance shall cover, at a minimum: all work, materials, and equipment to be incorporated into the Project; the Project during construction; the completed Project until such time as the City issues a final certificate of occupancy for the Housing Development, and storage and transportation risks. Such insurance shall protect/insure the interests of Developer/owner and all of Developer's contractor(s), and subcontractors, as each of their interests may appear. If such insurance includes an exclusion for "design error," such exclusion shall only be for the object or

portion which failed. Agency shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

14.03 Property; Business Interruption; Boiler and Machinery Insurance. Commencing on the date Agency issues a Release of Construction Covenants for the Project and continuing throughout the term of the Ground Lease, the Developer shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to the Agency's Executive Director, the following insurance:

(a) Insurance against fire, extended coverage, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in Riverside County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. The above insurance policy or policies shall include coverage for earthquakes to the extent generally and commercially available at commercially reasonable rates, if such insurance is generally obtained for affordable housing developments in the counties of Riverside and San Bernardino. Agency shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

(b) Business interruption and extra expense insurance to protect Agency and Developer covering loss of revenues and/or extra expense incurred by reason of the total or partial suspension or delay of, or interruption in, the operation of the Housing Development caused by loss or damage to, or destruction of, any part of the insurable real property structures or equipment as a result of the perils insured against under the all risk physical damage insurance, covering a period of suspension, delay or interruption of at least twelve (12) months, in an amount not less than the amount required to cover such business interruption and/or extra expense loss during such period.

14.04 (C) Boiler and machinery insurance in the aggregate amount of the full replacement value of the equipment typically covered by such insurance.

14.05 Contract Insurance Requirements. Developer shall cause any general contractor with whom it has contracted for the performance of work on the Property to secure, prior to commencing any activities hereunder and maintain insurance that satisfies all of the requirements of this Section 14.

14.06 Additional Requirements. The following additional requirements shall apply to all of the above policies of insurance:

(a) All of the above policies of insurance shall be primary insurance and, except the Worker's Compensation, Employer Liability insurance, and automobile liability insurance, shall name the Agency, City and their respective officers, officials, members, employees, agents, and representatives (collectively, "Agency and City and Agency and City Personnel") as additional insureds on an ISO Form CG 20:10 (current version) or substantially similar form and not an ISO Form CG 20:09.The insurer shall waive all rights of subrogation and contribution it may have against Agency and City and Agency and City Personnel and their respective insurers. All of said policies of insurance shall provide that said insurance may not be amended or cancelled without providing thirty (30) days' prior written notice to the Agency. In

the event any of said policies of insurance are cancelled, the Developer shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section to the Executive Director. Not later than the Effective, the Developer shall provide the Executive Director with Certificates of Insurance or appropriate insurance binders evidencing the above insurance coverages and said Certificates of Insurance or binders shall be subject to the reasonable approval of the Executive Director.

(b) The policies of insurance required by this Regulatory Agreement shall be satisfactory only if issued by companies of recognized good standing authorized to do business in California, rated "A-" or better in the most recent edition of Best Rating Guide, The Key Rating Guide or in the Federal Register, and only if they are of a financial category Class VII or better, unless such requirements are waived by the Executive Director, in consultation with the City's Risk Consultant through the California Joint Powers Insurance Authority due to unique circumstances.

(c) The Executive Director, in consultation with the City's Risk Consultant through the California Joint Powers Insurance Authority, is hereby authorized to reduce or otherwise modify Developer's insurance requirements set forth herein in the event they collectively determine, in their sole and absolute discretion, that such reduction or modification is consistent with reasonable commercial practices.

(d) The Developer agrees that the provisions of this Section shall not be construed as limiting in any way the Agency's right to indemnification or the extent to which the Developer may be held responsible for the payment of damages to any persons or property resulting from the Developer's activities or the activities of any person or persons for which the Developer is otherwise responsible.

14.07 Indemnification. Developer shall defend (by counsel satisfactory to Agency), assume all responsibility for and hold the Agency and the City, and their respective officers, officials, members, agents, representatives, and employees, harmless from all claims or suits for, and damages to, property and injuries to persons, including accidental death (including expert witness fees, attorneys fees and costs), which may be caused by the activities or performance of Developer or any of Developer's employees, agents, representatives, contractors, or subcontractors under (i) this Regulatory Agreement, (ii) a claim, demand or cause of action that any person has or asserts against Developer; (iii) any act or omission of Developer, any contractor, subcontractor or material supplier, engineer, architect or other person with respect to the Property; or (iv) the leasehold, occupancy or use of the Property by Developer, whether such damage shall accrue or be discovered before or after termination of this Regulatory Agreement. The obligations and indemnifications in this Section 14.07 shall constitute covenants running with the land.

