

**CITY OF GARDEN GROVE
INTER-DEPARTMENT MEMORANDUM**

To: Matthew Fertal	From: Chet Yoshizaki
Dept: City Manager	Dept: Economic Development
Subject: APPROVAL OF FIRST AMENDMENTS TO AFFORDABLE HOUSING AGREEMENTS WITH TAMERLANE ASSOCIATES, LLC	Date: June 8, 2010

OBJECTIVE

To consider the approval of amendments to eleven (11) affordable housing loan agreements (AHLAs) with Tamerlane Associates, LLC (Owner) to extend the City of Garden Grove’s (City’s) terms to repurchase the property from the Owner (Option Terms) and amend the definitions of the repurchase prices for the properties (Option Prices).

BACKGROUND/ANALYSIS

In February 2004, the City’s Neighborhood Improvement Division began working with the Owner for the acquisition of several apartment buildings near the Harbor Corridor located on Tamerlane Drive for the purpose of rehabilitating those buildings and allowing the units to be affordable to low and very-low income families through affordability covenants. Since that time, the City has entered into eleven (11) AHLAs with the Owner and the Garden Grove Agency for Community Development (Agency) has entered into two (2) AHLAs with the Owner for the acquisition, rehabilitation, and affordability of properties located on Tamerlane Drive (Attachment 1).

The AHLAs between the City and the Owner currently provide for an Option Term of ten (10) years from the Owner’s acquisition of the properties. The agreements between the Agency and the Owner are for a period of twenty (20) years terminating in 2030. City staff has prepared amendments to the City AHLAs to amend the Option Terms so that they will expire on March 19, 2030 to be consistent with the Agency AHLAs. The extended term will allow the City and the Agency to ensure the long-term health, safety and welfare of the neighborhood, by permitting the City or the Agency to repurchase the properties if necessary.

The Owner has agreed to extend the Option Terms in exchange for amending the Option Price to include a monthly Asset Management Fee that accrues beginning in the 37th month following the acquisition of the property until the Option Term expires. The amended Option Price will be calculated as the amount of the then current balance under the Owner’s Bank Loan and the then current balance of the City loan plus the asset management fees accrued, less Net Profits retained by

APPROVAL OF FIRST AMENDMENTS TO AFFORDABLE HOUSING AGREEMENTS WITH
TAMERLANE ASSOCIATES, LLC

June 8, 2010

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Owner plus operating losses. The Option Purchase price becomes payable if and when the City exercises the Option to repurchase the property. The amount of the asset management fee for each property is calculated based upon the amount of the Developer Fee in the original AHLA for the property divided by twenty-four (24) months. The table below describes the original Developer Fee and Asset Management Fee for each property:

Address	Acquisition date	Original Developer Fee	Monthly Asset Management Fee
12131 Tamerlane	12/21/2006	\$ 28,500	\$ 1,188
12132 Tamerlane	9/20/2006	\$ 28,500	\$ 1,188
12141 Tamerlane	7/12/2005	\$ 35,000	\$ 1,458
12161 Tamerlane	6/2/2006	\$ 28,500	\$ 1,188
12171 Tamerlane	8/15/2006	\$ 28,500	\$ 1,188
12181 Tamerlane	12/17/2004	\$ 42,350	\$ 1,765
12182 Tamerlane	1/4/2006	\$ 44,000	\$ 1,833
12201 Tamerlane	12/17/2004	\$ 42,350	\$ 1,765
12202 Tamerlane	12/16/2004	\$ 42,350	\$ 1,765
12212 Tamerlane	5/4/2004	\$ 31,471	\$ 1,311
12222 Tamerlane	5/4/2004	\$ 88,529	\$ 3,689

FINANCIAL IMPACT

There is no fiscal impact unless the City exercises the Option to repurchase any of the properties before the expiration of the Option Term. If the City exercises the Option, the fiscal impact will be equivalent to the monthly asset management fees accrued up until the time the Option is exercised for each property to be repurchased net of operating expenses or losses.

RECOMMENDATION

Staff recommends that the City Council

- Approve the attached amendments to the AHLAs between the City and the Owner.
- Authorize the City Manager to execute the amendments to and all other documents necessary to implement the amendments.

APPROVAL OF FIRST AMENDMENTS TO AFFORDABLE HOUSING AGREEMENTS WITH
TAMERLANE ASSOCIATES, LLC

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CHET YOSHIZAKI
Economic Development Director

By: Kathleen McCall Angel 
Economic Development Specialist

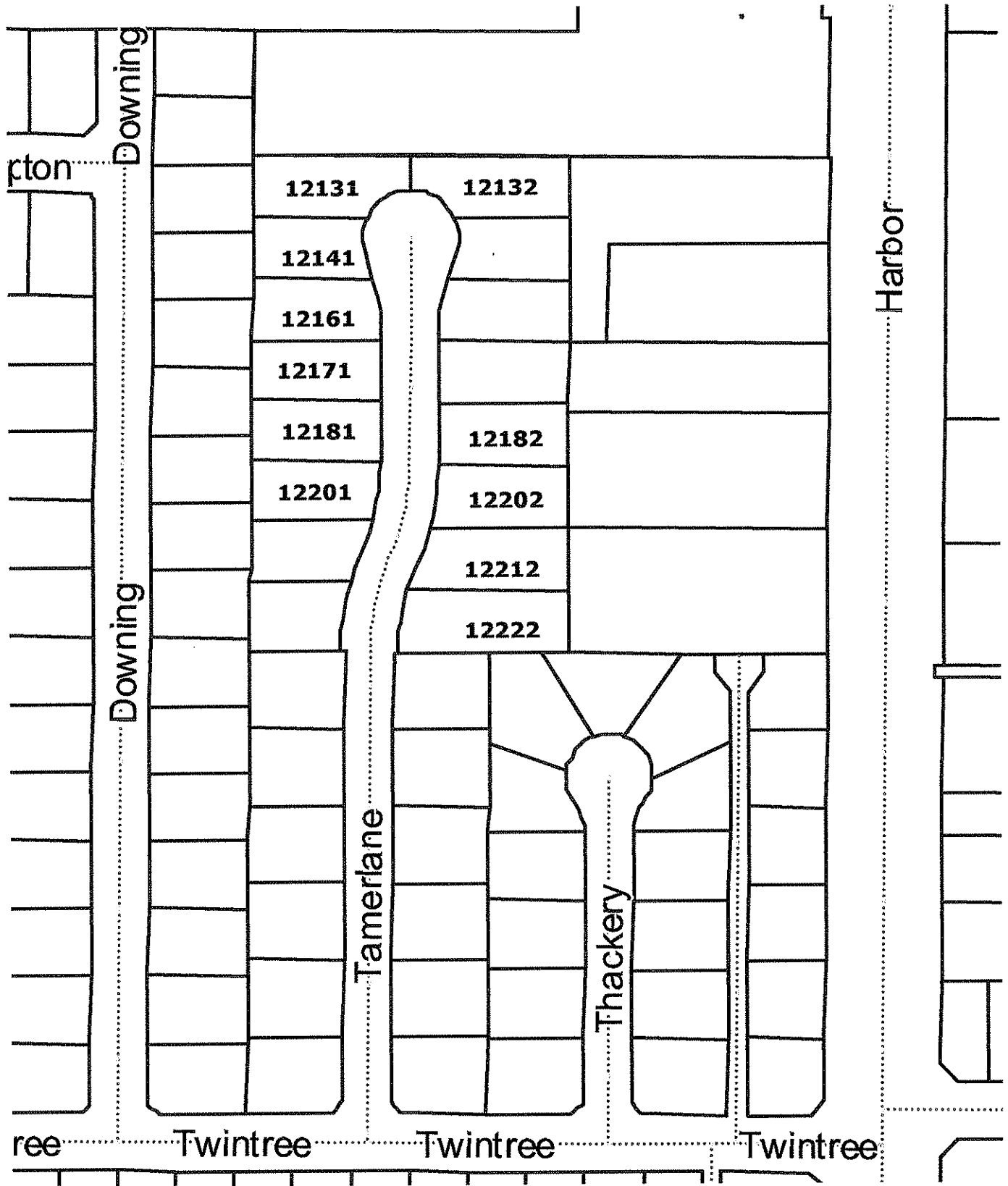
- Attachment 1: Site Map
- Attachment 2: Amendment to AHLA- 12131 Tamerlane
- Attachment 3: Amendment to AHLA- 12132 Tamerlane
- Attachment 4: Amendment to AHLA- 12141 Tamerlane
- Attachment 5: Amendment to AHLA- 12161 Tamerlane
- Attachment 6: Amendment to AHLA- 12171 Tamerlane
- Attachment 7: Amendment to AHLA- 12181 Tamerlane
- Attachment 8: Amendment to AHLA- 12182 Tamerlane
- Attachment 9: Amendment to AHLA- 12201 Tamerlane
- Attachment 10: Amendment to AHLA- 12202 Tamerlane
- Attachment 11: Amendment to AHLA- 12212 Tamerlane
- Attachment 12: Amendment to AHLA- 12222 Tamerlane

mm(h:Staff/KMA/Tamerlane Associates LLC sr 060810.doc)

Recommended for Approval


Matthew Fertal
City Manager

Site Map



**FIRST AMENDMENT TO AFFORDABLE HOUSING
LOAN AGREEMENT
(12131 Tamerlane Drive)**

This **FIRST AMENDMENT TO AFFORDABLE HOUSING LOAN AGREEMENT** (the "First Amendment") is made and entered into as of _____, 2010, by and between the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City"), and **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner").

