



Meeting Date: 12/13/11

ACTION	TYPE OF ITEM
<input type="checkbox"/> Approved Recommendation	<input type="checkbox"/> Info/Consent
<input type="checkbox"/> Ord. No(s). _____	<input checked="" type="checkbox"/> Report
<input type="checkbox"/> Res. No(s). _____	<input type="checkbox"/> Public Hearing (Info/consent)
<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____

Prepared By: Larry White *LW* Agenda Item No. 03  
 Reviewed By: City Manager *[Signature]* City Attorney *[Signature]* Finance *[Signature]* Other (Specify) \_\_\_\_\_

DATE: December 1, 2011

TO: City Council

FROM: William E. Wilkins, Housing Director *[Signature]*  
 Curtis P. Cannon, Community Development Director *[Signature]*

**SUBJECT: Amendments of Affordable Housing Loan Agreements Previously Approved by the City Council on June 21, 2011, regarding the Las Villas de Paseo Nuevo Project Located in the Cypress Neighborhood Southwest of the Intersection of Cypress Road and Pleasant Valley Road.**

**RECOMMENDATION**

That the City Council:

1. Approve and authorize the Mayor to execute a First Amendment to the Affordable Housing Pre-Development and Construction Loan Agreement changing the priority payment in-lieu of taxes (PILOT), and making certain other changes described in this report.
2. Approve and authorize the Mayor to execute a First Amendment to the Affordable Housing Loan Agreement amending the definition of "Operating Expense" and deleting the references to the PILOT Promissory Note consistent with the amendments to the Affordable Housing Pre-Development and Construction Loan Agreement.

**DISCUSSION**

On June 21, 2011, City Council approved the following loan agreements between the City and Paseo Nuevo Partners, L.P. ("Partnership"):

- (1) Affordable Housing Pre-Development and Construction Loan Agreement (Agreement No. 7407) in the amount of \$5,000,000 from the City's Low and Moderate Income Housing Fund ("Set Aside Fund Loan"); and
- (2) Affordable Housing Loan Agreement (Agreement No. 7406) in the amount of \$2,000,000 from the

City In Lieu Fee Program (“AHILF Loan”).

Both loans are for the purpose of development and operating 72 affordable housing units commonly referred to as Las Villas de Paseo Nuevo. The loan agreements include, among other things, provisions requiring payment in-lieu of taxes (“PILOT”), prior to any payment on the Set Aside Loan or the AHILF Loan. This structure creates tax losses significantly in excess of what the Partnership’s capital account can support causing a reallocation of tax credits over the ten year credit period. The result of the reallocation would be that the tax credit investor would not be able to claim all of the tax credits over the ten year credit period resulting in a reduction of the capital contributions from the tax credit investor to the Project.

The First Amendment to the Set Aside Loan restructures the PILOT so that both the Set Aside Loan and the AHILF Loan are paid prior to the PILOT, and to the extent any portion of the PILOT is not paid in a given year, that outstanding amount will be forgiven. In addition to curing the issues related to the capital account described above, the proposed restructuring will accelerate the repayment of both the Set Aside Loan and the AHILF Loan.

Most of the amendments to the Set Aside Loan Agreement contained in the First Amendment are related to restructuring the PILOT. In addition, the First Amendment to the Set Aside Loan refines the definition of Operating Expenses to include the payment of any deferred developer fee and contractor fee within the definition of Operating Expense. Although this change is being made, it is currently expected that there will be no deferred developer fee or contractor fee in connection with the completion of the Project.

Also, the definition of Loan Coverage Threshold has been revised to clarify that the Loan Coverage Threshold applies at the time the Project site is encumbered by the liens from the permanent loans and not at the time of construction loans.

The proposed changes to the Set Aside Loan allow the City to continue to impose the PILOT, but to do so in a manner that results in the greatest amount of capital contribution from the tax credit investor. Accordingly, with these changes in place, the tax credit investor is prepared to proceed with the acquisition of \$8,867,200 in low income housing tax credits that have been allocated by the California Tax Credit Allocation Committee for this Project.

Similarly, the changes in the First Amendment to the AHILF Loan are necessary to reflect the changes made to the Set Aside Loan related to the restructuring of the PILOT and the reordering of the priority of loan payments.

## **FINANCIAL IMPACT**

There is no reduction in the amount of residual receipts allocated to the repayment of the City debt on the Project, including PILOT. The restructuring simply means that the Set Aside Loan and the AHILF Loan will be paid prior to the City receiving any PILOT Compensation.

**ATTACHMENTS**

1. First Amendment of Affordable Housing Pre-Development and Construction Loan Agreement.
2. Affordable Housing and Pre-Development and Construction Loan Agreement approved by the City Council on June 21, 2011.
3. First Amendment to Affordable Housing Loan.
4. Affordable Housing Loan Agreement approved by the City Council on June 21, 2011.

Note: Attachment #2 and #4 have been provided to City Council under separate cover. Copies for review are available at the Help Desk in the Library after 6:00 p.m. on Thursday prior to the Council meeting and in the City Clerk's Office after 8:00 a.m. on Monday prior to the Council meeting.

**FIRST AMENDMENT OF LAS VILLAS DE PASEO NUEVO  
AFFORDABLE HOUSING PRE-DEVELOPMENT  
AND CONSTRUCTION LOAN AGREEMENT**

This First Amendment of Affordable Housing Pre-Development and Construction Loan Agreement ("First Amendment") is made and entered into as of December 13, 2011 ("Effective Date") by and between the City of Oxnard, a municipal corporation ("City") and Paseo Nuevo Partners, L.P., a California limited partnership ("Paseo Nuevo Partners") and amends the Affordable Housing Pre-Development and Construction Loan Agreement ("Loan Agreement") entered into by and between City and Paseo Nuevo Partners dated June 21, 2011. City and Paseo Nuevo Partners are sometimes referred to herein individually as a "Party" or collectively as the "Parties."