SECTION 15. ASSIGNMENT.

15.01 Generally Prohibited. Except as otherwise expressly provided to the contrary in this Regulatory Agreement, Developer shall not assign any of its rights or delegate any of its duties under this Regulatory Agreement, nor shall any changes occur with respect to the ownership and/or control of Developer, including, without limitation,

stock transfers, sales of issuances, or transfers, sales or issuances of membership or ownership interests, or statutory conversions, without the prior written consent of the Executive Director, which consent may be withheld in his or her sole and absolute discretion. Any such assignment or delegation without such consent shall, at Agency's option, be void. Notwithstanding the foregoing, however, Developer may admit Developer's Tax Credit investor as a 99.99% Tax Credit limited partner without obtaining any consent.

15.02 Release of Developer. Upon any such assignment made in compliance with Section 15.01 above, Developer shall be released from any liability under this Regulatory Agreement arising from and after the date of such assignment.

SECTION 16. DEFAULTS AND REMEDIES.

16.01 Default. Subject to the extensions of time set forth in Section 17.02 of this Regulatory Agreement, failure by either Party to perform any action or covenant required by this Regulatory Agreement or under the DDA or under the Ground Lease within the time periods provided herein and therein following Notice and failure to cure as described hereafter, constitutes a "Default" under this Regulatory Agreement. A Party claiming a Default shall give written Notice of Default to the other Party specifying such Default. Except as otherwise expressly provided in this Regulatory Agreement or in the DDA or in the Ground Lease, the claimant shall not institute any proceeding against any other Party, and the other Party shall not be in Default if such party within thirty (30) days from receipt of such Notice, cures, corrects or remedies such failure or delay, or if such Default cannot reasonably be cured within thirty (30) days, such Party commences such cure within thirty (30) days of receipt of such Notice and thereafter diligently prosecutes such cure to completion.

16.02 Remedies; Institution of Legal Actions. Developer's sole remedy for Agency's breach of this Regulatory Agreement shall be to institute an action at law or equity to seek specific performance of the terms of this Regulatory Agreement. Developer shall not be entitled to recover damages for any Default of Agency hereunder. Agency shall be entitled to seek any remedy available at law and in equity for Developer's breach of this Regulatory Agreement. All legal actions must be instituted in the Superior Court of the County of Riverside, State of California, or in the United States District Court for District of California in which Riverside County is located.

16.03 Termination by Agency. In the event that Developer is in Default of this Regulatory Agreement, the DDA, or the Ground Lease and (i) such Default is material and (ii) Developer fails to cure such Default within the time set forth in Section 16.01 hereof, then Agency may, at Agency's option, terminate this Regulatory Agreement.

16.04 Acceptance of Service of Process. In the event that any legal action is commenced by Developer against Agency, service of process on Agency shall be made by personal service upon the Executive Director or in such other manner as may be provided by law. In the event that any legal action is commenced by Agency against Developer, service of process on Developer shall be made in such manner as may be provided by law.

16.05 Rights and Remedies Are Cumulative. Except as otherwise expressly stated in this Regulatory Agreement, the rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same Default or any other Default by the other Party.

16.06 Inaction Not a Waiver of Default. Any failures or delays by either Party in asserting any of its rights and remedies as to any Default shall not operate as a waiver of any Default or of any such rights or remedies, or deprive either such Party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

16.07 Applicable Law. The internal laws of the State of California shall govern the interpretation and enforcement of this Regulatory Agreement, without regard to conflict of law principles.

SECTION 17. GENERAL PROVISIONS.

17.01 Notices, Demands and Communications Between the Parties. Any notices, requests, demands, documents, approvals or disapprovals given or sent under this Regulatory Agreement from one Party to another (collectively, "Notices") may be personally delivered, delivered by reputable courier that provides a receipt with the date and time of delivery, transmitted by facsimile (FAX) transmission, or deposited with the United States Postal Service for mailing, postage prepaid, to the address of the other Party as stated in this Section, and shall be deemed to have been given or sent at the time of personal delivery, delivery by courier, or FAX transmission or, if mailed, on the second day following the date of deposit in the course of transmission with the United States Postal Service. Notices shall be sent as follows:

If to Agency:

Notices Delivered by U.S. Mail:

La Quinta Redevelopment Agency
P.O. Box 1504
La Quinta, CA92247
Phone No.: 760-777-7031
Facsimile No.: 760-777-7101
Attention: Executive Director

Notices Delivered Personally or by Courier:

La Quinta Redevelopment Agency
78-495 Calle Tampico
La Quinta, California92253
Phone No.: 760-777-7031
Facsimile No.: 760-777-7101
Attention: Executive Director

With copies to: Rutan & Tucker, LLP
611 Anton, Suite 1400
Costa Mesa, CA92626
Phone No.: 714-641-5100
Facsimile No.: 714-546-9035
Attention: M. Katherine Jenson, Esq.

