

AGREEMENT BIBLIOGRAPHY

Agreement With:	Tamerlane Associates, LLC
Agreement Type:	Affordable Housing Loan Agreement for the property at 12211 Tamerlane Drive
Date Approved:	05 08 2012
Start Date:	05 08 2012
End Date:	05 07 2032
Contract Amount:	\$549,581
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GARDEN GROVE CITY COUNCIL

RESOLUTION NO. 9109-12

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE
APPROVING AN AFFORDABLE HOUSING LOAN AGREEMENT BY AND BETWEEN THE
CITY OF GARDEN GROVE AND TAMERLANE ASSOCIATES, LLC, AND MAKING
CERTAIN OTHER FINDINGS IN CONNECTION THEREWITH

WHEREAS, Tamerlane Associates, LLC, a California limited liability company (Owner) has entered or will enter into an agreement or agreements to purchase a parcel of real property in the City of Garden Grove (City), generally located at 12211 Tamerlane Drive, Garden Grove, California, and described as Assessor's Parcel Number 231-471-45 (Property);

WHEREAS, Owner desires to rehabilitate and operate an apartment complex on the Property (Project), consisting of three (3) apartment units (each, a Housing Unit);

WHEREAS, Owner and City desire to enter into an Affordable Housing Loan Agreement (Agreement) pursuant to which City will provide a loan to Owner in an amount of Five Hundred Forty-Nine Thousand, Five Hundred Eighty-One Dollars (\$549,581) (City Loan) and a payment of Thirty-Two Thousand Dollars (\$32,000) in exchange for Owner's agreement to restrict the use, operation, rental, and occupancy of all three (3) of the Housing Units at the Project to Lower Income Households paying an Affordable Rent throughout a term of twenty (20) years from the date Owner acquires the Property (Affordability Period);

WHEREAS, the Agreement and the City's expenditure of Housing Funds thereunder are intended to be a "Matching Contribution" as that term is used in the HOME Investment Partnership Act, 42 U.S.C. § 12701, *et seq.*, as it now exists and as it may hereafter be amended, as implemented by the HOME Regulations (defined in the Agreement), as they now exist and as they may hereafter be amended (collectively, the HOME Program);

WHEREAS, the Agreement requires Owner to comply with all applicable requirements of the HOME Program, as it now exists or may hereafter be amended, including, without limitation, the Rehabilitation of the Housing Units shall comply with all applicable federal laws and regulations pertaining to labor standards;

WHEREAS, initially capitalized terms used herein and not expressly otherwise defined shall have the meanings ascribed to them in the Agreement;

WHEREAS, City's payment of the City Loan and the additional \$32,000 payment to Owner and Owner's operation of the Project as an affordable rental housing project throughout the twenty (20) year Affordability Period pursuant to the Agreement and in compliance with the recorded Regulatory Agreement is in the vital and best interest of the City and the health, safety, and welfare of its residents;

WHEREAS, the Project is categorically exempt from the requirements of the California Environmental Quality Act (CEQA), California Public Resources Code Sections 21000, *et seq.* and the guidelines promulgated thereunder at 14 California Code of Regulations Section 15000, *et seq.* (CEQA Guidelines) as a "Class 1" project for the "operation, repair, maintenance, permitting, leasing, licensing or minor alteration of existing public or private structures, involving negligible or no expansion of use" pursuant to Section 15301 of the CEQA Guidelines, as a "Class 2" project for the "replacement or reconstruction of existing structures and facilities" pursuant to Section 15302 of the CEQA Guidelines, and as a "Class 32" project for "infill development consistent with the general plan on an urban parcel of up to five (5) acres with no significant effects on traffic, noise, air quality or water quality" pursuant to Section 15332 of the CEQA Guidelines; and

WHEREAS, the City has duly considered all terms and conditions of the proposed Agreement and believes that the Project is in the best interests of the City and the health, safety, and welfare of its residents, and in accord with the public purposes and provisions of applicable state and local laws and requirements.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Garden Grove as follows:

Section 1. The foregoing recitals are true and correct and constitute a substantive part of this Resolution and are fully incorporated herein.

Section 2. The City hereby finds and determines that the Project will be of benefit to the City by providing long-term affordable housing within the city.

Section 3. The City hereby finds and determines that the Agreement is exempt from CEQA as set forth above, and directs City staff to file a Notice of Exemption with the County of Orange within five (5) days hereof.

Section 4. The City hereby approves the Agreement between City and Owner with such changes as may be mutually agreed upon by the City Manager (or his duly authorized representative), City legal counsel, and Owner; provided that such changes are minor and in substantial conformance with the form of the Agreement submitted herewith. The City Manager and the City Clerk are hereby authorized to execute and attest the Agreement, including any related attachments, on behalf of City. In such regard, the City Manager (or his duly authorized representative) is authorized to sign the final version of the Agreement after completion of any such non-substantive, minor revisions. Copies of the final form of the Agreement, when duly executed and attested, shall be placed on file in the City Clerk's Office. Further, the City Manager (or his duly authorized representative) is authorized to implement the Agreement and take all further actions and execute all documents referenced therein and/or necessary and appropriate to carry out the Project as provided for within the Agreement. The City Manager (or his duly authorized representative) is hereby authorized to the extent necessary during the implementation of the Agreement to make technical or minor

changes and interpretations thereto after execution, as necessary to properly implement and carry out the Agreement, provided any and all such changes shall not in any manner materially affect the rights and obligations of the City or the expense to the City under the Agreement approved hereby.

Section 5. In addition to the authorization of Section 4 above, the City Manager is hereby authorized, on behalf of City, to sign all other documents necessary or appropriate to carry out and implement the Agreement, including causing the issuance of warrants in implementation thereof and to administer and carry out City's obligations, responsibilities, and duties to be performed under the Agreement, subject to the provisions thereof.

Section 6. The City Clerk shall certify to the adoption of this Resolution.

Adopted this 8th day of May 2012.

ATTEST:

/s/ WILLIAM J. DALTON
MAYOR

/s/ TERESA POMEROY
DEPUTY CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) SS:
CITY OF GARDEN GROVE)

I, TERESA POMEROY, Deputy City Clerk of the City of Garden Grove, do hereby certify that the foregoing Resolution was duly adopted by the City Council of the City of Garden Grove, California, at a meeting held on May 8, 2012, by the following vote:

AYES: COUNCIL MEMBERS: (5) BEARD, BROADWATER, JONES, NGUYEN, DALTON
NOES: COUNCIL MEMBERS: (0) NONE
ABSENT: COUNCIL MEMBERS: (0) NONE

/s/ TERESA POMEROY
DEPUTY CITY CLERK

ATTACHMENT TO RESOLUTION

ATTACH COPY OF FINAL AFFORDABLE HOUSING LOAN AGREEMENT

AFFORDABLE HOUSING LOAN AGREEMENT

by and between

THE CITY OF GARDEN GROVE

and

TAMERLANE ASSOCIATES, LLC
(12211 Tamerlane Drive)

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EXHIBIT H	NOTICE OF AFFORDABILITY RESTRICTIONS
EXHIBIT I	PRO FORMA

AFFORDABLE HOUSING LOAN AGREEMENT

This **AFFORDABLE HOUSING LOAN AGREEMENT** (the "Agreement") is entered into as of May 8, 2012 ("Effective Date"), by and between the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City"), and **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner").

RECITALS

A. Owner has entered or will enter into an agreement or agreements to purchase a parcel of real property located within the City of Garden Grove, at 12211 Tamerlane Drive, which is improved with a three (3) unit (each a "Unit") apartment complex thereon (the "Property"), as particularly described in the Legal Description attached hereto as Exhibit A, and incorporated herein by reference.

B. By this Agreement, and subject to the terms and conditions herein, the City desires to provide financial assistance to Owner in the form of a loan in the principal amount of Five Hundred Forty-Nine Thousand, Five Hundred Eighty-One Dollars (\$549,581) ("City Loan:") and a payment of Thirty Thousand Dollars (\$30,000) ("Developer Fee") from City general funds.

C. Owner agrees to use the City Loan to acquire, rehabilitate and operate the Property. Such acquisition, rehabilitation and operation will herein be referred to as the "Project."

D. In consideration of the City Loan, the Owner agrees to complete the Rehabilitation and rent each Unit to households earning 80% of the median income in Orange County or less at an affordable rent for a period of at least twenty (20) years ("Operating Period") from the date of the completion of the Rehabilitation.

E. The Project completion of the Project is in the vital and best interest of the City and the health, safety and welfare of its residents, and in accord with the public purposes and provisions of applicable federal, state and local laws and requirements.

NOW, THEREFORE, the parties hereto agree as follows:

100. CITY ASSISTANCE

101. City Loan. The City hereby agrees to loan to the Owner and the Owner hereby agrees to borrow from the City the amount of Five Hundred Forty-Nine Thousand, Five Hundred Eighty-One Dollars (\$549,581), subject to the terms and conditions set forth in this Agreement, and subject further to the terms and conditions set forth within the documents and instruments executed by the Owner in connection with this transaction, including the "Promissory Note," in substantially the form set forth in Exhibit B, the "Deed of Trust," in substantially the form set forth in Exhibit C, the "Regulatory Agreement," and the Notice of Affordability Restrictions substantially in the form of Exhibit H in substantially the form set forth in Exhibit E, the "Option Agreement" in substantially the form set forth in Exhibit F and the Notice of Affordability Restrictions substantially in the form of Exhibit H. The obligations of the Owner under the Promissory Note shall be non-recourse.

101.1 Repayment of the City Loan. The City Loan shall accrue simple interest at the rate of three percent (3%) per annum. Payments of the City Loan shall be made on an annual

basis from seventy-five percent (75%) of the residual cash flow ("Net Profits") from the operation of the Property until the entire principal amount of the Promissory Note is repaid in full.

101.2 Review of Project Records by City. The City shall be entitled to review the books and records of the Owner pertaining to the Operating Expenses and Net Profits of the Property, during normal business hours and upon reasonable advance notice. For the purposes of this Section 101, "Net Profits" means the gross income the Owner receives from the operation of the Property ("Project Revenues"), less deposits to reserve accounts and "Operating Expenses," as hereafter defined. "Operating Expenses" shall mean actual, reasonable and customary costs, fees and expenses directly incurred and attributable to the financing, operation, maintenance, and management of the Property, including without limitation payment of debt service on the loans approved by the City as set forth herein, painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, sewer charges, real and personal property taxes and assessments, insurance, securities, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, a management fee not to exceed five percent (5%) of gross rents and other income of the Property pursuant to Section 309 hereof; purchase, repairs, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of accountants, attorneys, consultants and other professionals, capital repairs and improvements, and other payments by the Owner pursuant to this Agreement, including indemnity obligations; provided, however, that payments to parties related to or affiliated with Owner for Operating Expenses must not exceed market rates for comparable projects in Orange County. The Operating Expenses shall not include non-cash expenses, including without limitation, depreciation. The Operating Expenses shall be reported to the City not less than annually in annual financial statements accompanied by a certification of the Owner that such financial statements present the financial position, results of operations, and cash flows fairly and in accordance with generally accepted accounting principles. Owner shall transmit to the City copies of any audited financial statements received by Owner, if any, promptly after receipt.

101.3 Substitution of Other Sources of Funding. The City's financial assistance under this Agreement is intended to come from the City's General Funds; however, the City reserves the right, in its sole and absolute discretion, to substitute another funding source(s) for the General Funds committed by this Agreement. In the event the City changes the funding source(s), the parties hereby agree to amend this Agreement, as reasonably necessary, and to execute additional documents that may be required to comply with applicable law as a result of the change in funding source(s).

102. Disbursement of the City Loan. The City Loan shall be disbursed into the escrow established for the Acquisition of the Property. The City Loan shall be disbursed on behalf of the Owner upon satisfaction of all of the following conditions precedent (the "Conditions Precedent"):

(a) ***Execution and Delivery of Documents.*** Owner shall have executed and delivered into Escrow the Promissory Note, the Deed of Trust, the Regulatory Agreement, the Notice of Affordability Restrictions, the Option Agreement, and any other documents and instruments required to be executed and delivered by Owner (collectively, the "City Loan Documents"). The Deed of Trust shall not be subordinate to the lien of any other loans, mortgages or deeds of trust.

(b) ***Property Appraisal.*** The Owner shall have submitted to City a true and correct copy of an appraisal of the fair market value of the Property, and City shall have conducted any appraisals of the Property and/or evaluations of market data which it desires,

demonstrating to the satisfaction of the City that the purchase price to be paid by the Owner for the Property is not greater than the fair market value of the Property.

(c) **Title Insurance.** The City shall have received from a title insurance company approved by the City, a pro forma of a policy of lender's title insurance, together with such endorsements as the City may require, which shall insure the Deed of Trust as a lien upon the Property, junior and subordinate only to Bank Loan as approved pursuant to Section 211 hereof.

(d) **Title to Land.** The Owner shall, as of the closing with respect to the acquisition of the Property, have good and marketable fee title to the Property, and there will exist thereon or with respect thereto no mortgage, lien, pledge or other encumbrance of any character whatsoever other than liens for current real property taxes and assessments not yet due and payable, the deeds of and any other matters approved in writing by the City. The Owner's acquisition of the Property shall be completed no later than one hundred eighty (180) days from the Effective Date of this Agreement.

(e) **Recordation.** The Deed of Trust, the Regulatory Agreement, the Option Agreement, and the Notice of Affordability Restrictions shall be recorded against the Property concurrently with or prior to the time of the disbursement of the City Loan.

(f) **Management Plan.** City shall have approved the Management Plan pursuant to Section 309 hereof.

(g) **No Default.** There shall exist no condition, event or act which would constitute an Event of Default (as hereinafter defined) hereunder or which, upon the giving of notice or the passage of time, or both, would constitute an Event of Default.

(h) **Representations and Warranties.** All representations and warranties of Owner herein contained shall be true and correct.

The parties shall attempt to complete all of their pre-closing obligations as soon as possible after the execution of this Agreement, and no later than one hundred eighty (180) days from the Effective Date of this Agreement, unless the parties mutually agree to a later date. The Owner shall use a portion of the City Loan proceeds in the amount of Fifteen Thousand Dollars (\$15,000) to establish an Operating Reserve, pursuant to Section 308 hereof. The proceeds of the City Loan shall not be used for other reserve accounts, monitoring, servicing and origination fees, or for expenditures made or incurred more than one year after Property acquisition.

103. Assumption of City Loan. Except in connection with transfers approved or permitted pursuant to Section 604 hereof, the Promissory Note shall not be assignable by the Owner or assumable by successors and assigns of Owner. In no event, however, shall the Promissory Note be assigned except in connection with the conveyance of the Property to the person or entity which acquires the Promissory Note.

104. Payment of Developer's Fee. In further consideration of the obligations of Owner hereunder, the City shall pay a "Developer's Fee" in the amount of Thirty Thousand Dollars (\$30,000), payable upon Owner's acquisition of the Property to Owner or such other person or entity as Owner may direct.

105. Condition of the Property. The following requirements shall apply to the Property:

105.1 Environmental Condition Prior to City Loan Disbursement. Except as otherwise disclosed in reports obtained by or provided to the City, the Owner represents to the City that it is not aware of, to the best of its actual knowledge, and it has not received any notice or communication from any governmental City having jurisdiction over the Property, or any other person or entity, or any reports or studies, notifying it of the presence of Hazardous Materials or Hazardous Materials Contamination in, on, or under the Property, or any portion thereof, or any violation of applicable laws. The Owner further represents that it knows of no circumstances, conditions or events that may, now or with the passage of time, give rise to any environmental or other legal claim against or affecting the Property. The Owner represents that any inspection reports, environmental audits, reports or studies which concern the Property, or inspection reports from applicable regulatory authorities with respect to the Property, which the Owner has received, have been delivered to the City.

105.2 Indemnification. Owner shall save, protect, pay for, defend, indemnify and hold harmless the City and their respective officers, employees, elected officials, consultants, attorneys, representatives and agents, 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, 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 the City and/or City and their respective officers, employees, elected officials, consultants, attorneys, representatives and agents by reason of, resulting from, in connection with or arising in any manner whatsoever as a direct or indirect result of the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission or release from the Property of any Hazardous Materials or the violation of Governmental Requirements.

105.3 Release. The Owner hereby waives, releases and discharges forever the City and the City and their respective officers, employees, elected officials, consultants, attorneys, representatives and agents, from all present and future claims, demands, suits, legal and administrative proceedings and from all liability for damages, losses, costs, liabilities, fees and expenses, present and future, arising out of or in any way connected with the City's and/or the City's or the Owner's use, maintenance, ownership or operation of the Property, any Hazardous Materials on the Property, however they came to be placed there, except that arising out of the negligence or misconduct of the City and/or City and their respective officers, employees, elected officials, consultants, attorneys, representatives and agents.

The Owner acknowledges that it is aware of and familiar with the provisions of Section 1542 of the California Civil Code which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

As such relates to this Section 105.3, the Owner hereby waives and relinquishes all rights and benefits which it may have under Section 1542 of the California Civil Code.

105.4 Duty to Prevent Release of Hazardous Materials. During its ownership and operation of the Property, the Owner shall take all necessary precautions to prevent the release of any Hazardous Materials into the environment on or under the Property. Such precautions shall include compliance with all Governmental Requirements with respect to Hazardous Materials. The Owner shall notify the City, and provide to the City a copy or copies, of any 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 the Owner shall report to the City, as soon as possible after each incident, any unusual, potentially important incidents in the event of a release of any Hazardous Materials into the environment.

105.5 Definitions. For purposes of this Section 105, "Governmental Requirements" shall mean all 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 of any other political subdivision, City or instrumentality exercising jurisdiction over the City, the Owner or the Property.

For purposes of this Section 105, "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," "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) methyl tertiary butyl ether, (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.* Hazardous Materials shall not include such products in quantities as are customarily used in the construction, maintenance, or management of multifamily residential developments or associated buildings or grounds, or typically used in multifamily residential activities in a manner typical of comparable multifamily residential developments, or substances commonly and lawfully ingested by a significant population living within the City, including without limitation alcohol, aspirin, tobacco and saccharine.

106. Timing of Acquisition. The Owner hereby covenants and agrees to acquire the Property (the "Acquisition" or "Acquire") no later than one hundred eighty (180) days from the Effective Date of this Agreement.

200. REHABILITATION OF THE PROPERTY

201. Rehabilitation of the Property. The Owner agrees to rehabilitate the Property in accordance with the Schedule of Performance which is attached hereto as Exhibit G and incorporated herein by reference, the Federal Housing Quality Standards, 24 CFR § 982.401, the City Municipal Code, and all other applicable local codes, rehabilitation standards, ordinances and zoning ordinances, and the Work Write-up which is approved by the City pursuant to Section 203 hereof (the "Rehabilitate" or "Rehabilitation"). The Rehabilitation shall be conducted on a unit-by-unit basis and in such a manner so as to avoid or minimize tenant displacement to the greatest extent feasible in accordance with the provisions of Section 210.2 below. Owner shall submit to the City one or more construction contracts with a duly licensed contractor or contractors reasonably acceptable to the City providing for the Rehabilitation of the Property in conformance with the terms of this Agreement. Each such contractor or contractors shall have provided to the City the certification required by 24 CFR § 24.510 that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation from this project, and the City shall be responsible for determining whether each contractor has been debarred. The City Manager ("City Manager") or his designee shall reasonably approve such contract or contracts if the City Manager or his designee finds that such contractor or contractors have sufficient experience and expertise necessary to perform the Rehabilitation of the Property in a first class manner in accordance with all of the requirements of this Agreement.

202. Cost of Rehabilitation. The Cost of Rehabilitation shall be paid using funds allocated for Rehabilitation, as set forth in the Pro Forma attached hereto as Exhibit I and incorporated herein by reference, which estimates a cost of Fourteen Thousand, Eight Hundred Forty-Two Dollars (\$14,842) per unit, in the total amount of Forty-Four Thousand, Five Hundred Twenty-Six Dollars (\$44,526) plus a contingency of Four Thousand, Four Hundred Fifty Three Dollars (\$4,453) and a construction management fee payable to Owner of Four Thousand, Four Hundred Fifty-Three Dollars (\$4,453) (the "Rehabilitation Allocation"). In the event the Rehabilitation Allocation is insufficient to pay for the total cost of Rehabilitation, the Owner shall locate and utilize another funding source(s) for the remainder of such costs. The Owner shall submit to the City a final line item budget for any proposed Rehabilitation of the Property, which budget shall include without limitation a description of uses by phase and total cost of Rehabilitation. The City shall reasonably approve such budget if the budget is reasonably calculated to fund the Rehabilitation of the Property in accordance with Federal Housing Quality Standards and all of the requirements of this Agreement.

203. Work Write-up. Within thirty (30) days after the Effective Date of this Agreement, the Owner shall submit to the City detailed plans, materials and drawings describing the Rehabilitation of the Property (collectively, the "Work Write-up"), and the City shall have the right to review and approve or disapprove, in its reasonable discretion, the Work Write-up. During the preparation of the Work Write-up, staff of the City and the Owner shall communicate and consult informally as frequently as necessary to coordinate the preparation and review of the Work Write-up. If the Owner desires to propose any revisions to the City-approved Work Write-up, it shall submit such proposed changes to the City and the City shall review the proposed change and notify the Owner in writing within thirty (30) days after submission to the City as to whether the proposed change is approved or disapproved. The City shall not be responsible either to the Owner or to third parties in any way for any defects in the Work Write-up, nor for any structural or other defects in any work done according to the approved Work Write-up, nor for any delays reasonably caused by the review and approval processes established by this Section 203. The Owner shall hold harmless,

indemnify and defend the City of Garden Grove and their respective officers, employees, elected officials, consultants, attorneys, representatives and agents from and against any claims, suits for damages to property or injuries to persons arising out of or in any way relating to defects in the Work Write-up, including without limitation the violation of any laws, and for defects in any work done according to the approved Work Write-up.

204. Timing of Rehabilitation. The Owner hereby covenants and agrees to commence the Rehabilitation of the Property within the time set forth in the Schedule of Performance. The Owner further covenants and agrees to diligently prosecute to completion the Rehabilitation of the Property in accordance with the approved Work Write-up and to file a Notice of Completion pursuant to California Civil Code Section 3093 within the time set forth in the Schedule of Performance. Notwithstanding the Schedule of Performance, the deadlines for performance under this Agreement set forth therein may be extended if the completion of Rehabilitation according to the Schedule of Performance would displace a resident, unless the resident can be transferred to another unit on the Property, or by mutual written agreement of the parties.

205. City and Other Governmental Agency Permits. Before commencement of the Rehabilitation for the Property, the Owner shall secure or cause its contractor to secure any and all permits which may be required by the City or any other governmental agency affected by such construction, including without limitation building permits. The Owner shall pay all necessary fees and timely submit to the Agency final drawings with final corrections to obtain such permits.

206. Right of the City to Satisfy Other Liens on the Property After City Loan Disbursement. After the disbursement of the City Loan and prior to the completion of the Rehabilitation of the Property, and after the Owner 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 City shall have the right but not the obligation to satisfy any such liens or encumbrances. Notwithstanding the above, the Owner shall have the right to contest the validity or amounts of any tax, assessment, or encumbrance applicable to the Owner in respect thereto.

207. Release of Construction Covenants. Promptly after the completion of the Rehabilitation of the Property in conformity with this Agreement (as reasonably determined by the City Manager or his designee), upon the written request of the Owner, the City shall furnish the Owner with a Release of Construction Covenants (in the form attached hereto as Exhibit D) which evidences and determines the satisfactory completion of the Rehabilitation, in accordance with this Agreement. The issuance and recordation of the Release of Construction Covenants shall not supersede, cancel, amend or limit the continued effectiveness of any obligations relating to the maintenance, or uses, or payment of monies, or any other obligations, except for the obligation to complete the Rehabilitation as of the time of the issuance of the Release of Construction Covenants.

208. Insurance and Indemnity.

208.1 Commencement of Work. Owner shall not commence work under this Agreement until all certificates and endorsements have been received and approved by City. All insurance required by this Agreement shall contain a Statement of Obligation on the part of the carrier to notify City of any material change, cancellation, or termination at least thirty (30) days in advance.

208.2 Workers Compensation. For the duration of this Agreement, Owner and all subcontractors shall maintain Workers Compensation Insurance in the amount and type required by law, if applicable. Coverage shall include a waiver of subrogation waiving subrogation rights against City, its officers, officials, agents, employees, and volunteers.

208.3 Insurance Amounts. The owner shall take out and maintain or shall cause its contractor to take out and maintain during the term of the Affordability Period (as set fourth in Section 301 hereof) the following insurance coverage:

(a) Commercial general liability in the amount of \$4,000,000 per occurrence; Coverage shall have no exclusions for Excavation, Collapse, or Underground (XCU); (claims made and modified occurrence policies are not acceptable); Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by City.

(b) Automobile liability in the amount of \$2,000,000 combined single limit, including mobile equipment, if any, and contractual liability; (claims made and modified occurrence policies are not acceptable); Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by City.

(c) Commercial crime/theft in the amount of \$250,000. Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by City. (Claims made and modified occurrence policies are not acceptable.)

(d) In the event asbestos remediation is required during the Rehabilitation, Owner shall cause the general contractor and/or asbestos abatement subcontractor to secure, during such period, an asbestos policy in an amount not less than \$2,000,000 per occurrence. Insurance companies must be acceptable to City and have a Best's Guide Rating of A- Class VII or better, as approved by City. (Claims made and modified occurrence policies are not acceptable.)

(e) Builder's All Risk in an amount equal to the replacement value of the property. Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by City. (Claims made and modified occurrence policies are not acceptable.)

(f) Excess Liability Policy in an amount not less than \$3,000,000 for any underlying policies that do not meet contractual policy limits. Insurance companies must be acceptable to City and have a Best's Guide Rating of A- Class VII or better, as approved by City. (Claims made and modified occurrence policies are not acceptable.)

An Additional Insured Endorsement, ongoing and completed operations, for the policy under Section 208.3(a) shall designate City, and its officers, officials, employees, agents, and volunteers as additional insureds for liability arising out of work or operations performed by or on behalf of the Owner. Owner shall provide to City proof of insurance and endorsement forms that conform to City's requirements, as approved by City. (Forms CG 20 26 07 04 or equivalent and CG 20 37 07 04 or equivalent)

An Additional Insured Endorsement for the policy under Section 208.3(b) shall designate City, and its officers, officials, employees, agents, and volunteers as additional insureds for automobiles owned, leased, hired, or borrowed by the Owner. Owner shall provide to City proof of

insurance and endorsement forms that conform to City's requirements, as approved by City. (Form CA 20 48 02 99 or equivalent for the auto mobile liability policy, and the mobile equipment coverage by separate endorsement.)

A Loss Payee Endorsement for the policy under Section 208.3(c) shall designate City as Loss Payee.

An Additional Insured Endorsement, asbestos policy, for the policy under Section 208.3(d) shall designate City, and its officers, officials, employees, agents, and volunteers as additional insureds. Owner shall provide to City proof of insurance and endorsement forms that conform to City's requirements, as approved by City.

An Additional Insured Endorsement, builders' all risk policy, for the policy under Section 208.3(e) shall designate City, and its officers, officials, employees, agents, and volunteers as additional insureds. Owner shall provide to City proof of insurance and endorsement forms that conform to City's requirements, as approved by City.

An Additional Insured Endorsement, excess liability policy, for the policy under Section 208.3(f) shall designate City, and its officers, officials, employees, agents, and volunteers as additional insureds. Contractor shall also provide the schedule of underlying policies and state on the insurance certificate that the excess policy follows from Owner shall provide to City proof of insurance and endorsement forms that conform to City's requirements, as approved by City.

A waiver of subrogation for all policies shall be provided against the City, and its officers, officials, agents, employees, and volunteers.

For any claims related to this Agreement, Owner's insurance coverage shall be primary insurance as respects City, its officers, officials, employees, agents, and volunteers. Any insurance or self-insurance maintained by City, its officers, officials, employees, agents, or volunteers shall by excess of the Owner's insurance and shall not contribute with it.

209. Entry by the City. Owner shall permit the City, through its officers, agents or employees, at all reasonable times to enter onto the Property and inspect the work of Rehabilitation to determine that the same is in conformity with the Work Write-up and all the requirements hereof. Owner acknowledges that the City is under no obligation to supervise, inspect, or inform Owner of the progress of construction, and Owner shall not rely upon the City therefor. Any inspection by the City is entirely for the purpose of determining whether Owner is in default under this Agreement and is not for the purpose of determining or informing Owner of the quality or suitability of construction. Owner shall rely entirely upon its own supervision and inspection in determining the quality and suitability of the materials and work, and the performance of architects, subcontractors, and material suppliers.

210. Compliance With Laws. The Owner shall carry out 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 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.*

210.1 Taxes and Assessments. The Owner shall pay prior to delinquency all ad valorem real estate taxes and assessments on the Property, subject to the Owner's right to contest in good faith any such taxes or to receive an exemption from the payment of such taxes.

210.2 Relocation. Owner shall conduct and submit to the City a tenant survey, completed by each tenant household currently residing on the Property and such other information as reasonably required by City to evaluate the relocation obligations, if any, required by federal, state and/or local law with respect to the Project. The acquisition and Rehabilitation, if applicable, shall be conducted in such a manner as to prevent, to the maximum extent feasible, any displacement of existing tenants in accordance with applicable law. The Owner and the City shall attempt to obtain Section 8 certificates or other housing subsidies as necessary to provide relocation assistance to the existing tenants of the Property who are not participants in the Owner's program (as hereinafter described). Immediately after the execution of this Agreement, the City and Owner shall cooperate in sending notices (the "Lease Notice") to the existing tenants of the Property notifying and advising such tenants of their right to lease and occupy a unit in the Property, for reasonable terms and conditions, including, but not limited to: (i) term of lease not less than one year, (ii) monthly rent and estimated average utility costs that do not exceed the greater of: (a) the tenant's monthly rent before this Agreement and estimated average monthly utility costs; or (b) Rent calculated pursuant to HOME Program requirements if the tenant is low income, or 30% of gross income if the tenant is not low income. In addition, if any existing tenant is required to move temporarily from the Property and will not be permanently displaced, such tenant(s) will receive temporary relocation assistance and benefits set forth in HOME Regulations Section 92.353(b) ("HOME Regulations" shall mean 24 C.F.R. Part 92. The form of such notice shall be approved by the City prior to its delivery to the tenants. The Owner shall enter into a written lease with each tenant, in a form approved by the City, that shall implement the monthly rent limit set forth in the Lease Notice. In the event that any permanent displacement of tenants of the Property occurs, the City shall provide relocation assistance in accordance with the HOME Regulations Section 92.353, Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act, 42 U.S.C. § 4601, *et seq.*, the California Relocation Assistance Law, Government Code Section 7260, *et seq.*, and the regulations adopted pursuant thereto by the State of California and the City (collectively, the "Relocation Laws"), and in a manner approved by the City to each displaced tenant household required to temporarily or permanently vacate a unit within the Property as a result of the Owner's acquisition of the Property or for purposes of completing the Rehabilitation of the Property. In the event of permanent displacement of existing tenants due to the implementation of this Agreement, despite the Owner's efforts to prevent such displacement as provided above, the City shall be fully responsible for administering determinations of eligibility and payments pursuant to the Relocation Laws. The City shall bear the cost of such relocation.

210.3 Liens and Stop Notices. The Owner shall not allow to be placed on the Property or any part thereof any lien or stop notice. If a claim of a lien or stop notice is given or recorded affecting the Property the Owner shall within thirty (30) days of such recording or service or within five (5) days of the City's demand, whichever last occurs: pay and discharge the same; or effect the release thereof by recording and delivering to the City a surety bond in sufficient form and amount, or otherwise; or provide the City with other assurance which the City deems, in its sole discretion, to be satisfactory for the payment of such lien or bonded stop notice and for the full and continuous protection of City from the effect of such lien or bonded stop notice.

210.4 HOME Matching Contribution. This Agreement and the City expenditures hereunder are intended to be a "Matching Contribution" as that term is used in the HOME

Investment Partnership Act, 42 U.S.C. § 12701, *et seq.*, as it now exists and as it may hereafter be amended, as implemented by the HOME Regulations, as they now exist and as they may hereafter be amended (the "HOME Program"). Accordingly, the Owner shall comply with all applicable requirements of the HOME Program, as it now exists or may hereafter be amended. Specifically, without limitation, the Rehabilitation shall comply, to the extent applicable, with the requirements of the Davis-Bacon Act (40 U.S.C. §276a - 276a-5), and as applicable, the Contract Work Hours and Safety Standards Act (40 U.S.C. §3701 *et seq.*), and other applicable federal laws and regulations pertaining to labor standards. Upon request, the City shall provide to the Owner a copy of applicable HOME Program requirements.

