DEVELOPMENT AND LOAN AGREEMENT
(Villa Serena II)

THIS DEVELOPMENT AND LOAN AGREEMENT ("Agreement") is dated as of the 9th day of July, 2019, by and between the City of San Marcos in its capacity as the successor housing agency to the former San Marcos Redevelopment Agency ("SHA") and Villa Serena Apartments Limited Partnership, a California limited partnership ("Developer").

RECITALS

A. The Developer is the owner of the Villa Serena Apartments affordable rental community generally located at 339 and 340 Marcos Street, San Marcos, California ("Site"). In furtherance of the objectives of the California Community Redevelopment Law, Developer and the SHA desire for the Developer to redevelop the Site. The Developer developed the existing affordable housing project on the Site in part with a loan made by the San Marcos Redevelopment Agency in the original principal amount of $6,781,644.00 ("Agency Loan"). The SHA, by City Resolution No. 2012-7607, elected to retain the housing assets of and functions previously performed by the San Marcos Redevelopment Agency pursuant to California Health and Safety Code Section 34176, and thereby, by operation of law, the SHA assumed the rights and obligations of the Agency with respect to the Agency Loan.

B. SHA and Developer desire by this Agreement for: (i) the Developer to agree to demolish the existing improvements at the Site and construct a 2-phase residential development on the Site (which was approved by the City of San Marcos City Council in February, 2017) that shall include, the "Affordable Units" (as defined below) and certain on and off-site improvements (individually, "Phase 1" or "Phase 2," as applicable or collectively, the "Project"); (ii) the SHA and Developer to consolidate the Agency Loan and the Predevelopment Loan and for the SHA and Developer to then allocate that consolidated loan between Phase 1 and Phase 2, as such terms are defined below; and (iii) the Developer to grant options to the SHA to acquire each of Phase 1 and Phase 2. All development of the Site shall be subject to the review and approval by the SHA.

C. Developer's demolition and construction of Phase 1 and Phase 2 on the Site pursuant to the terms of this Agreement, is in the vital and best interest of the City and the health, safety, morals and welfare of its residents, and in accord with the public purposes and provisions of applicable state and local laws and requirements under which the Redevelopment Project has been undertaken. The Project, including without limitation the Affordable Units, shall be smoke-free.

D. The qualifications and identity of Developer, and its principals, are of particular concern to the community and the SHA. Developer further recognizes that it is because of such qualifications and identity that the SHA is entering into the Agreement with Developer. No person including, without limitation, any voluntary or involuntary successor in interest of Developer, shall acquire any portion of the Site or any rights or powers under this Agreement except as expressly set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, SHA and Developer hereby agree as follows:

100. Definitions.

"Affordable Units" shall mean smoke-free rental dwelling units to be constructed on the Site by Developer whose rent and occupancy are restricted to low income households pursuant to the Declaration.

"Agency Loan" means the loan made by the San Marcos Redevelopment Agency ("Agency") to the Developer in the original principal amount of $6,781,644.00. The SHA, by City Resolution No. 2012-7607, elected to retain the housing assets of and functions previously performed by the Agency pursuant to California Health and Safety Code Section 34176, and thereby, by operation of law, the SHA assumed the rights and obligations of the San Marcos Redevelopment Agency with respect to the Agency Loan.

"Agreement" means this Development and Loan Agreement between SHA and Developer.

"Area Median Income" shall mean the area median income defined by the Department of Housing and Urban Development (HUD), as adjusted in order to comply with the California Community Redevelopment Law (Health & Safety Code Section 33000, et seq.) and published by the California Tax Credit Allocation Committee (TCAC), as the then current area median income for the San Diego-Carlsbad-San Marcos Metropolitan Statistical Area, established periodically by HUD and published in the Federal Register, as adjusted for family size. In the event HUD and/or TCAC ceases to publish an established area median income as aforesaid, SHA may, in its sole discretion, use any other reasonably comparable method of computing area median income.

"City" means the City of San Marcos, a California municipal corporation.

"CFD's" means any and all community facility district fees applicable to the Site, including without limitation, CFD 98-01 Police only, CFD 98-02 Lighting, Landscaping, Traffic, CFD 2001-01 Fire/Paramedic and CFD 2011-01 Congestion Management. Furthermore, the Site shall be subject to annexation to the "Special Improvement Area" within Community Facilities District No. 98-02 (Lighting, Landscaping, Open Space and Preserve Maintenance).

"Closing" means with respect to each of Phase 1 and Phase 2, the close of Escrow for the financing for construction of the Improvements for Phase 1 or Phase 2, as applicable. It is the intent of the Developer and SHA, that the Developer will assign its rights in this Agreement to the Phase 1 Developer which will develop Phase 1 and to the Phase 2 Developer which will develop Phase 2, as set forth in Section 603.2(b), below. At the Closing for Phase 1, the Phase 1 Developer shall acquire all of the real property which will comprise Phase 1 from the Developer

and at the Closing for Phase 2, the Phase 2 Developer shall acquire shall acquire all of the real property which will comprise Phase 2 Property from the Developer.

"Closing Deadline" means the Closing Deadline for Phase 1 or the Closing Deadline for Phase 2, as applicable.

"Closing Deadline for Phase 1" means December 1, 2022, subject to extension in writing signed by the City Manager and the Developer.

"Closing Deadline for Phase 2" means December 1, 2024, subject to extension in writing signed by the City Manager and the Developer.

"Closing Minimum Requirements" means the requirements Developer must satisfy for the benefit of the SHA, as set forth in Section 307 hereof, by each of the Closing Deadline for Phase 1 and Closing Deadline for Phase 2, respectively.

"Concept Drawings" means the plans and drawings to be submitted and approved by the SHA, as set forth in Section 302.1 hereof.

"Construction Deed of Trust" means a deed of trust recorded against Phase 1 or Phase 2, as applicable, for the purpose of obtaining construction financing for construction of the Improvements with respect to Phase 1 or Phase 2, as applicable.

"Construction Drawings" means the plans and drawings to be submitted and approved by the SHA, as set forth in Section 302.4 hereof.

"Declaration" shall mean each of the two (2) declarations of covenants, conditions and restrictions (one for Phase 1 and another for Phase 2), in forms agreed to by the Developer and SHA, to be executed by the Phase 1 Developer and the Phase 2 Developer and recorded against Phase 1 or Phase 2, as applicable, at the Closing for Phase 1. Each Declaration shall restrict the rent and occupancy of all dwelling units in its Phase to Low Income Households (with the exception of any managers' units), provided, however, that the each Declaration shall continue and carry-over the existing rent and occupancy restrictions on all of the existing affordable units on the Site which are razed as part of such Phase. At the Closing for Phase 1, the existing declaration of covenants, conditions and restrictions on the Site which was made by the Developer in favor of the Agency shall be assumed by Developer and then amended and replaced with the Declarations for Phase 1 and Phase 2. Each Declaration shall have a term fifty-five (55) years commencing on the completion of construction of the applicable Phase. Provided all of the Closing Minimum Requirements are satisfied by the Closing Deadline for the applicable phase, the Declaration may be subordinated to the Construction Deed of Trust and Permanent Deed of Trust and to any other encumbrances as approved by the City Manager, pursuant to a subordination agreement acceptable to the SHA in its reasonable discretion. The Declaration shall require Developer to pay the set-up fee and annual occupancy monitoring and inspection fee imposed by the SHA, which fee is in addition to any fees payable by the Developer to the SHA pursuant to that certain Supplemental Housing Support Agreement, dated as of December 9,

2014, between the Developer and the SHA. The Declaration shall provide that: (i) households which are displaced from their primary residence as a result of an action of City or SHA; (ii) honorably discharged veterans of the U.S. armed forces, especially combat disabled veterans; (iii) households with at least one member who resides within the City, as that person's primary place of residence; and (iv) households with at least one member who works or has been hired to work within the City, as that person's principal place of full-time employment or is expected to work within the City as a result of a bona fide offer of employment within the City, shall be given priority when potential tenants are selected for the Affordable Units, to the maximum extent allowed by law.

"Default" means the failure of a party to perform any action or covenant required by this Agreement within the time periods provided herein following notice and opportunity to cure, as set forth in Section 501 hereof.

"Demolition" shall mean the demolition of the existing structures on the Site occurring in two (2) phases.

"Developer" means Villa Serena Apartments Limited Partnership, a California limited partnership, provided, however, upon the conveyance of Phase 1 or Phase 2, as applicable, to the Phase 1 Developer or the Phase 2 Developer, as set forth and defined in Section 603.2, below, "Developer" shall mean the Phase 1 Developer or the Phase 2 Developer, as applicable. In all instances hereunder, all rights, duties and obligations of the Developer hereunder with respect to Phase 1 shall be the rights, duties and obligations solely of the Phase 1 Developer (and not of the Phase 2 Developer), and all rights, duties and obligations of the Developer hereunder with respect to Phase 2 shall be the rights, duties and obligations solely of the Phase 2 Developer (and not of the Phase 1 Developer), it being the intent of the parties hereto that the rights, duties and obligations of the Phase 1 Developer and the Phase 2 Developer shall not be cross-defaulted. Notwithstanding anything to the contrary set forth herein, Phase 1 Developer shall only have to satisfy those conditions set forth in this Agreement that relate to Phase 1 and Phase 2 Developer shall only have to satisfy those conditions set forth in this Agreement that relate to Phase 2. Notwithstanding anything to the contrary set forth herein, the Phase 1 Developer shall have no liability or obligations hereunder with respect to Phase 2 and the Phase 2 Developer shall have no liability or obligations hereunder with respect to Phase 1.

"Developer Deed of Trust" means each of the two (2) deeds of trust (one for Phase 1 and another for Phase 2; collectively, the "Developer Deeds of Trust"), in forms agreed to by the Developer and SHA, to be executed by the Phase 1 Developer and the Phase 2 Developer and recorded against Phase 1 or Phase 2, as applicable, at the Closing for Phase 1. At the Closing for Phase 1, the existing deed of trust on the Site which was made by the Developer in favor of the Agency shall be assumed by Developer and then reconveyed and replaced with the Developer Deeds of Trust for Phase 1 and Phase 2. Each Developer Deed of Trust may be subordinated to the Construction Deed of Trust and Permanent Deed of Trust. Any such subordination shall be in a form acceptable to the SHA in its reasonable discretion.

"Developer Note" means each of the two (2) promissory notes (one for Phase 1 and another for Phase 2), in forms agreed to by the Developer and SHA, made by the Phase 1 Developer and the Phase 2 Developer, as applicable, in favor of the SHA. At the time of the Phase 1 Closing, the then current balance of the SHA Loan shall be allocated 57% to Phase 1 and 43% to Phase 2. At the Closing for Phase 1, the existing promissory note which was made by the Developer in favor of the Agency shall be assumed by Developer and then amended and replaced with the Developer Notes for Phase 1 and Phase 2.

"Eligible Tenants" shall mean persons who meet the definition of Low Income Household and who otherwise meet the requirements of the Declarations.

"Environmental Indemnity" shall mean each of the two (2) unsecured environmental indemnity agreements (one for Phase 1 and another for Phase 2), in forms agreed to by the Developer, City and SHA, to be executed by Developer (or the Phase 1 Developer or the Phase 2 Developer, as applicable) and SHA at the Closing for Phase 1. At the Closing for Phase 1 the existing unsecured environmental indemnity agreement between the Agency and Developer shall be assumed by Developer and then amended and replaced with the two (2) Environmental Indemnity agreements described in this paragraph.

"Escrow" is defined in Section 201.2 hereof.

"Escrow Agent" means Fidelity National Title Company, or such other title insurance company as shall be mutually selected by the parties hereto.

"Escrow Instructions" shall mean each of the two (2) sets of escrow instructions (one for Phase 1 and another for Phase 2), in forms agreed to by the Developer and SHA, to be executed by the SHA at the Closings for each of Phase 1 and Phase 2.

"Governmental Requirements" means all laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the state, the county, the City, or any other political subdivision in which the Site is located, and of any other political subdivision, agency or instrumentality exercising jurisdiction over SHA, Developer or the Site.

"Gross Income" shall mean the gross income from all components of Phase 1 or Phase 2 and any other income derived from the ownership, operation and management of Phase 1 or Phase 2, as applicable. Provided however that Gross Income shall not include (i) insurance proceeds or condemnation proceeds; (ii) security deposits or other tenant deposits; (iii) interest earned on project reserves; or (iv) the proceeds of loans to the Project by the Phase 1 Developer or the Phase 2 Developer as required by the provisions of the limited partnership agreements for such Phase 1 Developer and Phase 2 Developer. Interest earned (if any) on project reserves shall accrue to the applicable project reserve account and shall only be used for the purpose for which the reserve was established.

"Hazardous Materials" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of California or the United State Government. Provided, however, the term "Hazardous Materials" shall not include substances typically used in the ordinary course of developing, operating and maintaining apartment complexes in California or small amounts of chemicals, cleaning agents and the like commonly employed in routine household uses in a manner typical of occupants in other similar properties, provided that such substances are used in compliance with applicable laws.

"Improvements" means all existing improvements and all new improvements to be constructed by the Phase 1 Developer upon Phase 1 or by the Phase 2 Developer upon Phase 2, as applicable, which shall include the smoke-free Affordable Units and certain on and off-site improvements. Developer shall obtain all approvals and permits required for completion of the Improvements, all subject to the review and approval of the SHA in its sole discretion. The Improvements shall be designed, constructed and operated in a manner that meets the Leadership in Energy and Environmental Design Silver Level standard of the U.S. Green Building Council.

"Landscape and Grading Plans" means the plans and drawings to be submitted and approved by SHA, as set forth in Section 302.3 hereof.

"Low Income Household" means persons and families whose income does not exceed sixty percent (60%) of the then current Area Median Income.

"Memorandum of Option" means each of the two (2) memoranda of option (one for Phase 1 and another for Phase 2), in forms agreed to by the Developer and SHA, to be executed by the Developer (or the Phase 1 Developer or the Phase 2 Developer, as applicable) and SHA and recorded as encumbrances against Phase 1 or Phase 2, as applicable, at the Closings for each of Phase 1 and Phase 2.