If to Developer: Coral Mountain Partners, L.P.
46753 Adams Street
La Quinta, CA 92253
Phone No.: (760) 771-3345
Facsimile No.: (760) 771-0686
Attention: Robert High

With a copy to: Bocarsly Emden Cowan Esmail & Arndt LLP
633 West Fifth Street, 70th Floor
Los Angeles, CA 90071
Phone No.:213-239-8088
Facsimile No.:213-559-0733
Attention: Lance Bocarsly

17.02 Enforced Delay; Extension of Times of Performance. In addition to specific provisions of this Regulatory Agreement, performance by either Party hereunder shall not be deemed to be in Default, and all performance and other dates specified in this Regulatory Agreement shall be extended, where delays or Defaults are due to: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine; restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; litigation; unusually severe weather; inability to secure necessary labor, materials or tools; delays of any contractor, subcontractor or supplier; acts or omissions of the other Party; acts or failures to act of the City or any other public or governmental agency or entity (other than the acts or failures to act of Agency which shall not excuse performance by Agency); or any other causes beyond the control or without the fault of the Party claiming an extension of time to perform. Notwithstanding anything to the contrary in this Regulatory Agreement, an extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the Party claiming such extension is sent to the other party within ten (10) days of the commencement of the cause. Times of performance under this Regulatory Agreement may also be extended in writing by the mutual agreement of Agency and Developer. Notwithstanding any provision of this Regulatory Agreement to the contrary, the lack of funding to complete the construction of the Project shall not constitute grounds of enforced delay pursuant to this Section.

17.03 Relationship Between Agency and Developer. It is hereby acknowledged by Developer that the relationship between Agency and Developer is not that of a partnership or joint venture and that Agency and Developer shall not be deemed or

construed for any purpose to be the agent of the other. Accordingly, except as expressly provided herein or in the Attachments hereto, Agency shall have no rights, powers, duties or obligations with respect to the development, operation, maintenance or management of the Housing Development. Developer agrees to indemnify, hold harmless and defend Agency from any claim made against Agency arising from a claimed relationship of partnership or joint venture between Agency and Developer with respect to the development, operation, maintenance or management of the Property or the Housing Development, except to the extent occasioned by the active negligence or willful misconduct of Agency or its designated agents or employees.

17.04 No Third Party Rights. With the exception of the City, the Parties intend that no rights nor remedies be granted to any third party as a beneficiary of this Regulatory Agreement or of any covenant, duty, obligation or undertaking established herein.

17.05 Agency Approvals and Actions. Whenever a reference is made herein to an action or approval to be undertaken by Agency, the Executive Director is authorized to act on behalf of Agency unless this Regulatory Agreement specifically provides otherwise or the context should require otherwise.

17.06 Counterparts. This Regulatory Agreement may be signed in multiple counterparts which, when signed by all Parties, shall constitute a binding agreement.

17.07 Integration. This Regulatory Agreement contains the entire understanding between the parties relating to the transaction contemplated by this Regulatory Agreement. Each Party is entering this Regulatory Agreement based solely upon the representations set forth herein and upon each Party's own independent investigation of any and all facts such party deems material. This Regulatory Agreement constitutes the entire understanding and agreement of the Parties, notwithstanding any previous negotiations or agreements between the parties or their predecessors in interest with respect to all or any part of the subject matter hereof.

17.08 Real Estate Brokerage Commission. Agency and Developer each represent and warrant to the other that no broker or finder is entitled to any commission or finder's fee in connection with this transaction, and each agrees to defend and hold harmless the other from any claim to any such commission or fee resulting from any action on its part.

17.09 Attorneys' Fees. In any action between the Parties to interpret, enforce, reform, modify, rescind, or otherwise in connection with, any of the terms or provisions of this Regulatory Agreement, the prevailing Party in the action shall be entitled, in addition to damages, injunctive relief, or any other relief to which it might be entitled, reasonable costs, expenses including, without limitation, litigation costs, reasonable attorneys' fees, and expert witness fees.

17.10 Titles and Captions. Titles and captions are for convenience of reference only and do not define, describe or limit the scope or the intent of this Regulatory

Agreement or of any of its terms. Reference to section numbers are to sections in this Regulatory Agreement, unless expressly stated otherwise.