210.5 Prevailing Wage Requirements. The City and Owner believe that the California prevailing wage laws are not implicated by this Agreement and the Rehabilitation work to be performed hereunder because the Project meets the requirements of Section 1720(c)(6)(E) of the Labor Code which exempts from the prevailing wage laws affordable housing projects receiving public funding in the form of below-market interest rate loans for a project in which occupancy of at least forty percent (40%) of the units is restricted for at least twenty (20) years, by deed or regulatory agreement, to individuals or families earning no more than eighty percent (80%) of AMI. Notwithstanding the immediately preceding sentence, Owner hereby expressly acknowledges and agrees that the City has not previously affirmatively represented to the Owner or its contractor(s), if any, for the Rehabilitation of the Property, in writing or otherwise, that the Rehabilitation to be performed by Owner and covered by this Agreement is not a "public work," as defined in Section 1720 of the Labor Code.

210.6 City Parking Programs and Requirements. The Owner shall comply with all ordinances and other requirements or programs established by the City with respect to parking, including, without limitation, any ordinances, building code provisions or housing code provisions which require that the garages in the Property shall not be used for human habitation or commercial uses.

211. Financing of the Property. Until the City Loan is repaid in full, the Owner shall not enter into any financing for the Property without the prior written approval of the City, which approval City agrees to give if such proposed financing is provided by a responsible financial institution and the ratio of total debt and equity financing (including the City Loan) to the purchase price of the Property does not exceed One Hundred Percent (100%). The City's approval of such financing shall not be unreasonably withheld or delayed. Upon the request of the Owner, the City Loan Deed of Trust shall be made subordinate to the Bank Loan provided that the Bank Loan meets the requirements of Section 312.

211.1 Holder Performance of Rehabilitation. The holder of any mortgage or deed of trust authorized by this Agreement shall not be obligated by the provisions of this Agreement to perform the Rehabilitation of the Property, or to guarantee such construction or completion; nor shall any covenant or any other provision in this Agreement be construed so to obligate such holder. Whenever the City may deliver any notice or demand to Owner with respect to any breach or default by the Owner in completion of Rehabilitation of the Property, the City may at the same time deliver to each holder of record of any mortgage or deed of trust authorized by this Agreement a copy of such notice or demand. Each such holder shall (insofar as the rights granted by the City are concerned) have the right, at its option, within thirty (30) days after the receipt of the notice, upon expressly assuming the Owner's obligations to the City by written agreement reasonably satisfactory to the City, to cure or remedy or commence to cure or remedy and thereafter to pursue with due

diligence the cure or remedy of any such default and to add the cost thereof to the mortgage debt and the lien of its mortgage.

300. OPERATION OF HOUSING

301. Affordable Units. The Owner agrees to make the Units available to Lower Income Households at an Affordable Rent (collectively, the "Affordable Units"), pursuant to the terms set forth below and in the Regulatory Agreement and Notice of Affordability Restrictions (the "Operation" or "Operate").

For purposes of this Agreement, "High HOME Income Households"(hereinafter termed "Lower Income Households") shall mean those households with incomes that do not initially exceed eighty percent (80%) of Orange County median income, adjusted for family size, as established and amended from time to time by the United States Department of Housing and Urban Development ("HUD") or such lesser income as may be set forth in Health & Safety Code Section 50079.5 as amended from time to time.

Upon the Owner's acquisition of the Property, and annually thereafter, the Owner shall submit to the City a completed income computation and certification form, in a form to be provided by the City. The Owner shall obtain such certification prior to the rental or lease of any Affordable Unit in the Properties to a new tenant, and within a reasonable time after the Owner's acquisition of the Properties with respect to existing tenants, and annually thereafter. No new tenants shall be permitted to lease an Affordable Unit unless such certification demonstrates that such prospective tenant is a Low Income HOME Household and meets the eligibility requirements established for the Affordable Unit.

The Owner shall initially determine annual income in accordance with HOME regulations at 24 CFR 92.203 (a)(1)(i) by examining the source documents evidencing annual income (e.g. wage statement, interest statement, unemployment compensation statement) for the household and subsequently determine income during the period of affordability by obtaining a written statement and certification of annual income from each Low Income HOME Household established at 24 CFR 92.203(a)(1)(ii) and in accordance 24 CFR 92.252(h). Such income certification shall be available for inspection and copying by the City upon reasonable and advance notice during normal business hours. The Owner shall verify the income of each proposed and existing tenant of the Affordable Units in the Property at least annually.

The Property shall be subject to the requirements of this Section 300 from the date of the Owner's acquisition of the Property until the twentieth (20th) anniversary of such date. The duration of this requirement shall be known as the "Affordability Period."

302. Affordable Rent. The maximum Monthly Rent chargeable for the Affordable Units shall be annually determined by the City in accordance with the following "Affordable Rent" requirements.

The Affordable Units shall be "Fixed HOME Units" rented to Lower Income Households at "maximum HOME Rent limits" each as defined under 24 CFR 92.252 as the lesser of (a) the fair market rent for comparable housing units in the area as determined by HUD under 24 CFR 888.111, or (b) a rent that does not exceed thirty percent (30%) of sixty-five percent (65%) of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the Unit,

less the monthly allowance for utilities and services to be paid by each tenant ("Affordable Rent"). Notwithstanding the foregoing, however, if after the tenant's initial occupancy of the Unit, the tenant's income increases to a level greater than maximum income for Lower Income Households, adjusted for family size, the rent charged by Owner shall not exceed thirty percent (30%) of the family's adjusted income.

For purposes of this Agreement, "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 the Owner 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 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 Owner.

303. Lease Requirements. Prior to disbursement of the City Loan, the Owner shall submit a standard lease form to the City for the City's approval. The City shall reasonably approve such lease form upon finding that such lease form is consistent with this Agreement and contains all of the provisions required pursuant to the Community Redevelopment Law, Health & Safety Code Sections 33000 *et seq.* ("CRL") and the HOME Program and the HOME Regulations. The Owner shall enter into a written lease, in the form approved by the City, with each tenant of an Affordable Unit. Each lease shall be for a period of not less than one year, and shall not contain any of the provisions which are prohibited pursuant to 24 CFR 92.253(a) of the HOME Regulations.

304. Affirmative Marketing. The rental of the Affordable Units shall be conducted in accordance with the affirmative marketing requirements which have been adopted by the City and the requirements of Section 92.351, or successor regulation, of the HOME Regulations and other applicable HOME Program requirements.

305. Selection of Tenants. Each Affordable Unit shall be leased to tenants selected by the Owner who meet all of the requirements provided herein. The City may, from time to time, assist in the leasing of the Property by providing to the Owner names of persons who have expressed interest in renting Affordable Units. The Owner shall adopt a tenant selection system in conformance with Section 92.253(d) of the HOME Regulations, which shall be approved by the City in its reasonable discretion, which establishes a chronological waiting list system and/or random lottery system for selection of tenants. The Owner 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 HOME Program, 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; provided that Owner shall not be required to give any priority or preference to participants in the foregoing programs.

306. Occupancy Standards. Notwithstanding other applicable requirements, occupancy of one bedroom Housing Units shall be limited to three persons, occupancy of two bedroom Housing Units shall be limited to five persons, and occupancy of three bedroom Housing Units shall be limited to seven persons. Notwithstanding the foregoing, however, no current residents of Housing Units as of the date of this Agreement shall be evicted from their apartment units solely because the household does not meet the occupancy requirements of this Section 306.

307. Maintenance. The Owner shall maintain or cause to be maintained the interior and exterior of the Property in a decent, safe and sanitary manner, in accordance with the HUD Housing Quality Standards and the maintenance standards required by Section 92.251 of the HOME Regulations, and the standard of maintenance of similar housing units within Orange County, California. If at any time Owner fails to maintain the Property in accordance with this Agreement and such condition is not corrected within five days after written notice from the City with respect to graffiti, debris, waste material, and general maintenance, or thirty days after written notice from the City with respect to landscaping and building improvements, then the City, in addition to whatever remedy it may have at law or at equity, shall have the right to enter upon the applicable portion of the Property and perform all acts and work necessary to protect, maintain, and preserve the Property and landscaped areas on the Property, and to attach a lien upon the Property, or to assess the Property, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by the City and/or costs of such cure, including a reasonable administrative charge, which amount shall be promptly paid by Owner to the City, as appropriate, upon demand.

308. Reserve Requirements. The Owner shall set aside in a separate interest-bearing account, commencing upon the Owner's acquisition of the Property, the sum of Fifteen Thousand Dollars (\$15,000) (the "Operating Reserve"), and shall thereafter retain such amount in the Operating Reserve to cover shortfalls between Property income and actual Property operating expenses. The Owner shall replenish the Operating Reserve to the full amount from Project Revenues within sixty (60) days of its use to cover any such shortfall. The Owner shall provide, no less than once per every twelve (12) months, evidence reasonably satisfactory to the City of compliance herewith.

Concurrently with the establishment of the Operating Reserve as set forth herein, the Owner shall also set aside, on a monthly basis, in a separate interest-bearing account, two percent (2%) of the gross rents received from the Property (the "Capital Replacement Reserve"). When funds in the Capital Replacement Reserve equal the amount of Twelve Thousand Dollars (\$12,000), the Owner may cease depositing additional appropriations to the Capital Replacement Reserve until twenty-four (24) months after the Owner's acquisition of the Property, after which time the Owner shall continue making monthly deposits of two percent (2%) of the gross rents received from the Property. Funds in the Capital Replacement Reserve shall be used for capital replacements to the Property fixtures and equipment which are normally capitalized under generally accepted accounting principles. As capital repairs and improvements of the Property become necessary, the Capital Replacement Reserve shall be the first source of payment therefor. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve the Owner of the obligation to undertake necessary capital repairs and improvements and to continue to maintain the Property in the manner prescribed in this Agreement. Not less than once per year, Owner, at its expense, shall submit to the City an accounting for the Capital Replacement Reserve. Capital repairs to and replacement of the Property shall include only those items with a long useful life of five or more years, 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 and irrigation pipe and controls 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.

In the event that Owner provides evidence reasonably satisfactory to City that there are insufficient funds in the Capital Replacement Reserve and/or from Net Profits for Owner to undertake necessary capital repairs and improvements as required in this Agreement, the City shall advance such funds, provided that the amount shall be added to the Promissory Note. The Deed of Trust, referencing the new amount will be recorded again, reflecting the new principal amount, junior only to the Bank Loan.

309. Long Term Management of the Property. The parties acknowledge that the City is interested in the long term management and operation of the Property and in the qualifications of any person or entity retained by the Owner for that purpose (the "Property Manager"). The Owner shall, upon the date of acquisition of the Property, either contract with an experienced and reputable party to be the Property Manager or Owner shall itself serve as the Property Manager. During the term of the Affordability Period, the City may from time to time review and evaluate the identity and performance of the Property Manager of the Property as it deems appropriate. If the City determines that the performance of the Property Manager is deficient based upon the standards and requirements set forth in this Agreement, the City shall provide notice to the Owner of such deficiencies and the Owner shall use its best efforts to correct such deficiencies. In the event such deficiencies have not been cured within the time set forth in Section 501 hereof, the City shall have the right to require the Owner to immediately remove and replace the Property Manager and to appoint another property manager or property management company which is reasonably acceptable to the City, which is not related to or affiliated with the Owner, and which has not less than five (5) years experience in property management, including significant experience managing affordable multifamily residential developments of the size, quality and scope of the Property.

In addition, prior to the acquisition of the Property the Owner shall submit for the approval of the City a "Management Plan" which sets forth in detail the Owner's property management duties, the affirmative marketing procedures in accordance with Section 304 hereof, the tenant selection process in accordance with Section 305 hereof, a security system and crime prevention program, the procedures for the collection of rent, the procedures for monitoring of occupancy levels, the procedures for eviction of tenants, the rules and regulations of the Property and manner of enforcement, a standard lease form in accordance with Section 303 hereof, the identity of the Property Manager, and other matters relevant to the management of the Property. The Management Plan shall require the Property Manager to adhere to a fair lease and grievance procedure and provide a plan for tenant participation in management decisions. The management of the Property shall be in compliance with the Management Plan which is approved by the City.

Until the City Loan has been fully repaid, the Owner shall annually submit to the City for its reasonable approval a budget for the operation of the Property. The fee paid to Property Manager shall not exceed five percent (5%) of the gross income of the Property per annum. Other fees and payments shall be consistent with prevailing market rates for the services performed and goods provided in consideration for such fees and payments. The Owner shall ensure that the expenses of operating the Property do not materially exceed the budget which has been approved by the City. The Owner shall annually provide to the City a detailed accounting of operating expenses and shall make its books and records available to the City for inspection and copying, upon reasonable advance notice during its normal hours of business.

310. Monitoring and Recordkeeping. Throughout the Affordability Period, Owner shall comply with all applicable recordkeeping and monitoring requirements set forth in Section 92.508 (or successor regulation) of the HOME Regulations and Health & Safety Code Section 33418 and

shall annually complete and submit to City a Certification of Continuing Program Compliance in the form provided by the City. Representatives of the City shall be entitled to enter the Property, upon at least twenty-four (24) hours notice, to monitor compliance with this Agreement, to inspect the records of the Property with respect to compliance herewith, and to conduct an independent audit or inspection of such records. The Owner agrees to cooperate with the City in making the Property available for such inspection or audit. If for any reason the City is unable to obtain the Owner's consent to such an inspection or audit, the Owner understands and agrees that the City may obtain at Owner's expense an administrative inspection warrant or other appropriate legal order to obtain access to and search the Property. Owner agrees to maintain records in businesslike manner, and to maintain such records for the term of this Agreement.

311. Non-Discrimination Covenants. Owner covenants by and for itself, its successors 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. All deeds, leases or contracts relating to the Housing Units or the Site, or any part thereof, shall contain or be subject to substantially the following non-discrimination or non-segregation 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."

312. Compliance with Equal Opportunity and Fair Housing. Owner shall also comply with the equal opportunity and fair housing requirements set forth in Section 92.350 of the HOME Regulations. The covenants established in this Section 311 shall, without regard to technical classification and designation, be binding for the benefit and in favor of City and its successors and assigns, and shall remain in effect in perpetuity.

313. Regulatory Agreement. The requirements of this Agreement which are applicable after the disbursement of the City Loan are set forth in the Regulatory Agreement and Notice of Affordability Restrictions. The execution and recordation of the Regulatory Agreement is a Condition Precedent to the disbursement of the City Loan, as set forth in Section 102 hereof. The Regulatory Agreement shall run with the land and shall be subordinate to the lien of the Bank Loan approved by the City pursuant to Section 211 hereof, provided that the City finds that an economically feasible method of financing for the acquisition and operation of the Property, without the subordination of the covenants as may be set forth in this Agreement and the Regulatory Agreement, is not reasonably available. Upon making such a finding, the City Manager (or designee) is hereby authorized to execute such subordination agreements and/or such other documents as may be necessary to evidence such subordination, provided that such subordination agreements contain written commitments which the City Manager (or designee) finds are reasonably designed to protect the City's investment in the event of default, such as any of the following: (a) a right of the City to cure a default on the loan prior to foreclosure, (b) a right of the City to negotiate with the lender after notice of default from the lender and prior to foreclosure, (c) an agreement that if prior to foreclosure of the loan, the City takes title to the property and cures the default on the loan, the lender will not exercise any right it may have to accelerate the loan by reason of the transfer of title to the City, and (d) a right of the City to purchase the Property from the Owner at any time after a default on the loan.

400. OPTION TO PURCHASE

401. Option. The Owner hereby grants to the City, and the City shall have, subject to any deeds of trust which have been approved pursuant to Section 211 of this Agreement, an option (the "Option") to purchase the Property from Owner at the purchase price set forth in the Option (the "Option"). The City shall have the right but not the obligation to exercise the Option at any time commencing upon the date of the Owner's acquisition of the Property (the "Option commencement date"). If the Option has not been exercised by March 19, 2030, it shall automatically expire. Upon such expiration, the City shall, upon receipt of request therefor by the Owner, provide written confirmation in recordable form that such Option no longer remains in effect. The terms and conditions of the Option shall be set forth in an Option Agreement substantially in the form of Exhibit F, which is attached hereto and incorporated herein, which shall be executed by the parties to

the Option and recorded as an encumbrance to the Property concurrently with the Owner's acquisition of the Property.

500. DEFAULT AND REMEDIES

501. Events of Default. A failure by any party to perform any action or covenant required by this Agreement, the Regulatory Agreement, the Promissory Note, the Deed of Trust, or any loan or deed of trust for the Property which is senior to the City Loan, within the time periods provided herein following notice and failure to cure as described hereafter, constitutes a "Default" under this Agreement. A party claiming a Default shall give written notice of Default to the other parties specifying the Default complained of. Except as otherwise expressly provided in this Agreement, the claimant shall not institute any proceeding against any other party, and the other party shall not be in Default if such party cures such default within thirty (30) days from receipt of such notice of such Default hereunder. However, in the event that such Default is other than a failure to pay money and is of such a nature that it cannot reasonably be cured within thirty (30) days from receipt of such notice, the claimant shall not institute any proceeding against the other party, and the other party shall not be in Default if such party immediately upon receipt of such notice, with due diligence, commences to cure, correct or remedy such failure or delay and completes such cure, correction or remedy with diligence as soon as reasonably possible thereafter. In the event that the Owner is in default on any loan or deed of trust senior to the City Loan, the Owner shall immediately deliver to the City a copy of such notice of default. Even if the holder of such loan or deed of trust has not exercised its rights or remedies with respect to such default, the City shall each have the right (but not be obligated) to cure such default. In such event, the City shall be entitled to reimbursement from the Owner of all costs and expenses it has actually incurred in curing such default. The City shall be entitled to add the amount incurred by it to the amounts owing pursuant to the Promissory Note, and secured by the Deed of Trust.

502. Remedies. The occurrence of any Event of Default shall give the nondefaulting party the right to proceed with any and all remedies set forth in this Agreement and/or the Promissory Note, Deed of Trust or Regulatory Agreement (collectively, the "City Loan Documents"), including an action for damages, an action or proceeding at law or in equity to require the defaulting party to perform its obligations and covenants under the City Loan Documents or to enjoin acts or things which may be unlawful or in violation of the provisions of the City Loan Documents, and the right to terminate this Agreement. In addition, the occurrence of any Event of Default by Owner will relieve the City of any obligation to perform hereunder, including without limitation to make or continue the City Loan, and the right to cause all indebtedness of the Owner to the City under this Agreement and the Promissory Note, together with any accrued interest thereon, to become immediately due and payable.

503. Force Majeure. Subject to the party's compliance with the notice requirements as set forth below, performance by either party hereunder shall not be deemed to be a default hereof, and all performance and other dates specified in this Agreement shall be extended, where delays or defaults are due to causes beyond the control and without the fault of the party claiming an extension of time to perform, which may include the following: war, insurrection, strikes, lockouts, riots, floods, earthquakes, fires, assaults, 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, acts or omissions of the other party, acts or failures to act of any public or governmental entity (except that the City's acts or failure to act shall not excuse performance of the City hereunder). An extension of the 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. Inability to obtain financing for the acquisition or operation of the Property shall not constitute an event beyond the control of the Owner for purposes of this Section 503.

504. Attorneys' Fees. In addition to any other remedies provided hereunder or available pursuant to law, if either party brings an action or proceeding to enforce, protect or establish any right or remedy hereunder or under any of the City Loan Documents, the prevailing party shall be entitled to recover from the other party its costs of suit and reasonable attorneys' fees.

505. Remedies Cumulative. No right, power, or remedy given to the City by the terms of this Agreement or the City Loan Documents is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given to the City by the terms of any such instrument, or by any statute or otherwise against Owner and any other person.

506. Waiver of Terms and Conditions. The City may, in its sole discretion, waive in writing any of the terms and conditions of this Agreement. Waivers of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition.

507. Non-Liability of City Officials and Employees. No member, official, elected official, consultant, attorney, representative, employee or agent of the City shall be personally liable to the Owner, or any successor in interest, in the event of any default or breach by the City or for any amount which may become due to the Owner or its successors, or on any obligations under the terms of this Agreement.

600. GENERAL PROVISIONS

601. Time. Time is of the essence in this Agreement.

602. Notices. Any approval, disapproval, demand, document or other notice ("Notice") which either party may desire to give to the other party under this Agreement must be in writing and may be given either by (i) personal service, (ii) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (iii) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below, or at any other address as that party may later designate by Notice:

Owner: Tamerlane Associates, LLC
14 Corporate Plaza, Suite 100
Newport Beach, CA 92660
Attention: Charles Fry

City: City of Garden Grove
11222 Acacia Parkway
P.O. Box 3070
Garden Grove, California 92842
Attn: City Manager

Such addresses may be changed by notice to the other party given in the same manner as provided above.

603. Representations and Warranties of Owner. Owner hereby represents and warrants to the City as follows:

(a) **Organization.** Owner is a duly organized, validly existing limited liability company in good standing under the laws of the State of California and has the power and authority to own property and conduct such business as now being conducted.

(b) **Authority of Owner.** Owner has full power and authority to execute and deliver this Agreement and to make and accept the borrowings contemplated hereunder, to execute and deliver the City Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, to acquire and operate the Property, and to perform and observe the terms and provisions of all of the above.

(c) **Valid Binding Agreements.** This Agreement and the City Loan Documents and all other documents or instruments which have been executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so executed and delivered constitute, legal, valid and binding obligations of Owner enforceable against it in accordance with their respective terms.

(d) **Pending Proceedings.** Owner is not in default under any law or regulation or under any order of any court, board, commission or agency whatsoever, and there are no claims, actions, suits or proceedings pending or, to the knowledge of Owner, threatened against or affecting Owner or the Property, at law or in equity, before or by any court, board, commission or agency whatsoever which might, if determined adversely to Owner, materially affect Owner's ability to repay the City Loan or impair the security to be given to the City pursuant hereto.

(e) **Layering Review.** The Owner acknowledges that a layering review was performed in accordance with 24 CFR 92.250 (b). The Owner hereby represents and certifies to the City that no government assistance other than the City Loan, comprised of the General Funds and the Set Aside Funds, has been obtained or is contemplated to be obtained for the acquisition of the Property. The Owner agrees to notify the City in the event that it applies for or proposes to use other governmental funds for the Property prior to the end of the Affordability Period.

604. Limitation Upon Change in Ownership, Management and Control of the Property.

(a) **Prohibition.** The identity and qualifications of Owner as an experienced and successful operator of multifamily housing are of particular concern to the City. It is because of this identity and these qualifications that the City has entered into this Agreement with the Owner. No voluntary or involuntary successor in interest of the Owner shall acquire any rights or powers under this Agreement by assignment or otherwise, nor shall Owner make any total or partial sale, transfer, conveyance, encumbrance to secure financing, assignment or lease of the whole or any part of the Property without the prior written approval of the City pursuant to Subparagraph (c) hereof, except as expressly set forth herein, which approval shall not be unreasonably withheld.

(b) *Permitted Transfers.* Notwithstanding any other provision of this Agreement to the contrary, City approval of an assignment or transfer of this Agreement, the City Loan, the Promissory Note, the Deed of Trust, the Regulatory Agreement, or conveyance of the Property or any part thereof pursuant to subparagraph (c) of this Section 604, shall not be required in connection with any of the following (the "Permitted Transfers"):

(i) Subject to the restrictions of Sections 301 through 312 of this Agreement and the Regulatory Agreement, the lease of units within the Property to qualified tenants.

(ii) Assignment for financing purposes, subject to such financing being considered and approved by the City pursuant to Section 211 hereof.

(iii) Assignment of this Agreement and the conveyance of the Property to family members or a trust for estate planning purposes, or transfer of this Agreement and the Property to an entity in which Owner owns not less than fifty percent (50%) of the beneficial interest in the Property, and is under the management and control of the Owner, and the transferee entity executes an agreement reasonably acceptable to the City assuming all of the obligations under this Agreement.

In the event of an assignment by Owner not requiring the City's prior approval, Owner nevertheless agrees that at least ten (10) days prior to such assignment or transfer it shall give written notice to City of such assignment or transfer.

(c) *City Consideration of Requested Transfer.* The City agrees that it will not unreasonably withhold approval of a request made pursuant to this Section 604, provided (a) the Owner delivers written notice to the City requesting such approval, and (b) the proposed assignee or transferee possesses comparable operational experience and capability with respect to the operation of similar types of multifamily rental property, and comparable net worth and resources as necessary to operate the Property, and (c) the proposed assignee or transferee assumes the obligations of the Owner under this Agreement and the Promissory Note in a form which is reasonably acceptable to the City. Such notice shall be accompanied by evidence regarding the proposed assignee's or purchaser's qualifications and experience and its financial commitments and resources sufficient to enable the City to evaluate the proposed assignee or purchaser pursuant to the criteria set forth in this Section 604(c) and other criteria as reasonably determined by the City. The City shall approve or disapprove the request within thirty (30) days of its receipt of the Owner's notice and all information and materials required herein. In no event, however, shall the City be obligated to approve the assignment or transfer of the City Loan, Promissory Note or Deed of Trust pursuant to this Section 604, except to an approved transferee or assignee of the Owner's rights in and to the Property.

(d) *Successors and Assigns.* This Agreement shall run with the land, and all of the terms, covenants and conditions of this Agreement shall be binding upon the Owner and the permitted successors and assigns of the Owner. Whenever the term "Owner" is used in this Agreement, such term shall include any other permitted successors and assigns as herein provided.

605. No Third Parties Benefited. This Agreement is made and entered into for the protection and benefit of the City, its successors and assigns, and Owner, its permitted successors and assigns, and no other person or persons, except that the City and Housing Authority shall be third party beneficiaries of this Agreement, including but not limited to the Affordability covenants and

the covenants against discrimination contained in this Agreement, the Regulatory Agreement, and the Notice of Affordability Restrictions and shall have the right to enforce such covenants.

606. Partial Invalidity. If any provision of this Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

607. Governing Law. This Agreement and the City Loan Documents and other instruments given pursuant hereto shall be construed in accordance with and be governed by the laws of the State of California. Any references herein to particular statutes or regulations shall be deemed to refer to successor statutes or regulations, or amendments thereto.

608. Amendment. This Agreement may not be changed orally, but only by agreement in writing signed by Owner and the City.

609. Approvals. Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of the City, such approval may be given on behalf of the City by the City Manager or his or her designee. The City Manager or his or her designee is hereby authorized to take such actions as may be necessary or appropriate to implement this Agreement on behalf of the City, including without limitation the execution of such documents or agreements as may be contemplated by this Agreement, and amendments which do not substantially change the uses or restrictions hereunder, or substantially add to the costs of the City hereunder.

[Signature block begins on page 23.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year set forth below.

OWNER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: Chal H. Long

Its: Manager

CITY:

CITY OF GARDEN GROVE, a California
municipal corporation

By: Steven Emery for
City Manager

ATTEST:

Deena Pomroy, Deputy
City Clerk

APPROVED AS TO FORM:

[Signature]
Stradling Yocca Carlson & Rauth
City Special Counsel

EXHIBIT A

LEGAL DESCRIPTION

The land referred to herein is situated in the State of California, County of Orange, and described as follows:

Lot 4 of Tract No. 3050, in the City of Garden Grove, County of Orange, State of California, as shown on a map recorded in Book 92 Page(s) 31 and 32 of Miscellaneous Maps, in the office of the County Recorder of said County.

Except therefrom all minerals, ores, precious and useful metal substances and hydrocarbons of every kind and character, including petroleum, oil, gas, asphaltum and tar that may now or hereafter be found, located, contained, developed or taken on, in, under or from said land, as reserved by Beatrice Durkee Watson, Ruth Durkee Bell and Florence Durkee in deed recorded September 14, 1955, in book 3208, page 261, Official Records, and in deed from Ella H. Collman, a widow, and George Albertus Collman, her son, recorded July 14, 1955, in book 3138, page 552, Official Records, which deeds provide as follows: "but without the right to use the surface of said land for any such purpose, or to enter upon the surface of the demised land for any such purpose, or to penetrate or enter upon the demised and in any way at a depth from the surface thereof less than 500 feet."

APN: 231-471-45

PROMISSORY NOTE

\$549,581

May 8, 2012

Garden Grove, California

FOR VALUE RECEIVED, TAMERLANE ASSOCIATES, LLC, a California limited liability company (“Owner”), promises to pay to the **CITY OF GARDEN GROVE**, a municipal corporation (the “City”), or order at the City’s office at 11222 Acacia Parkway, Garden Grove, California 92840, or such other place as the City may designate in writing, the principal sum of Five Hundred Forty-Nine Thousand, Five Hundred Eighty-One Dollars (\$549,581) (the “Note Amount”), 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 Promissory Note (the “Note”) is given in accordance with that certain Affordable Housing Loan Agreement executed by the City and the Owner, dated as of May 8, 2012 (the “Agreement”). The rights and obligations of the Owner and the City under this Note shall be governed by the Agreement and by the additional terms set forth in this Note.

2. Interest. The Note Amount shall accrue simple interest at the rate of three percent (3%) per annum.

3. Repayment of Note Amount. The Owner shall make payments on this Note as follows, until the earlier to occur of (i) the full Note Amount is repaid in full or (ii) the Operating Period terminates: the Owner shall pay to the City an amount equal to seventy-five percent (75%) of the Net Profits from the Property on January 15th of each calendar year during the term of this Note. The City shall be entitled to review the books and records of the Owner pertaining to the Operating Expenses and Net Profits of the Property, during normal business hours and upon reasonable advance notice. For the purposes of this Section 3, “Net Profits” means gross income from the Property and any other income the Owner receives from the operation of the Property, less deposits to reserve accounts and “Operating Expenses,” as hereafter defined. “Operating Expenses” shall mean actual, reasonable and customary costs, fees and expenses directly incurred and attributable to the financing, operation, maintenance, and management of the Property, including without limitation payment of debt service on the loans approved by the City as set forth herein, painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, sewer charges, real and personal property taxes and assessments, insurance, securities, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, a management fee not to exceed five percent (5%) of gross rents and other income of the Property pursuant to Section 309 of the Agreement; purchase, repairs, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of accountants, attorneys, consultants and other professionals, capital repairs and improvements, and other payments by the Owner pursuant to the Agreement, including indemnity obligations; provided, however, that payments to parties related to or affiliated with Owner for Operating Expenses must not exceed market rates. The Operating Expenses shall not include non-cash expenses, including without limitation, depreciation. The Operating Expenses shall be reported to the City not less than annually in annual financial statements accompanied by a certification of the Owner that such financial statements present the financial position, results of operations, and cash

flows fairly and in accordance with generally accepted accounting principles. Owner shall transmit to the City copies of any audited financial statements received by Owner, if any, promptly after receipt.

Notwithstanding the above, however, the total amount of the principal, interest and any other amounts owed under this Note shall become immediately due and payable upon the earlier to occur of the following:

- (a) the sale, lease, exchange or other conveyance of the Property, as that term is defined in the Agreement (other than transfers permitted pursuant to Section 604 of the Agreement); or
- (b) in the event of a default by the Owner under the Agreement, the Deed of Trust securing this Note, the Regulatory Agreement, or this Note, which has not been cured within the period of time set forth in those documents.
- (c) the City's purchase of the Property pursuant to Section 400 of the Agreement.

Failure to declare such amounts due shall not constitute a waiver on the part of the City to declare them due subsequently.

4. Sale or Conveyance of the Property. Notwithstanding the provisions of Section 3, if the Property is sold or transferred by Owner to a Buyer and/or Transferee who is approved by the City pursuant to Section 604 of the Agreement, then the Note Amount together with accrued simple interest thereon, if any, is immediately due and payable or, Buyer and/or Transferee may, with the express written consent of the City in its sole and reasonable discretion, fully assume this Note and the Deed of Trust.

5. Security. This Note is secured by a Deed of Trust dated the same date as this Note.

6. Waivers

- (a) Owner expressly agrees that this Note or any payment hereunder may be extended from time to time at the City's sole discretion and that the City 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 Owner.
- (b) No extension of time for payment of this Note made by agreement by the City 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 Owner under this Note, either in whole or in part.
- (c) The obligations of Owner under this Note shall be absolute and Owner waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reasons whatsoever.

7. **Attorneys' Fees and Costs.** Owner agrees that if any amounts due under this Note are not paid when due, Owner shall pay in addition, 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.

8. **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.

9. **Deed of Trust Acceleration.** The Deed of Trust and the Agreement provide for acceleration of the payments due under this Note in the event of default under the Deed of Trust or Agreement.

