

GROUND LEASE

By and Between

THE COUNTY OF SAN BERNARDINO

and

AMCAL LAS TERRAZAS FUND, L.P.

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GROUND LEASE

THIS GROUND LEASE (the "Lease") is dated as of November 17, 2020 by and between the County of San Bernardino, a political subdivision of the State of California (the "County"), and AMCAL Las Terrazas Fund, L.P., a California limited partnership (the "Lessee"), with reference to the following facts, purposes, and understandings.

RECITALS

A. These Recitals refer to and utilize certain capitalized terms that are defined in Article 1 of this Lease. The Parties intend to refer to those definitions in connection with the use of capitalized terms in these Recitals.

B. The County owns approximately 5.92 acres of real property on the corner of Valley Boulevard and North Cypress, in unincorporated San Bernardino County, as more particularly described in the attached Exhibit A and incorporated herein (the "Property").

C. The Lessee and the County entered into that certain First Amended and Restated Land Disposition, Development and Loan Agreement dated as of January 7, 2020, as amended by that certain First Amendment to First Amended and Restated Land Disposition, Development and Loan Agreement dated as of November 17, 2020, as such may be further amended from time to time (the "Disposition Agreement"), pursuant to which County agreed to lease the Property to Lessee and the Lessee agreed to develop the Property.

D. In accordance with the Disposition Agreement and this Lease, the Lessee shall develop and operate on the Property a one hundred twelve (112) unit, including one (1) manager's unit, multifamily rental housing development affordable to Extremely Low Income Households, Very Low Income Households and Low Income Households. In addition, the Developer will develop the Day Care Improvements. This Lease shall not govern or affect the leasing of the Day Care Improvements.

E. The County desires to lease the Property to the Lessee, and the Lessee desires to lease the Property from the County, for a term specified in this Lease.

WITH REFERENCE TO THE FACTS RECITED ABOVE, the County and the Lessee (collectively the "Parties") agree as follows:

ARTICLE 1. DEFINITIONS AND EXHIBITS

Section 1.1 Definitions.

The following terms shall have the following meanings in this Lease:

(a) "Additional Rent" means any payments due pursuant to Section 4.5 or Section 5.5.

(b) "Adjusted Income" means the lower of the total anticipated annual income of all persons in a household, as calculated in accordance with 25 California Code of Regulations Section 6914 or pursuant to a successor State housing program that utilizes a reasonably similar method of calculation of adjusted income. In the event that no such program exists, the County shall provide the Owner with a reasonably similar method of calculation of adjusted income as provided in said Section 6914.

(c) "AMCAL" means AMCAL Multi-Housing, Inc., a California corporation.

(d) "Approved Lenders" means all of the lenders providing the Approved Loans to the Lessee and their designees, nominees, successors and assigns.

(e) "Approved Loan Documents" means all documents executed by the Lessee evidencing or securing the Approved Loans.

(f) "Approved Loans" means the loans contained in the Financing Plan submitted to the County by the Lessee as required by the Disposition Agreement and approved by the County, obtained by the Lessee in connection with and secured by the Development and approved in writing by the County.

(g) "Authorized Officers" means, in the case of the County, its Executive Officer, and in the case of the Lessee, the president of AMCAL, the general partner of the Lessee, or such other individual as may be designated in writing by Lessee with proper authority to bind the Lessee. As of the date of this Lease, the President of AMCAL is Arjun Nagarkatti.

(h) "Close of Escrow" means the date of recording of the Memorandum of DDA, Memorandum of Lease, Leasehold Deed of Trust against the Developer's leasehold interest in the Property.

(i) "Commencement Date" means the date of the Close of Escrow.

(j) "County" has the meaning set forth in the first paragraph of this Agreement.

(k) "County Loan" means the loan in the amount of Four Million Nine Hundred Ninety-Five Thousand Two Hundred Eighty-Nine (\$4,995,289) made from the County to the Lessee pursuant to the Disposition Agreement.

(l) "Day Care Improvement" means the interior portion of the building in the Development designated for use as a day care facility.

(m) "Development" means the Improvements and the Lessee's leasehold interest in the Property.

(n) "Development Documents" means all construction documentation prepared by the Lessee or on the Lessee's behalf and approved by the County pursuant to the Disposition Agreement.

(o) "Disposition Agreement" shall have the meaning given in Recital C.

(p) "Event of Default" shall have the meaning specified in Section 10.1.

(q) "Extremely Low Income Household" means a household with an Adjusted Income that does not exceed the qualifying limits for extremely low income households, adjusted for Actual Household Size, as established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937, and as published by HUD.

(r) "Financing Plan" means the Financing Plan approved by the County pursuant to the provisions of the Disposition Agreement.

(s) "Foreclosure Transferee" means a transferee who acquires the Lessee's interest in this Lease and the Development through the exercise of remedies (such as foreclosure or a deed in lieu of foreclosure) pursuant to Approved Loan Documents.

(t) "Hazardous Materials" means any substance, material, or waste which is: (1) defined as a "hazardous waste", "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "pollutant" or any other terms comparable to the foregoing terms under any provision of California law or federal law; (2) petroleum; (3) asbestos; (4) polychlorinated biphenyls; (5) radioactive materials; (6) mold; (7) MTBE; or (8) determined by California, federal or local government authority to be capable of posing a risk of injury to health, safety or property. Without limiting the foregoing, Hazardous Materials means and includes any substance or material defined or designated as hazardous or toxic waste, hazardous or toxic material, a hazardous, toxic or radioactive substance, or other similar term, by any Hazardous Materials Laws including any federal, state or local environmental statute, regulation or ordinance presently in effect that may be promulgated in the future, as such as statutes, regulations and ordinances may be amended from time to time.

The term "Hazardous Materials" shall not include: (i) construction materials, gardening materials, household products, office supply products or janitorial supply products customarily used in the construction, maintenance, rehabilitation, or management of commercial properties, buildings and grounds, or typically used in household activities, or (ii) certain substances which may contain chemicals listed by the State of California pursuant to California Health & Safety Coded Section 25249.8 et seq., which substances are commonly used by a significant portion of the population living within the region of the Improvements, including, but not limited to, alcoholic beverages, aspirin, tobacco products, Nutrasweet and saccharine, so long as such materials and substances are stored, used and disposed of in compliance with all applicable Hazardous Materials Laws.

(u) "Hazardous Materials Laws" means all federal, state, and local laws, ordinances, regulations, orders and directives pertaining to Hazardous Materials in, on or under the Development or any portion thereof.

(v) "Improvements" means the one hundred twelve (112) housing units and appurtenant improvements to be constructed on the Property by the Lessee, but excluding the Day Care Improvements.

(w) "Investor" means Hudson Las Terrazas LP and HHTCF XCVIII SLP LLC, or such other Investor as reasonably approved by the County.

(x) "Lease" means this Ground Lease.

(y) "Lease Term" means the term of this Lease, which shall commence on the Commencement Date (expected to be no later than November 30, 2020) and shall terminate eighty-five (85) years after the Commencement Date, but in no event later than November 31, 2105.

(z) "Lease Year" means a period of twelve (12) full calendar months. The first Lease Year shall begin on the Commencement Date. Each succeeding Lease Year shall commence on the anniversary of the Commencement Date.

(aa) "Lessee" means AMCAL Las Terrazas Fund, L.P., a California limited partnership, and its permitted successors and assigns.

(bb) "Low Income Household" means a household with an Adjusted Income that does not exceed the qualifying limits for lower income households, adjusted for Actual Household Size, as established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937, and as published by HUD.

(cc) "Management Plan" shall have the meaning specified in Section 4.14 of this Lease and Section 7.8 of the Disposition Agreement.

(dd) "Median Income" means the median gross yearly income, adjusted for actual household size as specified herein, in the County of San Bernardino, California as determined by the California Department of Housing and Community Development.

(ee) "Memorandum of Lease" means the memorandum of ground lease substantially in the form attached to the Disposition Agreement as Exhibit I.

(ff) "Official Records" means the Official Records of San Bernardino County, California.

(gg) "Other Households" means a household earning not greater than ninety percent (90%) of Median Income.

(hh) "Parties" means the County and the Lessee.

(ii) "Party" means any one of the County or Lessee.

(jj) "Preliminary Title Report" means that certain title report dated July 24, 2020 issued by Fidelity Title Company a copy of which is attached as Exhibit C.

(kk) "Property" means the property more particularly described in the attached Exhibit A.

(ll) "Regulatory Agreement" means that Regulatory Agreement and Declaration of Restrictive Covenants to be entered into by the County and the Lessee substantially in the form attached to the Disposition Agreement as Exhibit D.

(mm) "Rent" means the capitalized rent payment made to the County by the Lessee in the amount set forth in Section 2.5.

(nn) "Resident Services Budget" shall have the meaning specified in Section 4.15 of this Lease and Section 7.17 of the Disposition Agreement.

(oo) "Resident Services Plan" shall have the meaning specified in Section 4.15 of this Lease and Section 7.17 of the Disposition Agreement.

(pp) "Transfer" is defined in Section 8.1 of this Lease.

(qq) "Very Low Income Households" means a household whose income does not exceed the qualifying limits for a very low income household as established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937, adjusted for assumed household size.

Section 1.2 Exhibits.

The following exhibits are attached to and made part of this Lease:

Exhibit A Legal Description of the Property
Exhibit B Insurance Requirements
Exhibit C Preliminary Title Report

ARTICLE 2. LEASE OF THE PROPERTY; PAYMENT OF RENT; OWNERSHIP OF IMPROVEMENTS

Section 2.1 Lease of the Property.

The County hereby leases the Property to the Lessee, and the Lessee hereby leases the Property from the County, pursuant to the terms of this Lease.

(a) The Parties shall cause the Memorandum of Lease to be recorded against the Property in the Official Records substantially in the form attached to the Disposition Agreement as Exhibit I.

(b) The closing costs associated with execution of this Lease and recordation of the Memorandum of Lease including, but not limited to recording charges, county documentary transfer tax, and conveyance taxes (if any) and the cost of the Lessee's title insurance policy shall be borne by the Lessee. Each Party shall bear its own attorneys' fees and costs.

Section 2.2 Use.

Subject to the provisions of this Lease, the Lessee shall use the Property for the redevelopment thereof and for the construction, development, maintenance, and operation of the Improvements and the Day Care Improvements on the Property, and all activities related thereto in accordance with the restrictions and requirements set forth in Article 4 hereof.

Section 2.3 Possession.

The County agrees to and shall provide possession of the Property to the Lessee immediately following the Commencement Date. To the best of the County's knowledge, the Property is subject only to the encumbrances listed in the Preliminary Title Report and such encumbrances approved by the Parties and recorded concurrently with the Memorandum of Lease. The County shall convey the Property to the Lessee in the physical condition set forth in the Disposition Agreement.

Section 2.4 Lease Term.

Unless earlier terminated pursuant to the provisions of this Lease, the Lease Term shall be for the period commencing on the Commencement Date and terminating at midnight (12:00 a.m.) on the day immediately preceding the eighty-fifth (85th) anniversary of the Commencement Date.

Section 2.5 Payment of Rent.

(a) The ground rent ("Rent") due and owing from the Lessee to the County for the initial fifty-seven (57) years of the Term of this Lease is Two Million Four Hundred Fifty Thousand Dollars (\$2,450,000), which has been pre-paid in full concurrently with the execution of this Lease.

(b) In addition to the base Rent paid under subsection 2.5(a), for the entire Term of this Lease the Lessee shall pay "Added Rent" in an amount of Fifty Thousand Dollars (\$50,000) per year, increasing by three percent (3%) per year. The Added Rent shall accrue for the initial fifty-seven (57) years of the Term of this Lease, subject to an interest rate of 3.275% compounding annually, with the first payment of Added Rent due on April 1 on the fifty-eight (58th) year of the Term, or April 1, 2078 and annually thereafter through to the end of the Term.

(c) Additional Rent due pursuant to Section 4.5 or 5.5 shall be due as provided therein.

Section 2.6 Leasing of Day Care Improvements.

(a) The Lessee agrees and acknowledges that it shall lease the Day Care Improvements to County of San Bernardino Preschool Services, or a public agency that provides preschool services identified by the County, for an initial term of 20 years commencing upon the completion thereof. The County and Lessee will enter into a lease in a form mutually agreeable to the parties. Notwithstanding anything to the contrary, the leasing of the Day Care Improvements to any other party shall be subject to the requirements of Section 8.5 hereof.

(b) The rent due (which may include common area charges) from the leasing of the Day Care Improvements shall be determined under the lease for the Day Care Improvements.

(c) Lessee agrees and acknowledges that all rent generated from the Day Care Improvements will be considered operating income of the Development and shall be included in calculation of the repayment of the County Loan under Section 3.5 of the Disposition Agreement.

Section 2.7 Title to Improvements: Surrender Upon Termination.

The County hereby grants to the Lessee, without warranty (express or implied), any right, title, or interest that the County may have in the improvements located on the Property from time to time prior to the termination of this Lease. The Improvements and Day Care Improvements constructed on the Property during the Lease Term shall be and remain the property of the Lessee; however, the Lessee shall have no right to destroy, demolish or remove the Improvements or the Day Care Improvements except as specifically provided for in this Lease or as otherwise approved in writing by the County. When the Lease Term expires, or when the Lease is otherwise terminated under the terms of this Lease the Lessee shall surrender the Property and deliver to the County the Property (including all improvements thereon) and title to the Improvements and Day Care Improvements shall revert to and vest in the County without cost to the County in their then-existing condition. It is the intent of the Parties that this Lease shall create a constructive notice of severance of the Improvements and Day Care Improvements from the Property without the necessity of a deed from the County to the Lessee after the Improvements and Day Care Improvements have been constructed. The Improvements and Day Care Improvements, when built, shall be and remain real property and shall be owned in fee by the Lessee for the Lease Term. If requested by the County, the Lessee shall execute, at the end of the Lease Term, within ten (10) days of receipt of the County's written request, a confirmatory quitclaim deed of the Improvements and Day Care Improvements to be recorded at the County's option and expense, and any other documents that may be reasonably required by the County or the County's title company to provide the County title to the Property and the Improvements and Day Care Improvements free and clear of all monetary liens and monetary encumbrances not caused or agreed to by the County, but otherwise in their "as-is" condition.