"New Project Proforma" means each of the two (2) proformas one for Phase 1 and the other for Phase 2 to be submitted by Developer to the SHA for approval. Developer (or the Phase 1 Developer) represents and warrants to the SHA that the amounts that will be shown on the New Project Proforma for Phase 1 will be accurate and will be the amounts for which the Phase 1 Developer will be able to and shall construct Phase 1 in a workmanlike and defect-free manner in accordance with the Scope of Development. Developer (or the Phase 12 Developer) represents and warrants to the SHA that the amounts which will be shown on the New Project Proforma for Phase 2 will be accurate and will be the amounts for which the Phase 2 Developer will be able to and shall construct Phase 2 in a workmanlike and defect-free manner in accordance with the Scope of Development.

"Notice" shall mean a notice in the form prescribed by Section 601 hereof.

"Notice of Affordability Restrictions on Transfer of Property" means each of the two (2) notices of affordability restrictions on transfer of property (one for Phase 1 and another for Phase 2), in forms agreed to by the Developer and SHA, to be executed by the Developer (or the Phase

1 Developer or the Phase 2 Developer, as applicable) and SHA and recorded as encumbrances against Phase 1 or Phase 2, as applicable, at the Closings for each of Phase 1 and Phase 2.

"Operating Expenses" shall mean actual, reasonable and customary costs, fees and expenses directly attributable to the operation, maintenance, taxes and management of Phase 1 or Phase 2, as applicable, to the extent approved by SHA in the annual operating budgets for Phase 1 or Phase 2, as applicable, expressly including, but not limited to, the following: CFD's, required debt service payments on any loan permitted to be secured by Phase 1 or Phase 2 that is senior to the Developer Deed of Trust, repayment of any deferred developer fee approved by the SHA, scheduled deposits to reserves, as approved by SHA, a reasonable property management fee in an amount not to exceed 8% of Gross Income in any one year, an asset management fee and a partnership management fee as approved by the SHA.

"Permanent Deed of Trust" means the deeds of trust recorded against Phase 1 and Phase 2, as applicable, for purposes of permanently financing the Phase 1 or Phase 2 Improvements.

"Phase" means Phase 1 or Phase 2, as applicable.

"Phase 1" means the first phase of the Project. Phase 1 will be developed and constructed on the portion of the Site located west of Marcos Street and north of Richmar Avenue. All of the residential units in Phase 1, except for the manager's unit, shall be restricted to Low Income Households as set forth in the Declaration. Phase 1 shall replace the existing rent and occupancy restrictions on any of the existing affordable units on the Site which are razed as part of Phase 1. Phase 1 shall be constructed before Phase 2. The following rent and occupancy restrictions.

"Phase 1 Developer" means the Tax Credit Limited Partnership that will own and develop Phase 1.

"Phase 2" means the second phase of the Project. Phase 2 will be developed and constructed on the portion of the Site located east of Marcos Street and north of Richmar Avenue. All of the residential units in Phase 2, except for the manager's unit, shall be restricted to Low Income Households as set forth in the Declaration. Phase 2 shall replace the existing rent and occupancy restrictions on all of the existing affordable units on the Site which are razed as part of Phase 2.

"Phase 2 Developer" means the Tax Credit Limited Partnership that will own and develop Phase 2.

"Predevelopment Loan" means the predevelopment loan from the SHA to the Developer in the amount of $777,953.00, as set forth in more detail in that certain Exclusive Negotiating Agreement (Villa Serena II) dated as of September 9, 2014, between the Developer and the SHA. At the Closing, the Predevelopment Loan, including all interest accrued thereon shall be, become part of and added to the amount of the Developer Notes.

"Project" has the meaning set forth in Recital B, above.

"Redevelopment Plan" means the Redevelopment Plan for the San Marcos Redevelopment Project incorporated herein by reference.

"Redevelopment Project" means the San Marcos Redevelopment Project, adopted by SHA pursuant to the Redevelopment Plan.

"Residual Receipts" shall mean the Gross Income for Phase 1 or Phase 2, as applicable, less Operating Expenses for Phase 1 or Phase 2, as applicable, calculated on a calendar year basis, as provided in more detail in the Developer Note for Phase 1 and the Developer Note for Phase 2. All calculations of Residual Receipts shall be subject to verification and approval by the SHA.

"Schedule of Performance" means a schedule of performance to be submitted by the Developer to the SHA for approval, which shall set out the dates and/or time periods by which certain demolition and construction milestones must be satisfied.

"Scope of Development" means the scope of development for Phase 1 or Phase 2, as applicable, approved by the SHA in its reasonable discretion pursuant to Section 303.2, below, which shall include, without limitation, a description of the scope, amount and quality of the Improvements for Phase 1 or Phase 2, as applicable, to be constructed by Developer pursuant to the terms and conditions of this Agreement. Developer agrees to design and construct the Improvements to meet, and will operate the Site (after completion of the Improvements) in a manner that meets the Leadership in Energy and Environmental Design standard of the U.S. Green Building Council.

"Security Agreement" shall mean each of the two (2) security agreements (one for Phase 1 and another for Phase 2), in forms agreed to by the Developer and SHA, to be executed by the Developer (or the Phase 1 Developer or the Phase 2 Developer, as applicable) and SHA at the Closings for each of Phase 1 and Phase 2. At the Closing for Phase 1, the existing security agreement between the Agency and Developer shall be assumed by Developer and then amended and replaced with the two (2) Security Agreements described in this paragraph.

"SHA" means the City of San Marcos in its capacity as the successor housing agency to the former San Marcos Redevelopment Agency, and any assignee of or successor to its rights, powers and responsibilities.

"SHA Loan" means the loan from the SHA to the Developer as described in Section 200, below. At the Closing for Phase 1, all principal and interest due and owing on the total of the then current balances of both the Agency Loan and the Predevelopment Loan shall be allocated as follows: 57% to Phase 1 and 43% to Phase 2. At the Closing for Phase 1, the portion of the Agency Loan and the Predevelopment Loan so allocated to each Phase shall be consolidated into and shall become the SHA Loan with respect to each such Phase.

"SHA Title Policy" means each of the two (2) American Land Title Association lender's policies (one for Phase 1 and another for Phase 2) issued to the SHA at the Closings for each of Phase 1 and Phase 2, with endorsements satisfactory to SHA in the amount of the SHA Loan which is allocated to such Phase, insuring that title to the Site is vested in the Phase 1 Developer or the Phase 2 Developer, as applicable, and that the Developer Deed of Trust for such Phase is an encumbrance against such Phase that is subject and subordinate only to exceptions to coverage that are acceptable to the SHA.

"Site" has the meaning set forth in Recital A hereof.

"Title Company" means Fidelity National Title Company, or such other title insurance company as shall be mutually selected by the parties hereto.

200. SHA Loan. At the Phase 1 Closing, all principal and interest then due and owing on both the Agency Loan and the Predevelopment Loan shall be consolidated into and shall become the SHA Loan. At the Phase 1 Closing, the existing promissory note which was made by the Developer in favor of the Agency shall be terminated and replaced with the Developer Notes for Phase 1 and Phase 2. By way of illustration, if at the time of the Phase 1 Closing the loan balance of the Agency Loan was $7,315,592.00 and the loan balance of the Predevelopment Loan was $777,953.00, bringing the total to $8,093,545.00, then at the Phase 1 Closing the Phase 1 Developer Note would have a principal balance of $4,613,320.65, and the Phase 2 Developer Note would have a principal balance of $3,480,224.35. The parties acknowledge that these figures are for purposes of illustration only and that the balance owing on both the original Agency Loan and the Predevelopment Loan, including principal and accrued interest, if applicable, will be updated as of the Phase 1 Closing.

201. Promissory Note.

(a) The SHA Loan shall be evidenced by the Developer Notes for Phase 1 and Phase 2 executed by the Developer, in favor of the SHA at the Phase 1 Closing. The Agency Loan and the Predevelopment Loan will be cancelled by the SHA upon delivery of the executed Developer Notes for Phase 1 and Phase 2. The Phase 1 Developer Note shall be executed by the Developer (or the Phase 1 Developer) in favor of the SHA concurrently with the Phase 1 Closing and the Phase 1 Developer Note shall be recourse during the period from the Phase 1 Closing until the timely completion of construction of the Phase 1 Improvements and issuance of a certificate of occupancy for all units in Phase 1. Upon completion of construction of the Phase 1 Improvements and issuance of a certificate of occupancy for all units in Phase 1, the Phase 1 Developer Note shall become a nonrecourse obligation of Developer. The Phase 2 Developer Note shall be executed by the Developer (or the Phase 2 Developer) in favor of the SHA concurrently with the Phase 1 Closing. The Phase 2 Developer Note shall be nonrecourse during the period from the Phase 1 Closing until the Phase 2 Closing, and then recourse during the period from the Phase 2 Closing until the timely completion of construction of the Phase 2 Improvements and issuance of a certificate of occupancy for all units in Phase 2. Upon completion of construction of the Phase 2 Improvements and issuance of a certificate of occupancy for all units in Phase 2, the Phase 2 Developer Note shall become a nonrecourse

obligation of Developer. Notwithstanding the foregoing, Developer shall indemnify, defend, protect and hold SHA harmless from and against any and all loss, damage, liability, action, cause of action, cost or expense (including, without limitation, reasonable attorneys' fees and expenses) incurred by SHA as a result of any (i) fraud or material misrepresentation under or in connection with the SHA Loan or any document executed by Developer with respect to the SHA Loan; (ii) intentional bad faith waste of the Site (not including Demolition); (iii) losses resulting from Maker's failure to maintain insurance as required by any document executed by Developer with respect to the SHA Loan; and (iv) misapplication of any rents, security deposits, insurance proceeds, condemnation awards or any other proceeds derived from the collateral security in a manner prohibited by any document executed by Developer with respect to the SHA Loan.

(b) The Phase 1 Developer Note shall bear simple interest at three percent (3%) per annum commencing on the date of the Phase 1 Closing. The Phase 2 Developer Note shall bear simple interest at three percent (3%) per annum commencing on the date of the Phase 1 Closing. However, in the event of a Default with respect to Phase 1 or Phase 2, the portion of the Developer Note applicable to such phase shall bear interest at the rate of ten percent (10%) per annum from the date of Default and all of the principal and accrued interest on the portion of the Developer Note applicable to such Phase shall be immediately due and payable by Developer to the City and the SHA. Beginning on the May 1, immediately following the calendar year in which the Affordable Units in the applicable Phase are completed (as evidenced by a certificate of occupancy), and annually on May 1 of each year thereafter during the term of the Developer Note, Developer shall deliver financial statements to the SHA. Beginning on the May 1, immediately following the calendar year in which the Affordable Units in the applicable Phase are completed (as evidenced by a certificate of occupancy), and annually on May 1 of each year thereafter during the term of the Developer Note, Developer may retain fifty percent (50%) of the Residual Receipts for the immediately preceding calendar year, and the other fifty percent (50%) of the Residual Receipts shall be paid to the SHA and any other "soft" lenders prorata based upon the original principal of each of their loans. Each Developer Note shall have a term of, and all principal and accrued interest shall be due and payable with respect to such Developer Note, fifty-five (55) years from conversion of the construction loan for such Phase to a permanent loan for such Phase. The principal and interest of the Developer Note may be prepaid in whole or in part at any time and from time to time, without notice or penalty. Any prepayment shall be allocated first to unpaid interest and then to principal.

(c) Should Developer (or the Phase 1 Developer or Phase 2 Developer, as applicable) agree to or actually sell, convey, transfer, further encumber or dispose of Phase 1 or Phase 2 or any interest in Phase 1 or Phase 2, except for any Permitted Transfer as defined in Section 603.2, below (or obtain any other secured debt with respect to the Site or Developer's activities at the Site, regardless of whether the source, including without limitation, any funds for special needs populations), without first obtaining the written consent of the holder of the Developer Note (the SHA), then all obligations secured by the Developer Note may be declared due and payable at the option of SHA. The consent to one transaction of this type will not constitute a waiver of the right to require consent to future or successive transactions. Each Declaration shall remain in place whether or not SHA approves or disapproves a successor-in-

interest, commencing on conversion of the construction loan for such Phase to a permanent loan for such Phase and continuing for a term of fifty five (55) years.

202. Security. The Developer or the Phase 1 Developer, as applicable, shall execute, acknowledge and deliver the Phase 1 Developer Deed of Trust and shall cause the Phase 1 Developer Deed of Trust to be recorded at the Phase 1 Closing. The Developer or the Phase 2 Developer, as applicable, shall execute, acknowledge and deliver the Phase 2 Developer Deed of Trust and shall cause the Phase 2 Developer Deed of Trust to be recorded at the Phase 1 Closing. A copy of this Agreement shall not be attached to and recorded as part of such Developer Deeds of Trust but this Agreement shall be deemed to be secured thereby, and any breach of or misrepresentation under this Agreement shall, upon the expiration of any applicable cure period(s), constitute an event of default under such Developer Deed of Trust.