10. **Amendments and Modifications.** This Note may not be changed orally, but only by an amendment in writing signed by Owner and by the City.

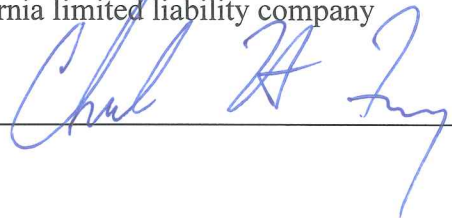
11. **City May Assign.** City may, at its option, assign its right to receive payment under this Note without necessity of obtaining the consent of the Owner.

12. **Owner Assignment Prohibited.** Except in connection with transfers permitted pursuant to Section 604 of the Agreement, in no event shall Owner assign or transfer any portion of this Note without the prior express written consent of the City, which consent may be given or withheld in the City's sole discretion.

13. **Terms.** Any terms not separately defined herein shall have the same meanings as set forth in the Agreement.

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: _____

A handwritten signature in blue ink, appearing to read "Chad H. Long", is written over a horizontal line.

Recorded in Official Records, Orange County
Tom Daly, Clerk-Recorder

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Garden Grove
11222 Acacia Parkway
P.O. Box 3070
Garden Grove, California 92842
Attention: City Manager



NO FEE

2012000355036 02:37pm 06/22/12

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This document is exempt from the payment of a recording
fee pursuant to Government Code Section 6103.

DEED OF TRUST AND ASSIGNMENT OF RENTS

This **DEED OF TRUST AND ASSIGNMENT OF RENTS** is made as of the 8th day of May, 2012, by and among **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Trustor"), whose address is 14 Corporate Plaza, Suite 100, Newport Beach, California 92660, **ALLIANCE TITLE COMPANY** (the "Trustee"), whose address is 18831 Von Karman, Suite 380, Irvine, California 92612, and **CITY OF GARDEN GROVE**, a municipal corporation (the "Beneficiary"), whose address is 11222 Acacia Parkway, P.O. Box 3070, Garden Grove, California 92842.

FOR GOOD AND VALUABLE CONSIDERATION, including the indebtedness herein recited and the trust herein created, the receipt of which is hereby acknowledged, Trustor hereby irrevocably grants, transfers, conveys and assigns to Trustee, IN TRUST, WITH POWER OF SALE, for the benefit and security of Beneficiary, under and subject to the terms and conditions hereinafter set forth, the property located in the City of Garden Grove, County of Orange, State of California, that is described in Attachment No. 1, attached hereto and by this reference incorporated herein (the "Property");

TOGETHER WITH all rents, issues, profits, royalties, income and other benefits derived from the Property (collectively, the "rents"), provided that so long as Trustor is not in default hereunder, it shall be permitted to collect rents and operate the Property in accordance with the requirements of that certain Affordable Housing Loan Agreement entered into between Trustor and the Beneficiary as of May 8, 2012 (the "Agreement"), which Agreement is on file with the Beneficiary as a public record and is incorporated by reference herein;

TOGETHER WITH all interests, estates or other claims, both in law and in equity which Trustor now has or may hereafter acquire in the Property and the rents;

TOGETHER WITH all easements, rights-of-way and rights used in connection therewith or as a means of access thereto, including, without limiting the generality of the foregoing, all tenements, hereditaments and appurtenances thereof and thereto;

TOGETHER WITH any and all buildings and improvements now or hereafter erected thereon, and all property of the Trustor now or hereafter affixed to or placed upon the Property, including, without limitation, all fixtures, attachments, appliances, furnishings, equipment and machinery (whether fixed or movable) and other articles (including, in each instance, improvements, restorations, replacements, repairs, additions, accessions or substitutions thereto or therefor);

TOGETHER WITH all leasehold estate, right, title and interest of Trustor in and to all leases or subleases covering the Property or any portion thereof now or hereafter existing or entered into, and all right, title and interest of Trustor thereunder, including, without limitation, all cash or security deposits, advance rentals, and deposits or payments of similar nature;

TOGETHER WITH all right, title and interest of Trustor in and to all options to purchase or lease the Property or any portion thereof or interest therein, and any greater estate in the Property owned or hereafter acquired;

TOGETHER WITH all right, title and interest of Trustor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Property, and any and all sidewalks, alleys and strips and gores of land adjacent to or used in connection with the Property;

TOGETHER WITH all the estate, interest, right, title, other claim or demand, of every nature, in and to such property, including the Property, both in law and in equity, including, but not limited to, all deposits made with or other security given by Trustor to utility companies, the proceeds from any or all of such property, including the Property, claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Trustor now has or may hereafter acquire, any and all awards made for the taking by eminent domain or by any proceeding or purchase in lieu thereof of the whole or any part of such property, including without limitation, any awards resulting from a change of grade of streets and awards for severance damages;

All of the foregoing, together with the Property, is herein referred to as the "Security".

FOR THE PURPOSE OF SECURING:

1. Repayment of the City Loan of Five Hundred Forty-Nine Thousand, Five Hundred Eighty-One Dollars (\$549,581), payable pursuant to the Promissory Note.
2. Payment of any sums advanced by Beneficiary to protect the Security pursuant to the terms and provisions of this Deed of Trust following a breach of Trustor's obligation to advance said sums and the expiration of any applicable cure period and upon fifteen (15) business days notice to the Trustor, with interest thereon as provided herein;
3. Payment of such additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, by Beneficiary, when evidenced by a promissory note or notes or other documents reciting that they are secured by this Deed of Trust; and
4. Performance of every material obligation, covenant or agreement of Trustor contained herein or in the Promissory Note or the Agreement (and any amendments thereto).

ARTICLE I

DEFINITIONS

1. "Agreement" means that Affordable Housing Loan Agreement entered into by and among Trustor and the Beneficiary hereof, dated as of May 8, 2012, said Agreement (a copy of which is on file with the Beneficiary at the address stated above, and including all of its attachments) is incorporated herein by reference.

2. The term "Expiration Date" means the date upon which the City Loan amount due pursuant to the Promissory Note (if any), has been paid in full, and all other obligations the performance of which is secured by this Deed of Trust have been satisfied.

3. "Mortgage" means any permanent or long-term loan (other than a loan by an entity related to or controlled by the Trustor), or any other financing device (including without limitation deeds of trust) the proceeds of which were used by Trustor to acquire the Property, which loan is secured by a security interest in the Property;

4. "Promissory Note" collectively means the Promissory Note of even date herewith from Trustor in favor of Beneficiary evidencing Trustor's obligation to repay the City Loan.

5. "Property" means the real property referred to in Attachment No. 1 attached hereto.

6. "Security" means the Property and all appurtenant improvements.

7. "Standards" means those standards of rehabilitation and operation required by the Agreement and in accordance with the Federal Housing Quality Standards, 24 CFR § 982.401.

8. "Trustor" means Tamerlane Associates, LLC, a California limited liability company, and each of its transferees and successors in interest. Where an obligation is created herein binding upon Trustor, the obligation shall be joint and several and shall also apply to and bind any transferees or successors in interest. Where the terms of the Deed of Trust have the effect of creating an obligation of the Trustor and a transferee, such obligation shall be deemed to be a joint and several obligation of the Trustor and such transferee.

Unless the context clearly otherwise requires, any capitalized term used herein and not defined herein shall have the meaning given to it under the Agreement (and any amendments thereto).

ARTICLE II

MAINTENANCE AND MODIFICATION OF THE PROPERTY AND SECURITY; RELEASE UPON PAYMENT

Section 2.1 Maintenance and Modification of the Property by Trustor. The Trustor agrees that at all times prior to the Expiration Date, the Trustor will, at the Trustor's own expense, maintain, preserve and keep the Property or cause the Property to be maintained, preserved and kept in a condition conforming to the Standards and with only those uses allowed by the Agreement. The Trustor will from time to time make or cause to be made all repairs, replacements and renewals deemed proper and necessary by it. The Beneficiary shall have no responsibility in any of these matters or for the making of improvements or additions to the Property.

Trustor agrees to pay fully and discharge (or cause to be paid fully and discharged) all claims for labor done and for material and services furnished in connection with the Security, diligently to file or procure the filing of a valid notice of completion upon completion of construction of any part of the Security, diligently file or procure the filing of a notice of cessation upon the event of a cessation of labor on the work or construction on the Security for a continuous period of thirty (30) days or more, and to take all other reasonable steps to forestall the assertion of claims of lien against the Security or any part thereof.

Section 2.2 Release of Security. Upon its receipt of the repayment of all amounts due under the Promissory Note, and all amounts secured by this Deed of Trust, and provided that the Trustor is not in default under the Agreement, the Beneficiary shall, upon the request of the Trustor, deliver to the Trustor such instruments as are reasonably necessary to confirm the release of the Security from the lien of this Deed of Trust.

ARTICLE III

TAXES AND INSURANCE; ADVANCES

Section 3.1 Taxes, Other Governmental Charges and Utility Charges. Trustor shall pay, or cause to be paid prior to delinquency, all taxes, assessments, charges and levies imposed by any public authority or utility company which are or may become a lien affecting the Security or any part thereof; provided, however, that Trustor shall not be required to pay and discharge any such tax, assessment, charge or levy so long as (a) the legality thereof shall be promptly and actively contested in good faith and by appropriate proceedings, and (b) Trustor maintains reserves adequate to pay any liabilities contested pursuant to this Section 3.1 in accordance with generally accepted accounting principles.

In the event that Trustor shall fail to pay any of the foregoing items required by this Section to be paid by Trustor, Beneficiary may (but shall be under no obligation to) pay the same, after the Beneficiary has notified the Trustor of such failure to pay and the Trustor fails to fully pay any such item within seven (7) business days of the earlier of the receipt or mailing of such notice. Any amount so advanced therefor by Beneficiary, together with interest thereon from the date of such advance at the maximum rate permitted by the law of the State of California, shall become an additional obligation of Trustor to the Beneficiary and shall be secured hereby, and Trustor hereby agrees to pay all such amounts.

Section 3.2 Provisions Respecting Insurance.

(a) Trustor agrees to provide insurance for the Security of the kind and in the amounts required by the Agreement.

(b) All such insurance policies and coverages (i) shall be maintained at Trustor's sole cost and expense so long as any part of the amounts secured by this Deed of Trust have not been paid, (ii) shall be with insurers of recognized responsibility, and in form and substance satisfactory to the Beneficiary, (iii) shall name Beneficiary as additional insured, and (iv) shall contain a provision to the effect that the insurer shall not cancel the policy or modify it materially and adversely to the interests of Beneficiary without first giving at least thirty (30) days' prior written notice thereof. Certificates of insurance for all of the above insurance policies, showing the same to be in full force and effect, shall be delivered to the Beneficiary upon demand therefor at any time prior to the Expiration Date.

Section 3.3 Advances. In the event the Trustor shall fail to maintain the full insurance coverage required by this Deed of Trust or shall fail to keep the Property in good repair and operating condition, the Beneficiary may (but shall be under no obligation to) take out the required policies of insurance and pay the premium on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and, provided that the Beneficiary provides ten (10) business days' notice to the Trustor all amounts so advanced therefor by the Beneficiary shall

become an additional obligation of the Trustor to the Beneficiary (together with interest as set forth below) and shall be secured hereby, which amounts the Trustor agrees to pay on demand of the Beneficiary, and if not so paid, shall bear interest from the date of the advance at the maximum rate permitted by the law of the State of California.

ARTICLE IV

DAMAGE, DESTRUCTION OR CONDEMNATION

Section 4.1 Damage and Destruction. If, prior to the Expiration Date, the Property or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty, the Trustor shall if feasible (a) cause any insurance proceeds arising from insurance referred to in Section 3.2 hereof and any other coverage acquired by the Trustor to be used to promptly rebuild and replace the Property, and (b) repair and replace the Property as necessary to bring the Property into conformity with the Standards; provided that such covenants shall be subordinate to the provisions of all senior obligations to which this Deed of Trust is subordinate. There shall be no abatement in, and Trustor shall be obligated to continue to pay, the amounts payable under the Promissory Note and this Deed of Trust.

Section 4.2 Condemnation. Subject to the provisions of senior obligations to which this Deed of Trust is subordinate, if title to or any interest in or the temporary use of the Property or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, including any proceeding or purchase in lieu thereof, the proceeds as a result of such taking shall be paid as provided by the law of the State of California.

ARTICLE V

REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE TRUSTOR

Section 5.1 Defense of the Title. The Trustor covenants that it is lawfully seized and possessed of title in fee simple to the Property, that it has good right to sell, convey or otherwise transfer or encumber the same, and that the Trustor, for itself and its successors and assigns, warrants and will forever defend the right and title to the foregoing described and conveyed property unto the Beneficiary, its successors and assigns, against the claims of all persons whomsoever, excepting only encumbrances approved by the Beneficiary.

Section 5.2 Inspection of the Property. The Trustor covenants and agrees that at any and all reasonable times and upon reasonable notice, the Beneficiary and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right, without payment of charges or fees, to inspect the Property.

ARTICLE VI

AGREEMENTS AFFECTING THE PROPERTY; FURTHER ASSURANCES; PAYMENT OF THE NOTE AMOUNT

Section 6.1 Other Agreements Affecting Property. The Trustor shall duly and punctually perform all terms, covenants, conditions and agreements binding upon it under the Agreement or any

other agreement of any nature whatsoever now or hereafter involving or affecting the Property or any part thereof.

Section 6.2 Further Assurances; After Acquired Property. At any time, and from time to time, upon request by the Beneficiary, the Trustor shall make, execute and deliver, or cause to be made, executed and delivered, to the Beneficiary and, where appropriate, cause to be recorded and/or filed, and from time to time thereafter to be recorded and/or filed, at such time and in such offices and places as shall be deemed desirable by the Beneficiary, any and all such other and further deeds of trust, security agreements, financing statements respecting personal property, instruments of further assurance, certificates and other documents as may, in the opinion of the Beneficiary, be necessary or desirable in order to effectuate, complete or perfect, or to continue and preserve, (a) the obligations of the Trustor under this Deed of Trust, and (b) the lien of this Deed of Trust as a lien prior to all liens except those obligations which shall be senior obligations pursuant to the provisions of this Deed of Trust. Upon any failure by the Trustor to do so, the Beneficiary may make, execute, record, file re-record and/or refile any and all such deeds of trust, security agreements, instruments, certificates and documents for and in the name of the Trustor, and the Trustor hereby irrevocably appoints the Beneficiary the agent and attorney-in-fact of the Trustor to do so. The lien hereof shall automatically attach, without further act, to all after-acquired property deemed to be part of the Security as defined herein.

Section 6.3 Agreement to Pay Attorney's Fees and Expenses. In the event of an Event of Default hereunder, and if the Beneficiary should employ attorneys or incur other expenses for the collection of amounts due or the enforcement of performance or observance of an obligation or agreement on the part of the Trustor in this Deed of Trust, the Trustor agrees that it will, on demand therefor, pay to the Beneficiary the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Beneficiary; and any such amounts paid by the Beneficiary shall be added to the indebtedness secured by the lien of this Deed of Trust, and shall bear interest from the date such expenses are incurred at the maximum rate permitted by the law of the State of California.

Section 6.4 Repayment of the City Loan. The Trustor shall repay to the Beneficiary the City Loan in the amount and by the time set out in the Promissory Note.

Section 6.5 Subrogation; Payment of Claims. Provided that the Beneficiary gives notice of at least five (5) business days to the Trustor, the Beneficiary shall be subrogated to the claims and liens of all parties whose claims or liens are discharged or paid by the Beneficiary pursuant to the provisions hereof. If permitted in a Mortgage, the Beneficiary shall have the right to pay and discharge the obligations secured by the Mortgage.

Section 6.6 Operation of the Property. The Trustor agrees and covenants to operate the Property (and, in case of a transfer of the Property, the transferee shall operate the Property) in full compliance with the Agreement.

Section 6.7 Transfer. No sale, transfer, lease, pledge, encumbrance, creation of a security interest in or other hypothecation of the Security shall relieve or release the Trustor from primary liability under this Deed of Trust or the Agreement, as the case may be, except in connection with transfers permitted pursuant to Section 604 of the Agreement provided that the Transferee fully assumes the Agreement and this Deed of Trust.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.1 Events of Default Defined. The occurrence of any failure of the Trustor to pay the Promissory Note or to perform under this Deed of Trust, and the continuation of said failure for a period of thirty (30) business days as to monetary obligations and sixty (60) business days as to non-monetary obligations, after written notice specifying such failure and requesting that it be remedied shall have been given to Trustor from the Beneficiary, shall be an "Event of Default" or a "Default" under this Deed of Trust.

Section 7.2 Acceleration of Maturity. If an Event of Default shall have occurred and be continuing, then the entire indebtedness secured hereby shall, at the option of the Beneficiary, immediately become due and payable without notice or demand which are hereby expressly waived, and no omission on the part of the Beneficiary to exercise such option when entitled to do so shall be construed as a waiver of such right.

Section 7.3 The Beneficiary's Right to Enter and Take Possession. If an Event of Default shall have occurred and be continuing, the Beneficiary may:

(a) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of its security, enter upon the Property and take possession thereof (or any part thereof) and of any of the Security, in its own name or in the name of Trustee, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Property, or part thereof or interest therein, increase the income therefrom or protect the Security hereof and, with or without taking possession of the Property, sue for or otherwise collect the rents, issues and profits thereof, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including attorneys' fees, upon any indebtedness secured hereby, all in such order as Beneficiary may determine. The entering upon and taking possession of the Property, the collection of such rents, issues and profits and the application thereof, as aforesaid, shall not cure or waive any Default or notice of Default hereunder or invalidate any act done in response to such Default or pursuant to such notice of Default and, notwithstanding the continuance in possession of the Property or the collection, receipt and application of rents, issues or profits, Beneficiary shall be entitled to exercise every right provided for in this Deed of Trust, the Agreement or by law upon occurrence of any Event of Default, including the right to exercise the power of sale. Trustor requests that a copy of any Notice of Default and a copy of any Notice of Sale hereunder be mailed to Trustor if at its address given herein;

(b) Commence an action to foreclose this Deed of Trust as a mortgage, appoint a receiver, or specifically enforce any of the covenants hereof;

(c) Deliver to Trustee a written declaration of default and demand for sale, and a written notice of default and election to cause Trustor's interest in the property to be sold, which notice Trustee or Beneficiary shall cause to be duly filed for record in the Official Records of the County in which the Property is located; or

(d) Exercise all other rights and remedies provided herein, in the instruments by which the Trustor acquires title to the Property, including any Security, or in any other document or agreement now or hereafter evidencing, creating or securing all or any portion of the obligations secured hereby, or provided by law.

Section 7.4 Foreclosure By Power of Sale. Should the Beneficiary elect to foreclose by exercise of the power of sale herein contained, the Beneficiary shall notify Trustee and shall deposit with Trustee this Deed of Trust (and the deposit of which shall be deemed to constitute evidence that the amount of the Promissory Note is immediately due and payable), and such receipts and evidence of any expenditures made that are additionally secured hereby as Trustee may require.

(a) Upon receipt of such notice from the Beneficiary, Trustee shall cause to be recorded, published and delivered to Trustor such Notice of Default and Election to Sell as then required by law and by this Deed of Trust. Trustee shall, without demand on Trustor, after lapse of such time as may then be required by law and after recordation of such Notice of Default and after Notice of Sale having been given as required by law, sell the Property, at the time and place of sale fixed by it in said Notice of Sale, either as a whole or in separate lots or parcels or items as Trustee shall deem expedient 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 the time of sale. Trustee shall deliver to such purchaser or purchasers thereof its good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including, without limitation, Trustor, Trustee or Beneficiary, may purchase at such sale, and Trustor hereby covenants to warrant and defend the title of such purchaser or purchasers.

(b) After deducting all reasonable costs, fees and expenses of Trustee, including costs of evidence of title in connection with such sale, Trustee shall apply the proceeds of sale to payment of: (i) the Promissory Note; (ii) all other sums then secured hereby; and (iii) the remainder, if any, to the person or persons legally entitled thereto.

(c) Trustee may postpone sale of all or any portion of the Property by public announcement at such time and place of sale, and from time to time thereafter, and without further notice make such sale at the time fixed by the last postponement, or may, in its discretion, give a new notice of sale.

Section 7.5 Receiver. If an Event of Default shall have occurred and be continuing, Beneficiary, as a matter of right and without further notice to Trustor or anyone claiming under Security, and without regard to the then value of the Property or the interest of Trustor therein, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers of the Security (or a part thereof), and Trustor hereby irrevocably consents to such appointment. Any such receiver or receivers shall have all the powers and duties of receivers in like or similar cases, and all the powers and duties of Beneficiary in case of entry as provided herein, and shall continue as such and exercise all such powers until the date of confirmation of sale of the Property, unless such receivership is sooner terminated.

Section 7.6 Remedies Cumulative. No right, power or remedy conferred upon or reserved to the Beneficiary by this Deed of Trust is intended to be exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or now or hereafter existing at law or in equity.

Section 7.7 No Waiver.

(a) No delay or omission of the Beneficiary to exercise any right, power or remedy accruing upon any Default shall exhaust or impair any such right, power or remedy, or shall be construed to be a waiver of any such Default or acquiescence therein; and every right, power and remedy given by this Deed of Trust to the Beneficiary may be exercised from time to time and as often as may be deemed expeditious by the Beneficiary. No consent or waiver, expressed or implied, by the Beneficiary to or of any breach by the Trustor in the performance of the obligations hereunder shall be deemed or construed to be a consent to or waiver of obligations of the Trustor hereunder. Failure on the part of the Beneficiary to complain of any act or failure to act or to declare an Event of Default, irrespective of how long such failure continues, shall not constitute a waiver by the Beneficiary of its right hereunder or impair any rights, powers or remedies consequent on any breach or Default by the Trustor.

(b) If the Beneficiary (i) grants forbearance or an extension of time for the payment of any sums secured hereby, (ii) takes other or additional security or the payment of any sums secured hereby, (iii) waives or does not exercise any right granted herein, or in the Agreement, (iv) releases any part of the Security from the lien of this Deed of Trust, or otherwise changes any of the terms, covenants, conditions or agreements of this Deed of Trust or the Agreement, (v) consents to the filing of any map, plat or replat affecting the Security, (vi) consents to the granting of any easement or other right affecting the Security, or (vii) makes or consents to any agreement subordinating the lien hereof, any such act or omission shall not release, discharge, modify, change or affect the original liability under this Deed of Trust, or any other obligation of the Trustor or any subsequent purchaser of the Security or any part thereof, or any maker, co-signer, endorser, surety or guarantor (unless expressly released); nor shall any such act or omission preclude the Beneficiary from exercising any right, power or privilege herein granted or intended to be granted in the event of any Default then made or of any subsequent Default, nor, except as otherwise expressly provided in an instrument or instruments executed by the Beneficiary shall the lien of this Deed of Trust be altered thereby. In the event of the sale or transfer by operation of law or otherwise of all or any part of the Property, the Beneficiary, without notice, is hereby authorized and empowered to deal with any such vendee or transferee with reference to the Security (or a part thereof) or the indebtedness secured hereby, or with reference to any of the terms, covenants, conditions or agreements hereof, as fully and to the same extent as it might deal with the Trustor and without in any way releasing or discharging any liabilities, obligations or undertakings of the Trustor.

Section 7.8 Suits to Protect the Security. The Beneficiary shall have power (upon ninety (90) days notice to the Trustor) to (a) institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Security (and the rights of the Beneficiary as secured by this Deed of Trust) by any acts which may be unlawful or any violation of this Deed of Trust, (b) preserve or protect its interest (as described in this Deed of Trust) in the Security and in the rents, issues, profits and revenues arising therefrom, and (c) restrain the enforcement of or compliance with any legislation or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement for compliance with such enactment, rule or order would impair the security thereunder or be prejudicial to the interests of the Beneficiary.

Section 7.9 Trustee May File Proofs of Claim. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other proceedings affecting the Trustor, its creditors or its property, the Beneficiary, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of the Beneficiary allowed in such proceedings for the entire amount due and payable by the Trustor under this Deed of Trust at the date of the institution of such proceedings

and for any additional amount which may become due and payable by the Trustor hereunder after such date.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Amendments. This instrument cannot be waived, changed, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, discharge or termination is sought.

Section 8.2 Reconveyance by Trustee. Upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust to Trustee for cancellation and retention, and upon payment by Trustor of Trustee's reasonable fees, Trustee shall reconvey to Trustor, or to the person or persons legally entitled thereto, without warranty, any portion of the Property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in any reconveyance may be described as "the person or person legally entitled thereto."

Section 8.3 Notices. Whenever Beneficiary, Trustor or Trustee shall desire to give or serve any notice, demand, request or other communication with respect to this Deed of Trust, each such notice, demand, request, or other communication shall be in writing and shall be effective only if the same is delivered by personal service or mailed by registered or certified mail, postage prepaid, return receipts requested, or by telegram, addressed to the address set forth in the first paragraph of this Deed of Trust. Any party may at any time change its address for such notices by delivering or mailing to the other parties hereto, as aforesaid, a notice of such change.

Section 8.4 Acceptance by Trustee. Trustee accepts this Trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

Section 8.5 Captions. The captions or headings at the beginning of each Section hereof are for the convenience of the parties and are not a part of this Deed of Trust.

Section 8.6 Invalidity of Certain Provisions. Every provision of this Deed of Trust is intended to be severable. In the event any term or provision hereof is declared to be illegal or invalid for any reason whatsoever by a court of competent jurisdiction, such illegality or invalidity shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable. If the lien of this Deed of Trust is invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any part of the Security, the unsecured or partially secured portion of the debt, and all payments made on the debt, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid on and applied to the full payment of that portion of the debt which is not secured or partially secured by the lien of this Deed of Trust.

Section 8.7 No Merger. If title to the Property shall become vested in the Beneficiary, this Deed of Trust and the lien created hereby shall not be destroyed or terminated by application of the doctrine of merger and, in such event, Beneficiary shall continue to have and enjoy all of the rights and privileges of Beneficiary under this Deed of Trust. In addition, upon foreclosure under this Deed of Trust pursuant to the provisions hereof, any leases or subleases then existing and

affecting all or any portion of the Security shall not be destroyed or terminated by application of the law of merger or as a matter of law or as a result of such foreclosure unless Beneficiary or any purchaser at any such foreclosure shall so elect. No act by or on behalf of Beneficiary or any such purchaser shall constitute a termination of any lease or sublease unless Beneficiary or such purchaser shall give written notice of termination to such tenant or subtenant.

Section 8.8 Governing Law. This Deed of Trust shall be governed by and construed in accordance with the laws of the State of California.

Section 8.9 Gender and Number. In this Deed of Trust the singular shall include the plural and the masculine shall include the feminine and neuter and vice versa, if the context so requires.

Section 8.10 Nondisturbance Agreement. In the event of any foreclosure of this Deed of Trust or a transfer in lieu of foreclosure, Beneficiary or other transferee shall recognize and not disturb the possession, tenancy, leasehold estate and rights of all tenants and occupants of the Property or any portion thereof, and shall honor and abide by all of the terms, covenants and conditions of each lease for the remaining balance of the term or extension thereof with the same force and effect as if Beneficiary or such other transferee were the original lessor under the lease; provided, however, that the tenant is not in default under its lease and Beneficiary or such other transferee shall not be (a) liable for any damage, loss or expense arising from any act or omission of any prior lessor (including Trustor) under any lease, (b) subject to any offsets, abatements, rent reductions or defenses which the tenant may be entitled to assert against any prior lessor (including Trustor) under any lease, or (c) liable or responsible for or with respect to the retention, application and/or return to the tenant of any security deposit paid to any prior lessor (including Trustor) under any lease, whether or not still held by any prior lessor (including Trustor), unless and until Beneficiary or such other transferee has actually received for its own account as lessor under the lease the full amount of such security deposit or a credit therefor. Each tenant and occupant of the Property shall, upon any foreclosure of this Deed of Trust or transfer in lieu of foreclosure, be bound to Beneficiary or such other transferee under all of the terms, covenants and conditions of the tenant's lease for the remaining balance of the term thereof or extension thereof, with the same force and effect as if Beneficiary or such other transferee were the original lessor under such lease, and the tenant shall attorn to Beneficiary or such other transferee as its lessor, such attornment to be effective and self-operative without the execution of any further instruments by either party, immediately upon the tenant's receipt of written notice from Beneficiary or such other transferee or from Trustor that title to the Property has vested in Beneficiary or such other transferee. Rent paid by a tenant or occupant to the transferee after receipt of such notice shall be considered to be rental payment under the lease.

IN WITNESS WHEREOF, Trustor has executed this Deed of Trust as of the day and year first above written.

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: _____


ATTACHMENT NO. 1

LEGAL DESCRIPTION

The land referred to herein is situated in the State of California, County of Orange, and described as follows:

Lot 4 of Tract No. 3050, in the City of Garden Grove, County of Orange, State of California, as shown on a map recorded in Book 92 Page(s) 31 and 32 of Miscellaneous Maps, in the office of the County Recorder of said County.

Except therefrom all minerals, ores, precious and useful metal substances and hydrocarbons of every kind and character, including petroleum, oil, gas, asphaltum and tar that may now or hereafter be found, located, contained, developed or taken on, in, under or from said land, as reserved by Beatrice Durkee Watson, Ruth Durkee Bell and Florence Durkee in deed recorded September 14, 1955, in book 3208, page 261, Official Records, and in deed from Ella H. Collman, a widow, and George Albertus Collman, her son, recorded July 14, 1955, in book 3138, page 552, Official Records, which deeds provide as follows: "but without the right to use the surface of said land for any such purpose, or to enter upon the surface of the demised land for any such purpose, or to penetrate or enter upon the demised and in any way at a depth from the surface thereof less than 500 feet."

APN: 231-471-45

STATE OF CALIFORNIA)

COUNTY OF Orange)

) SS.
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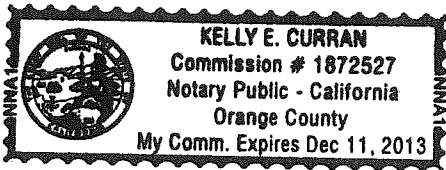
On May 23, 2012, before me, Kelly E. Curran, Notary Public,

(Print Name of Notary Public)

personally appeared Charles Henry Fry

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.

Kelly E. Curran
Signature of Notary Public

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER		DESCRIPTION OF ATTACHED DOCUMENT
<input type="checkbox"/> Individual		
<input type="checkbox"/> Corporate Officer		
_____ Title(s)		_____ Title Or Type Of Document
<input type="checkbox"/> Partner(s)	<input type="checkbox"/> Limited	
	<input type="checkbox"/> General	
<input type="checkbox"/> Attorney-In-Fact		
<input type="checkbox"/> Trustee(s)		
<input type="checkbox"/> Guardian/Conservator		_____ Number Of Pages
<input type="checkbox"/> Other: _____		
Signer is representing: Name Of Person(s) Or Entity(ies)		_____ Date Of Documents

_____		_____ Signer(s) Other Than Named Above

Recorded in Official Records, Orange County
Tom Daly, Clerk-Recorder

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Garden Grove
11222 Acacia Parkway
P.O. Box 3070
Garden Grove, California 92842
Attention: City Manager



NO FEE

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This document is exempt from the payment of a recording
fee pursuant to Government Code Section 27383.

REGULATORY AGREEMENT

This **REGULATORY AGREEMENT** (the "Agreement") is entered into as of May 8 2012 by and between the **CITY OF GARDEN GROVE**, a municipal corporation (the "City"), and **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner").

RECITALS

A. Owner has acquired real property located within the City of Garden Grove, located at 12211 Tamerlane Drive, which is improved with a four (4) unit apartment complex thereon (the "Property"), as particularly described in the Legal Description attached hereto as Attachment No. 1, and incorporated herein by reference.

B. The Owner and the City have entered into an Affordable Housing Loan Agreement, dated May 8, 2012 pursuant to which the City has agreed to provide financial assistance to Owner to acquire the Property (the "City Loan"), and the Owner has agreed to Acquire, Rehabilitate and Operate the Property with the assistance of the City Loan. The execution and recordation of this Regulatory Agreement is a requirement of the Affordable Housing Loan Agreement. Capitalized terms not defined herein shall have the meaning set forth in the Affordable Housing Loan Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

100. CONDITION OF THE PROPERTY

101. Indemnification. Owner shall save, protect, pay for, defend, indemnify and hold harmless the City and its respective elected officials, consultants, attorneys, officers, employees, representatives and agents, 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, 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 the City or its respective elected officials, consultants, attorneys, officers, employees, representatives or agents by reason of, resulting from, in connection with or arising in any manner whatsoever as a direct or indirect result of the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission or release from the Property of any Hazardous Materials or Hazardous Materials Contamination, which is caused by Owner, or its agents, employees, representatives, agents, contractors or invitees.