RECITALS

A. The Owner and the City have entered into that certain Affordable Housing Loan Agreement dated as of December 12, 2006 with respect to property located at 12131 Tamerlane Drive, Garden Grove, California (the "Agreement"). All capitalized terms not defined herein shall have the meaning set forth in the Agreement.

B. The Agreement provides, among other things, the right of the City to exercise an Option, pursuant to the Option Agreement attached hereto as Exhibit F, to acquire the Property for the Option Price set forth in the Option Agreement.

C. The parties now desire to amend the Agreement and the Option Agreement so as to (i) extend the period within which the Option can be exercised and (ii) redefine the Option Price.

NOW, THEREFORE, the parties agree to amend the Agreement and the Option Agreement, as follows:

Section 1. Section 401 is hereby deleted and restated as follows:

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

Section 2. Exhibit F attached to the Agreement is hereby deleted, superseded and replaced in its entirety with the document attached hereto as Attachment No. 1 and incorporated herein by reference.

Except as amended herein, the Agreement shall remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be executed by duly authorized representatives as of the day and year first written above.

CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By: _____
Matthew J. Fertal, City Manager

OWNER:

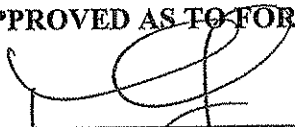
TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: _____
Its: *Manager*

ATTEST:

City Clerk

APPROVED AS TO FORM:



Stradling Yocca Carlson & Rauth
Special Counsel to City

ATTACHMENT NO. 1

(EXHIBIT F TO AFFORDABLE HOUSING LOAN AGREEMENT)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

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

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

AMENDED AND RESTATED OPTION AGREEMENT

This **AMENDED AND RESTATED OPTION AGREEMENT** ("Option Agreement") is entered into as of _____, 2010, by and between **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner"), and the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City").

RECITALS

A. Owner and the City have entered into an Affordable Housing Loan Agreement dated as of December 12, 2006 ("AHLA"). Under the terms of the AHLA, Owner has, with the assistance of the City, purchased real property located at 12131 Tamerlane Drive, which is improved with a four (4) Unit apartment complex thereon (the "Property"), as particularly described in the Legal Description attached hereto as Exhibit A, and incorporated herein by reference. All capitalized terms not defined herein shall have the meaning set forth in the AHLA.

B. Pursuant to Section 401 of the AHLA, the Owner has granted to the City an Option to purchase the Property upon payment of an Option Price pursuant to the Option Agreement dated December 13, 2006 attached to the AHLA as Exhibit F (the "Original Option Agreement").

C. The parties now want to amend and restate the Original Option Agreement in its entirety as set forth herein. To this end, the Original Option Agreement is deleted, superseded and restated in its entirety by this Option Agreement. For purposes of this Option Agreement, "Property" shall also be deemed to include any and all improvements located on the real property, any and all security deposits held by Owner, operating and capital replacement reserve accounts, operating accounts, Owner's rights to payment for rent and other items, and all of Owner's right, title and interest in and to any and all easements, rights of way, licenses, permits, applications, reports or other personal property utilized in conjunction with or in any way related to or appurtenant to such real property and improvements (but excluding Owner's trade fixtures and equipment).

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

1. **Grant of Option.** Owner grants to City an option (the "Option") to purchase the Property on the terms and conditions set forth in this Option Agreement. The purchase price payable by the City to the Owner for the Property shall be the amount of the then current balance under (i) the Bank Loan and (ii) the Promissory Note plus an amount equal to One Thousand, One Hundred Eighty-Eight Dollars (\$1,188) per month for each month from December 21, 2009 until escrow is closed, less Net Profits retained by Owner plus operating losses (collectively, the "Option Price"). The Option created hereby shall be irrevocable by Owner and shall be binding upon the successors and assigns of Owner. The City shall have the right of specific performance to enforce the terms of this Option Agreement.

2. **Term for Option.** The term of the Option ("Option Term") commenced on December 13, 2006, and, unless extended by mutual written agreement of the Owner and the City, shall automatically expire on March 19, 2030 in which event, the City shall, upon written request by Owner, provide written request of such termination in recordable form.

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

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

City of the condition of title and the physical and environmental condition of the Property. Until the Closing, the terms of the AHLA and the Regulatory Agreement executed and recorded pursuant thereto shall remain in full force and effect. At the Closing, the Owner shall repay any amount due under the Promissory Note.

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

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

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

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

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

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

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

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

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

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

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

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

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

11. General Provisions.

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

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

City: City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92642
Attention: City Manager

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

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

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

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

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

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

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

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

11.10 Definition of Terms. Terms not otherwise defined in this Option Agreement are defined in the AHLA.

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

CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By: _____
Matthew J. Fertal, City Manager

OWNER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: _____

Its: _____

ATTEST:

City Clerk

APPROVED AS TO FORM:

Stradling Yocca Carlson & Rauth
Special Counsel to City

EXHIBIT A

LEGAL DESCRIPTION

That real property located in the State of California, County of Orange, City of Garden Grove, and described as follows:

Lot 3 of Tract No. 5503, as per Miscellaneous Maps recorded in Book 201, Page(s) 29 and 30 of miscellaneous maps, in the Office of the County Recorder of said Orange County, State of California

STATE OF CALIFORNIA

)

)

ss.

COUNTY OF _____)

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

STATE OF CALIFORNIA

)
)
)

ss.

COUNTY OF _____

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

**SECOND AMENDMENT TO AFFORDABLE HOUSING
LOAN AGREEMENT
(12132 Tamerlane Drive)**

This **SECOND AMENDMENT TO AFFORDABLE HOUSING LOAN AGREEMENT** (the "Second Amendment") is made and entered into as of _____, 20____, by and between the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City"), and **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner").

RECITALS

A. The Owner and the City entered into that certain Affordable Housing Loan Agreement dated as of September 12, 2006 and amended as of October 6, 2006 with respect to property located at 12132 Tamerlane Drive, Garden Grove, California (the "Agreement"). All capitalized terms not defined herein shall have the meaning set forth in the Agreement.

B. The Agreement provides, among other things, the right of the City to exercise an Option, pursuant to the Option Agreement attached hereto as Exhibit F, to acquire the Property for the Option Price set forth in the Option Agreement.

C. The parties now desire to amend the Agreement and the Option Agreement so as to (i) extend the period within which the Option can be exercised and (ii) redefine the Option Price.

NOW, THEREFORE, the parties agree to amend the Agreement and the Option Agreement, as follows:

Section 1. Section 401 is hereby deleted and restated as follows:

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

Section 2. Exhibit F attached to the Agreement is hereby deleted, superseded and replaced in its entirety with the document attached hereto as Attachment No. 1 and incorporated herein by reference.

Except as amended herein, the Agreement shall remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be executed by duly authorized representatives as of the day and year first written above.

CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By: _____
Matthew J. Fertal, City Manager

OWNER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: _____
Its: Manager

ATTEST:

City Clerk

APPROVED AS TO FORM:

Stradling Yocca Carlson & Rauth
Special Counsel to City

ATTACHMENT NO. 1

(EXHIBIT F TO AFFORDABLE HOUSING LOAN AGREEMENT)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

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

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

AMENDED AND RESTATED OPTION AGREEMENT

This **AMENDED AND RESTATED OPTION AGREEMENT** ("Option Agreement") is entered into as of _____, 2010, by and between **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner"), and the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City").

RECITALS

A. The Owner and the City entered into that certain Affordable Housing Loan Agreement dated as of September 12, 2006 and amended as of October 6, 2006 ("AHLA"). Under the terms of the AHLA, Owner has, with the assistance of the City, purchased real property located at 12132 Tamerlane Drive, which is improved with a four (4) Unit apartment complex thereon (the "Property"), as particularly described in the Legal Description attached hereto as Exhibit A, and incorporated herein by reference. All capitalized terms not defined herein shall have the meaning set forth in the AHLA.

B. Pursuant to Section 401 of the AHLA, the Owner has granted to the City an Option to purchase the Property upon payment of an Option Price pursuant to the Option Agreement dated September 14, 2006 attached to the AHLA as Exhibit F (the "Original Option Agreement").