17.11 Interpretation. As used in this Regulatory Agreement, masculine, feminine or neuter gender and the singular or plural number shall each be deemed to include the others where and when the context so dictates. The word "including" shall be construed as if followed by the words "without limitation."This Regulatory Agreement shall be interpreted as though prepared jointly by both Parties.

17.12 No Waiver. All waivers of the provisions of this Regulatory Agreement must be in writing by the appropriate authorities of Developer and Agency. A waiver by either Party of a breach of any of the covenants, conditions or agreements under this Regulatory Agreement to be performed by the other Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions or conditions of this Regulatory Agreement.

17.13 Modifications. Any alteration, change or modification of or to this Regulatory Agreement, in order to become effective, shall be made in writing and in each instance signed on behalf of each Party.

17.14 Severability. If any term, provision, condition or covenant of this Regulatory Agreement or its application to any party or circumstances shall be held, to any extent, invalid or unenforceable, the remainder of this Regulatory Agreement, or the application of the term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected, and shall be valid and enforceable to the fullest extent permitted by law.

17.15 Computation of Time. The time in which any act is to be done under this Regulatory Agreement is computed by excluding the first day (such as the day escrow opens), and including the last day, unless the last day is a holiday or Saturday or Sunday, and then that day is also excluded. The term "holiday" shall mean all holidays as specified in Section 6700 and 6701 of the California Government Code. If any act is to be done by a particular time during a day, that time shall be Pacific Time Zone time.

17.16 Legal Advice. Each Party represents and warrants to the other the following: they have carefully read this Regulatory Agreement, and in signing this Regulatory Agreement, they do so with full knowledge of any right which they may have; they have received independent legal advice from their respective legal counsel as to the matters set forth in this Regulatory Agreement, or have knowingly chosen not to consult legal counsel as to the matters set forth in this Regulatory Agreement; and, they have freely signed this Regulatory Agreement without any reliance upon any agreement, promise, statement or representation by or on behalf of the other Party, or their respective agents, employees, or attorneys, except as specifically set forth in this Regulatory Agreement, and without duress or coercion, whether economic or otherwise.

17.17 Time of Essence. Time is expressly made of the essence with respect to the performance by Agency and Developer of each and every obligation and condition of this Regulatory Agreement.

17.18 Cooperation. Each Party agrees to cooperate with the other in this transaction and, in that regard, to sign any and all documents which may be reasonably necessary, helpful, or appropriate to carry out the purposes and intent of this Regulatory Agreement including, but not limited to, releases or additional agreements.

17.19 Conflicts of Interest. No member, official or employee of Agency shall have any personal interest, direct or indirect, in this Regulatory Agreement, nor shall any such member, official or employee participate in any decision relating to the Regulatory Agreement which affects his personal interests or the interests of any corporation, partnership or association in which he is directly or indirectly interested.

17.20 Non-Liability of Officials and Employees of Agency. No member, official or employee of Agency shall be personally liable to Developer, or any successor in interest, in the event of any Default or breach by Agency or for any amount which may become due to Developer or its successors, or on any obligations under the terms of this Regulatory Agreement. Developer hereby waives and releases any claim it may have against the members, officials or employees of Agency with respect to any Default or breach by Agency or for any amount which may become due to Developer or its successors, or on any obligations under the terms of this Regulatory Agreement. Developer makes such release with full knowledge of Civil Code Section 1542 and hereby waives any and all rights thereunder to the extent of this release, if such Section 1542 is applicable. Section 1542 of the Civil Code provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

_____
Developer's Initials

[End – signatures on next page]

IN WITNESS WHEREOF, the parties have executed this Regulatory Agreement as of the respective dates set forth below.

"Developer"

CORAL MOUNTAIN PARTNERS, L.P.,
a California limited partnership

By: Coral Mountain AGP, LLC,
a California limited liability company
Its: General Partner

Date:_____, 2011

By:_____
Its:_____

"Agency"

LA QUINTA REDEVELOPMENT AGENCY, a public body, corporate and politic

Date:_____, 2011

By:_____
Executive Director

ATTEST:

_____
Agency Secretary

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Agency Counsel

State of California)
County of Riverside)

On _____, before me, _____,
(insert name and title of the officer)
Notary Public, personally appeared _____,
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_____ (Seal)

State of California)
County of Riverside)

On _____, before me, _____,
(insert name and title of the officer)
Notary Public, personally appeared _____,
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_____ (Seal)

EXHIBIT A

MAP

(See attached)