102. Release. The Owner hereby waives, releases and discharges forever the City and their respective elected officials, consultants, attorneys, officers, employees, representatives and agents, from all present and future claims, demands, suits, legal and administrative proceedings and from all liability for damages, losses, costs, liabilities, fees and expenses, present and future, arising out of or in any way connected with the City's or the Owner's use, maintenance, ownership or operation of the Property, any Hazardous Materials on the Property, or the existence of Hazardous Materials Contamination in any state on the Property, however they came to be placed there, except that arising out of the negligence or misconduct of the City or its respective elected officials, consultants, attorneys, officers, employees, representatives and agents.

The Owner acknowledges that it is aware of and familiar with the provisions of Section 1542 of the California Civil Code which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

As such relates to this Section 102, the Owner hereby waives and relinquishes all rights and benefits which it may have under Section 1542 of the California Civil Code.

103. Duty to Prevent Hazardous Material Contamination. During its ownership operation of the Property, the Owner shall take all necessary precautions to prevent the release of any Hazardous Materials into the environment on or under the Property. Such precautions shall include compliance with all Governmental Requirements with respect to Hazardous Materials. The Owner shall notify the City, and provide to the City a copy or copies, of any 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 the Owner shall report to the City, as soon as possible after each incident, any unusual, potentially important incidents in the event of a release of any Hazardous Materials into the environment.

104. Definitions. For purposes of this Article 100, "Governmental Requirements" shall mean all 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 of any other political subdivision, agency or instrumentality exercising jurisdiction over the City, the Owner or the Property.

For purposes of this Article 100, "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," "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) methyl tertiary butyl ether, (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.* Hazardous Materials shall not include such products in quantities as are customarily used in the construction, maintenance, or management of multifamily residential developments or associated buildings or grounds, or typically used in multifamily residential activities in a manner typical of comparable multifamily residential developments, or substances commonly and lawfully ingested by a significant population living within the Property, including without limitation alcohol, aspirin, tobacco and saccharine.

200. REHABILITATION OF THE PROPERTY

201. Rehabilitation of the Property. Owner agrees to rehabilitate the Property in accordance with the Schedule of Performance which is attached to the AHA, the Federal Housing Quality Standards, 24 CFR § 982.401, the City Municipal Code, and all other applicable local codes, rehabilitation standards, ordinances and zoning ordinances, and the Work Write-up which is approved by the City pursuant to Section 203 hereof (the "Rehabilitate" or "Rehabilitation"). The Rehabilitation shall be conducted on a unit-by-unit basis and in such a manner so as to avoid or minimize tenant displacement to the greatest extent feasible in accordance with the provisions of Section 210.2 below. Owner shall submit to the City one or more construction contracts with a duly licensed contractor or contractors reasonably acceptable to the City providing for the Rehabilitation of the Property in conformance with the terms of this Agreement. Each such contractor or contractors shall have provided to the City the certification required by 24 CFR § 24.510 that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation from this project, and the City shall be responsible for determining whether each contractor has been debarred. The City Manager ("City Manager") or his designee shall reasonably approve such contract or contracts if the City Manager or his designee finds that such contractor or contractors have sufficient experience and expertise necessary to perform the Rehabilitation of the Property in a first class manner in accordance with all of the requirements of this Agreement.

202. Work Write-up. Within thirty (30) days after the Effective Date of this Agreement, the Owner shall submit to the City detailed plans, materials and drawings describing the Rehabilitation of the Property (collectively, the "Work Write-up"), and the City shall have the right to review and approve or disapprove, in its reasonable discretion, the Work Write-up. During the preparation of the Work Write-up, staff of the City and the Owner shall hold shall communicate and consult informally as frequently as necessary to coordinate the preparation and review of the Work Write-up. If the Owner desires to propose any revisions to the City-approved Work Write-up, it shall submit such proposed changes to the City and the City shall review the proposed change and notify the Owner in writing within thirty (30) days after submission to the City as to whether the proposed change is approved or disapproved. The City shall not be responsible either to the Owner or to third parties in any way for any defects in the Work Write-up, nor for any structural or other defects in any work done according to the approved Work Write-up, nor for any delays reasonably caused by the review and approval processes established by this Section 202. The Owner shall hold harmless, indemnify and defend the City and their respective officers, employees, agents and representatives from and against any claims, suits for damages to property or injuries to persons arising out of or in

any way relating to defects in the Work Write-up, including without limitation the violation of any laws, and for defects in any work done according to the approved Work Write-up.

203. Cost of Rehabilitation. The cost of Rehabilitation shall be paid using funds allocated for Rehabilitation, as set forth in the Pro Forma attached hereto as Exhibit I and incorporated herein by reference, which estimates a cost of Fourteen Thousand, Eight Hundred Forty-Two Dollars (\$14,842) per unit, in the total amount of Forty-Four Thousand, Five Hundred Twenty-Six Dollars (\$44,526) plus a contingency of Four Thousand, Four Hundred Fifty-Three Dollars (\$4,453) and a construction management fee payable to Owner of Four Thousand, Four Hundred Fifty-Three Dollars (\$4,453) (the "Rehabilitation Allocation"). In the event the Rehabilitation Allocation is insufficient to pay for the total cost of Rehabilitation, the Owner shall locate and utilize another funding source(s) for the remainder of such costs. The Owner shall submit to the City a final line item budget for any proposed Rehabilitation of the Property, which budget shall include without limitation a description of uses by phase and total cost of Rehabilitation. The City shall reasonably approve such budget if the budget is reasonably calculated to fund the Rehabilitation of the Property in accordance with Federal Housing Quality Standards and all of the requirements of this Agreement.

204. Timing of Rehabilitation. Owner hereby covenants and agrees to commence the Rehabilitation of the Property within the time set forth in the Schedule of Performance. The Owner further covenants and agrees to diligently prosecute to completion the Rehabilitation of the Property in accordance with the approved Work Write-up and to file a Notice of Completion pursuant to California Civil Code Section 3093 within the time set forth in the Schedule of Performance. Notwithstanding the Schedule of Performance, the deadlines for performance under this Agreement set forth therein may be extended if the completion of Rehabilitation according to the Schedule of Performance would displace a resident, unless the resident can be transferred to another unit on the Property, or by mutual written agreement of the parties.

205. City and Other Governmental Agency Permits. Before commencement of the Rehabilitation of the Property, the Owner shall secure or cause its contractor to secure any and all permits which may be required by the City or any other governmental agency affected by such construction, including without limitation building permits. The Owner shall pay all necessary fees and timely submit to the City final drawings with final corrections to obtain such permits.

206. Right of the City to Satisfy Other Liens. After the disbursement of the City Loan and prior to the completion of the Rehabilitation of the Property, and after the Owner 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 City shall have the right but no obligation to satisfy any such liens or encumbrances. Notwithstanding the above, the Owner shall have the right to contest the validity or amounts of any tax, assessment, or encumbrance applicable to the Owner in respect thereto.

207. Release of Construction Covenants. Promptly after the completion of the Rehabilitation of the Property on the Property, in conformity with this Agreement (as reasonably determined by the City Manager or his or her designee), upon the written request of the Owner, the City shall furnish the Owner with a Release of Construction Covenants (in the form attached to the Affordable Housing Loan Agreement as Exhibit D) which evidences and determines the satisfactory completion of the Rehabilitation of the Property in accordance with this Agreement. The issuance

and recordation of the Release of Construction Covenants with respect to the Property shall not supersede, cancel, amend or limit the continued effectiveness of any obligations relating to the maintenance, or uses, or payment of monies, or any other obligations, except for the obligation to complete the Rehabilitation of the Property as of the time of the issuance of the Release of Construction Covenants.

208. Insurance and Indemnity.

208.1 Commencement of Work. Owner shall not commence work under this Agreement until all certificates and endorsements have been received and approved by City. All insurance required by this Agreement shall contain a Statement of Obligation on the part of the carrier to notify City of any material change, cancellation, or termination at least thirty (30) days in advance.

208.2 Workers Compensation. For the duration of this Agreement, Owner and all subcontractors shall maintain Workers Compensation Insurance in the amount and type required by law, if applicable. Coverage shall include a waiver of subrogation waiving subrogation rights against City, its officers, officials, agents, employees, and volunteers.

208.3 Insurance Amounts. The Owner shall take out and maintain or shall cause its contractor to take out and maintain during the term of the Affordability Period (as set fourth in Section 301 hereof) the following insurance coverage:

(a) Commercial general liability in the amount of \$4,000,000 per occurrence; Coverage shall have no exclusions for Excavation, Collapse, or Underground (XCU); (claims made and modified occurrence policies are not acceptable); Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by City.

(b) Automobile liability in the amount of \$2,000,000 combined single limit, including mobile equipment, if any, and contractual liability; (claims made and modified occurrence policies are not acceptable); Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by City.

(c) Commercial crime/theft in the amount of \$250,000. Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by City. (Claims made and modified occurrence policies are not acceptable.)

(d) In the event asbestos remediation is required during the Rehabilitation, Owner shall cause the general contractor and/or asbestos abatement subcontractor to secure, during such period, an asbestos policy in an amount not less than \$2,000,000 per occurrence. Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by City. (Claims made and modified occurrence policies are not acceptable.)

(e) Builder's All Risk in an amount equal to the replacement value of the property. Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by City. (Claims made and modified occurrence policies are not acceptable.)

(f) Excess Liability Policy in an amount not less than \$3,000,000 for any underlying policies that do not meet contractual policy limits. Insurance companies must be acceptable to City and have a Best's Guide Rating of A- Class VII or better, as approved by City. (Claims made and modified occurrence policies are not acceptable.)

An Additional Insured Endorsement, ongoing and completed operations, for the policy under Section 208.3(a) shall designate City, and its officers, officials, employees, agents, and volunteers as additional insureds for liability arising out of work or operations performed by or on behalf of the Owner. Owner shall provide to City proof of insurance and endorsement forms that conform to City's requirements, as approved by City. (Forms CG 20 26 07 04 or equivalent and CG 20 37 07 04 or equivalent)

An Additional Insured Endorsement for the policy under Section 208.3(b) shall designate City, and its officers, officials, employees, agents, and volunteers as additional insureds for automobiles owned, leased, hired, or borrowed by the Owner. Owner shall provide to City proof of insurance and endorsement forms that conform to City's requirements, as approved by City. (Form CA 20 48 02 99 or equivalent for the auto mobile liability policy, and the mobile equipment coverage by separate endorsement.)

A Loss Payee Endorsement for the policy under Section 208.3(c) shall designate City as Loss Payee.

An Additional Insured Endorsement, asbestos policy, for the policy under Section 208.3(d) shall designate City, and its officers, officials, employees, agents, and volunteers as additional insureds. Owner shall provide to City proof of insurance and endorsement forms that conform to City's requirements, as approved by City.

An Additional Insured Endorsement, builders' all risk policy, for the policy under Section 208.3(e) shall designate City, and its officers, officials, employees, agents, and volunteers as additional insureds. Owner shall provide to City proof of insurance and endorsement forms that conform to City's requirements, as approved by City.

An Additional Insured Endorsement, excess liability policy, for the policy under Section 208.3(f) shall designate City, and their officers, officials, employees, agents, and volunteers as additional insureds. Contractor shall also provide the schedule of underlying policies and state on the insurance certificate that the excess policy follows from Owner shall provide to City proof of insurance and endorsement forms that conform to City's requirements, as approved by City.

A waiver of subrogation for all policies shall be provided against the City, and its officers, officials, agents, employees, and volunteers.

For any claims related to this Agreement, Owner's insurance coverage shall be primary insurance as respects City, its officers, officials, employees, agents, and volunteers. Any insurance or self-insurance maintained by City, its officers, officials, employees, agents, or volunteers shall by excess of the Owner's insurance and shall not contribute with it.

209. Entry by the City. Owner shall permit the City, through its officers, agents or employees, at all reasonable times to enter onto the Property and inspect the work of Rehabilitation to determine that the same is in conformity with the Work Write-up and all the requirements hereof.

Owner acknowledges that the City is under no obligation to supervise, inspect, or inform Owner of the progress of construction, and Owner shall not rely upon the City or City therefor. Any inspection by the City is entirely for its purposes in determining whether Owner is in default under this Agreement and is not for the purpose of determining or informing Owner of the quality or suitability of construction. Owner shall rely entirely upon its own supervision and inspection in determining the quality and suitability of the materials and work, and the performance of architects, subcontractors, and material suppliers.

210. Compliance With Laws. The Owner shall carry out the acquisition, Rehabilitation, if applicable, and operation of the Property 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 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.*

210.1 Taxes and Assessments. The Owner shall pay prior to delinquency all ad valorem real estate taxes and assessments on the Property, subject to the Owner's right to contest in good faith any such taxes or to receive an exemption from the payment of such taxes.

210.2 Relocation. Owner shall conduct and submit to the City a tenant survey, completed by each tenant household currently residing in the Property and such other information as reasonably required by City necessary to evaluate the relocation obligations, if any, required by federal, state and/or local law with respect to the Owner's acquisition and Rehabilitation of the Property. The acquisition and Rehabilitation, if applicable, shall be conducted in such a manner as to prevent, to the maximum extent feasible, any displacement of existing tenants in accordance with applicable law. The Owner and the City shall attempt to obtain Section 8 certificates or other housing subsidies as necessary to provide relocation assistance to the existing tenants of the Property who are not participants in the Owner's program (as hereinafter described). Immediately after the execution of this Agreement, the City and Owner shall cooperate in sending notices (the "Lease Notice") to the existing tenants of the Property notifying and advising such tenants of their right to lease and occupy a unit in the Property, for reasonable terms and conditions, including, but not limited to: (i) term of lease not less than one year, (ii) monthly rent and estimated average utility costs that do not exceed the greater of: (a) the tenant's monthly rent before this Agreement and estimated average monthly utility costs; or (b) Rent calculated pursuant to HOME Program requirements if the tenant is low income, or 30% of gross income if the tenant is not low income. In addition, if any existing tenant is required to move temporarily from the Property and will not be permanently displaced, such tenant(s) will receive temporary relocation assistance and benefits set forth in HOME Regulations Section 92.353(b). The form of such notice shall be approved by the City prior to its delivery to the tenants. The Owner shall enter into a written lease, in a form approved by the City, with each tenant that shall implement the monthly rent limit set forth in the Lease Notice. In the event that any permanent displacement of tenants of the Property occurs, the City shall provide relocation assistance in accordance with the HOME Regulations Section 92.353, Federal Uniform Relocation Assistance and Real Property Policies Acquisition Act, 42 U.S.C. § 4601, *et seq.*, the California Relocation Assistance Law, Government Code Section 7260, *et seq.*, and the regulations adopted pursuant thereto by the United States, State of California and the City (collectively, the "Relocation Laws"), and in a manner approved by the City to each displaced tenant household required to temporarily or permanently vacate a unit within the Property as a result of the

Owner's acquisition of the Property or for purposes of completing the Rehabilitation of the Property. In the event of permanent displacement of existing tenants due to the implementation of this Agreement, despite the Owner's efforts to prevent such displacement as provided above, the City shall be fully responsible for administering determinations of eligibility and payments pursuant to the Relocation Laws. The City shall bear the cost of such relocation.

210.3 Liens and Stop Notices. The Owner shall not allow to be placed on the Property or any part thereof any lien or stop notice. If a claim of a lien or stop notice is given or recorded affecting the Property the Owner shall within thirty (30) days of such recording or service or within five (5) days of the City's demand, whichever last occurs: pay and discharge the same; or effect the release thereof by recording and delivering to the City a surety bond in sufficient form and amount, or otherwise; or provide the City with other assurance which the City deems, in its sole discretion, to be satisfactory for the payment of such lien or bonded stop notice and for the full and continuous protection of City from the effect of such lien or bonded stop notice.

210.4 HOME Matching Contribution. This Agreement and the City expenditures hereunder are intended to be a "Matching Contribution" as that term is used in the HOME Investment Partnership Act, 42 U.S.C. § 12701, *et seq.*, as it now exists and as it may hereafter be amended, as implemented by the HOME Regulations, as they now exist and as they may hereafter be amended (the "HOME Program"). Accordingly, the Owner shall comply with all applicable requirements of the HOME Program, as it now exists or may hereafter be amended. Specifically, without limitation, the Rehabilitation shall comply, to the extent applicable, with the requirements of the Davis-Bacon Act (40 U.S.C. §276a - 276a-5), and as applicable, the Contract Work Hours and Safety Standards Act (40 U.S.C. §3701 *et seq.*), and other applicable federal laws and regulations pertaining to labor standards. Upon request, the City shall provide to the Owner a copy of applicable HOME Program requirements.

210.6 Prevailing Wage Requirements. The City and Owner believe that the California prevailing wage laws are not implicated by this Agreement and the Rehabilitation work to be performed hereunder because the project meets the requirements of Section 1720(c)(6)(E) of the Labor Code which exempts from the prevailing wage laws affordable housing projects receiving public funding in the form of below-market interest rate loans for a project in which occupancy of at least forty percent (40%) of the units is restricted for at least twenty (20) years, by deed or regulatory agreement, to individuals or families earning no more than eighty percent (80%) of AMI. Notwithstanding the immediately preceding sentence, Owner hereby expressly acknowledges and agrees that the City has not previously affirmatively represented to the Owner or its contractor(s), if any, for the Rehabilitation of the Property, in writing or otherwise, that the Rehabilitation to be performed by Owner and covered by this Agreement is not a "public work," as defined in Section 1720 of the Labor Code.

210.7 City Parking Programs and Requirements. The Owner shall comply with all ordinances and other requirements or programs established by the City with respect to parking, including, without limitation, any ordinances, building code provisions or housing code provisions which require that the garages in the Property shall not be used for human habitation or commercial uses.

300. OPERATION OF HOUSING

301. Affordable Units. The Owner agrees to make the Units available to Lower Income Households at an Affordable Rent (collectively, the "Affordable Units"), pursuant to the terms set forth below and in the Regulatory Agreement and Notice of Affordability Restrictions (the "Operation" or "Operate").

For purposes of this Agreement, "High HOME Income Households"(hereinafter termed "Lower Income Households") shall mean those households with incomes that do not initially exceed eighty percent (80%) of Orange County median income, adjusted for family size, as established and amended from time to time by the United States Department of Housing and Urban Development ("HUD") or such lesser income as may be set forth in Health & Safety Code Section 50079.5 as amended from time to time.

Upon the Owner's acquisition of the Property, and annually thereafter, the Owner shall submit to the City a completed income computation and certification form, in a form to be provided by the City. The Owner shall obtain such certification prior to the rental or lease of any Affordable Unit in the Properties to a new tenant, and within a reasonable time after the Owner's acquisition of the Properties with respect to existing tenants, and annually thereafter. No new tenants shall be permitted to lease an Affordable Unit unless such certification demonstrates that such prospective tenant is a Low Income HOME Household and meets the eligibility requirements established for the Affordable Unit.

The Owner shall initially determine annual income in accordance with HOME regulations at 24 CFR 92.203 (a)(1)(i) by examining the source documents evidencing annual income (e.g. wage statement, interest statement, unemployment compensation statement) for the household and subsequently determine income during the period of affordability by obtaining a written statement and certification of annual income from each Low Income HOME Household established at 24 CFR 92.203(a)(1)(ii) and in accordance 24 CFR 92.252(h). Such income certification shall be available for inspection and copying by the City upon reasonable and advance notice during normal business hours. The Owner shall verify the income of each proposed and existing tenant of the Affordable Units in the Property at least annually.

The Property shall be subject to the requirements of this Section 300 from the date of the Owner's acquisition of the Property until the twentieth (20th) anniversary of such date. The duration of this requirement shall be known as the "Affordability Period."

302. Affordable Rent. The maximum Monthly Rent chargeable for the Affordable Units shall be annually determined by the City in accordance with the following "Affordable Rent" requirements.

The Affordable Units will be rented to Lower Income Households at maximum HOME Rent limits defined under 24 CFR 92.252 as the lesser of (a) the fair market rent for comparable housing units in the area as determined by HUD under 24 CFR 888.111, or (b) a rent that does not exceed thirty percent (30%) of sixty-five percent (65%) of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the Unit, less the monthly allowance for utilities and services to be paid by each tenant ("Affordable Rent"). Notwithstanding the foregoing, however, if after the tenant's initial occupancy of the Unit, the tenant's income increases to a level greater than maximum income for Lower Income Households, adjusted for family size, the rent charged by

Owner shall not exceed the fair market rent for comparable housing units in the area as determined by the City.

For purposes of this Agreement, "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 the Owner 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 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 Owner.

303. Lease Requirements. Prior to disbursement of the City Loan, the Owner shall submit a standard lease form to the City for the City's approval. The City shall reasonably approve such lease form upon finding that such lease form is consistent with this Agreement and contains all of the provisions required pursuant to the Community Redevelopment Law, Health & Safety Code sections 33000 *et seq.* ("CRL") and the HOME Program and the HOME Regulations. The Owner shall enter into a written lease, in the form approved by the City, with each tenant of an Affordable Unit. Each lease shall be for a period of not less than one year, and shall not contain any of the provisions which are prohibited pursuant to 24 CFR 92.253(a) of the HOME Regulations.

304. Affirmative Marketing. The rental of the Affordable Units shall be conducted in accordance with the affirmative marketing requirements which have been adopted by the City and the requirements of Section 92.351, or successor regulation, of the HOME Regulations and other applicable HOME Program requirements.

305. Selection of Tenants. Each Affordable Unit shall be leased to tenants selected by the Owner who meet all of the requirements provided herein. The City may, from time to time, assist in the leasing of the Property by providing to the Owner names of persons who have expressed interest in renting Affordable Units. The Owner shall adopt a tenant selection system in conformance with Section 92.253(d) of the HOME Regulations, which shall be approved by the City in its reasonable discretion, which establishes a chronological waiting list system and/or random lottery system for selection of tenants. The Owner 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 HOME Program, 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; provided that Owner shall not be required to give any priority or preference to participants in the foregoing programs.

306. Occupancy Standards. Notwithstanding other applicable requirements, occupancy of one bedroom Housing Units shall be limited to three persons, occupancy of two bedroom Housing Units shall be limited to five persons, and occupancy of three bedroom Housing Units shall be limited to seven persons. Notwithstanding the foregoing, however, no current residents of Housing Units as of the date of this Agreement shall be evicted from their apartment units solely because the household does not meet the occupancy requirements of this Section 306.

307. Maintenance. The Owner shall maintain or cause to be maintained the interior and exterior of the Property in a decent, safe and sanitary manner, in accordance with the HUD Housing

Quality Standards and the maintenance standards required by Section 92.251 of the HOME Regulations, and the standard of maintenance of similar housing units within Orange County, California. If at any time Owner fails to maintain the Property in accordance with this Agreement and such condition is not corrected within five days after written notice from the City with respect to graffiti, debris, waste material, and general maintenance, or thirty days after written notice from the City with respect to landscaping and building improvements, then the City, in addition to whatever remedy it may have at law or at equity, shall have the right to enter upon the applicable portion of the Property and perform all acts and work necessary to protect, maintain, and preserve the Property and landscaped areas on the Property, and to attach a lien upon the Property, or to assess the Property, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by the City and/or costs of such cure, including a reasonable administrative charge, which amount shall be promptly paid by Owner to the City, as appropriate, upon demand.

308. Reserve Requirements. The Owner shall set aside in a separate interest-bearing account, commencing upon the Owner's acquisition of the Property, the sum of Fifteen Thousand Dollars (\$15,000) (the "Operating Reserve"), and shall thereafter retain such amount in the Operating Reserve to cover shortfalls between Property income and actual Property operating expenses. The Owner shall replenish the Operating Reserve to the full amount from Project Revenues within sixty (60) days of its use to cover any such shortfall. The Owner shall provide, no less than once per every twelve (12) months, evidence reasonably satisfactory to the City of compliance herewith.

Concurrently with the establishment of the Operating Reserve as set forth herein, the Owner shall also set aside, on a monthly basis, in a separate interest-bearing account, two percent (2%) of the gross rents received from the Property (the "Capital Replacement Reserve"). When funds in the Capital Replacement Reserve equal the amount of Twelve Thousand Dollars (\$12,000), the Owner may cease depositing additional appropriations to the Capital Replacement Reserve until twenty-four (24) months after the Owner's acquisition of the Property, after which time the Owner shall continue making monthly deposits of the greater of two percent (2%) of the gross rents received from the Property. Funds in the Capital Replacement Reserve shall be used for capital replacements to the Property fixtures and equipment which are normally capitalized under generally accepted accounting principles. As capital repairs and improvements of the Property become necessary, the Capital Replacement Reserve shall be the first source of payment therefor. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve the Owner of the obligation to undertake necessary capital repairs and improvements and to continue to maintain the Property in the manner prescribed in this Agreement. Not less than once per year, Owner, at its expense, shall submit to the City an accounting for the Capital Replacement Reserve. Capital repairs to and replacement of the Property shall include only those items with a long useful life of five or more years, 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 and irrigation pipe and controls 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.

In the event that Owner provides evidence reasonably satisfactory to City that there are insufficient funds in the Capital Replacement Reserve and/or from Net Profits for Owner to undertake necessary capital repairs and improvements as required in this Agreement, the City shall advance such funds, provided that the amount shall be added to the Promissory Note. The Deed of

Trust, referencing the new amount will be recorded again, reflecting the new principal amount, junior only to the Bank Loan.

309. Long Term Management of the Property. The parties acknowledge that the City is interested in the long term management and operation of the Property and in the qualifications of any person or entity retained by the Owner for that purpose (the "Property Manager"). The Owner shall, upon the date of acquisition of the Property, either contract with an experienced and reputable party to be the Property Manager or Owner shall itself serve as the Property Manager. During the term of the Affordability Period, the City may from time to time review and evaluate the identity and performance of the Property Manager of the Property as it deems appropriate. If the City determines that the performance of the Property Manager is deficient based upon the standards and requirements set forth in this Agreement, the City shall provide notice to the Owner of such deficiencies and the Owner shall use its best efforts to correct such deficiencies. In the event such deficiencies have not been cured within the time set forth in Section 401 hereof, the City shall have the right to require the Owner to immediately remove and replace the Property Manager and to appoint another property manager or property management company which is reasonably acceptable to the City, which is not related to or affiliated with the Owner, and which has not less than five (5) years experience in property management, including significant experience managing affordable multifamily residential developments of the size, quality and scope of the Property.

In addition, prior to the acquisition of the Property the Owner shall submit for the approval of the City a "Management Plan" which sets forth in detail the Owner's property management duties, the affirmative marketing procedures in accordance with Section 304 hereof, the tenant selection process in accordance with Section 305 hereof, a security system and crime prevention program, the procedures for the collection of rent, the procedures for monitoring of occupancy levels, the procedures for eviction of tenants, the rules and regulations of the Property and manner of enforcement, a standard lease form in accordance with Section 303 hereof, the identity of the Property Manager, and other matters relevant to the management of the Property. The Management Plan shall require the Property Manager to adhere to a fair lease and grievance procedure and provide a plan for tenant participation in management decisions. The management of the Property shall be in compliance with the Management Plan which is approved by the City.

Until the City Loan has been fully repaid, the Owner shall annually submit to the City for its reasonable approval a budget for the operation of the Property. The fee paid to Property Manager shall not exceed five percent (5%) of the gross income of the Property per annum. Other fees and payments shall be consistent with prevailing market rates for the services performed and goods provided in consideration for such fees and payments. The Owner shall ensure that the expenses of operating the Property do not materially exceed the budget which has been approved by the City. The Owner shall annually provide to the City a detailed accounting of operating expenses and shall make its books and records available to the City for inspection and copying, upon reasonable advance notice during its normal hours of business.

310. Monitoring and Recordkeeping. Throughout the Affordability Period, Owner shall comply with all applicable recordkeeping and monitoring requirements set forth in Section 92.508 (or successor regulation) of the HOME Regulations and Health & Safety Code Section 33418 and shall annually complete and submit to City a Certification of Continuing Program Compliance in the form provided by the City. Representatives of the City shall be entitled to enter the Property, upon at least twenty-four (24) hours notice, to monitor compliance with this Agreement, to inspect the records of the Property with respect to the HOME Program compliance, and to conduct an

independent audit or inspection of such records. The Owner agrees to cooperate with the City in making the Property available for such inspection or audit. If for any reason the City is unable to obtain the Owner's consent to such an inspection or audit, the Owner understands and agrees that the City may obtain at Owner's expense an administrative inspection warrant or other appropriate legal order to obtain access to and search the Property. Owner agrees to maintain records in businesslike manner, and to maintain such records for the term of this Agreement.

311. Non-Discrimination Covenants. Owner covenants by and for itself, its successors 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. All deeds, leases or contracts relating to the Housing Units or the Site, or any part thereof, shall contain or be subject to substantially the following non-discrimination or non-segregation 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.”

Owner shall also comply with the equal opportunity and fair housing requirements set forth in Section 92.350 of the HOME Regulations. The covenants established in this Section 311 shall, without regard to technical classification and designation, be binding for the benefit and in favor of City and its successors and assigns, and shall remain in effect in perpetuity.

400. DEFAULT AND REMEDIES

401. Events of Default. A failure by any party to perform any action or covenant required by this Agreement, the Regulatory Agreement, the Promissory Note, the Deed of Trust, or any loan or deed of trust for the Property which is senior to the City Loan, within the time periods provided herein following notice and failure to cure as described hereafter, constitutes a “Default” under this Agreement. A party claiming a Default shall give written notice of Default to the other parties specifying the Default complained of. Except as otherwise expressly provided in this Agreement, the claimant shall not institute any proceeding against any other party, and the other party shall not be in Default if such party cures such default within thirty (30) days from receipt of such notice of such Default hereunder. However, in the event that such Default is other than a failure to pay money and is of such a nature that it cannot reasonably be cured within thirty (30) days from receipt of such notice, the claimant shall not institute any proceeding against the other party, and the other party shall not be in Default if such party immediately upon receipt of such notice, with due diligence, commences to cure, correct or remedy such failure or delay and completes such cure, correction or remedy with diligence as soon as reasonably possible thereafter. In the event that the Owner is in default on any loan or deed of trust senior to the City Loan, the Owner shall immediately deliver to the City a copy of such notice of default. Even if the holder of such loan or deed of trust has not exercised its rights or remedies with respect to such default, the City shall each have the right (but not be obligated to) cure such default. In such event, the City shall be entitled to reimbursement from the Owner of all costs and expenses it has actually incurred in curing such default. The City shall be entitled to add the amount incurred by it to the amounts owing pursuant to the Promissory Note, and secured by the Deed of Trust.

402. Remedies. The occurrence of any Event of Default shall give the nondefaulting party the right to proceed with any and all remedies set forth in this Agreement, including an action for damages, an action or proceeding at law or in equity to require the defaulting party to perform its obligations and covenants under this Agreement or to enjoin acts or things which may be unlawful or in violation of the provisions of this Agreement, and the right to terminate this Agreement. In addition, the occurrence of any Event of Default by Owner will relieve the City of any obligation to perform hereunder.

403. Force Majeure. Subject to the party’s compliance with the notice requirements as set forth below, performance by either party hereunder shall not be deemed to be a default hereof, and all performance and other dates specified in this Agreement shall be extended, where delays or defaults are due to causes beyond the control and without the fault of the party claiming an extension of time to perform, which may include the following: war, insurrection, strikes, lockouts, riots, floods, earthquakes, fires, assaults, 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, acts or omissions of the other party, acts or failures to act of any public or governmental entity (except that the City's acts or failure to act shall not excuse performance of the City hereunder). An extension of the 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. Inability to obtain financing for the acquisition or operation of the Property shall not constitute an event beyond the control of the Owner for purposes of this Section 403.

404. Attorneys' Fees. In addition to any other remedies provided hereunder or available pursuant to law, if either party brings an action or proceeding to enforce, protect or establish any right or remedy hereunder, the prevailing party shall be entitled to recover from the other party its costs of suit and reasonable attorneys' fees.

405. Remedies Cumulative. No right, power, or remedy given to the City by the terms of this Agreement is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given to the City by the terms of any such instrument, or by any statute or otherwise against Owner and any other person.

406. Waiver of Terms and Conditions. The City may, in its sole discretion, waive in writing any of the terms and conditions of this Agreement. Waivers of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition.