C. The parties now want to amend and restate the Original Option Agreement in its entirety as set forth herein. To this end, the Original Option Agreement is deleted, superseded and restated in its entirety by this Option Agreement. For purposes of this Option Agreement, "Property" shall also be deemed to include any and all improvements located on the real property, any and all security deposits held by Owner, operating and capital replacement reserve accounts, operating accounts, Owner's rights to payment for rent and other items, and all of Owner's right, title and interest in and to any and all easements, rights of way, licenses, permits, applications, reports or other personal property utilized in conjunction with or in any way related to or appurtenant to such real property and improvements (but excluding Owner's trade fixtures and equipment).

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

1. **Grant of Option.** Owner grants to City an option (the "Option") to purchase the Property on the terms and conditions set forth in this Option Agreement. The purchase price payable by the City to the Owner for the Property shall be the amount of the then current balance under (i) the Bank Loan and (ii) the Promissory Note plus an amount equal to One Thousand, One Hundred Eighty-Eight Dollars (\$1,188) per month for each month from September 20, 2009 until escrow is closed, less Net Profits retained by Owner plus operating losses (collectively, the "Option Price"). The Option created hereby shall be irrevocable by Owner and shall be binding upon the successors and assigns of Owner. The City shall have the right of specific performance to enforce the terms of this Option Agreement.

2. **Term for Option.** The term of the Option ("Option Term") commenced on September 14, 2006, and, unless extended by mutual written agreement of the Owner and the City, shall automatically expire on March 19, 2030 in which event, the City shall, upon written request by Owner, provide written request of such termination in recordable form.

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

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

City of the condition of title and the physical and environmental condition of the Property. Until the Closing, the terms of the AHLA and the Regulatory Agreement executed and recorded pursuant thereto shall remain in full force and effect. At the Closing, the Owner shall repay any amount due under the Promissory Note.

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

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

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

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

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

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

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

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

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

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

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

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

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

11. General Provisions.

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

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

City: City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92642
Attention: City Manager

ATTACHMENT NO. 1-4

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

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

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

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

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

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

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

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

11.10 Definition of Terms. Terms not otherwise defined in this Option Agreement are defined in the AHLA.

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

CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By: _____
Matthew J. Fertal, City Manager

OWNER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: _____

Its: _____

ATTEST:

City Clerk

APPROVED AS TO FORM:

Stradling Yocca Carlson & Rauth
Special Counsel to City

EXHIBIT A
LEGAL DESCRIPTION

All that certain real property in the County of Orange, State of California, described as follows:

Lot 4 of Tract No. 5503, in the City of Garden Grove, County of Orange, State of California, as per map recorded in Book 201, Page(s) 29 and 30 of Miscellaneous Maps, in the office of the County Recorder of said County.

Except therefrom any underground water which may be developed in, under, or upon said land, but without the right of surface entry, as provided in the deed recorded in Book 7111, Page(s) 715, Official Records.

APN No.: 231-471-38

EXHIBIT A-1

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

**FIRST AMENDMENT TO AFFORDABLE HOUSING
LOAN AGREEMENT
(12141 Tamerlane Drive)**

This **FIRST AMENDMENT TO AFFORDABLE HOUSING LOAN AGREEMENT** (the "First Amendment") is made and entered into as of _____, 2010, by and between the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City"), and **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner").

RECITALS

A. The Owner and the City have entered into that certain Affordable Housing Loan Agreement dated as of June 14, 2005 with respect to property located at 12141 Tamerlane Drive, Garden Grove, California (the "Agreement"). All capitalized terms not defined herein shall have the meaning set forth in the Agreement.

B. The Agreement provides, among other things, the right of the City to exercise an Option, pursuant to the Option Agreement attached hereto as Exhibit F, to acquire the Property for the Option Price set forth in the Option Agreement.

C. The parties now desire to amend the Agreement and the Option Agreement so as to (i) extend the period within which the Option can be exercised and (ii) redefine the Option Price.

NOW, THEREFORE, the parties agree to amend the Agreement and the Option Agreement, as follows:

Section 1. Section 401 is hereby deleted and restated as follows:

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

Section 2. Exhibit F attached to the Agreement is hereby deleted, superseded and replaced in its entirety with the document attached hereto as Attachment No. 1 and incorporated herein by reference.

Except as amended herein, the Agreement shall remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be executed by duly authorized representatives as of the day and year first written above.

CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By: _____
Matthew J. Fertal, City Manager

OWNER:

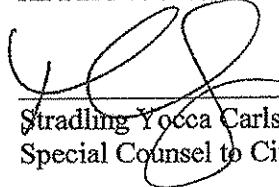
TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: _____
Its: Manager

ATTEST:

City Clerk

APPROVED AS TO FORM:



Stradling Yocca Carlson & Rauth
Special Counsel to City

ATTACHMENT NO. 1

(EXHIBIT F TO AFFORDABLE HOUSING LOAN AGREEMENT)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

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

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

AMENDED AND RESTATED OPTION AGREEMENT

This **AMENDED AND RESTATED OPTION AGREEMENT** ("Option Agreement") is entered into as of _____, 2010, by and between **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner"), and the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City").

RECITALS

A. Owner and the City have entered into an Affordable Housing Loan Agreement dated as of June 14, 2005 ("AHLA"). Under the terms of the AHLA, Owner has, with the assistance of the City, purchased real property located at 12141 Tamerlane Drive, which is improved with a four (4) Unit apartment complex thereon (the "Property"), as particularly described in the Legal Description attached hereto as Exhibit A, and incorporated herein by reference. All capitalized terms not defined herein shall have the meaning set forth in the AHLA.

B. Pursuant to Section 401 of the AHLA, the Owner has granted to the City an Option to purchase the Property upon payment of an Option Price pursuant to the Option Agreement dated July 6, 2005 attached to the AHLA as Exhibit F (the "Original Option Agreement").

C. The parties now want to amend and restate the Original Option Agreement in its entirety as set forth herein. To this end, the Original Option Agreement is deleted, superseded and restated in its entirety by this Option Agreement. For purposes of this Option Agreement, "Property" shall also be deemed to include any and all improvements located on the real property, any and all security deposits held by Owner, operating and capital replacement reserve accounts, operating accounts, Owner's rights to payment for rent and other items, and all of Owner's right, title and interest in and to any and all easements, rights of way, licenses, permits, applications, reports or other personal property utilized in conjunction with or in any way related to or appurtenant to such real property and improvements (but excluding Owner's trade fixtures and equipment).

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

1. **Grant of Option.** Owner grants to City an option (the "Option") to purchase the Property on the terms and conditions set forth in this Option Agreement. The purchase price payable by the City to the Owner for the Property shall be the amount of the then current balance under (i) the Bank Loan and (ii) the Promissory Note plus an amount equal to One Thousand, Four Hundred Fifty--Eight Dollars (\$1,458) per month for each month from July 12, 2008 until escrow is closed, less Net Profits retained by Owner plus operating losses (collectively, the "Option Price"). The Option created hereby shall be irrevocable by Owner and shall be binding upon the successors and assigns of Owner. The City shall have the right of specific performance to enforce the terms of this Option Agreement.

2. **Term for Option.** The term of the Option ("Option Term") commenced on July 6, 2005, and, unless extended by mutual written agreement of the Owner and the City, shall automatically expire on March 19, 2030 in which event, the City shall, upon written request by Owner, provide written request of such termination in recordable form.

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

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

City of the condition of title and the physical and environmental condition of the Property. Until the Closing, the terms of the AHLA and the Regulatory Agreement executed and recorded pursuant thereto shall remain in full force and effect. At the Closing, the Owner shall repay any amount due under the Promissory Note.

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

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

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

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

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

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

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

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

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

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

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

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

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

11. General Provisions.

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

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

City: City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92642
Attention: City Manager

ATTACHMENT NO. 1-4

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

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

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

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

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

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

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

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

11.10 Definition of Terms. Terms not otherwise defined in this Option Agreement are defined in the AHLA.

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

CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By: _____
Matthew J. Fertal, City Manager

OWNER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: _____

Its: _____

ATTEST:

City Clerk

APPROVED AS TO FORM:

Stradling Yocca Carlson & Rauth
Special Counsel to City

ATTACHMENT NO. 1-6

EXHIBIT A
LEGAL DESCRIPTION

The real property located in the State of California, County of Orange, City of Garden Grove, and described as follows:

Assessor parcel number: 231-471-40

12141 Tamerlane Drive, Garden Grove, California

Lot 2 of Tract No. 5503, as per Miscellaneous Maps recorded in Book 201, Pages 29-30, in the office of the County Record of the County of Orange, State of California

EXHIBIT A-1

STATE OF CALIFORNIA

)

) ss.

COUNTY OF _____)

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

**FIRST AMENDMENT TO AFFORDABLE HOUSING
LOAN AGREEMENT
(12161 Tamerlane Drive)**

This **FIRST AMENDMENT TO AFFORDABLE HOUSING LOAN AGREEMENT** (the "First Amendment") is made and entered into as of _____, 2010, by and between the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City"), and **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner").