Section 2.8 Assignment of Lessee's Leasehold Interest: Transfer of the Development.

Subject the provisions of Article 8, the Lessee may not assign its interest in this Lease and sell or transfer the Development without the prior written consent of the County.

Section 2.9 Triple-Net Lease.

(a) This Lease is a triple-net lease, and Rent and Added Rent and other payments payable to or on behalf of the County shall: (a) be paid without notice or demand and without offset, counterclaim, abatement, suspension, deferment, deduction or defense; and (b) be an absolute net return to the County, free and clear of any expenses, charges or offsets whatsoever.

(b) The lease for the Day Care Improvements shall be a triple-net lease, and rent and other payments payable to or on behalf of the Lessee shall: (a) be paid without notice or demand and without offset, counterclaim, abatement, suspension, deferment, deduction or defense; and (b) be an absolute net return to the Lessee, free and clear of any expenses, charges or offsets whatsoever.

ARTICLE 3.
DEVELOPMENT OF IMPROVEMENTS

Section 3.1 Commencement of Construction.

The Lessee shall commence construction of the Improvements no later than the time specified in the Disposition Agreement (subject to extension as provided for therein).

Section 3.2 Completion of Construction.

The Lessee shall prosecute diligently to completion the construction of the Improvements, and shall complete construction by the time specified in the Disposition Agreement (subject to extension as provided for therein).

Section 3.3 Construction Pursuant to Permits and Disposition Agreement.

The Improvements shall be constructed in accordance with the Development Documents and the terms and conditions of the applicable land use permits and approvals and building permits.

Section 3.4 Equal Opportunity.

During the construction of the Improvements there shall be no discrimination on the basis of race, color, creed, religion, sex, sexual orientation, age, disability, marital status, national origin, or ancestry in the hiring, firing, promoting, or demoting of any person engaged in the construction work.

Section 3.5 Discharge of Liens.

Except as expressly permitted herein or in the Disposition Agreement, the Lessee shall not create or permit or suffer to be created or to remain, and will discharge, any lien (including, but not limited to, the liens of mechanics, laborers, materialmen, suppliers or vendors for work or materials alleged to be done or furnished in connection with the Property and the Improvements thereon), encumbrances or other charge upon the Property and the Improvements thereon, or any part thereof, or upon the Lessee's leasehold interest therein. The Lessee shall have the right to contest in good faith and by appropriate legal proceedings the validity or amount of any mechanics', laborers', materialmen's, suppliers' or vendors' lien or claimed lien; provided that the Lessee shall utilize all reasonable means (including the posting of a surety bond in an amount 1 and 1/2 times the amount of such claim item) to protect the Property and any part thereof or the Improvements thereon against foreclosure, and shall indemnify and hold harmless the County from any adverse effects resulting from such lien.

Section 3.6 Protection of the County.

Nothing in this Lease shall be construed as constituting the consent of the County, expressed or implied, to the performance of any labor or the furnishing of any materials or any specific improvements, alterations of or repairs to the Property or the Improvements thereon, or any part thereof, by any contractor, subcontractor, laborer or materialman, nor as giving the Lessee or any other person any right, power or authority to act as agent of, or to contract for, or permit the rendering of any services or the furnishing of any materials in such manner as would give rise to the filing of mechanics' liens or other claims against the fee interest of the Property or the Improvements thereon. The County shall have the right at all reasonable times to post and keep posted on the Property any notices which the County may deem necessary for the protection of the County and of the Property and the Improvements thereon from mechanics' liens or other claims. In addition, subject to Lessee's right to contest set forth in Section 3.5 above, the Lessee shall make, or cause to be made, prompt payment of all monies due and legally owing to all persons doing any work or furnishing any materials or supplies to the Lessee, or any of its respective contractors or subcontractors in connection with the Property and the Improvements thereon.

Section 3.7 Permits, Licenses and Easements.

Within ten (10) days after receipt of written request from the Lessee, the County shall (at no expense to the County) join in any and all applications (consistent with the Disposition Agreement) for permits, licenses or other authorizations required by any governmental or other body claiming jurisdiction in connection with any work that the Lessee may do pursuant to this Lease or the operation of the Development, and shall also join in any grants of easements for public utilities useful or necessary to the proper construction of the Improvements or the operation of the Development.

Section 3.8 Compliance with Applicable Law.

The Lessee shall cause all work performed in connection with construction of the Development to be performed in compliance with (a) all applicable laws, ordinances, rules and regulations of federal, state, county or municipal governments or agencies now in force or that may be enacted hereafter, and (b) all directions, rules and regulations of any fire marshal, health officer, building inspector, or other officer of every governmental County now having or hereafter acquiring jurisdiction. The work shall proceed only after procurement of each permit, license, or other authorization that may be required by any governmental County having jurisdiction, and the Lessee shall be responsible to the County for the procurement and maintenance thereof, as may be required of the Lessee and all entities engaged in work on the Property.

Section 3.9 Construction Pursuant to Plans and Laws.

(a) To the extent required by law, in the construction of the Development, the Lessee shall pay and shall cause the contractor and subcontractors to pay prevailing wages in the construction of the Development as those wages are determined pursuant to California Labor Code Section 1720 et seq., to employ apprentices as required by California Labor Code Sections

1777.5 et seq., and the implementing regulations of the Department of Industrial Relations (the "DIR"). In addition, to the extent required by applicable law, the Lessee shall cause its respective contractors and subcontractors to do all the following: (i) all calls for bids, bidding materials and the construction contract documents for the Development must specify that (1) no contractor or subcontractor may be listed on a bid proposal nor be awarded a contract for the Development unless registered with the DIR pursuant to Labor Code Section 1725.5, and (2) the Development is subject to compliance monitoring and enforcement by the DIR; (ii) the Lessee is required to provide the County all information required by Labor Code Section 1773.3 as set forth in the DIR's online form PWC-100 within 2 days of the award of the contract (<https://www.dir.ca.gov/pwc100ext/>); (iii) the Lessee shall cause its respective contractors to post job site notices, as prescribed by regulation by the DIR; (iv) the Lessee shall cause its respective contractors to furnish payroll records required by Labor Code Section 1776 directly to the Labor Commissioner, at least monthly in the electronic format prescribed by the Labor Commissioner. Lessee shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the County) the County against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including Lessee, its contractor and subcontractors) to pay prevailing wages as determined pursuant to California Labor Code Section 1720 et seq., to employ apprentices pursuant to California Labor Code Section 1777.5 et seq., and implementing regulations of the DIR or to comply with the other applicable provisions of California Labor Code Sections 1720 et seq., 1777.5 et seq., and the implementing regulations of the DIR in connection with the construction of the Development or any other work undertaken or in connection with the Property.

(b) The prime contractor shall be responsible for ensuring a weekly certified payroll submitted through LCP Tracker (as defined in the Disposition Agreement as Exhibit H) is required during the term of construction of the Development. Payment of disbursement components may be delayed when certified payrolls are not properly submitted.

(c) The Lessee shall indemnify, protect, hold harmless and defend (with counsel reasonably selected by the County) the County, its governing board members, officers, representatives, agents, assigns and employees against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including the Lessee, or its contractor or subcontractors) to pay prevailing wages as determined pursuant to the prevailing wage provisions of Labor Code Sections 1720 et seq., to hire apprentices in accordance with Labor Code Sections 1777.5 et seq., and the implementing regulations of the DIR or comply with the other applicable provisions of Labor Code Sections 1720 et seq., and the implementing regulations of the DIR in connection with the initial construction of the Development or any other work undertaken or in connection with Development and the Property.

(d) For purposes of this Section, the "initial construction" of the Development shall mean the work required in order to construct such improvements and obtain the Certificate of Completion for the Development.

(e) The requirements in this Section survive the repayment of the County Loan, and the reconveyance of the Leasehold Deed of Trust and termination of this Lease.

Section 3.10 The Lessee to Furnish and Equip the Improvements.

(a) Upon completion of construction of the Improvements, the Lessee covenants and agrees to furnish and equip the Improvements with all fixtures, furnishings, equipment and other personal property (collectively, the "Personal Property") of a quantity as necessary to operate a first class affordable housing development in accordance with the standards set forth in this Lease and the Regulatory Agreement. The Lessee further agrees to take good care of such Personal Property, to keep the same in good order and condition ordinary wear and tear excepted, and promptly, at the Lessee's own cost and expense, to make all necessary repairs, replacements and renewals thereof. As used in this Lease, the term "Personal Property" includes all such replacements and renewals, and all fixtures, furnishings, equipment and other personal property of the Lessee located in, on or about the Property and the Improvements thereon. Any and all fixtures, furnishings, equipment and other personal property placed in, on or about the Property shall be the Personal Property of the Lessee during the Lease Term. Nothing in this Section 3.10 shall be read to require the Lessee to furnish individual units.

(b) Nothing in this Lease shall require the Lessee to furnish or equip the Day Care Improvements. The furnishing and equipping of the Day Care Improvements shall be the sole responsibility of the sublessee of the Day Care Improvements.

ARTICLE 4.
USE AND MAINTENANCE OF THE IMPROVEMENTS

Section 4.1 Use of Development.

(a) During the Lease Term, the Lessee shall at all times use and operate the Development in accordance with this Lease and the Regulatory Agreement. Any use of the Property for any other purpose or any proposed "Major Additional Improvements" to the Property shall be subject to the County's prior written approval, which may be granted or denied in the County's sole discretion. For the purposes of this Section 4.1 the term "Major Additional Improvements" means any of the following, which shall occur post completion of the initial construction of the Improvements and Day Care Improvements: (1) any new buildings, structures or outdoor facilities other than the Improvements and the Day Care Improvements to be located on the Property, (2) any substantial alterations, remodeling or rehabilitation of the Improvements, (3) construction of additional spaces or facilities, or (4) any other alteration, construction, remodeling or reconstruction on the Property with a cost in excess of One Hundred Thousand Dollars (\$100,000).

(b) During the Lease Term, the Lessee shall comply with all applicable and lawful statutes, rules, orders, ordinances, requirements, and regulations of the United States, the State of California, and any other governmental authority having jurisdiction over the Development; however, the Lessee may, in good faith and on reasonable grounds, dispute the applicability or the validity of any charge, complaint, or action taken pursuant to or under color of any statute, rule, order, ordinance, requirement, or regulation, defend against the same, and in good faith diligently conduct any necessary proceedings to prevent and avoid any adverse consequence of the same. The Lessee agrees that any such contest shall be prosecuted to a final conclusion as promptly as reasonably possible.

(c) The Lessee shall:

(1) use the Development only to provide proper housing facilities and ancillary uses to tenants, and to maintain the character of the Development as required by this Lease and the Regulatory Agreement for so long as such agreements remain in effect, and shall not use the Development for any disorderly or unlawful purpose;

(2) use reasonable efforts to prevent any residential tenant from committing or maintaining any nuisance or unlawful conduct on or about the Development;

(3) use reasonable efforts to prevent any residential tenant from violating any of the covenants and conditions of this Lease with respect to the Development;

(4) use reasonable efforts to abate any violation of this Lease by any residential tenant upon notice from the County;

(5) subject to any applicable laws of the State of California and the rights of residential tenants in the Development, permit the County and its agents to inspect the Development at any reasonable time upon reasonable prior notice during the Lease Term; and

(6) not commit or suffer to be committed any waste in, on or about the Property.

(d) Notwithstanding anything to the contrary herein, the Lessee shall have the right use the Day Care Improvements for day care related activities.

Section 4.2 Compliance with the Regulatory Agreement.

The Lessee hereby agrees that, for the term of the Lease and Regulatory Agreement, the Development will be used only for residential uses consistent with this Lease and the Regulatory Agreement and the Day Care Improvements shall be used solely for day care related activities in compliance with the Day Care Improvements lessee entered into pursuant to Section 2.6 above.

Section 4.3 Maintenance of the Development.

(a) The Lessee agrees, for the entire Term of this Lease, to maintain all interior and exterior improvements, including landscaping, of the Development in first-class condition, repair and sanitary condition (and, as to landscaping, in a healthy condition) and in accordance with a Management Plan approved pursuant to Section 2.8 of the Disposition Agreement (including without limitation any landscape and signage plans), as the same may be amended from time to time, and all applicable laws, rules, ordinances, orders, and regulations of all federal, state, municipal, and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus, and officials.

(b) The Lessee acknowledges the great emphasis the County places on quality maintenance to protect its investment and to provide quality low-income housing for area residents and to ensure that County-assisted affordable housing projects are not allowed to deteriorate due to deficient maintenance. In addition, the Lessee shall keep the Development

free from all graffiti, and any accumulation of shopping carts, debris or waste material. The Lessee shall promptly make all repairs and replacements necessary to keep the Development in first-class condition and repair and shall promptly eliminate all graffiti and replace dead and diseased plants and landscaping with comparable approved materials.

(c) In the event that the Lessee breaches any of the covenants contained in this Section 4.3 and such default continues for a period of ten (10) days after written notice from the County, with respect to graffiti, shopping carts, debris, waste material, and general maintenance, or thirty (30) days after written notice from the County, with respect to landscaping and building improvements, (and subject to any stricter requirements included in any applicable County ordinance) then the County, in addition to whatever other remedy it may have under this Lease, at law or in equity, shall have the right to enter upon the Development and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, the County shall be permitted (but is not required) to enter upon the Development and perform all acts and work necessary to protect, maintain and preserve the improvements and landscaped areas of the Property, and to attach a lien on the Lessee's interest in the Property, or to assess the Lessee's interest in the Property, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by the County and/or costs of such cure. The Lessee shall promptly pay to the County, as applicable, the amount of the expenditure arising from such acts and work of protection, maintenance, and preservation by the County and/or costs of such cure, including a fifteen percent (15%) administrative charge.