203. Subsequent Financing. No further secured loan, deed of trust, or encumbrance, except for the Construction Deed of Trust and Permanent Deed of Trust, shall be placed by Developer, the Phase 1 Developer and/or the Phase 2 Developer, as applicable, upon any portion of the Site or Improvements, whether by refinancing or otherwise, without first obtaining the express written consent of SHA, except for any Permitted Transfer as defined in Section 603.2, below. Said written consent shall be at SHA's sole discretion, failure to obtain such consent shall be a default hereunder and such unconsented to financing or refinancing shall be void. Further, during any SHA approved refinancing or subsequent encumbrance, the SHA shall be provided American Land Title Association ("ALTA") title insurance or endorsements acceptable to it, at the cost and expense of Developer. Except for refinancing allowed by this Section 203, if Developer refinances the Site, the SHA shall receive one hundred percent (100%) of the of the net amount of the refinancing, unless otherwise agreed by the SHA in its sole discretion. Amounts paid to the SHA pursuant to the provisions hereof shall be applied by the SHA to the applicable Developer Note. Notwithstanding the foregoing, the SHA shall have no right to receive amounts from any SHA-approved financing obtained by the Phase 1 Developer or the Phase 2 Developer in order to satisfy the Closing Minimum Requirements for the applicable Phase or from any refinancing of the same. After timely completion of construction of the Phase 1 Improvements, (as evidenced by a certificate of occupancy for all of the Affordable Units in Phase 1), if the Phase 1 Developer refinances Phase 1, the SHA shall receive fifty percent (50%) of the amount of the net proceeds of such refinancing, provided that the SHA shall not be entitled to receive any amounts in excess of the amount owed under the Developer Note for Phase 1. After timely completion of construction of the Phase 2 Improvements, (as evidenced by a certificate of occupancy for all of the Affordable Units in Phase 2), if the Phase 2 Developer refinances Phase 2, the SHA shall receive fifty percent (50%) of the amount of the net proceeds of such refinancing, provided that the SHA shall not be entitled to receive any amounts in excess of the amount owed under the Developer Note for Phase 2.

204. Default. Notwithstanding anything contained herein to the contrary, in the event of any default in the performance of any of the terms, covenants and conditions contained in: (i) this Agreement, the Developer Notes or Developer Deeds of Trust; (ii) any document or instrument executed by the Phase 1 Developer or the Phase 2 Developer in conjunction with this Agreement; (iii) any prior or junior note secured by an encumbrance on the Site or any portion of

it; (iv) any note or deed of trust given in conjunction herewith; (v) in the event of the filing of a bankruptcy proceeding by the Phase 1 Developer or the Phase 2 Developer; or (vi) in the event of the filing of a bankruptcy against Developer which is not dismissed within ninety (90) days of filing, then (a) all sums owing by Developer to the SHA which respect to the Phase at issue, shall at the option of SHA immediately become due and payable; (b) SHA shall have no obligation to disburse any further funds to Developer or any other person; and (c) SHA shall be released from any and all obligations to Developer under the terms of this Agreement. A timely cure by the Developer, the Phase 1 Developer or the Phase 2 Developer of all defaults set forth in clauses (i), (ii) or (iii), above, shall be deemed a cure of the default set forth in this Section 204. These remedies shall be in addition to any and all other rights and remedies available to SHA, either at law or in equity. Further, default interest shall accrue on the principal balance of the Developer Note for the Phase in default from the date of such Developer Note at the rate of ten percent (10%) simple interest per annum or the maximum rate than allowed by law, whichever is less.

205. Representations and Warranties.

205.1 SHA Representations and Warranties. SHA represents and warrants to Developer that SHA is a public body, corporate and politic, existing pursuant to the California Community Redevelopment Law (California Health and Safety Code Section 33000), which has been authorized to transact business pursuant to action of the City. SHA has full right, power and lawful authority to execute, perform and deliver this Agreement and the same has been fully authorized by all requisite actions on the part of SHA.

205.2 Developer's Representations and Warranties. Developer represents and warrants to SHA as follows:

(a) Authority. Developer is a California limited partnership. The persons executing this Agreement, and all other documents executed by Developer in conjunction herewith, on behalf of Developer have all necessary authority to do so and this Agreement is a binding obligation of Developer. Execution of this Agreement shall not result with the passage of time or the giving of notice or both in breach of or in acceleration of performance under any contract or document to which Developer may be a party. Copies of a certificate of good standing, issued by the California Secretary of State shall have been delivered to SHA prior to the Phase 1 Closing and the Phase 2 Closing. These copies will be true, complete and fully-executed copies of the originals, as amended to the date of the Closing. Developer has the full right, power and lawful authority to undertake all obligations provided herein and the execution, performance and delivery of this Agreement by Developer has been fully authorized by resolution of and all requisite actions on the part of Developer.

(b) No Conflict. Developer's execution, delivery and performance of its obligations under this Agreement will not constitute a default or a breach under any contract, agreement or order to which Developer is a party or by which it is bound.

(c) No Bankruptcy. Developer is not the subject of a bankruptcy proceeding.

(d) Use of Funds. Developer, the Phase 1 Developer and the Phase 2 Developer, as applicable, each acknowledges by accepting funds from the SHA and agrees to use the SHA Loan funds solely for the purposes of demolishing the existing improvements and/or constructing the Improvements and paying for predevelopment expenses related thereto. Funds advanced by SHA pursuant to the SHA Loan are advanced wholly or in part for the benefit of the Site.

(e) Acknowledgement of Agreement. The principal and interest due and payable under the SHA Loan are subject to the terms and conditions of this Agreement, any other security documents or instruments provided for herein.

(f) Rent and Occupancy Restrictions. Developer shall at all times after the Closing comply with the requirements of the Declaration during the Declaration's 55-year term.

205. Developer Precautions. Developer during its ownership of the Site and each of the Phase 1 Developer and Phase 2 Developer, shall take all necessary precautions to prevent the release in, on or under the Site, Phase 1 or Phase 2, as applicable, of any Hazardous Materials. Such precautions shall include compliance with all Governmental Requirements with respect to Hazardous Materials. In addition, Developer shall install and utilize such equipment and implement and adhere to such procedures as are consistent with commercially reasonable standards as respects the disclosure, storage, use, removal and disposal of Hazardous Materials.

206. Required Disclosures. Developer shall notify SHA, and provide to SHA a copy or copies, of all environmental permits, disclosures, applications, entitlements or inquiries relating to the Site, including notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, cease and desist orders, reports filed pursuant to self-reporting requirements and reports filed or applications made pursuant to any Governmental Requirement relating to Hazardous Materials and underground tanks. Developer shall report to SHA, as soon as possible after each incident, any unusual or potentially important incidents with respect to the environmental condition of the Site. In the event of a release of any Hazardous Materials into the environment from, under or relating to the Site, Developer shall, as soon as possible after the release, furnish to SHA a copy of any and all reports relating thereto and copies of all correspondence with governmental agencies relating to the release. Upon request, Developer shall furnish to SHA a copy or copies of any and all other environmental entitlements or inquiries relating to or affecting the Site including, but not limited to, all permit applications, permits and reports including, without limitation, those reports and other matters which may be characterized as confidential.

207. Developer Indemnity. The Developer, the Phase 1 Developer and the Phase 2 Developer, as applicable, shall indemnify, defend and hold SHA and/or City harmless from and against any claim, action, suit, proceeding, loss, cost, damage, liability, deficiency, fine, penalty, punitive damage, or expense (including, without limitation, attorneys' fees), resulting from, arising out of, or based upon any of the following: (i) the presence, release, use, generation, discharge, storage or disposal of any Hazardous Materials on, under, in or about, or the transportation of any such Hazardous Materials to or from, the Site, or (ii) the violation, or

alleged violation, of any statute, ordinance, order, rule, regulation, permit, judgment or license relating to the use, generation, release, discharge, storage, disposal or transportation of Hazardous Materials on, under, in or about, to or from, the Site. This indemnity shall include, without limitation, any damage, liability, fine, penalty, parallel indemnity after closing cost or expense arising from or out of any claim, action, suit or proceeding for personal injury (including sickness, disease or death), tangible or intangible property damage, compensation for lost wages, business income, profits or other economic loss, damage to the natural resource or the environment, nuisance, contamination, leak, spill, release or other adverse effect on the environment. This indemnity does not include any condition arising solely as a result of the negligence or willful misconduct of the SHA or its employees, agents, representatives, successors or assigns; provided, however that nothing in this Section 207 shall release the Developer from liability for any losses, liabilities, damages, injuries, costs, expenses, or claims proximately caused by the Developer.

300. Development of the Site. Developer (or the Phase 1 Developer) shall satisfy all of the Closing Minimum Requirements as set forth in Section 307 with respect to Phase 1 on or before the Closing Deadline for Phase 1 (December 1, 2022, unless extended by the Developer and the SHA), failure to do so shall result in the termination of this Agreement. If this Agreement is so terminated, it shall terminate with respect to both Phase 1 and Phase 2. Developer (or the Phase 2 Developer) shall satisfy all of the Closing Minimum Requirements as set forth in Section 307 with respect to Phase 2 on or before the Closing Deadline for Phase 2 (December 1, 2024, unless extended by the Developer and the SHA), failure to do so shall result in the termination of this Agreement with respect to Phase 2, only.

301. Scope of Development. Not less than ninety (90) days prior to the Closings for each of Phase 1 and Phase 2, the Developer shall prepare and submit to the SHA for the SHA's review and approval, in SHA's sole discretion, a Scope of Development which shall describe the scope, amount and quality of development of the Improvements to be constructed by Developer pursuant to the terms and conditions of this Agreement. SHA shall have thirty (30) days after receipt of a Scope of Development to approve the Scope of Development or give Developer notice of any objections to the Scope of Development. If SHA gives Developer notice of any objections to the Scope of Development, Developer shall cause the Scope of Development to be revised accordingly and submit the revised Scope of Development to the SHA for review and approval as set forth in this Section 301. Approval of progressively more detailed drawings and specifications will be granted by the SHA if developed as a logical evolution of drawings or specifications theretofore approved. Each of the Phase 1 Developer and the Phase 2 Developer, as applicable, shall develop the Improvements in the affected Phase in accordance with the Scope of Development and the plans, drawings and documents submitted by Developer and approved by SHA as set forth herein. Each of Phase 1 and Phase 2 shall incorporate universal design standards into the Improvements to the maximum extent feasible. Each of Phase 1 and Phase 2 meet, and shall operate the Site in a manner that meets the Leadership in Energy and Environmental Design Silver Level certification standard of the U.S. Green Building Council and shall obtain certification of the same within the normal and customary time for similarly situated development projects. Furthermore, each of Phase 1 and Phase 2 shall employ a solar photovoltaic cell ("PV") system in the Site and said PV system will provide a significant portion

of the electrical power needs of the common areas, as determined by the SHA in its reasonable discretion or equivalent or better under Leadership in Energy and Environmental Design certification rules. Careful consideration shall be given to the maximum extent feasible for features which include, but are not limited to (i) water conserving features; (ii) appropriate landscaping; (iii) high efficiency/low flow fixtures and appliances; (iv) indoor and outdoor lighting designed to reduce energy use; (v) recycling, including recycling of construction waste; and (vi) use of San Marcos local labor, contractors, vendors, suppliers and materials.

302. Design Review.

302.1 Concept Drawings. Not less than ninety (90) days prior to the Closing for each of Phase 1 and Phase 2, the Developer shall prepare and submit conceptual drawings for the demolition of existing Improvements and for the Improvements for Phase 1 or Phase 2, as applicable, including floor plans, exterior elevations, materials, color board, and elevations of all four sides of Improvements (collectively, the "Concept Drawings"). The SHA shall have thirty (30) days after receipt of the Concept Drawings to approve the Concept Drawings or give Developer notice of any objections to the Concept Drawings. If the SHA gives the Developer notice of any objections to the Concept Drawings, the Developer shall cause the Concept Drawings to be revised accordingly and submit the revised Concept Drawings to the SHA for review and approval as set forth in this Section 302.1. Approval of progressively more detailed drawings and specifications will be granted by the SHA if developed as a logical evolution of drawings or specifications theretofore approved.

302.2 Landscape and Grading Plans. Not less than ninety (90) days prior to the Closing for each of Phase 1 and Phase 2, the Developer shall prepare and submit to the SHA preliminary and final landscaping and preliminary and finish grading plans, if any, for Phase 1 or Phase 2, as applicable (collectively, the "Landscape and Grading Plans"). The SHA shall have thirty (30) days after receipt of the Landscape and Grading Plans to approve the Landscape and Grading Plans or give the Developer notice of any objections to the Landscape and Grading Plans. If the SHA gives the Developer notice of any objections to the Landscape and Grading Plans, the Developer shall cause the Landscape and Grading Plans to be revised accordingly and submit the revised Landscape and Grading Plans to the SHA for review and approval as set forth in this Section 302.2. Approval of progressively more detailed drawings and specifications will be granted by the SHA if developed as a logical evolution of drawings or specifications theretofore approved.

302.3 Construction Drawings. Not less than ninety (90) days prior to the Closing for each of Phase 1 and Phase 2, the Developer shall prepare and submit to the SHA 50% and final construction drawings and related documents (collectively called the "Construction Drawings") to the SHA for review (including but not limited to architectural review). The SHA shall have thirty (30) days after receipt of the Construction Drawings to approve the Construction Drawings or give the Developer notice of any objections to the Construction Drawings. If the SHA gives the Developer notice of any objections to the Construction Drawings, the Developer shall cause the Construction Drawings to be revised accordingly and submit the revised Construction Drawings to the SHA for review and approval as set forth in this Section 302.3.

Approval of progressively more detailed drawings and specifications will be granted by the SHA if developed as a logical evolution of drawings or specifications theretofore approved. Final construction drawings are hereby defined as those in sufficient detail to obtain a building permit.

303. SHA Review and Approval. The SHA shall have the right to review and approve or disapprove in its sole discretion all aspects of the Phase 1 and the Phase 2 Scopes of Development, Concept Drawings, Landscape and Grading Plans, and Construction Drawings. Developer acknowledges and agrees that the SHA is entitled to approve or disapprove aspects of the Phase 1 and the Phase 2 Scopes of Development, Concept Drawings, Landscape and Grading Plans and Construction Drawings in order to satisfy the SHA's obligation to promote the sound development and redevelopment of land within the Site, to promote a high level of design which will impact the surrounding development, and to provide an environment for the social, economic and psychological growth and well-being of the citizens of the City and the Site. Provided, however, the SHA shall approve progressively more detailed drawings and specifications if developed as a logical evolution of drawings or specifications theretofore approved. The SHA and Developer agree to work together in good faith to resolve any disagreements and disputes regarding the Phase 1 and the Phase 2 Scopes of Development, Concept Drawings, Landscape and Grading Plans or Construction Drawings. Developer shall not be entitled to any monetary damages or compensation as a result of SHA's disapproval or failure to approve or disapprove the Phase 1 and the Phase 2 Scopes of Development, Concept Drawings, Landscape and Grading Plans or Construction Drawings.