**RECITALS**

- A. The Loan Agreement relates to the development and operation of seventy-two (72) affordable apartment units (including one manager's unit) for persons or families of low and moderate income according to the terms thereof (the "Project").
- B. The Parties desire to amend certain provisions of the Loan Agreement related to, among other things, the payments in lieu of taxes, in order to facilitate investment in the Project by a tax credit investor.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are acknowledged, the Parties agree as follows:

1. Amendment of Section 1.16 of Loan Agreement. Section 1.16 is amended and restated to state as follows:

"1.16 'DEEDS OF TRUST' collectively means the 'City Deed of Trust' in the form attached to Exhibit G of the Loan Agreement and incorporated herein by this reference and the PILOT Compensation Deed of Trust attached hereto as Attachment 1 and incorporated herein by this reference ("PILOT Compensation Deed of Trust"), recorded against the Site as security for the City Loan and PILOT Compensation by Paseo Nuevo Partners, as trustor with City as beneficiary, as well as any amendments to, modification of, and restatement of said deeds of trust."

2. Amendment of Section 1.28 of Loan Agreement. Section 1.28 is amended and restated to state as follows:

"1.28 'LOAN COVERAGE THRESHOLD' shall mean an amount not to exceed ninety percent (90%) of the Value of the Site at the time the Site is encumbered by liens from permanent loans."

3. Amendment of Section 1.35 of Loan Agreement. Section 1.35 is amended and restated to state as follows:

“1.35 ‘NET PROCEEDS’ means the proceeds of a sale, transfer or refinancing of any portion of the Site and/or the Improvements, less the amount required to pay in full (i) the City Loan; (ii) any PILOT Compensation owed, if the sale, transfer or refinancing continues the Project’s tax exempt status; and (iii) all other loans secured by the Site that have priority over the Notes, and the reasonable costs of the transaction incurred by Paseo Nuevo Partners.”

4. Amendment of Section 1.36 of the Loan Agreement. Section 1.36 is amended and restated to state as follows:

“1.36 ‘NOTES’ means the ‘City Promissory Note and occasionally referred to as City Note’ in the form of Exhibit F attached hereto and incorporated herein by this reference, executed by Paseo Nuevo Partners in favor of the City evidencing City Loan, which is secured by the Deeds of Trust, as well as any amendments to, modifications of, or restatements of the City Promissory Note.”

5. Amendment of Section 1.37 of the Loan Agreement. Section 1.37 is amended and restated to state as follows:

“1.37 ‘OPERATING EXPENSES’ with respect to each Calendar Year shall mean the following costs reasonably and actually incurred for operation and maintenance of the Project to the extent that they are consistent with an annual independent audit performed by a certified public accountant using generally accepted accounting principles: property and other taxes and assessments imposed on the Project; premiums for property damage and liability insurance; utility services not paid for directly or reimbursed by tenants, including but not limited to water, sewer, trash collection, gas and electricity; maintenance and repair including but not limited to pest control, landscaping and grounds maintenance, painting and decorating, cleaning, common systems repairs, general repairs, janitorial, supplies, and similar customary utility services; any license or certificate of occupancy fees required for operation of the Project; general administrative expenses including but not limited to advertising and marketing, security services and systems, professional fees for legal, audit, accounting and tax returns for the limited partnership, and similar customary administrative expenses; property management fees, not to exceed \$45.00 per unit per month in the first year with annual increases thereafter in proportion to the increases in affordable rent for the Project or six percent (6%) of Revenue, whichever is higher; an asset management fee not to exceed \$7,500 payable to the tax credit investor and a separate partnership management fee not to exceed \$10,000 payable to the managing general partner(s) beginning in the first year and increased thereafter at an annual rate not to exceed three percent (3%); cash deposited into a replacement reserve in the amount of \$250 per unit per year, subject to annual increases not to exceed three percent (3%) or as otherwise required by a Permitted Mortgagee; cash deposited into an operating reserve in such reasonable amounts as are required by the Permitted Mortgagees, TCAC, or Paseo Nuevo Partners’ tax credit investor from time to time; and debt service payments on Permitted Mortgages which are senior in priority to the Deeds of Trust and on the Seller Carry-Back Note, to the extent debt service payments are related to loans that are shown on the City-approved Budget, payment of any Deferred Developer Fee and Contractor Fee. ‘Annual Operating Expenses’ shall not include the following: depreciation, amortization, depletion or other non-cash expenses or any amount expended from a

reserve account. Annual Operating Expenses shall be subject to the reasonable approval of Director.”

6. Amendment of Section 1.41 of the Loan Agreement. The last paragraph in Section 1.41 is amended and restated to state as follows:

“Permitted Mortgages’ shall collectively mean all of the Permitted Mortgages. ‘Permitted Mortgagee’ shall mean the holder of any Permitted Mortgage.”

7. Amendment of Section 1.48 of the Loan Agreement. Section 1.48 is amended and restated to state as follows:

“1.48 ‘RESIDUAL RECEIPTS’ shall mean, in a particular Calendar Year, the amount by which Gross Revenue exceeds Operating Expenses, as determined by an audit to be completed not later than 90 days after the end of each Calendar Year during the term of the City Promissory Note, by an independent certified public accountant reasonably acceptable to the Director, using generally accepted accounting principles and based on actual expenses incurred and revenues received during each such Calendar Year (the “Audit”). The first such Audit shall be for the partial year beginning on the date a Certificate of Occupancy has been issued for the Project and ending on December 31 of that year. The Director shall review and approve such Audit, or request revisions, within 30 days after receipt. The Audit shall determine the amount of Residual Receipts, if any, generated in that year, together with payment of City’s fifty percent (50%) share of such Residual Receipts. All calculations of Residual Receipts shall be subject to: (i) verification; and (ii) reasonable written approval by the Director.”

8. Amendment of Section 2 of the Loan Agreement. The Form of PILOT Promissory Note attached as Exhibit D and the Form of PILOT Deed of Trust attached as Exhibit E to the Loan Agreement are hereby deleted from the Loan Agreement. Further, City agrees to execute a Cancellation deed of trust releasing and cancelling the PILOT Deed of Trust and the obligations under the PILOT Promissory Note.

9. Amendment of Section 3.1 of the Loan Agreement. Section 3.1 is amended and restated to state as follows:

“3.1 PILOT COMPENSATION.