(d) Landscaping. The Lessee agrees to have common area landscape maintenance performed regularly, including replacement of dead or diseased plants with comparable plants. Lessee agrees to adequately water the landscaping on the Property. No improperly maintained common area landscaping on the Property shall be visible from public streets and/or rights of way.

(1) Yard Area. No yard areas on the Property shall be left unmaintained, including:

(A) broken or discarded furniture, appliances and other, household equipment stored in yard areas for a period exceeding one (1) week;

(B) shopping carts, packing boxes, lumber trash, dirt and other debris in areas visible from public property or neighboring properties; and

(C) vehicles parked or stored in other than approved parking areas.

(2) Building. No buildings located on the Property may be left in an unmaintained condition so that any of the following exist:

(A) violations of state law, uniform codes, or County ordinances;

(B) conditions that constitute an unsightly appearance that detracts from the aesthetics or value of the Property or constitutes a private or public nuisance;

- (C) broken windows;
 - (D) graffiti (must be removed within forty-eight (48) hours);
- and
- (E) conditions constituting hazards and/or inviting trespassers, or malicious mischief.

(3) Sidewalks. The Lessee shall maintain, repair, and replace as necessary all public sidewalks adjacent to the Development.

Section 4.4 Utilities.

The Lessee shall be responsible for the cost of all utilities, including water, heat, gas, electricity, waste removal, sewers, and other utilities or services supplied to the Development (other than those payable directly by tenants of the Development), and the Lessee shall pay or cause said utility costs to be paid currently and as due.

Section 4.5 Taxes and Assessments.

(a) Payment of Taxes and Assessments. The Lessee shall, during the entire Lease Term, at its own cost and expense, pay the public officers charged with their collection, as the same become due and before any fine, penalty, interest, or other charge may be added to them for nonpayment, all real estate taxes, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind and nature, made, assessed, levied, or imposed upon, or due and payable in connection with, or which become a lien upon, the Property, the Improvements, or any part of the Property or Improvements, or upon the Lessee's leasehold interest in the Property pursuant to this Lease, as well as assessments for sidewalks, streets, sewers, water, or any other public improvements and any other improvements or benefits which shall, during the Lease Term, be made, assessed, levied, or imposed upon or become due and payable in connection with, or a lien upon, the Property, the Improvements, or any part of the Property or Improvements, or upon the Lessee's leasehold interest in the Property pursuant to this Lease. The Lessee acknowledges that, pursuant to Revenue and Taxation Code Section 107.6, the Lessee's leasehold interest in the Property created pursuant to this Lease may be subject to the payment of property taxes levied against the Lessee's leasehold interest and the Lessee shall be responsible for the payment of all such property taxes, if applicable. In the event the Improvements or any possessory interest with respect thereto, should at any time be subject to ad valorem taxes or privilege taxes levied, assessed or imposed on such property, the Lessee shall pay taxes upon the assessed value of the entire Property and the Improvements thereon and not merely upon the assessed value of its leasehold interest, as provided in California Health and Safety Code Section 33673.

(b) Payment of Fees. During the entire Lease Term, the Lessee shall pay, at its own cost and expense, before any fine, penalty, interest, or other charge may be added for nonpayment, all license and permit fees, charges for public utilities, and governmental charges relating to the use or occupancy of the Improvements.

(c) Copies of Notices to Lessee. The County shall promptly send to the Lessee copies of any and all notices received by it in respect to any taxes, assessments, charges, or fees for which the Lessee is liable pursuant to this Section 4.5.

(d) The County's Right to Cure. If the Lessee, in violation of the provisions of this Lease, shall fail to pay and to discharge any taxes, or any other fee, the County may (but shall not be obligated to) pay or discharge such taxes, and the amount paid by the County and the amount of all costs, expenses, interest and penalties connected therewith, including reasonable attorneys' fees, together with interest at the rate set forth in Section 2.6(c) shall be deemed to be and shall, upon demand of the County, be payable by the Lessee as repayment of such advance by the County.

Section 4.6 Assistance in Making Payments.

The parties acknowledge that Lessee is responsible under this Lease for making various payments to third parties, such as tax and utility payments in accordance with the provisions of this Article 4. In case any person or entity to whom any sum is directly payable by the Lessee under any of the provisions of this Lease (e.g., a tax collector or utility company) shall refuse to accept payment of such sum from the Lessee (due to the fact that the Lessee is not the fee owner of the Property or for any other reason), the Lessee shall thereupon give written notice of such fact to the County and shall pay such sum directly to County at the address specified in Section 11.2 hereof, and County shall thereupon pay such sum to such person or entity.

Section 4.7 Hazardous Materials.

(a) Covenants and Agreements. The Lessee hereby covenants and agrees that:

(1) The Lessee shall not knowingly permit the Development or the Property or any portion thereof to be a site for the use, generation, treatment, manufacture, storage, disposal or transportation of Hazardous Materials or otherwise knowingly permit the presence of Hazardous Materials in, on or under the Property or the Development in violation of any applicable law;

(2) The Lessee shall keep and maintain the Property and the Development and each portion thereof in compliance with, and shall not cause or permit the Property and the Development or any portion thereof to be in violation of, any Hazardous Materials Laws;

(3) Upon receiving actual knowledge of the same the Lessee shall immediately advise the County in writing of: (i) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against the Lessee or the Development pursuant to any applicable Hazardous Materials Laws; (ii) any and all claims made or threatened by any third party against the Lessee or the Development relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in the foregoing clause (i) and this clause (ii) are hereinafter referred to as "Hazardous Materials Claims"); (iii) the presence of any Hazardous Materials in, on or under the Property or the Development in such quantities which require reporting to a government County;

or (iv) the Lessee's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Development classified as "borderzone property" under the provisions of California Health and Safety Code Section 25220 et seq., or any regulation adopted in accordance therewith, or to be otherwise subject to any restrictions on the ownership, occupancy, transferability or use of the Development under any Hazardous Materials Laws. If the County reasonably determines that the Lessee is not adequately responding to a Hazardous Materials Claim, the County shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any such Hazardous Materials Claims and to have its reasonable attorney's fees in connection therewith paid by the Lessee.

(4) Without the County's prior written consent, which shall not be unreasonably withheld or delayed, the Lessee shall not take any remedial action in response to the presence of any Hazardous Materials on, under, or about the Development (other than in emergency situations or as required by governmental agencies having jurisdiction), nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Materials Claims.

(b) Indemnity. Without limiting the generality of the indemnification set forth in Section 6.4, the Lessee hereby agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to the County) the County, its board members and councilmember's, officers, and employees from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, attorney's fees and expenses), arising directly or indirectly, in whole or in part, out of:

(1) the failure of the Lessee or any other person or entity, during the Lease Term, to comply with any Hazardous Materials Law relating in any way whatsoever to the handling, treatment, presence, removal, storage, decontamination, cleanup, transportation or disposal of Hazardous Materials into, on, under or from the Development;

(2) the presence in, on or under the Property or the Development of any Hazardous Materials or any releases or discharges during the Lease Term of any Hazardous Materials into, on, under or from the Property or the Development; or

(3) any activity carried on or undertaken on or off the Property or the Development, during the Lease Term, and whether by the Lessee or any employees, agents, contractors or subcontractors of the Lessee, or any third persons occupying or present on the Property or the Development, in connection with the handling, treatment, removal, storage, decontamination, cleanup, transport or disposal of any Hazardous Materials located or present on or under the Development (collectively "Indemnification Claims").

The foregoing indemnity shall further apply to any residual contamination on or under the Property or the Development, or affecting any natural resources, and to any contamination of any property or natural resources, in each case, arising in connection with the Indemnification Claims and irrespective of whether any of such activities were or will be undertaken in accordance with Hazardous Materials Laws; provided, however, the foregoing

indemnity shall not apply to any Indemnification Claims arising directly or indirectly, in whole or in part, from the County's gross negligence or willful misconduct. This obligation to indemnify, set forth in this Section 4.7(b) shall survive termination of this Lease.

(c) No Limitation. The Lessee hereby acknowledges and agrees that the Lessee's duties, obligations and liabilities under this Lease, including, without limitation, under subsection (b) above, are in no way limited or otherwise affected by any information the County may have concerning the Development and/or the presence within the Development of any Hazardous Materials, whether the County obtained such information from the Lessee or from its own investigations.

(d) Environmental Work. The Lessee shall be responsible for performing the work of any investigation and remediation that may be required by applicable law on the Property in order to develop the Development. The determination as to whether any such remediation is needed, and as to the scope and methodology thereof, shall be made by mutual agreement of the governmental County with responsibility for monitoring such remediation and the County and the Lessee. The Lessee shall notify the County promptly upon discovery of any actionable levels of Hazardous Materials, and upon any release thereof, and shall consult with the County in order to establish the extent of remediation to be undertaken and the procedures by which remediation thereof shall take place. The Lessee shall comply with, and shall cause its agents and contractors to comply with, all laws regarding the use, removal, storage, transportation, disposal and remediation of Hazardous Substances. The investigation and remediation work shall be carried out in accordance with all applicable laws (including Hazardous Materials Laws) and such other procedures and processes as may be described in this Lease.

Section 4.8 Nondiscrimination.

The Lessee shall not, in the selection or approval of tenants or provision of services or in any other matter relating to the development and operation of the Development, discriminate against any person or group of persons on the grounds of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry, age, source of income, or disability.

Section 4.9 Management Responsibilities.

The Lessee is responsible for all management functions with respect to the Development, including without limitation the selection of residents, certification and recertification of household size and income, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. The County shall have no responsibility over management of the Development. The Lessee shall retain a professional property management company, approved by the County in its reasonable discretion, to perform its management duties hereunder. A resident manager shall also be required. At least six (6) months prior to completion of construction of the Development, and annually thereafter, Lessee shall submit a proposed Management Plan to the County for approval by the County. The County shall approve or disapprove (with written explanation for disapproval) of the proposed management plan by notifying the Lessee in writing within fifteen (15) business days of the date of submission to the County.

Section 4.10 Management Agent; Periodic Reports.

The Development shall at all times be managed by an experienced management agent reasonably acceptable to the County, with demonstrated ability to operate residential facilities like the Development in a manner that will provide decent, safe, and sanitary housing (as approved, the "Management Agent"). The Lessee shall submit for the County's approval the identity of any proposed Management Agent and on-site resident manager. The Lessee shall also submit such additional information about the background, experience and financial condition of any proposed Management Agent and on-site resident manager as is reasonably necessary for the County to determine whether the proposed Management Agent or on-site resident manager meets the standard for a qualified Management Agent or on-site resident manager set forth above. If the proposed Management Agent or on-site resident manager meets the standard for a qualified Management Agent or on-site resident manager set forth above, the County shall approve the proposed Management Agent or on-site resident manager by notifying the Lessee in writing. Unless the proposed Management Agent or on-site resident manager is disapproved by the County within thirty (30) days, which disapproval shall state with reasonable specificity the basis for disapproval, it shall be deemed approved. The County hereby approves FPI Management, Inc., as the initial Manager Agent.

Section 4.11 Performance Review.

The County reserves the right to conduct an annual (or more frequently, if deemed reasonably necessary by the County) review of the management practices and financial status of the Development. The purpose of each periodic review will be to enable the County to determine if the Development is being operated and managed in accordance with the requirements and standards of this Lease. The Lessee shall cooperate with the County in such reviews.

Section 4.12 Books, Records and Reports.

For purposes of such periodic reviews, the Lessee and the Management Agent shall make available to the County for inspection all books and records with respect to the Development. In addition, the Lessee shall provide the County with: (1) by not later than thirty (30) days prior to commencement of each Fiscal Year, the annual budget for the upcoming calendar; (2) within ninety (90) days following the end of each Fiscal Year, a report showing the actual income and expenditures with respect to the Development for the immediately preceding calendar year and the status of all reserve funds; and (3) within one hundred twenty (120) days following the end of each Fiscal Year, a copy of the Lessee's federal income tax filings for the calendar year.

Section 4.13 Replacement of Management Agent or On-Site Resident Manager.

(a) If, as a result of a periodic review, the County determines in its reasonable judgment that the Development is not being operated and managed in accordance with any of the requirements and standards of this Agreement or the Regulatory Agreement, the County shall deliver notice to the Developer of such operational issues which notice shall describe the management deficiencies with specificity along with the actions the County deems necessary to cure said deficiencies along with a period in which the deficiencies shall be cured. Within thirty

(30) days of receipt by the Lessee of such written notice, County staff and the Lessee shall meet in good faith to consider methods for improving the financial and operating status of the Development, including, without limitation, replacement of the Management Agent.

(b) If, after such meeting, County staff recommends in writing the replacement of the Management Agent, with the reasonable concurrence of the partners of the Lessee and any Approved Lender, the Lessee shall promptly dismiss the then Management Agent, and shall appoint as the Management Agent a person or entity meeting the standards for a Management Agent set forth in Section 4.10 above and reasonably approved by the County pursuant to Section 4.10 above.

(c) Any contract for the operation or management of the Development entered into by the Lessee shall provide that the contract can be terminated as set forth above. Failure to remove the Management Agent in accordance with the provisions of this Section shall constitute a Lessee Event of Default under this Agreement, and the County may enforce this provision through legal proceedings as specified in Section 10.1(b) below.

Section 4.14 Approval of Management Plan.