303.1 Revisions. If Developer desires to propose any material revisions to the SHA-approved Phase 1 or Phase 2 Site Plans, Scopes of Development, Concept Drawings, Landscape and Grading Plans, Construction Drawings or New Project Proformas after approval, it shall submit such proposed changes to the SHA, and shall also proceed in accordance with any and all State and local laws and regulations regarding such revisions. The City Manager is authorized to approve changes to the SHA-approved Site Plan, Scope of Development, Concept Drawings, Landscape and Grading Plans, Construction Drawings and Project Proforma. Provided, however, the SHA shall have no obligation to approve any change from the basic use of the Site for anything other than a mixed-use, family, affordable housing project.

303.2 Defects in Plans. The SHA shall not be responsible or liable in any way, either to Developer or to any third parties, for any defects in the Phase 1 or Phase 2 Site Plans, Scopes of Development, Concept Drawings, Landscape and Grading Plans, Construction Drawings or New Project Proformas, or for any structural or other defects in any work done according to the approved Phase 1 or Phase 2 Site Plans, Scopes of Development, Concept Drawings, Landscape and Grading Plans, Construction Drawings or New Project Proformas. Developer or the Phase 1 Developer or the Phase 2 Developer, as applicable, shall hold harmless and indemnify the City, the SHA and their officers, employees, agents and representatives from and against any and all claims, demands and suits for damages to property or injuries to persons arising out of or in any way relating to the Site, including without limitation any defects in the Phase 1 or Phase 2 Site Plans, Scopes of Development, Concept Drawings, Landscape and Grading Plans, Construction Drawings or New Project Proformas, violation of any laws, and for defects in any work done according to the approved Phase 1 or Phase 2 Site Plans, Scopes of

Development, Concept Drawings, Landscape and Grading Plans, Construction Drawings or New Project Proformas or for defects in work performed by the Developer or any contractor or subcontractor of the Developer. Notwithstanding anything to the contrary set forth herein, the hold harmless and indemnification obligations of the Phase 1 Developer and the Phase 2 Developer set forth in this Section 303.2 shall not be cross-defaulted and the Phase 1 Developer shall not have any obligations to hold harmless and indemnify the SHA with respect to Phase 2 and the Phase 2 Developer shall not have any obligations to hold harmless and indemnify the SHA with respect to Phase 1.

304. Land Use Approvals. Before commencement of demolition and construction of the Improvements or other works of improvement upon the Site, Developer shall, at Developer's sole expense, secure or cause to be secured any and all land use and other entitlements, permits and approvals which may be required for the Improvements by the City or any other governmental agency affected by such construction or work. The SHA shall not be responsible in any way for, the processing of Developer's building permits or other permit applications with the City. The execution of this Agreement does not constitute the granting of or a commitment to obtain any required land use permits, entitlements or approvals.

305. Deadline for Completion of Improvements. All of the Phase 1 and Phase 2 Improvements shall be completed in accordance with the Schedules of Performance for Phase 1 and Phase 2, as applicable. Failure to complete all of the Improvements in accordance with the applicable Schedule of Performance for Phase 1 or Phase 2, shall, inter alia, be a default under the this Agreement, entitling the SHA to exercise all of its rights and remedies, including without limitation foreclosure of the Developer Deed of Trust.

306. Cost of Construction. All costs whatsoever shall be borne by Developer, including without limitation the cost of planning, designing, developing, demolishing and constructing all of the Improvements, as well as site preparation and grading.

307. Closing Minimum Requirements. Developer shall satisfy each and all of the conditions set forth in (a) through (i), inclusive, described below ("Closing Minimum Requirements") which are solely for the benefit of the SHA, for each of Phase 1 and Phase 2, which shall be fulfilled or waived on or before the Closing Deadline for Phase 1 or Phase 2, as applicable:

(a) Forms of Agreements. The Developer and the SHA shall have agreed to the forms of the Developer Note, Developer Deed of Trust, Declaration, Security Agreement, Environmental Indemnity, Memorandum of Option and Notice of Affordability Restrictions on Transfer of Property for Phase 1 or Phase 2, as applicable.

(b) Scope of Development. Developer shall have obtained approval by the SHA of the Scope of Development for Phase 1 or Phase 2, as applicable, as set forth in Section 301 hereof.

(c) Design Approvals. Developer shall have obtained approval by the SHA of the Concept Drawings, Landscape and Grading Plans and Construction Drawings for Phase 1 or Phase 2, as applicable, as set forth in Section 302 hereof.

(d) Insurance. Developer shall have provided proof of insurance for Phase 1 or Phase 2, as applicable, as required by Section 308 hereof.

(e) Other Financing. Developer shall have obtained binding commitments from all financing sources to be used for financing construction of the Improvements for Phase 1 or Phase 2, as applicable, which are sufficient to complete construction such the Improvements. All of such financing, including all documentation of the same, shall be subject to the review and approval of the same by the SHA in its reasonable discretion. The SHA shall have the right and power to review and approve any and all agreements entered into by and between Developer and any tax credit investor(s)/tax credit limited partner for Phase 1 or Phase 2, as applicable, including, but not limited to: (i) the limited partnership agreement and any amendments thereto; (ii) the Equity Commitment Letter and any amendments thereto; (iii) the Final Cost Certification and any amendments thereto; (iv) the Placed In Service Application and any amendments thereto; and (v) any other documents associated with the tax credit investment.

(f) Performance and Payment Bond. Provided Developer obtains tax credit financing for the Site and the SHA approves such financing as set forth in Section 307(e), above, Developer shall not be required to post the performance and payment bond described in this Section 307(f). Provided Developer does not obtain tax credit financing for the Site, as set forth in the immediately foregoing sentence, the Phase 1 Developer or the Phase 2 Developer, as applicable, shall have posted security in the form of a performance and payment bond in an amount and in a form acceptable to the SHA in its reasonable discretion, to assure the construction of the Improvements for Phase 1 or Phase 2, as applicable, in accordance with the Construction Drawings approved by the SHA pursuant to Section 302.4 above. The performance and payment bond shall insure that construction of the Improvements is timely accomplished, free and clear of mechanic's liens, stop notices and other encumbrances, concerning the provision of material, labor and supplies. Upon a failure of Developer to timely perform its requirements under the terms of this Agreement, the SHA may resort to the security to ensure performance of this Agreement, by either requiring the bonding company, or its designees, to comply with the terms of this Agreement, or at the election of the SHA, by requiring the bonding company to pay all costs necessary for the SHA, to take over and complete construction of the Improvements at the cost and expense of the bonding company.

(g) Construction Contract. The construction contract for the Improvements for Phase 1 or Phase 2, as applicable, acceptable to the SHA, shall have been executed by the Phase 1 Developer or the Phase 2 Developer, as applicable, and the general contractor who has been selected to do the work.

(h) Entitlements. Developer shall have secured any and all land use and other entitlements, permits and approvals which may be required for the Improvements for Phase 1 or Phase 2, as applicable, from the City or any other governmental agency affected by such construction or work and Developer shall have paid any and all applicable fees (including, without limitation, communities facility district fees and public facilities fees imposed by the City or any other governmental agency having jurisdiction with respect to the same). Neither the SHA, nor the City, shall be responsible in any way for the processing of Developer's building permits or other permit applications with the City. The execution of this Agreement does not constitute the granting of or a commitment to obtain any required land use permits, entitlements or approvals.

In the event that one or more of the above conditions are not satisfied on or before the Closing Deadline for Phase 1, then (i) the SHA can waive satisfaction of such condition or conditions in writing (delivered to Developer) on or prior to the Closing Deadline, and the Closing shall proceed, or (ii) the SHA can immediately terminate this Agreement in writing (delivered to Developer), and pursue all of its rights and remedies against the Developer as set forth herein, or as otherwise available at law or in equity, including without limitation those remedies set forth in Section 203, above. In the event that one or more of the above conditions are not satisfied on or before the Closing Deadline for Phase 2, then (i) the SHA can waive satisfaction of such condition or conditions in writing (delivered to Developer) on or prior to the Closing Deadline, and the Closing shall proceed, or (ii) the SHA can immediately terminate this Agreement with respect to Phase 2, only.

308. Insurance Requirements. The Phase 1 Developer and the Phase 2 Developer, as applicable, shall take out and maintain with respect to each of Phase 1 and Phase 2, during the terms of each of the Phase 1 and Phase 2 Declarations, and the Phase 1 Developer and the Phase 2 Developer, as applicable, shall cause such Developer's general contractor and subcontractors to take out and maintain until completion of construction of the Phase 1 or Phase 2 Improvements, as applicable, a comprehensive general liability policy in the amount of not less than $4,000,000 combined single limit policy for the contractor and not less than $2,000,000 combined single limit policy for subcontractors, and a comprehensive automobile liability policy in the amount of $2,000,000 combined single limit, or such other policy limits as SHA may approve at its discretion, including contractual liability, as shall protect the Phase 1 Developer or the Phase 2 Developer, as applicable, City and SHA from claims for such damages. Such policy or policies shall be written on an occurrence form. The Phase 1 Developer and the Phase 2 Developer, as applicable, shall also furnish or cause to be furnished to SHA evidence satisfactory to SHA that the Phase 1 Developer or the Phase 2 Developer, as applicable, and any contractor with whom it has contracted for the performance of work on the Site or otherwise pursuant to this Agreement, carries workers' compensation insurance as required by law. The Phase 1 Developer and the Phase 2 Developer, as applicable, shall furnish a notarized certificate of insurance countersigned by an authorized agent of the insurance carrier on a form approved by SHA setting forth the general provisions of the insurance coverage. This countersigned certificate shall name the City and SHA and their respective officers, agents, and employees as additionally insured parties under the policy, and the certificate shall be accompanied by a duly executed endorsement evidencing such additional insured status. The certificate and endorsement by the insurance

carrier shall contain a statement of obligation on the part of the carrier to notify City and SHA of any material change, cancellation or termination of the coverage at least thirty (30) days in advance of the effective date of any such material change, cancellation or termination. Coverage provided hereunder by the Phase 1 Developer or the Phase 2 Developer, as applicable, shall be primary insurance and not be contributing with any insurance maintained by SHA or City, and the policy shall contain such an endorsement. The insurance policy or the endorsement shall contain a waiver of subrogation for the benefit of the City and SHA. The required certificate shall be furnished by the Phase 1 Developer or the Phase 2 Developer, as applicable, at the time set forth therefor in the Schedule of Performance. Notwithstanding anything to the contrary set forth herein, the Phase 1 Developer shall have no liability or obligations hereunder with respect to Phase 2 and the Phase 2 Developer shall have no liability or obligations hereunder with respect to Phase 1.

309. Developer's Indemnity. The Developer while it owns the Site, and subsequently the Phase 1 Developer or the Phase 2 Developer, as applicable, shall be responsible for all injuries to persons and/or all damages to real or personal property of SHA, the City, or others, caused by or resulting from the sale, rental, ownership or operation of the Site, Phase 1 or Phase 2, as applicable, the negligence and/or material breach of this Agreement, of itself, its employees, subcontractors and/or its agents during the construction of or arising out of the construction of the Improvements. Developer while it owns the Site, and subsequently the Phase 1 Developer or the Phase 2 Developer, as applicable, shall defend and hold harmless and indemnify SHA, the City, and all of their officers and employees from and against all claims, liens, claims of lien, losses, damages, judgments, costs, and expenses, whether direct or indirect, arising in any way from (i) the sale, rental, ownership or operation of the Site, including without limitation the Improvements; (ii) Developer's negligence; (iii) material breach of this Agreement, by Developer, the Phase 1 Developer or the Phase 2 Developer, as applicable, its employees, subcontractors and/or its agents; and/or (iv) arising out of the construction of the Improvements, except those arising from the sole negligence or willful misconduct of the SHA or the City, or any of their officers, employees or agents.

310. Rights of Access. The SHA and its representatives shall have the right of reasonable access to the Site, without charges or fees, for the purposes of inspection of the work being performed in demolishing and constructing the Improvements and monitoring compliance with this Agreement.