(a) Compensation Amount. Paseo Nuevo Partners shall compensate City for loss of property tax revenue as a result of the tax exempt status of Paseo Nuevo Partners’ managing general partner (“PILOT Compensation”). Commencing on the first Payment Date and terminating on the termination of this Loan Agreement, Paseo Nuevo Partners shall pay to City as and for the PILOT Compensation the sum of One Hundred Twenty Thousand Five Hundred Ninety Seven Dollars (\$120,597.00) (the “Base Amount”) plus, commencing on the second Payment Date and each Payment Date thereafter terminating on the term of this Loan Agreement, an increase of the Base Amount at an annual rate of two percent (2%).

(b) Repayment Obligation. The obligation of Paseo Nuevo Partners under Section 3.1 (a) shall be secured by a PILOT Compensation Deed of Trust upon the Site in the form set forth in Attachment 1 attached hereto and incorporated in full herein by this reference, which PILOT Compensation Deed of Trust shall be in such lien priority as set forth in Section 3.6(d) (2). The PILOT Compensation shall be paid to City in annual installments from Residual Receipts as provided in Section 3.5. If Residual Receipts (as they may be available from time to time) are not sufficient to pay in full the annual amount of PILOT Compensation, provided that Paseo Nuevo Partners is not in default under any Loan Documents, any unpaid PILOT Compensation shall be forgiven annually.”

10. Amendment of Section 3.5 (b) of the Loan Agreement. Section 3.5 (b) is amended and restated to state as follows:

“(b) Residual Receipts. 50% of Residual Receipts shall be distributed to City and shall be applied in the following order: (A) first, to pay interest and principal on the City Loan (described in Section 3.2, including accruals), (B) second, to pay any payments due under the AHILF Loan; and (C) third, to pay PILOT Compensation (described in Section 3.1).

11. Amendment of Section 3.6 (d) (2) of Loan Agreement. Section 3.6 (d) (2) is amended and restated to state as follows:

(2) Order of Priority – Second Draw. At the Loan Closing in connection with the Second Draw pursuant to Section 4.1.(b), the following documents shall be recorded (and subordinated as necessary) against the Site in the following order of priority, and no other debt shall be encumbered on the Site:

- (A) Grant Deed conveying fee title to the Site to Paseo Nuevo Partners;
- (B) Agreement Containing Covenants;
- (C) Notice of Affordability Restrictions;
- (D) Deeds of Trust securing the Permitted Mortgages;
- (E) Deed of Trust securing the Seller Carry-Back Note;
- (F) City Deed of Trust securing the City Note; and
- (G) City Deed of Trust securing the AHILF Loan Note.
- (H) Deed of Trust securing PILOT Compensation.

12. Amendment of Section 3.6 (d) (3) of the Loan Agreement. Section 3.6 (d) (3) is amended and restated to state as follows:

“(3). Loan Coverage. The City Loan, in combination with all other Permitted Mortgages, the Seller Carry-Back Note and AHILF Loan (but not including the PILOT Compensation Deed of Trust) shall not exceed the Loan Coverage Threshold at the time that the Site is encumbered by liens from permanent loans, unless such requirement is waived by Director.”

13. Amendment of Section 3.6 (k) (3) of the Loan Agreement. Section 3.6 (k) (3) is amended and restated to state as follows:

“(3) Prior to the Site being encumbered by one or more liens from permanent loan(s), Paseo Nuevo Partners shall have: (i) delivered to City, and the Director shall have approved, a current appraisal of the Site in writing, which is prepared at Paseo Nuevo Partners’ expense by an independent certified M.A.I. appraiser with at least ten years relevant experience who is acceptable to the Director; and (ii) evidenced that the City Loan, in combination with all other debt secured on the Site (excluding the PILOT Compensation Deed of Trust) will not exceed the Loan Coverage Threshold.”

14. Amendment of Sections 3.6 and 4.3 of the Loan Agreement. The performance dates specified in the last paragraphs of Section 3.6 and 4.3 are extended by one year and hereby amended to read December 31, 2012, and June 30, 2013, respectively.

15. Exhibits. Exhibit B attached to the Loan Agreement (BUDGET) is replaced in its entirety by Attachment 2 (BUDGET) attached hereto and incorporated herein by such reference, which Budget may be updated from-time-to-time upon the reasonable approval by Director.

16. Conflicts. In the event the terms of this First Amendment are inconsistent or conflict with the terms of the Loan Agreement, the terms of this First Amendment shall govern.

17. Governing Law. This First Amendment shall be governed by and construed in accordance with California law.

18. Separate Counterparts. This First Amendment may be executed in two or more separate counterparts, each of which when so executed shall be deemed to be an original. Such counterparts shall, together, constitute and be one and the same instrument.

19. Except as modified by this First Amendment, the Loan Agreement shall remain in full force and effect.

*(Signature Page Follows)*

IN WITNESS WHEREOF, the Parties have executed this First Amendment as of the Effective Date written above.

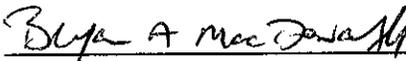
CITY OF OXNARD, a municipal corporation

PASEO NUEVO PARTNERS, L.P., a California limited partnership

By \_\_\_\_\_  
Dr. Thomas E. Holden, Mayor

By: LAS CORTES, INC., a California nonprofit public benefit corporation, its general partner

ATTEST:

 \_\_\_\_\_

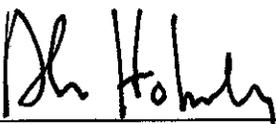
\_\_\_\_\_  
Daniel Martinez, City Clerk

Name: Bryan MacDonald

Title: President

APPROVED AS TO FORM

APPROVED AS TO FORM

  
\_\_\_\_\_  
Alan Holmberg, City Attorney

\_\_\_\_\_  
Mark S. Manion, Special Counsel

APPROVED AS TO INSURANCE

  
\_\_\_\_\_  
James Cameron, Chief Financial Officer

ATTACHMENT 1  
PILOT COMPENSATION DEED OF TRUST

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

City of Oxnard  
Community Development Department  
214 South C Street  
Oxnard, CA 93030  
Attn: Community Development Director

Request recording without fee. Record for the benefit of the  
City of Oxnard pursuant to Section 27383 of the Government Code.