The Lessee shall submit to the County an initial proposed Management Plan no later than six (6) months after the commencement of construction of the Development pursuant to the Schedule of Performance as set forth in Section 4.3 of the Disposition Agreement. Each year, within sixty (60) days of the end of the Lessee's Fiscal Year, the Lessee shall submit to the County any proposed changes to the Management Plan. The County shall approve or disapprove the proposed changes to the Management Plan in writing within fifteen (15) calendar days following the County's receipt of the request to amend Management Plan, which approval shall not be unreasonably denied. If the proposed change to the Management Plan is disapproved by the County, the County shall deliver a written notice to the Lessee setting forth, in reasonable detail, the reasons for such disapproval. The Lessee shall have fifteen (15) calendar days following the receipt of such notice to submit a revised Management Plan modification in any way necessary to ensure that such policies comply with the provisions of this Lease. The County's approval of the amendments to the Management Plan shall not be unreasonably withheld.

Section 4.15 Resident Services Plan and Resident Services Budget.

Lessee hereby agrees to hire and employ a resident services coordinator at least one (1) month prior to completion of the Improvements pursuant to Section 4.4 of the Disposition Agreement. The Lessee shall submit to the County an initial proposed Resident Services Plan and Resident Services Budget no later than six (6) months after the commencement of construction of the Development pursuant to the Schedule of Performance as set forth in Section 4.3 of the Disposition Agreement. Each year, within sixty (60) days of the end of the Lessee's Fiscal Year, the Lessee shall furnish to the County a draft Resident Services Plan and Resident Services Budget. Upon receipt by the County of the proposed Resident Services Plan and Resident Services Budget, the County shall promptly review same and approve or disapprove the Resident Services Plan and the Resident Services Budget within ten (10) working days. If the Resident Services Plan or Resident Services Budget are not approved by the County, the County

shall set forth in writing and notify the Lessee of the County's reasons for withholding such approval, which may include a request by the County for a change in the nature or scope of resident services or a change in service provider. The Lessee shall thereafter submit a revised Resident Services Plan and Resident Services Budget for County approval, which approval shall be granted or denied within five (5) working days in accordance with the procedures set forth above.

Section 4.16 Public Safety.

(a) The Lessee acknowledges that the County places a prime importance on the security of County assisted projects and the safety of the residents and surrounding community. The Lessee agrees to implement and maintain throughout the Term the following security measures in the Development:

- (1) to the extent feasible employ defensible space design principles and crime prevention measures in the operation of the Development including but not limited to maintaining adequate lighting in parking areas and pathways;
- (2) use its best efforts to work with the County Sherriff Department to implement and operate an effective neighborhood watch program; and
- (3) provide added security including dead-bolt locks for every entry door, and where entry doors are damaged, replace them with solid-core doors.

(b) The County shall have the right to enter on the Property and/or contact the County Sherriff Department if it becomes aware of or is notified of any conditions that pose a danger to the peace, health, welfare or safety of the Residents and/or the surrounding community, and to perform or cause to be performed such acts as are necessary to correct the condition.

ARTICLE 5.
APPROVED LOANS

Section 5.1 Loan Obligations.

Nothing contained in this Lease shall relieve the Lessee of its obligations and responsibilities under any Approved Loans to operate the Development as set forth in the applicable Approved Loan Documents.

Section 5.2 Liens and Encumbrances Against Lessee's Interest in the Leasehold Estate.

(a) Lessee shall have the right to encumber the leasehold estate created by this Lease and the Improvements with: (1) the lien or liens securing one or more Approved Loans, subject to the County's review and prior approval of the Approved Loan Documents which approval shall not be unreasonably withheld or conditioned, it being expressly understood that as of the Commencement Date, the County has approved the recordation of the liens securing the

Approved Loans; and (2) after receipt of a certificate of occupancy, the lien or liens securing any lender that refinances any Approved Loan, so long as such refinancing does not exceed the then outstanding principal balance of the replaced Approved Loan, plus any commercially reasonable closing costs associated with such refinancing, plus any reserves or holdbacks reasonably required by such refinancing lender that do not exceed Five Hundred Thousand Dollars (\$500,000). Within fifteen (15) days following receipt of the proposed Approved Loan Documents along with Lessee's written notice requesting approval of such documents, the County shall review and either approve or disapprove the Approved Loan Documents.

(b) The Lessee shall not have the right to encumber the County's fee interest in the Property and the reversionary interest in the Improvements with a lien of an Approved Loan or any Loan.

(c) For as long as there is any lien securing any Approved Loans :

(1) The County shall not agree to any mutual termination or cancellation or accept any surrender of this Lease (including, without limitation, in connection with any casualty or condemnation of the Premises), nor shall the County consent to any amendment or modification of this Lease, without prior written consent of all Approved Lenders that have an outstanding Approved Loan and any such termination, cancellation, surrender, amendment or modification of this Lease without all such consents shall not be valid or effective.

(2) Notwithstanding any default by the Lessee under this Lease, the County shall have no right to terminate this Lease unless the County has given all Approved Lenders which have an outstanding Approved Loan and the Investor written notice of such default pursuant to the requirement of Sections 5.2(c)(vii) and 11.2 and the Investor and/or such Approved Lenders have failed to remedy such default or acquire the Lessee's leasehold estate created by this Lease or commence foreclosure or other appropriate proceedings as set forth in, and within the time specified by this subsection 5.2(c), as applicable. If the County receives competing or conflicting offers to cure any default, then the County shall accept the offers to cure in the following order: first, the Lessee, then each Approved Lender in the relative priority of their respective deeds of trust, and then the Investor. Notwithstanding the foregoing, an Approved Lender shall not be required to obtain possession or commence or continue foreclosure proceedings as a prerequisite to curing a default by the Lessee.

(3) Any Approved Lender which has an outstanding Approved Loan or the Investor shall have the right, but not the obligation, at any time to pay any or all of the Rent or Added Rent due pursuant to the terms of this Lease, and do any other act or thing required of the Lessee by the terms of this Lease, to prevent termination of this Lease. Each Approved Lender and the Investor shall have sixty (60) days after receipt of notice from the County (describing the default and Lessee's failure to cure the same within any applicable notice and cure periods) to cure monetary defaults and ninety (90) days after receipt of notice from the County (describing the default and Lessee's failure to cure the same within any applicable notice and cure periods) to cure nonmonetary defaults (the "Lender Cure Period"). All payments so made and all things so done shall be as effective to prevent a termination of this Lease as the same would have been if made and performed by the Lessee instead of by the Approved

Lender(s) or the Investor and the costs thereof may be added to the security interest and the lien securing the Approved Loans(s) thereof.

(4) In addition to the cure period provided in paragraph (ii) above, if the default is such that possession of the Development may be reasonably necessary to remedy the default, any Approved Lender which has an outstanding Approved Loan shall have a reasonable time after the expiration of the Lender Cure Period within which to remedy such default, provided that:

(A) such Approved Lender has fully cured any default in the payment of any monetary obligations of the Lessee under this Lease within the Lender Cure Period and shall continue to pay currently such monetary obligations when the same are due;

(B) such Approved Lender has acquired the Lessee's leasehold estate hereunder or commenced foreclosure or other appropriate proceedings prior to or within such period, and shall be diligently prosecuting the same; and

(C) after gaining possession of the Development, the Approved Lender promptly commences cure, and thereafter diligently prosecutes the same, of all non-monetary defaults capable of cure by the Approved Lender and otherwise performs all obligations of the Lessee capable of performance by the Approved Lender when the obligations are due.

(5) Any default under this Lease which by its nature cannot be remedied by any Approved Lender shall be deemed to be remedied if:

(A) within ninety (90) days after receiving written notice from the County (describing the default and the Lessee's failure to cure the same within any applicable notice and cure periods), or prior thereto, any Approved Lender has acquired the Lessee's leasehold estate or commenced foreclosure or other appropriate proceedings;

(B) the Approved Lender diligently prosecutes any such proceedings to completion;

(C) the Approved Lender has fully cured any default in the payment of any monetary obligations of Lessee hereunder which does not require possession of the Development; and

(D) after gaining possession of the Development, the Approved Lender performs all other obligations of Lessee hereunder capable of performance by the Approved Lender when the obligations are due.

(6) If Approved Lenders are prohibited, stayed, or enjoined by any bankruptcy, insolvency, or other judicial proceedings involving the Lessee from commencing or prosecuting foreclosure or other appropriate proceedings, then the times specified for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such prohibition, so long as the Approved Lender claiming the extension has fully cured any default in the payment of any monetary obligations of Lessee under this Lease,

continues to pay currently such monetary obligations when the same fall due, and does not interfere with the County's efforts to seek compliance by the Lessee with any non-monetary obligation under this Lease.

(7) The County shall mail or deliver to any Approved Lenders which have any outstanding Approved Loan and the Investor a duplicate copy of all notices which the County may from time to time give to the Lessee pursuant to this Lease. All notices delivered by the County to any Approved Lenders or the Investor shall also comply with the notice provisions of Section 11.2. County agrees to accept the performance of the Investor.

(8) The conveyance of the Lessee's interest in the Development to a Foreclosure Transferee by means of a foreclosure or a deed in lieu of foreclosure shall not be subject to the County's prior consent. In the event Foreclosure Transferee becomes the Lessee under this Lease by means of foreclosure or deed in lieu of foreclosure or pursuant to any new lease obtained under subsections (10) and (11) below, the County shall recognize the Foreclosure Transferee and the Foreclosure Transferee shall be personally liable under this Lease or such new lease only for the period of time that the Foreclosure Transferee remains the lessee. Nothing in this section obligates any Foreclosure Transferee to remedy any default of the Lessee, and any failure of any Approved Lender to complete any such cure after commencing the same shall not give rise to any liability of the Approved Lender to the County.

(9) If any Foreclosure Transferee shall acquire the Lessee's interest in the Development, such Foreclosure Transferee shall thereafter have the right to assign or transfer such interest in the Development to an assignee, subject to the consent provisions of Article 8 below. The Foreclosure Transferee shall be released and relieved of any liability under this Lease for acts occurring after the assignment and under any other document entered into in connection herewith upon assignment of all of the Foreclosure Transferee's interest in the Development.

(10) If a Foreclosure Transferee becomes the legal owner of the leasehold estate, and upon written request by the Foreclosure Transferee or its permitted transferee within sixty (60) days after such termination or becoming the legal owner of the leasehold estate, the County shall enter into a new lease of the Property with the Foreclosure Transferee or its permitted transferee for the remainder of the Lease Term with the same agreements, covenants, reversionary interests, and conditions (except for any requirements which have been fulfilled by the Lessee prior to termination) as are contained in this Lease and with priority equal to this Lease, so long as the Foreclosure Transferee or its permitted transferee promptly cures any existing defaults by the Lessee susceptible to cure by the Foreclosure Transferee or its permitted transferee.

(11) If this Lease is terminated for any reason (including, without limitation, a termination or rejection through or by a bankruptcy proceeding, foreclosure, or by other operation of law), then the County shall, upon request by an Approved Lender or its permitted transferee, execute a new lease of the Property to the Approved Lender or other transferee, as the case may be, on the same terms and conditions as this Lease, except that the term will commence on the date of the new lease and will continue for the remaining unexpired term of this Lease. If the County receives conflicting requests for a new lease of the Property,

then the County shall execute a new lease of the Property with the requesting Approved Lender having the most senior deed of trust.

(12) After any termination and cancellation of the Lease set forth in clause (10) or clause (11) above, and prior to the expiration of any period within which an Approved Lender may elect to obtain a new lease from County, County shall refrain from terminating any existing sublease or otherwise encumbering the Property, the Improvements and the Day Care Improvements without the prior written consent of all Approved Lenders that have an outstanding Approved Loan. Any new lease granted an Approved Lender or Foreclosure Transferee shall be in the form substantially similar to this Lease and shall enjoy the same priority in time and in right as this Lease over any lien, encumbrance or other interest created by County before or after the date of such new lease and shall vest in such Approved Lender or Foreclosure Transferee all right, title, interest, power and privileges of Lessee hereunder in and to the Property, the Improvements and the Day Care Improvements, including, without limitation, the assignment of Lessee's interest in and to all then existing subleases and sublease rentals and the automatic vesting of title to all Improvements and Day Care Improvements, fixtures and personal property of Lessee in such Approved Lender or Foreclosure Transferee. Such new lease shall provide, with respect to each and every permitted sublease which immediately prior to the termination of this Lease was superior to the lien of such Approved Lender or Foreclosure Transferee shall be deemed to have recognized the sublessee under the sublease, pursuant to the terms of the sublease as though the sublease had never terminated but had continued in full force and effect after the termination of this Lease, and to have assumed all the obligations of the sublessor under the sublease accruing from and after the termination of the Lease, except that the obligation of the new lessee, as sublessor, under any covenant of quiet enjoyment, expressed or implied, contained in any such sublease shall be limited to the acts of such new lessee and those claiming by, under or through such new lessee. If more than one entity claims to be the lender that is entitled to a new lease pursuant to this subsection, County shall enter into such new lease with the lender whose mortgage or deed of trust is prior in lien. County without liability to Lessee or any lender with an adverse claim, may rely upon a lender title insurance policy issued by a responsible title insurance company doing business in the state where the Property is located as the basis for determining the appropriate lender who is entitled to such new lease and the lender which executes the new lease shall indemnify and hold County harmless against any claims by Lessee or any other lender with respect to such determination.

(13) The County shall cooperate in including in this Lease by suitable amendment from time to time any provision which may reasonably be requested by any proposed leasehold mortgagee for the purpose of allowing such leasehold mortgagee reasonable means to protect or preserve the lien of the leasehold mortgage and the value of its security. The County shall execute and deliver (and acknowledge, if necessary, for recording purposes) any agreement necessary to effect any such amendment, so long as such amendment does not in any way affect the Lease Term or Rent or Added Rent under this Lease or otherwise in any material respect adversely affect any rights of the County under this Lease.