311. Compliance With Laws. The Developer while it owns the Site, and subsequently the Phase 1 Developer or the Phase 2 Developer, as applicable, represents and warrants that during the term of this Agreement that it will comply with all State and Federal prevailing wage requirements to the extent the same are applicable to the work. The Phase 1 Developer or the Phase 2 Developer, as applicable, shall carry out the design, construction of the Improvements in conformity with all applicable laws, including all applicable state labor standards, the City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the Title 24 of the California Code of Regulations, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, et seq., Government Code Section 4450, et seq.,

Government Code Section 11135, et seq., and the Unruh Civil Rights Act, Civil Code Section 51, et seq. The Phase 1 Developer and the Phase 2 Developer, as applicable, each hereby agrees to carry out development, construction (as defined by applicable law) and operation of the Improvements on the Site, including, without limitation, any and all public works (as defined by applicable law), in conformity with all applicable local, state and federal laws, including, without limitation, all applicable federal and state labor laws (including, without limitation, any requirement to pay state prevailing wages). The Phase 1 Developer and the Phase 2 Developer, as applicable, each hereby expressly acknowledges and agrees that neither City nor SHA has ever previously affirmatively represented to the Developer, the Phase 1 Developer or the Phase 2 Developer or any of their contractor(s) for the Improvements in writing or otherwise, in a call for bids or otherwise, that the work to be covered by the bid or contract is or is not a "public work," as defined in Section 1720 of the Labor Code. The Phase 1 Developer or the Phase 2 Developer, as applicable, hereby agrees that it shall have the obligation to provide any and all disclosures, representations, statements, rebidding, and/or identifications which may be required by Labor Code Sections 1726 and 1781, as the same may be enacted, adopted or amended from time to time, or any other provision of law. The Phase 1 Developer or the Phase 2 Developer, as applicable, hereby agrees that it shall have the obligation to provide and maintain any and all bonds to secure the payment of contractors (including the payment of wages to workers performing any public work) which may be required by the Civil Code, Labor Code Section 1781, as the same may be enacted, adopted or amended from time to time, or any other provision of law. The Phase 1 Developer or the Phase 2 Developer, as applicable, hereby agrees that the it shall have the obligation, at its sole cost, risk and expense, to obligate any party as may be required by Labor Code Sections 1726 and 1781, as the same may be enacted, adopted or amended from time to time, or any other provision of law. The Developer while it owns the Site, and subsequently the Phase 1 Developer or the Phase 2 Developer, as applicable, shall indemnify, protect, defend and hold harmless the SHA, City and their respective officers, employees, contractors and agents, with counsel reasonably acceptable to SHA and City, from and against any and all loss, liability, damage, claim, cost, expense, and/or "increased costs" (including labor costs, penalties, reasonable attorneys' fees, court and litigation costs, and fees of expert witnesses) which, in connection with the development, construction (as defined by applicable law) and/or operation of the Improvements, including, without limitation, any and all public works (as defined by applicable law), results or arises in any way from any of the following: (i) the noncompliance by Developer, the Phase 1 Developer or the Phase 2 Developer, as applicable, of any applicable local, state and/or federal law, including, without limitation, any applicable federal and/or state labor laws (including, without limitation, if applicable, the requirement to pay state prevailing wages); (ii) the implementation of Sections 1726 and 1781 of the Labor Code, as the same may be enacted, adopted or amended from time to time, or any other similar law; (iii) failure by Developer, the Phase 1 Developer or the Phase 2 Developer, as applicable, to provide any required disclosure, representation, statement, rebidding and/or identification which may be required by Labor Code Sections 1726 and 1781, as the same may be enacted, adopted or amended from time to time, or any other provision of law; (iv) failure by Developer, the Phase 1 Developer or the Phase 2 Developer, as applicable, to provide and maintain any and all bonds to secure the payment of contractors (including the payment of wages to workers performing any public work) which may be required by the Civil Code, Labor Code Section 1781, as the same may be enacted, adopted or amended from time to time, or any other

provision of law; and/or (v) failure by the Developer, the Phase 1 Developer or the Phase 2 Developer, as applicable, to obligate any party as may be required by Labor Code Sections 1726 and 1781, as the same may be enacted, adopted or amended from time to time, or any other provision of law. It is agreed by the parties that, in connection with the development, construction (as defined by applicable law) and operation of the Improvements, including, without limitation, any public work (as defined by applicable law), Developer, the Phase 1 Developer or the Phase 2 Developer, as applicable, shall bear all risks of payment or non-payment of state prevailing wages and/or the implementation of Labor Code Sections 1726 and 1781, as the same may be enacted, adopted or amended from time to time, and/or any other provision of law. "Increased costs" as used in this Section 311 shall have the meaning ascribed to it in Labor Code Section 1781, as the same may be enacted, adopted or amended from time to time. The foregoing indemnity shall survive termination of this Agreement. Notwithstanding anything to the contrary set forth herein, the Phase 1 Developer shall have no liability or obligations hereunder with respect to Phase 2 and the Phase 2 Developer shall have no liability or obligations hereunder with respect to Phase 1.

311.1 Nondiscrimination in Employment. The Phase 1 Developer or the Phase 2 Developer, as applicable, certifies and agrees that all persons employed or applying for employment by it, its affiliates, subsidiaries, or holding companies, and all subcontractors, bidders and vendors, are and will be treated equally by it without regard to, or because of race, color, religion, ancestry, national origin, sex, age, pregnancy, childbirth or related medical condition, medical condition (cancer related) or physical or mental disability, and in compliance with Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 2000, et seq., the Federal Equal Pay Act of 1963, 29 U.S.C. Section 206(d), the Age Discrimination in Employment Act of 1967, 29 U.S.C. Section 621, et seq., the Immigration Reform and Control Act of 1986, 8 U.S.C. Section 1324b, et seq., 42 U.S.C. Section 1981, the California Fair Employment and Housing Act, Cal. Government Code Section 12900, et seq., the California Equal Pay Law, Cal. Labor Code Section 1197.5, Cal. Government Code Section 11135, the Americans with Disabilities Act, 42 U.S.C. Section 12101, et seq., and all other anti-discrimination laws and regulations of the United States and the State of California as they now exist or may hereafter be amended. The Developer, Phase 1 Developer or the Phase 2 Developer, as applicable, shall allow representatives of SHA access to its employment records related to this Agreement during regular business hours to verify compliance with these provisions when so requested by SHA. Notwithstanding anything to the contrary set forth herein, the Phase 1 Developer shall have no liability or obligations hereunder with respect to Phase 2 and the Phase 2 Developer shall have no liability or obligations hereunder with respect to Phase 1.

311.2 Taxes and Assessments. The Phase 1 Developer or the Phase 2 Developer, as applicable, shall pay prior to delinquency all ad valorem real estate taxes and assessments on the Site. The Phase 1 Developer or the Phase 2 Developer, as applicable, shall remove or have removed any levy or attachment on any of the Site or any part thereof, or assure the satisfaction thereof within a reasonable time. Notwithstanding anything to the contrary set forth herein, the Phase 1 Developer shall have no liability or obligations hereunder with respect to Phase 2 and the Phase 2 Developer shall have no liability or obligations hereunder with respect to Phase 1.

311.3 Liens and Stop Notices. The Phase 1 Developer or the Phase 2 Developer, as applicable, shall not allow to be placed on the Site or any part thereof any lien or stop notice. Notwithstanding anything to the contrary set forth herein, Phase 1 Developer shall have no obligation or liability with respect to any lien or stop notice on Phase 2 and any such lien or stop notice on Phase 2 shall not cause a default under this Agreement with respect to Phase 1 or the Phase 1 Developer, and the Phase 2 Developer shall have no obligation or liability with respect to any line or stop notice on Phase 1 and any such lien or stop notice on Phase 1 shall not cause a default under this Agreement with respect to Phase 2 or the Phase 2 Developer. If a claim of a lien or stop notice is given or recorded affecting the Improvements, the Phase 1 Developer or the Phase 2 Developer, as applicable, shall, within thirty (30) days of such recording or service or within ten (10) days of SHA's demand, whichever last occurs:

(a) pay and discharge the same;

(b) effect the release thereof by recording and delivering to SHA a surety bond in sufficient form and amount as approved by SHA in its sole discretion; or

(c) provide SHA with other assurance which SHA deems, in its sole discretion, to be satisfactory for the payment of such lien or bonded stop notice and for the full and continuous protection of SHA from the effect of such lien or bonded stop notice.

312. Financing of the Improvements.

312.1 No Encumbrances Except Mortgages or Deeds of Trust. Except as otherwise provided herein, mortgages and deeds of trust may be permitted only with SHA's prior written approval, and only for the purpose of securing loans of funds to be used for financing construction of the Improvements (including architecture, engineering, legal, and related direct costs as well as indirect costs) on or in connection with the Site, and any other purposes necessary and appropriate in connection with development under this Agreement. The Phase 1 Developer or the Phase 2 Developer, as applicable, shall notify SHA in advance of any mortgage or deed of trust, if such Developer proposes to enter into the same before completion of construction of the Improvements. Except as otherwise provided herein, the Phase 1 Developer or the Phase 2 Developer, as applicable, shall not enter into any such mortgage or deed of trust for financing without the prior written approval of SHA, which approval SHA agrees to give if any such mortgage or deed of trust for financing is given to a responsible financing lending institution or person or entity, as determined by SHA in its reasonable discretion. If SHA shall disapprove any such evidence of financing, SHA shall do so by Notice to such Developer stating the reasons for such disapproval and Developer may elect either to obtain and submit to SHA new evidence of financing or to terminate this Agreement. SHA agrees that the Developer Deeds of Trust shall be subordinated to the Construction Deed of Trust and Permanent Deed of Trust, such subordination shall be in a form acceptable to the SHA in its reasonable discretion. Furthermore, the SHA shall subordinate the Declaration, Notice of Affordability Restrictions and Memorandum of Option, to the Construction Deed of Trust and Permanent Deed of Trust, to the extent necessary to obtain construction and permanent financing for the Improvements. Any such subordination shall be in a form acceptable to the SHA in its reasonable discretion.

312.2 Right of SHA to Cure Mortgage or Deed of Trust Default. In the event of a mortgage or deed of trust default or breach by Developer, the Phase 1 Developer and/or the Phase 2 Developer, the party in default shall immediately deliver to SHA a copy of any mortgage holder's notice of default. SHA shall have the right but not the obligation to cure the default. In such event, SHA shall be entitled to reimbursement from Developer, the Phase 1 Developer and/or the Phase 2 Developer, as applicable, of all costs and expenses incurred by SHA in curing such default, including without limitation attorneys' fees.

313. Occupancy Monitoring and Inspection Fees. Each year during the term of the applicable Phase 1 Declaration or Phase 2 Declaration, the Phase 1 Developer or the Phase 2 Developer, as applicable, shall pay to the SHA an affordable housing occupancy monitoring and inspection fee in the amount of $220 per affordable unit in the first year after the Improvements are placed in service, and increased by 2% each year thereafter. The affordable housing occupancy monitoring and inspection fees shall be calculated and payable on a Phase by Phase basis, such that the Phase 1 Developer shall be responsible for paying only those fees relating to, and calculated by reference to the number of units located on, Phase 1 and shall have no responsibility for payment of any fee relating to, or calculated with reference to the number of units located on, Phase 2 and vice versa. The affordable housing occupancy monitoring and inspection fee is in addition to any fees payable by the Developer to the SHA pursuant to that certain Supplemental Housing Support Agreement, dated as of December 9, 2014, between the Developer and the SHA.

314. SHA Option to Acquire Phase 1 and Phase 2.

314.1 Grant of the Option. Effective upon the Closing for Phase 1 and the Closing for Phase 2, as applicable, the Phase 1 Developer or Phase 2 Developer, as applicable, grants to the SHA the exclusive option to purchase all of Phase 1 or Phase 2, as applicable, including all Improvements thereon (each the "Option," or collectively, the "Options"), on the terms and conditions set forth in this Section 314. Each Option shall commence upon the earlier of: (i) cancellation, redemption or termination, for any reason, of the low income housing tax credits allocated to the Developer from the California Tax Credit Allocation Committee; or (ii) on the first day of the taxable year in which the "compliance period" (within the meaning of section 42(i)(1) of the Internal Revenue Code) terminates for the structure containing the Affordable Units ("Option Commencement Date"), and shall expire one (1) year after the Option Commencement Date ("Option Term").

314.2 Consideration for the Options. The execution of this Agreement and the making of the SHA Loan by the SHA to the Developer shall be the consideration for granting the Options. The Developer hereby acknowledges that the SHA would not enter into this Agreement or agree to or make the SHA Loan without the Developer granting the Option to the SHA.

314.3 Project Related Tax Liability of the Limited Partner. On the Option Commencement Date the Developer shall provide written notice to the SHA, which notice shall state the total amount of the tax liability of the general partner and the limited partner of the

Developer (with respect to such Phase) ("Limited Partner Project Related Tax Liability") that would be incurred upon exercise by the SHA of the Option and shall further provide to the SHA such back-up documentation necessary, as determined by the SHA in its sole discretion, to show the calculation and verification of the same.

314.4 Exercise of the Option. During each Option Term, the SHA may exercise its Option by delivering written notice of the same to the Developer.

314.5 Purchase Price. If the SHA exercises an Option, the total consideration payable by the SHA to the Developer for Phase 1 or Phase 2, as applicable, shall be the greater of: (i) the Fair Market Value (as defined in Section 314.6, below) of Phase 1 or Phase 2, as applicable; or (ii) the sum of: (w) the Limited Partner Project Related Tax Liability for Phase 1 or Phase 2, as applicable; plus (x) the then principal of and all accrued interest on the SHA Loan which is secured by the Developer Deed of Trust on Phase 1 or Phase 2, as applicable; plus (y) principal of and all accrued interest on the loan secured by the Permanent Deed of Trust for Phase 1 or Phase 2, as applicable; plus (z) the principal of and all accrued interest on any other secured loans encumbering Phase 1 or Phase 2, as applicable, which were expressly approved by the SHA. In the event the SHA exercises an Option, all of the then principal and interest of the SHA Loan for such Phase shall be forgiven and such amount shall be credited against the purchase price payable by the SHA.

314.6 Fair Market Value Defined. Fair Market Value of Phase 1 or Phase 2, as applicable, and all of the Improvements is the amount which a buyer would pay for the same in an arm's-length transaction as determined by an appraiser selected by the SHA (with the Developer's written consent, which shall not be unreasonably, conditioned, delayed or withheld) who holds an MAI designation from the Appraisal Institute who has experience valuing affordable housing communities in the geographic area in which the Site is located. The appraisal shall take into account the following factors and restrictions, but only to the extent that such factors and/or restrictions are true or in effect (as the case may be) as of the date on which such Fair Market Value is being determined: (i) the requirement that the dwelling units at the Site remain dedicated for the occupancy by and use of low income persons; (ii) any restrictions under any loan agreements or regulatory agreements pertaining to the Site and all of the Improvements; (iii) the requirements of 26 U.S.C. §42; and (iv) the terms of any assumable financing.

314.7 Escrow. Within ten (10) days following the SHA's exercise of an Option pursuant to Section 314.4 of this Agreement, the Developer and SHA shall open an escrow at a reputable escrow company in San Diego County, California. The parties shall sign the escrow instructions prepared by the escrow holder within ten (10) days of receipt thereof, so long as the instructions (i) state that it is the sole purpose of the escrow holder to comply with and carry out the terms and conditions of this Section 314 of this Agreement, and (ii) contain such other general provisions as are then customarily found in such escrow holder's escrow instructions. Either party failing to sign the escrow holder's escrow instructions as provided above shall be deemed to be in breach of this Agreement. The escrow shall provide for a closing on or before ninety (90) days after it is opened. The escrow holder's escrow instructions signed by the parties shall state the date escrow was opened.

314.8 Memorandum of Option. The Developer shall execute, acknowledge, deliver and cause a Memorandum of Option to be recorded at the Closings for each of Phase 1 and Phase 2.