RECITALS

A. The Owner and the City have entered into that certain Affordable Housing Loan Agreement dated as of May 9, 2006 with respect to property located at 12161 Tamerlane Drive, Garden Grove, California (the "Agreement"). All capitalized terms not defined herein shall have the meaning set forth in the Agreement.

B. The Agreement provides, among other things, the right of the City to exercise an Option, pursuant to the Option Agreement attached hereto as Exhibit F, to acquire the Property for the Option Price set forth in the Option Agreement.

C. The parties now desire to amend the Agreement and the Option Agreement so as to (i) extend the period within which the Option can be exercised and (ii) redefine the Option Price.

NOW, THEREFORE, the parties agree to amend the Agreement and the Option Agreement, as follows:

Section 1. Section 401 is hereby deleted and restated as follows:

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

Section 2. Exhibit F attached to the Agreement is hereby deleted, superseded and replaced in its entirety with the document attached hereto as Attachment No. 1 and incorporated herein by reference.

Except as amended herein, the Agreement shall remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be executed by duly authorized representatives as of the day and year first written above.

CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By: _____
Matthew J. Fertal, City Manager

OWNER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: *Charles H. Ly*
Its: *Manager*

ATTEST:

City Clerk

APPROVED AS TO FORM:

 [Signature]
Stradling Yocca Carlson & Rauth
Special Counsel to City

ATTACHMENT NO. 1

(EXHIBIT F TO AFFORDABLE HOUSING LOAN AGREEMENT)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

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

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

AMENDED AND RESTATED OPTION AGREEMENT

This **AMENDED AND RESTATED OPTION AGREEMENT** ("Option Agreement") is entered into as of _____, 2010, by and between **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner"), and the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City").

RECITALS

A. Owner and the City have entered into an Affordable Housing Loan Agreement dated as of May 9, 2006 ("AHLA"). Under the terms of the AHLA, Owner has, with the assistance of the City, purchased real property located at 12161 Tamerlane Drive, which is improved with a four (4) Unit apartment complex thereon (the "Property"), as particularly described in the Legal Description attached hereto as Exhibit A, and incorporated herein by reference. All capitalized terms not defined herein shall have the meaning set forth in the AHLA.

B. Pursuant to Section 401 of the AHLA, the Owner has granted to the City an Option to purchase the Property upon payment of an Option Price pursuant to the Option Agreement dated May 30, 2006 attached to the AHLA as Exhibit F (the "Original Option Agreement").

C. The parties now want to amend and restate the Original Option Agreement in its entirety as set forth herein. To this end, the Original Option Agreement is deleted, superseded and restated in its entirety by this Option Agreement. For purposes of this Option Agreement, "Property" shall also be deemed to include any and all improvements located on the real property, any and all security deposits held by Owner, operating and capital replacement reserve accounts, operating accounts, Owner's rights to payment for rent and other items, and all of Owner's right, title and interest in and to any and all easements, rights of way, licenses, permits, applications, reports or other personal property utilized in conjunction with or in any way related to or appurtenant to such real property and improvements (but excluding Owner's trade fixtures and equipment).

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

1. **Grant of Option.** Owner grants to City an option (the "Option") to purchase the Property on the terms and conditions set forth in this Option Agreement. The purchase price payable by the City to the Owner for the Property shall be the amount of the then current balance under (i) the Bank Loan and (ii) the Promissory Note plus an amount equal to One Thousand, One Hundred Eighty--Eight Dollars (\$1,188) per month for each month from June 2, 2009 until escrow is closed, less Net Profits retained by Owner plus operating losses (collectively, the "Option Price"). The Option created hereby shall be irrevocable by Owner and shall be binding upon the successors and assigns of Owner. The City shall have the right of specific performance to enforce the terms of this Option Agreement.

2. **Term for Option.** The term of the Option ("Option Term") commenced on May 30, 2006, and, unless extended by mutual written agreement of the Owner and the City, shall automatically expire on March 19, 2030 in which event, the City shall, upon written request by Owner, provide written request of such termination in recordable form.

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

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

City of the condition of title and the physical and environmental condition of the Property. Until the Closing, the terms of the AHLA and the Regulatory Agreement executed and recorded pursuant thereto shall remain in full force and effect. At the Closing, the Owner shall repay any amount due under the Promissory Note.

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

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

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

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

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

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

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

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

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

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

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

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

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

11. General Provisions.

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

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

City: City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92642
Attention: City Manager

ATTACHMENT NO. 1-4

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

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

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

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

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

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

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

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

11.10 Definition of Terms. Terms not otherwise defined in this Option Agreement are defined in the AHLA.

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

CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By: _____
Matthew J. Fertal, City Manager

OWNER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: _____

Its: _____

ATTEST:

City Clerk

APPROVED AS TO FORM:

Stradling Yocca Carlson & Rauth
Special Counsel to City

EXHIBIT A
LEGAL DESCRIPTION

The real property located in the State of California, County of Orange, City of Garden Grove, and described as follows:

Assessor parcel number: 231-471-41

12161 Tamerlane Drive, Garden Grove, California

Lot No. 1 of Tract No. 5503, in the City of Garden Grove, as per Miscellaneous Maps recorded in Book 201, Pages 29 and 30 in the office of the County Recorder of the County of Orange, State of California

EXHIBIT A-1

STATE OF CALIFORNIA

)

)

ss.

COUNTY OF _____)

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

**FIRST AMENDMENT TO AFFORDABLE HOUSING
LOAN AGREEMENT
(12171 Tamerlane Drive)**

This **FIRST AMENDMENT TO AFFORDABLE HOUSING LOAN AGREEMENT** (the "First Amendment") is made and entered into as of _____, 2010, by and between the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City"), and **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner").

RECITALS

A. The Owner and the City have entered into that certain Affordable Housing Loan Agreement dated as of August 8, 2006 with respect to property located at 12171 Tamerlane Drive, Garden Grove, California (the "Agreement"). All capitalized terms not defined herein shall have the meaning set forth in the Agreement.

B. The Agreement provides, among other things, the right of the City to exercise an Option, pursuant to the Option Agreement attached hereto as Exhibit F, to acquire the Property for the Option Price set forth in the Option Agreement.

C. The parties now desire to amend the Agreement and the Option Agreement so as to (i) extend the period within which the Option can be exercised and (ii) redefine the Option Price.

NOW, THEREFORE, the parties agree to amend the Agreement and the Option Agreement, as follows:

Section 1. Section 401 is hereby deleted and restated as follows:

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

ATTACHMENT NO. 1

(EXHIBIT F TO AFFORDABLE HOUSING LOAN AGREEMENT)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

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

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

AMENDED AND RESTATED OPTION AGREEMENT

This **AMENDED AND RESTATED OPTION AGREEMENT** ("Option Agreement") is entered into as of _____, 2010, by and between **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner"), and the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City").

RECITALS

A. Owner and the City have entered into an Affordable Housing Loan Agreement dated as of August 8, 2006 ("AHLA"). Under the terms of the AHLA, Owner has, with the assistance of the City, purchased real property located at 12171 Tamerlane Drive, which is improved with a four (4) Unit apartment complex thereon (the "Property"), as particularly described in the Legal Description attached hereto as Exhibit A, and incorporated herein by reference. All capitalized terms not defined herein shall have the meaning set forth in the AHLA.

B. Pursuant to Section 401 of the AHLA, the Owner has granted to the City an Option to purchase the Property upon payment of an Option Price pursuant to the Option Agreement dated August 10, 2006 attached to the AHLA as Exhibit F (the "Original Option Agreement").

C. The parties now want to amend and restate the Original Option Agreement in its entirety as set forth herein. To this end, the Original Option Agreement is deleted, superseded and restated in its entirety by this Option Agreement. For purposes of this Option Agreement, "Property" shall also be deemed to include any and all improvements located on the real property, any and all security deposits held by Owner, operating and capital replacement reserve accounts, operating accounts, Owner's rights to payment for rent and other items, and all of Owner's right, title and interest in and to any and all easements, rights of way, licenses, permits, applications, reports or other personal property utilized in conjunction with or in any way related to or appurtenant to such real property and improvements (but excluding Owner's trade fixtures and equipment).

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

1. **Grant of Option.** Owner grants to City an option (the "Option") to purchase the Property on the terms and conditions set forth in this Option Agreement. The purchase price payable by the City to the Owner for the Property shall be the amount of the then current balance under (i) the Bank Loan and (ii) the Promissory Note plus an amount equal to One Thousand, One Hundred Eighty-Eight Dollars (\$1,188) per month for each month from August 15, 2009 until escrow is closed, less Net Profits retained by Owner plus operating losses (collectively, the "Option Price"). The Option created hereby shall be irrevocable by Owner and shall be binding upon the successors and assigns of Owner. The City shall have the right of specific performance to enforce the terms of this Option Agreement.

2. **Term for Option.** The term of the Option ("Option Term") commenced on August 10, 2006, and, unless extended by mutual written agreement of the Owner and the City, shall automatically expire on March 19, 2030 in which event, the City shall, upon written request by Owner, provide written request of such termination in recordable form.