Section 5.3 Cost of Approved Loans to be Paid by Lessee.

The Lessee shall bear all of the costs and expenses in connection with (a) the preparation and securing of the Approved Loans, (b) the delivery of any instruments and documents and their

filing and recording, if required, and (c) all taxes and charges payable in connection with the Approved Loans.

Section 5.4 Proceeds of Approved Loans.

All Approved Loan proceeds shall be paid to and become the property of the Lessee, and the County shall have no right to receive any such Approved Loan proceeds.

Section 5.5 Notice and Right to Cure Defaults Under Approved Loans.

Lessee shall include in all Approved Loan Documents (which may be in a subordination or intercreditor agreement) that, in the event of default by the Lessee under an Approved Loan, notice shall be given to the County at the same time given to the Lessee, and the County shall have the right, but not the obligation, to cure the default with a cure period which extends not less than ninety (90) days beyond the cure period provided to the Lessee under the applicable Approved Loan Document. Notwithstanding the foregoing, in no event shall County have the right to terminate this Lease as a result of Lessee's failure to cure an event of default under any Approved Loan, including the County Loan, or the failure of Lessee to repay County for any amounts paid by County to cure an event of default under any Approved Loan, including the County Loan, and no Approved Lender shall be obligated to cure any such default. Nothing contained in Section 5.5 or elsewhere within this Lease shall require the consent of the County to exercise any remedies by such Approved Lender under its Approved Loan Documents.

Section 5.6 Modifications.

If an Approved Lender should, as a condition of providing financing for development of all or a portion of the Development, request any modification of this Lease in order to protect its interests in the Development or this Lease, the County shall consider such request in good faith consistent with the purpose and intent of this Lease and the rights and obligations of the Parties under this Lease.

Section 5.7 Estoppel Certificates.

The County and the Lessee agree that at any time and from time to time upon not less than twenty (20) days prior written notice by the other party, or upon request from the Investor or any Approved Lender or a permitted assignee or other interested party, the County or the Lessee will execute, acknowledge and deliver to the other party or to such other parties a statement in writing in form and content reasonably acceptable to the County, substantially in the form provided to such Approved Lender on or about the date of this Lease, certifying: (a) that this Lease is unmodified and in full force and effect; (b) the date through which the Rent and Added Rent has been paid; and (c) that, to the knowledge of the certifier (if such be the case), there is no default, set-off, defense or other claim against the County or the Lessee, as applicable, other than those, if any, so specified under the provisions of this Lease. It is intended that any such statement may be relied upon by any persons proposing to acquire the interest of the County, the Lessee or any Approved Lender or the Investor, as the case may be, in this Lease or by any assignee of any Approved Lender.

ARTICLE 6.
INSURANCE

Section 6.1 Required Insurance Coverage.

The Lessee shall furnish to the County the type and amounts of insurance specified in Exhibit B. The County shall be named as an additional insured on the policies specified in Exhibit B. The Lessee shall insure that all workers' compensation insurance policies carried by the general contractor and subcontractors working on the Development include a waiver of subrogation in favor of the County. Any Approved Lender may be named as an additional insured or loss payee under any insurance coverages maintained by Lessee and may participate in the settlement of any proceeds therefrom (as further discussed below).

Section 6.2 Insurance Policies and Premiums.

All liability policies required by this Lease or any Approved Loan Document shall comply with the requirements set forth in Exhibit B.

(a) Insurance shall be placed with insurers with a current Best Rating of no less than A:VII. Any deductible or self-insured retention shall be disclosed to and approved by the County.

(b) The Lessee shall furnish the County with certificates and original endorsements effecting the required coverage promptly upon request. The endorsements shall be signed by persons authorized by the insurer to bind coverage on its behalf. The endorsements shall be on forms provided by the County or as approved by the County. If the Lessee does not keep all required insurance policies in full force and effect, then the County may, in addition to other remedies under this Lease, and upon not less than fifteen (15) days prior written notice and the failure of the Lessee to obtain such insurance within such fifteen (15) day period, take out the necessary insurance, and the Lessee shall pay the cost of such insurance.

(c) Promptly upon the County's request from time to time during the Lease Term, the Lessee shall increase the amount of the insurance policies, or otherwise modify such policies set forth in Exhibit B, so long as sufficient funds are reasonably available to pay for such increases.

Section 6.3 Proceeds of Insurance.

For so long as any Approved Loan on the Development is outstanding or as required under Section 7.2 below, the disposition of all commercial property insurance (including builder's risk) proceeds shall be governed by the Approved Loan Documents. If the Improvements are not repaired or rebuilt, all such proceeds shall be applied in a manner consistent with the terms of the Approved Loans, with any conflicts resolved in accordance with the relative priority of their respective deeds of trust.

If the Lessee fails to agree in writing within thirty (30) days after payment of the proceeds of insurance that such repair or rebuilding is economically feasible and the Improvements as so restored will be economically viable, then within an additional sixty (60)

days, Lessee shall commence to demolish and clear the Property of the Improvements, unless otherwise directed by the County, and this Lease shall terminate at the option of the County upon the completion of the clearance of the Property by the Lessee.

Section 6.4 Indemnification.

The Lessee agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to the County) the County, its board members, officers and employees, from all suits, actions, claims, causes of action, costs, demands, judgments and liens arising out of the Lessee's performance or non-performance under this Lease, or any other agreement executed pursuant to this Lease, or arising out of acts or omissions of any of Lessee's contractors, subcontractors, or persons claiming under any of the aforesaid, except as directly caused by the County's willful misconduct or gross negligence. The provisions of this section shall survive expiration of the Lease Term or other termination of this Lease, and shall remain in full force and effect.

ARTICLE 7.

CONDEMNATION, DAMAGE OR DESTRUCTION OF THE IMPROVEMENTS

Section 7.1 Condemnation.

If the Improvements or the Property or any part thereof is taken or condemned, for any public or quasi-public purpose or use by any competent entity in appropriate proceedings, or by any right of eminent domain, then the County and Lessee shall request that awards and other payments on account of a taking of the Improvements and the Property (less costs, fees and expenses incurred by the County and Lessee in connection with the collection thereof) be divided by the presiding court between loss of value of the County's reversionary fee interest in the Property and reversionary interests in the Improvements and loss of value of the Lessee's leasehold estate in the Property and fee interest in the Improvements. In any case, subject to the rights of Approved Lenders under the Approved Loan Documents (with any conflicts resolved in accordance with the relative priority of their respective deeds of trust), such awards and payments shall be applied as follows:

(a) Net awards and payments received on account of a partial taking of the Improvements, other than a taking for a temporary use not exceeding one (1) year, shall be allocated and paid in the following order of priority:

(1) If the Lessee reasonably believes restoration is economically feasible, and unless the Approved Lenders under the Approved Loan Documents require that the proceeds be applied to the outstanding indebtedness under the Approved Loans, first, to pay the cost of restoration of the Improvements, provided that the extent of the Lessee's obligations to restore the Improvements shall be limited to the amount of the net award and payment received by and available to Lessee on account of the taking. In such event, the condemnation proceeds shall be paid into the Construction Fund described in Section 7.2 below, subject to the rights of Approved Lenders to collect and disburse such funds.

(2) Second (or first if (i) the Lessee does not believe that restoration is economically feasible or viable as described above, or (ii) the Approved Lender(s) under the Approved Loan Documents require(s) that such proceeds be applied to the outstanding indebtedness under the Approved Loan(s)) to any Approved Lenders (in the order of their respective lien priority, if there is more than one Approved Lender) in an amount necessary to reduce the outstanding indebtedness under the approved Loan(s) to the extent required by the Approved Lender(s).

(3) The balance, if any, shall be divided between the County and the Lessee in the manner specified in subparagraph (e) below.

(b) Net awards and payments received on account of a partial or total taking of only the County's fee interest in the Property or the reversionary interest in the Improvements (that is, a taking of the County's fee interest in the Property or the County's reversionary interest in the Improvements that has no effect on the value of the Lessee's leasehold interest in the Property or the Lessee's fee interest in the Improvements), including severance damages, shall be paid to the County which amount shall be free and clear of any claims of the Lessee, or any other persons claiming rights to the Property through or under the Lessee.

(c) Net awards and payments received on account of a taking for temporary use not exceeding one (1) year and relating to a period during the Lease Term shall be paid to the Lessee; however, if such taking for temporary use has resulted in any damage to or destruction of the Development, then such net awards and payments shall be first applied to pay the cost of restoration if the Lessee determines that restoration is economically feasible. Net awards and payments received on account of a taking for temporary use not exceeding one (1) year and relating to a period beyond the Lease Term shall be paid to the County.

(d) Net awards and payments received on account of a total taking of the Development shall be allocated and paid in the following order of priority:

(1) First, to any Approved Lenders with then-outstanding Approved Loans secured by the Development (in the order of their respective lien priority, if there is more than one Approved Lender), an amount equal to the unpaid balance secured by their respective Approved Loans up to the total amount of such awards and payments;

(2) The balance, if any, shall be divided between the County and the Lessee in the manner specified in subparagraph (e) below.

(e) For purposes of subsections (a)(iii) and (d)(ii) above, proceeds shall be paid in the following manner: first, the Lessee shall receive reimbursement for any funds it has reasonably expended for repair and/or reconstruction of the Development (other than funds received from Approved Lenders). Second, the balance, if any, shall be paid to the Lessee and the County *pari passu*. The Lessee shall receive the portion of the payment attributable to the Improvements, Lessee's leasehold interest, and Lessee's trade fixtures and personal property. The County shall receive the portion of the payment attributable to the County's fee interest in the Property and the County's reversionary interest in the Improvements.

(f) The Lessee shall receive any award granted for or allocated to trade fixtures, moving expenses or loss of business.

Section 7.2 Administration of Construction Fund in the Event of Condemnation, or Damage or Destruction of Development.

In the event the Approved Loans have not been paid in full, then the Approved Lender with the deed of trust with the most senior loan priority may act as the disbursing agent for any insurance proceeds or condemnation award for the repair or reconstruction of the Improvements (and Day Care Improvements, as applicable) in accordance with its standard practices for administering construction loans. If the Approved Loans have been paid in full or as otherwise required under Section 6.3 above, and if the Improvements, or any part of it, is to be repaired or reconstructed after damage or destruction or condemnation, then all proceeds collected under any and all policies of insurance referred to in Article 6 above covering such damage or destruction, or all compensation received for such taking by the exercise of the power of eminent domain, shall be paid into a special trust fund to be created and held by the Lessee during such repairing or reconstructing (the "Construction Fund"). Any surplus of such insurance or condemnation proceeds remaining in the Construction Fund after the completion of all payments for such repairing or reconstructing shall be held or applied by the Lessee in a manner consistent with the applicable provision of this Article 7.

Section 7.3 Lessee, County, Approved Lenders to be Made Parties in Legal Proceedings.

(a) In the event proceedings shall be instituted (i) for the exercise of the power of eminent domain, or (ii) as a result of any damage to or destruction of the Development, the resulting proceeds shall be paid to the Approved Lenders for application or disbursement in accordance with the Approved Loan Documents (in the order of their respective lien priority, if there is more than one such Approved Lender). The Lessee, County, and, as necessary, any Approved Lender with a then-outstanding Approved Loan shall be made parties to those proceedings, and if not made parties by the petitioning party, shall be brought into the proceedings by appropriate proceedings of the other parties so that adjudication may be made of the damages, if any, to be paid to the Lessee, the County and Approved Lenders as compensation for loss of their rights in the Improvements or the Property, or for damage to or destruction of the Development. Should the County or Lessee receive notice of institution of any proceedings subject to Section 7.1, the Party receiving such notice shall notify the other Party not later than thirty (30) days after receiving such notice.

(b) The County and the Lessee shall cooperate and consult with each other in all matters pertaining to the settlement, compromise, arbitration, or adjustment of any and all claims and demands for damages on account of damage to, or destruction of, the Development, or for damages on account of the taking or condemnation of the Improvements or the Property.

Section 7.4 Termination.

In the event of a total taking or in the event of damage, destruction, or a partial taking, other than a temporary taking of the Development, which the Lessee reasonably determines

renders continued operation of the Development infeasible both as a whole and in substantial part, this Lease shall terminate at the option of the County (except if the Lessee is rebuilding the Development in accordance with the terms of this Lease), and in such event any proceeds shall be allocated pursuant to Section 6.3 or Article 7, as appropriate. In the event of a partial taking that does not result in termination pursuant to this Section 7.4, this Lease shall remain in full force and effect as to the portion of the Development remaining. Notwithstanding the foregoing, County shall not terminate this Lease on account of such damage, destruction or taking without the prior written consent of any Approved Lender with an outstanding Approved Loan.

ARTICLE 8.
ASSIGNMENT AND TRANSFERS

Section 8.1 Definitions.

As used in this Article 8, the term "Transfer" means:

(a) Any total or partial sale, assignment or conveyance, or any trust or power, or any transfer in any other mode or form, of or with respect to this Lease or of the Property or any part thereof or any interest therein or of the Development constructed thereon, or any contract or agreement to do any of the same; or

(b) Any total or partial sale, assignment or conveyance, or any trust or power, or any transfer in any other mode or form, of or with respect to any ownership interest in the Lessee, or any contract or agreement to do any of the same.

Section 8.2 Purpose of Restrictions on Transfer.

This Lease is entered into solely for the purpose of development and operation of the Development on the Property and its subsequent use in accordance with the terms of this Lease. The qualifications and identity of the Lessee are of particular concern to the County, in view of:

(a) The importance of the redevelopment of the Property to the general welfare of the community; and

(b) The fact that a Transfer as defined in Section 8.1 above is for practical purposes a transfer or disposition of the Property.