400. Covenants and Restrictions.

401. Use in Accordance with Redevelopment Plan and Relocation Plan. Developer (and the Phase 1 Developer or Phase 2 Developer, as applicable) covenants and agrees for itself, its successors, assigns, and every successor in interest to the Site or any part thereof, that such parties shall devote the Site to the uses specified in the Redevelopment Plan, Declaration and this Agreement for the periods of time specified herein. All uses conducted on the Site, including, without limitation, all activities undertaken by Developer pursuant to this Agreement, shall conform to the Redevelopment Plan and all applicable provisions of the San Marcos Municipal Code. The foregoing covenants shall run with the land. The Phase 1 Developer and Phase 2 Developer shall comply with the applicable provisions of the relocation plan which will be agreed upon by the Developer and the SHA.

402. Affordable Units.

402.1 Developer Covenants Concerning Affordable Units. Developer (and the Phase 1 Developer or Phase 2 Developer, as applicable) acknowledges that the Agency Loan was funded and the Predevelopment Loan is being funded all or in part from the SHA's Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the California Health and Safety Code. Developer (and the Phase 1 Developer or Phase 2 Developer, as applicable) agrees that all of the SHA Loan shall be used for purposes that are eligible under the applicable provisions of the California Health and Safety Code. Also, Developer (or the Phase 1 Developer or Phase 2 Developer, as applicable) shall construct Affordable Units at the Site as required by the SHA. The number of Affordable Units, the bedroom composition and affordability levels shall be as set forth in the Declarations. At each of the Closing for Phase 1 and the Closing for Phase 2, the Developer (or the Phase 1 Developer or Phase 2 Developer, as applicable) shall execute a Declaration and cause it to be recorded against Phase 1 or Phase 2, as applicable. Each Declaration will prohibit smoking at the Site and will set forth the applicable rent and occupancy restriction in more detail. Developer further covenants and agrees that the Affordable Units will be rented only to persons and families whose income does not exceed the income of Low Income Households, at rents affordable to the same. The parties acknowledge that the rents contained herein and in the Declaration are the rents specified by the California Tax Credit Allocation Committee which comply with the Leitch stipulated judgment, a copy of which has been provided by the SHA to Developer.

(a) Phase 1 Rent and Occupancy Table. The Declaration for Phase 1 shall include the following table:

1	2	3	4	5	6
NUMBER OF AFFORDABLE UNITS	UN-RESTRICTED UNITS	UNIT TYPE	MAXIMUM INCOME OF ELIGIBLE TENANTS	MAXIMUM MONTHLY RENTS	YEARS OF RENT RESTRICTION
8		One Bedroom	30%	1/12th of 30% of 30% of AMI	55
0		One Bedroom	40%	1/12th of 30% of 40% of AMI	55
5		One Bedroom	50%	1/12th of 30% of 50% of AMI	55
5		One Bedroom	60%	1/12th of 30% of 60% of AMI	55
5		Two Bedroom	30%	1/12th of 30% of 30% of AMI	55
16		Two Bedroom	40%	1/12th of 30% of 40% of AMI	55
3		Two Bedroom	50%	1/12th of 30% of 50% of AMI	55
17		Two Bedroom	60%	1/12th of 30% of 60% of AMI	55
3		Three Bedroom	30%	1/12th of 30% of 30% of AMI	55
8		Three Bedroom	40%	1/12th of 30% of 40% of AMI	55
4		Three Bedroom	50%	1/12th of 30% of 50% of AMI	55
10		Three Bedroom	60%	1/12th of 30% of 60% of AMI	55
	1	Three Bedroom	MANAGER		
TOTAL AFFORDABLE	**Total Unrestricted**	**Total Units**			
84	**1**	**85**			

(b) Phase 2 Rent and Occupancy Table. The Declaration for Phase 2 shall include the following table:

1	2	3	4	5	6
NUMBER OF AFFORDABLE UNITS	UN-RESTRICTED UNITS	UNIT TYPE	MAXIMUM INCOME OF ELIGIBLE TENANTS	MAXIMUM MONTHLY RENTS	YEARS OF RENT RESTRICTION
2		One Bedroom	30%	1/12th of 30% of 30% of AMI	55
2		One Bedroom	40%	1/12th of 30% of 40% of AMI	55
3		One Bedroom	50%	1/12th of 30% of 50% of AMI	55
5		One Bedroom	60%	1/12th of 30% of 60% of AMI	55
3		Two Bedroom	30%	1/12th of 30% of 30% of AMI	55
12		Two Bedroom	40%	1/12th of 30% of 40% of AMI	55
2		Two Bedroom	50%	1/12th of 30% of 50% of AMI	55
13		Two Bedroom	60%	1/12th of 30% of 60% of AMI	55
2		Three Bedroom	30%	1/12th of 30% of 30% of AMI	55
8		Three Bedroom	40%	1/12th of 30% of 40% of AMI	55
2		Three Bedroom	50%	1/12th of 30% of 50% of AMI	55
8		Three Bedroom	60%	1/12th of 30% of 60% of AMI	55
	1	Three Bedroom	MANAGER		
TOTAL AFFORDABLE	**Total Unrestricted**	**Total Units**			
62	**1**	**63**			

402.2 Timing. Completion of construction of all of the Phase 1 and Phase 2 Improvements, including all of the Affordable Units, shall occur on or before the deadlines set forth in the Schedules of Performance for Phase 1 and Phase 2.

402.3 Declaration. The SHA would not enter into this Agreement without the Developer agreeing to cause the execution and recordation of the Declarations.

403. Maintenance Covenants. The Phase 1 Developer or Phase 2 Developer, as applicable, shall maintain Phase 1 and Phase 2 in compliance with the terms of the Redevelopment Plan, all applicable provisions of the San Marcos Municipal Code and all housing quality standards contained within 24 CFR §92.251 (regardless of whether such section would apply to the Site without the foregoing provision). Developer (and the Phase 1 Developer or Phase 2 Developer, as applicable) hereby consents to periodic inspection by the SHA's designated inspectors and/or designees during regular business hours, including the Code Enforcement Agents of the City, to assure compliance with said zoning, building codes, regulations, and housing quality standards.

404. Obligation to Refrain from Discrimination.

404.1 State and Federal Requirements. Developer, the Phase 1 Developer and Phase 2 Developer shall, at all times during the term of this Agreement, comply with all of the affirmative marketing procedures adopted by the SHA. Developer, the Phase 1 Developer and the Phase 2 Developer, as applicable, shall each maintain records to verify compliance with the applicable affirmative marketing procedures and compliance. Such records are subject to inspection by the SHA during regular business hours upon five (5) days written notice. Developer, the Phase 1 Developer or the Phase 2 Developer, each covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry, familial status, source of income or disability in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, nor shall Developer, the Phase 1 Developer or the Phase 2 Developer, as applicable, or any person claiming under or through any of them establish or permit any such practice or practices of discrimination or segregation of any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Site or the rental, lease, sale of the Site. The foregoing covenants shall run with the Site.

404.2 Additional Requirements. Developer, the Phase 1 Developer and the Phase 2 Developer, each hereby agrees to comply with the Title VII of the Civil Rights Act of 1964, as amended, the California Fair Employment Practices Act, and any other applicable Federal and State laws and regulations.

404.3 Fair Housing Laws. All activities carried out by Developer, the Phase 1 Developer and the Phase 2 Developer, as applicable, and/or the agents of any of them shall be in accordance with the requirements of the Federal Fair Housing Act. The Fair Housing Amendments Act of 1988 became effective on March 12, 1989. The Fair Housing Amendments Act of 1988 and Title VIII of the Civil Rights Act of 1968, taken together, constitute the Fair Housing Act. The Fair Housing Act provides protection against the following discriminatory housing practices if they are based on race, sex, religion, color, handicap, familial status, or national origin: denying or refusing to rent housing, denying or refusing to sell housing, treating

differently applicants for housing, treating residents differently in connection with terms and conditions, advertising a discriminatory housing preference or limitation, providing false information about the availability of housing, harassing, coercing or intimidating people from enjoying or exercising their rights under the Fair Housing Act, blockbusting for profit, persuading owner to sell or rent housing by telling them that people of a particular race, religion, etc., are moving into the neighborhood, imposing different terms for loans for purchasing, constructing, improving, repairing, or maintaining a home, or loans secured by housing; denying use or participation in real estate services, e.g., brokers' organizations, multiple listing services, etc., The Fair Housing Act gives HUD the authority to hold administrative hearings unless one of the parties elects to have the case heard in U.S. District Court and to issue subpoenas. Both civil and criminal penalties are provided. The Fair Housing Act also provides protection for people with disabilities and proscribes those conditions under which senior citizen housing is exempt from the prohibitions based on familial status. The following State of California Laws also govern housing discrimination and shall be complied with by Developer: Fair Employment and Housing Act, Unruh Civil Rights Act of 1959, Ralph Civil Rights Act of 1976, and Civil Code Section 54.1.

405. Nondiscrimination Covenants. Developer covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of, any person or group of persons on the basis of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry, familial status, source of income or disability of any person in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, nor shall Developer or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation of any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Site. The foregoing covenants shall run with the land. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) Deeds. In deeds "The grantee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, religion, sex, sexual orientation, disability, medical condition, familial status, source of income, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

(b) Leases. In leases "The lessee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through them, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or

segregation of any person or group of persons, on account of race, color, religion, sex, sexual orientation, disability, medical condition, familial status, source of income, marital status, national origin or ancestry in the leasing, subleasing, renting, transferring, use, occupancy, tenure or enjoyment of the land herein leased, nor shall lessee itself, or any person claiming under or through it, establish or permit such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the land herein leased."

(c) Contracts. In contracts for the rental, lease or sale of the Site or any dwelling unit "There shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, sex, sexual orientation, disability, medical condition, familial status, source of income, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land, nor shall the transferee itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the land."

406. Effect of Violation of the Terms and Provisions of this Agreement After Completion of Construction. SHA is deemed the beneficiary of the terms and provisions of this Agreement and of the covenants running with the land, for and in its own right and for the purposes of protecting the interests of the community and other parties, public or private, in whose favor and for whose benefit this Agreement and the covenants running with the land have been provided, without regard to whether SHA has been, remains or is an owner of any land or interest therein in the Site. SHA shall have the right, if this Agreement or its covenants are breached, to exercise all rights and remedies, and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breaches to which it or any other beneficiaries of this Agreement and covenants may be entitled.

500. Defaults and Remedies.

501. Default Generally. Subject to the extensions of time set forth in Section 602 of this Agreement, failure by either party to perform any action or covenant required by this Agreement within the time periods provided herein following notice and failure to cure as described hereafter, constitutes a "Default" under this Agreement. A party claiming a Default shall give written notice of Default to the other party specifying the Default complained of. Except as otherwise expressly provided in this Agreement, the claimant shall not institute any proceeding against any other party, and the other party shall not be in Default if such party within thirty (30) days from receipt of such notice immediately, with due diligence, commences to cure, correct or remedy such failure or delay and shall complete such cure, correction or remedy with diligence.

502. Institution of Legal Actions. In addition to any other rights or remedies and subject to the restrictions otherwise set forth in this Agreement, either party may institute an action at law or equity to seek specific performance of the terms of this Agreement, or to cure, correct or remedy any Default, to recover damages for any Default, or to obtain any other remedy

consistent with the purpose of this Agreement. Such legal actions must be instituted in the County of San Diego, State of California, in an appropriate court in that county, or in the District of the United States District Court in which such county is located.

503. Entry and Vesting of Title in SHA Prior to Completion of Construction.

503.1 Right of Entry. In additional to all other rights and remedies the SHA may have at law or in equity, the SHA has the right, at its election, to enter and take possession of Phase 1 or Phase 2, as applicable, and vest title to Phase 1 or Phase 2, as applicable, in the SHA by foreclosing on the Developer Deed of Trust, if after the Closing for Phase 1 or Phase 2, as applicable, the Phase 1 Developer or Phase 2 Developer, as applicable:

(a) fails to start the demolition and construction of the Improvements for Phase 1 or Phase 2, as applicable, as required by this Agreement for a period of thirty (30) days after written notice thereof from SHA (unless otherwise extended with SHA approval); or

(b) abandons or substantially suspends construction of the Improvements for Phase 1 or Phase 2, as applicable, as required by this Agreement for a period of thirty (30) days after written notice thereof from SHA (unless otherwise extended with SHA approval); or

(c) transfers or suffers any involuntary transfer of the Phase 1 or Phase 2, as applicable, or any part thereof in violation of contrary to the provisions of Section 603 or any other section of this Agreement.

503.2 Limitations on Right of Entry. Such right to enter and vest shall be subject to and be limited by and shall not defeat, render invalid or limit any mortgage or deed of trust permitted by this Agreement that is senior to the applicable Developer Deed of Trust.

503.3 Right of Entry Referenced in Developer Deed of Trust. Each of the Developer Deeds of Trust shall contain appropriate reference and provision to give effect to SHA's rights as set forth in this Section 503, to enter and take possession of the Phase, with all improvements thereon, and to vest title to such Phase in the SHA.

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

505. Inaction Not a Waiver of Default. Any failures or delays by either party in asserting any of its rights and remedies as to any Default shall not operate as a waiver of any Default or of any such rights or remedies, or deprive either such party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies shall govern the interpretation and enforcement of this Agreement.

600. General Provisions.

601. Notices, Demands and Communications Between the Parties. Any approval, disapproval, demand, document or other notice ("Notice") which either party may desire to give to the other party under this Agreement must be in writing and may be given by any commercially acceptable means to the party to whom the Notice is directed at the address of the party as set forth below, or at any other address as that party may later designate by Notice.