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

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

City of the condition of title and the physical and environmental condition of the Property. Until the Closing, the terms of the AHLA and the Regulatory Agreement executed and recorded pursuant thereto shall remain in full force and effect. At the Closing, the Owner shall repay any amount due under the Promissory Note.

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

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

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

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

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

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

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

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

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

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

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

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

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

11. General Provisions.

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

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

City: City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92642
Attention: City Manager

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

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

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

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

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

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

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

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

11.10 Definition of Terms. Terms not otherwise defined in this Option Agreement are defined in the AHLA.

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

CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By: _____
Matthew J. Fertal, City Manager

OWNER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: _____

Its: _____

ATTEST:

City Clerk

APPROVED AS TO FORM:

Stradling Yocca Carlson & Rauth
Special Counsel to City

EXHIBIT A

LEGAL DESCRIPTION

All that certain real property In the County of Los Angeles, State of California, described as follows:

Lot 1 of Tract No, 3050. in the City of Garden Grove, County of Orange.
State of California, as per map recorded in Book 92 Page(s) 31-32, inclusive
of Miscellaneous Maps, in the office of the County Recorder of said County.

APN No. 231-471-42

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

STATE OF CALIFORNIA

)

)

ss.

COUNTY OF _____

)

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

**FIRST AMENDMENT TO AFFORDABLE HOUSING
LOAN AGREEMENT
(12181 Tamerlane Drive)**

This **FIRST AMENDMENT TO AFFORDABLE HOUSING LOAN AGREEMENT** (the "First Amendment") is made and entered into as of _____, 2010, by and between the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City"), and **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner").

RECITALS

A. The Owner and the City have entered into that certain Affordable Housing Loan Agreement dated as of December 14, 2004 with respect to property located at 12181 Tamerlane Drive, Garden Grove, California (the "Agreement"). All capitalized terms not defined herein shall have the meaning set forth in the Agreement.

B. The Agreement provides, among other things, the right of the City to exercise an Option, pursuant to the Option Agreement attached hereto as Exhibit F, to acquire the Property for the Option Price set forth in the Option Agreement.

C. The parties now desire to amend the Agreement and the Option Agreement so as to (i) extend the period within which the Option can be exercised and (ii) redefine the Option Price.

NOW, THEREFORE, the parties agree to amend the Agreement and the Option Agreement, as follows:

Section 1. Section 401 is hereby deleted and restated as follows:

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

Section 2. Exhibit F attached to the Agreement is hereby deleted, superseded and replaced in its entirety with the document attached hereto as Attachment No. 1 and incorporated herein by reference.

Except as amended herein, the Agreement shall remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be executed by duly authorized representatives as of the day and year first written above.

CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By: _____
Matthew J. Fertal, City Manager

OWNER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: _____
Its: *Manager*

ATTEST:

City Clerk

APPROVED AS TO FORM:

Stradling Yocca Carlson & Rauth
Special Counsel to City

ATTACHMENT NO. 1

(EXHIBIT F TO AFFORDABLE HOUSING LOAN AGREEMENT)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

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

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

AMENDED AND RESTATED OPTION AGREEMENT

This **AMENDED AND RESTATED OPTION AGREEMENT** ("Option Agreement") is entered into as of _____, 2010, by and between **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner"), and the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City").

RECITALS

A. Owner and the City have entered into an Affordable Housing Loan Agreement dated as of December 14, 2004 ("AHLA"). Under the terms of the AHLA, Owner has, with the assistance of the City, purchased real property located at 12181 Tamerlane Drive, which is improved with a six (6) Unit apartment complex thereon (the "Property"), as particularly described in the Legal Description attached hereto as Exhibit A, and incorporated herein by reference. All capitalized terms not defined herein shall have the meaning set forth in the AHLA.

B. Pursuant to Section 401 of the AHLA, the Owner has granted to the City an Option to purchase the Property upon payment of an Option Price pursuant to the Option Agreement dated December 15, 2004 attached to the AHLA as Exhibit F (the "Original Option Agreement").

C. The parties now want to amend and restate the Original Option Agreement in its entirety as set forth herein. To this end, the Original Option Agreement is deleted, superseded and restated in its entirety by this Option Agreement. For purposes of this Option Agreement, "Property" shall also be deemed to include any and all improvements located on the real property, any and all security deposits held by Owner, operating and capital replacement reserve accounts, operating accounts, Owner's rights to payment for rent and other items, and all of Owner's right, title and interest in and to any and all easements, rights of way, licenses, permits, applications, reports or other personal property utilized in conjunction with or in any way related to or appurtenant to such real property and improvements (but excluding Owner's trade fixtures and equipment).

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

1. **Grant of Option.** Owner grants to City an option (the "Option") to purchase the Property on the terms and conditions set forth in this Option Agreement. The purchase price payable by the City to the Owner for the Property shall be the amount of the then current balance under (i) the Bank Loan and (ii) the Promissory Note plus an amount equal to One Thousand, Seven Hundred Sixty-Five Dollars (\$1,765) per month for each month from December 17, 2007 until escrow is closed, less Net Profits retained by Owner plus operating losses (collectively, the "Option Price"). The Option created hereby shall be irrevocable by Owner and shall be binding upon the successors and assigns of Owner. The City shall have the right of specific performance to enforce the terms of this Option Agreement.

2. **Term for Option.** The term of the Option ("Option Term") commenced on December 15, 2004, and, unless extended by mutual written agreement of the Owner and the City, shall automatically expire on March 19, 2030 in which event, the City shall, upon written request by Owner, provide written request of such termination in recordable form.

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

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

City of the condition of title and the physical and environmental condition of the Property. Until the Closing, the terms of the AHLA and the Regulatory Agreement executed and recorded pursuant thereto shall remain in full force and effect. At the Closing, the Owner shall repay any amount due under the Promissory Note.

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

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

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

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

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

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

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

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

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

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

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

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

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

11. General Provisions.

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

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

City: City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92642
Attention: City Manager

ATTACHMENT NO. 1-4

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

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

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

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

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

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

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

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

11.10 Definition of Terms. Terms not otherwise defined in this Option Agreement are defined in the AHLA.

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

CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By: _____
Matthew J. Fertal, City Manager

OWNER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: _____

Its: _____

ATTEST:

City Clerk

APPROVED AS TO FORM:

Stradling Yocca Carlson & Rauth
Special Counsel to City

EXHIBIT A

LEGAL DESCRIPTION

The real property located in the State of California, County of Orange, City of Garden Grove, and described as follows:

Assessor parcel number: 231-471-43
12181 Tamerlane Drive, Garden Grove, California

Lot 2 of Tract No. 3050, as per Miscellaneous Maps recorded in Book 92, Pages 31-32, in the office of the County Recorder of the County of Orange, State of California

EXHIBIT A-1

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

STATE OF CALIFORNIA

)

)

ss.

COUNTY OF _____

)

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

**FIRST AMENDMENT TO AFFORDABLE HOUSING
LOAN AGREEMENT
(12182 Tamerlane Drive)**

This **FIRST AMENDMENT TO AFFORDABLE HOUSING LOAN AGREEMENT** (the "First Amendment") is made and entered into as of _____, 2010, by and between the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City"), and **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner").

RECITALS

A. The Owner and the City have entered into that certain Affordable Housing Loan Agreement dated as of December 13, 2005 with respect to property located at 12182 Tamerlane Drive, Garden Grove, California (the "Agreement"). All capitalized terms not defined herein shall have the meaning set forth in the Agreement.

B. The Agreement provides, among other things, the right of the City to exercise an Option, pursuant to the Option Agreement attached hereto as Exhibit F, to acquire the Property for the Option Price set forth in the Option Agreement.

C. The parties now desire to amend the Agreement and the Option Agreement so as to (i) extend the period within which the Option can be exercised and (ii) redefine the Option Price.

NOW, THEREFORE, the parties agree to amend the Agreement and the Option Agreement, as follows:

Section 1. Section 401 is hereby deleted and restated as follows:

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

Section 2. Exhibit F attached to the Agreement is hereby deleted, superseded and replaced in its entirety with the document attached hereto as Attachment No. 1 and incorporated herein by reference.

Except as amended herein, the Agreement shall remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be executed by duly authorized representatives as of the day and year first written above.

CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By: _____
Matthew J. Fertal, City Manager

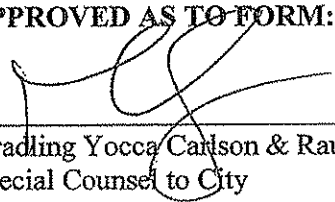
OWNER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: *Charles H. Long*
Its: *Manager*

ATTEST:

City Clerk

APPROVED AS TO FORM:


Stradling Yocca Carlson & Rauth
Special Counsel to City

ATTACHMENT NO. 1

(EXHIBIT F TO AFFORDABLE HOUSING LOAN AGREEMENT)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

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

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

AMENDED AND RESTATED OPTION AGREEMENT

This AMENDED AND RESTATED OPTION AGREEMENT ("Option Agreement") is entered into as of _____, 2010, by and between TAMERLANE ASSOCIATES, LLC, a California limited liability company (the "Owner"), and the CITY OF GARDEN GROVE, a California municipal corporation (the "City").