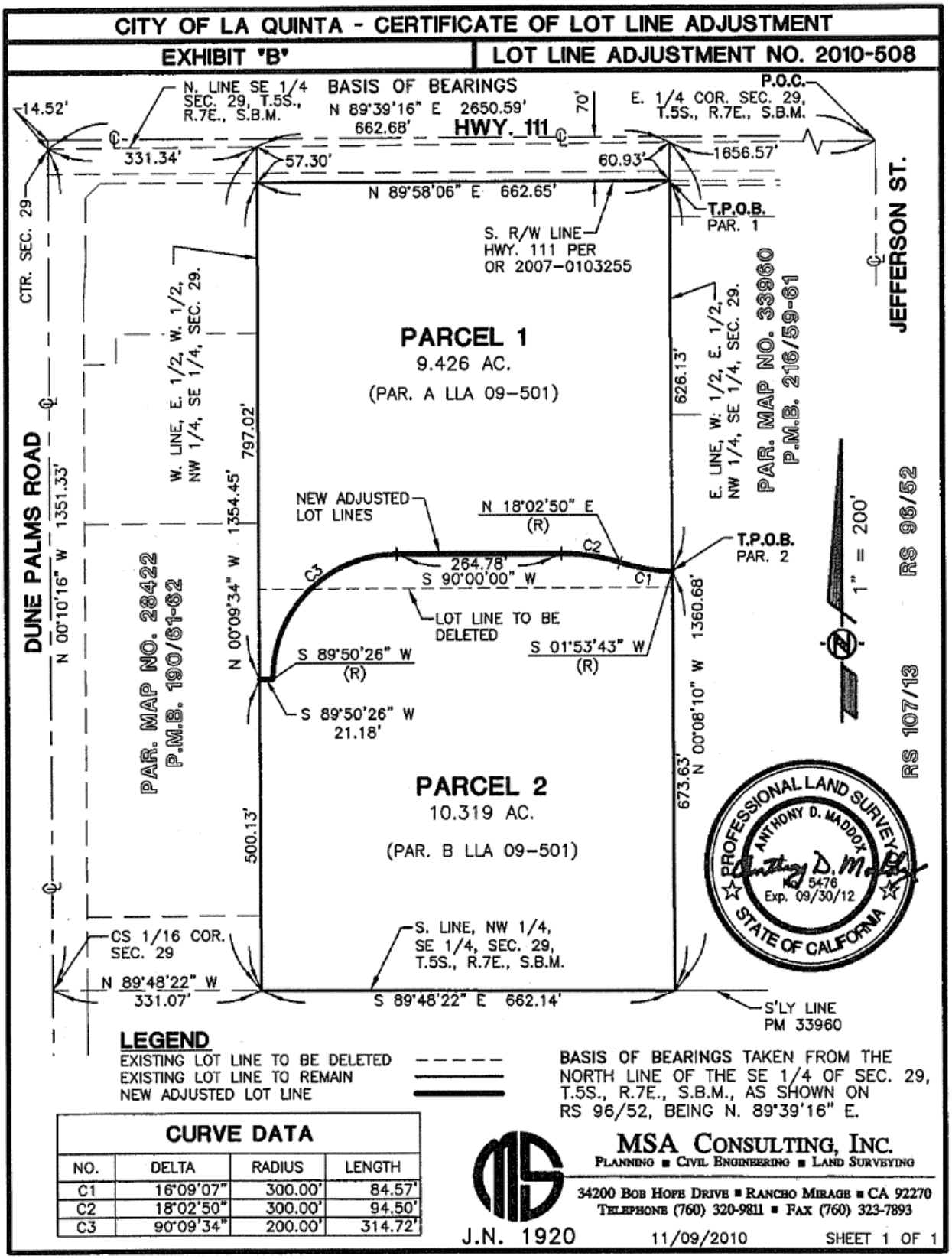


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EXHIBIT A

EXHIBIT B

LEGAL DESCRIPTION OF THE SITE

(to be attached)

EXHIBIT C

INCOME COMPUTATION AND CERTIFICATION FORM

(See following document)

CITY OF LA QUINTA REDEVELOPMENT AGENCY
78-495 Calle Tampico, La Quinta, CA92253

INCOME COMPUTATION AND CERTIFICATION FORM
(Affordable Housing Eligibility for Renter Occupied Unit

PART I. PROPERTY FINANCED WITH GOVERNMENT ASSISTANCE

Property Address: _____

PART II. TENANT HOUSEHOLD INFORMATION

		Date of Birth	**Soc. Sec. #**	**Relationship**

TOTAL NUMBER OF PERSONS IN HOUSEHOLD:_____ (Please list information on other household members below)

Mailing Address:_____ Telephone Numbers: Work(____) _____
_____ Home (____) _____

PART III. GROSS HOUSEHOLD INCOME Complete the following, attach copies of required verification as specified below. Attach a note explaining any significant changes in household income between the previous year and the current year. INFORMATION IS REQUIRED FOR ALL MEMBERS OF THE HOUSEHOLD AGE 18 OR OLDER REGARDLESS OF WHETHER THEY CONTRIBUTE TO THE COSTS OF THE HOUSEHOLD. If you are not required to file a tax return, please indicate this in Part V by your signature.