To SHA: City of San Marcos
Attn. City Manager
1 Civic Center Drive
San Marcos, CA 92069

Copy To: Christensen & Spath LLP
Attn. Walter F. Spath III, Esq.
550 West C Street, Suite 1660
San Diego, CA 92101

To Developer: Villa Serena Apartments Limited Partnership
c/o National Community Renaissance of California
9421 Haven Avenue
Rancho Cucamonga, CA 91730
Attn: Chief Financial Officer

Copy to: Edward A. Hopson
655A North Mountain Avenue
Upland, CA 91786

Any written notice, demand or communication shall be deemed received immediately if delivered by hand and shall be deemed received on the third day from the date it is postmarked if delivered by registered or certified mail.

602. Enforced Delay; Extension of Times of Performance. In addition to specific provisions of this Agreement, performance by either party hereunder shall not be deemed to be in Default, and all performance and other dates specified in this Agreement shall be extended, where delays or Defaults are due to war, insurrection, strikes, lockouts, riots, floods, earthquakes, fires, casualties, acts of God, acts of the public enemy, epidemics, quarantine restrictions, freight embargoes, lack of transportation, governmental restrictions or priority, litigation, unusually severe weather, acts or omissions of the other party, or any other causes beyond the control and without the fault of the party claiming an extension of time to perform. Notwithstanding anything to the contrary in this Agreement, an extension of time for any such cause shall be for the period of the delay and shall commence to run from the time of the commencement of the cause, if notice by the party claiming such extension is sent to the other party within five (5) days of the commencement of the cause. Times of performance under this Agreement may also be extended in writing by the mutual agreement of the City Manager (on behalf of the SHA) and Developer.

603. Transfers of Interest in Site or Agreement.

603.1 Prohibition. The qualifications and identity of Developer are of particular concern to the City. It is because of those qualifications and identity that the SHA has entered into this Agreement with Developer. For the period commencing upon the date of this Agreement and during the term of the Declarations for both Phase 1 and Phase 2 (55-years from conversion of the construction loan for such Phase to a permanent loan for each Phase), no voluntary or involuntary successor in interest of Developer shall acquire any rights or powers under this Agreement, nor shall Developer make any total or partial sale, transfer, conveyance, assignment, subdivision, refinancing or lease of the whole or any part of the Site or the Improvements thereon without prior written approval of the SHA, except as expressly set forth herein. Any proposed total or partial sale, transfer, conveyance, assignment, subdivision, refinancing or lease of the whole or any part of the Site or the Improvements, other than those permitted in Section 603.2, will entitle the SHA to its right of reentry and revesting as set forth in Section 504 hereof. For the reasons cited above, Developer represents and agrees for itself, each member and any successor in interest of itself and each member that without the prior written approval of the SHA, there shall be no significant change in the ownership of Developer or in the relative proportions thereof, or with respect to the identity of the parties in control of Developer or the degree thereof, by any method or means. Developer shall promptly notify the SHA of any and all changes whatsoever in the identity of the parties in control of Developer or the degree thereof, of which it or any of its officers have been notified or otherwise have knowledge or information. Any significant change (voluntary or involuntary) in partners, management or control, of Developer or its associates (other than such changes occasioned by the death or incapacity of any individual) shall be a Default.

603.2 Permitted Transfers. Notwithstanding any other provision of this Agreement to the contrary, SHA approval of an assignment of this Agreement or conveyance of the Site or Improvements, or any part thereof, will be granted in connection with any of the following, subject to SHA and Developer executing appropriate documents of transfer which contain any exceptions or reservation of rights permitted under this Agreement:

(a) the leasing of one or more Affordable Units to an occupant in compliance with the Declaration;

(b) the conveyance of each of Phase 1 or Phase 2, to a limited partnership ("Tax Credit Limited Partnership") to the extent necessary to obtain tax credits for Phase 1 or Phase 2;

(c) transfer of up to a Ninety-Nine and Ninety Nine Hundredths Percent (99.99%) limited partnership interest in either of the Tax Credit Limited Partnerships to a tax credit investor partner in connection with a tax credit syndication;

(d) transfer by the tax credit investor partner of its interest in a Tax Credit Limited Partnership to an entity in which the tax credit investor partner or its affiliate manages

and controls, directly or indirectly, the management decisions of such entity in connection with the tax credit syndication;

(e) transfer by the Developer of its general partner interest in either of the Tax Credit Limited Partnerships to an entity that is controlled by the Developer;

(f) a Tax Credit Limited Partnership granting an option to purchase Phase 1 or Phase 2 after the expiration of the applicable 15-year tax credit compliance period to an entity in which Developer or its affiliate manages and controls, directly or indirectly, the management decisions of such entity, provided that any such options shall be subject and subordinate to the SHA's Option;

(g) the conveyance or dedication of any portion of the Site to the City or other appropriate governmental agency, or the granting of easements or permits to facilitate construction of the Improvements (as defined herein);

(h) any requested assignment for financing purposes (subject to such financing being reasonably approved by SHA), including the grant of a deed of trust to secure the funds necessary for construction of the Improvements;

(i) any deed of trust or related document recorded against Phase 1 or Phase in connection with financing approved by the SHA; or

(j) actions of the tax credit investor to replace the general partner if done in compliance with the applicable provisions of each agreement of limited partnership, provided the replacement general partner is an affiliate of the tax credit investor.

603.3 Successors and Assigns. All of the terms, covenants and conditions of this Agreement shall be binding upon Developer and its permitted successors and assigns. Whenever the term "Developer" is used in this Agreement, such term shall include any other permitted successors and assigns as herein provided.

603.4 Assignment by SHA. SHA may assign or transfer this Agreement in its entirety, or any of its rights or obligations hereunder.

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

605. Relationship Between SHA and Developer. It is hereby acknowledged that the relationship between the SHA and Developer is that of independent contractors and not that of a partnership or joint venture and that the SHA and Developer shall not be deemed or construed for any purpose to be the agent of the other. Accordingly, except as expressly provided herein, the SHA shall have no rights, powers, duties or obligations with respect to the operation,

maintenance or management of the Improvements. Developer agrees to indemnify, hold harmless and defend the SHA from any claim made against the SHA arising from a claimed relationship of partnership or joint venture between the SHA and Developer.

606. SHA Approvals and Actions. Whenever a reference is made herein to an action or approval to be undertaken by the SHA, the City Manager or his or her designee is authorized to act on behalf of SHA, unless specifically provided otherwise.

607. Counterparts. This Agreement may be signed in multiple counterparts which, when signed by all parties, shall constitute a binding agreement.

608. Integration. This Agreement contains the entire understanding between the parties relating to the subject matter of this Agreement. All prior or contemporaneous agreements, understandings, representations and statements, oral and written, are merged in this Agreement and shall be of no further force or effect. Each party is entering this Agreement based solely upon the representations set forth herein and upon each party's own independent investigation of any and all facts such party deems material.

609. Attorneys' Fees. The parties agree that the prevailing party in litigation for the breach and/or interpretation and/or enforcement of the terms of this Agreement shall be entitled to their expert witness fees, if any, as part of their costs of suit, and reasonable attorneys' fees as may be awarded by the court, pursuant to California Code of Civil Procedure ("CCP") Section 1033.5 and any other applicable provisions of California law, including, without limitation, the provisions of CCP Section 998. In addition, in the event Developer requests any future amendments to this Agreement or any further agreements, documents or instruments are to be executed by the SHA or the City, the Developer shall pay any and all attorneys' fees incurred by the SHA with respect to the same.

610. Titles and Captions. Titles and captions are for convenience of reference only and do not define, describe or limit the scope or the intent of this Agreement or of any of its terms. References to section numbers are to sections in this Agreement, unless expressly stated otherwise.

611. Interpretation. As used in this Agreement, masculine, feminine or neuter gender and the singular or plural number shall be deemed to include the others where and when the context so dictates. The word "including" shall be construed as if followed by the words "without limitation." This Agreement shall be interpreted as though prepared jointly by both parties.

612. No Waiver. A waiver by either party of a breach of any of the covenants, conditions or agreements under this Agreement to be performed by the other party shall not be construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions or conditions of this Agreement.

613. Modifications. Any amendment, alteration, change or modification of or to this Agreement, in order to become effective, shall be made in writing and in each instance signed by the Developer and the SHA (any amendment, alteration, change or modification of this Agreement on behalf of the SHA, including without limitation changes to the economic terms of this Agreement and its attachments, shall be made by the City Manager in his sole discretion).

614. Severability. If any term, provision, condition or covenant of this Agreement or its application to any party or circumstances shall be held, to any extent, invalid or unenforceable, the remainder of this Agreement, or the application of the term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected, and shall be valid and enforceable to the fullest extent permitted by law.

615. Computation of Time. The time in which any act is to be done under this Agreement is computed by excluding the first day (such as the day escrow opens), and including the last day, unless the last day is a holiday or Saturday or Sunday, and then that day is also excluded. The term "holiday" shall mean all holidays as specified in Section 6700 and 6701 of the California Government Code. If any act is to be done by a particular time during a day, that time shall be Pacific Time Zone time.

616. Legal Advice. Each party represents and warrants to the other the following: they have carefully read this Agreement, and in signing this Agreement, they do so with full knowledge of any right which they may have; they have received independent legal advice from their respective legal counsel as to the matters set forth in this Agreement, or have knowingly chosen not to consult legal counsel as to the matters set forth in this Agreement; and, they have freely signed this Agreement without any reliance upon any agreement, promise, statement or representation by or on behalf of the other party, or their respective agents, employees, or attorneys, except as specifically set forth in this Agreement, and without duress or coercion, whether economic or otherwise.

617. Time of Essence. Time is expressly made of the essence with respect to the performance by the SHA and Developer of each and every obligation and condition of this Agreement.

618. Cooperation. Each party agrees to cooperate with the other in this transaction and, in that regard, to sign any and all documents which may be reasonably necessary, helpful, or appropriate to carry out the purposes and intent of this Agreement including, but not limited to, releases or additional agreements.

619. Conflicts of Interest. No member, official or employee of the SHA shall have any personal interest, direct or indirect, in this Agreement, nor shall any such member, official or employee participate in any decision relating to the Agreement which affects his personal interests or the interests of any corporation, partnership or association in which he is directly or indirectly interested.

620. Recitals Incorporated. The recitals to this Agreement are hereby incorporated in this Agreement by this reference.

621. Applicable Law. The laws of the State of California shall govern the interpretation and enforcement of this Agreement.

622. No Novation. This Agreement is not a novation of, and does not amend or modify in any way, the Supplemental Housing Support Agreement, dated as of December 9, 2014, between the Developer and the SHA.

623. Authority to Sign. All individuals signing this Agreement for a party which is a corporation, limited liability company, partnership or other legal entity, or signing under a power of attorney, or as a trustee, guardian, conservator, or in any other legal capacity, covenant to the SHA that they have the necessary capacity and authority to act for, sign and bind the respective entity or principal on whose behalf they are signing.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above.

SHA:
City of San Marcos in its capacity as the successor housing agency to the former San Marcos Redevelopment Agency

By:_____
Jack Griffin, City Manager

APPROVED AS TO FORM:
Christensen & Spath LLP

By:_____
Walter F. Spath III
Special Counsel to the SHA

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

DEVELOPER:

Villa Serena Apartments Limited Partnership, a California limited partnership

By: The Southern California Housing Development Corporation of Orange

Its: General Partner

By:_____

Print Name:_____

Its:_____

Exhibit A
Site Legal Description

All that certain real property located in the City of San Marcos, County of San Diego, State of California, more particularly described as follows:

PARCEL 1:

THE SOUTHERLY 116.00 FEET OF THE NORTHERLY 961.00 FEET (SAID DISTANCES BEING MEASURED AT RIGHT ANGLES TO THE NORTHERLY LOT LINE) OF THE WESTERLY HALF OF LOT 2 IN BLOCK 50, RANCHO LOS VALLECITOS DE SAN MARCOS, IN THE CITY OF SAN MARCOS, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 806, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, DECEMBER 21, 1895.

EXCEPTING THE EASTERLY 165.00 FEET THEREOF.

ALSO EXCEPTING THAT PORTION THEREOF WHICH LIES WITHIN A PARCEL OF LAND DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWESTERLY CORNER OF SAID LOT 2; THENCE SOUTH 72º55’00” EAST ALONG THE SOUTHERLY LINE OF SAID LOT 2, 167.50 FEET; THENCE LEAVING SAID SOUTHERLY LINE, NORTH 06º41’00” EAST, 160.00 FEET; THENCE NORTH 09º55’00” EAST, 140.22 FEET TO THE TRUE POINT OF BEGINNING; THENCE FROM SAID TRUE POINT OF BEGINNING NORTH 09º55’00” EAST, 60.09 FEET; THENCE NORTH 83º19’40” WEST, 176.11 FEET TO A POINT IN THE WESTERLY LINE OF SAID LOT 2, BLOCK 50; THENCE SOUTH 06º40’20” WEST ALONG SAID WESTERLY LINE 60.00 FEET; THENCE LEAVING SAID WESTERLY LINE, SOUTH 83º19’40” EAST, 172.71 FEET TO THE TRUE POINT OF BEGINNING.

PARCEL 2:

AN EASEMENT FOR ROAD PURPOSES OVER A STRIP OF LAND 12.00 FEET IN WIDTH, LYING WITHIN LOT 2 IN BLOCK 50, RANCHO LOS VALLECITOS DE SAN MARCOS, IN THE CITY OF SAN MARCOS, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 806 FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DECEMBER 21, 1895, SAID EASEMENT TO BE 5.00 FEET ON THE WEST AND 7.00 FEET ON THE EAST OF THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT ON THE NORTHERLY LINE OF SAID LOT 2 WHICH IS 165.00 FEET WEST OF THE NORTHEAST CORNER OF THE WEST HALF OF SAID LOT 2; THENCE SOUTH PARALLEL WITH THE EAST LINE OF THE WEST HALF OF SAID LOT 2 TO AN INTERSECTION WITH THE NORTHERLY LINE OF THE SOUTHERLY 140.00 FEET OF SAID LOT 2, THE NORTHERLY LINE OF SAID NORTHERLY 140.00 FEET

BEING MEASURED AT RIGHT ANGLES TO AND PARALLEL TO THE SOUTHERLY LINE OF SAID WEST HALF OF SAID LOT 2.