RECITALS

A. Owner and the City have entered into an Affordable Housing Loan Agreement dated as of December 13, 2005 ("AHLA"). Under the terms of the AHLA, Owner has, with the assistance of the City, purchased real property located at 12182 Tamerlane Drive, which is improved with a six (6) Unit apartment complex thereon (the "Property"), as particularly described in the Legal Description attached hereto as Exhibit A, and incorporated herein by reference. All capitalized terms not defined herein shall have the meaning set forth in the AHLA.

B. Pursuant to Section 401 of the AHLA, the Owner has granted to the City an Option to purchase the Property upon payment of an Option Price pursuant to the Option Agreement dated December 13, 2005 attached to the AHLA as Exhibit F (the "Original Option Agreement").

C. The parties now want to amend and restate the Original Option Agreement in its entirety as set forth herein. To this end, the Original Option Agreement is deleted, superseded and restated in its entirety by this Option Agreement. For purposes of this Option Agreement, "Property" shall also be deemed to include any and all improvements located on the real property, any and all security deposits held by Owner, operating and capital replacement reserve accounts, operating accounts, Owner's rights to payment for rent and other items, and all of Owner's right, title and interest in and to any and all easements, rights of way, licenses, permits, applications, reports or other personal property utilized in conjunction with or in any way related to or appurtenant to such real property and improvements (but excluding Owner's trade fixtures and equipment).

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

1. **Grant of Option.** Owner grants to City an option (the "Option") to purchase the Property on the terms and conditions set forth in this Option Agreement. The purchase price payable by the City to the Owner for the Property shall be the amount of the then current balance under (i) the Bank Loan and (ii) the Promissory Note plus an amount equal to One Thousand, Eight Hundred Thirty-Three Dollars (\$1,833) per month for each month from January 4, 2009 until escrow is closed, less Net Profits retained by Owner plus operating losses (collectively, the "Option Price"). The Option created hereby shall be irrevocable by Owner and shall be binding upon the successors and assigns of Owner. The City shall have the right of specific performance to enforce the terms of this Option Agreement.

2. **Term for Option.** The term of the Option ("Option Term") commenced on December 19, 2005, and, unless extended by mutual written agreement of the Owner and the City, shall automatically expire on March 19, 2030 in which event, the City shall, upon written request by Owner, provide written request of such termination in recordable form.

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

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

City of the condition of title and the physical and environmental condition of the Property. Until the Closing, the terms of the AHLA and the Regulatory Agreement executed and recorded pursuant thereto shall remain in full force and effect. At the Closing, the Owner shall repay any amount due under the Promissory Note.

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

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

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

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

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

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

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

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

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

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

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

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

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

11. General Provisions.

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

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

City: City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92642
Attention: City Manager

ATTACHMENT NO. 1-4

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

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

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

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

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

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

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

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

11.10 Definition of Terms. Terms not otherwise defined in this Option Agreement are defined in the AHLA.

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

CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By: _____
Matthew J. Fertal, City Manager

OWNER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: _____

Its: _____

ATTEST:

City Clerk

APPROVED AS TO FORM:

Stradling Yocca Carlson & Rauth
Special Counsel to City

EXHIBIT A
LEGAL DESCRIPTION

The real property located in the State of California, County of Orange, City of Garden Grove, and described as follows:

Lot 9 of Tract No. 3050, as per Miscellaneous Maps recorded in Book
92, Pages 31-32, in the office of the County Recorder of the County of
Orange, State of California

Assessor parcel number 231-471-34
12182 Tamerlane Drive, Garden Grove, California

EXHIBIT A-1

STATE OF CALIFORNIA

)

)

ss.

COUNTY OF _____)

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

STATE OF CALIFORNIA

)

)

ss.

COUNTY OF _____

)

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

**FIRST AMENDMENT TO AFFORDABLE HOUSING
LOAN AGREEMENT
(12201 Tamerlane Drive)**

This **FIRST AMENDMENT TO AFFORDABLE HOUSING LOAN AGREEMENT** (the "First Amendment") is made and entered into as of _____, 2010, by and between the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City"), and **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner").

RECITALS

A. The Owner and the City have entered into that certain Affordable Housing Loan Agreement dated as of December 14, 2004 with respect to property located at 12201 Tamerlane Drive, Garden Grove, California (the "Agreement"). All capitalized terms not defined herein shall have the meaning set forth in the Agreement.

B. The Agreement provides, among other things, the right of the City to exercise an Option, pursuant to the Option Agreement attached hereto as Exhibit F, to acquire the Property for the Option Price set forth in the Option Agreement.

C. The parties now desire to amend the Agreement and the Option Agreement so as to (i) extend the period within which the Option can be exercised and (ii) redefine the Option Price.

NOW, THEREFORE, the parties agree to amend the Agreement and the Option Agreement, as follows:

Section 1. Section 401 is hereby deleted and restated as follows:

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

Section 2. Exhibit F attached to the Agreement is hereby deleted, superseded and replaced in its entirety with the document attached hereto as Attachment No. 1 and incorporated herein by reference.

Except as amended herein, the Agreement shall remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be executed by duly authorized representatives as of the day and year first written above.

CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By: _____
Matthew J. Fertal, City Manager

OWNER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: _____
Its: Manager

ATTEST:

City Clerk

APPROVED AS TO FORM:

Stradling Yocca Carlson & Rauth
Special Counsel to City

ATTACHMENT NO. 1

(EXHIBIT F TO AFFORDABLE HOUSING LOAN AGREEMENT)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

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

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

AMENDED AND RESTATED OPTION AGREEMENT

This **AMENDED AND RESTATED OPTION AGREEMENT** ("Option Agreement") is entered into as of _____, 2010, by and between **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner"), and the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City").

RECITALS

A. Owner and the City have entered into an Affordable Housing Loan Agreement dated as of December 14, 2004 ("AHLA"). Under the terms of the AHLA, Owner has, with the assistance of the City, purchased real property located at 12201 Tamerlane Drive, which is improved with a six (6) Unit apartment complex thereon (the "Property"), as particularly described in the Legal Description attached hereto as Exhibit A, and incorporated herein by reference. All capitalized terms not defined herein shall have the meaning set forth in the AHLA.

B. Pursuant to Section 401 of the AHLA, the Owner has granted to the City an Option to purchase the Property upon payment of an Option Price pursuant to the Option Agreement dated December 15, 2004 attached to the AHLA as Exhibit F (the "Original Option Agreement").

C. The parties now want to amend and restate the Original Option Agreement in its entirety as set forth herein. To this end, the Original Option Agreement is deleted, superseded and restated in its entirety by this Option Agreement. For purposes of this Option Agreement, "Property" shall also be deemed to include any and all improvements located on the real property, any and all security deposits held by Owner, operating and capital replacement reserve accounts, operating accounts, Owner's rights to payment for rent and other items, and all of Owner's right, title and interest in and to any and all easements, rights of way, licenses, permits, applications, reports or other personal property utilized in conjunction with or in any way related to or appurtenant to such real property and improvements (but excluding Owner's trade fixtures and equipment).

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

1. **Grant of Option.** Owner grants to City an option (the "Option") to purchase the Property on the terms and conditions set forth in this Option Agreement. The purchase price payable by the City to the Owner for the Property shall be the amount of the then current balance under (i) the Bank Loan and (ii) the Promissory Note plus an amount equal to One Thousand, Seven Hundred Sixty-Five Dollars (\$1,765) per month for each month from December 17, 2007 until escrow is closed, less Net Profits retained by Owner plus operating losses (collectively, the "Option Price"). The Option created hereby shall be irrevocable by Owner and shall be binding upon the successors and assigns of Owner. The City shall have the right of specific performance to enforce the terms of this Option Agreement.

2. **Term for Option.** The term of the Option ("Option Term") commenced on December 15, 2006, and, unless extended by mutual written agreement of the Owner and the City, shall automatically expire on March 19, 2030 in which event, the City shall, upon written request by Owner, provide written request of such termination in recordable form.

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

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

City of the condition of title and the physical and environmental condition of the Property. Until the Closing, the terms of the AHLA and the Regulatory Agreement executed and recorded pursuant thereto shall remain in full force and effect. At the Closing, the Owner shall repay any amount due under the Promissory Note.