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(Space above this line for Recorder's use)

A-7404

DEED OF TRUST WITH ASSIGNMENT OF RENTS  
(This Deed of Trust contains an acceleration clause)  
(Secures PILOT Compensation Contained in Affordable Housing Pre-Development and  
Construction Loan Agreement and amendment thereto)

This DEED OF TRUST is made \_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between Paseo Nuevo Partners, L.P., a California limited partnership, herein called TRUSTOR, whose address is 435 South D Street, Oxnard, CA 93030, Lawyers Title Company, herein called TRUSTEE, and the City of Oxnard, a California municipal corporation (the "City"), herein called BENEFICIARY,

WITNESSETH: That Trustor grants to Trustee in Trust, with Power of Sale, that certain real property in the City of Oxnard, County of Ventura, State of California more particularly described in Exhibit A (the "Property") attached hereto and incorporated herein by this reference;

Together with the rents, issues and profits thereof, subject, however, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues, and profits.

This grant is made for the purpose of securing the performance of each agreement of Trustor incorporated by reference or contained herein; and performance of that certain obligation to pay PILOT Compensation as set forth in the certain Affordable Housing Pre-Development and Construction Loan Agreement dated June 21, 2011 ("Agreement"), as amended by that certain First Amendment to Affordable Housing Pre-Development and Construction Loan Agreement dated December 13, 2011 ("First Amendment"). This Deed of Trust secures the obligations to pay PILOT Compensation as set out in the Agreement and First Amendment. Any default in the performance of such obligations under any of such agreements is a default under each of the agreements and is a default hereunder, and entitles Beneficiary and Trustee to exercise all rights and remedies herein described.

To protect the security of this Deed of Trust, and with respect to the property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B of the fictitious deed of trust recorded in Orange County August 17, 1964, and in all other counties August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Madera	911	136	San Luis Obispo	1311	137
Alpine	3	130-31	Marin	1849	122	San Mateo	4778	175
Amador	133	438	Mariposa	90	453	Santa Barbara	2065	881
Butte	1330	513	Mendocino	667	99	Santa Clara	6626	664
Calaveras	185	338	Merced	1660	753	Santa Cruz	1638	607
Colusa	323	391	Modoc	191	93	Shasta	800	633
Contra Costa	4684	1	Mono	69	302	San Diego Series 5	1964	14977
Del Norte	101	549	Monterey	357	239	Sierra	38	187
El Dorado	704	635	Napa	704	742	Siskiyou	506	762
Fresno	5052	623	Nevada	363	94	Solano	1287	621
Glenn	469	76	Orange	7182	18	Sonoma	2067	427
Humboldt	801	83	Placer	1028	379	Stanislaus	1970	56
Imperial	1189	701	Plumas	166	1307	Sutter	655	585
Inyo	165	672	Riverside	3778	347	Tehama	457	183
Kern	3756	690	Sacramento	5039	124	Trinity	108	595
Kings	858	713	San Benito	300	405	Tulare	2530	108
Lake	437	110	San Bernardino	6213	768	Tuolumne	177	160
Lassen	192	367	San Francisco	A-804	596	Ventura	2607	237
Los Angeles	T-3878	874	San Joaquin	2855	283	Yolo	769	16
						Yuba	398	693

shall inure to and bind the parties hereto, with respect to the property above described. Said Agreements, terms and provisions contained in said subdivisions A and B, (identical in all counties, and attached hereto), are by the within reference thereto, incorporated herein and made a part of this Deed of Trust for all purposes as fully as if set forth at length herein (provided that in the event any said provision is inconsistent with the language in this Deed of Trust, the language of this Deed of Trust shall control), and Beneficiary may charge for a statement regarding the obligation secured hereby; provided the charge therefore does not exceed the maximum allowed by law.

The Trustor acknowledges receipt of a copy of such provisions of such fictitious deed of trust.

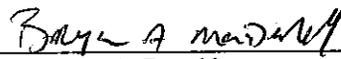
If the Trustor shall sell, convey or alienate said property, or any part thereof, or any interest therein, or shall be divested of his title or any interest therein in any manner or way, whether voluntarily or involuntarily, without the written consent of the beneficiary being first had and obtained, beneficiary shall have the right, at its option, except as prohibited by law, to declare any indebtedness or obligations secured hereby, irrespective of the maturity date specified in any note evidencing the same, immediately due and payable.

The undersigned Trustor, requests that a copy of any notice of default and any notice of sale hereunder be made to him as his address hereinbefore set forth.

SIGNATURE OF TRUSTOR

PASEO NUEVO PARTNERS, L.P.

By: Las Cortes, Inc., a public benefit nonprofit corporation, its general partner

\_\_\_\_\_

By: Bryan MacDonald

Its: President

State of California )  
 ) ss  
County of Ventura )

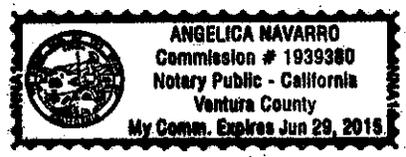
On December 5, 2011, before me Angelica Navarro,  
Notary Public, personally appeared Bryan A. MacDonald,  
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are  
subscribed to the within instrument and acknowledged to me that he/she/they executed the same  
in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument  
the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Angelica Navarro

(Seal)