	ANN INCOME	**ANN INCOME**	
INCOME SOURCES	**for owner**	**others in hshld**	**VERIFICATIONS** (needed for file)
A. Employment earnings			Last tax return & last 3 pay stubs, employer verification
B. Self-employment earnings			Last 2 tax returns & current financial stmt
C. Social Security (OASDI)			Annual award letter
D. Supplemental Security Income (SSI)			Annual award letter
E. Public assistance (AFDC, general			Current benefit statement
assistance, unemployment, etc.)			
F. Pension (s)			Annual award letter, year end stmt, W-2
G. Interest income			Last 2 statements for all accounts
H. Investment income (stocks, bonds, real estate, etc.)			Last 2 statements for all accounts
I. Room rental			Rental agreement, copies of checks, etc.
J. Other income (list type/source)			
K.**TOTAL INCOME** (sum of A thru J)			/ 12 months = _____ mo. income

PART IV. PROPERTY STATUS

Will this property be your primary residence?_____

Will someone other than the individuals listed above be occupying this property?_____

If yes - Name of occupants:_____

Telephone Number: _____ Mailing Address: _____
_____

My/our housing expenses are as follows:

1.Monthly tenant rent _____
2.Average monthly utilities _____

PART V. TENANT CERTIFICATION

I/We understand that after the initial eligibility determination, completion of monitoring forms is required on an annual basis. I/We certify that I/we have disclosed all information pertaining to my/our application and that the information presented in the foregoing Sections I through IV is true and accurate to the best of my (our) knowledge.

_____ _____
Tenant Date Tenant Date

For more information regarding this application, please contact management staff at (760) _____.

FOR OFFICE USE ONLY

_____ Information verified
_____ Income category
_____ Maximum allowable annual income (_____% of median)
_____ Applicant's annual income_____ gross monthly_____ max housing costs

Comments: _____

_____

_____

_____

_____

_____
Management Staff Date

EXHIBIT D

INCOME RECERTIFICATION FORM

(See following document)

LA QUINTA REDEVELOPMENT AGENCY
78-495 Calle Tampico, La Quinta, CA 92253

INCOME RECERTIFICATION FORM
(Renter Occupied Unit)

PART I. GENERAL INFORMATION

1. Property Owner Name _____

2. Renter Name _____

3. Property Address_____
La Quinta, CA92253(Please include P.O. Box No. if applicable)

4. Has there been a change in ownership of this property during the preceding 12 month period?
Yes( )No( )

(If yes, please explain) _____

PART II. UNIT INFORMATION

5. Number of Bedrooms _____
6. Number of Occupants _____
Names:

_____ _____

_____ _____

PART III. AFFIDAVIT OF RENTER

I, _____, and I, _____, as renters of units assisted pursuant to the La Quinta Redevelopment Agency's (the "Agency") _____ Affordable Housing Program (the "Program"), do hereby represent and warrant that the following computation includes all income (I/we) **anticipate receiving for the 12-month period commencing on January 1, 20___** (including the renter(s) and all family members of the renters):

(a) amount of wages, salaries, overtime pay, commissions, fees, tips and bonuses, and payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (before payroll deduction) _____

(b) net income from business or profession or rental of property (without deduction for repayment of debts or expansion of business) ____

(c) interest and dividends _____

(d) periodic receipts such as social security, annuities, pensions, retirement funds, insurance policies, disability or death benefits, alimony, child support, regular contributions or gifts from persons not occupying unit _____

(e) public assistance allowance or grant plus excess of maximum allowable for shelter or utilities over the actual allowance for such purposes _____

(f) regular and special pay and allowances of a member of armed services (whether or not living in the dwelling) who is head of the family or spouse _____

Subtotal (a) through (f) _____

LESS: Portion of above items which are income of a family member who is less than 18 years old or a full-time student (_____)

TOTAL ELIGIBLE INCOME _____

NOTE: The following items are not considered income: casual or sporadic gifts; amounts specifically for or in reimbursement of medical expenses; lump sum payment such as inheritances, insurance payments, capital gains and settlement for personal or property losses; educational scholarships paid directly to the student or educational institution; government benefits to a veteran for education; special pay to a serviceman head of family away from home and under hostile fire; foster child care payments; value of coupon allotments for purpose of food under Food Stamp Act of 1964 which is in excess of amount actually charged the eligible household; relocation payments under Title II of Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970; payments received pursuant to participation in the following programs: VISTA, Service Learning Programs, and Special Volunteer Programs, SCORE, ACE, Retired Senior Volunteer Program, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Program to Assist Small Business Experience.