407. Non-Liability of City Officials and Employees. No member, official, employee or agent of the City shall be personally liable to the Owner, or any successor in interest, in the event of any default or breach by the City or for any amount which may become due to the Owner or its successors, or on any obligations under the terms of this Agreement.

500. GENERAL PROVISIONS

501. Time. Time is of the essence in this Agreement.

502. Notices. Any approval, disapproval, demand, document or other notice ("Notice") which either party may desire to give to the other party under this Agreement must be in writing and may be given either by (i) personal service, (ii) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (iii) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below, or at any other address as that party may later designate by Notice:

Owner: Tamerlane Associates, LLC
14 Corporate Plaza, Suite 100
Newport Beach, CA 92660
Attn: Charles Fry

City: City of Garden Grove
11222 Acacia Parkway
P.O. Box 3070
Garden Grove, California 92842
Attn: City Manager

Such addresses may be changed by notice to the other party given in the same manner as provided above.

503. Representations and Warranties of Owner. Owner hereby represents and warrants to the City as follows:

(a) **Organization.** Owner is a duly organized, validly existing limited liability company in good standing under the laws of the State of California and has the power and authority to own property and conduct such business as now being conducted.

(b) **Authority of Owner.** Owner has full power and authority to execute and deliver this Agreement and to perform and observe the terms and provisions of this Agreement.

(c) **Valid Binding Agreement.** This Agreement and all other documents or instruments which have been executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so executed and delivered constitute, legal, valid and binding obligations of Owner enforceable against it in accordance with their respective terms.

(d) **Pending Proceedings.** Owner is not in default under any law or regulation or under any order of any court, board, commission or agency whatsoever, and there are no claims, actions, suits or proceedings pending or, to the knowledge of Owner, threatened against or affecting Owner or the Property, at law or in equity, before or by any court, board, commission or agency whatsoever which might, if determined adversely to Owner, materially affect Owner's ability to perform its obligations hereunder.

(e) **Layering Review.** The Owner acknowledges that a layering review was performed in accordance with 24 CFR 92.250 (b). The Owner hereby represents and certifies to the City that no government assistance other than the City Loan has been obtained or is contemplated to be obtained for the acquisition of the Property. The Owner agrees to notify the City in the event that it applies for or proposes to use other governmental funds for the Property prior to the end of the Affordability Period.

504. Limitation Upon Change in Ownership, Management and Control of the Property.

(a) **Prohibition.** The identity and qualifications of Owner as an experienced and successful operator of multifamily housing are of particular concern to the City. It is because of this identity and these qualifications that the City has entered into this Agreement with the Owner. No voluntary or involuntary successor in interest of the Owner shall acquire any rights or powers under this Agreement by assignment or otherwise, nor shall Owner make any total or partial sale, transfer, conveyance, encumbrance to secure financing, assignment or lease of the whole or any part of the

Property without the prior written approval of the City pursuant to Subparagraph (c) hereof, except as expressly set forth herein, which approval shall not be unreasonably withheld.

(b) **Permitted Transfers.** Notwithstanding any other provision of this Agreement to the contrary, City approval of an assignment or transfer of this Agreement or conveyance of the Property or any part thereof pursuant to subparagraph (c) of this Section 504, shall not be required in connection with any of the following (the "Permitted Transfers"):

(i) Subject to the restrictions of Sections 301 through 312 of this Agreement, the lease of units within the Property to qualified tenants.

(ii) Assignment for financing purposes, subject to such financing being considered and approved by the City pursuant to Section 211 of the Affordable Housing Loan Agreement.

(iii) Assignment of this Agreement and the conveyance of the Property to family members or a trust for estate planning purposes, or transfer of this Agreement and the Property to an entity in which Owner owns not less than fifty percent (50%) of the beneficial interest in the Property, and is under the management and control of the Owner, and the transferee entity executes an agreement reasonably acceptable to the City assuming all of the obligations under this Agreement.

In the event of an assignment by Owner not requiring the City's prior approval, Owner nevertheless agrees that at least ten (10) days prior to such assignment or transfer it shall give written notice to City of such assignment or transfer.

(c) **City Consideration of Requested Transfer.** The City agrees that it will not unreasonably withhold approval of a request made pursuant to this Section, provided (a) the Owner delivers written notice to the City requesting such approval, and (b) the proposed assignee or transferee possesses comparable operational experience and capability with respect to the operation of similar types of multifamily rental property, and comparable net worth and resources as necessary to operate the Property, and (c) the proposed assignee or transferee assumes the obligations of the Owner under this Agreement in a form which is reasonably acceptable to the City. Such notice shall be accompanied by evidence regarding the proposed assignee's or purchaser's qualifications and experience and its financial commitments and resources sufficient to enable the City to evaluate the proposed assignee or purchaser pursuant to the criteria set forth in this Section 504(c) and other criteria as reasonably determined by the City. The City shall approve or disapprove the request within thirty (30) days of its receipt of the Owner's notice and all information and materials required herein. In no event, however, shall the City be obligated to approve the assignment or transfer of the City Loan, Promissory Note or Deed of Trust pursuant to this Section 504, except to an approved transferee or assignee of the Owner's rights in and to the Property.

(d) **Successors and Assigns.** This Agreement shall run with the land, and all of the terms, covenants and conditions of this Agreement shall be binding upon the Owner and the permitted successors and assigns of the Owner. Whenever the term "Owner" is used in this Agreement, such term shall include any other permitted successors and assigns as herein provided.

505. No Third Parties Benefited. This Agreement is made and entered into for the protection and benefit of the City, its successors and assigns, and Owner, its permitted successors and

assigns, and no other person or persons, except that the City and Housing authority shall be third party beneficiaries of this Agreement, including but not limited to the Affordability covenants and the covenants against discrimination contained in this Agreement and the Regulatory Agreement, and the Notice of Affordability Restrictions and shall have the right to enforce such covenants.

506. Partial Invalidity. If any provision of this Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

507. Governing Law. This Agreement and other instruments given pursuant hereto shall be construed in accordance with and be governed by the laws of the State of California. Any references herein to particular statutes or regulations shall be deemed to refer to successor statutes or regulations, or amendments thereto.

508. Amendment. This Agreement may not be changed orally, but only by agreement in writing signed by Owner and the City.

509. Approvals. Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of the City, such approval may be given on behalf of the City by the City Manager or his or her designee. The City Manager or his or her designee is hereby authorized to take such actions as may be necessary or appropriate to implement this Agreement on behalf of the City, including without limitation the execution of such documents or agreements as may be contemplated by this Agreement, and amendments which do not substantially change the uses or restrictions hereunder, or substantially add to the costs of the City hereunder.

IN WITNESS WHEREOF, the parties hereto have executed this Regulatory Agreement as of the date and year set forth below.

OWNER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: Charles H. Fry

Its: Manager

CITY:

CITY OF GARDEN GROVE, a municipal corporation

By: Matthew Fitch
City Manger

ATTEST:

Kathleen Bailor
City Clerk

APPROVED AS TO FORM:

[Signature]
Stradling Yocca Carlson & Rauth
City Special Counsel

ATTACHMENT NO. 1

LEGAL DESCRIPTION

The land referred to herein is situated in the State of California, County of Orange, and described as follows:

Lot 4 of Tract No. 3050, in the City of Garden Grove, County of Orange, State of California, as shown on a map recorded in Book 92 Page(s) 31 and 32 of Miscellaneous Maps, in the office of the County Recorder of said County.

Except therefrom all minerals, ores, precious and useful metal substances and hydrocarbons of every kind and character, including petroleum, oil, gas, asphaltum and tar that may now or hereafter be found, located, contained, developed or taken on, in, under or from said land, as reserved by Beatrice Durkee Watson, Ruth Durkee Bell and Florence Durkee in deed recorded September 14, 1955, in book 3208, page 261, Official Records, and in deed from Ella H. Collman, a widow, and George Albertus Collman, her son, recorded July 14, 1955, in book 3138, page 552, Official Records, which deeds provide as follows: "but without the right to use the surface of said land for any such purpose, or to enter upon the surface of the demised land for any such purpose, or to penetrate or enter upon the demised and in any way at a depth from the surface thereof less than 500 feet."

APN: 231-471-45

STATE OF CALIFORNIA)
) SS.
COUNTY OF Orange)

On May 23, 2012, before me, Kelly E. Curran, Notary Public,
(Print Name of Notary Public)

personally appeared Charles Henry Fry

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.

Kelly E. Curran
Signature of Notary Public

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

- Individual
- Corporate Officer

Title(s)

- Partner(s) Limited
- General
- Attorney-In-Fact
- Trustee(s)
- Guardian/Conservator
- Other: _____

Signer is representing:
Name Of Person(s) Or Entity(ies)

DESCRIPTION OF ATTACHED DOCUMENT

Title Or Type Of Document

Number Of Pages

Date Of Documents

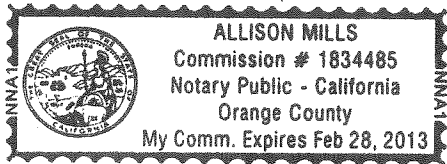
Signer(s) Other Than Named Above

STATE OF CALIFORNIA)
) ss.
COUNTY OF Orange)

On June 7, 2012, before me, Allison Mills, Notary Public,
(Print Name of Notary Public)
personally appeared Matthew Fertal

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.

Allison Mills
Signature of Notary Public

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

- Individual
- Corporate Officer

Title(s)

- Partner(s) Limited
- General
- Attorney-In-Fact
- Trustee(s)
- Guardian/Conservator
- Other: _____

Signer is representing:
Name Of Person(s) Or Entity(ies)

DESCRIPTION OF ATTACHED DOCUMENT

Title Or Type Of Document

Number Of Pages

Date Of Documents

Signer(s) Other Than Named Above

Recorded in Official Records, Orange County
Tom Daly, Clerk-Recorder

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Garden Grove
11222 Acacia Parkway
P.O. Box 3070
Garden Grove, California 92842
Attention: City Manager



NO FEE

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441263

This document is exempt from the payment of a recording
fee pursuant to Government Code Section 27383.

OPTION AGREEMENT

This **OPTION AGREEMENT** is entered into as of May 8, 2012, by and between **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner"), and the **CITY OF GARDEN GROVE**, a municipal corporation (the "City").

RECITALS

A. Owner and the Garden Grove Agency for Community Development ("Agency") have entered into an Affordable Housing Loan Agreement dated as of February 9, 2010 ("AHLA"). Under the terms of the Affordable Housing Loan Agreement, Owner has purchased real property located within the City of Garden Grove, located at 12211 Tamerlane Drive, which is improved with a four (4) unit apartment complex thereon (the "Property"), as particularly described in the Legal Description attached hereto as Attachment No. 1, and incorporated herein by reference. All capitalized terms not defined herein shall have the meaning set forth in the AHLA.

B. Pursuant to Section 400 of the Affordable Housing Loan Agreement ("AHLA") and by Option Agreement dated May 8, 2012 (the "Agency Option Agreement"), the Owner has granted to the Agency an option to purchase the Property upon payment of a purchase price as set forth in the Agency Option Agreement.

C. Owner desires to grant to City an option to purchase the Property on the terms and conditions set forth hereinbelow junior and subordinate to the right granted to the Agency pursuant to the Agency Option Agreement.

D. For purposes of this Option Agreement, "Property" shall also be deemed to include any and all improvements located on the real property, any and all security deposits held by Owner, operating and capital replacement reserve accounts, operating accounts, Owner's rights to payment for rent and other items, and all of Owner's right, title and interest in and to any and all easements, rights of way, licenses, permits, applications, reports or other personal property utilized in conjunction with or in any way related to or appurtenant to such real property and improvements (but excluding Owner's trade fixtures and equipment).

NOW, THEREFORE, in consideration of the foregoing, and the mutual covenants and conditions contained herein, the parties hereto agree as follows:

1. Grant of Option. Subject to the Agency Option Agreement, Owner grants to City an option (the "Option") to purchase the Property on the terms and conditions set forth in this Option Agreement. The purchase price payable by the City to the Owner for the Property shall be the amount of the then current balance of the Bank Loan and Promissory Note plus an amount equal to One Thousand, Two Hundred Thousand Dollars (\$1,200) per month for each month from the twenty-fifth (25th) month following the commencement of the Option Term until escrow is closed less Net Profits retained by Owner plus operating losses (collectively, the "Option Price"). The Option created hereby shall be irrevocable by Owner and shall be binding upon the successors and assigns of Owner. The City shall have the right of specific performance to enforce the terms of this Option Agreement.

2. Term for Option. The term of the Option ("Option Term") shall commence on the date of this Option Agreement, and, unless extended by mutual written agreement of the Owner and the City, shall automatically expire on March 19, 2030 in which event, the City shall, upon written request by Owner, provide written request of such termination in recordable form.

3. Exercise of Option. The Option may be exercised at any time before the expiration of the Option Term by City's delivery to Owner of written notice of such exercise (the "Exercise Notice").

4. Escrow and Completion of Sale. Within five (5) days after City has exercised the Option, or as soon thereafter as reasonably practicable, an escrow shall be opened with an escrow company mutually acceptable to City and Owner for the conveyance of the Property to the City. The City shall deposit the Option Price in escrow not later than one (1) business day prior to the anticipated close of escrow date. The City's obligation to close escrow shall be subject to the City's approval of a then-current preliminary title report and, at City's option, environmental and other site testing. Any exceptions shown on such preliminary title report created on or after the Owner's acquisition of the Property shall be removed by Owner at its sole expense prior to the close of escrow pursuant to this Section 4 unless such exception(s) is(are) accepted by City in its reasonable discretion; provided, however, that City shall accept the following exceptions to title: (i) current taxes not yet delinquent, (ii) matters affecting title existing on the date of Owner's acquisition of the Property, (iii) liens and encumbrances in favor of the Agency or the City, and (iv) matters shown as printed exceptions in the standard form CLTA owner's policy of title insurance. In the event the Property or any portion thereof is encumbered by a mortgage or deed of trust, the City shall be permitted to unilaterally instruct the escrow agent to satisfy the indebtedness secured thereby out of the proceeds payable to the Owner through the foregoing escrow, or the City may satisfy all or a portion of the Option Price through the City's assumption of the promissory note or notes held by the holders of the deeds of trust encumbering the Site, if such holder or holders consent thereto. City shall pay all of the escrow fees, documentary transfer taxes, recording fees, the cost of any owner's policy of title insurance desired by the City, and any other costs and expenses of the escrow. City shall have thirty (30) days after exercise of the Option to enter upon the Property to conduct any tests, inspections, investigations, or studies of the condition of the Property. Owner shall permit the City access to the Site for such purposes. The City shall indemnify, defend, and hold harmless Owner and its officers, directors, shareholders, partners, employees, agents, and representatives from and against all claims, liabilities, or damages, and including expert witness fees and reasonable attorney's fees and costs, caused by City's activities with respect to or arising out of such testing, inspection, or investigatory activity on the Site. Escrow shall close promptly after acceptance by City of the condition of title and the physical and environmental condition of the Property.

5. Failure to Exercise Option. If the Option is not exercised in the manner provided in Section 3 above before the expiration of the Option Term, the Option shall terminate. Upon receipt of the written request of Owner, City shall cause a quitclaim deed terminating or releasing any and all rights City may have to acquire the Property (the "Quitclaim Deed") to be recorded in the Official Records of Orange County, California.

6. Assignment. City shall have the right to assign its interest hereunder. In connection with any assignment, any assignee shall execute all documents reasonably necessary to assume all of the obligations imposed under this Option Agreement on City as if the assignee were the original party in this Option Agreement.

7. Representations and Warranties of Owner. Owner hereby represents, warrants and covenants to City as follows, which representations and warranties shall survive the exercise of the Option and the Close of Escrow:

(a) that this Option Agreement and the other documents to be executed by Owner hereunder, upon execution and delivery thereof by Owner, will have been duly entered into by Owner, and will constitute legal, valid and binding obligations of Owner;

(b) neither this Option Agreement, nor anything provided to be done under this Option Agreement, violates or shall violate any contract, document, understanding, agreement or instrument to which Owner is a party or by which it is bound; and

(c) Owner shall pay, prior to delinquency or default, any and all real property taxes and assessments which affect the Property.

Owner agrees to indemnify, protect, defend, and hold City and the Property harmless from and against any damage, claim, liability, or expense of any kind whatsoever (including, without limitation, reasonable attorneys' fees and fees of expert witnesses) arising from or in connection with any breach of the foregoing representations, warranties and covenants. Such representations and warranties of Owner, shall be true and correct on and as of the date of this Option Agreement and on and as of the date of the Close of Escrow.

8. Title. Following the date hereof, Owner agrees not to cause, and shall use commercially reasonable efforts not to permit, any lien, easement, encumbrance or other exception to title to be recorded against the Property without City's prior written approval, such approval not to be unreasonably withheld.

9. Representations and Warranties of City. City hereby represents and warrants and covenants to Owner, as follows, which representations and warranties shall survive the Close of Escrow:

(a) that this Option Agreement and the other documents to be executed by City hereunder, upon execution and delivery thereof by City, will have been duly entered into by City, and will constitute legal, valid and binding obligations of City, and

(b) neither this Option Agreement, nor anything provided to be done under this Option Agreement, violates or shall violate any contract, document, understanding, agreement or instrument to which City is a party or by which it is bound.

City agrees to indemnify, protect, defend, and hold Owner and the Property harmless from and against any damage, claim, liability, or expense of any kind whatsoever (including, without limitation, reasonable attorneys' fees and fees of expert witnesses) arising from or in connection with any breach of the foregoing representations, warranties and covenants. Such representations and warranties of City, and any other representations and warranties of City contained elsewhere in this Option Agreement shall be true and correct on and as of the date of this Option Agreement and on and as of the date of the Close of Escrow.

10. Relocation. In the event that the City purchases the Property pursuant to this Option Agreement and any displacement of tenants of the Property occurs, the City shall provide relocation assistance in accordance with the Federal Uniform Relocation Assistance and Real Property Acquisition Act, 42 U.S.C. § 4601, et seq., the California relocation law, Government Code Section 7260, et seq., and the regulations adopted pursuant thereto by the United States, State of California and the City (collectively, the "Relocation Laws"), and in a manner approved by the City to each displaced tenant household required to temporarily or permanently vacate a unit within the Property as a result of the City's acquisition of the Property pursuant to this Option Agreement. The City shall indemnify, defend, and hold harmless Owner and its officers, directors, shareholders, partners, employees, agents, and representatives from and against all claims for relocation assistance caused by or arising out of City's purchase of the Property pursuant to this Option Agreement.

11. General Provisions.

11.1 Paragraph Headings. The paragraph headings used in this Option Agreement are for purposes of convenience only. They shall not be construed to limit or extend the meaning of any part of this Option Agreement.

11.2 Notices. Any notice, demand, approval, consent, or other communication required or desired to be given under this Option Agreement shall be in writing and shall be either personally served, sent by telecopy or mailed in the United States mails, certified, return receipt requested, postage prepaid, addressed to the party to be served with the copies indicated below, at the last address given by that party to the other under the provisions of this section. All communications shall be deemed delivered at the earlier of actual receipt, the next business day after deposit with Federal Express or other overnight delivery service or two (2) business days following mailing as aforesaid, or if telecopied, when sent, provided a copy is mailed or delivered as provided herein:

City: City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92642
Attention: Community Development Director

Owner: Tamerlane Associates, LLC
14 Corporate Plaza, Suite 100
Newport Beach, CA 92660
Attention: Charles Fry

11.3 Binding Effect. The terms, covenants and conditions of this Option Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and transferees.

11.4 Entire Agreement. This Option Agreement sets forth the entire agreement between the parties hereto respecting the Option, and supersedes all prior negotiations and agreements, written or oral, concerning or relating to the subject matter of this Option Agreement.

11.5 California Law. This Option Agreement shall be governed by the laws of the State of California and any question arising hereunder shall be construed or determined according to such laws.

11.6 Time of the Essence. Time is of the essence of each and every provision of this Option Agreement.

11.7 Counterparts. This Option Agreement may be signed by the parties hereto in duplicate counterparts which together shall constitute one and the same agreement between the parties and shall become effective at such time as both of the parties shall have signed such counterparts.

11.8 Attorneys' Fees. If either party commences an action against the other to enforce any of the terms hereof or because of the breach by either party of any of the terms hereof, the losing party shall pay to the prevailing party reasonable attorneys' fees, costs and expenses incurred in connection with the prosecution or defense of such action, including appeal of and/or enforcement of a judgment.

11.9 Computation of Time. All periods of time referred to in this Option Agreement shall include all Saturdays, Sundays and state or national holidays, unless the period of time is specified as business days (which shall not include Saturdays, Sundays and state or national holidays), provided that if the date or last date to perform any act or give any notice with respect to this Option Agreement shall fall on a Saturday, Sunday or state or national holiday, such act or notice may be timely performed or given on the next succeeding day which is not a Saturday, Sunday or state or national holiday.

IN WITNESS WHEREOF, this Option Agreement is executed by the parties hereto on the date first above written.

CITY:

CITY OF GARDEN GROVE, a municipal corporation

By: Matthew Fetal
City Manager

ATTEST:

Kathleen Baur
City Clerk

APPROVED AS TO FORM:

[Signature]
Stradling Yocca Carlson & Rauth
City Special Counsel

OWNER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: Chuck H. Long
Its: Manager

ATTACHMENT NO. 1

LEGAL DESCRIPTION

The land referred to herein is situated in the State of California, County of Orange, and described as follows:

Lot 4 of Tract No. 3050, in the City of Garden Grove, County of Orange, State of California, as shown on a map recorded in Book 92 Page(s) 31 and 32 of Miscellaneous Maps, in the office of the County Recorder of said County.

Except therefrom all minerals, ores, precious and useful metal substances and hydrocarbons of every kind and character, including petroleum, oil, gas, asphaltum and tar that may now or hereafter be found, located, contained, developed or taken on, in, under or from said land, as reserved by Beatrice Durkee Watson, Ruth Durkee Bell and Florence Durkee in deed recorded September 14, 1955, in book 3208, page 261, Official Records, and in deed from Ella H. Collman, a widow, and George Albertus Collman, her son, recorded July 14, 1955, in book 3138, page 552, Official Records, which deeds provide as follows: "but without the right to use the surface of said land for any such purpose, or to enter upon the surface of the demised land for any such purpose, or to penetrate or enter upon the demised and in any way at a depth from the surface thereof less than 500 feet."

APN: 231-471-45

STATE OF CALIFORNIA)
)
COUNTY OF Orange) ss.

On May 23, 2012 before me, KELLY E. CURRAN, Notary Public,
personally appeared Charles Henry Fry

who proved to me on the basis of satisfactory evidence to be the person(s) whose names(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

Kelly E. Curran
SIGNATURE OF NOTARY PUBLIC



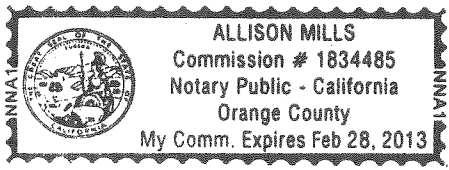
STATE OF CALIFORNIA)
) ss.
COUNTY OF Orange)

On June 7, 2012, before me, Allison Mills, Notary Public,
(Print Name of Notary Public)

personally appeared Matthew Fertal

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.

Allison Mills
Signature of Notary Public

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

DESCRIPTION OF ATTACHED DOCUMENT

- Individual
- Corporate Officer

Title(s)

Title Or Type Of Document

- Partner(s) Limited
- General
- Attorney-In-Fact
- Trustee(s)
- Guardian/Conservator
- Other: _____

Number Of Pages

Signer is representing:
Name Of Person(s) Or Entity(ies)

Date Of Documents

Signer(s) Other Than Named Above

EXHIBIT G

SCHEDULE OF PERFORMANCE

1. Owner shall satisfy all conditions precedent to disbursement of the City Loan, including acquisition of the Property. Within 180 days of the effective date of this Agreement.
2. Owner shall submit Rehabilitation Work Write-up for City approval. Within 180 days of the effective date of this Agreement.
3. City shall review and either approve or disapprove Owner's Rehabilitation Work Write-up. Within 30 days of City receipt of Rehabilitation Work Write-up.
4. Owner shall supply the City with the certificate(s) of insurance required by Section 208 of the Agreement. Prior to the commencement of Rehabilitation.
5. Owner shall commence Rehabilitation of the Property. Within 30 days following City approval of the Rehabilitation Work Write-up.
6. Owner shall complete the Rehabilitation of the Property. Within 180 days of commencing implementation of the Rehabilitation.

Recorded in Official Records, Orange County
Tom Daly, Clerk-Recorder

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92840
Attention: City Manager



51.00

2012000355035 02:37pm 06/22/12

65 404 N03 16

0.00 0.00 0.00 0.00 45.00 0.00 0.00 0.00

447263

SPACE ABOVE THIS LINE FOR RECORDER'S USE

~~(This document is exempt from the payment of a recording fee pursuant to Government Code Section 27383.)~~

NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF PROPERTY

This **NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF PROPERTY** ("Notice of Affordability Restrictions") is executed and recorded pursuant to Section 33334.3(f)(3)(B) of the California Health and Safety Code as amended by AB 987, Chapter 690, Statutes of 2007 (herein, "Chapter 690"), and affects that certain property described in Attachment No. 1 hereto ("Site").

1. The City Garden Grove, (the "City"), and Tamerlane Associates, LLC, a California limited liability company (the "Developer") have previously entered into an Affordable Housing Agreement dated as of May 8, 2012 ("AHA"). The AHA provides for affordability restrictions, as more particularly set forth in the AHA and the Regulatory Agreement. A copy of the AHA is on file with City as a public record and is deemed incorporated herein. Reference is made to the AHA with regard to the complete text of the provisions of such agreement which provides for affordability restrictions and restrictions on the transfer of the Site. Capitalized terms not defined herein shall have the meaning set forth in the AHA.

2. The AHA provides for Developer to (a) Rehabilitate three (3) rental dwelling units at the Site and (b) rent such dwelling units to households of limited income, paying an affordable rent; such restrictions are set forth at greater length in a document entitled the Regulatory Agreement, substantially in the form of Exhibit E to the AHA, which has been entered into by and between City and Developer, and which is expected to be recorded substantially concurrently herewith among the official land records of the County of Orange. The Regulatory Agreement and the AHA are deemed to be incorporated herein by reference.

2.1. The Regulatory Agreement sets forth the following affordability restrictions and restrictions on transfer of the Site:

“300. OPERATION OF HOUSING

“301. Affordable Units. The Owner agrees to make the Units available to Lower Income Households at an Affordable Rent (collectively, the “Affordable Units”), pursuant to the terms set forth below and in the Regulatory Agreement and Notice of Affordability Restrictions (the “Operation” or “Operate”).

“For purposes of this Agreement, “Lower Income Households” shall mean those households with incomes that do not exceed eighty percent (80%) of Orange County median income, adjusted for family size, as established and amended from time to time by the United States Department of Housing and Urban Development (“HUD”) or such lesser income as may be set forth in Health & Safety Code Section 50079.5 as amended from time to time.

“Upon the Owner’s acquisition of the Property, and annually thereafter, the Owner shall submit to the City a completed income computation and certification form, in a form to be provided by the City. The Owner shall certify that each tenant leasing an Affordable Unit meets the income restrictions of this Section 301 and that tenant’s rental agreement states rent is Affordable Rent per Health & Safety Code Section 50053 for Lower Income households. The Owner shall obtain an income certification from the tenant of each Affordable Unit which shall certify that the income of the tenant is truthfully set forth in the income certification form. The Owner shall verify the income certification of the tenant in one or more of the following methods:

(1) obtain two (2) paycheck stubs from the tenant’s two (2) most recent pay periods, if any.

(2) obtain a true copy of an income tax return from the tenant for the most recent tax year in which a return was filed, if any.

(3) obtain an income verification certification from the employer of the tenant, if any.

(4) obtain an income verification certification from the Social Security Administration and/or the California Department of Social Services if the tenant receives assistance from such agencies, if any.

(5) obtain an alternate form of income verification reasonably requested by the Owner, if none of the above forms of verification is available to the Owner, if any.

“Current tenants of the Property as of the date of this Agreement shall not be compelled to vacate their Units solely because their income exceeds the applicable requirements for renting an Affordable Unit. Any tenant who, because of an increase in income, is no longer qualified to rent an Affordable Unit shall not be required to vacate the apartment unit solely because of such change of income, and shall be entitled to remain as a tenant of the same apartment unit at a rent which does not exceed the fair market rental value for such unit.

“The Property shall be subject to the requirements of this Section 300 from the date of Owner’s acquisition of the Property until the fifty fifth (55th) anniversary of such date. The duration of this requirement shall be known as the “Affordability Period.”

“302. Affordable Rent. The maximum Monthly Rent chargeable for the Affordable Units shall be annually determined by the City in accordance with the following “Affordable Rent” requirements.

“The Affordable Units shall be rented to Lower Income Households at maximum HOME Rent limits defined under 24 CFR 92.252 as the lesser of (a) the fair market rent for comparable housing units in the area as determined by HUD under 24 CFR 888.111, or (b) a rent that does not exceed thirty percent (30%) of sixty-five percent (65%) of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in

the Unit, less the monthly allowance for utilities and services to be paid by each tenant ("Affordable Rent"). Notwithstanding the foregoing, however, if after the tenant's initial occupancy of the Unit, the tenant's income increases to a level greater than maximum income for Lower Income Households, adjusted for family size, the rent charged by Owner shall not exceed the fair market rent for comparable housing units in the area as determined by the City.

"For purposes of this Agreement, "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 the Owner 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 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 Owner.

"303. Lease Requirements. Prior to disbursement of the City Loan, the Owner shall submit a standard lease form to the City for the City's approval. The City shall reasonably approve such lease form upon finding that such lease form is consistent with this Agreement and contains all of the provisions required pursuant to the Community Redevelopment Law, Health & Safety Code Sections 33000 *et seq.* ("CRL") and the HOME Program and the HOME Regulations. The Owner shall enter into a written lease, in the form approved by the City, with each tenant of an Affordable Unit. Each lease shall be for a period of not less than one year, and shall not contain any of the provisions which are prohibited pursuant to 24 CFR 92.253(a) of the HOME Regulations.

"304. Affirmative Marketing. The rental of the Affordable Units shall be conducted in accordance with the affirmative marketing requirements which have been adopted by the City and the requirements of Section 92.351, or successor regulation, of the HOME Regulations and other applicable HOME Program requirements.

“305. Selection of Tenants. Each Affordable Unit shall be leased to tenants selected by the Owner who meet all of the requirements provided herein. The City may, from time to time, assist in the leasing of the Property by providing to the Owner names of persons who have expressed interest in renting Affordable Units. The Owner shall adopt a tenant selection system in conformance with Section 92.253(d) of the HOME Regulations, which shall be approved by the City in its reasonable discretion, which establishes a chronological waiting list system and/or random lottery system for selection of tenants. The Owner 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 HOME Program, 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; provided that Owner shall not be required to give any priority or preference to participants in the foregoing programs.

“306. Occupancy Standards. Notwithstanding other applicable requirements, occupancy of one bedroom Housing Units shall be limited to three persons, occupancy of two bedroom Housing Units shall be limited to five persons, and occupancy of three bedroom Housing Units shall be limited to seven persons. Notwithstanding the foregoing, however, no current residents of Housing Units as of the date of this Agreement shall be evicted from their apartment units solely because the household does not meet the occupancy requirements of this Section 306.

“307. Maintenance. The Owner shall maintain or cause to be maintained the interior and exterior of the Property in a decent, safe and sanitary manner, in accordance with the HUD Housing Quality Standards and the maintenance standards required by Section 92.251 of the HOME Regulations, and the standard of maintenance of similar housing units within Orange County, California. If at any time Owner fails to maintain the Property in accordance with this Agreement and such condition is not corrected within five days after written notice from the City with respect to graffiti, debris, waste material, and general maintenance, or thirty days after written notice from the City with respect to landscaping and building improvements, then the City,

in addition to whatever remedy it may have at law or at equity, shall have the right to enter upon the applicable portion of the Property and perform all acts and work necessary to protect, maintain, and preserve the Property and landscaped areas on the Property, and to attach a lien upon the Property, or to assess the Property, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by the City and/or costs of such cure, including a reasonable administrative charge, which amount shall be promptly paid by Owner to the City, as appropriate, upon demand.

“308. Reserve Requirements. The Owner shall set aside in a separate interest-bearing account, commencing upon the Owner’s acquisition of the Property, the sum of Fifteen Thousand Dollars (\$15,000) (the “Operating Reserve”), and shall thereafter retain such amount in the Operating Reserve to cover shortfalls between Property income and actual Property operating expenses. The Owner shall replenish the Operating Reserve to the full amount from Project Revenues within sixty (60) days of its use to cover any such shortfall. The Owner shall provide, no less than once per every twelve (12) months, evidence reasonably satisfactory to the City of compliance herewith.