ATTACHMENT 2

BUDGET

	Project Costs	Land and Non-Amort./Depr. Costs	Amortizable Costs	Expensed Costs	Reserves	Syndication	Depreciable Costs	Depreciable but Noneligible costs	Eligible Basis
<b>LAND COST/ACQUISITION</b>									
Land	\$ 4,000,000	\$ 4,000,000					\$ -	\$ -	-
Lost Rent from Relocation Prior to Constr	50,000	50,000					-	-	-
Demolition	175,000	175,000					-	-	-
Closing Costs	50,000	50,000					-	-	-
Acquisition	-	-					-	-	-
<b>Subtotal</b>	<b>4,275,000</b>	<b>4,275,000</b>							
<b>SITE WORK</b>									
Grading, Drainage, Utilities, Curb, Gutter, Paving, Site Landscape, Shoring, Underground Improvements	2,282,950						2,282,950		2,282,950
Remediation	50,000						50,000		50,000
Off-sites: utilities, street improvements, ra	392,650						392,650		392,650
<b>Subtotal</b>	<b>2,725,600</b>						<b>2,725,600</b>		<b>2,725,600</b>
<b>STRUCTURES</b>									
Construction	6,908,050						6,908,050		6,908,050
Common Facilities	600,000						600,000		600,000
Solar Costs	880,000						880,000		880,000
Retail Tenant Improvements	-						-		-
Construction Contingency	607,991						607,991		607,991
<b>Subtotal</b>	<b>8,996,041</b>						<b>8,996,041</b>		<b>8,996,041</b>
<b>CONTRACTOR FEES</b>									
General Requirements	668,989						668,989		668,989
Contractor Profit & Overhead	945,505						945,505		945,505
<b>Subtotal</b>	<b>1,614,494</b>						<b>1,614,494</b>		<b>1,614,494</b>
<b>FINANCING COSTS</b>									
Title, Escrow, Recording (construction term)	32,500						32,500		32,500
Title and Recording (permanent loan)	27,500		27,500				-		-
Construction Interest	800,000			300,000			500,000		500,000
Interest on City Loans & Seller Carryback	400,000						400,000		400,000
Construction Loan Fees	135,000						135,000		135,000
Permanent Inspections	-						-		-
Permanent Loan Fees	-						-		-
Bond Issuance Costs and Legal Fees	250,000		250,000				-		-
City Review	-						-		-
Tax Credit Agency Fees	39,977		39,977				-		-
<b>Subtotal</b>	<b>1,684,977</b>		<b>317,477</b>	<b>300,000</b>			<b>1,067,500</b>		<b>1,067,500</b>
<b>SOFT COSTS</b>									
Architectural and Engineering	480,883						480,883		480,883
Developer Legal	64,000		64,000				-		-
Accounting Fees	16,000						16,000		16,000
Consulting/Professional Fees	200,000						200,000		200,000
Taxes	50,000						50,000		50,000
Environmental Audit	28,000						28,000		28,000
Capital Needs Assessment	-						-		-
Appraisal	4,600						4,600		4,600
Impact Fees/Permit Processing Fees	2,162,966						2,162,966		2,162,966
Relocation Costs	550,000						550,000		550,000
Performance Bond Premium	133,605						133,605		133,605
Furniture, Fixtures, and Equipment	20,000						20,000		20,000
Soft Cost Contingency	130,462		80,462				50,000		50,000
Insurance During Construction	125,000						125,000		125,000
General Liability Insurance	133,605						133,605		133,605
Investor Due Diligence	50,000		50,000				-		-
Marketing	10,000			10,000			-		-
Market Study	6,000						6,000		6,000
<b>Subtotal</b>	<b>4,165,121</b>		<b>194,462</b>	<b>10,000</b>			<b>3,960,659</b>		<b>3,960,659</b>
<b>RESERVES</b>									
Section 8 Transition Reserve-2 Year	-						-		-
Operating Reserve	450,000					450,000	-		-
<b>Subtotal</b>	<b>450,000</b>					<b>450,000</b>			
<b>DEVELOPER FEE</b>									
Developer fee	1,250,000						1,250,000		1,250,000
Developer fee-Housing Authority & Non-r	1,250,000						1,250,000		1,250,000
<b>Total</b>	<b>\$ 26,411,233</b>	<b>\$ 4,275,000</b>	<b>\$ 511,939</b>	<b>\$ 310,000</b>	<b>\$ 450,000</b>	<b>\$ -</b>	<b>\$ 20,864,294</b>	<b>\$ -</b>	<b>\$ 20,864,294</b>

**EXHIBIT B TO LOAN AGREEMENT  
BUDGET**

**Permanent Financing Sources:**

Tax-Exempt Bonds	\$ 7,800,000
Tax Credit Equity-LIHC	8,511,661
Solar Tax Credit Equity	211,179
Solar Rebates	450,000
Seller Carryback Note	2,000,000
City Loan	5,000,000
AHILF Loan	2,000,000
Accrued Interest During Construction on Seller Note & City Loans	400,000
Deferred Developer Fee	38,394
<b>Total</b>	<b><u>\$ 26,411,233</u></b>

**Construction Financing Sources:**

Tax-Exempt Bonds	\$ 12,932,067
Tax Credit Equity-LIHC	1,702,332
Solar Tax Credit Equity	42,236
Solar Rebates	450,000
Seller Carryback Note	2,000,000
City Loan	5,000,000
AHILF Loan	2,000,000
Accrued Interest During Construction on Seller Note & City Loans	400,000
Deferred Developer Fee	1,884,598
<b>Total</b>	<b><u>\$ 26,411,233</u></b>

**FIRST AMENDMENT  
AFFORDABLE HOUSING LOAN AGREEMENT**

This First Amendment of Affordable Housing Loan Agreement (“First Amendment”) is made and entered into as of December 13, 2011 (“**Effective Date**”) by and between the City of Oxnard, a municipal corporation (“City”) and Paseo Nuevo Partners, L.P., a California limited partnership (“Paseo Nuevo Partners”) and amends the Affordable Housing Loan Agreement (“Loan Agreement”) in the principal amount of \$2,000,000 entered into by and between City and Paseo Nuevo Partners dated June 21, 2011. City and Paseo Nuevo Partners are sometimes referred to herein individually as a “Party” or collectively as the “Parties.”

**RECITALS**

A. The Parties have entered into that certain Loan Agreement related to the development and operation of seventy-two (72) affordable apartment units (including one manager’s unit) for persons or families of low and moderate income according to the terms of this Loan Agreement (the “Project”).

B. The Parties desire to amend certain provisions of the Loan Agreement related to, among other things, the definition of Operating Expenses and the priority of payment under the Loan Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are acknowledged, the Parties agree as follows:

1. Amendment of Section 1.19 of Loan Agreement. Section 1.19 is amended and restated to state as follows:

“1.19 ‘**OPERATING EXPENSES**’ with respect to each Calendar Year shall mean the following costs reasonably and actually incurred for operation and maintenance of the Project to the extent that they are consistent with an annual independent audit performed by a certified public accountant using generally accepted accounting principles: property and other taxes and assessments imposed on the Project; premiums for property damage and liability insurance; utility services not paid for directly or reimbursed by tenants, including but not limited to water, sewer, trash collection, gas and electricity; maintenance and repair including but not limited to pest control, landscaping and grounds maintenance, painting and decorating, cleaning, common systems repairs, general repairs, janitorial, supplies, and similar customary utility services; any license or certificate of occupancy fees required for operation of the Project; general administrative expenses including but not limited to advertising and marketing, security services and systems, professional fees for legal, audit, accounting and tax returns for the limited partnership, and similar customary administrative expenses; property management fees, not to

exceed \$45.00 per unit per month in the first year with annual increases thereafter in proportion to the increases in affordable rent for the Project or six percent (6%) of Revenue, whichever is higher; an asset management fee not to exceed \$7,500 payable to the tax credit investor and a separate partnership management fee not to exceed \$10,000 payable to the managing general partner(s) beginning in the first year and increased thereafter at an annual rate not to exceed three percent (3%); cash deposited into a replacement reserve in the amount of \$250 per unit per year, subject to annual increases not to exceed three percent (3%) or as otherwise required by a Permitted Mortgagee; cash deposited into an operating reserve in such reasonable amounts as are required by the Permitted Mortgagees, TCAC, or Paseo Nuevo Partners' tax credit investor from time to time; and debt service payments on Permitted Mortgages which are senior in priority to the Deed of Trust (excluding the Deed of Trust securing the \$5,000,000 Affordable Housing Pre-Development and Construction Loan Agreement), payment of any Deferred Developer Fee and Contractor Fee. 'Annual Operating Expenses' shall not include the following: depreciation, amortization, depletion or other non-cash expenses or any amount expended from a reserve account. Annual Operating Expenses shall be subject to the reasonable approval of Director."

2. Amendment of Section 2.5 of Loan Agreement. Section 2.5 is amended and restated to state as follows:

"The principal and any accrued interest of the Loan shall be due and payable on the earlier of: (a) fifty-five (55) years from the date of the Note, or (b) the date the Property is sold. In the Event of Default by Borrower, which has not been cured as provided for in this Loan Agreement, all current and accrued interest shall be due and payable."

3. Amendment of Section 5.11 (C) of Loan Agreement. Section 5.11 (C) is amended and restated to state as follows:

"C. In addition to Section 5.11 (A), upon the closing of the loans for construction and permanent financing for the Project, Lender agrees that this Loan Agreement shall be subordinate to the following loans:

(1) Promissory Note in the amount of \$2,000,000 executed by Borrower for the benefit of Ramona Property Partners LLC.

(2) Affordable Housing Pre-Development and Construction Loan Agreement in the amount of \$5,000,000 by and between Lender and Borrower dated June 21, 2011."

4. Exhibit. Exhibit B attached to the Loan Agreement (PROMISSORY NOTE) is replaced in its entirety by Attachment 1 (PROMISSORY NOTE) attached hereto and incorporated herein by such reference. The Parties agree to execute any and all documents necessary to effect the amendment to the Promissory Note.

5. Conflicts. In the event the terms of this First Amendment are inconsistent or conflict with the terms of the Loan Agreement, the terms of this First Amendment shall govern.

5. Governing Law. This First Amendment shall be governed by and construed in accordance with California law.

6. Separate Counterparts. This First Amendment may be executed in two or more separate counterparts, each of which when so executed shall be deemed to be an original. Such counterparts shall, together, constitute and be one and the same instrument.

7. Except as modified by this First Amendment, the Loan Agreement shall remain in full force and effect.

*(Signature Page Follows)*

IN WITNESS WHEREOF, the Parties have executed this First Amendment as of the Effective Date written above.

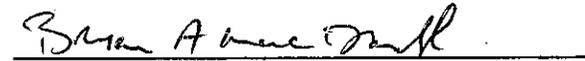
CITY OF OXNARD, a municipal corporation

PASEO NUEVO PARTNERS, L.P., a California limited partnership

By \_\_\_\_\_  
Dr. Thomas E. Holden, Mayor

By: LAS CORTES, INC., a California nonprofit public benefit corporation; its general partner

ATTEST:



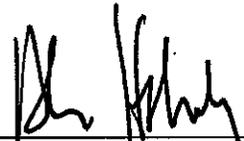
\_\_\_\_\_  
Daniel Martinez, City Clerk

Name: Bryan MacDonald

Title: President

APPROVED AS TO FORM

APPROVED AS TO FORM

  
\_\_\_\_\_  
Alan Holmberg, City Attorney

\_\_\_\_\_  
Mark S. Manion, Special Counsel

APPROVED AS TO INSURANCE

  
\_\_\_\_\_  
James Cameron, Chief Financial Officer

ATTACHMENT 1  
PROMISSORY NOTE

PROMISSORY NOTE  
Affordable Housing Assistance  
(Secured by Deed of Trust)

\$2,000,000

Oxnard, California  
August 10, 2011

**FOR VALUE RECEIVED**, the undersigned, Paseo Nuevo Partners, L.P., a California limited partnership ("Borrower"), hereby promises to pay to the order of the City of Oxnard, a California municipal corporation ("Lender"), the principal sum of Two Million Dollars (\$2,000,000) with interest on the unpaid balance thereof from the date of each advance evidenced by this Note set forth above until repaid at the rate of three percent (3%) simple interest (except as otherwise provided herein). The term Loan as used herein, means the Loan evidenced by this Note. The Loan is made pursuant to the terms of an Affordable Housing Loan Agreement (the "Loan Agreement") dated as of May 17, 2011, and Regulatory Agreement ("Regulatory Agreement") executed concurrently herewith between Borrower and Lender. Both principal and interest are payable as hereinafter provided, to Lender at 300 W. Third Street, Oxnard, California 93030, Attention: Finance Director, or at such other place as from time to time may be designated by the holder of this Note.

All of the provisions of this Note are agreements which are secured by the Deed of Trust securing this Note. A default in observance of any of the provisions is a default with consequences under the Deed of Trust. All terms not otherwise defined in this Note have the meaning assigned to such terms in the Agreement.

1. **DEFINITIONS.** The following definitions apply to this Note:

- A. **Borrower:** Paseo Nuevo Partners, L.P.;
- B. **Lender:** The City of Oxnard, California, a municipal corporation;
- C. **Property:** Certain real property and improvements located at 5655, 5667, 5701, 5703-5705, 5709, 5713 and 5727 Cypress Road, Oxnard and as more particularly described in Exhibit A attached hereto and incorporated in full herein by this reference.
- D. **Deed of Trust:** The Deed of Trust, of even date with this Note, which deed of trust secures performance of Borrower's obligations under this Note;
- E. **Note:** This promissory note;
- F. **Residual Receipts:** means, in a particular calendar year, the amount by which Revenue (as defined below) exceeds Operating Expenses (as defined below).