It is because of the qualifications and identity of the Lessee that the County is entering into this Lease with the Lessee and that Transfers are permitted only as provided in this Lease.

Section 8.3 Prohibited Transfers.

The limitations on Transfers set forth in this Section 8.3 shall apply for the Lease Term. Except as expressly permitted in this Lease, the Lessee represents and agrees that the Lessee has not made or created, and will not make or create or suffer to be made or created, any Transfer, either voluntarily or by operation of law, without the prior approval of the County. The County may approve any such Transfer in its sole discretion. The Parties agree and acknowledge that at

all times prior to any conveyance of the Lessee's interest in the Development to a Foreclosure Transferee, an AMCAL Affiliate shall remain the managing general partner of the Lessee throughout the Lease Term. Any Transfer made in contravention of this Section 8.3 shall be void and shall be deemed to be a default under this Lease, whether or not the Lessee knew of or participated in such Transfer.

Section 8.4 Permitted Transfers.

Notwithstanding the provisions of Section 8.3, the following Transfers shall be permitted without the prior written consent of the County (subject to satisfaction of the conditions of Section 8.5):

(a) Any Transfer creating a lien or trust relationship pursuant to an Approved Loan, and after receipt of a certificate of occupancy, any Transfer creating a lien or trust relationship to refinance any Approved Loan, so long as such refinancing does not exceed the then outstanding principal balance of the replaced Approved Loan plus any commercially reasonable closing costs associated with such refinancing plus any reserves or holdbacks reasonably required by such refinancing lender that do not exceed Five Hundred Thousand Dollars (\$500,000);

(b) Any Transfer directly resulting from the foreclosure of an Approved Loan or the granting of a deed in lieu of foreclosure of an Approved Loan;

(c) The leasing of residential units within the Development in accordance with the Regulatory Agreement, provided, however, the leasing of any residential unit(s) within the Development that is not done in accordance with the Regulatory Agreement shall not give the County any right to terminate this Lease; instead, the County's remedies for such violation of the Regulatory Agreement shall be as set forth in the Regulatory Agreement;

(d) The leasing and subleasing of the Day Care Improvements pursuant to Section 2.6(a);

(e) At all times prior to any conveyance of the Lessee's interest in the Development to a Foreclosure Transferee, a transfer of any partnership interest in Lessee to any affiliate of AMCAL or as collateral for any Approved Loan;

(f) The granting of easements, licenses, or permits to facilitate the development of the Property;

(g) The County hereby approves a Transfer of a limited partnership interest in the Lessee to the Investor, or to an affiliate of the Investor or which is controlled by Hudson Housing Capital LLC, a change in the beneficial ownership of the Investor, so long as such entity remains controlled by Hudson Housing Capital LLC or an affiliate thereof; (iii) the pledge and encumbrance of the interests of the Investor to or for the benefit of any financial institution which enables the Investor to make its capital contributions to the Borrower; as well as the taking of such interests by such financial institution and their admission as a partner in the Borrower and issuance of membership interests in the Borrower equal to 99.99% of the profits, losses, credits, distributions and other interests in the Borrower to the Investor of the Borrower

(provided such affiliate provides documentation reasonably acceptable to the County that the affiliate has sufficient financial capability to provide the capital contributions set forth in the Financing Plan) and future transfers of such interest provided that:

(1) the Lessee's partnership agreement provides for capital contributions of the limited partners consistent with Financing Plan and is first approved by the County in its reasonable discretion;

(2) all documents, including but not limited to the associated with the tax credit syndication of the Development are submitted to the County for approval prior to execution, which approval shall not be unreasonably withheld; and

(3) in subsequent transfers the Investor (or an affiliate of the Investor or of Hudson Housing Capital LLC) remains liable for all unpaid capital contributions.

The Parties agree and acknowledge that an AMCAL Affiliate shall remain the administrative general partner of the Lessee throughout the Lease Term. In the event the general partner of the Lessee is removed by the limited partner of the Lessee for cause following default under the Lessee's partnership agreement, the County hereby approves the transfer of the general partner interest to an entity that is an affiliate of the Investor and/or Hudson Housing Capital LLC. Any replacement general partner that is not such an affiliate shall be selected by the Investor and approved in advance and in writing by the County, which approval shall not be unreasonably withheld.

Section 8.5 Procedure for Approval of Certain Transfers.

Except as otherwise permitted pursuant to Section 8.4 above, the County shall in its sole discretion approve or disapprove a request for a Transfer made by the Lessee upon the Lessee's delivery of written notice to the County requesting such approval. Such notice shall be accompanied by evidence regarding the proposed Transfer in reasonably sufficient detail to enable the County to evaluate the proposed Transfer, including, without limitation, transferee financial statements, information regarding prior transferee experience, and information regarding transferee's proposed use and/or development of the Property. Within thirty (30) days after receipt of the Lessee's written notice requesting County approval of a proposed Transfer, the County shall either reasonably approve or disapprove such proposed Transfer, or shall respond in writing by stating what further information, if any, the County reasonably requires in order to determine whether or not to grant the requested approval. Upon receipt of such a response, the Lessee shall promptly furnish to the County such further information as may be reasonably requested. Within ten (10) days after the County's receipt of the Lessee's submittal of the requested further information, the County shall either reasonably approve or disapprove such proposed Transfer. The County's failure to respond within such ten (10) day period to any such request for approval shall be deemed to be the County's approval thereof.

Upon the County granting approval of such proposed Transfer, the person or entity to which such Transfer is made, by an instrument in writing prepared by the County and in form recordable among the land records of the County of San Bernardino, shall expressly assume the obligations of the Lessee under this Lease and agree to be subject to the conditions and

restrictions to which the Lessee is subject arising during this Lease, to the fullest extent that such obligations are applicable to the particular portion of or interest in the Development conveyed in such Transfer.

Section 8.6 Assignments.

Any assignment of rights and/or delegation of obligations under this Lease in connection with a Transfer (whether or not County approval is required) shall be in writing executed by the Lessee and the assignee or transferee, with a copy thereof delivered to the County within thirty (30) days after the effective date thereof. Upon assignment or transfer of the Development pursuant to an assumption agreement described in Section 8.5 above, the assignor shall be relieved of liability with respect to any such obligations relating to the Development assumed by the assignee. Notwithstanding the foregoing, unless such assignee specifically assumes the obligations under this Lease with respect to the Development, the assignor will retain such obligations and remain jointly and severally liable for such obligations with such assignee. In the absence of specific written agreement by the County (which the County may grant or withhold in its sole discretion), no Transfer permitted by this Lease or approved by the County shall be deemed to relieve the transferor from any obligation under this Lease.

ARTICLE 9.
REPRESENTATIONS AND ASSURANCES

Section 9.1 County to Give Peaceful Possession.

Lessee shall have, hold, and enjoy, during the Lease Term, peaceful, quiet, and undisputed possession of the Property without hindrance or molestation by or from the County so long as the Lessee is not in default under this Lease following the expiration of all applicable notice and cure periods.

Section 9.2 Lessee Representations.

The Lessee represents and warrants, as of the Commencement Date, as follows:

(a) Organization. The Lessee is a duly organized, validly existing California limited partnership, and is in good standing under the laws of the State of California and has the power and authority to own its property and carry on its business as now being conducted.

(b) Authority of Lessee. The Lessee has full power and authority to execute and deliver this Lease, and all documents to be executed and delivered, pursuant to this Lease, and to perform and observe the terms and provisions of this Lease and of all documents to be executed and delivered pursuant to this Lease.

(c) Authority of Persons Executing Documents. This Lease and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Lease have been executed and delivered by persons who are duly authorized to execute and deliver the same for and on behalf of Lessee, and all actions required under the Lessee's organizational documents and applicable governing law for the authorization, execution, delivery

and performance of this Lease and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Lease, have been duly taken.

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

(e) No Breach of Law or Agreement. Neither the execution nor delivery of this Lease or of any other documents or instruments executed and delivered, or to be executed or delivered, pursuant to this Lease, nor the performance of any provision, condition, covenant or other term hereof or thereof, will conflict with or result in a breach of any statute, rule or regulation, or any judgment, decree or order of any court, board, commission or County whatsoever binding on the Lessee, or any provision of the organizational documents of the Lessee, or will conflict with or constitute a breach of or a default under any agreement to which the Lessee is a party, or will result in the creation or imposition of any lien upon any assets or property of the Lessee, other than liens established pursuant hereto.

(f) Compliance With Laws; Consents and Approvals. The construction of the Improvements will comply with all applicable laws, ordinances, rules and regulations of federal, state and local governments and agencies and with all applicable directions, rules and regulations of the fire marshal, health officer, building inspector and other officers of any such government or County.

(g) Pending Proceedings. The Lessee is not in default under any law or regulation or under any order of any court, board, commission or County whatsoever, and there are no claims, actions, suits or proceedings pending or, to the knowledge of the Lessee, threatened against or affecting the Lessee, at law or in equity, before or by any court, board, commission or County whatsoever which might, if determined adversely to the Lessee, materially affect the Lessee's ability to develop the Improvements.

(h) Title to Property. Upon the recordation of the Memorandum of Lease, the Lessee will have good and marketable leasehold 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 those liens approved by the County, liens for current real property taxes and assessments not yet due and payable, and liens in favor of the County or approved in writing by the County.

(i) Financial Statements. The financial statements of the Lessee and other financial data and information furnished by the Lessee to the County fairly present the information contained therein. As of the date of this Lease, there has not been any adverse, material change in the financial condition of the Lessee from that shown by such financial statements and other data and information.

(j) Sufficient Funds. The Lessee holds sufficient funds or binding commitments for sufficient funds to complete the construction of the Improvements in accordance with this Agreement.

Section 9.3 Release of County.

The County may not sell, assign, transfer or convey all or any part of County's interest in the Property, reversionary interest in the Improvements, or this Lease without obtaining the consent of the Lessee, all Approved Lenders and the Investor, which consent will not be unreasonably delayed, conditioned or withheld. County does not intend to encumber its fee interest in the Property. Nonetheless, the County agrees that any mortgage, deed of trust or other encumbrance on the fee estate in the Property or reversionary interest in the Improvements shall be junior and subordinate to the Lease and any Approved Loan Documents, and County agrees to execute, acknowledge (as appropriate) and deliver any additional documents reasonably requested by any Approved Lender to confirm the foregoing

Section 9.4 Holding Over.

If the Lessee shall retain possession of the Property or the Improvements thereon or any part thereof without the County's prior written consent following the expiration of the Lease Term or sooner termination of this Lease for any reason, then the Lessee shall pay to the County the fair market rent for the Property as of the date the Lessee retained possession of the Property or the Improvements, or any part thereof without the County's prior written consent following the expiration or sooner termination of this Lease as determined by a licensed real estate appraiser selected by the County in its sole discretion (the "Holdover Rent").

In addition to the Holdover Rent, the Lessee shall pay the County all other payments that would have been due had the Lease not expired or been terminated and had the Rent, Added Rent and other payment terms in effect at the time of the expiration or sooner termination of the Lease remained in effect. These payments shall be applicable to a holding over of any kind by the Lessee. The Lessee shall also indemnify and hold the County harmless from any loss or liability resulting from delay by the Lessee in surrendering the Property, including, without limitation, any claims made by any succeeding lessee founded on such delay. Acceptance of Rent or Added Rent by the County following expiration or termination shall not constitute a renewal of this Lease and nothing contained in this Section 9.4 shall waive the County's right of reentry or any other right. The Lessee shall be only a Lessee at sufferance, whether or not the County accepts any Rent or Added Rent from the Lessee while the Lessee is holding over without the County's written consent.

Section 9.5 No Merger.

Except upon expiration of the Lease Term or upon termination of this Lease pursuant to an express right of termination set forth herein, there shall be no merger of either this Lease or the Lessee's estate created hereunder with the fee estate of the Property or any part thereof by reason of the fact that the same person may acquire, own or hold, directly or indirectly, (a) this Lease, the Lessee's estate created hereunder or any interest in this Lease or the Lessee's estate (including the Improvements), and (b) the fee estate in the Property or any part thereof or any

interest in such fee estate (including the Improvements), unless and until all persons, including any assignee of the County, having an interest in (i) this Lease or the Lessee's estate created hereunder, and (ii) the fee estate in the Property or any part thereof, shall join in a written instrument effecting such merger and shall duly record the same.

ARTICLE 10.
DEFAULTS AND REMEDIES

Section 10.1 Events of Default: Remedy for Default by Lessee.

Any one or more of the following events shall constitute an "Event of Default" by the Lessee:

(a) Failure to pay Rent or Added Rent, as required pursuant to Section 2.5 of this Lease, or any other payment required hereunder, and continuance of such failure for a period of fifteen (15) days after receipt by the Lessee of written notice specifying the nonpayment;

(b) Failure of the Lessee to observe and perform any other covenant, condition or agreement hereunder on its part to be performed, and (1) continuance of such failure for a period of thirty (30) days after receipt by the Lessee of written notice specifying the nature of such default, or (2) if by reason of the nature of such default the same cannot be remedied within such thirty (30) days, the Lessee fails to proceed with reasonable diligence after receipt of such notice to cure the same, within a reasonable amount of time thereafter but in no event later than one hundred twenty (120) days following the County's initial notice; or

(c) The Lessee's abandonment of the Property for the period of time required for such abandonment to be legally recognized as such under California law; or

(d) A general assignment by the Lessee for the benefit of creditors; or

(e) The filing of a voluntary petition by the Lessee, or the filing of an involuntary petition by any of the Lessee's creditors, seeking the rehabilitation, liquidation or reorganization of the Lessee under any law relating to bankruptcy, insolvency or other relief of debtors, provided that in the case of an involuntary petition Lessee shall have ninety (90) days to cause such petition to be withdrawn or dismissed; or

(f) The appointment of a receiver or other custodian to take possession of substantially all of the Lessee's assets or of this leasehold, which appointment is not withdrawn or dismissed within sixty (60) days, excluding any receivership initiated by an Approved Lender which shall not constitute an Event of Default; or

(g) The Lessee becomes insolvent or declares in writing it is unwilling or unable to pay its debts as they become due; or any court enters a decree or order directing the winding up or liquidation of the Lessee or of substantially all of its assets; or the Lessee takes any action toward the dissolution or winding up of its affairs or the cessation or suspension of its use of the Development; or

(h) Attachment, execution or other judicial seizure of substantially all of the Lessee's assets or this leasehold, which is not dismissed, bonded, or stayed within thirty (30) days; or

(i) A Transfer occurs, either voluntarily or involuntarily, in violation of Article 8.