2. This affidavit is made with the knowledge that it will be relied upon by the Landlord and the Agency to determine maximum income for eligibility and (I/we) warrant that all information set forth in this Part III is true, correct and complete and based upon information (I/we) deem reliable and that the estimate contained in paragraph 1 is reasonable and based upon such investigation as the undersigned deemed necessary.

3. (I/We) will assist the Landlord and the Agency in obtaining any information or documents required to verify the statements made in this Part III and have **attached hereto a copy of our federal income tax return for the last year (20___)**.

4. (I/We) acknowledge that (I/we) have been advised that the making of any misrepresentation or misstatement in this affidavit will constitute a material breach of (my/our) agreement with the Landlord to rent the unit and will additionally enable the Agency to initiate and pursue all applicable legal and equitable remedies with respect to the unit and to me/us.

B. (My/Our) monthly housing expenses are limited to the following:

1. Base rent _____
2. Average Monthly Utilities _____
3. Other (explain) _____

(I/We) understand that completion of monitoring forms is required on an annual basis and agree to notify the La Quinta Redevelopment Agency in writing of any change in ownership or rental of the unit.(I/We) do hereby swear under penalty of perjury that the foregoing statements are true and correct.

_____

Date _____ _____

Renter(s)

EXHIBIT E

FORM OF CERTIFICATION OF CONTINUING PROGRAM COMPLIANCE

(See following document)

CERTIFICATION OF CONTINUING PROGRAM COMPLIANCE

The undersigned, being duly authorized to execute this certificate on behalf of _____, owner of the _____ Project, hereby represents and warrants that:

1. He/she has read and is thoroughly familiar with the provisions of the Affordable Housing Regulatory Agreement between the La Quinta Redevelopment Agency and Coral Mountain Partners, L.P.

2. As of June 30, 20__, the following number of residential units in the Project (i) are currently occupied by tenants qualifying as Very Low Income Households at Affordable Rents; (ii) are currently occupied by Low Income Households at Affordable Rents; (iii) are currently occupied by Moderate Income Tenants at Affordable Rent; or (iv) are currently vacant and being held available for occupancy by Eligible Tenants and have been so held continuously since the date Eligible Tenants vacated such unit, as indicated:

i. _____ Units occupied by Very Low Income Households

ii. _____ Units occupied by Low Income Households

iii. _____ Units occupied by Moderate Income Households

iv. _____ vacant units

3. The unit number, unit size, rental amount charged and collected, number of occupants, and the income of the occupants for each Affordable Unit in the Project are set forth on the attached list. All Affordable Units in the Project are rented at Affordable Rent.

DEVELOPER NAME

CORAL MOUNTAIN PARTNERS, L.P.,
a California limited partnership

Dated:_____, 20__

By:_____

_____
(Printed name and title)

ATTACHMENT NO. 11

NOTICE OF AFFORDABILITY RESTRICTIONS

[See following document]

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

La Quinta Redevelopment Agency
P.O. Box 1504
La Quinta, CA 92247
Attn: Executive Director

Exempt From Recording Fee Pursuant to Government Code § 27383

NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF PROPERTY

Important notice to owners, purchasers, tenants, lenders, brokers, escrow and title companies, and other persons, regarding affordable housing restrictions on the real property described in this Notice: Affordable housing restrictions have been recorded with respect to the property described below (referred to in this Notice as the "Property") which require that the Property be developed as an affordable rental development and that all of the units be rented to and occupied by persons and households of limited income at affordable rents.

Title of Document Containing Affordable Housing Restrictions: Affordable Housing Regulatory Agreement ("Agreement").

Parties to Agreement: Coral Mountain Partners, L.P., a California limited partnership ("Developer"), and the La Quinta Redevelopment Agency, a public body, corporate and politic ("Agency").

The Agreement is recorded concurrently with this Notice, in the Official Records of Riverside County.

Legal Description of Property: See Exhibit "A" attached hereto and incorporated herein by this reference.

Property Location: Southeast intersection of Dune Palms Road and Highway 111.

Assessor's Parcel Numbers of Property:649-030-016 and 649-030-017.