“Concurrently with the establishment of the Operating Reserve as set forth herein, the Owner shall also set aside, on a monthly basis, in a separate interest-bearing account, two percent (2%) of the gross rents received from the Property (the “Capital Replacement Reserve”). When funds in the Capital Replacement Reserve equal the amount of Twelve Thousand Dollars (\$12,000), the Owner may cease depositing additional appropriations to the Capital Replacement Reserve until twenty-four (24) months after the Owner’s acquisition of the Property, after which time the Owner shall continue making monthly deposits of two percent (2%) of the gross rents received from the Property. Funds in the Capital Replacement Reserve shall be used for capital replacements to the Property fixtures and equipment which are normally capitalized under generally accepted accounting principles. As capital repairs and improvements of the Property become necessary, the Capital Replacement Reserve shall be the first source of payment therefor. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve the Owner of the obligation to undertake necessary capital repairs and

improvements and to continue to maintain the Property in the manner prescribed in this Agreement. Not less than once per year, Owner, at its expense, shall submit to the City an accounting for the Capital Replacement Reserve. Capital repairs to and replacement of the Property shall include only those items with a long useful life of five or more years, 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 and irrigation pipe and controls 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.

“In the event that Owner provides evidence reasonably satisfactory to City that there are insufficient funds in the Capital Replacement Reserve and/or from Net Profits for Owner to undertake necessary capital repairs and improvements as required in this Agreement, the City shall advance such funds, provided that the amount shall be added to the Promissory Note. The Deed of Trust, referencing the new amount will be recorded again, reflecting the new principal amount, junior only to the Bank Loan.

“309. Long Term Management of the Property. The parties acknowledge that the City is interested in the long term management and operation of the Property and in the qualifications of any person or entity retained by the Owner for that purpose (the “Property Manager”). The Owner shall, upon the date of acquisition of the Property, either contract with an experienced and reputable party to be the Property Manager or Owner shall itself serve as the Property Manager. During the term of the Affordability Period, the City may from time to time review and evaluate the identity and performance of the Property Manager of the Property as it deems appropriate. If the City determines that the performance of the Property Manager is deficient based upon the standards and requirements set forth in this Agreement, the City shall provide notice to the Owner of such deficiencies and the Owner shall use its best efforts to correct such

deficiencies. In the event such deficiencies have not been cured within the time set forth in Section 501 hereof, the City shall have the right to require the Owner to immediately remove and replace the Property Manager and to appoint another property manager or property management company which is reasonably acceptable to the City, which is not related to or affiliated with the Owner, and which has not less than five (5) years experience in property management, including significant experience managing affordable multifamily residential developments of the size, quality and scope of the Property.

“In addition, prior to the acquisition of the Property the Owner shall submit for the approval of the City a “Management Plan” which sets forth in detail the Owner’s property management duties, the affirmative marketing procedures in accordance with Section 304 hereof, the tenant selection process in accordance with Section 305 hereof, a security system and crime prevention program, the procedures for the collection of rent, the procedures for monitoring of occupancy levels, the procedures for eviction of tenants, the rules and regulations of the Property and manner of enforcement, a standard lease form in accordance with Section 303 hereof, the identity of the Property Manager, and other matters relevant to the management of the Property. The Management Plan shall require the Property Manager to adhere to a fair lease and grievance procedure and provide a plan for tenant participation in management decisions. The management of the Property shall be in compliance with the Management Plan which is approved by the City.

“Until the City Loan has been fully repaid, the Owner shall annually submit to the City for its reasonable approval a budget for the operation of the Property. The fee paid to Property Manager shall not exceed five percent (5%) of the gross income of the Property per annum. Other fees and payments shall be consistent with prevailing market rates for the services performed and goods provided in consideration for such fees and payments. The Owner shall ensure that the expenses of operating the Property do not materially exceed the budget which has been approved by the City. The Owner shall annually provide to the City a detailed accounting of operating expenses and shall make its books and records available to the City

for inspection and copying, upon reasonable advance notice during its normal hours of business.

“310. Monitoring and Recordkeeping. Throughout the Affordability Period, Owner shall comply with all applicable recordkeeping and monitoring requirements set forth in Section 92.508 (or successor regulation) of the HOME Regulations and Health & Safety Code Section 33418 and shall annually complete and submit to City a Certification of Continuing Program Compliance in the form provided by the City. Representatives of the City shall be entitled to enter the Property, upon at least twenty-four (24) hours notice, to monitor compliance with this Agreement, to inspect the records of the Property with respect to compliance herewith, and to conduct an independent audit or inspection of such records. The Owner agrees to cooperate with the City in making the Property available for such inspection or audit. If for any reason the City is unable to obtain the Owner’s consent to such an inspection or audit, the Owner understands and agrees that the City may obtain at Owner’s expense an administrative inspection warrant or other appropriate legal order to obtain access to and search the Property. Owner agrees to maintain records in businesslike manner, and to maintain such records for the term of this Agreement.

“311. Non-Discrimination Covenants. Owner covenants by and for itself, its successors 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. All deeds, leases or contracts relating to the Housing Units or the Site, or any part thereof,

shall contain or be subject to substantially the following non-discrimination or non-segregation 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.”

“312. Compliance with Equal Opportunity and Fair Housing. Owner shall also comply with the equal opportunity and fair housing requirements set forth in Section 92.350 of the HOME Regulations. The covenants established in this Section 311 shall, without regard to technical classification and designation, be binding for the benefit and in favor of City and its successors and assigns, and shall remain in effect in perpetuity.

“314. Regulatory Agreement. The requirements of this Agreement which are applicable after the disbursement of the City Loan are set forth in the Regulatory Agreement and Notice of Affordability Restrictions. The execution and recordation of the Regulatory Agreement is a Condition Precedent to the disbursement of the City Loan, as set forth in Section 102 hereof.

3. The restrictions contained in the Regulatory Agreement expire twenty (20) years following the date the Owner Acquires the Site. The Regulatory Agreement is being submitted for recordation contemporaneously with this Notice of Affordability Restrictions.

4. The commonly known address for the Site is 12211 Tamerlane Drive in the City of Garden Grove.

5. The assessor’s parcel number for the Site is: 231-471-45; such number is subject to change.

6. The legal description for the Site is attached hereto as Attachment No. 1 and is incorporated herein by reference.

7. The Regulatory Agreement, which includes the affordability restrictions referenced above, is expected to be submitted for recordation in the Office of the Orange County Recorder contemporaneously with this Notice of Affordability Restrictions.

8. This Notice of Affordability Restrictions is intended merely to satisfy the requirements of Chapter 690. The AHA and the Regulatory Agreement both remain in full force and effect and are not amended or altered in any manner whatsoever by this Notice of Affordability Restrictions.

9. Persons having questions regarding this Notice of Affordability Restrictions, the AHA or the Attachments thereto (including the Regulatory Agreement) should contact City at its offices (11222 Acacia Parkway, Garden Grove, or such other address as may be designated by City from time to time).

[Signatures appear on following page.]

DEVELOPER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: *Chad H. King*
Its: *Manager*

CITY:

CITY OF GARDEN GROVE,
a municipal

Matthew Fertil
Matthew Fertil, City Manager

ATTEST:

Kathleen Bauer
City Clerk

APPROVED AS TO FORM:

[Signature]
Stradling Yocca Carlson & Rauth
City Counsel
Special

ATTACHMENT NO. 1 TO EXHIBIT H

LEGAL DESCRIPTION

The land referred to herein is situated in the State of California, County of Orange, and described as follows:

Lot 4 of Tract No. 3050, in the City of Garden Grove, County of Orange, State of California, as shown on a map recorded in Book 92 Page(s) 31 and 32 of Miscellaneous Maps, in the office of the County Recorder of said County.

Except therefrom all minerals, ores, precious and useful metal substances and hydrocarbons of every kind and character, including petroleum, oil, gas, asphaltum and tar that may now or hereafter be found, located, contained, developed or taken on, in, under or from said land, as reserved by Beatrice Durkee Watson, Ruth Durkee Bell and Florence Durkee in deed recorded September 14, 1955, in book 3208, page 261, Official Records, and in deed from Ella H. Collman, a widow, and George Albertus Collman, her son, recorded July 14, 1955, in book 3138, page 552, Official Records, which deeds provide as follows: "but without the right to use the surface of said land for any such purpose, or to enter upon the surface of the demised land for any such purpose, or to penetrate or enter upon the demised and in any way at a depth from the surface thereof less than 500 feet."

APN: 231-471-45

STATE OF CALIFORNIA)
) ss.
COUNTY OF Orange)

On May 23, 2012, before me, Kelly E. Curran, Notary Public,

(Print Name of Notary Public)

personally appeared Charles H. Fry

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity(ies), and that by his 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.

Kelly E. Curran
Signature of Notary Public

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

DESCRIPTION OF ATTACHED DOCUMENT

- Individual
- Corporate Officer

- _____ Title(s)
- Partner(s) Limited
 - General
 - Attorney-In-Fact
 - Trustee(s)
 - Guardian/Conservator
 - Other: _____

_____ Title Or Type Of Document

_____ Number Of Pages

Signer is representing:
Name Of Person(s) Or Entity(ies)

_____ Date Of Documents

_____ Signer(s) Other Than Named Above

STATE OF CALIFORNIA)
) ss.
COUNTY OF Orange)

On June 7, 2012, before me, Allison Mills, Notary Public,
(Print Name of Notary Public)
personally appeared Matthew Fertal

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.

Allison Mills
Signature of Notary Public

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

DESCRIPTION OF ATTACHED DOCUMENT

- Individual
- Corporate Officer

Title(s)

Title Or Type Of Document

- Partner(s) Limited
- General
- Attorney-In-Fact
- Trustee(s)
- Guardian/Conservator
- Other: _____

Number Of Pages

Signer is representing:
Name Of Person(s) Or Entity(ies)

Date Of Documents

Signer(s) Other Than Named Above

EXHIBIT I
PRO FORMA

Tamerlane Apartments
12211 Tamerlane
Garden Grove, CA

Address	Unit	Type	Proposed	Current rent	Market rent
12211	A	2/1	\$ 1,200	\$ 1,200	\$ 1,350
	B	2/1	1,250	1,250	1,350
	C	2/1	1,200	1,200	1,350
			\$ 3,650	\$ 3,650	\$ 4,050

Note: Market rent is established by the highest current rent for each unit type on the street.

Tamerlane Apartments
12211 Tamerlane
Garden Grove, CA

Project Data

	<u>Projected</u>
Year Built	1965+/-
Number of Units	3
Total Acquisition Price	\$ 715,000
Price Per Unit	\$ 238,333
Effective Gross Income year 1	\$ 42,954
Expenses (Total)	\$ 20,256
Expenses (Annual/unit)	\$ 6,752
Net Operating Income year 1	\$ 22,698
Total HOME Restricted apartments	3
Low HOME rent apartments	-
High HOME rent apartments	3

Current Income & Expenses

	<u>Monthly</u>	<u>Annual</u>
Scheduled Income	\$ 3,650	\$ 43,800
Less Vacancy 3%	110	1,314
Gross Scheduled Income	3,541	42,486
Laundry Income \$ 13	39	468
Effective Gross Income	3,580	42,954
Expenses \$ 6,752 per Unit	1,688	20,256
NOI	\$ 1,892	\$ 22,698
Less Debt Service 5.50%	\$ (1,419)	\$ (17,034)
Cash Flow	\$ 472	\$ 5,664

Projected Income & Expenses

	<u>Monthly</u>	<u>Annual</u>
Scheduled Income	\$ 3,650	\$ 43,800
Less Vacancy 3%	110	1,314
Gross Scheduled Income	3,541	42,486
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NOI	\$ 1,892	\$ 22,698
Less Debt Service 5.50%	\$ (1,419)	\$ (17,034)
Cash Flow	\$ 472	\$ 5,664

Note: Projected rent based applying HOME restricted rents to 3 units

Note: City 2nd is paid if cash flow is available.

**Tamerlane Apartments
12211 Tamerlane
Garden Grove, CA**

Project Costs

Purchase Price		\$	715,000
Acquisition Costs of 1 %			7,150
Permits			500
Insurance			6,000
Development Fees			30,000
Operating Reserve			15,000
Exterior Improvements @ \$10,704 per Unit			32,112
Interior Improvements @ \$4,138 per Unit			12,414
Contingency	10%		4,453
Construction Management	10%		4,453
Project Costs		\$	827,081
Financing Costs		\$	2,500
Total Project Costs		\$	829,581

Sources of Funds

Total Project Costs		\$	829,581
Loan Amount	30%		250,000
City Funds			579,581

Tamerlane Apartments
 12211 Tamerlane
 Garden Grove, CA

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Current Income & Expenses					
Scheduled Income	\$ 43,800	\$ 45,552	\$ 47,374	\$ 49,269	\$ 51,240
Less Vacancy	1,314	1,367	1,421	1,478	1,537
Gross Scheduled Income	42,486	44,185	45,953	47,791	49,703
Laundry Income	468	487	506	526	547
Effective Gross Income	42,954	44,672	46,459	48,317	50,250
Expenses	\$ 20,256	\$ 20,864	\$ 21,490	\$ 22,134	\$ 22,798
NOI	\$ 22,698	\$ 23,808	\$ 24,969	\$ 26,183	\$ 27,452
Less Debt Service	\$ (17,034)	\$ (17,034)	\$ (17,034)	\$ (17,034)	\$ (17,034)
Cash Flow	\$ 5,664	\$ 6,775	\$ 7,936	\$ 9,149	\$ 10,418

4%
 3%
 \$ 13
 \$ 6,752 per Unit 3%
 5.50%

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Projected Income & Expenses					
Scheduled Income	\$ 43,800	\$ 45,552	\$ 47,374	\$ 49,269	\$ 51,240
Less Vacancy	1,314	1,367	1,421	1,478	1,537
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Less Debt Service	\$ (17,034)	\$ (17,034)	\$ (17,034)	\$ (17,034)	\$ (17,034)
Cash Flow	\$ 5,664	\$ 6,775	\$ 7,936	\$ 9,149	\$ 10,418

4%
 3%
 \$ 13
 \$ 6,752 per Unit 3%
 5.50%

Restricted HOME rents have been applied to this projection.
 Note: Income projected at 4% annual growth and expenses at 3% growth
 Note: City 2nd TD is paid if cash flow is available.



CERTIFICATE OF LIABILITY INSURANCE

OP ID: LD

DATE (MM/DD/YYYY)

01/28/13

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER CLARKE MARINE INSURANCE 245 FISCHER AVENUE, SUITE D-8 COSTA MESA, CA 92626 Clarke Marine Insurance	714-444-2679	CONTACT NAME: Linda Davis	714-444-0176
		PHONE (A/C, No, Ext):	FAX (A/C, No):
		E-MAIL ADDRESS: ldavis@cmgis.com	
		PRODUCER CUSTOMER ID #: VISTA-4	
INSURED Tamerlane Associates, LLC Attn: Chuck Fry 14 Corporate Plaza, Ste 100 Newport Beach, CA 92660	INSURER(S) AFFORDING COVERAGE		NAIC #
	INSURER A: Amco Insurance Company	A, XV	
	INSURER B:		
	INSURER C:		
	INSURER D:		
	INSURER E:		
	INSURER F:		

COVERAGES

CERTIFICATE NUMBER:

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY			BPH ACP 7814239360	04/16/12	04/16/13	EACH OCCURRENCE	\$ 1,000,000
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY						DAMAGE TO RENTED PREMISES (Ea occurrence)	\$ 300,000
	<input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR						MED EXP (Any one person)	\$ 5,000
	<input checked="" type="checkbox"/> X, C, U						PERSONAL & ADV INJURY	\$ 1,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						GENERAL AGGREGATE	\$ 2,000,000
	<input type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC						PRODUCTS - COMP/OP AGG	\$ 2,000,000
A	AUTOMOBILE LIABILITY			INCLUDED IN GEN LIABLI INCLUDED IN GEN LIABLI	04/16/12	04/16/13	COMBINED SINGLE LIMIT (Ea accident)	\$ 1,000,000
	<input type="checkbox"/> ANY AUTO						BODILY INJURY (Per person)	\$
	<input type="checkbox"/> ALL OWNED AUTOS						BODILY INJURY (Per accident)	\$
	<input type="checkbox"/> SCHEDULED AUTOS						PROPERTY DAMAGE (Per accident)	\$
	<input checked="" type="checkbox"/> HIRED AUTOS							\$
<input checked="" type="checkbox"/> NON-OWNED AUTOS				\$				
A	UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR			CAA ACP 7814239360	04/16/12	04/16/13	EACH OCCURRENCE	\$ 3,000,000
	EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE						AGGREGATE	\$ 3,000,000
	DEDUCTIBLE							\$
	RETENTION \$							\$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY						WC STATUTORY LIMITS	OTHER
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	<input type="checkbox"/> Y/N	N/A				E.L. EACH ACCIDENT	\$
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE	\$
							E.L. DISEASE - POLICY LIMIT	\$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

30 days notice of cancellation for material change in coverage. 10 days notice of cancellation for non-payment of premium. City of Garden Grove is named as additional insured (per attached) as respects their interest. Re: 12211 Tamerlane Dr, Garden Grove, CA
Primary Wording per form PB 25 00 (01/01)

CERTIFICATE HOLDER

CANCELLATION

City of Garden Grove
Community Development Dept
11277 Garden Grove Blvd #101C
Garden Grove, CA 92842

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Reviewed and approved as to insurance language

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ACORD 25 (2009/09)

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Heidi Jay 2-5-13
Risk Management
*For management of property only.
Insurance for construction of project was not provided.

NOTEPAD

INSURED'S NAME Tamerlane Associates, LLC

VISTA--
OP ID: LD

PAGE 2
DATE 01/28/13

Additional Insured:

MPMS Inc./RPM Property Services Inc.
1225 N. Grove Street
Anaheim, CA 92806-2114

Excess policy follows form per underlying schedule attached.

POLICY NUMBER: BPHACP7804239360 ✓
TAMERLANE ASSOCIATES, LLC

BUSINESSOWNERS
PB 04 48 04 11

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED – DESIGNATED PERSON OR ORGANIZATION

This endorsement modifies insurance provided under the following:

PREMIER BUSINESSOWNERS LIABILITY COVERAGE FORM

The following is added to Section II, WHO IS AN INSURED:

Any person or organization shown in the Schedule of this endorsement is also an Insured, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by your acts or omissions or the acts or omissions of those acting on your behalf in the performance of your ongoing operations or in connection with your premises owned by or rented to you, subject to the following additional exclusion:

This insurance, including any duty we have to defend "suits", does not apply to:

- a. "Bodily injury" or "property damage" that arises out of, in whole or in part, or is a result of, in whole or in part, the active negligence of the additional insured shown in the Schedule of this endorsement.
- b. "Personal and advertising injury" that arises out of any independent "personal and advertising injury" offense committed by the additional insured shown in the Schedule of this endorsement.

All terms and conditions of this policy apply unless modified by this endorsement.

SCHEDULE

Name Of Person Or Organization:

City of Garden Grove, it's officials, officers, employees, agents & volunteers
Community Development Dept.
11277 Garden Grove Blvd., #101C
Garden Grove, CA 92842

Reviewed and approved as to insurance language
and/or requirements.

2-5-13

Heidi M. Gray
Risk Management

EFFECTIVE DATE: 12:01 AM Standard Time,
(at your principal place of business)

BUSINESSOWNERS
PB 25 00 (01-01)

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

POLICY NUMBER: ACP BPH 7814239360

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

AMENDMENT OF OTHER INSURANCE CONDITION:

PRIMARY INSURANCE FOR NAMED INSURED

**PRIMARY INSURANCE FOR NAMED INSURED IN THE PREMIER BUSINESSOWNERS COMMON
POLICY CONDITIONS, UNDER CONDITION H. OTHER INSURANCE, THE FOLLOWING IS ADDED:**

**WITH RESPECT ONLY TO THE PERSONS OR ORGANIZATIONS SHOWN IN THE SCHEDULE OF
THIS ENDORSEMENT, WHO HAVE BEEN ADDED BY SEPARATE ENDORSEMENT AS ADDITIONAL
INSURED, THE INSURANCE AFFORDED TO YOU VISTA COMMUNITIES INC BY THIS
POLICY SHALL BE PRIMARY INSURANCE WITH RESPECT TO ANY CLAIM OR SUIT AGAINST
YOU ARISING OUT OF YOUR ONGOING OPERATION PERFORMED FOR SUCH PERSONS OR
ORGANIZATIONS.**

**WITH RESPECT TO SUCH PERSONS' OR ORGANIZATIONS' LIABILITY ARISING SOLELY
OUT OF YOUR ONGOING OPERATIONS PERFORMED FOR THEM, ANY OTHER INSURANCE
MAINTAINED BY SUCH PERSONS OR ORGANIZATIONS WITH RESPECT TO SUCH LIABILITY
SHALL BE NON-CONTRIBUTING WITH YOUR INSURANCE UNDER THIS POLICY.**

SCHEDULE OF PERSONS OR ORGANIZATIONS:

**THE CITY OF GARDEN GROVE, IT'S OFFICES, OFFICIALS, AGENTS,
EMPLOYEES AND VOLUNTEERS
11222 ACACIA PKWY
GARDEN GROVE, CA 92840**

All terms and conditions of this policy apply unless modified by this endorsement.

PB 25 00 (01-01)

ACP BPH 7814239360

INSURED COPY

78 69797

Reviewed and approved as to insurance language
and/or requirements.

2-5-13

Neidra M. Jay
Risk Management



DECLARATIONS
RENEWAL

COMMERCIAL UMBRELLA LIABILITY
INSURANCE POLICY
AMCO INSURANCE COMPANY
1100 LOCUST ST DEPT 1100
DES MOINES IA 503912000

Policy Number: ACP CAA 7814239360 ✓

ITEM 1

Named Insured: VISTA COMMUNITIES INC
ITEM 2 - SEE NAMED INSURED SCHEDULE

Address: 14 CORPORATE PLAZA DR STE 100
NEWPORT BEACH CA 926607995

Agent: CLARKE MARINE INSURANCE AGENCY
Address: COSTA MESA CA 92626 78 84 24363 0001
PRODUCER: CLARKE MARINE INSURANCE AGENCY

ITEM 3

Policy Period : From 12:01 A.M., 04/16/12 to 12:01 A.M., 04/16/13 ✓

ITEM 4

Schedule of Underlying Insurance: See Endorsement No. UMB 00 01

ITEM 5

Retained Limit Aggregate: NONE

ITEM 6

Limits of Insurance: a) \$3,000,000 Each Occurrence
b) \$3,000,000 Products - Completed Operations Aggregate
c) \$3,000,000 Other Aggregate

ITEM 7

Coverage A - Excess Follow Form Liability Insurance
 B - Umbrella Liability Insurance

ITEM 8

Premium :

ITEM 9

Endorsements:	UMB0001	0309	UMB0002	0710	10940	0789	UMB0039	1298	UMB0400	1298
	UMB0050	1102	UMB0052	0108	UMB0404	0909	UMB0092	0910	UMB0043	1298
	UMB0028	0411	17264	1088						

Renewal or Replacement No. ACP CAA 7804239360 ✓

Countersigned By _____
Authorized Representative

~~7/15~~ 2-5-13



DECLARATIONS
RENEWAL

COMMERCIAL UMBRELLA LIABILITY
INSURANCE POLICY
AMCO INSURANCE COMPANY
1100 LOCUST ST DEPT 1100
DES MOINES IA 50391200

Policy Number: ACP CAA 7814239360

ITEM 1

Named Insured: VISTA COMMUNITIES INC
- SEE NAMED INSURED SCHEDULE

ITEM 2

Address: 14 CORPORATE PLAZA DR STE 100
NEWPORT BEACH CA 926607995

Agent: CLARKE MARINE INSURANCE AGENCY

Address: COSTA MESA CA 92626 78 84 24363 0001

PRODUCER: CLARKE MARINE INSURANCE AGENCY

ITEM 3

Policy Period : From 12:01 A.M., 04/16/12 to 12:01 A.M., 04/16/13

ITEM 4

Schedule of Underlying Insurance: See Endorsement No. UMB 00 01

ITEM 5

Retained Limit Aggregate: NONE

ITEM 6

Limits of Insurance: a) \$3,000,000 Each Occurrence
b) \$3,000,000 Products - Completed Operations Aggregate
c) \$3,000,000 Other Aggregate

ITEM 7

Coverage A - Excess Follow Form Liability Insurance
 B - Umbrella Liability Insurance

ITEM 8

Premium :

ITEM 9

Endorsements:	UMB0001	0309	UMB0002	0710	10940	0789	UMB0039	1298	UMB0400	1298
	UMB0050	1102	UMB0052	0108	UMB0404	0909	UMB0092	0910	UMB0043	1298
	UMB0028	0411	17264	1088						

Renewal or Replacement No. ACP CAA 7804239360

Countersigned By _____
Authorized Representative

AMCO INSURANCE COMPANY

COMMERCIAL UMBRELLA LIABILITY
SCHEDULE OF INSUREDS

Policy Number: ACP CAA 7814239360

Policy Period:
From 04/16/12 To 04/16/13

INSURED NAMES

VISTA COMMUNITIES INC

- SEE NAMED INSURED SCHEDULE

- VISTA COMMUNITIES INC

ARROYO DEVELOPMENT PARTNERS LLC

TAMERLANE ASSOCIATES LLC ✓

BUARO IMPROVEMENTS ASSOCIATES LLC - DBA

ARBOR GLEN APARTMENTS

15 PANDORA LANE LLC

Policy Number: ACP CAA 7814239360
 Policy Period: 04/16/12 to 04/16/13

ITEM 4.

Schedule Of Underlying Insurance (as identified by the entry of a company name, policy number, policy period and limits):

Commercial General Liability or X Businessowners Liability AMCO COMPANY Policy Number: ACP BPH 7814239360 Policy Period: 04/16/12 to 04/16/13	Limits (\$) 2000000 2000000 1000000 1000000	General Aggregate Products-Completed Operations Aggregate Personal and Advertising Injury Each Occurrence
---	---	--

Commercial Auto Liability	Limits (\$)	Each Accident
Policy Number:		
Policy Period:	to	

Employer's Liability or Stop Gap Liability	Limits (\$)	
Policy Number:		Bodily Injury by Accident - Each Accident
Policy Period:	to	Bodily Injury by Disease - Each Employee
		Bodily Injury by Disease - Policy Limit

	Limits (\$)	
Policy Number:		
Policy Period:	to	

	Limits (\$)	
Policy Number:		
Policy Period:	to	

	Limits (\$)	
Policy Number:		
Policy Period:	to	

	Limits (\$)	
Policy Number:		
Policy Period:	to	

IMPORTANT NOTICE: RESTRICTIONS, LIMITATIONS AND EXCLUSIONS TO THE ABOVE SCHEDULED UNDERLYING INSURANCE (OR ANY REPLACEMENTS THEREOF) WILL ACT AS RESTRICTIONS, LIMITATIONS AND EXCLUSIONS TO COVERAGE A OF THIS POLICY.



EVIDENCE OF COMMERCIAL PROPERTY INSURANCE

CSR. LV

DATE (MM/DD/YYYY)
02/05/2013

THIS EVIDENCE OF COMMERCIAL PROPERTY INSURANCE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE ADDITIONAL INTEREST NAMED BELOW. THIS EVIDENCE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS EVIDENCE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE ADDITIONAL INTEREST.

PRODUCER NAME, CONTACT PERSON AND ADDRESS CLARKE MARINE INSURANCE 245 FISCHER AVENUE, SUITE D-8 COSTA MESA, CA 92626 Clarke Marine Insurance	PHONE (A/C, No, Ext): 714-444-2679 <i>Linda Davis 714-444-2679 ldavis@cmgis.com</i>	COMPANY NAME AND ADDRESS Amco Insurance Company 1100 Locust St., Dept. 1100 Des Moines, IA 50391-1100	NAIC NO:
FAX (A/C, No): 714-444-0176	E-MAIL ADDRESS:	IF MULTIPLE COMPANIES, COMPLETE SEPARATE FORM FOR EACH	
CODE:	SUB CODE:	POLICY TYPE	
AGENCY CUSTOMER ID #: VISTA-4	LOAN NUMBER		POLICY NUMBER BPH ACP 7814239360
NAMED INSURED AND ADDRESS Tamerlane Associates, LLC 14 Corporate Plaza, Ste 100 Newport Beach, CA 92660	EFFECTIVE DATE 04/16/12	EXPIRATION DATE 04/16/13	CONTINUED UNTIL TERMINATED IF CHECKED
ADDITIONAL NAMED INSURED(S) Vista Communities, Inc.	THIS REPLACES PRIOR EVIDENCE DATED:		

PROPERTY INFORMATION (Use REMARKS on page 2, if more space is required) BUILDING OR BUSINESS PERSONAL PROPERTY

LOCATION/DESCRIPTION 12132-12222 Tamerlane Dr. Garden Grove, CA 92840	Apartments owned by the insured
---	---------------------------------

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS EVIDENCE OF PROPERTY INSURANCE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

COVERAGE INFORMATION	PERILS INSURED	BASIC	BROAD	<input checked="" type="checkbox"/> SPECIAL	
COMMERCIAL PROPERTY COVERAGE AMOUNT OF INSURANCE: \$ 41,041,600					DED: 5,000
<input type="checkbox"/> BUSINESS INCOME <input checked="" type="checkbox"/> RENTAL VALUE		X			If YES, LIMIT: X Actual Loss Sustained; # of months: 24
BLANKET COVERAGE		X			If YES, indicate value(s) reported on property identified above: \$ 7,972,400
TERRORISM COVERAGE		X			Attach Disclosure Notice / DEC
IS THERE A TERRORISM-SPECIFIC EXCLUSION?		X			
IS DOMESTIC TERRORISM EXCLUDED?		X			
LIMITED FUNGUS COVERAGE					If YES, LIMIT: DED:
FUNGUS EXCLUSION (If "YES", specify organization's form used)		X			
REPLACEMENT COST		X			
AGREED VALUE		X			
COINSURANCE		X			If YES, %
EQUIPMENT BREAKDOWN (If Applicable)		X			If YES, LIMIT: 41,041,600 DED: 5,000
ORDINANCE OR LAW - Coverage for loss to undamaged portion of bldg		X			
- Demolition Costs		X			If YES, LIMIT: 100,000 DED: 5,000
- Incr. Cost of Construction		X			If YES, LIMIT: 100,000 DED: 5,000
EARTH MOVEMENT (If Applicable)		X			If YES, LIMIT: DED:
FLOOD (If Applicable)		X			If YES, LIMIT: DED:
WIND / HAIL (If Subject to Different Provisions)			X		If YES, LIMIT: DED:
PERMISSION TO WAIVE SUBROGATION IN FAVOR OF MORTGAGE HOLDER PRIOR TO LOSS					

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

ADDITIONAL INTEREST

MORTGAGEE	CONTRACT OF SALE	LENDER SERVICING AGENT NAME AND ADDRESS
<input checked="" type="checkbox"/> LENDERS LOSS PAYABLE		
NAME AND ADDRESS City of Garden Grove Community Development Depts 11222 Acacia Pkwy. Garden Grove, CA 92840		AUTHORIZED REPRESENTATIVE <i>JDR</i>

ACORD 28 (2009/12)

Page 1 of 2

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Reviewed and approved as to insurance language and/or requirements.

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Kevin M. Jay 2-5-13
Risk Management
* For this agreement only.

EVIDENCE OF COMMERCIAL PROPERTY INSURANCE REMARKS - Including Special Conditions (Use only if more space is required)

Ordinance or Law Coverage (B&C) Demolition Cost and Increased Cost of Construction provided is a combined \$100,000 per building



LENDER'S LOSS PAYABLE ENDORSEMENT

1. Loss or damage, if any, under this policy shall be paid to City of Garden Grove
11222 Acacia Pkwy
Garden Grove, CA 92840

its successors and assigns, hereinafter referred to as "the Lender," in whatever form or capacity its interests may appear and whether said interest be vested in said Lender in its individual or in its disclosed or undisclosed fiduciary or representative capacity, or otherwise, or vested in a nominee or trustee of said Lender.