PARCEL 3:

THE WESTERLY HALF OF THE SOUTHERLY 105.00 FEET OF THE NORTHERLY 845.00 FEET OF LOT 2 IN BLOCK 50, RANCHO LOS VALLECITOS DE SAN MARCOS, IN THE CITY OF SAN MARCOS, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 806, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, DECEMBER 21, 1895.

EXCEPTING THEREFROM ALL THAT PORTION THEREOF LYING EASTERLY OF THE FOLLOWING DESCRIBED LINE:

BEGINNING AT THE SOUTHWESTERLY CORNER OF SAID LOT 2; THENCE ALONG THE SOUTHERLY LINE OF SAID LOT, SOUTH 72º55’00” EAST, 167.50 FEET; THENCE NORTH 06º41’00” EAST, 142.34 FEET TO THE TRUE POINT OF BEGINNING; THENCE NORTH 06º41’00” EAST, 20.33 FEET; THENCE NORTH 09º55’00” EAST, 474.31 FEET; THENCE NORTH 27º00’00” WEST, 48.53 FEET TO THE WESTERLY LINE OF THE EASTERLY 165.00 FEET OF THE WESTERLY HALF OF SAID LOT 2.

PARCEL 4:

AN EASEMENT AND RIGHT OF WAY FOR ROAD PURPOSES OVER A STRIP OF LAND 20.00 FEET WIDE IN LOT 2 IN BLOCK 50 OF RANCHO LOS VALLECITOS SAN MARCOS, IN THE CITY OF SAN MARCOS, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 806, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, DECEMBER 21, 1895, THE CENTER LINE OF SAID 20.00 FOOT STRIP BEING DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWESTERLY CORNER OF LOT 2; THENCE ALONG THE SOUTHERLY LINE OF SAID LOT, SOUTH 72º55’00” EAST, 167.50 FEET; THENCE NORTH 06º41’00” EAST, 142.34 FEET TO THE TRUE POINT OF BEGINNING; THENCE NORTH 06º41’00” EAST, 20.33 FEET; THENCE NORTH 09º55’00” EAST, 474.31 FEET; THENCE NORTH 27º00’00” WEST, 48.53 FEET TO THE WESTERLY LINE OF THE EASTERLY 165.00 FEET TO THE WESTERLY HALF OF SAID LOT 2; SAID 20.00 FOOT STRIP BEGINS IN A LINE WHICH IS DRAWN THROUGH SAID TRUE POINT OF BEGINNING PARALLEL WITH THE SOUTHERLY LINE OF SAID LOT AND ENDS IN SAID WESTERLY LINE OF THE EASTERLY 165.00 FEET OF THE WESTERLY HALF OF SAID LOT 2.

EXCEPTING THEREFROM THAT PORTION THEREOF LYING WITHIN PARCEL 3 ABOVE.

ALSO EXCEPTING THEREFROM THAT PORTION LYING SOUTHERLY OF THE SOUTHERLY LINE OF THAT CERTAIN RIGHT OF WAY GRANTED TO THE CITY OF SAN MARCOS IN DEED RECORDED MARCH 11, 1966 AS FILE NO. 42248 OF OFFICIAL RECORDS.

PARCEL 5:

THAT PORTION OF THE WESTERLY HALF OF LOT 2 IN BLOCK 50 OF RANCHO LOS VALLECITOS DE SAN MARCOS, IN THE CITY OF SAN MARCOS, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 806, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, DECEMBER 21, 1895, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWESTERLY CORNER OF LOT 2 IN SAID BLOCK 50; THENCE ALONG THE SOUTHERLY LINE OF SAID LOT, SOUTH 72º55' EAST 167.50 FEET; THENCE NORTH 06º41' EAST, 162.67 FEET; THENCE NORTH 09º55' EAST, 376.98 FEET; THENCE NORTH 83º18' WEST, 10.01 FEET TO THE TRUE POINT OF BEGINNING; THENCE FROM SAID TRUE POINT OF BEGINNING, CONTINUING NORTH 83º18' WEST 175.96 FEET TO THE WESTERLY LINE OF SAID LOT 2; THENCE NORTH 06º40'20" EAST ALONG SAID WESTERLY LINE, 25.72 FEET; THENCE LEAVING SAID LINE SOUTH 73º20'08" EAST, 178.94 FEET; THENCE SOUTH 09º55' WEST 4.76 FEET TO THE TRUE POINT OF BEGINNING.

EXCEPTING THEREFROM THAT PORTION LYING WITHIN PARCEL 3 DESCRIBED ABOVE.

PARCEL 6:

THAT PORTION OF LOT 1 IN BLOCK 50 OF RANCHO LOS VALLECITOS DE SAN MARCOS, IN THE CITY OF SAN MARCOS, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 806, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, DECEMBER 21, 1895, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEASTERLY CORNER OF LOT 2 IN SAID BLOCK 50 OF MAP NO. 806; THENCE ALONG THE EASTERLY LINE OF SAID LOT 2, NORTH 05º34'30" EAST, 279.99 FEET; THENCE AT RIGHT ANGLES TO SAID EASTERLY LINE NORTH 84º25'30" WEST, 15.00 FEET; THENCE AT RIGHT ANGLES NORTH 05º34'30" EAST, 10.00 FEET TO THE BEGINNING OF A TANGENT 25.00 FOOT RADIUS CURVE, CONCAVE SOUTHWESTERLY; THENCE NORTHWESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 79º44'45", A DISTANCE OF 34.00 FEET; THENCE TANGENT TO SAID CURVE NORTH 74º10'15" WEST, 162.62 FEET TO THE BEGINNING OF A TANGENT 2770.00 FOOT RADIUS CURVE, CONCAVE SOUTHERLY; THENCE WESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 08º13'48", A DISTANCE OF 397.80 FEET TO THE BEGINNING OF

A REVERSE 866.00 FOOT RADIUS CURVE; THENCE WESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 09º46'09", A DISTANCE OF 147.66 FEET TO THE END OF SAID CURVE; THENCE ALONG THE RADIAL LINE OF SAID CURVE NORTH 17º22'06" EAST 60.00 FEET TO THE WESTERLY TERMINUS OF AN 806.00 FOOT RADIUS CURVE, CONCENTRIC WITH LAST ABOVE DESCRIBED CURVE; THENCE EASTERLY ALONG THE ARC OF SAID CURVE TO THE INTERSECTION WITH THE EASTERLY LINE OF SAID LOT 1 AND THE TRUE POINT OF BEGINNING; THENCE RETRACING WESTERLY ALONG THE ARC OF SAID CURVE TO THE WESTERLY TERMINUS OF SAID CURVE; THENCE TANGENT TO SAID CURVE NORTH 72º37'54" WEST, 178.62 FEET, MORE OR LESS, TO THE BEGINNING OF A TANGENT 25.00 FOOT RADIUS CURVE, CONCAVE NORTHEASTERLY, SAID CURVE BEING ALSO TANGENT TO THE EASTERLY LINE OF MARCOS STREET AS SHOWN ON HOBSON HEIGHTS, ACCORDING TO MAP THEREOF NO. 4698, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JANUARY 25, 1961; THENCE NORTHWESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 88º26'24", A DISTANCE OF 38.59 FEET TO THE POINT OF TANGENCY IN THE EASTERLY LINE OF SAID MARCOS STREET; THENCE ALONG SAID EASTERLY LINE NORTH 15º48'30" EAST, TO AN INTERSECTION WITH THE NORTHERLY LINE OF SOUTHERLY 528.00 FEET OF SAID LOT 1, BEING ALSO THE SOUTHWESTERLY CORNER OF SAID LAND DESCRIBED IN PARCEL 1 IN DEED TO REYNALDO W. HOBSON, ET UX., RECORDED MAY 29, 1958 IN BOOK 7102, PAGE 64 OF OFFICIAL RECORDS; THENCE ALONG SAID NORTHERLY LINE, BEING ALONG THE SOUTHERLY LINE OF SAID HOBSON'S LAND SOUTH 74º11'30" EAST (RECORD – SOUTH 72º19' EAST) 232.99 FEET TO THE INTERSECTION WITH THE EASTERLY LINE OF SAID LOT 1; THENCE ALONG SAID EASTERLY LINE SOUTH 06º36'00" WEST TO THE TRUE POINT OF BEGINNING.

EXCEPTING THEREFROM THE NORTHERLY 110.00 FEET OF THE WESTERLY 138.18 FEET THEREOF.

PARCEL 7:

ALL THAT PORTION OF LOT 1 IN BLOCK 50 OF RANCHO LOS VALLECITOS DE SAN MARCOS, IN THE CITY OF SAN MARCOS, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 806, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, DECEMBER 21, 1895, DESCRIBE AS FOLLOWS:

BEGINNING AT THE SOUTHWESTERLY CORNER OF LOT 7 OF HOBSON HEIGHTS, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 4698, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JANUARY 25, 1961; THENCE ALONG THE BOUNDARY LINE OF SAID HOBSON HEIGHTS, SOUTH 74º11'30" EAST, 523.25 FEET AND SOUTH 15º48'30" WEST, 503.00 FEET TO A TANGENT 25.00 FOOT RADIUS CURVE, CONCAVE NORTHWESTERLY; THENCE SOUTHWESTERLY AND WESTERLY ALONG SAID

CURVE 39.27 FEET TO THE SOUTHERLY LINE OF SAID LOT; THENCE NORTH 74º17’30” WEST ALONG SAID SOUTHERLY LINE 486.67 FEET; THENCE NORTH 13º02’10” EAST, 528.62 FEET; THENCE SOUTH 74º11’30” EAST, 14.02 FEET TO THE POINT OF BEGINNING.

EXCEPTING THAT PORTION LYING SOUTHERLY OF THE NORTHERLY LINE OF RICHLAND AVENUE AS SAID AVENUE IS DESCRIBED IN THAT CERTAIN EASEMENT FOR ROAD AND UTILITY PURPOSES TO THE CITY OF SAN MARCOS, RECORDED MARCH 11, 1966 AS FILE NO. 42248 OF OFFICIAL RECORDS.

PARCEL 8:

THE NORTHERLY 110.00 FEET OF THE WESTERLY 138.18 FEET OF THAT PORTION OF LOT 1 IN BLOCK 50 OF RANCHO LOS VALLECITOS DE SAN MARCOS, IN THE CITY OF SAN MARCOS, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 806, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, DECEMBER 21, 1895, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEASTERLY CORNER OF LOT 2 IN SAID BLOCK 50 OF MAP NO. 806; THENCE ALONG THE EASTERLY LINE OF SAID LOT 2, NORTH 05º34’30” EAST, 279.99 FEET; THENCE AT RIGHT ANGLES TO SAID EASTERLY LINE NORTH 84º25’30” WEST, 15.00 FEET; THENCE AT RIGHT ANGLES NORTH 05º34’30” EAST, 10.00 FEET TO THE BEGINNING OF A TANGENT 25.00 FOOT RADIUS CURVE, CONCAVE SOUTHWESTERLY; THENCE NORTHWESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 79º44’45”, A DISTANCE OF 34.00 FEET; THENCE TANGENT TO SAID CURVE NORTH 74º10’15” WEST, 162.62 FEET TO THE BEGINNING OF A TANGENT 2770.00 FOOT RADIUS CURVE, CONCAVE SOUTHERLY; THENCE WESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 08º13’48”, A DISTANCE OF 397.88 FEET TO THE BEGINNING OF A REVERSE 866.00 FOOT RADIUS CURVE; THENCE WESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 09º46’09”, A DISTANCE OF 147.00 FEET TO THE END OF SAID CURVE; THENCE ALONG THE RADIAL LINE OF SAID CURVE NORTH 17º22’06” EAST 60.00 FEET; THENCE ALONG THE RADIAL LINE OF SAID CURVE NORTH 17º22’06” EAST, 60.00 FEET TO THE WESTERLY TERMINUS OF AN 806.00 FOOT RADIUS CURVE, CONCENTRIC WITH LAST ABOVE DESCRIBED CURVE; THENCE EASTERLY ALONG THE ARC OF SAID CURVE TO THE INTERSECTION WITH THE EASTERLY LINE OF SAID LOT 1 AND THE TRUE POINT OF BEGINNING; THENCE RETRACING WESTERLY ALONG THE ARC OF SAID CURVE TO THE WESTERLY TERMINUS OF SAID CURVE; THENCE TANGENT TO SAID CURVE NORTH 72º37’54” WEST, 178.62 FEET, MORE OR LESS, TO THE BEGINNING OF A TANGENT 25.00 FOOT RADIUS CURVE, CONCAVE NORTHEASTERLY, SAID CURVE BEING ALSO TANGENT TO THE EASTERLY LINE OF MARCOS STREET AS SHOWN ON HOBSON HEIGHTS, ACCORDING TO MAP THEREOF NO. 4698, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JANUARY 25,

1961; THENCE NORTHWESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 88º26’24”, A DISTANCE OF 38.59 FEET TO THE POINT OF TANGENCY IN THE EASTERLY LINE OF SAID MARCOS STREET; THENCE ALONG SAID EASTERLY LINE NORTH 15º48’30” EAST, TO AN INTERSECTION WITH THE NORTHERLY LINE OF SOUTHERLY 528.00 FEET OF SAID LOT 1, BEING ALSO THE SOUTHWESTERLY CORNER OF SAID LAND DESCRIBED IN PARCEL 1 IN DEED TO REYNALDO W. HOBSON, ET UX., RECORDED MAY 29, 1958 IN BOOK 7102, PAGE 64 OF OFFICIAL RECORDS; THENCE ALONG SAID NORTHERLY LINE, BEING ALONG THE SOUTHERLY LINE OF SAID HOBSON’S LAND SOUTH 74º11’30” EAST (RECORD – SOUTH 72º19’ EAST) 232.99 FEET TO THE INTERSECTION WITH THE EASTERLY LINE OF SAID LOT 1; THENCE ALONG SAID EASTERLY LINE SOUTH 06º36’00” WEST TO THE TRUE POINT OF BEGINNING.

APN: 220-100-69-00; 220-112-09-00; 220-112-10-00