- (a) Revenue shall mean all income derived from the Project, including but not limited to rent from the units and income from laundry operations.
- (b) Operating Expense shall mean, actual, reasonable and customary costs, fees and expenses directly attributable to the operation, maintenance, and management of the Project, including without limitation painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, certificates, permits and licenses, sewer charges, real and personal property taxes and assessments, insurance, security, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, lease payments if any, cash deposited into reserves for capital replacements with respect to the Project in an amount not to exceed reserve requirements reasonably imposed by any lender, cash deposited into an operating reserve in an amount not to exceed the amount reasonably required by any lender, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of accountants, attorneys, consultants and other professionals, payment in lieu of property taxes, repayment of any deferred development fees and any required debt service under senior loans. Operating Expenses may include the payment to Borrower of a reasonable partnership management fee and a reasonable asset management fee. Operating Expenses may also include a deferred developer fee. The Operating Expenses shall be reported in the Annual Financial Statement.
- (c) Revenue, Operating Expenses, and any other information necessary to establish Defined Net Cash Flow shall be determined or by such other Certified Public Accountants as may be chosen by Borrower and accepted in writing by Lender. Lender's acceptance of accountant chosen by Borrower shall not unreasonably be withheld.

2. **PAYMENT PROVISIONS:** The following payment provisions apply to this Note:

- A. **Promise to Pay.** Borrower promises to pay to the order of Lender the principal sum of Two Million Dollars (\$2,000,000), plus interest thereon and other charges due under this Note, all in the manner provided below. Interest shall accrue at the rate of 3% simple interest on funds advanced, commencing on the date of each advance. All payments received shall be applied first to the charges which Lender is entitled to impose under this Note and the Deed of Trust, then to interest, and then to principal.
- B. **Payments.** Borrower promises to pay interest, principal, and all other sums which may become due on the Note as follows:
  - (1) All sums outstanding under this Note shall be due and payable 55 years from the date Borrower becomes the owner of the Property.

- (2) All sums outstanding under this Note shall without any reduction become immediately due and payable upon any default under this Note, or upon any transfer (including hypothecation) of the Property securing payment of this Note not permitted by the Loan Agreement, upon any change in ownership or composition of the Borrower not permitted, or upon any breach or default of the Loan Agreement or the Regulatory Agreement.
- (3) All other payments shall be made annually, commencing on April 30 of the year following the issuance of the first Certificate of Occupancy for the Project, and each April 30 thereafter;
  - i. Payments shall be in the amount of up to 10% of Residual Receipts as approved by Lender, for the year preceding the date on which payment is due; and
  - ii. The first payment shall be due April 30 of the year following the issuance of the first Certificate of Occupancy for the Project and shall be based upon Residual Receipts calculated for the year in which the City issued the first Certificate of Occupancy for the Project.

3. **PAST DUE PRINCIPAL AND INTEREST.** Any amount of principal or interest on the Loan or any fee or expense or other amount payable hereunder shall, to the extent permitted by law, bear interest from such payments due date until paid at the rate of 10% per annum, which interest shall be immediately due and payable.

4. **NO DEDUCTIONS, NO OFFSETS.** All payments of principal and interest hereunder shall be made without deduction of any present and future taxes, levies, duties, imposts, deductions, charges or withholdings imposed by any existing or future law, rule, regulation, treaty, directive or requirement whether or not having the force of law, which amounts shall be paid by Borrower. Borrower will pay the amounts necessary such that the gross amount of the principal and interest received by Lender is not less than that required by this Note. All stamp and documentary taxes shall be paid by Borrower. If, notwithstanding the foregoing, Lender pays any such taxes, Borrower will reimburse Lender for the amount paid, as additional interest, within five (5) days of Lender's demand for payment. Borrower will furnish Lender official tax receipts or other evidence of payment of all such amounts.

5. **ABSENCE OF USURY.** Borrower and Lender intend that the Loan be exempt from the restrictions contained in the California usury law, or if not exempt, that the Loan shall be in compliance with any applicable usury law. In furtherance thereof, Borrower and Lender agree that none of the terms and provisions contained in this Note, or in any other instrument executed in connection herewith, shall ever be construed to create a contract to pay for the use, forbearance or detention of money, or interest at a rate in excess of the maximum interest rate permitted to be charged by applicable law. Therefore, if a court ultimately determines that the Loan is not exempt from the California usury law, or if a court determines that the usury law of

another jurisdiction should be applied to the Loan: (a) neither Borrower nor any endorsers or other parties now or hereafter becoming liable for payment of this Note shall ever be required to pay interest on this Note at a rate in excess of the maximum interest that may be lawfully charged under applicable law, and the provisions of this Section shall control over all other provisions of this Note and any other instruments now or hereafter executed in connection herewith; (b) if the maturity hereof shall be accelerated for any reason or if the principal of this Note is paid prior to the end of the term of this Note, and as a result thereof the interest received for the actual period of existence of the Loan would be unlawful, the holder of this Note shall refund to Borrower the amount of such excess or shall credit the amount of such excess against the principal balance of the Note then outstanding; and (c) in the event that Lender or any other holder of this Note shall collect monies which are deemed to constitute interest which would increase the effective interest rate on this Note to a rate in excess of that permitted to be charged by applicable law, all such sums deemed to constitute interest in excess of the legal rate shall, upon such determination, at the option of the holder of this Note, be first, credited against the principal balance of this Note then outstanding, and second, returned to the Borrower.

6. **PREPAYMENT.** This Note may be prepaid in whole or in part without penalty or charge.

7. **ATTORNEY'S FEES.** Should the indebtedness represented by this Note or any part thereof be collected at law or in equity or through any bankruptcy (including, without limitation, any action for relief from the automatic stay or any other bankruptcy proceeding) receivership, probate or other court proceedings or by any judicial or non-judicial foreclosure proceeding, or if this Note is placed in the hands of attorneys for collection after default, the Borrower and all endorsers, guarantors and sureties of this Note jointly and severally agree to pay, in addition to the principal and interest due and payable hereon, reasonable attorneys' fees and collection costs and expenses. Should any action be brought to construe, clarify, or obtain a declaration as to the terms of this Note or the parties' obligations under it, the prevailing party in such action shall recover its reasonable attorneys' fees.