(j) Whenever any default has occurred and is continuing and upon expiration of any applicable cure periods, and subject to the cure rights of Approved Lenders and the Investor, an Event of Default shall exist, the County may take whatever action at law or in equity as may appear reasonably necessary to enforce performance or observance of this Lease, including without limitation, termination of this Lease. Notwithstanding the foregoing, the County shall not terminate this Lease prior to the expiration of the fifteen year tax credit compliance period for the Improvements. In the event of an Event of Default, County's remedies shall be cumulative, and no remedy expressly provided for in this section shall be deemed to exclude any other remedy allowed by law. If and to the extent the Lessee's default under this Lease is associated solely with a violation of or default under the Regulatory Agreement, the County's remedies for such violation of or default under the Regulatory Agreement shall be limited to the remedies set forth in the Regulatory Agreement and nothing in this Agreement shall be read to give the County any additional remedies, including, without limitation, any right to terminate this Lease as a result of a default or Event of Default under this Lease associated solely with a violation of or default under the Regulatory Agreement.

Section 10.2 Remedy for Default by County.

If the County defaults under this Lease, then the Lessee shall first notify the County in writing of its purported breach or failure, giving the County thirty (30) days from receipt of such notice to cure or, if cure cannot be accomplished within thirty (30) days, to commence to cure such breach, failure, or act. In the event the County does not then so cure within said thirty (30) days, or if the breach or failure is of such a nature that it cannot be cured within thirty (30) days, the County fails to commence to cure within such thirty (30) days and thereafter diligently complete such cure within a reasonable time thereafter but in no event later than one hundred twenty (120) days, then the Lessee shall be afforded all of its rights at law or in equity, including terminating in writing this Lease (provided, however, that the indemnification provisions shall survive such termination).

ARTICLE 11. MISCELLANEOUS

Section 11.1 Instrument Is Entire Agreement.

This Lease and the Disposition Agreement constitute the entire agreement between the Parties with respect to the matters set forth herein and completely supersede all prior understandings or agreements, both written and oral, between the Parties relating to the lease of the Property.

Section 11.2 Notices.

All notices hereunder shall be in writing signed by the Authorized Officer(s) and shall be sufficient if sent by United States first class, certified mail, postage prepaid, or express delivery service with a receipt showing the date of delivery, addressed:

if to the County: Community Development and Housing Agency
County of San Bernardino
385 North Arrowhead Avenue, Third Floor
San Bernardino, CA 92415-0043
Attn: Community Development and Housing Agency Director

with a copy to: Goldfarb & Lipman LLP
1300 Clay Street, 11th Floor
Oakland, CA 94612
Attn: Rafael Yaquian

if to Lessee: AMCAL Las Terrazas Fund, L.P.
c/o AMCAL Multi-Housing Inc.
30141 Agoura Road, Suite 100
Agoura Hills, CA 91301
Attn: President

With a copy to: Bocarsly Emden Cowan Esmail & Arndt, LLP
633 West Fifth Street, 64th Floor
Los Angeles, CA 91301
Attn: Kyle Arndt

with a copy: Las Palmas Foundation
531 Encinitas Blvd., Suite 206
Encinitas, CA 92024
Attn: Joseph Michaels

with a copy to: HHTCF XCVIII SLP LLC
630 Fifth Avenue, 28th Floor
New York, NY 10111
Attention: Joseph A. Macari

or any other address as either Party may have furnished to the other in writing pursuant to the requirements of this Section 11.2 as a place for service of notice. Any notice so mailed shall be deemed to have been given on the delivery date or the date that delivery is refused by the addressee, as shown on the return receipt.

Section 11.3 Non-Liability of Officials, Employees and Agents.

No supervisor, member, official, employee or agent of the County shall be personally liable to the Lessee, or any successor in interest, in the event of a County default.

Section 11.4 Force Majeure.

Performance by either Party shall not be deemed to be in default where defaults are due to war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of god; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; litigation (including suits filed by third parties concerning or arising out of this Lease); weather or soils conditions which, in the opinion of the Lessee's contractor, will necessitate delays; inability to secure necessary labor; acts of the other Party; acts or failure to act of any public or governmental County or entity (other than the acts or failure to act of the County); or any other causes (other than the Lessee's inability to obtain financing for the Development) beyond the control or without the fault of the Party claiming an extension of time to perform. Times of performance under this Lease may also be extended in writing by the County and the Lessee. In no event shall the cumulative delays exceed one hundred eighty (180) days, unless otherwise agreed to in writing by the Parties.

Section 11.5 Non-Waiver of Breach.

Neither the failure of a Party to insist upon strict performance of any of the covenants and agreements of this Lease nor the failure by the Party to exercise any rights or remedies granted to such Party under the terms of this Lease shall be deemed a waiver or relinquishment (a) of any covenant herein contained or of any of the rights or remedies of the applicable Party, (b) of the right in the future of the applicable Party to insist upon and to enforce, by any appropriate legal remedy a strict compliance with all of the covenants and conditions thereof, or (c) the right of the County to recover possession of the Property upon occurrence of a default and the expiration of applicable notice and cure periods or the expiration of the Lease Term.

Section 11.6 Binding Upon Successors: Covenants to Run With Land.

This Lease shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors in interest and assigns of each of the Parties; provided, however, that there shall be no transfer of any interest by the Lessee except pursuant to the terms of this Lease. Any reference in this Lease to a specifically named party shall be deemed to apply to any successor, heir, administrator, executor or assign of such party who has acquired an interest in compliance with the terms of this Lease, or under law.

The terms of this Lease shall run with the land and shall bind all successors in title to the Property during the Lease Term, except that the provisions of this Lease that are specified to survive termination of this Lease shall run with the land in perpetuity and remain in full force and effect following such termination. Every contract, deed, or other instrument hereafter executed covering or conveying the Property or the Improvements or any portion thereof shall be held conclusively to have been executed, delivered, and accepted subject to such covenants and restrictions, regardless of whether such covenants or restrictions are set forth in such contract, deed or other instrument, unless

the County expressly releases the Property, the Improvements, or the applicable portion of the Property, from the requirements of this Lease.

Section 11.7 Employment Opportunity.

The Lessee and its successors, assigns, contractors and subcontractors shall not discriminate against any employee or applicant for employment in connection with the construction and operation of the Improvements because of race, color, religion, sex, sexual preference, marital status, ancestry or national origin. Each of the following activities shall be conducted in a nondiscriminatory manner: hiring; upgrading; demotion and transfers; recruitment and recruitment advertising; layoff and termination; rate of pay and other forms of compensation; and selection for training including apprenticeship.

Section 11.8 Relationship of Parties.

Nothing contained in this Lease shall be deemed or construed by the Parties or by any third party to create the relationship of principal or agent; partnership; joint venture; association; or buyer and seller. Neither the computation of any payments and other charges under the terms of this Lease nor any other provisions contained in this Lease, nor any act of the Parties, shall be deemed to create any relationship between the Parties other than the relationship of landlord and tenant.

Section 11.9 Titles.

Any titles of the sections or subsections of this Lease are inserted for convenience of reference only and shall be disregarded in interpreting any of its provisions.

Section 11.10 Severability.

If any provision of this Lease or the application of any provision to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this Lease, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected, and each provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

Section 11.11 Applicable Law.

This Lease shall be governed by and construed in accordance with the laws of the State of California.

Section 11.12 Venue.

The Superior Court of the County of San Bernardino shall be the forum and venue for all litigation arising from this Lease.

Section 11.13 Approvals.

(a) Whenever this Lease calls for a Party's approval, consent, or waiver, the written approval, consent, or waiver of the Party's Authorized Officer(s) shall constitute the approval, consent, or waiver of the Party, without further authorization required from the Party's board. The Parties hereby authorize their Authorized Officers to deliver such approvals or consents as are required by this Lease, or to waive requirements under this Lease, on behalf of them.

(b) All approvals under this Lease shall be subject to a reasonableness standard, except where a sole discretion standard is specifically provided.

Section 11.14 Inspection of Books and Records.

The County has the right, at all reasonable times, to inspect and copy, on a confidential basis, subject to the California Public Records Act (California Government Code Section 6251 et seq.), the books, records and all other documentation of the Lessee pertaining to its obligations under this Lease. The Lessee also has the right, at all reasonable times, to inspect and copy the books, records and all other documentation of the County pertaining to its obligations under this Lease. Each Party shall maintain adequate records for a period of at least five (5) years after the end of the operating year in which the records were created.

Section 11.15 Lease Binding on Successors.

This Lease shall inure to the benefit of, and shall be binding upon, the County, the Lessee, and their respective permitted successors and assigns.

Section 11.16 Counterparts.

This Lease may be executed in counterparts and multiple originals, each of which shall be an original and all of which shall constitute the same instrument.

Section 11.17 Prohibition on Fee Interest Encumbrances.

No encumbrances will be allowed to be recorded against the County's fee interest in the Property, with the sole exception of a lease rider, if required under the California Tax Credit Allocation Committee ("TCAC") regulations, in a form to be provided by TCAC, and any lease rider required by the California Department of Housing and Community Development associated with an approved or permitted Senior Lien.

[Signature Page Follows]


BY SIGNING BELOW, the Parties confirm their agreement to the terms of this Lease as of the date first written above.

LESSEE:

AMCAL LAS TERRAZAS FUND, L.P., a California limited partnership

By: AMCAL FNMA LLC,
a California limited liability company,
its administrative general partner

By: AMCAL Multi-Housing Inc.,
a California corporation,
its manager

By: 
Arjun Nagarkatti, President

By: Brandon Affordable Housing, LLC,
a California limited liability company,
its managing general partner

By: Las Palmas Foundation,
a California nonprofit public benefit
corporation,
its manager

By: _____
Joseph M. Michaels, President

BY SIGNING BELOW, the Parties confirm their agreement to the terms of this Lease as of the date first written above.

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By:

Arjun Nagarkatti, President

By: Brandon Affordable Housing, LLC,
a California limited liability company,
its managing general partner

By: Las Palmas Foundation,
a California nonprofit public benefit
corporation,
its manager

By:



Joseph M. Michaels, President

COUNTY:

SAN BERNARDINO COUNTY, a political subdivision of the State of California

By:


Curt Hagman, Chair of Board of Supervisor

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIR OF THE COUNTY BOARD

Lynna Monell
Clerk of the Board of Supervisors
of the County of San Bernardino

By:

Deputy



APPROVED AS TO LEGAL FORM:
MICHELLE BLAKEMORE
County Counsel

By:


Robert Messinger
Principal Assistant County Counsel

EXHIBIT A

LEGAL DESCRIPTION

The land is situated in the County of San Bernardino, State of California, and is described as follows: (Note: The Deed of trust covers Trustor's interest in the leasehold and fee interest in the improvements)

PARCEL A: (APN: 0274-182-34-0-000)

THAT PORTION OF BLOCK 43, ORANGE LAND AND WATER COMPANY'S SUBDIVISION, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 11, PAGE 9, OF MAPS, AND THAT PORTION OF THE WEST 10 FEET OF CYPRESS AVENUE, VACATED BY ORDINANCE OF THE BOARD OF SUPERVISORS OF SAN BERNARDINO COUNTY, ADJOINING SAID BLOCK 43 ON THE EAST, DESCRIBED AS FOLLOWS:

COMMENCING AT THE INTERSECTION OF THE CENTER LINE OF CYPRESS STREET AND "I" STREET AS SHOWN ON SAID MAP:

THENCE NORTH 279 FEET ALONG THE CENTER LINE OF CYPRESS AVENUE:

THENCE WEST 30 FEET PARALLEL WITH THE CENTER LINE OF "I" STREET TO THE TRUE POINT OF-BEGINNING:

THENCE WEST 200 FEET PARALLEL WITH THE CENTER-LINE OF "I" STREET:

THENCE NORTH 94 FEET PARALLEL WITH THE CENTER LINE OF CYPRESS AVENUE:

THENCE EAST 200 FEET PARALLEL WITH THE CENTER LINE OF "I" STREET TO A POINT IN THE WEST LINE OF CYPRESS AVENUE AS THE SAME NOW EXISTS:

THENCE SOUTH 94 FEET TO THE TRUE POINT OF BEGINNING.

EXCEPTING THEREFROM THE WESTERLY 45 FEET.

PARCEL B: (APN: 0274-182-43-0-000)

PARCEL 2 OF PARCEL MAP 8726, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER MAP RECORDED IN [BOOK 89, PAGE\(S\) 23 OF PARCEL MAPS](#), IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL C: (APN: 0274-182-46-0-000)

PARCEL C-1:

THAT PORTION OF LOT 43, ORANGE LAND AND WATER COMPANY'S ADDITION TO THE CITY OF COLTON, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA RECORDED IN [BOOK 11 OF MAPS, PAGE 9](#), DESCRIBED AS FOLLOWS:

COMMENCING 50' NORTH AND 30' WEST OF THE INTERSECTION OF CYPRESS AND "I" STREETS:

THENCE WEST 200', NORTH 155', EAST 200', AND SOUTH 155' TO THE POINT OF BEGINNING.