Summary of Agreement:

- The Agreement requires the Developer to develop a one hundred seventy-six (176) unit rental housing development on the Property, which property is being leased by Developer from Agency;

- The Agreement restricts the rental of (i) thirty-six (36) units to households whose annual income does not exceed the qualifying limits under California law for "very low income households"; one hundred thirty-eight (138) units to households whose annual income does not exceed the qualifying limits under California law for "lower income households"; and two (2) units to households whose annual income does not exceed the qualifying limits under California law for "persons and families of moderate income", all as established by HUD, and as published periodically by HCD.

- The Regulatory Agreement restricts the rents that may be charged to such households to the maximum amount of rent, including a reasonable utility allowance, that does not exceed the rent permitted to be charged to the applicable household, as the case may be, determined pursuant to Health and Safety Code Section 50053(b).

- The term of the Agreement is fifty-five (55) years, commencing on the date seventy-five percent (75%) of the units have been leased to income-eligible tenants at affordable rents; provided that the term may be extended for up to twenty (20) additional years, as further provided in the Agreement.

This Notice does not contain a full description of the details of all of the terms and conditions of the Agreement. You will need to obtain and read the Agreement to fully understand the restrictions and requirements which apply to the Property.

This Notice is being recorded and filed in compliance with Health and Safety Code Section 33334.3(f)(3) and (4), and shall be indexed against the Developer, who will own fee title to the improvements during the term of the Developer's leasehold interest in the Property, and the Agency.

[signatures on next page]

"Agency"

LA QUINTA REDEVELOPMENT AGENCY, a public body, corporate and politic

Date: _____, 2011

By:_____
Executive Director

ATTEST:

_____
Agency Secretary

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Agency Legal Counsel

State of California)
County of Riverside)

On _____, before me, _____, Notary Public,
(here insert name and title of the officer)
personally appeared _____,
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_____

(seal)

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

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

ATTACHMENT NO. 12

RELEASE OF CONSTRUCTION COVENANTS

[See following document]

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

LA QUINTA REDEVELOPMENT AGENCY
P.O. Box 1504
La Quinta, CA 92247
Attention: Executive Director

(Space Above for Recorder's Use)
Exempt from Recordation Fee per Gov. Code § 27383

RELEASE OF CONSTRUCTION COVENANTS

This RELEASE OF CONSTRUCTION COVENANTS ("Release") is made this ____ day of _____, by the LA QUINTA REDEVELOPMENT AGENCY, a public body, corporate and politic ("Agency"), in favor of CORAL MOUNTAIN PARTNERS, L.P., a California limited partnership ("Developer").

R E C I T A L S

A. Developer is the owner of that certain real property located in the City of La Quinta, County of Riverside, State of California, more particularly described in the legal description attached hereto as Exhibit "A" ("Property").

B. On or about _____, 2011, Agency and Developer entered into that certain Disposition and Development Agreement ("DDA") which provides for Developer to develop on the Property a one hundred seventy-six (176) unit rental affordable housing development and certain on- and off-site public improvements, more particularly described therein as the "Project."

C. Pursuant to the DDA, Agency is required to furnish Developer with this Release upon request by Developer after completion of construction of the Project.

D. The issuance by Agency of this Release shall be conclusive evidence that Developer has complied with the terms of the DDA pertaining to the construction of the Project.

NOW, THEREFORE, in consideration of the foregoing Recitals, which are incorporated herein by this reference, the parties hereto agree as follows:

1. As provided in the DDA, Agency does hereby certify that the construction of the Project has been satisfactorily performed and completed, and that such development and construction work complies with the DDA.

2. This Release does not constitute evidence of compliance with or satisfaction of any obligation of Developer to any holder of a mortgage or any insurer of a mortgage security money loaned to finance the work of construction of improvements and development of the Property, or any part of thereof.

3. This Release is not a notice of completion as referred to in Section 3093 of the California Civil Code.

4. This Release does not terminate any other agreement or document executed by Developer in connection with the DDA, including, without limitation, that certain Affordable Housing Regulatory Agreement recorded on _____, as Instrument No. _____, in the Official Records of the County of Riverside (the "Official Records"), that certain Ground Lease entered into by and between Developer and Agency on or about _____, as referenced in that certain Memorandum of Unrecorded Ground Lease recorded on _____, as Instrument No. _____, in the Official Records, and that certain Deed of Trust recorded on _____, as Instrument No. _____, in the Official Records, all of which shall survive recordation of this Release.

IN WITNESS WHEREOF, Agency has executed this Release as of the date set forth above.

LA QUINTA REDEVELOPMENT AGENCY,
a public body, corporate and politic

Date:_____ By: _____
THOMAS P. GENOVESE, Executive Director

ATTEST:

_____
Agency Secretary

State of California)
County of Riverside)

On _____, before me, _____,
(insert name and title of the officer)
Notary Public, personally appeared _____,
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_____ (Seal)

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

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

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