8. **WAIVER OF PRESENTMENT.** Borrower, and any and all endorsers, guarantors and sureties of this Note, and all other persons liable or to become liable on this Note, jointly and severally waive presentment for payment, demand, notice of demand and of dishonor and nonpayment of this Note, notice of intention to accelerate the maturity of this Note, protest and notice of protest, diligence in collecting, and the bringing of suit against any other party, and agree to all renewals, extensions, modifications, partial payments, releases or substitutions of security, in whole or in part, with or without notice, before or after maturity. The pleading of any statute of limitations as a defense to any demand against the makers, endorsers, guarantors and sureties is expressly waived by each and all such parties to the extent permitted by law.

9. **LOSS OF NOTE.** Upon notice from any holder to Borrower of the loss, theft, destruction or mutilation of this Note and, upon receipt of indemnity reasonably satisfactory to Borrower from any holder of this note (except that if Lender is the holder of this Note, an indemnification from Lender shall be sufficient) or, in the case of mutilation hereof, upon surrender of the mutilated Note, Borrower will make and deliver a new note of like tenor in lieu of this Note.

10. **SUCCESSORS AND ASSIGNS.** This Note shall be binding upon and shall inure to the benefit of Borrower and Lender, and their successors and assigns.

11. **SEVERABLE PROVISIONS.** Every provision of this Note is intended to be severable. If any term or provision hereof is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable for any reason whatsoever, such illegality, invalidity or enforceability shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable.

12. **NOTICES.** Notices, demands, requests, elections, approvals, disapprovals, consents or other communications given under this Note shall be in writing and shall be given by personal delivery, mail or telegram or facsimile and addressed, if to Lender, 435 South "D" Street, Oxnard, California 93030, or if to Borrower, at 435 South "D" Street, Oxnard, California. 93030. Notice by personal delivery shall be deemed effective upon the delivery of such notice to the party for whom it is intended at the recipient's address. Notice by mail shall be deemed effective two (2) business days after depositing such notice, certified or registered mail, postage prepaid, properly stamped and sealed, with the United States Postal Service, properly addressed regardless of whether or when the notice is actually received by the addressee. Notice by telegram shall be deemed effective upon the transmission of the telegram, telegraph charges prepaid, to the party for whom it is intended at the recipient's address. Notice by facsimile shall be effective upon transmission. Notice by overnight guaranteed delivery service shall be deemed effective one (1) business day after depositing such notice with said service, charges prepaid and properly addressed. Either party may give notice of any change of address in accordance with the notice procedures described above.

13. **DEFAULT.** Any failure to perform any obligation of Borrower under this Note, the Deed of Trust, the Loan Agreement, or the Regulatory Agreement shall be considered a default hereunder.

14. **JOINT AND SEVERAL.** The obligations of Borrower in this Note shall be joint and several obligations of Borrower and of each Borrower, if more than one, and of each of Borrower's heirs, devisees, legatees, administrators, executors, personal representatives, successors and assigns.

15. **GENDER.** In this Note, whenever the context so requires, the masculine gender includes feminine and/or neuter, and the singular number includes the plural.

16. **TIME OF ESSENCE.** Time is of the essence in this Note and the performance of each of the covenants and agreements contained herein.

17. **GOVERNING LAW.** This Note shall be construed and enforced in accordance with the laws of the State of California.

18. **AUTHORITY.** The person executing this Note represents and warrants that such person has the authority to execute this Note and bind borrower to its provisions.

19. **CAPTIONS AND REFERENCES.** The captions of the Paragraphs of this Note are for the purposes of convenience only and are not intended to be part of this Note and shall not be deemed to modify, explain, enlarge or restrict any of the provisions hereof. All "Paragraph" references are to the paragraphs of this Note, unless otherwise indicated.

20. **SECURITY.** This Note is secured by a deed of trust executed concurrently herewith, encumbering the property described therein.

21. **NONRECOURSE OBLIGATION.** Except as expressly provided in the second paragraph of this section, the Trustor, and the Trustor's officers, directors, employees and agents shall not have any direct or indirect personal liability for payment of the principal of, or interest on, the Note or the performance of the covenants of the Trustor under the Deed of Trust securing the Note. The sole recourse of the Beneficiary with respect to the principal of, or interest on, the Note shall be to the property securing the indebtedness evidenced by the Note. However, that nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement against all such security for the Note of all the rights and remedies of the Beneficiary, or (b) be deemed in any way to impair the right of the Beneficiary to assert the unpaid principal amount of the Note as demand for money within the meaning and intent of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto.

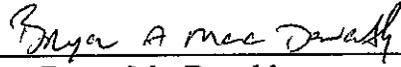
The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on the Note, except as hereafter set forth; nothing contained herein is intended to relieve the Trustor of personal liability for (a) fraud or willful misrepresentation; (b) the failure to pay taxes, assessments or other charges (which are not contested by Trustor in good faith) which may create liens on the Property that are payable or applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes, assessments or other charges); (c) the fair market value of any personal property or fixtures removed or disposed of by Trustor other than in accordance with the Deed of Trust; (d) the misapplication of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property; and (e) payment to the Beneficiary of any rental income or other income arising with respect to the Property received by the Trustor after the Beneficiary has given notice to the Trustor of the occurrence of an Event of Default, subject to the rights of any lender providing a loan secured by the Property to which the Lender has subordinated the Deed of Trust.

**DISCLOSURES.** BORROWER HEREBY ACKNOWLEDGES THAT INTEREST IN THIS NOTE MAY AT TIMES TO BE CALCULATED BY HOLDER ON THE BASIS OF A THREE HUNDRED SIXTY (360) DAY YEAR AND IS FULLY AWARE THAT SUCH CALCULATIONS MAY RESULT IN AN ACCRUAL AND/OR PAYMENT OF INTEREST IN AMOUNTS GREATER THAN CORRESPONDING INTEREST CALCULATIONS BASED ON A THREE HUNDRED SIXTY-FIVE (365) DAY YEAR.

*(Signature appears on next page)*

**PASEO NUEVO PARTNERS, L.P.**

**By: Las Cortes, Inc., its general partner**



By: Bryan MacDonald

Its: President