2. The insurance under this policy, or any rider or endorsement attached thereto, as to the interest only of the Lender, its successors and assigns, shall not be invalidated nor suspended: (a) by any error, omission, or change respecting the ownership, description, possession, or location of the subject of the insurance or the interest therein, or the title thereto; (b) by the commencement of foreclosure proceedings or the giving of notice of sale of any of the property covered by this policy by virtue of any mortgage or trust deed; (c) by any breach of warranty, act, omission, neglect, or non-compliance with any of the provisions of this policy, including any and all riders now or hereafter attached thereto, by the named insured, the borrower, mortgagor, trustor, vendee, owner, tenant, warehouseman, custodian, occupant, or by the agents of either or any of them or by the happening of any event permitted by them or either of them, or their agents, or which they failed to prevent, whether occurring before or after the attachment of this endorsement, or whether before or after a loss, which under the provisions of this policy of insurance or of any rider or endorsement attached thereto would invalidate or suspend the insurance as to the named insured, excluding herefrom, however, any acts or omissions of the lender while exercising active control and management of the property.

3. In the event of failure of the insured to pay any premium or additional premium which shall be or become due under the terms of this policy or on account of any change in occupancy or increase in hazard not permitted by this policy, this Company agrees to give written notice to the Lender of such non-payment of premium after sixty (60) days from and within one hundred and twenty (120) days after due date of such premium and it is a condition of the continuance of the rights of the Lender hereunder that the Lender when so notified in writing by this Company of the failure of the insured to pay such premium shall pay or cause to be paid the premium due within ten (10) days following receipt of the Company's demand in writing therefor. If the Lender shall decline to pay said premium or additional premium, the rights of the Lender under this Lender's Loss Payable Endorsement shall not be terminated before ten (10) days after receipt of said written notice by the Lender.

4. Whenever this Company shall pay to the Lender any sum for loss or damage under this policy and shall claim that as to the insured no liability therefor exists, this Company, at its option, may pay to the Lender the whole principal sum and interest and other indebtedness due or to become due from the insured, whether secured or unsecured, (with refund of all interest not accrued), and this Company, to the extent of such payment, shall thereupon receive a full assignment and transfer, without recourse, of the debt and all rights and securities held as collateral thereto.

5. If there be any other insurance upon the within described property, this Company shall be liable under this policy as to the Lender for the proportion of such loss or damage that the sum hereby insured bears to the entire insurance of similar character on said property under policies held by, payable to and expressly consented to by the Lender. Any Contribution Clause included in any Fallen Building Clause Waiver or any Extended Coverage Endorsement attached to this contract of insurance is hereby nullified, and also any Contribution Clause in any other endorsement or rider attached to this contract of insurance is hereby nullified except Contribution Clauses for the compliance with which the insured has received reduction in the rate charged or has received extension of the coverage to include hazards other than fire and compliance with such Contribution Clause is made a part of the consideration for insuring such other hazards. The Lender upon the payment to it of the full amount of its claim, will subrogate this Company (pro rata with all other insurers contributing to said payment) to all of the Lender's rights of contribution under said other insurance.

6. This Company reserves the right to cancel this policy at any time, as provided by its terms, but in such case this policy shall continue in force for the benefit of the Lender for ten (10) days after written notice of such cancellation is received by the Lender and shall then cease.

7. This policy shall remain in full force and effect as to the interest of the Lender for a period of ten (10) days after its expiration unless an acceptable policy in renewal thereof with loss thereunder payable to the Lender in accordance with the terms of this Lender's Loss Payable Endorsement, shall have been issued by some insurance company and accepted by the Lender.

8. Should legal title to and beneficial ownership of any of the property covered under this policy become vested in the Lender or its agents, insurance under this policy shall continue for the term thereof for the benefit of the Lender but, in such event, any privileges granted by this Lender's Loss Payable Endorsement which are not also granted the insured under the terms and conditions of this policy and/or under other riders or endorsements attached thereto shall not apply to the insurance hereunder as respects such property.

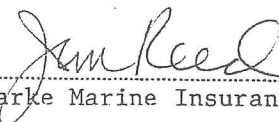
9. All notices herein provided to be given by the Company to the Lender in connection with this policy and this Lender's Loss Payable Endorsement shall be mailed to or delivered to the Lender at its office or branch at As Above
or, if none be specified, at its head office at _____

Attached to Policy No. BPHACP7814239360 Amco Insurance Company

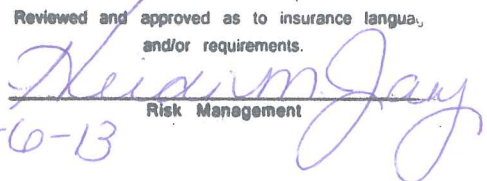
Issued to Tamerlane Associates, LLC

Agency at Costa Mesa, California Date 2/5/13

Approved:
Board of Fire Underwriters of the Pacific,
California Bankers' Association,
Committee on Insurance.


Clarke Marine Insurance Agent.

Reviewed and approved as to insurance language
and/or requirements.


Risk Management
2-6-13



Stewart Title of California, Inc

2010 Main Street, Suite 250

Irvine, CA 92614

(949) 224-8639 Phone

(949) 666-7110 Fax

July 24, 2012

Attn: Katie Angel
City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840

RE: Escrow Number : 447263
Loan Number : 33242
Property Address : 12211 Tamerlane Drive
Garden Grove, California 92842

The above escrow closed on June 22, 2012; in connection therewith we enclose the following:

- Duplicate Original Deed of Trust and Assignment of Rents
- Duplicate Original Regulatory Agreement
- Duplicate Original Option Agreement
- Copy of Title Policy's

It has been a pleasure working with you and we look forward to the opportunity to assisting you again in the future.

Sincerely,
Stewart Title of California, Inc.

Arwen Estelle
Certified Senior Escrow Officer
direct line 949-224-8639
e-fax 949.666.7110
aestelle@stewart.com

enclosures

LOAN POLICY OF TITLE INSURANCE
ISSUED BY



Any notice of claim and any other notice or statement in writing required to be given to the Company under this Policy must be given to the Company at the address shown in Section 17 of the Conditions.

COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B, AND THE CONDITIONS, STEWART TITLE GUARANTY COMPANY, a Texas corporation (the "Company") insures as of Date of Policy and, to the extent stated in Covered Risks 11, 13, and 14, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. Title being vested other than as stated in Schedule A.
2. Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to insurance against loss from
 - (a) A defect in the Title caused by
 - (i) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
 - (ii) failure of any person or Entity to have authorized a transfer or conveyance;
 - (iii) a document affecting Title not properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
 - (iv) failure to perform those acts necessary to create a document by electronic means authorized by law;
 - (v) a document executed under a falsified, expired, or otherwise invalid power of attorney;
 - (vi) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
 - (vii) a defective judicial or administrative proceeding
 - (b) The lien of real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid.
 - (c) Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land. The term "encroachment" includes encroachments of existing improvements located on the Land onto adjoining land, and encroachments onto the Land of existing improvements located on adjoining land.
3. Unmarketable Title.
4. No right of access to and from the Land.
5. The violation or enforcement of any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (a) the occupancy, use, or enjoyment of the Land;
 - (b) the character, dimensions, or location of any improvement erected on the Land;
 - (c) the subdivision of land; or
 - (d) environmental protection

Countersigned by:

Authorized Countersignature
STEWART TITLE OF CALIFORNIA, INC.



Senior Chairman of the Board

Chairman of the Board

President

File No.: 7037-447263A

Part 1 of
Policy
Serial No. M-9302-3019992

If you want information about coverage or need assistance to resolve complaints, please call our toll free number 1-800-729-1902. If you make a claim under your policy, you must furnish written notice in accordance with Section 3 of the Conditions. Visit our World-Wide Web site at <http://www.stewart.com>

Covered Risks – Cont.

if a notice, describing any part of the Land, is recorded in the Public Records setting forth the violation or intention to enforce, but only to the extent of the violation or enforcement referred to in that notice.

6. An enforcement action based on the exercise of a governmental police power not covered by Covered Risk 5 if a notice of the enforcement action, describing any part of the Land, is recorded in the Public Records, but only to the extent of the enforcement referred to in that notice.
7. The exercise of the rights of eminent domain if a notice of the exercise, describing any part of the Land, is recorded in the Public Records.
8. Any taking by a governmental body that has occurred and is binding on the rights of a purchaser for value without Knowledge.
9. The invalidity or unenforceability of the lien of the Insured Mortgage upon the Title. This Covered Risk includes but is not limited to insurance against loss from any of the following impairing the lien of the Insured Mortgage:
 - (a) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
 - (b) failure of any person or Entity to have authorized a transfer or conveyance;
 - (c) the Insured Mortgage not being properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
 - (d) failure to perform those acts necessary to create a document by electronic means authorized by law;
 - (e) a document executed under a falsified, expired, or otherwise invalid power of attorney;
 - (f) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
 - (g) a defective judicial or administrative proceeding.
10. The lack of priority of the lien of the Insured Mortgage upon the Title over any other lien or encumbrance.
11. The lack of priority of the lien of the Insured Mortgage upon the Title
 - (a) as security for each and every advance of proceeds of the loan secured by the Insured Mortgage over any statutory lien for services, labor, or material arising from construction of an

improvement or work related to the Land when the improvement or work is either:

- (i) contracted for or commenced on or before Date of Policy; or
 - (ii) contracted for, commenced, or continued after Date of Policy if the construction is financed, in whole or in part, by proceeds of the loan secured by the Insured Mortgage that the Insured has advanced or is obligated on Date of Policy to advance; and
- (b) over the lien of any assessments for street improvements under construction or completed at Date of Policy.
12. The invalidity or unenforceability of any assignment of the Insured Mortgage, provided the assignment is shown in Schedule A, or the failure of the assignment shown in Schedule A to vest title to the Insured Mortgage in the named Insured assignee free and clear of all liens.
13. The invalidity, unenforceability, lack of priority, or avoidance of the lien of the Insured Mortgage upon the Title
 - (a) resulting from the avoidance in whole or in part, or from a court order providing an alternative remedy, of any transfer of all or any part of the title to or any interest in the Land occurring prior to the transaction creating the lien of the Insured Mortgage because that prior transfer constituted a fraudulent or preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws; or
 - (b) because the Insured Mortgage constitutes a preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws by reason of the failure of its recording in the Public Records
 - i) to be timely, or
 - ii) to impart notice of its existence to a purchaser for value or to a judgment or lien creditor.
14. Any defect in or lien or encumbrance on the Title or other matter included in Covered Risks 1 through 13 that has been created or attached or has been filed or recorded in the Public Records subsequent to Date of Policy and prior to the recording of the Insured Mortgage in the Public Records.

The Company will also pay the costs, attorneys' fees, and expenses incurred in defense of any matter insured against by this Policy, but only to the extent provided in the Conditions.

Exclusions from Coverage

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

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

CONDITIONS

1. DEFINITION OF TERMS

The following terms when used in this policy mean:

- (a) "Amount of Insurance": The amount stated in Schedule A, as may be increased or decreased by endorsement to this policy, increased by Section 8(b) or decreased by Section 10 of these Conditions.
- (b) "Date of Policy": The date designated as "Date of Policy" in Schedule A.
- (c) "Entity": A corporation, partnership, trust, limited liability company, or other similar legal entity.
- (d) "Indebtedness": The obligation secured by the Insured Mortgage including one evidenced by electronic means authorized by law, and if that obligation is the payment of a debt, the Indebtedness is the sum of
 - i) the amount of the principal disbursed as of Date of Policy;
 - ii) the amount of the principal disbursed subsequent to Date of Policy;
 - iii) the construction loan advances made subsequent to Date of Policy for the purpose of financing in whole or in part the construction of an improvement to the Land or related to the Land that the Insured was and continued to be obligated to advance at Date of Policy and at the date of the advance;
 - iv) interest on the loan;
 - v) the prepayment premiums, exit fees, and other similar fees or penalties allowed by law;
 - vi) the expenses of foreclosure and any other costs of enforcement;
 - vii) the amounts advanced to assure compliance with laws or to protect the lien or the priority of the lien of the Insured Mortgage before the acquisition of the estate or interest in the Title;
 - viii) the amounts to pay taxes and insurance; and
 - ix) the reasonable amounts expended to prevent deterioration of improvements; but the Indebtedness is reduced by the total of all payments and by any amount forgiven by an Insured.
- (e) "Insured": The Insured named in Schedule A.
 - (i) The term "Insured" also includes
 - (A) the owner of the Indebtedness and each successor in ownership of the Indebtedness, whether the owner or successor owns the Indebtedness for its own account or as a trustee or other fiduciary, except a successor who is an obligor under the provisions of Section 12(c) of these Conditions;
 - (B) the person or Entity who has "control" of the "transferable record," if the Indebtedness is evidenced by a "transferable record," as these terms are defined by applicable electronic transactions law;
 - (C) successors to an Insured by dissolution, merger, consolidation, distribution, or reorganization;
 - (D) successors to an Insured by its conversion to another kind of Entity;
 - (E) a grantee of an Insured under a deed delivered without payment of actual valuable consideration conveying the Title
 - (1) if the stock, shares, memberships, or other equity interests of the grantee are wholly-owned by the named Insured,
 - (2) if the grantee wholly owns the named Insured, or
 - (3) if the grantee is wholly-owned by an affiliated Entity of the named Insured, provided the affiliated Entity and the named Insured are both wholly-owned by the same person or Entity;
 - (F) any government agency or instrumentality that is an insurer or guarantor under an insurance contract or guaranty insuring or guaranteeing the Indebtedness

secured by the Insured Mortgage, or any part of it, whether named as an Insured or not;

- (ii) With regard to (A), (B), (C), (D), and (E) reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor Insured, unless the successor acquired the Indebtedness as a purchaser for value without Knowledge of the asserted defect, lien, encumbrance, or other matter insured against by this policy.
- (f) "Insured Claimant": An Insured claiming loss or damage.
- (g) "Insured Mortgage": The Mortgage described in paragraph 4 of Schedule A.
- (h) "Knowledge" or "Known": Actual knowledge, not constructive knowledge or notice that may be imputed to an Insured by reason of the Public Records or any other records that impart constructive notice of matters affecting the Title.
- (i) "Land": The land described in Schedule A, and affixed improvements that by law constitute real property. The term "Land" does not include any property beyond the lines of the area described in Schedule A, nor any right, title, interest, estate, or easement in abutting streets, roads, avenues, alleys, lanes, ways, or waterways, but this does not modify or limit the extent that a right of access to and from the Land is insured by this policy.
- (j) "Mortgage": Mortgage, deed of trust, trust deed, or other security instrument, including one evidenced by electronic means authorized by law.
- (k) "Public Records": Records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge. With respect to Covered Risk 5(d), "Public Records" shall also include environmental protection liens filed in the records of the clerk of the United States District Court for the district where the Land is located.
- (l) "Title": The estate or interest described in Schedule A.
- (m) "Unmarketable Title": Title affected by an alleged or apparent matter that would permit a prospective purchaser or lessee of the Title or lender on the Title or a prospective purchaser of the Insured Mortgage to be released from the obligation to purchase, lease, or lend if there is a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE

The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured after acquisition of the Title by an Insured or after conveyance by an Insured, but only so long as the Insured retains an estate or interest in the Land, or holds an obligation secured by a purchase money Mortgage given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of warranties in any transfer or conveyance of the Title. This policy shall not continue in force in favor of any purchaser from the Insured of either (i) an estate or interest in the Land, or (ii) an obligation secured by a purchase money Mortgage given to the Insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT

The Insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 5(a) of these Conditions, (ii) in case Knowledge shall come to an Insured of any claim of title or interest that is adverse to the Title or the lien of the Insured Mortgage, as insured, and that might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if the Title or the lien of the Insured Mortgage, as insured, is rejected as Unmarketable Title. If the Company is prejudiced by the failure of the Insured Claimant to provide prompt notice, the Company's liability to the Insured Claimant under the policy shall be reduced to the extent of the prejudice.

CONDITIONS – Continued

4. PROOF OF LOSS

In the event the Company is unable to determine the amount of loss or damage, the Company may, at its option, require as a condition of payment that the Insured Claimant furnish a signed proof of loss. The proof of loss must describe the defect, lien, encumbrance, or other matter insured against by this policy that constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage.

5. DEFENSE AND PROSECUTION OF ACTIONS

- (a) Upon written request by the Insured, and subject to the options contained in Section 7 of these Conditions, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an Insured in litigation in which any third party asserts a claim covered by this policy adverse to the Insured. This obligation is limited to only those stated causes of action alleging matters insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the Insured to object for reasonable cause) to represent the Insured as to those stated causes of action. It shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs, or expenses incurred by the Insured in the defense of those causes of action that allege matters not insured against by this policy.
- (b) The Company shall have the right, in addition to the options contained in Section 7 of these Conditions, at its own cost, to institute and prosecute any action or proceeding or to do any other act that in its opinion may be necessary or desirable to establish the Title or the lien of the Insured Mortgage, as insured, or to prevent or reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable to the Insured. The exercise of these rights shall not be an admission of liability or waiver of any provision of this policy. If the Company exercises its rights under this subsection, it must do so diligently.
- (c) Whenever the Company brings an action or asserts a defense as required or permitted by this policy, the Company may pursue the litigation to a final determination by a court of competent jurisdiction, and it expressly reserves the right, in its sole discretion, to appeal any adverse judgment or order.

6. DUTY OF INSURED CLAIMANT TO COOPERATE

- (d) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding and any appeals, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, including the right to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company's expense, shall give the Company all reasonable aid (i) in securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act that in the opinion of the Company may be necessary or desirable to establish the Title, the lien of the Insured Mortgage, or any other matter as insured. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.
- (e) The Company may reasonably require the Insured Claimant to submit to examination under oath by any authorized representative of the Company and to produce for examination, inspection, and copying, at such reasonable times and places as may be designated by the authorized representative of the Company, all records, in whatever

medium maintained, including books, ledgers, checks, memoranda, correspondence, reports, e-mails, disks, tapes, and videos whether bearing a date before or after Date of Policy, that reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect, and copy all of these records in the custody or control of a third party that reasonably pertain to the loss or damage. All information designated as confidential by the Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce any reasonably requested information, or grant permission to secure reasonably necessary information from third parties as required in this subsection, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.

7. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY

In case of a claim under this policy, the Company shall have the following additional options:

- (a) To Pay or Tender Payment of the Amount of Insurance or to Purchase the Indebtedness.
 - (i) To pay or tender payment of the Amount of Insurance under this policy together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment or tender of payment and that the Company is obligated to pay; or
 - (ii) To purchase the Indebtedness for the amount of the Indebtedness on the date of purchase, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of purchase and that the Company is obligated to pay.

When the Company purchases the Indebtedness, the Insured shall transfer, assign, and convey to the Company the Indebtedness and the Insured Mortgage, together with any collateral security.

Upon the exercise by the Company of either of the options provided for in subsections (a)(i) or (ii), all liability and obligations of the Company to the Insured under this policy, other than to make the payment required in those subsections, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

- (b) To Pay or Otherwise Settle With Parties Other Than the Insured or With the Insured Claimant.
 - (i) to pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim insured against under this policy. In addition, the Company will pay any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay; or
 - (ii) to pay or otherwise settle with the Insured Claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in subsections (b)(i) or (ii), the Company's obligations to the Insured under this policy for the claimed

CONDITIONS - Continued

loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

8. DETERMINATION AND EXTENT OF LIABILITY

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the Insured Claimant who has suffered loss or damage by reason of matters insured against by this policy.

- (a) The extent of liability of the Company for loss or damage under this policy shall not exceed the least of
 - (i) the Amount of Insurance,
 - (ii) the Indebtedness,
 - (iii) the difference between the value of the Title as insured and the value of the Title subject to the risk insured against by this policy, or
 - (iv) if a government agency or instrumentality is the Insured Claimant, the amount it paid in the acquisition of the Title or the Insured Mortgage in satisfaction of its insurance contract or guaranty.
- (b) If the Company pursues its rights under Section 5 of these Conditions and is unsuccessful in establishing the Title or the lien of the Insured Mortgage, as insured,
 - (i) the Amount of Insurance shall be increased by 10%, and
 - (ii) the Insured Claimant shall have the right to have the loss or damage determined either as of the date the claim was made by the Insured Claimant or as of the date it is settled and paid.
- (c) In the event the Insured has acquired the Title in the manner described in Section 2 of these Conditions or has conveyed the Title, then the extent of liability of the Company shall continue as set forth in Section 8(a) of these Conditions.
- (d) In addition to the extent of liability under (a), (b), and (c), the Company will also pay those costs, attorneys' fees, and expenses incurred in accordance with Sections 5 and 7 of these Conditions.

9. LIMITATION OF LIABILITY

- (a) If the Company establishes the Title, or removes the alleged defect, lien, or encumbrance, or cures the lack of a right of access to or from the Land, or cures the claim of Unmarketable Title, or establishes the lien of the Insured Mortgage, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused to the Insured.
- (b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals, adverse to the Title or to the lien of the Insured Mortgage, as insured.
- (c) The Company shall not be liable for loss or damage to the Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY

- (h) All payments under this policy, except payments made for costs, attorneys' fees, and expenses, shall reduce the Amount of Insurance by the amount of the payment. However, any payments made prior to the acquisition of Title as provided in Section 2 of these Conditions shall not reduce the Amount of Insurance afforded under this policy except to the extent that the payments reduce the Indebtedness.
- (i) The voluntary satisfaction or release of the Insured Mortgage shall terminate all liability of the Company except as provided in Section 2 of these Conditions.

11. PAYMENT OF LOSS

When liability and the extent of loss or damage have been definitely fixed in accordance with these Conditions, the payment shall be made within 30 days.

12. RIGHTS OF RECOVERY UPON PAYMENT OR SETTLEMENT

(a) The Company's Right to Recover.

Whenever the Company shall have settled and paid a claim under this policy, it shall be subrogated and entitled to the rights of the Insured Claimant in the Title or Insured Mortgage and all other rights and remedies in respect to the claim that the Insured Claimant has against any person or property, to the extent of the amount of any loss, costs, attorneys' fees, and expenses paid by the Company. If requested by the Company, the Insured Claimant shall execute documents to evidence the transfer to the Company of these rights and remedies. The Insured Claimant shall permit the Company to sue, compromise, or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights and remedies.

If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall defer the exercise of its right to recover until after the Insured Claimant shall have recovered its loss.

(b) The Insured's Rights and Limitations.

- (i) The owner of the Indebtedness may release or substitute the personal liability of any debtor or guarantor, extend or otherwise modify the terms of payment, release a portion of the Title from the lien of the Insured Mortgage, or release any collateral security for the Indebtedness, if it does not affect the enforceability or priority of the lien of the Insured Mortgage.
 - (ii) If the Insured exercises a right provided in (b)(i), but has Knowledge of any claim adverse to the Title or the lien of the Insured Mortgage insured against by this policy, the Company shall be required to pay only that part of any losses insured against by this policy that shall exceed the amount, if any, lost to the Company by reason of the impairment by the Insured Claimant of the Company's right of subrogation.
- (c) The Company's Rights Against Noninsured Obligors
- The Company's right of subrogation includes the Insured's rights against non-insured obligors including the rights of the Insured to indemnities, guaranties, other policies of insurance, or bonds, notwithstanding any terms or conditions contained in those instruments that address subrogation rights. The Company's right of subrogation shall not be avoided by acquisition of the Insured Mortgage by an obligor (except an obligor described in Section 1(e)(i)(F) of these Conditions) who acquires the Insured Mortgage as a result of an indemnity, guarantee, other policy of insurance, or bond, and the obligor will not be an Insured under this policy.

13. ARBITRATION

Either the Company or the Insured may demand that the claim or controversy shall be submitted to arbitration pursuant to the Title Insurance Arbitration Rules of the American Land Title Association ("Rules"). Except as provided in the Rules, there shall be no joinder or consolidation with claims or controversies of other persons. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this policy, any service in connection with its issuance or the breach of a policy provision, or to any other controversy or claim arising out of the transaction giving rise to this policy. All arbitrable matters when the Amount of Insurance is \$2,000,000 or less shall be arbitrated at the option of either the Company or the Insured. All arbitrable

CONDITIONS – Continued

matters when the Amount of Insurance is in excess of \$2,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this policy and under the Rules shall be binding upon the parties. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court of competent jurisdiction.

14. LIABILITY LIMITED TO THIS POLICY;

POLICY ENTIRE CONTRACT.

- (a) This policy together with all endorsements, if any, attached to it by the Company is the entire policy and contract between the Insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.
- (b) Any claim of loss or damage that arises out of the status of the Title or lien of the Insured Mortgage or by any action asserting such claim shall be restricted to this policy.
- (c) Any amendment of or endorsement to this policy must be in writing and authenticated by an authorized person, or expressly incorporated by Schedule A of this policy.
- (d) Each endorsement to this policy issued at any time is made a part of this policy and is subject to all of its terms and provisions. Except as the endorsement expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsement, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance.

15. SEVERABILITY.

In the event any provision of this policy, in whole or in part, is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision or such part held to be invalid, but all other provisions shall remain in full force and effect.

16. CHOICE OF LAW; FORUM.

- (a) Choice of Law: The Insured acknowledges the Company has underwritten the risks covered by this policy and determined the premium charged therefore in reliance upon the law affecting interests in real property and applicable to the interpretation, rights, remedies, or enforcement of policies of title insurance of the jurisdiction where the Land is located.

Therefore, the court or an arbitrator shall apply the law of the jurisdiction where the Land is located to determine the validity of claims against the Title or the lien of the Insured Mortgage that are adverse to the Insured and to interpret and enforce the terms of this policy. In neither case shall the court or arbitrator apply its conflicts of law principles to determine the applicable law.

- (b) Choice of Forum: Any litigation or other proceeding brought by the Insured against the Company must be filed only in a state or federal court within the United States of America or its territories having appropriate jurisdiction.

17. NOTICES, WHERE SENT.

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at Claims Department at P.O. Box 2029, Houston, TX 77252-2029.

ALTA LOAN POLICY (6/17/06)

SCHEDULE A

Name and Address of
Issuing Agent:

Stewart Title of California, Inc.
2010 Main Street, Suite 250
Irvine, California 92614
Prepared by: California Regional Production Center
Title Officer: James Prasch

Order No.: 447263A

Policy No.: M-9302-3019992

Address Reference: 12211 Tamerlane Drive, Garden Grove, California

Amount of Insurance: \$549,581.00

Premium: \$694.00

Date of Policy: June 22, 2012 at 2:37:00 PM

1. Name of Insured:

City of Garden Grove

2. The estate or interest in the land that is encumbered by the Insured Mortgage is:

A Fee

3. Title is vested in:

Tamerlane Associates, LLC, a California limited liability company

4. The insured Mortgage and its assignments, if any, are described as follows:

Deed of Trust to secure an indebtedness in the amount shown below, and any other obligations secured thereby:

Amount: \$549,581.00

Dated: May 8, 2012

Trustor: Tamerlane Associates, LLC, a California limited liability company

Trustee: Alliance Title Company

Beneficiary: City of Garden Grove, a municipal corporation

Recorded: June 22, 2012 as Instrument/File No. 2012-355036, Official Records

5. The Land referred to herein is situated in the State of California, County of Orange, City of Garden Grove, and described as follows:

Lot 4 of Tract No. 3050, in the City of Garden Grove, County of Orange, State of California, as shown on a map recorded in Book 92 Page(s) 31 and 32 of Miscellaneous Maps, in the office of the County Recorder of said County.

Except therefrom all minerals, ores, precious and useful metal substances and hydrocarbons of every kind and character, including petroleum, oil, gas, asphaltum and tar that may now or hereafter be found, located, contained, developed or taken on, in, under or from said land, as reserved by Beatrice Durkee Watson, Ruth Durkee Bell and Florence Durkee in deed recorded September 14,

1955, in book 3208, page 261, Official Records, and in deed from Ella H. Collman, a widow, and George Albertus Collman, her son, recorded July 14, 1955, in book 3138, page 552, Official Records, which deeds provide as follows: "but without the right to use the surface of said land for any such purpose, or to enter upon the surface of the demised land for any such purpose, or to penetrate or enter upon the demised and In any way at a depth from the surface thereof less than 500 feet."

APN: 231-471-45

**SCHEDULE B
PART I**

File No.: 447263A

Policy No: M-9302-3019992

EXCEPTIONS FROM COVERAGE

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

- A. Property taxes, which are a lien not yet due and payable, including any assessments collected with taxes, to be levied for the fiscal year 2012 – 2013.
- B. The lien of supplemental taxes, if any, assessed pursuant to the provisions of Chapter 3.5 (commencing with Section 75) of the Revenue and Taxation Code of the State of California.
- C. Assessments, if any, for Community Facility Districts affecting said land which may exist by virtue of assessment maps or notices filed by said districts. Said assessments are collected with the County Taxes.
 - 1. Water rights, claims or title to water in or under said land, whether or not shown by the public records.
 - 2. An easement or other provisions for the purpose of public utilities easement and rights incidental thereto as shown on the recorded Tract No. 3050, which affects the Westerly 5 feet of said land.
 - 3. An easement for the purpose shown below and rights incidental thereto as set forth in a document:
Grantee: Southern California Edison Company, a Corporation
Purpose: electric lines
Recorded: November 7, 1956 in Book 3703, Page 83, of Official Records
Affects: the Westerly 6 feet of said land
 - 4. An easement for the purpose shown below and rights incidental thereto as set forth in a document:
Grantee: The Pacific Telephone and Telegraph Company, a corporation
Purpose: aerial and underground communication structures
Recorded: November 14, 1956 in Book 3711, Page 7, of Official Records
Affects: the Westerly 5 feet of said land
 - 5. Rights of parties in possession.
 - 6. Deed of Trust to secure an indebtedness in the amount shown below, and any other obligations secured thereby:
Amount: \$250,000.00
Dated: June 15, 2012
Trustor: Tamerlane Associates, LLC, a California limited liability company
Trustee: Fidelity National Title Insurance Company
Beneficiary: Citizens Business Bank
Recorded: June 22, 2012 as Instrument/File No. 2012-355032, Official Records
 - 7. An assignment of rents and leases, executed by Tamerlane Associates, LLC, a California limited liability company, to Citizens Business Bank, recorded June 22, 2012 as Instrument/File No. 2012-

355033, Official Records.

8. The matters contained in an instrument entitled "Regulatory Agreement" dated May 8, 2012, by and between Tamerlane Associates, LLC, a California limited liability company and the City of Garden Grove upon the terms therein provided recorded June 22, 2012 as Instrument/File No. 2012-355034, Official Records.
9. The matters contained in an instrument entitled "Notice of Affordability Restrictions" dated May 8, 2012, by and between Tamerlane Associates, LLC, a California limited liability company and the City of Garden Grove upon the terms therein provided recorded June 22, 2012 as Instrument/File No. 2012-355035, Official Records.

**SCHEDULE B
PART II**

Order No.: 447263A

Policy No.: M-9302-3019992

In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the Insured Mortgage:

1. The matters contained in an instrument entitled "Option Agreement" dated May 8, 2012, by and between Tamerlane Associates, LLC, a California limited liability company and the City of Garden Grove, a municipal corporation upon the terms therein provided recorded June 22, 2012 as Instrument/File No. 2012-355037, Official Records.



Any notice of claim and any other notice or statement in writing required to be given to the Company under this Policy must be given to the Company at the address shown in Section 17 of the Conditions.

COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B, AND THE CONDITIONS, STEWART TITLE GUARANTY COMPANY, a Texas corporation (the "Company") insures as of Date of Policy and, to the extent stated in Covered Risks 11, 13, and 14, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. Title being vested other than as stated in Schedule A.
2. Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to insurance against loss from
 - (a) A defect in the Title caused by
 - (i) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
 - (ii) failure of any person or Entity to have authorized a transfer or conveyance;
 - (iii) a document affecting Title not properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
 - (iv) failure to perform those acts necessary to create a document by electronic means authorized by law;
 - (v) a document executed under a falsified, expired, or otherwise invalid power of attorney;
 - (vi) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
 - (vii) a defective judicial or administrative proceeding
 - (b) The lien of real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid.
 - (c) Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land. The term "encroachment" includes encroachments of existing improvements located on the Land onto adjoining land, and encroachments onto the Land of existing improvements located on adjoining land.
3. Unmarketable Title.
4. No right of access to and from the Land.
5. The violation or enforcement of any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (a) the occupancy, use, or enjoyment of the Land;
 - (b) the character, dimensions, or location of any improvement erected on the Land;
 - (c) the subdivision of land; or
 - (d) environmental protection

Countersigned by:

Authorized Countersignature
STEWART TITLE OF CALIFORNIA, INC.