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

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

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

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

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

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

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

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

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

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

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

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

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

11. General Provisions.

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

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

City: City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92642
Attention: City Manager

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

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

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

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

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

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

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

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

11.10 Definition of Terms. Terms not otherwise defined in this Option Agreement are defined in the AHLA.

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

CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By: _____
Matthew J. Fertal, City Manager

OWNER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: _____

Its: _____

ATTEST:

City Clerk

APPROVED AS TO FORM:

Stradling Yocca Carlson & Rauth
Special Counsel to City

EXHIBIT A
LEGAL DESCRIPTION

The real property located in the State of California, County of Orange, City of Garden Grove, and described as follows:

Assessor parcel number: 231-471-44
12201 Tamerlane Drive, Garden Grove, California

Lot 3 of Tract No. 3050, as per Miscellaneous Maps recorded in Book 92, Pages 31-32, in the office of the County Recorder of the County of Orange, State of California

Pages 31-32, in the Office of the County Recorder of the County of Orange, State of California

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

STATE OF CALIFORNIA)
)
COUNTY OF _____) ss.

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

**FIRST AMENDMENT TO AFFORDABLE HOUSING
LOAN AGREEMENT
(12202 Tamerlane Drive)**

This **FIRST AMENDMENT TO AFFORDABLE HOUSING LOAN AGREEMENT** (the "First Amendment") is made and entered into as of _____, 2010, by and between the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City"), and **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner").

RECITALS

A. The Owner and the City have entered into that certain Affordable Housing Loan Agreement dated as of December 14, 2004 with respect to property located at 12202 Tamerlane Drive, Garden Grove, California (the "Agreement"). All capitalized terms not defined herein shall have the meaning set forth in the Agreement.

B. The Agreement provides, among other things, the right of the City to exercise an Option, pursuant to the Option Agreement attached hereto as Exhibit F, to acquire the Property for the Option Price set forth in the Option Agreement.

C. The parties now desire to amend the Agreement and the Option Agreement so as to (i) extend the period within which the Option can be exercised and (ii) redefine the Option Price.

NOW, THEREFORE, the parties agree to amend the Agreement and the Option Agreement, as follows:

Section 1. Section 401 is hereby deleted and restated as follows:

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

Section 2. Exhibit F attached to the Agreement is hereby deleted, superseded and replaced in its entirety with the document attached hereto as Attachment No. 1 and incorporated herein by reference.

Except as amended herein, the Agreement shall remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be executed by duly authorized representatives as of the day and year first written above.

CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By: _____
Matthew J. Fertal, City Manager

OWNER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: _____
Chad H. Long

Its: _____
Manager

ATTEST:

City Clerk

APPROVED AS TO FORM:

[Signature]

Stradling Yocca Carlson & Rauth
Special Counsel to City

ATTACHMENT NO. 1

(EXHIBIT F TO AFFORDABLE HOUSING LOAN AGREEMENT)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

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

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

AMENDED AND RESTATED OPTION AGREEMENT

This **AMENDED AND RESTATED OPTION AGREEMENT** ("Option Agreement") is entered into as of _____, 2010, by and between **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner"), and the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City").

RECITALS

A. Owner and the City have entered into an Affordable Housing Loan Agreement dated as of December 14, 2004 ("AHLA"). Under the terms of the AHLA, Owner has, with the assistance of the City, purchased real property located at 12202 Tamerlane Drive, which is improved with a six (6) Unit apartment complex thereon (the "Property"), as particularly described in the Legal Description attached hereto as Exhibit A, and incorporated herein by reference. All capitalized terms not defined herein shall have the meaning set forth in the AHLA.

B. Pursuant to Section 401 of the AHLA, the Owner has granted to the City an Option to purchase the Property upon payment of an Option Price pursuant to the Option Agreement dated December 15, 2006 attached to the AHLA as Exhibit F (the "Original Option Agreement").

C. The parties now want to amend and restate the Original Option Agreement in its entirety as set forth herein. To this end, the Original Option Agreement is deleted, superseded and restated in its entirety by this Option Agreement. For purposes of this Option Agreement, "Property" shall also be deemed to include any and all improvements located on the real property, any and all security deposits held by Owner, operating and capital replacement reserve accounts, operating accounts, Owner's rights to payment for rent and other items, and all of Owner's right, title and interest in and to any and all easements, rights of way, licenses, permits, applications, reports or other personal property utilized in conjunction with or in any way related to or appurtenant to such real property and improvements (but excluding Owner's trade fixtures and equipment).

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

1. **Grant of Option.** Owner grants to City an option (the "Option") to purchase the Property on the terms and conditions set forth in this Option Agreement. The purchase price payable by the City to the Owner for the Property shall be the amount of the then current balance under (i) the Bank Loan and (ii) the Promissory Note plus an amount equal to One Thousand, Seven Hundred Sixty-Five Dollars (\$1,765) per month for each month from December 16, 2007 until escrow is closed, less Net Profits retained by Owner plus operating losses (collectively, the "Option Price"). The Option created hereby shall be irrevocable by Owner and shall be binding upon the successors and assigns of Owner. The City shall have the right of specific performance to enforce the terms of this Option Agreement.

2. **Term for Option.** The term of the Option ("Option Term") commenced on December 15, 2006, and, unless extended by mutual written agreement of the Owner and the City, shall automatically expire on March 19, 2030 in which event, the City shall, upon written request by Owner, provide written request of such termination in recordable form.

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

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

City of the condition of title and the physical and environmental condition of the Property. Until the Closing, the terms of the AHLA and the Regulatory Agreement executed and recorded pursuant thereto shall remain in full force and effect. At the Closing, the Owner shall repay any amount due under the Promissory Note.

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

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

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

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

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

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

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

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

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

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

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

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

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

11. General Provisions.

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

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

City: City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92642
Attention: City Manager

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

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

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

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

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

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

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

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

11.10 Definition of Terms. Terms not otherwise defined in this Option Agreement are defined in the AHLA.

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

CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By: _____
Matthew J. Fertal, City Manager

OWNER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: _____

Its: _____

ATTEST:

City Clerk

APPROVED AS TO FORM:

Stradling Yocca Carlson & Rauth
Special Counsel to City

EXHIBIT A
LEGAL DESCRIPTION

The real property located in the State of California, County of Orange, City of Garden Grove, and described as follows:

Assessor parcel number: 231-471-33
12202 Tamerlane Drive, Garden Grove, California

Lot 8 of Tract No. 3050, as per Miscellaneous Maps recorded in Book 92, Pages 31-32, in the office of the County Recorder of the County of Orange, State of California

STATE OF CALIFORNIA

COUNTY OF _____

)
) ss.
)

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

STATE OF CALIFORNIA)
)
COUNTY OF _____) ss.

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

**FIRST AMENDMENT TO AFFORDABLE HOUSING
LOAN AGREEMENT
(12212 Tamerlane Drive)**

This **FIRST AMENDMENT TO AFFORDABLE HOUSING LOAN AGREEMENT** (the "First Amendment") is made and entered into as of _____, 2010, by and between the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City"), and **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner").

RECITALS

A. The Owner and the City have entered into that certain Affordable Housing Loan Agreement dated as of April 13, 2004 with respect to property located at 12212 Tamerlane Drive, Garden Grove, California (the "Agreement"). All capitalized terms not defined herein shall have the meaning set forth in the Agreement.

B. The Agreement provides, among other things, the right of the City to exercise an Option, pursuant to the Option Agreement attached hereto as Exhibit F, to acquire the Property for the Option Price set forth in the Option Agreement.

C. The parties now desire to amend the Agreement and the Option Agreement so as to (i) extend the period within which the Option can be exercised and (ii) redefine the Option Price.

NOW, THEREFORE, the parties agree to amend the Agreement and the Option Agreement, as follows:

Section 1. Section 401 is hereby deleted and restated as follows:

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

Section 2. Exhibit F attached to the Agreement is hereby deleted, superseded and replaced in its entirety with the document attached hereto as Attachment No. 1 and incorporated herein by reference.

Except as amended herein, the Agreement shall remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be executed by duly authorized representatives as of the day and year first written above.

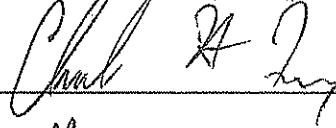
CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By: _____
Matthew J. Fertal, City Manager

OWNER:

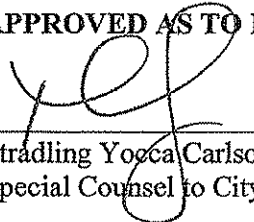
TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By:  _____
Its: Manager

ATTEST:

City Clerk

APPROVED AS TO FORM:



Stradling Yocca Carlson & Rauth
Special Counsel to City

ATTACHMENT NO. 1

(EXHIBIT F TO AFFORDABLE HOUSING LOAN AGREEMENT)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

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

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

AMENDED AND RESTATED OPTION AGREEMENT

This **AMENDED AND RESTATED OPTION AGREEMENT** ("Option Agreement") is entered into as of _____, 2010, by and between **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner"), and the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City").

RECITALS

A. Owner and the City have entered into an Affordable Housing Loan Agreement dated as of April 13, 2004 ("AHLA"). Under the terms of the AHLA, Owner has, with the assistance of the City, purchased real property located at 12212 Tamerlane Drive, which is improved with a nine eight (8) Unit apartment complex thereon (the "Property"), as particularly described in the Legal Description attached hereto as Exhibit A, and incorporated herein by reference. All capitalized terms not defined herein shall have the meaning set forth in the AHLA.