PARCEL C-2:

THAT PORTION OF BLOCK 43, ORANGE LAND AND WATER COMPANY'S ADDITION TO THE CITY OF COLTON, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER MAP RECORDED IN [BOOK 11 OF MAPS, PAGE 9](#) AND THAT PORTION OF THE WEST 10 FEET OF CYPRESS AVENUE, VACATED BY ORDINANCE OF THE BOARD OF SUPERVISORS OF SAN BERNARDINO COUNTY ADJOINING SAID BLOCK 43 OF THE EAST, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT WHICH IS NORTHERLY 205 FEET MEASURED ALONG THE CENTERLINE OF CYPRESS AVENUE AS SHOWN ON SAID MAP; AND WESTERLY, 30 FEET ON A LINE PARALLEL WITH THE CENTERLINE OF "I" STREET, MEASURED FROM THE INTERSECTIONS OF SAID CENTERLINES; THENCE WESTERLY PARALLEL WITH SAID CENTERLINE OF "I" STREET ALONG THE SOUTHERLY LINE OF THAT

EXHIBIT A
(Continued)

PARCEL DESCRIBED AS THE 1ST PARCEL UNDER ITEM NO. 7, IN THE DECREE OF DISTRIBUTION RECORDED JULY 28, 1958, IN BOOK 4564, PAGE 67 OFFICIAL RECORDS A DISTANCE OF 155 FEET TO THE SOUTHEAST CORNER OF THAT CERTAIN PROPERTY CONVEYED TO HERBERT E. ROWLEY, ET AL, DESCRIBED AS PARCEL NO. 1 IN THE DEED RECORDED MARCH 20, 1978 IN BOOK 9392, PAGE 1284 OFFICIAL RECORD: THENCE NORTH ALONG THE EAST LINE OF SAID HERBERT E. ROWLEY PROPERTY, 74 FEET PARALLEL WITH THE CENTER LINE OF CYPRESS STREET, TO THE NORTHEAST CORNER THEREOF: THENCE EASTERLY PARALLEL WITH THE CENTERLINE OF "I" STREET, 155 FEET TO A POINT ON THE WEST LINE OF CYPRESS AVENUE, AS SAME NOW EXISTS; THENCE SOUTH ALONG THE WEST LINE OF CYPRESS AVENUE, 74 FEET TO THE POINT OF BEGINNING.

SAID LEGAL DESCRIPTION IS PURSUANT TO THAT CERTAIN CERTIFICATE OF COMPLIANCE NO. E0041-84 M.S. NO. LLA/E84F-0041 AS APPROVED BY THE ENVIRONMENTAL PUBLIC WORKS AGENCY, LAND MANAGEMENT DEPARTMENT OF THE COUNTY OF SAN BERNARDINO AS EVIDENCED BY DOCUMENT RECORDED MARCH 9, 1984 AS INSTRUMENT NO. 84-055456 OFFICIAL RECORDS.

PARCEL C-3:

THAT PORTION OF BLOCK 43, ORANGE LAND AND WATER COMPANY'S ADDITION TO THE CITY OF COLTON, IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT THEREOF, RECORDED IN BOOK 11 OF MAPS, PAGE 9, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, AND THAT PORTION OF THE WEST 10 FEET OF CYPRESS AVENUE, VACATED BY ORDER OF THE BOARD OF SUPERVISORS OF SAN BERNARDINO COUNTY, ADJOINING SAID BLOCK 43 ON THE EAST DESCRIBED AS FOLLOWS:

COMMENCING AT A POINT WHICH IS NORTHERLY 205 FEET, MEASURED ALONG THE CENTERLINE OF CYPRESS AVENUE AS SHOWN ON SAID MAP, AND WESTERLY 30 FEET ON A LINE PARALLEL WITH THE CENTERLINE OF "I" STREET, MEASURED FROM THE INTERSECTION OF SAID CENTERLINES: THENCE WESTERLY PARALLEL WITH SAID CENTERLINE OF "L" STREET, ALONG THE SOUTHERLY LINE OF THAT PARCEL DESCRIBED AS THE 1ST PARCEL UNDER ITEM NO. 7 IN THAT DECREE OF DISTRIBUTION RECORDED JULY 28, 1958 IN BOOK 4564, PAGE 67 OFFICIAL RECORDS, A DISTANCE OF 155 FEET TO THE SOUTHEAST CORNER OF THAT CERTAIN PROPERTY CONVEYED TO HERBERT E. ROWLEY, ET AL., DESCRIBED AS PARCEL NO. 1 IN DEED RECORDED MARCH 20, 1978 IN BOOK 9392 PAGE 1284 OFFICIAL RECORDS OF SAID COUNTY SAID POINT BEING THE TRUE POINT OF BEGINNING OF THAT LEGAL TO BE DESCRIBED:

THENCE CONTINUING WEST (N 86° 03' 45" WEST) ALONG SAID PROLONGATION 45.00 FEET:

THENCE NORTH (N 04° 08' 00" EAST) 74.00 FEET MORE OR LESS:

THENCE EAST (N 86° 06' 40" WEST) 45.00 FEET:

THENCE SOUTH (N 04° 08' 00" EAST) 74.04 FEET MORE OR LESS TO THE TRUE POINT OF BEGINNING.

APN: 0274-182-34-0-000, 0274-182-43-0-000, 0274-182-46-0-000, (NEW APN: 0274-182-47-0-000)

EXHIBIT B

INSURANCE REQUIREMENTS

(a) The Lessee shall maintain the following insurance coverage throughout the Term of the County Loan written by insurers authorized to do business in the State of California and with a minimum "Best" Insurance Guide rating of "A-VII". If the Lessee use existing coverage to comply with these requirements and that coverage does not meet the specified requirements, the Lessee agrees to amend, supplement, or endorse the existing coverage to do so. The type(s) of insurance required is determined by the scope of the contract services.

(b) Without in anyway affecting the indemnity herein provided and in addition thereto, the Lessee shall secure and maintain the contract term the following types of insurance with limits as shown:

(1) Workers' Compensation/Employers Liability.

(A) Workers' Compensation A program of Workers' Compensation insurance or a state-approved, self-insurance program in an amount and form to meet all applicable requirements of the Labor Code of the State of California, including Employer's Liability with \$250,000 limits covering all persons including volunteers providing services on behalf of the Lessee and all risks to such persons under this Agreement.

(B) If the Lessee have no employees, it may certify or warrant to the County that it does not currently have any employees or individuals who are defined as "employees" under the Labor Code and the requirement for Workers' Compensation coverage will be waived by the County's Director of Risk Management.

(C) With respect to Lessee that are non-profit corporations organized under California or federal law, volunteers for such entities are required to be covered by Workers' Compensation insurance.

(2) Commercial General Liability. General Liability Insurance covering all operations performed by or on behalf of the Lessee providing coverage for bodily injury and property damage with a combined single limit of not less than One Million Dollars (\$1,000,000), per occurrence. The policy coverage must include:

- (A) Premises operations and mobile equipment.
- (B) Products and completed operations.
- (C) Broad form property damage (including completed operations).
- (D) Explosion, collapse, and underground hazards.
- (E) Personal injury.

(F) Contractual liability.

(G) \$2,000,000 general aggregate limit.

(3) Commercial Automobile Liability.

(A) Primary insurance coverage must be written on ISO Business Auto coverage form for all owned, hired and non-owned automobiles or symbol I (any auto).

(B) The policy must have a combined single limit of not less than One Million Dollars (\$1,000,000) for bodily injury and property damage, per occurrence.

(C) If the Lessee is transporting one or more non-employee passengers in performance of contract services, the automobile liability policy must have a combined single limit of Two Million Dollars (\$2,000,000) for bodily injury and property damage per occurrence.

(D) If the Lessee owns no autos, a non-owned auto endorsement to the General Liability policy described above is acceptable.

(4) Builders' Risk/Property Insurance. Builders' Risk insurance during the course of construction, and upon Completion of Construction, property insurance covering the Development, in form appropriate for the nature of such property, covering all risks of loss, excluding earthquake, for one hundred percent (100%) of the replacement value, with deductible, if any, acceptable to the County, naming the County as a Loss Payee, as its interests may appear. Flood insurance must be obtained if required by applicable federal regulations.

(5) Commercial Crime. Commercial crime insurance covering all officers and employees, for loss of County Loan proceeds caused by dishonesty, in an amount approved by the County, naming the County a Loss Payee, as its interests may appear.

(c) The Lessee shall cause any general contractor, agent, or subcontractor working on the Development under direct contract with the Lessee or subcontract to maintain insurance of the types and in at least the minimum amounts described in subsections (i), (ii), and (iii) above, meeting all of the general requirements of subsections (e) and (f) below and naming the County as an additional insured. The Lessee agree to monitor and review all such coverage and assumes all responsibility ensuring that such coverage is provided as required here.

(d) An umbrella (over primary) or excess policy may be used to comply with limits or other primary coverage requirements. When used, the umbrella policy must apply to bodily injury/property damage, personal injury/advertising injury and must include a "dropdown" provision providing primary coverage for any liability not covered by the primary policy. The coverage must also apply to automobile liability.

(e) The required insurance must be provided under an occurrence form, and the Lessee shall maintain the coverage described in subsections (a) continuously throughout the Term. Should any of the required insurance be provided under a form of coverage that includes

an annual aggregate limit or provides that claims investigation or legal defense costs be included in such annual aggregate limit, such annual aggregate limit must be three times the occurrence limits specified above.

(f) Comprehensive Commercial General Liability and Commercial Automobile Liability insurance policies must be endorsed to name as an additional insured the County and its officers, agents, employees and members of the County Board of Supervisors. The additional insured endorsements must not limit the scope of coverage for the County to vicarious liability but must allow coverage for the County to the full extent provided by the policy. Such additional insured coverage must be at least as broad as Additional Insured (Form B) endorsement form ISO, CG 2010.11 85.

(g) All policies and bonds are to contain (i) the agreement of the insurer to give the County at least thirty (30) days' notice prior to cancellation (including, without limitation, for non-payment of premium) or any material change in said policies; (ii) an agreement that such policies are primary and non-contributing with any insurance that may be carried by the County; (iii) a provision that no act or omission of the Lessee shall affect or limit the obligation of the insurance carrier to pay the amount of any loss sustained; and (iv) a waiver by the insurer of all rights of subrogation against the County and its authorized parties in connection with any loss or damage thereby insured against.

(h) Construction contracts for projects over Three Million Dollars (\$3,000,000) and less than Five Million Dollars (\$5,000,000) require limits of not less than Five Million Dollars (\$5,000,000) in General Liability and Auto Liability coverage.

(i) The Lessee shall require the carriers of required coverages to waive all rights of subrogation against the County, its officers, employees, agents, volunteers, contractors and subcontractors. All general or auto liability insurance coverage provided shall not prohibit the Lessee and the Lessee' employees or agents from waiving the right of subrogation prior to a loss or claim. The Lessee hereby waive all rights of subrogation against the County.

(j) All policies required herein are to be primary and non-contributory with any insurance or self-insurance programs carried or administered by the County.

(k) The Lessee shall furnish Certificates of Insurance to the County Department administering the contract evidencing the insurance coverage prior to the Close of Escrow, additional endorsements, as required shall be provided prior to the commencement of performance of services hereunder, which certificates shall provide that such insurance shall not be terminated or expire without thirty (30) days written notice to the Department, and the Lessee shall maintain such insurance from the time the Lessee commence performance of services hereunder until the completion of such services. Within fifteen (15) days following the close of Escrow, the Lessee shall furnish a copy of the Declaration page for all applicable policies and will provide complete certified copies of the policies and endorsements immediately upon request.

(l) The Lessee agree to ensure that coverage provided to meet these requirements is applicable separately to each insured and there will be no cross liability exclusions that preclude

coverage for suits between the Lessee and the County or between the County and any other insured or additional insured under the policy.

(m) Any and all deductibles or self-insured retentions in excess of Ten Thousand Dollars (\$10,000) shall be declared to and approved by the County's risk management agent.

(n) In the event that any policy of insurance required in this Section does not comply with the requirements, is not procured, or is canceled and not replaced, the County has the right but not the obligation or duty to obtain such insurance it deems necessary and any premiums paid by the County will be promptly reimbursed by the Lessee or County disbursements to the Lessee will be reduced to pay for the County purchased insurance.

(o) Insurance requirements are subject to periodic review by the County. The Director of Risk Management or designee is authorized, but not required, to reduce, waive or suspend any insurance requirements whenever Risk Management determines that any of the required insurance is not available, is unreasonably priced, or is not needed to protect the interests of the County. In addition, if the Department of Risk Management determines that heretofore unreasonably priced or unavailable types of insurance coverage or coverage limits become reasonably priced or available, the Director of Risk Management or designee is authorized, but not required, to change the above insurance requirements to require additional types of insurance coverage or higher coverage limits, provided that any such change is reasonable in light of past claims against the County, inflation, or any other item reasonably related to the County's risk. Any change requiring additional types of insurance coverage or higher coverage limits must be made by amendment to this Agreement. The Lessee agree to execute any such amendment within thirty (30) days of receipt. Any failure, actual or alleged, on the part of the County to monitor or enforce compliance with any of the insurance and indemnification requirements will not be deemed as a waiver of any rights on the part of the County.

(p) In addition, the Lessee hereby agrees shall possess and maintain a pollution legal liability and/or environmental liability insurance policy with a minimum ten year term with a combined single limit of not less than five million (\$5,000,000) per claim or occurrence, subject to the approval of the County's Director of Risk Management (the "Pollution Liability Policy"). The required additional insured endorsement shall protect the County without any restrictions or exceptions.

EXHIBIT C

PRELIMINARY TITLE REPORT