Senior Chairman of the Board

Chairman of the Board

President

File No.: 7037-447263

Part 1 of
Policy
Serial No. M-9302-3019994

If you want information about coverage or need assistance to resolve complaints, please call our toll free number 1-800-729-1902. If you make a claim under your policy, you must furnish written notice in accordance with Section 3 of the Conditions. Visit our World-Wide Web site at <http://www.stewart.com>

Covered Risks – Cont.

if a notice, describing any part of the Land, is recorded in the Public Records setting forth the violation or intention to enforce, but only to the extent of the violation or enforcement referred to in that notice.

6. An enforcement action based on the exercise of a governmental police power not covered by Covered Risk 5 if a notice of the enforcement action, describing any part of the Land, is recorded in the Public Records, but only to the extent of the enforcement referred to in that notice.
7. The exercise of the rights of eminent domain if a notice of the exercise, describing any part of the Land, is recorded in the Public Records.
8. Any taking by a governmental body that has occurred and is binding on the rights of a purchaser for value without Knowledge.
9. The invalidity or unenforceability of the lien of the Insured Mortgage upon the Title. This Covered Risk includes but is not limited to insurance against loss from any of the following impairing the lien of the Insured Mortgage:
 - (a) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
 - (b) failure of any person or Entity to have authorized a transfer or conveyance;
 - (c) the Insured Mortgage not being properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
 - (d) failure to perform those acts necessary to create a document by electronic means authorized by law;
 - (e) a document executed under a falsified, expired, or otherwise invalid power of attorney;
 - (f) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
 - (g) a defective judicial or administrative proceeding.
10. The lack of priority of the lien of the Insured Mortgage upon the Title over any other lien or encumbrance.
11. The lack of priority of the lien of the Insured Mortgage upon the Title
 - (a) as security for each and every advance of proceeds of the loan secured by the Insured Mortgage over any statutory lien for services, labor, or material arising from construction

of an improvement or work related to the Land when the improvement or work is either:

- (i) contracted for or commenced on or before Date of Policy; or
 - (ii) contracted for, commenced, or continued after Date of Policy if the construction is financed, in whole or in part, by proceeds of the loan secured by the Insured Mortgage that the Insured has advanced or is obligated on Date of Policy to advance; and
- (b) over the lien of any assessments for street improvements under construction or completed at Date of Policy.
12. The invalidity or unenforceability of any assignment of the Insured Mortgage, provided the assignment is shown in Schedule A, or the failure of the assignment shown in Schedule A to vest title to the Insured Mortgage in the named Insured assignee free and clear of all liens.
13. The invalidity, unenforceability, lack of priority, or avoidance of the lien of the Insured Mortgage upon the Title
 - (a) resulting from the avoidance in whole or in part, or from a court order providing an alternative remedy, of any transfer of all or any part of the title to or any interest in the Land occurring prior to the transaction creating the lien of the Insured Mortgage because that prior transfer constituted a fraudulent or preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws; or
 - (b) because the Insured Mortgage constitutes a preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws by reason of the failure of its recording in the Public Records
 - i) to be timely, or
 - ii) to impart notice of its existence to a purchaser for value or to a judgment or lien creditor.
14. Any defect in or lien or encumbrance on the Title or other matter included in Covered Risks 1 through 13 that has been created or attached or has been filed or recorded in the Public Records subsequent to Date of Policy and prior to the recording of the Insured Mortgage in the Public Records.

The Company will also pay the costs, attorneys' fees, and expenses incurred in defense of any matter insured against by this Policy, but only to the extent provided in the Conditions.

Exclusions from Coverage

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

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection; or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters:
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;

- (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
 5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
 6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is:
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
 7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

CONDITIONS

1. DEFINITION OF TERMS

The following terms when used in this policy mean:

- (a) "Amount of Insurance": The amount stated in Schedule A, as may be increased or decreased by endorsement to this policy, increased by Section 8(b) or decreased by Section 10 of these Conditions.
- (b) "Date of Policy": The date designated as "Date of Policy" in Schedule A.
- (c) "Entity": A corporation, partnership, trust, limited liability company, or other similar legal entity.
- (d) "Indebtedness": The obligation secured by the Insured Mortgage including one evidenced by electronic means authorized by law, and if that obligation is the payment of a debt, the Indebtedness is the sum of
 - i) the amount of the principal disbursed as of Date of Policy;
 - ii) the amount of the principal disbursed subsequent to Date of Policy;
 - iii) the construction loan advances made subsequent to Date of Policy for the purpose of financing in whole or in part the construction of an improvement to the Land or related to the Land that the Insured was and continued to be obligated to advance at Date of Policy and at the date of the advance;
 - iv) interest on the loan;
 - v) the prepayment premiums, exit fees, and other similar fees or penalties allowed by law;
 - vi) the expenses of foreclosure and any other costs of enforcement;
 - vii) the amounts advanced to assure compliance with laws or to protect the lien or the priority of the lien of the Insured Mortgage before the acquisition of the estate or interest in the Title;
 - viii) the amounts to pay taxes and insurance; and
 - ix) the reasonable amounts expended to prevent deterioration of improvements; but the Indebtedness is reduced by the total of all payments and by any amount forgiven by an Insured.
- (e) "Insured": The Insured named in Schedule A.
 - (i) The term "Insured" also includes
 - (A) the owner of the Indebtedness and each successor in ownership of the Indebtedness, whether the owner or successor owns the Indebtedness for its own account or as a trustee or other fiduciary, except a successor who is an obligor under the provisions of Section 12(c) of these Conditions;
 - (B) the person or Entity who has "control" of the "transferable record," if the Indebtedness is evidenced by a "transferable record," as these terms are defined by applicable electronic transactions law;
 - (C) successors to an Insured by dissolution, merger, consolidation, distribution, or reorganization;
 - (D) successors to an Insured by its conversion to another kind of Entity;
 - (E) a grantee of an Insured under a deed delivered without payment of actual valuable consideration conveying the Title
 - (1) if the stock, shares, memberships, or other equity interests of the grantee are wholly-owned by the named Insured,
 - (2) if the grantee wholly owns the named Insured, or
 - (3) if the grantee is wholly-owned by an affiliated Entity of the named Insured, provided the affiliated Entity and the named Insured are both wholly-owned by the same person or Entity;
 - (F) any government agency or instrumentality that is an insurer or guarantor under an insurance contract or guaranty insuring or guaranteeing the Indebtedness secured by the Insured Mortgage, or any part of it, whether named as an Insured or not;
 - (ii) With regard to (A), (B), (C), (D), and (E) reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor Insured, unless the successor acquired the Indebtedness as a purchaser for value without Knowledge of the asserted defect, lien, encumbrance, or other matter insured against by this policy.
- (f) "Insured Claimant": An Insured claiming loss or damage.
- (g) "Insured Mortgage": The Mortgage described in paragraph 4 of Schedule A.
- (h) "Knowledge" or "Known": Actual knowledge, not constructive knowledge or notice that may be imputed to an Insured by reason of the Public Records or any other records that impart constructive notice of matters affecting the Title.
- (i) "Land": The land described in Schedule A, and affixed improvements that by law constitute real property. The term "Land" does not include any property beyond the lines of the area described in Schedule A, nor any right, title, interest, estate, or easement in abutting streets, roads, avenues, alleys, lanes, ways, or waterways, but this does not modify or limit the extent that a right of access to and from the Land is insured by this policy.
- (j) "Mortgage": Mortgage, deed of trust, trust deed, or other security instrument, including one evidenced by electronic means authorized by law.
- (k) "Public Records": Records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge. With respect to Covered Risk 5(d), "Public Records" shall also include environmental protection liens filed in the records of the clerk of the United States District Court for the district where the Land is located.
- (l) "Title": The estate or interest described in Schedule A.
- (m) "Unmarketable Title": Title affected by an alleged or apparent matter that would permit a prospective purchaser or lessee of the Title or lender on the Title or a prospective purchaser of the Insured Mortgage to be released from the obligation to purchase, lease, or lend if there is a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE

The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured after acquisition of the Title by an Insured or after conveyance by an Insured, but only so long as the Insured retains an estate or interest in the Land, or holds an obligation secured by a purchase money Mortgage given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of warranties in any transfer or conveyance of the Title. This policy shall not continue in force in favor of any purchaser from the Insured of either (i) an estate or interest in the Land, or (ii) an obligation secured by a purchase money Mortgage given to the Insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT

The Insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 5(a) of these Conditions, (ii) in case Knowledge shall come to an Insured of any claim of title or interest that is adverse to the Title or the lien of the Insured Mortgage, as insured, and that might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if the Title or the lien of the Insured Mortgage, as insured, is rejected as Unmarketable Title. If the Company is prejudiced by the failure of the Insured Claimant to provide prompt notice, the Company's liability to the Insured Claimant under the policy shall be reduced to the extent of the prejudice.

CONDITIONS – Continued

4. PROOF OF LOSS

In the event the Company is unable to determine the amount of loss or damage, the Company may, at its option, require as a condition of payment that the Insured Claimant furnish a signed proof of loss. The proof of loss must describe the defect, lien, encumbrance, or other matter insured against by this policy that constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage.

5. DEFENSE AND PROSECUTION OF ACTIONS

(a) Upon written request by the Insured, and subject to the options contained in Section 7 of these Conditions, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an Insured in litigation in which any third party asserts a claim covered by this policy adverse to the Insured. This obligation is limited to only those stated causes of action alleging matters insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the Insured to object for reasonable cause) to represent the Insured as to those stated causes of action. It shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs, or expenses incurred by the Insured in the defense of those causes of action that allege matters not insured against by this policy.

(b) The Company shall have the right, in addition to the options contained in Section 7 of these Conditions, at its own cost, to institute and prosecute any action or proceeding or to do any other act that in its opinion may be necessary or desirable to establish the Title or the lien of the Insured Mortgage, as insured, or to prevent or reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable to the Insured. The exercise of these rights shall not be an admission of liability or waiver of any provision of this policy. If the Company exercises its rights under this subsection, it must do so diligently.

(c) Whenever the Company brings an action or asserts a defense as required or permitted by this policy, the Company may pursue the litigation to a final determination by a court of competent jurisdiction, and it expressly reserves the right, in its sole discretion, to appeal any adverse judgment or order.

6. DUTY OF INSURED CLAIMANT TO COOPERATE

(d) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding and any appeals, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, including the right to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company's expense, shall give the Company all reasonable aid (i) in securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act that in the opinion of the Company may be necessary or desirable to establish the Title, the lien of the Insured Mortgage, or any other matter as insured. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

(e) The Company may reasonably require the Insured Claimant to submit to examination under oath by any authorized representative of the Company and to produce for examination, inspection, and copying, at such reasonable times and places as may be designated by the

authorized representative of the Company, all records, in whatever medium maintained, including books, ledgers, checks, memoranda, correspondence, reports, e-mails, disks, tapes, and videos whether bearing a date before or after Date of Policy, that reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect, and copy all of these records in the custody or control of a third party that reasonably pertain to the loss or damage. All information designated as confidential by the Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce any reasonably requested information, or grant permission to secure reasonably necessary information from third parties as required in this subsection, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.

7. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY

In case of a claim under this policy, the Company shall have the following additional options:

(a) To Pay or Tender Payment of the Amount of Insurance or to Purchase the Indebtedness.

(i) To pay or tender payment of the Amount of Insurance under this policy together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment or tender of payment and that the Company is obligated to pay; or

(ii) To purchase the Indebtedness for the amount of the Indebtedness on the date of purchase, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of purchase and that the Company is obligated to pay.

When the Company purchases the Indebtedness, the Insured shall transfer, assign, and convey to the Company the Indebtedness and the Insured Mortgage, together with any collateral security.

Upon the exercise by the Company of either of the options provided for in subsections (a)(i) or (ii), all liability and obligations of the Company to the Insured under this policy, other than to make the payment required in those subsections, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

(b) To Pay or Otherwise Settle With Parties Other Than the Insured or With the Insured Claimant.

(i) to pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim insured against under this policy. In addition, the Company will pay any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay; or

(ii) to pay or otherwise settle with the Insured Claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in subsections (b)(i) or (ii), the Company's obligations to the Insured under this policy for the claimed

CONDITIONS - Continued

loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

8. DETERMINATION AND EXTENT OF LIABILITY

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the Insured Claimant who has suffered loss or damage by reason of matters insured against by this policy.

- (a) The extent of liability of the Company for loss or damage under this policy shall not exceed the least of
 - (i) the Amount of Insurance,
 - (ii) the Indebtedness,
 - (iii) the difference between the value of the Title as insured and the value of the Title subject to the risk insured against by this policy, or
 - (iv) if a government agency or instrumentality is the Insured Claimant, the amount it paid in the acquisition of the Title or the Insured Mortgage in satisfaction of its insurance contract or guaranty.
- (b) If the Company pursues its rights under Section 5 of these Conditions and is unsuccessful in establishing the Title or the lien of the Insured Mortgage, as insured,
 - (i) the Amount of Insurance shall be increased by 10%, and
 - (ii) the Insured Claimant shall have the right to have the loss or damage determined either as of the date the claim was made by the Insured Claimant or as of the date it is settled and paid.
- (c) In the event the Insured has acquired the Title in the manner described in Section 2 of these Conditions or has conveyed the Title, then the extent of liability of the Company shall continue as set forth in Section 8(a) of these Conditions.
- (d) In addition to the extent of liability under (a), (b), and (c), the Company will also pay those costs, attorneys' fees, and expenses incurred in accordance with Sections 5 and 7 of these Conditions.

9. LIMITATION OF LIABILITY

- (a) If the Company establishes the Title, or removes the alleged defect, lien, or encumbrance, or cures the lack of a right of access to or from the Land, or cures the claim of Unmarketable Title, or establishes the lien of the Insured Mortgage, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused to the Insured.
- (b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals, adverse to the Title or to the lien of the Insured Mortgage, as insured.
- (c) The Company shall not be liable for loss or damage to the Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY

- (h) All payments under this policy, except payments made for costs, attorneys' fees, and expenses, shall reduce the Amount of Insurance by the amount of the payment. However, any payments made prior to the acquisition of Title as provided in Section 2 of these Conditions shall not reduce the Amount of Insurance afforded under this policy except to the extent that the payments reduce the Indebtedness.
- (i) The voluntary satisfaction or release of the Insured Mortgage shall terminate all liability of the Company except as provided in Section 2 of these Conditions.

11. PAYMENT OF LOSS

When liability and the extent of loss or damage have been definitely fixed in accordance with these Conditions, the payment shall be made within 30 days.

12. RIGHTS OF RECOVERY UPON PAYMENT OR SETTLEMENT

(a) The Company's Right to Recover.

Whenever the Company shall have settled and paid a claim under this policy, it shall be subrogated and entitled to the rights of the Insured Claimant in the Title or Insured Mortgage and all other rights and remedies in respect to the claim that the Insured Claimant has against any person or property, to the extent of the amount of any loss, costs, attorneys' fees, and expenses paid by the Company. If requested by the Company, the Insured Claimant shall execute documents to evidence the transfer to the Company of these rights and remedies. The Insured Claimant shall permit the Company to sue, compromise, or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights and remedies.

If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall defer the exercise of its right to recover until after the Insured Claimant shall have recovered its loss.

(b) The Insured's Rights and Limitations.

- (i) The owner of the Indebtedness may release or substitute the personal liability of any debtor or guarantor, extend or otherwise modify the terms of payment, release a portion of the Title from the lien of the Insured Mortgage, or release any collateral security for the Indebtedness, if it does not affect the enforceability or priority of the lien of the Insured Mortgage.
- (ii) If the Insured exercises a right provided in (b)(i), but has Knowledge of any claim adverse to the Title or the lien of the Insured Mortgage insured against by this policy, the Company shall be required to pay only that part of any losses insured against by this policy that shall exceed the amount, if any, lost to the Company by reason of the impairment by the Insured Claimant of the Company's right of subrogation.

(c) The Company's Rights Against Noninsured Obligors

The Company's right of subrogation includes the Insured's rights against non-insured obligors including the rights of the Insured to indemnities, guaranties, other policies of insurance, or bonds, notwithstanding any terms or conditions contained in those instruments that address subrogation rights.

The Company's right of subrogation shall not be avoided by acquisition of the Insured Mortgage by an obligor (except an obligor described in Section 1(e)(i)(F) of these Conditions) who acquires the Insured Mortgage as a result of an indemnity, guarantee, other policy of insurance, or bond, and the obligor will not be an Insured under this policy.

13. ARBITRATION

Either the Company or the Insured may demand that the claim or controversy shall be submitted to arbitration pursuant to the Title Insurance Arbitration Rules of the American Land Title Association ("Rules"). Except as provided in the Rules, there shall be no joinder or consolidation with claims or controversies of other persons. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this policy, any service in connection with its issuance or the breach of a policy provision, or to any other controversy or claim arising out of the transaction giving rise to this policy. All arbitrable matters when the Amount of Insurance is \$2,000,000 or less shall be arbitrated at the option of either the Company or the Insured. All arbitrable

CONDITIONS – Continued

matters when the Amount of Insurance is in excess of \$2,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this policy and under the Rules shall be binding upon the parties. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court of competent jurisdiction.

**14. LIABILITY LIMITED TO THIS POLICY;
POLICY ENTIRE CONTRACT.**

- (a) This policy together with all endorsements, if any, attached to it by the Company is the entire policy and contract between the Insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.
- (b) Any claim of loss or damage that arises out of the status of the Title or lien of the Insured Mortgage or by any action asserting such claim shall be restricted to this policy.
- (c) Any amendment of or endorsement to this policy must be in writing and authenticated by an authorized person, or expressly incorporated by Schedule A of this policy.
- (d) Each endorsement to this policy issued at any time is made a part of this policy and is subject to all of its terms and provisions. Except as the endorsement expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsement, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance.

15. SEVERABILITY.

In the event any provision of this policy, in whole or in part, is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision or such part held to be invalid, but all other provisions shall remain in full force and effect.

16. CHOICE OF LAW; FORUM.

- (a) Choice of Law: The Insured acknowledges the Company has underwritten the risks covered by this policy and determined the premium charged therefore in reliance upon the law affecting interests in real property and applicable to the interpretation, rights, remedies, or enforcement of policies of title insurance of the jurisdiction where the Land is located.

Therefore, the court or an arbitrator shall apply the law of the jurisdiction where the Land is located to determine the validity of claims against the Title or the lien of the Insured Mortgage that are adverse to the Insured and to interpret and enforce the terms of this policy. In neither case shall the court or arbitrator apply its conflicts of law principles to determine the applicable law.

- (b) Choice of Forum: Any litigation or other proceeding brought by the Insured against the Company must be filed only in a state or federal court within the United States of America or its territories having appropriate jurisdiction.

17. NOTICES, WHERE SENT.

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at Claims Department at P.O. Box 2029, Houston, TX 77252-2029.

SCHEDULE A

Name and Address of
Issuing Agent:

Stewart Title of California, Inc.
2010 Main Street, Suite 250
Irvine, California 92614
Prepared by: California Regional Production Center
Title Officer: James Prasch

Order No.: 447263

Policy No.: M-9302-3019994

Loan Number: 33242

Address Reference: 12211 Tamerlane Drive, Garden Grove, California

Amount of Insurance: \$250,000.00

Premium: \$459.00

Date of Policy: June 22, 2012 at 2:37:00 PM

1. Name of Insured:

Citizens Business Bank

2. The estate or interest in the land that is encumbered by the Insured Mortgage is:

A Fee

3. Title is vested in:

Tamerlane Associates, LLC, a California limited liability company

4. The insured Mortgage and its assignments, if any, are described as follows:

Deed of Trust to secure an indebtedness in the amount shown below, and any other obligations secured thereby:

Amount: \$250,000.00
Dated: June 15, 2012
Trustor: Tamerlane Associates, LLC, who acquired title as Tamerlane Associates, LLC, a California limited liability company
Trustee: Fidelity National Title Insurance Company
Beneficiary: Citizens Business Bank
Recorded: June 22, 2012 as Instrument No. 2012-355032
Loan No.: 33242

5. The Land referred to herein is situated in the State of California, County of Orange, City of Garden Grove, and described as follows:

Lot 4 of Tract No. 3050, in the City of Garden Grove, County of Orange, State of California, as shown on a map recorded in Book 92 Page(s) 31 and 32 of Miscellaneous Maps, in the office of the County Recorder of said County.

Except therefrom all minerals, ores, precious and useful metal substances and hydrocarbons of every kind and character, including petroleum, oil, gas, asphaltum and tar that may now or hereafter be

found, located, contained, developed or taken on, in, under or from said land, as reserved by Beatrice Durkee Watson, Ruth Durkee Bell and Florence Durkee in deed recorded September 14, 1955, in book 3208, page 261, Official Records, and in deed from Ella H. Collman, a widow, and George Albertus Collman, her son, recorded July 14, 1955, in book 3138, page 552, Official Records, which deeds provide as follows: "but without the right to use the surface of said land for any such purpose, or to enter upon the surface of the demised land for any such purpose, or to penetrate or enter upon the demised and In any way at a depth from the surface thereof less than 500 feet."

APN: 231-471-45

**SCHEDULE B
PART I**

File No.: 447263

Policy No: M-9302-3019994

EXCEPTIONS FROM COVERAGE

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

- A. Property taxes, which are a lien not yet due and payable, including any assessments collected with taxes, to be levied for the fiscal year 2012 – 2013.
- B. The lien of supplemental taxes, if any, assessed pursuant to the provisions of Chapter 3.5 (commencing with Section 75) of the Revenue and Taxation Code of the State of California.
- C. Assessments, if any, for Community Facility Districts affecting said land which may exist by virtue of assessment maps or notices filed by said districts. Said assessments are collected with the County Taxes.
 - 1. Water rights, claims or title to water in or under said land, whether or not shown by the public records.
 - 2. An easement or other provisions for the purpose of public utilities easement and rights incidental thereto as shown on the recorded Tract No. 3050, which affects the Westerly 5 feet of said land.
 - 3. An easement for the purpose shown below and rights incidental thereto as set forth in a document:
 - Grantee: Southern California Edison Company, a Corporation
 - Purpose: electric lines
 - Recorded: November 7, 1956 in Book 3703, Page 83, of Official Records
 - Affects: the Westerly 6 feet of said land
 - 4. An easement for the purpose shown below and rights incidental thereto as set forth in a document:
 - Grantee: The Pacific Telephone and Telegraph Company, a corporation
 - Purpose: aerial and underground communication structures
 - Recorded: November 14, 1956 in Book 3711, Page 7, of Official Records
 - Affects: the Westerly 5 feet of said land

**SCHEDULE B
PART II**

Order No.: 447263

Policy No.: M-9302-3019994

In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the Insured Mortgage:

1. An assignment of rents and leases, executed by Tamerlane Associates, LLC, who acquired title as Tamerlane Associates, LLC, a California limited liability company, to Citizens Business Bank, recorded June 22, 2012 as Instrument No. 2012-355033.
2. The matters contained in an instrument entitled "Regulatory Agreement" dated May 8, 2012, by and between the City of Garden Grove, a municipal corporation and Tamerlane Associates, LLC, a California limited liability company upon the terms therein provided recorded June 22, 2012 as Instrument No. 2012-355034.
3. The matters contained in an instrument entitled "Notice of Affordability Restrictions on Transfer of Property", by and between The City of Garden Grove and Tamerlane Associates, LLC, a California limited liability company upon the terms therein provided recorded June 22, 2012 as Instrument No. 2012-355035.
4. Deed of Trust to secure an indebtedness in the amount shown below, and any other obligations secured thereby:
Amount: \$549,581.00
Dated: May 8, 2012
Trustor: Tamerlane Associates, LLC, a California limited liability company
Trustee: Alliance Title Company
Beneficiary: City of Garden Grove, a municipal corporation
Recorded: June 22, 2012 as Instrument/File No. 2012-355036, Official Records
5. The matters contained in an instrument entitled "Option Agreement" dated May 8, 2012, by and between Tamerlane Associates, LLC, a California limited liability company and the City of Garden Grove upon the terms therein provided recorded June 22, 2012 as Instrument/File No. 2012-355037.

4 4STG Privacy Notice 1 (Rev 01/26/09) Stewart Title Companies

WHAT DO THE STEWART TITLE COMPANIES DO WITH YOUR PERSONAL INFORMATION?

Federal and applicable state law and regulations give consumers the right to limit some but not all sharing. Federal and applicable state law regulations also require us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand how we use your personal information. This privacy notice is distributed on behalf of the Stewart Title Guaranty Company and its affiliates (the Stewart Title Companies), pursuant to Title V of the Gramm-Leach-Bliley Act (GLBA).

The types of personal information we collect and share depend on the product or service that you have sought through us. This information can include social security numbers and driver's license number.

All financial companies, such as the Stewart Title Companies, need to share customers' personal information to run their everyday business—to process transactions and maintain customer accounts. In the section below, we list the reasons that we can share customers' personal information; the reasons that we choose to share; and whether you can limit this sharing.

Reasons we can share your personal information	Do we share?	Can you limit this sharing?
For our everyday business purposes — to process your transactions and maintain your account. This may include running the business and managing customer accounts, such as processing transactions, mailing, and auditing services, and responding to court orders and legal investigations.	Yes	No
For our marketing purposes — to offer our products and services to you.	Yes	No
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes — information about your transactions and experiences. Affiliates are companies related by common ownership or control. They can be financial and nonfinancial companies. <i>Our affiliates may include companies with a Stewart name; financial companies, such as Stewart Title Company</i>	Yes	No
For our affiliates' everyday business purposes — information about your creditworthiness.	No	We don't share
For our affiliates to market to you	Yes	No
For nonaffiliates to market to you. Nonaffiliates are companies not related by common ownership or control. They can be financial and nonfinancial companies.	No	We don't share

We may disclose your personal information to our affiliates or to nonaffiliates as permitted by law. If you request a transaction with a nonaffiliate, such as a third party insurance company, we will disclose your personal information to that nonaffiliate. [We do not control their subsequent use of information, and suggest you refer to their privacy notices.]

Sharing practices	
How often do the Stewart Title Companies notify me about their practices?	We must notify you about our sharing practices when you request a transaction.
How do the Stewart Title Companies protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal and state law. These measures include computer, file, and building safeguards.
How do the Stewart Title Companies collect my personal information?	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> • request insurance-related services • provide such information to us <p>We also collect your personal information from others, such as the real estate agent or lender involved in your transaction, credit reporting agencies, affiliates or other companies.</p>
What sharing can I limit?	Although federal and state law give you the right to limit sharing (e.g., opt out) in certain instances, we do not share your personal information in those instances.

Contact Us

If you have any questions about this privacy notice, please contact us at: Stewart Title Guaranty Company, 1980 Post Oak Blvd., Privacy Officer, Houston, Texas 77056

ENDORSEMENT

ATTACHED TO POLICY No. M9302-3019994



Order No.: 447263

Fee: \$0.00

The Company insures against loss or damage sustained by reason of:

1. The existence, at Date of Policy, of any of the following:
 - (a) Covenants, conditions or restrictions under which the lien of the Insured Mortgage can be cut off, subordinated, or otherwise impaired;
 - (b) Present violations on the Land of any enforceable covenants, conditions or restrictions;
 - (c) Except as shown in Schedule B, encroachments of buildings, structures or improvements located on the Land onto adjoining lands, or any encroachments onto the Land of buildings, structures or improvements located on adjoining lands.
2.
 - (a) Any future violations on the Land of any covenants, conditions or restrictions occurring prior to acquisition of the Title by the Insured, provided such violations result in impairment or loss of the lien of the Insured Mortgage, or result in impairment or loss of the Title if the Insured shall acquire the Title in satisfaction of the Indebtedness;
 - (b) Unmarketability of the Title by reason of any violations on the Land, occurring prior to acquisition of the Title by the Insured, of any covenants, conditions or restrictions.
3. Damage to existing improvements, including lawns, shrubbery or trees
 - (a) That are located or encroach upon that portion of the Land subject to any easement shown in Schedule B, which damage results from the exercise of the right to use or maintain such easement for the purposes for which the same was granted or reserved;
 - (b) Resulting from the exercise of any right to use the surface of the Land for the extraction or development of the minerals excepted from the description of the Land or shown as a reservation in Schedule B.

Serial Number:	E-2679-8819089
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4. Any final court order or judgment requiring removal from any land adjoining the Land of any encroachment shown in Schedule B.

As used in this endorsement, the words "covenants, conditions or restrictions" do not refer to or include the terms, covenants, conditions or restrictions contained in any lease.

As used in this endorsement, the words "covenants, conditions or restrictions" do not refer to or include any covenant, condition or restriction (a) relating to obligations of any type to perform maintenance, repair or remediation on the Land, or (b) pertaining to environmental protection of any kind or nature, including hazardous or toxic matters, conditions or substances except to the extent that a notice of a violation or alleged violation affecting the Land has been recorded in the Public Records at Date of Policy and is not excepted in Schedule B.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.


Dated: 6/22/2012

Signed under seal for the Company, but this endorsement is to be valid only when it bears an authorized countersignature.

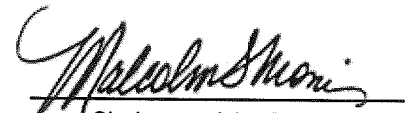
Countersigned by:



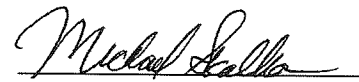
Authorized Countersignature
STEWART TITLE OF CALIFORNIA, INC.



Senior Chairman of the Board



Chairman of the Board



President

Serial Number:	E-2679-8819089
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ENDORSEMENT

ATTACHED TO POLICY NO. M-9302-3019994



Order No.: 447263

Fee: \$0.00

The Company insures against loss or damage sustained by reason of the failure of (i) Multi Family Residence known as 12211 Tamerlane Drive, Garden Grove, California, to be located on the Land at Date of Policy, or (ii) the map attached to this policy to correctly show the location and dimensions of the Land according to the Public Records.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: 6/22/2012

Signed under seal for the Company, but this endorsement is to be valid only when it bears an authorized countersignature.

Countersigned by:

Authorized Countersignature
STEWART TITLE OF CALIFORNIA, INC.



Senior Chairman of the Board

Chairman of the Board

President

Serial Number:	E-2765-1530773
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RESOLUTION APPROVING AN AFFORDABLE HOUSING LOAN AGREEMENT
WITH TAMERLANE ASSOCIATES, LLC, FOR THE PURCHASE AND
REHABILITATION OF THREE UNITS LOCATED AT 12211 TAMERLANE DRIVE,
GARDEN GROVE (F: 117.16Q1)

Staff report dated May 8, 2012, was introduced and reviewed by staff.

RESOLUTION NO. 9109-12

It was moved by Council Member Broadwater, seconded by Council Member Jones, and carried by unanimous vote that full reading of Resolution No. 9109-12 be waived, and said Resolution entitled A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE, APPROVING AN AFFORDABLE HOUSING LOAN AGREEMENT BY AND BETWEEN THE CITY OF GADEN GROVE AND TAMERLANE ASSOCIATES, LLC, AND MAKING CERTAIN OTHER FNDINGS IN CONNECTION THEREWITH, be and hereby is adopted; that the City Manager is authorized to execute the Agreement and pertinent documents, and to make minor modifications as appropriate, on behalf of the City; and the Finance Director is authorized to appropriate \$579,581 from available proceeds of sale of other City/assets properties in City funds.

The City's assistance in this project shall meet matching obligations under the federal HOME program. As jurisdictions draw funds from the HOME Investment Trust Funds, they incur a match obligation. The matching contribution adds to the resources available to the City for HOME-eligible or HOME-assisted projects.

FINANCIAL IMPACT

Pursuant to the AHA, the City's total assistance is in the amount of \$579,581 financed from available proceeds of sale of other City/assets properties in City funds.

RECOMMENDATION

It is recommended that the City Council:

- Adopt the attached Resolution approving the Affordable Housing Agreement with Tamerlane Associates, LLC for the purchase and rehabilitation of three units located at 12211 Tamerlane Drive, Garden Grove;
- Authorize the City Manager to execute the agreement and pertinent documents on behalf of the City, and to make minor modifications as appropriate, and
- Authorize the Finance Director to appropriate \$579,581 from available proceeds of sale of other City/assets properties in City funds.

GREG BROWN
Sr. Project Manager


By: Kathleen Angel
Economic Development Specialist

Attachment 1: Resolution

Attachment 2: Affordable Housing Agreement-12142 Tamerlane Drive




Attachment 3: Map

Recommended for Approval



Matthew Ferial
City Manager

LEGEND

-  12211 Tamerlane
-  Privately Owned
-  Tamerlane Associates, LLC, Affordable Housing Projects