B. Pursuant to Section 401 of the AHLA, the Owner has granted to the City an Option to purchase the Property upon payment of an Option Price pursuant to the Option Agreement dated April 13, 2004 attached to the AHLA as Exhibit F (the "Original Option Agreement").

C. The parties now want to amend and restate the Original Option Agreement in its entirety as set forth herein. To this end, the Original Option Agreement is deleted, superseded and restated in its entirety by this Option Agreement. For purposes of this Option Agreement, "Property" shall also be deemed to include any and all improvements located on the real property, any and all security deposits held by Owner, operating and capital replacement reserve accounts, operating accounts, Owner's rights to payment for rent and other items, and all of Owner's right, title and interest in and to any and all easements, rights of way, licenses, permits, applications, reports or other personal property utilized in conjunction with or in any way related to or appurtenant to such real property and improvements (but excluding Owner's trade fixtures and equipment).

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

1. **Grant of Option.** Owner grants to City an option (the "Option") to purchase the Property on the terms and conditions set forth in this Option Agreement. The purchase price payable by the City to the Owner for the Property shall be the amount of the then current balance under (i) the Bank Loan and (ii) the Promissory Note plus an amount equal to One Thousand, Three Hundred Eleven Dollars (\$1,311) per month for each month from May 4, 2007 until escrow is closed, less Net Profits retained by Owner plus operating losses (collectively, the "Option Price"). The Option created hereby shall be irrevocable by Owner and shall be binding upon the successors and assigns of Owner. The City shall have the right of specific performance to enforce the terms of this Option Agreement.

2. **Term for Option.** The term of the Option ("Option Term") commenced on April 13, 2004, and, unless extended by mutual written agreement of the Owner and the City, shall automatically expire on March 19, 2030 in which event, the City shall, upon written request by Owner, provide written request of such termination in recordable form.

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

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

City of the condition of title and the physical and environmental condition of the Property. Until the Closing, the terms of the AHLA and the Regulatory Agreement executed and recorded pursuant thereto shall remain in full force and effect. At the Closing, the Owner shall repay any amount due under the Promissory Note.

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

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

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

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

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

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

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

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

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

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

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

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

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

11. General Provisions.

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

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

City: City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92642
Attention: City Manager

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

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

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

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

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

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

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

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

11.10 Definition of Terms. Terms not otherwise defined in this Option Agreement are defined in the AHLA.

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

CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By: _____
Matthew J. Fertal, City Manager

OWNER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: _____

Its: _____

ATTEST:

City Clerk

APPROVED AS TO FORM:

Stradling Yocca Carlson & Rauth
Special Counsel to City

EXHIBIT A
LEGAL DESCRIPTION

The real property located in the State of California, County of Orange, City of Garden Grove, and described as follows:

Assessor Parcel Number 231-471-32

12212 Tamerlane Drive, Garden Grove, California

Lot 7 of Tract No. 3050, as per Miscellaneous Maps recorded in Book 92, Pages 31-32, in the office of the County Record of the County of Orange, State of California

EXHIBIT A-1

STATE OF CALIFORNIA)
)
COUNTY OF _____) ss.

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

STATE OF CALIFORNIA)
)
COUNTY OF _____) ss.

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

**FIRST AMENDMENT TO AFFORDABLE HOUSING
LOAN AGREEMENT
(12222 Tamerlane Drive)**

This **FIRST AMENDMENT TO AFFORDABLE HOUSING LOAN AGREEMENT** (the "First Amendment") is made and entered into as of _____, 2010, by and between the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City"), and **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner").

RECITALS

A. The Owner and the City have entered into that certain Affordable Housing Loan Agreement dated as of April 13, 2004 with respect to property located at 12222 Tamerlane Drive, Garden Grove, California (the "Agreement"). All capitalized terms not defined herein shall have the meaning set forth in the Agreement.

B. The Agreement provides, among other things, the right of the City to exercise an Option, pursuant to the Option Agreement attached hereto as Exhibit F, to acquire the Property for the Option Price set forth in the Option Agreement.

C. The parties now desire to amend the Agreement and the Option Agreement so as to (i) extend the period within which the Option can be exercised and (ii) redefine the Option Price.

NOW, THEREFORE, the parties agree to amend the Agreement and the Option Agreement, as follows:

Section 1. Section 401 is hereby deleted and restated as follows:

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

Section 2. Exhibit F attached to the Agreement is hereby deleted, superseded and replaced in its entirety with the document attached hereto as Attachment No. 1 and incorporated herein by reference.

Except as amended herein, the Agreement shall remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be executed by duly authorized representatives as of the day and year first written above.

CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By: _____
Matthew J. Fertal, City Manager

OWNER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: Charles H. Long
Its: Manager

ATTEST:

City Clerk

APPROVED AS TO FORM:

[Signature]
Stradling Yocca Carlson & Rauth
Special Counsel to City

ATTACHMENT NO. 1

(EXHIBIT F TO AFFORDABLE HOUSING LOAN AGREEMENT)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

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

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

AMENDED AND RESTATED OPTION AGREEMENT

This **AMENDED AND RESTATED OPTION AGREEMENT** ("Option Agreement") is entered into as of _____, 2010, by and between **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner"), and the **CITY OF GARDEN GROVE**, a California municipal corporation (the "City").

RECITALS

A. Owner and the City have entered into an Affordable Housing Loan Agreement dated as of April 13, 2004 ("AHLA"). Under the terms of the AHLA, Owner has, with the assistance of the City, purchased real property located at 12222 Tamerlane Drive, which is improved with a nine (9) Unit apartment complex thereon (the "Property"), as particularly described in the Legal Description attached hereto as Exhibit A, and incorporated herein by reference. All capitalized terms not defined herein shall have the meaning set forth in the AHLA.

B. Pursuant to Section 401 of the AHLA, the Owner has granted to the City an Option to purchase the Property upon payment of an Option Price pursuant to the Option Agreement dated April 13, 2004 attached to the AHLA as Exhibit F (the "Original Option Agreement").

C. The parties now want to amend and restate the Original Option Agreement in its entirety as set forth herein. To this end, the Original Option Agreement is deleted, superseded and restated in its entirety by this Option Agreement. For purposes of this Option Agreement, "Property" shall also be deemed to include any and all improvements located on the real property, any and all security deposits held by Owner, operating and capital replacement reserve accounts, operating accounts, Owner's rights to payment for rent and other items, and all of Owner's right, title and interest in and to any and all easements, rights of way, licenses, permits, applications, reports or other personal property utilized in conjunction with or in any way related to or appurtenant to such real property and improvements (but excluding Owner's trade fixtures and equipment).

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

1. **Grant of Option.** Owner grants to City an option (the "Option") to purchase the Property on the terms and conditions set forth in this Option Agreement. The purchase price payable by the City to the Owner for the Property shall be the amount of the then current balance under (i) the Bank Loan and (ii) the Promissory Note plus an amount equal to Three Thousand, Six Hundred Eighty-Nine Dollars (\$3,689) per month for each month from May 4, 2007 until escrow is closed, less Net Profits retained by Owner plus operating losses (collectively, the "Option Price"). The Option created hereby shall be irrevocable by Owner and shall be binding upon the successors and assigns of Owner. The City shall have the right of specific performance to enforce the terms of this Option Agreement.

2. **Term for Option.** The term of the Option ("Option Term") commenced on April 13, 2004, and, unless extended by mutual written agreement of the Owner and the City, shall automatically expire on March 19, 2030 in which event, the City shall, upon written request by Owner, provide written request of such termination in recordable form.

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

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

City of the condition of title and the physical and environmental condition of the Property. Until the Closing, the terms of the AHILA and the Regulatory Agreement executed and recorded pursuant thereto shall remain in full force and effect. At the Closing, the Owner shall repay any amount due under the Promissory Note.

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

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

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

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

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

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

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

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

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

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

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

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

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

11. General Provisions.

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

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

City: City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92642
Attention: City Manager

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

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

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

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

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

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

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

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

11.10 Definition of Terms. Terms not otherwise defined in this Option Agreement are defined in the AHLA.

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

CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By: _____
Matthew J. Fertal, City Manager

OWNER:

TAMERLANE ASSOCIATES, LLC,
a California limited liability company

By: _____

Its: _____

ATTEST:

City Clerk

APPROVED AS TO FORM:

Stradling Yocca Carlson & Rauth
Special Counsel to City

EXHIBIT A
LEGAL DESCRIPTION

That real property located in the State of California, County of Orange, City of Garden Grove, and described as follows:

Assessor Parcel Number 231-471-31

12222 Tamerlane Drive, Garden Grove, California

Lot 6 of Tract No. 3050, as per Miscellaneous Maps recorded in Book 92, Pages 31-32, in the Office of the County Recorder of the County of Orange, State of California

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

STATE OF CALIFORNIA)
)
COUNTY OF _____) ss.

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC