TRANSMITTAL

To: **THE COUNCIL**

Date: APR 26 2013

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

Kay Williams

for **ANTONIO R. VILLARAIGOSA**
Mayor

MAJOR PROJECTS DIVISION
Los Angeles Housing Department
LAHD
1200 West 7th Street, 8th Floor, Los Angeles, CA 90017
tel 213.808.8936 | fax 213.808.8918
lahd.lacity.org

OFFICE OF THE MAYOR
RECEIVED
2013 APR 24 AM 11:07
CITY OF LOS ANGELES

Antonio R. Villaraigosa, Mayor
Mercedes M. Márquez, General Manager

April 15, 2013

Council File:	NEW
Council District:	15
Contact Persons:	
Yaneli Ruiz	(213) 808-8951
Manuel Bernal	(213) 808-8901
Helmi Hisserich	(213) 808-8662

Honorable Antonio R. Villaraigosa
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

COMMITTEE TRANSMITTAL: LOS ANGELES HOUSING DEPARTMENT REQUEST FOR MAYOR AND CITY COUNCIL AUTHORIZATION OF THE ISSUANCE OF UP TO $10,100,000 IN TAX-EXEMPT MULTI-FAMILY MORTGAGE REVENUE BONDS BY ADOPTION OF THE ATTACHED RESOLUTION FOR THE BANNING VILLA APARTMENTS PROJECT.

SUMMARY

- The Los Angeles Housing Department (LAHD) respectfully requests authority to issue its tax-exempt multi-family housing revenue bonds in the amount of $10,100,000 to finance the development of an affordable housing development known as the Banning Villa Apartments ("Project"). The California Debt Limit Allocation Committee (CDLAC) has designated June 11, 2013 as the allocation expiration date.

- The subject site is located at 1100 North Banning Boulevard, Wilmington, CA 90744 in the 15th Council District. The proposed project entails the acquisition and rehabilitation of a 90-unit complex that will continue to provide affordable housing for seniors. Rehabilitation includes new appliances, flooring, cabinets, countertops, sinks, plumbing and light fixtures, dual panel vinyl low-e windows, roof, carports, and re-textured stucco. Security site lighting on buildings and at walkways will also be upgraded. Amenities include a large community/laundry building, a large central common area, picnic/BBQ area, and landscaping. The Project is gated and contains 53 parking spaces.

RECOMMENDATIONS

The General Manager, LAHD, respectfully requests the following:

1. That your office schedule this transmittal for consideration at the next available meeting(s) of the appropriate Committee(s) of the City Council and forward it to the City Council for review and approval immediately thereafter;

2. That the City Council:

   a. Adopt the attached Resolution authorizing the issuance of up to $10,100,000 in tax-exempt multi-family mortgage revenue note ("Note") for the development of the Banning Villa Apartments Project;

   b. Approve the related loan documents, subject to the approval of the City Attorney as to form;

   c. Authorize the General Manager, LAHD, or designee, to negotiate and execute the relevant loan documents, subject to the approval of the City Attorney as to form.

3. That the Mayor concur with the action of the City Council.

BACKGROUND/PROJECT DETAIL

Financing History

Timeline	
TEFRA Hearing	August 30, 2012
Inducement	January 11, 2013 (CF# 04-2646)
CDLAC Application Submitted	January 15, 2013
TEFRA Approved by Council	February 12, 2013
CDLAC Allocation Award	March 13, 2013
CDLAC Allocation Expiration Date	June 11, 2013

On August 30, 2012, LAHD conducted a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). LAHD was authorized to apply on behalf of the sponsor for an allocation of up to $13,312,500 in tax-exempt bonds from CDLAC. On January 11, 2013, LAHD induced the project (CF# 04-2646), thereby enabling the sponsor to apply for a tax-exempt bond allocation. On January 15, 2013, LAHD, on behalf of the developer, submitted the CDLAC application for an allocation of tax-exempt bonds

On February 12, 2013, the TEFRA Resolution and Minutes were adopted by the City Council (CF#11-0538). On March 13, 2013, the project was awarded an allocation of $10,100,000 in bonds from CDLAC. The bond allocation expiration date is June 11, 2013.

Affordability Restrictions

UNIT TYPE	50%AMI	60% AMI	Manager	TOTAL
1 bedroom	9	80		89
2 bedroom			1	1
TOTAL	**9**	**80**	**1**	**90**

Pursuant to the Bond Regulatory Agreement to be executed in connection with the issuance of the tax-exempt bonds, the above referenced restrictions will have a term of not less than the longer of: (i) 15 years after 50% of the units are first occupied, (ii) the date such bond is paid in full, or (iii) the date on which any Section 8 assistance terminates, if applicable. In addition, CDLAC's resolution and rental income restrictions will be in place for at least 55 years. Also, because the Project will receive 4% Low Income Housing Tax Credits the subject units will also be restricted, via separate agreement, for a minimum of 55 years.

Development Team

The Project Sponsor is Preservation Partners Development III, L.P. (PPD). The Managing General Partner is Banning Villa Housing Partners, LLC (BVHP), a California limited liability company. The Administrative General Partner is Banning Villa Preservation Partners, LLC (BVPP), a California limited liability company. The Developer is Clifford Beers Housing, Inc. (CBH), a California non-profit corporation. The principals of PPD are Teresa Szymczak, President & COO; Christian Szymczak, Director of Finance; and, William Szymczak, Managing Member. The principals of CBH are David Bloomgarden, President; Larry Kirk, Treasurer; and, Omar Hall, Secretary

Developer: Preservation Partners
21515 Hawthorne Blvd., Suite 125
Torrance, CA 90503
Phone : (310) 802-6670
Fax : (310) 802-6680
Contact : William Szymczak

The borrower and developer are in compliance with LAHD's Business Policy.

The additional development team members are:

Attorney: Levy, Levy, Levy
900 Larkspur Landing Circle, Suite 275
Larkspur, CA 94939
Phone: (415) 461-4900
Contact: Paul Renno

General Contractor:	ICON Builders 2461 Santa Monica Blvd., #125 Santa Monica, CA 90404 Phone: (310) 450-5661 Fax: (310) 450-4371 Contact: Nick Tufano
Property Manager:	Preservation Partners Management Group 21515 Hawthorne Blvd., Suite 125 Torrance, CA 90503 Phone : (310) 802-6675 Fax : (310) 802-6680 Contact : Nidia Vasquez
Equity Investor:	Union Bank 1901 Avenue of the Stars, Suite 600 Los Angeles, CA 90067 Phone: (310)551-8967 Fax: (310) 284-5792 Contact: Johanna Gullick

Financial Structure

The bonds will be privately placed with Citibank. Citibank will use the back-to-back loan structure. Instead of purchasing bonds, Citibank will make a tax-exempt loan in the approximate amount of $10,100,000 to the City of Los Angeles ("Citibank Loan"). The City will then loan the proceeds of the Citibank Loan to the Borrower ("City Loan" or "Borrower Loan") to finance a portion of the Project. The Borrower will use the proceeds from the construction loan to provide affordable housing within the City in compliance with federal, state and local laws, as well as the policies and procedures of the City. The construction loan term will be 18 months, plus one 6-month extension with interest only payments due during the construction phase. The construction phase loan will bear interest at a fixed rate calculated by adding a 0.65% spread to the 1-year MMD Index which is currently at 0.20%, resulting in a rate of 0.85% based on current rates.

The Citibank Loan will not be secured by a mortgage on the Project, but will be secured by a pledge of cash held by the Fiscal Agent under the Funding Loan Agreement (the "Collateral Pledge") in an amount equal to the maximum principal amount of the Citibank Loan plus interest to accrue thereon to the maturity date of the Citibank Loan. The Collateral Pledge will be invested in a "Permitted Investment" under the Funding Loan Agreement in order that the Citibank Loan achieves a rating of at least "AA+" from Standard and Poor's. Thus, the Citibank Loan satisfies the City's Multi-family Bond Policies and Procedures (the "City Policies") as an investment grade rated and credit enhanced issue and thus is not subject to the City's private placement restrictions as described in the City Policies.

The obligation of the Borrower to repay the City Loan will be secured by the Collateral Pledge and any other funds held under the Funding Loan Agreement and payments received from the Borrower under the Loan Agreement between the Borrower and the City. The principal amount of the Collateral Pledge will be sized to pay the principal of the Citibank Loan plus accrued interest thereon to the maturity date of the Citibank Loan. The obligations of the City under the Citibank Loan are secured only by and payable only from the Borrower's payments under the Loan Agreement, the Collateral Pledge and other amounts held under the Funding Loan Agreement. The Citibank Loan will be a strictly limited, non-recourse loan. The Citibank Loan will be evidenced by a note (the "Note") delivered in either a physical or -book entry) form. The City Attorney has reviewed this proposal. The Bond Counsel and Financial advisor have also reviewed and assessed no undue risk or liability.

Once construction is completed, the Citibank Loan will be paid in full from the liquidation of the Collateral Pledge. Permanent financing for the project will take the form of an FHA-insured conventional mortgage loan (the "Conventional Loan"). The currently underwritten permanent interest rate is 3.3%. The developer has received 4% Low Income Housing Tax Credits (LIHTCs) and has at least $6,796,547 in tax credit equity. Additional permanent financing includes property income during construction and deferred developer fees. The property has a project-based HUD Section 8 Housing Assistance Payments (HAP) contract providing subsidies to 100% of the units.

Sources and Uses:

Construction	**Total Sources**	**Per Unit**	**% Total**
Tax-Exempt Bonds	$10,100,00	$112,222	48%
Property Income During Construction	$461,516	$5,128	2%
Taxable Debt Proceeds	$1,811,600	$20,129	9%
Tax Credit Equity	$6,796,547	$75,517	32%
Deferred Developer Fees	$1,896,162	$21,069	9%
TOTAL	**$21,065,825**	**$234,065**	**100%**

Permanent	**Total Sources**	**Per Unit**	**% Total**
Taxable Debt Proceeds	$11,911,600	$132,351	57%
Property Income During Construction	$461,516	$5,128	2%
Tax Credit Equity	$6,796,547	$75,517	32%
Deferred Developer Fees	$1,896,162	$21,069	9%
TOTAL	**$21,065,825**	**$234,065**	**100%**

Uses of Funds	Total Uses	Cost/Unit
Acquisition Costs	$10,500,000	$116,667
Hard Costs	$4,528,396	$50,316
Contractor Overhead & Profit	$487,869	$5421
Construction Contingency	758,440	8,427
Architect & Engineering Fees	$259,500	$2,883
Developer Fee	$2,472,622	$27,474
Capitalized Interest	$ 434,773	4,831
Other Soft Costs (Marketing, Res, Relo, etc.)	$1,624,225	$5,351
TOTALS	**$21,065,825**	**$234,065**

The LAHD Bond Team for the financing of the Banning Villa Project is as follows:

Bond Issuer Financial Advisor
CSG Advisors, Inc.
One Post Street, Ste. 2130
San Francisco, CA 94104

Bond Counsel
Kutak Rock, LLP
601 S. Figueroa Street, Suite 4200
Los Angeles, CA 90017

Bond Issuer Counsel
Los Angeles City Attorney
200 N. Main Street, 9th Floor
Los Angeles, CA 90012

Labor Costs

Labor costs are subject to the State of California's Prevailing Wage requirements and/or Federal Davis Bacon wages, if applicable.

Timeline – Bond Closing Date

The California Debt Limit Allocation Committee has established June 11, 2013 as the expiration date for the issuance of the tax-exempt bonds.

FISCAL IMPACT STATEMENT

There will be no fiscal impact on the General Fund as a result of the issuance of the bonds.

Prepared By:

JUAN DIAL
Finance Development Officer

YANELI RUIZ, Supervisor
Affordable Housing Bond Program

Reviewed By:

TIM ELLIOTT
Manager of Multi-Family Housing Finance

MANUEL BERNAL
Director of Housing

Approved By:

HELMI HISSERICH
Assistant General Manager

MERCEDES M. MÁRQUEZ
General Manager

RESOLUTION

CITY OF LOS ANGELES

A RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF A BOND BY THE CITY OF LOS ANGELES DESIGNATED AS ITS MULTIFAMILY HOUSING REVENUE BOND (FREEMAN VILLA SENIORS APARTMENTS PROJECT) SERIES 2013C IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $4,850,000 TO PROVIDE PERMANENT FINANCING FOR THE ACQUISITION, REHABILITATION AND EQUIPPING OF THE MULTIFAMILY HOUSING PROJECT SPECIFIED IN PARAGRAPH 16 HEREOF AND APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST, A REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS, A LOAN AGREEMENT AND RELATED DOCUMENTS AND AGREEMENTS AND THE TAKING OF RELATED ACTIONS, INCLUDING THE EXECUTION OF AMENDATORY DOCUMENTS THERETO.

WHEREAS, the City of Los Angeles (the "City") is authorized, pursuant to Section 248, as amended, of the City Charter (the "Charter") of the City and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code, as amended (the "Law"), to issue its revenue bonds for the purposes of providing permanent financing for the acquisition, rehabilitation and development of multifamily rental housing for persons and families of low or moderate income (the "Program") which will satisfy the provisions of Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California (the "Act"); and

WHEREAS, the City desires to issue pursuant to the Law and in accordance with the Act, its revenue bond to provide permanent financing for the acquisition, rehabilitation and equipping of that certain multifamily rental housing project described in paragraph 16 below (the "Project"); and

WHEREAS, the Project will be located wholly within the City; and

WHEREAS, it is in the public interest and for the public benefit that the City authorize financing for the Project, and it is within the powers of the City to provide for such a financing and the issuance of such bond; and

WHEREAS, the City proposes to issue, pursuant to the Law and in accordance with the Act, its Multifamily Housing Revenue Bond (Freeman Villa Seniors Apartments Project) Series 2013C in an aggregate principal amount not to exceed $4,850,000 (the "Bond"); and

WHEREAS, the City proposes to use the proceeds of the Bond to cause the financing of the Project and, if applicable, to pay certain costs of issuance in connection with the issuance of the Bond; and

WHEREAS, California Bank & Trust, a California banking corporation (the "Purchaser"), has expressed the intention of the Purchaser to purchase the Bond authorized hereby or to cause such Bond to be purchased by its affiliate, in whole and this Council (the "City Council") finds that the public interest and necessity require that the City at this time make arrangements for the sale of such Bond; and

WHEREAS, the interest on the Bond may qualify for a federal tax exemption under Section 142(a)(7) of the Internal Revenue Code of 1986, as amended (the "Code"), only if the Bond is approved in accordance with Section 147(f) of the Code; and

WHEREAS, pursuant to the Code, the Bond is required to be approved, following a public hearing, by an elected representative of the issuer of the Bond and an elected representative of the governmental unit having jurisdiction over the area in which the Project is located; and

WHEREAS, this City Council is the elected legislative body of the City and is the applicable elected representative required to approve the issuance of the Bond within the meaning of Section 147(f) of the Code; and

WHEREAS, pursuant to Section 147(f) of the Code, the City caused a notice to appear in the *Los Angeles Times*, which is a newspaper of general circulation in the City, on June 8, 2012, to the effect that a public hearing would be held on June 22, 2012 regarding the issuance of the Bond; and

WHEREAS, the Los Angeles Housing Department held said public hearing on such date, at which time an opportunity was provided to present arguments both for and against the issuance of the Bond; and

WHEREAS, the minutes of such public hearing, together with any written comments received in connection therewith, have been presented to the City Council;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Los Angeles, as follows:

1. The recitals hereinabove set forth are true and correct, and this City Council so finds. This Resolution is being adopted pursuant to the Law.

2. Pursuant to the Law and in accordance with the Act and the Indenture (as hereinafter defined), a revenue bond of the City, to be designated as "City of Los Angeles Multifamily Housing Revenue Bond (Freeman Villa Seniors Apartments Project) Series 2013C," in an aggregate principal amount not to exceed $4,850,000 is hereby authorized to be issued. The principal amount of the Bond to be issued shall be determined by a Designated Officer (as defined below) in accordance with this Resolution.

3. The proposed form of an Indenture of Trust (the "Indenture") by and among the City, such party as shall be designated by the City in the final form of Indenture, as trustee (the "Trustee") and a bondholder representative, substantially in the form attached hereto, is hereby approved along with any additions or supplements which

may, in the determination of a Designated Officer, be necessary to document the issuance of the Bond authorized hereunder. The Mayor of the City, the General Manager, the Interim General Manager or any Assistant General Manager, Interim Assistant General Manager, Executive Officer or Director—Major Projects Division of the Los Angeles Housing Department (each hereinafter referred to as a "Designated Officer") are hereby authorized and directed to execute and deliver, for and in the name and on behalf of the City, said Indenture with such additions, changes or corrections as the Designated Officer executing the same may approve upon consultation with the City Attorney and Bond Counsel to the City and approval of the City Attorney, provided that such additions or changes shall not authorize an aggregate principal amount of the Bond in excess of the amount stated above, such approval by the City Attorney to be conclusively evidenced by the execution and delivery of the Indenture with such additions, changes or corrections.

Any Designated Officer shall be authorized to approve the appointment of the Trustee.

4. The proposed form of the Bond, as set forth in the Indenture, is hereby approved, and the Mayor and City Treasurer, the Interim City Treasurer or Deputy City Treasurer of the City are hereby authorized and directed to execute, by manual or facsimile signatures of such officers under the seal of the City, and the Trustee or an authenticating agent is hereby authorized and directed to authenticate, by manual signatures of one or more authorized officers of the Trustee or an authenticating agent, the Bond in substantially such form, and the Trustee is hereby authorized and directed to sell and deliver such Bond to the Purchaser in accordance with the Indenture and the Loan Agreement (hereinafter defined). The date, maturity date, interest rate (which may be either fixed or variable), interest payment dates, denomination, form of registration privileges, manner of execution, place of payment, terms of redemption, use of proceeds, and other terms of the Bond shall be as provided in the Indenture as finally executed; provided, however, that the principal amount of the Bond shall not exceed $4,850,000, the interest rate on the Bond shall not exceed 12% per annum and the final maturity of the Bond shall be no later than April 1, 2053. The initial purchase price of the Bond shall be 100% of the par amount thereof as advances are made with respect to the Bond by the Purchaser. The Bond may, if so provided in the Indenture, be issued as a "draw-down" bond to be funded over time as provided in the Indenture. Such Bond may be delivered in temporary form pursuant to the Indenture if, in the judgment of the City Attorney, delivery in such form is necessary or appropriate until the Bond in definitive form can be prepared.

5. The proposed form of Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") to be entered into by and among the City, the Trustee and the owner of the Project (as set forth in paragraph 16 below, the "Owner"), substantially in the form attached hereto, is hereby approved. Any Designated Officer is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Regulatory Agreement, with such additions, changes and corrections as the Designated Officer may approve upon consultation with the City Attorney and Bond Counsel and approval of the City Attorney, such approval to be conclusively evidenced by the execution of said Regulatory Agreement with such

additions, changes or corrections. Any Designated Officer is hereby authorized and directed for and in the name and on behalf of the City to execute amendments to the Regulatory Agreement in order that interest on the Bond remains tax-exempt.

6. The proposed form of Loan Agreement (the "Loan Agreement"), by and among the City, the Purchaser and the Owner, in substantially the form attached hereto, is hereby approved. Any Designated Officer is hereby authorized and directed, for and in the name and on behalf of the City, to execute the Loan Agreement, with such additions, changes or corrections as the Designated Officer executing the same may approve upon consultation with the City Attorney and Bond Counsel and approval by the City Attorney, such approval to be conclusively evidenced by the execution of the Loan Agreement with such additions, changes or corrections.

7. All actions heretofore taken by the officers and agents of the City with respect to the sale and issuance of the Bond are hereby approved, confirmed and ratified, and each Designated Officer of the City, the City Clerk and other properly authorized officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including, but not limited to, those described in the Indenture, the Loan Agreement, the Regulatory Agreement and the other documents herein approved, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bond and the implementation of the Program in accordance with the Act and the Law and this Resolution and resolutions heretofore adopted by the City.

8. The City Clerk of the City or any deputy thereof is hereby authorized to countersign or to attest the signature of any Designated Officer and to affix and attest the seal of the City as may be appropriate in connection with the execution and delivery of any of the documents authorized by this resolution, provided that the due execution and delivery of said documents or any of them shall not depend on such signature of the City Clerk or any deputy thereof or affixing of such seal. Any of such documents may be executed in multiple counterparts.

9. In addition to the Designated Officers, any official of the City, including any official of the Los Angeles Housing Department, as shall be authorized in writing by the Mayor of the City, is hereby authorized for and on behalf of the City to execute and deliver any of the agreements, certificates and other documents, except the Bond, authorized by this Resolution.

10. In accordance with procedures established by the City Charter, the City Council, by adoption and approval of this Resolution and with the concurrence of the Mayor, does hereby direct that the proceeds of the Bond be delivered directly to the Trustee, instead of the City Treasurer, to be deposited into the funds and accounts established under the Indenture.

11. Pursuant to Section 147(f) of the Code, the City Council hereby approves the issuance of the Bond to finance the Project. It is intended that this Resolution

constitute approval of the Bond by the applicable elected representative of the issuer of the Bond and the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project is located, in accordance with said Section 147(f).

12. Pursuant to the City Charter all agreements to which the City is a party shall be subject to approval by the City Attorney as to form.

13. Each Designated Officer and other properly authorized officials of the City as specifically authorized under this resolution are hereby authorized, directed and empowered on behalf of the City and this Council to execute any other additional applications, certificates, agreements, documents or other instruments or any amendments or supplements thereto, subject to approval by the City Attorney as to form, or to do and to cause to be done any and all other acts and things as they may deem necessary or appropriate to carry out the purpose of the foregoing authorizations and to address any issues arising with respect to the Bond or the agreements relating thereto subsequent to their issuance.

14. The Bond shall contain a recital that it is issued pursuant to the Law and in accordance with the Act.

15. This Resolution shall take effect immediately upon its passage and adoption.

16. The "Project" and "Owner", as used herein, shall have the following meanings

Project Name	**Number of Units**	**Address**	**Owner**
Freeman Villa Apartments	40 plus 1 manager unit	1229 S. Westmoreland Avenue, Los Angeles CA 90006	Freeman Villa Associates, LP

[remainder of page intentionally left blank]

I certify that the foregoing Resolution was adopted by the Council of the City of Los Angeles at its meeting on _____ ___, 2013.

By _____
Name_____
Title _____

BORROWER LOAN AGREEMENT

between

CITY OF LOS ANGELES

and

BANNING VILLA PRESERVATION LIMITED PARTNERSHIP,

Relating to:

$10,100,000
City of Los Angeles
Multifamily Collateralized Revenue Note
(Banning Villa Senior Apartments)
Series 2013E

Dated as of May 1, 2013

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(This Index is not a part of the Borrower Loan Agreement
but rather is for convenience of reference only.)

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BORROWER LOAN AGREEMENT

THIS BORROWER LOAN AGREEMENT made and entered into as of May 1, 2013 between the CITY OF LOS ANGELES, a municipal corporation and charter city of the State of California (together with its successors and assigns, the "Governmental Lender") and BANNING VILLA PRESERVATION LIMITED PARTNERSHIP, a California limited partnership (together with its successors and assigns, the "Borrower") under the following circumstances summarized in the following recitals (the capitalized terms not defined in the recitals being used therein as defined in Article I hereof):

A. Pursuant to Section 248 of the City Charter of the City of Los Angeles and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code, as amended (collectively, the "Law"), and in accordance with Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Governmental Lender is empowered to issue its notes or other evidences of indebtedness to finance the acquisition, rehabilitation, construction and development of multifamily rental housing for persons of low and moderate income at prices or rentals they can afford.

B. The Act and the Law authorize the Governmental Lender: (a) to make loans to housing sponsors to provide financing for multifamily residential housing located within the jurisdiction of the Governmental Lender and intended to be occupied in part by persons of low and moderate income, as determined by the Governmental Lender; (b) to issue its bonds, notes or other evidence of indebtedness for the purpose of obtaining moneys to make such loans and provide such financing, to establish necessary reserve funds and to pay administrative costs and other costs incurred in connection with the incurrence of such indebtedness of the Governmental Lender; and (c) to pledge all or any part of the revenues and receipts to be received by the Governmental Lender from or in connection with such loans, and to mortgage, pledge or grant security interests in such loans or other property of the Governmental Lender in order to secure the payment of the principal or prepayment amount of and interest on such bonds, debentures, notes or other evidence of indebtedness.

C. Pursuant to the Act, the Governmental Lender has determined to borrow the proceeds of the Funding Loan, described herein, to issue and deliver its Governmental Lender Note evidencing the Funding Loan and to loan the proceeds derived from the sale thereof to the Borrower to assist in the financing of the Project to be undertaken by the Borrower.

D. The Borrower has requested the Governmental Lender to enter into that certain Funding Loan Agreement, of even date herewith (the "Funding Loan Agreement"), among the Governmental Lender, [FSICAL AGENT] as fiscal agent (the "Fiscal Agent") and Citibank, N.A. (the "Funding Lender"), under which the Funding Lender will make a loan (the "Funding Loan") to the Governmental Lender, the proceeds of which will be loaned under this Borrower Loan Agreement to the Borrower to finance the acquisition, rehabilitation, construction, development, equipping and/or operation of the Project.

E. The Borrower and the Governmental Lender each have full right and lawful authority to enter into this Borrower Loan Agreement and to perform and observe the provisions hereof on their respective parts to be performed and observed.

NOW THEREFORE, in consideration of the premises and the mutual representations and agreements hereinafter contained, the Governmental Lender and the Borrower agree as follows (provided that any obligation of the Governmental Lender created by or arising out of this Borrower Loan Agreement shall never constitute a general debt of the Governmental Lender or give rise to any pecuniary liability of the Governmental Lender but shall be payable solely out of Pledged Revenues as defined in the Funding Loan Agreement relating to the Funding Loan):

ARTICLE I

DEFINITIONS

Section 1.1 Use of Defined Terms

In addition to the words and terms defined elsewhere in this Borrower Loan Agreement, the words and terms in this Borrower Loan Agreement shall have the meanings set forth in the Funding Loan Agreement.

Section 1.2 Interpretation

Any reference herein to the Governmental Lender, to the Board or to any member or officer of either includes entities or officials succeeding to their respective functions, duties or responsibilities pursuant to or by operation of law or lawfully performing their functions.

Any reference to a section or provision of the Constitution of the State or the Act, or to a code, section, provision or chapter of California statutes or to any statute of the United States of America, includes that section, provision or chapter as amended, modified, revised, supplemented or superseded from time to time; provided, that no amendment, modification, revision, supplement or superseding section, provision or chapter shall be applicable solely by reason of this provision, if it constitutes in any way an impairment of the rights or obligations of the Governmental Lender, the Holders, the Fiscal Agent or the Borrower under this Borrower Loan Agreement.

Unless the context indicates otherwise, words importing the singular number include the plural number, and vice versa; the terms "hereof," "hereby," "herein," "hereto," "hereunder" and similar terms refer to this Borrower Loan Agreement; and the term "hereafter" means after, and the term "heretofore" means before, the date of delivery of the Governmental Lender Note. Words of any gender include the correlative words of the other genders, unless the sense indicates otherwise.

Section 1.3 Captions and Headings

The captions and headings in this Borrower Loan Agreement are solely for convenience of reference and in no way define, limit or describe the scope or intent of any Articles, Sections, subsections, paragraphs, subparagraphs or clauses hereof.

ARTICLE II

REPRESENTATIONS AND COVENANTS

Section 2.1 Representations of the Governmental Lender

The Governmental Lender represents that: (a) the Governmental Lender is a municipal corporation and charter city of the State; (b) by proper action, it has duly authorized the issuance and delivery of the Governmental Lender Note and the execution, delivery and performance of this Borrower Loan Agreement, the Funding Loan Agreement and the Regulatory Agreement; (c) to the best of its knowledge, it is not in violation of or in conflict with any provisions of the laws of the State that would impair its ability to carry out its obligations contained in this Borrower Loan Agreement, the Funding Loan Agreement and the Regulatory Agreement; (d) under the provisions of the Law and the Act, it has the power to enter into the transactions on its part contemplated by this Borrower Loan Agreement, the Funding Loan Agreement and the Regulatory Agreement; and (e) has complied and will comply with all material provisions of the Law and the Act to be complied with by the Governmental Lender applicable to the transactions contemplated hereunder.

Section 2.2 Representations and Covenants of the Borrower

The Borrower represents and covenants that:

(a) It is a limited partnership duly formed and in full force and effect under the laws of the State.

(b) It has full power and authority to execute, deliver and perform this Borrower Loan Agreement, the Borrower Note and the Regulatory Agreement and to enter into and carry out the transactions contemplated by those documents. The execution, delivery and performance do not, and will not, violate any provision of law applicable to the Borrower and do not, and will not, conflict with or result in a default under any agreement or instrument to which the Borrower is a party or by which it is bound. This Borrower Loan Agreement, the Borrower Note and the Regulatory Agreement have, by proper action, been duly authorized, executed and delivered by the Borrower and all steps necessary have been taken to constitute this Borrower Loan Agreement, the Borrower Note and the Regulatory Agreement valid and binding obligations of the Borrower.

(c) The provision of financial assistance to be made available to it under this Borrower Loan Agreement and the commitments therefor made by the Governmental Lender have induced the Borrower to undertake the transactions contemplated by this Borrower Loan Agreement.

(d) It presently intends to use or operate the Project in a manner consistent with the Act and in accordance with the Regulatory Agreement for the life of the Governmental Lender Note or such longer period as may be required by the terms of the Regulatory Agreement, and knows of no reason why the Project will not be so operated. If, in the future, there is a cessation of that operation, it will use its best efforts to resume

that operation or accomplish an alternate use by the Borrower or others approved by the Governmental Lender which will be consistent with the Act and the Regulatory Agreement.

(e) The Project will be completed in accordance with the Plans and Specifications and the portion of the Project funded with the proceeds of the Governmental Lender Note will constitute a qualified residential rental project within the meaning of Section 142(d) of the Code and will be operated and maintained in such manner as to conform in all material respects with all applicable zoning, planning, building, environmental and other applicable Governmental regulations and as to be consistent with the Act.

(f) The Project will be located entirely within the boundaries of the jurisdiction in which the Governmental Lender was formed.

(g) At least 95% of the net proceeds of the Governmental Lender Note (as defined in Section 150 of the Code) will be used to provide a qualified residential rental project (as defined in Section 142(d) of the Code), and the Borrower will not request or authorize any disbursement pursuant to Section 3.4 hereof, which, if paid, would result in less than 95% of the net proceeds of the Governmental Lender Note being so used.

(h) The costs of issuance financed by the Governmental Lender Note will not exceed 2% of the proceeds of the Governmental Lender Note (within the meaning of Section 147(g) of the Code), and the Borrower will not request or authorize any disbursement from the Project Fund pursuant to Section 3.4 hereof or otherwise, which, if paid, would result in more than 2% of the proceeds of the Governmental Lender Note being so used. Except as permitted by Treasury Regulations 1.148-6(d)(3)(ii), none of the proceeds of the Governmental Lender Note will be used for working capital purposes.

(i) The proceeds of the Governmental Lender Note shall be used or deemed used exclusively to pay costs that (i) are (A) capital expenditures (as defined in Section 1.150-1(a) of the Regulations) and (B) not made for the acquisition of existing property, to the extent prohibited in Section 147(d) of the Code, and (ii) are made exclusively with respect to a "qualified residential rental project" within the meaning of Section 142(d) of the Code and that for the greatest number of buildings the proceeds of the Governmental Lender Note shall be deemed allocated on a pro rata basis to each building in the Project and the land on which it is located so that each building and the land on which it is located will have been financed fifty percent (50%) or more by the proceeds of the Governmental Lender Note for the purpose of complying with Section 42(h)(4)(B) of the Code; provided, however, the foregoing representation, covenant and warranty is made for the benefit of the Borrower and its members and neither the Fiscal Agent nor the Governmental Lender shall have any obligation to enforce this covenant nor shall they incur any liability to any person, including without limitation, the Borrower, the members of the Borrower, any other affiliate of the Borrower or the holders of the Governmental Lender Note for any failure to meet the intent expressed in the foregoing representation, covenant and warranty; and provided further, failure to comply with this

representation, covenant and warranty shall not constitute a default or event of default under this Borrower Loan Agreement or the Funding Loan Agreement.

(j) The officers of the general partners of the Borrower executing this Borrower Loan Agreement and the other Borrower Loan Documents are duly and properly in office and fully authorized to execute the same.

(k) The execution and delivery of this Borrower Loan Agreement and the other Borrower Loan Documents, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the partnership agreement of the Borrower, or to the best knowledge of the Borrower and with respect to the Borrower, any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Borrower is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Borrower Loan Agreement or the other Borrower Loan Documents, or the financial condition, assets, properties or operations of the Borrower.

(l) No consent or approval of any trustee or holder of any indebtedness of the Borrower, and to the best knowledge of the Borrower and with respect to the Borrower, no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Borrower Loan Agreement or the other Borrower Loan Documents, or the consummation of any transaction herein or therein contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect.

(m) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the Borrower, after reasonable investigation, threatened, against or affecting the Borrower or the assets, properties or operations of the Borrower which, if determined adversely to the Borrower or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, this Borrower Loan Agreement or the other Borrower Loan Documents, or upon the financial condition, assets, properties or operations of the Borrower, and the Borrower is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Borrower Loan Agreement or the other Borrower Loan Documents, or the financial

condition, assets, properties or operations of the Borrower. All tax returns (federal, state and local) required to be filed by or on behalf of the Borrower have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by the Borrower in good faith, have been paid or adequate reserves have been made for the payment thereof which reserves, if any, are reflected in the audited financial statements described therein. The Borrower enjoys the peaceful and undisturbed possession of all of the premises upon which it is operating its facilities.

(n) No written information, exhibit or report furnished to the Governmental Lender by the Borrower in connection with the negotiation of this Borrower Loan Agreement or the other Borrower Loan Documents contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The Borrower acknowledges that the representations and covenants herein made by the Borrower have been expressly and specifically relied upon by the Governmental Lender in determining to make the Borrower Loan to the Borrower and the Borrower Loan would not have been made but for such representations and covenants.

ARTICLE III

COMPLETION OF THE PROJECT; ISSUANCE OF THE GOVERNMENTAL LENDER NOTE

Section 3.1 Acquisition, Construction, Installation, Equipment and Improvement

The Borrower (a) has acquired or is in the process of acquiring, the Project site and shall rehabilitate, install, improve and equip the Project with all reasonable dispatch and in substantial accordance with the Plans and Specifications, (b) shall pay when due all fees, costs and expenses incurred in connection with that acquisition, construction, installation, equipping and improvement therefrom from funds made available therefor in accordance with this Borrower Loan Agreement or otherwise, except to the extent being contested in good faith, and (c) shall ask, demand, sue for, levy, recover and receive all those sums of money, debts and other demands whatsoever which may be due, owing and payable under the terms of any contract, order, receipt, writing and instruction in connection with the acquisition, rehabilitation, improvement and equipping of the Project, and shall enforce the provisions of any contract, agreement, obligation, bond or other performance security with respect thereto. It is understood that the Project is the responsibility of the Borrower and any contracts made by the Borrower with respect thereto, whether acquisition contracts, construction contracts or otherwise, and any work to be done by the Borrower on the Project, are made or done by the Borrower on its own behalf and not as agent or contractor for the Governmental Lender. The Borrower agrees that it will compensate all workers employed in the construction and improvement of the Project as required by law and the Borrower Loan Documents.

Section 3.2 Plans and Specifications

The Borrower may revise the Plans and Specifications from time to time, provided that no revision shall be made which would deviate from the Project Purposes. At or prior to the execution and delivery of this Borrower Loan Agreement, the Borrower shall provide to the Governmental Lender evidence acceptable to the Governmental Lender, in its sole discretion, of the availability of all financing contemplated by the plan of financing for the Project including, without limitation (and without regard to whether the immediate availability of such financing is a condition to undertaking the Project), the equity portion of the financing and all other public and private financing and any interim or bridge financing to be provided in anticipation of the closing of any of the foregoing aspects of the financing therefor. Any material changes in the plan of financing shall be communicated promptly to the Governmental Lender. Copies of all documents evidencing that financing, and the security therefor, all in form reasonably acceptable to the Governmental Lender, shall have been provided to the Governmental Lender.

Section 3.3 Issuance of the Governmental Lender Note; Application of Proceeds and Initial Deposits

To provide funds to make the Borrower Loan for purposes of assisting to pay the Project Costs as set forth in Section 3.4 hereof, the Governmental Lender will enter into the Funding Loan Agreement with the Funding Lender and the Fiscal Agent and will execute, sell and deliver the Governmental Lender Note to the Funding Lender. The Governmental Lender Note will be executed and delivered pursuant to the Funding Loan Agreement in the aggregate principal amount, will bear interest and will mature as set forth therein. The Borrower hereby acknowledges and approves of the terms and conditions of the Funding Loan Agreement and the Governmental Lender Note, and of the terms and conditions under which the Governmental Lender Note will be executed and delivered.

The proceeds from the issuance and sale of the Governmental Lender Note in the amount of $10,100,000 shall be loaned to the Borrower and paid over to the Fiscal Agent for the benefit of the Borrower and the Holders of the Governmental Lender Note and deposited in the Project Fund. In addition, on the Closing Date the Borrower shall cause the Initial Deposit as defined in the Funding Loan Agreement to be deposited into the Initial Deposit Account of the Governmental Lender Note Fund and shall deposit or cause there to be deposited to the Closing Costs Fund the amount required under Section 7.3(b) of the Funding Loan Agreement.

Pending disbursement pursuant to Section 3.4 hereof, the proceeds of the Governmental Lender Note deposited in the Project Fund, together with any investment earnings thereon, shall constitute a part of the Pledged Revenues assigned by the Governmental Lender to the Fiscal Agent as security for the payment of Governmental Lender Note Debt Service Charges as provided in the Funding Loan Agreement.

Section 3.4 Disbursements From the Project Fund

Subject to the provisions below and so long as no Event of Default hereunder has occurred and is continuing for which the principal amount of the Governmental Lender Note has been declared to be immediately due and payable pursuant to Section 7.2 hereof and Section 9.2

of the Funding Loan Agreement, disbursements from the Project Fund shall be made only to pay any of the following Project Costs:

(a) Costs incurred directly or indirectly for or in connection with the acquisition, financing, rehabilitation, improving and equipping of the Project, including costs incurred in respect of the Project for preliminary planning and studies; architectural, legal, engineering, accounting, consulting, supervisory and other services; labor, services and materials; and recording of documents and title work.

(b) Premiums attributable to any surety bonds and insurance required to be taken out and maintained during the Construction Period with respect to the Project.

(c) Taxes, assessments and other governmental charges in respect of the Project that may become due and payable during the Construction Period.

(d) Costs incurred directly or indirectly in seeking to enforce any remedy against any contractor or subcontractor in respect of any actual or claimed default under any contract relating to the Project.

(e) Subject to Section 2.2(h) hereof, financial, legal, accounting, printing and engraving fees, charges and expenses, and all other such fees, charges and expenses incurred in connection with the making of the Funding Loan and the authorization, sale, issuance and delivery of the Governmental Lender Note, including, without limitation, the fees and expenses of the Fiscal Agent, the Registrar and any paying agent properly incurred under the Funding Loan Agreement that may become due and payable during the Construction Period.

(f) Subject to Section 2.2(h) hereof, any other costs, expenses, fees and charges properly chargeable to the cost of acquisition, financing, construction, rehabilitation, remodeling, improvement and equipping of the Project.

(g) Payment of interest on the Governmental Lender Note.

(h) Payments to the Rebate Fund.

Any disbursements from the Project Fund shall be made by the Fiscal Agent only as permitted pursuant to Section 7.7 of the Funding Loan Agreement and upon the written request of the Authorized Borrower Representative substantially in the form attached to the Funding Loan Agreement as Exhibit C and shall be consecutively numbered and accompanied by invoices or other appropriate documentation supporting the payments or reimbursements requested. No disbursement shall be made by the Fiscal Agent upon the basis of any such disbursement request except upon satisfaction of the following conditions and pursuant to the following procedures:

(i) An executed Certificate of the FHA Lender substantially in the form attached hereto as Exhibit D related to the deposit of Available Moneys into the Collateral Fund for the applicable disbursement request.

(ii) An executed Certificate of the Borrower substantially in the form attached hereto as Exhibit B accompanied by a disbursement schedule listing the items for which the disbursement is sought and the total cost of each such item, together with invoices or other appropriate documentation for each such item.

(iii) All Borrower Loan Payments that are then due shall have been paid.

(iv) The disbursement request must be for an amount that allows the Fiscal Agent to transfer Permitted Investments from the Project Fund to the Collateral Fund in exchange for funds in such increments as are needed to fund the disbursement request.

Any moneys in the Project Fund remaining after the Completion Date and payment, or provision for payment, in full of the Project Costs, at the direction of the Authorized Borrower Representative, promptly shall be paid into the Governmental Lender Note Fund for payment of Governmental Lender Note Debt Service Charges.

Section 3.5 Borrower Required to Pay Costs in Event Project Fund Insufficient

If moneys in the Project Fund are not sufficient to pay all Project Costs, the Borrower, nonetheless, will complete the Project in substantial accordance with the Plans and Specifications and shall pay all such additional Project Costs from its own funds. The Borrower shall pay all costs of issuing the Governmental Lender Note in excess of the amount permitted by paragraph (h) of Section 2.2 hereof. The Borrower shall not be entitled to any reimbursement for any such additional Project Costs or payment of issuance costs from the Governmental Lender, the Fiscal Agent or any Holder; nor shall it be entitled to any abatement, diminution or postponement of the Borrower Loan Payments.

Section 3.6 Completion Date

The Borrower shall notify the Governmental Lender and the Fiscal Agent of the Completion Date by the delivery of a Completion Certificate signed by the Authorized Borrower Representative substantially in the form of Exhibit C attached hereto. The Completion Certificate shall be delivered as promptly as practicable after the occurrence of the events and conditions referred to in paragraphs (a) through (d) of the Completion Certificate.

Section 3.7 Investment of Fund Moneys

At the oral or written request (promptly confirmed in writing, if oral) of the Authorized Borrower Representative, any moneys held as part of the Governmental Lender Note Fund, the Project Fund, the Collateral Fund and the Rebate Fund shall be invested or reinvested by the Fiscal Agent in Permitted Investments as provided in the Funding Loan Agreement. The Governmental Lender (to the extent within its control) and the Borrower each hereby covenants that it will restrict that investment and reinvestment and the use of the proceeds of the Governmental Lender Note in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time of delivery of and payment for the Governmental Lender Note or subsequent intentional acts, so that the Governmental Lender Note

will not constitute arbitrage bonds under Section 148 of the Code. No provision of this Borrower Loan Agreement shall be construed to impose upon the Fiscal Agent any obligation or responsibility for compliance with arbitrage regulations.

The Borrower shall provide the Governmental Lender with, and the Governmental Lender may base its certifications as authorized by the Bond Resolution on, a certificate of an appropriate officer, employee or agent of or consultant to the Borrower for inclusion in the transcript of proceedings for the Governmental Lender Note, setting forth the reasonable expectations of the Borrower on the date of delivery of and payment for the Governmental Lender Note regarding the amount and use of the proceeds of the Governmental Lender Note and the facts, estimates and circumstances on which those expectations are based.

Monies invested hereunder shall be invested in Permitted Investments and shall not remain uninvested for more than 365 days, as provided in the Funding Loan Agreement.

Section 3.8 Rebate Fund

The Borrower agrees to make such payments to the Fiscal Agent as are required of it under Section 7.13 of the Funding Loan Agreement as well as the expenses of any Independent certified public accounting firm or qualified rebate analyst engaged in accordance with that Section. The obligation of the Borrower to make such payments shall remain in effect and be binding upon the Borrower notwithstanding the release and discharge of the Funding Loan Agreement.

ARTICLE IV

BORROWER LOAN; REPAYMENT OF THE BORROWER LOAN; BORROWER LOAN PAYMENTS AND ADDITIONAL BORROWER PAYMENTS

Section 4.1 Borrower Loan Repayment; Delivery of Note

Upon the terms and conditions of this Borrower Loan Agreement, the Governmental Lender will make the Borrower Loan to the Borrower. In consideration of and in repayment of the Borrower Loan, the Borrower shall deliver or cause to be delivered to the Fiscal Agent on or before each Borrower Loan Payment Date, Borrower Loan Payments, equal to the amount necessary to pay Governmental Lender Note Debt Service Charges due on the next Bond Payment Date. All such Borrower Loan Payments shall be paid to the Fiscal Agent in accordance with the terms of the Borrower Note for the account of the Governmental Lender and shall be held and disbursed in accordance with the provisions of the Funding Loan Agreement and this Borrower Loan Agreement.

The Borrower shall be entitled to a credit against the Borrower Loan Payments required to be made hereunder, on any date, equal to the amounts, if any, transferred by the Fiscal Agent from the Initial Deposit Account, the Interest Account of the Project Fund, the Collateral Fund or the Project Fund on such date for the payment of Governmental Lender Note Debt Service Charges.

To secure the Borrower's performance of its obligations under this Borrower Loan Agreement, the Borrower shall execute and deliver, concurrently with the issuance and delivery of the Governmental Lender Note, the Borrower Note and the Regulatory Agreement.

Upon payment in full, in accordance with the Funding Loan Agreement, of the Governmental Lender Note Debt Service Charges on the Governmental Lender Note, whether at maturity or otherwise, or upon provision for the payment thereof having been made in accordance with the provisions of the Funding Loan Agreement, (i) the Borrower Note shall be deemed fully paid, the obligations of the Borrower shall be terminated, and the Borrower Note shall be surrendered by the Fiscal Agent to the Borrower, and shall be canceled by the Borrower, or (ii) an appropriate notation shall be endorsed thereon evidencing the date and amount of the principal payment (or prepayment) equal to the Governmental Lender Note so paid, or with respect to which provision for payment has been made, and the Borrower Note shall be surrendered by the Fiscal Agent to the Borrower for cancellation if the Governmental Lender Note shall have been paid (or provision made therefor) and canceled as aforesaid. Unless the Borrower is entitled to a credit under express terms of this Borrower Loan Agreement or the Borrower Note, all payments on the Borrower Note shall be in the full amount required thereunder.

The Borrower and the Governmental Lender each acknowledge that neither the Borrower nor the Governmental Lender has any interest in the Governmental Lender Note Fund or the Collateral Fund and any moneys deposited therein shall be in the custody of and held by the Fiscal Agent in trust for the benefit of the Holders.

Section 4.2 Additional Borrower Payments

The Borrower shall pay to the Governmental Lender or the Fiscal Agent, as the case may be, the following ("Additional Borrower Payments"):

(a) To the Governmental Lender, when due, the Governmental Lender Fee.

(b) To the appropriate Fund or Account under the Funding Loan Agreement, the Initial Deposit and any deposit of closing costs required under Section 6.1 of the Funding Loan Agreement.

(c) To the Governmental Lender or the Fiscal Agent, as the case may be, whether or not an Event of Default has occurred hereunder, as payment for or reimbursement or prepayment of any and all costs, expenses, and liabilities (i) incurred or paid by the Governmental Lender or the Fiscal Agent, as the case may be, in satisfaction of any obligations of the Borrower hereunder not performed by the Borrower in accordance with the provisions hereof, or (ii) incurred as a result of a request by the Borrower or of a requirement of this Borrower Loan Agreement or the Funding Loan Agreement and not otherwise required to be paid by the Borrower under this Borrower Loan Agreement, or (iii) incurred in the defense of any action or proceeding with respect to the Project or this Borrower Loan Agreement, or in enforcing this Borrower Loan Agreement, or arising out of or based upon any other document related to the issuance of the Governmental Lender Note; and

(d) To the applicable party, as payment for or reimbursement or prepayment of any ordinary services and ordinary expenses and extraordinary services and extraordinary expenses of the Fiscal Agent as Fiscal Agent, registrar, authenticating agent and paying agent, and of any other paying agent, authenticating agent, and registrar on the Governmental Lender Note under the Funding Loan Agreement, all as provided in the Funding Loan Agreement, as and when the same become due; provided that the Borrower may, without creating an Event of Default hereunder, contest in good faith the necessity for any extraordinary services and extraordinary expenses and the amount of any such ordinary services, ordinary expenses, extraordinary services or extraordinary expenses; provided that fees for ordinary services provided for by the respective letter agreements agreed to by the Borrower and the Fiscal Agent, the Registrar, and any Paying Agents and Authenticating Agents, respectively, shall be considered to be customary.

Upon the payment, prepayment, or incurrence of any such cost, expense, or liability described in this Section by any such party, the Additional Borrower Payments in respect thereof shall be payable upon written demand to the Borrower, which demand shall be accompanied by invoices or other appropriate documentation concerning the nature, amount and incurrence of such cost, expense or liability. If the Additional Borrower Payments payable under this Section are not paid upon such demand, such Additional Borrower Payments shall bear interest from the date of such payment or the incurrence thereof at the Interest Rate for Advances until the amount due shall have been fully paid.

Section 4.3 Place of Payments

The Borrower shall make all Borrower Loan Payments directly to the Fiscal Agent at its designated corporate trust office. Additional Borrower Payments shall be made directly to the person or entity to whom or to which they are due.

Section 4.4 Obligations Unconditional

The obligations of the Borrower to make Borrower Loan Payments, Additional Borrower Payments and any payments required of the Borrower under the Funding Loan Agreement shall be absolute and unconditional, and the Borrower shall make such payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim which the Borrower may have or assert against the Governmental Lender, the Fiscal Agent or any other Person; provided that the Borrower may contest or dispute the amount of any such obligation arising under Section 11.8 of the Funding Loan Agreement so long as such dispute or contest does not result in an Event of Default under the Funding Loan Agreement.

Section 4.5 Assignment of Agreement and Pledged Revenues

To secure the payment of Governmental Lender Note Debt Service Charges, the Governmental Lender shall assign to the Fiscal Agent, by the Funding Loan Agreement, its rights under and interest in this Borrower Loan Agreement (except for the Unassigned Rights) and the Borrower Note. The Borrower hereby agrees and consents to those assignments. The

Governmental Lender shall not attempt to further assign, transfer or convey its interest in the Pledged Revenues or this Borrower Loan Agreement or create any pledge or Lien of any form or nature with respect to the Pledged Revenues or Borrower Loan Payments hereunder.

ARTICLE V

ADDITIONAL AGREEMENTS AND COVENANTS

Section 5.1 Right of Inspection

At all reasonable times and upon reasonable notice, the Borrower shall allow any duly authorized representative of the Governmental Lender or the Fiscal Agent to visit and inspect the Project, to examine and make copies of and from its books of record and account, and to discuss its affairs, finances, and accounts with its officers, and shall furnish to the Governmental Lender and the Fiscal Agent any information reasonably required regarding its business affairs and financial condition within a reasonable time after receipt of written request therefor.

Section 5.2 Borrower to Maintain its Existence; Sales of Assets or Mergers

The Borrower shall maintain its existence, not dissolve or sell, transfer or otherwise dispose of all or substantially all of its assets and not consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it; provided, that it may do so if the surviving, resulting or transferee entity is other than the Borrower, it assumes in writing all of the obligations of the Borrower under this Borrower Loan Agreement and the Regulatory Agreement and it has a net worth equal to or greater than that of the Borrower immediately prior to such consolidation, merger, sale or transfer and shall otherwise satisfy all requirements of the Regulatory Agreement. The Borrower shall not permit one or more other entities to consolidate with or merge into it, without the prior written consent of the Fiscal Agent; or take any action or allow any action to be taken to terminate the existence of the Borrower except as provided herein and in compliance with the terms of the Regulatory Agreement. Nothing herein contained shall limit the rights of (i) any direct or indirect owners of interests in the Borrower to (a) transfer, convey, sell or otherwise dispose (a "Transfer") their ownership interests to any Affiliate, or in connection with any estate planning, or by operation of law, or (b) make Transfers among and between themselves, or (ii) Borrower to make Transfers as otherwise permitted by the Regulatory Agreement, subject in all cases to the terms of the Regulatory Agreement.

Notwithstanding anything to the contrary contained herein, and subject to: (i) the consent of HUD prior to each occurrence in accordance with the FHA Loan Documents; and (ii) compliance with the requirements of the Regulatory Agreement, the following shall be permitted and shall not (except as required by clauses (i) and (ii) above) require the prior written approval of Governmental Lender, FHA Lender or Fiscal Agent, (a) the transfer by the Investor Limited Partner of its interest in Borrower in accordance with the terms of Borrower's [Amended and Restated Agreement of Limited Partnership], as it may be amended from time to time (the "Second Partnership Agreement"), (b) the removal of the managing member of Borrower in accordance with the Borrower's governing instruments and the replacement thereof with the Investor Limited Partner, or any of its affiliates, (c) the transfer of ownership interests in the

Investor Limited Partner or the Special Limited Partner, (d) the transfer of the interests of the Investor Limited Partner in Borrower to Borrower's [managing general partner] or any of its affiliates, and (e) any amendment to the Borrower's governing instruments to memorialize the transfers or removal described above.

Section 5.3 Indemnification

In addition to its other obligations hereunder, and in addition to any and all rights of reimbursement, indemnification, subrogation and other rights of the Governmental Lender, the Fiscal Agent or the Funding Lender pursuant hereto and under law or equity, to the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Governmental Lender, the Funding Lender, the Fiscal Agent, the Servicer, the Beneficiary Parties, Citigroup, Inc., Citicorp Funding, Inc. and each of their respective officers, directors, employees, attorneys and agents, past, present and future (each an "Indemnified Party"), against any and all losses, damages, claims, actions, liabilities, reasonable costs and expenses of any nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement (to the extent that the Borrower has consented to such settlement) and amounts paid to discharge judgments) (hereinafter, the "Liabilities") to which the Indemnified Parties, or any of them, may become subject under federal or state securities laws or any other statutory law or at common law or otherwise, to the extent arising out of or based upon or in any way relating to:

(a) The Borrower Loan Documents and the Funding Loan Documents (except with respect to payment of principal and interest thereunder which are governed by the terms of the Borrower Note) or the execution or amendment thereof or in connection with transactions contemplated thereby, including the sale, transfer or resale of the Borrower Loan or the Funding Loan;

(b) Any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees in connection with the Borrower Loan, the Funding Loan or the Project, the operation of the Project, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, construction, installation or rehabilitation of, the Project or any part thereof;

(c) Any lien (other than a Permitted Lien) or charge upon payments by the Borrower to the Governmental Lender, the Fiscal Agent or the Funding Lender hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions imposed on the Governmental Lender, the Fiscal Agent or the Funding Lender in respect of any portion of the Project;

(d) Any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance or hazardous material from, the Project or any part thereof; provided, however, Borrower's liability under this provision shall not extend to cover any violations that first arise, commence or occur as a result of actions of the Indemnified Party, after the satisfaction, discharge, release, assignment, termination or cancellation of the Security Instrument following the payment in full of the Borrower Note and all other sums payable under the Borrower Loan Documents;

(e) The enforcement of, or any action taken by the Governmental Lender, the Fiscal Agent or the Funding Lender related to remedies under, this Borrower Loan Agreement and the other Borrower Loan Documents and the Funding Loan Documents;

(f) any violation of the covenants contained in Section 5.4 below;

(g) Any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact by the Borrower made in the course of the Borrower applying for the Borrower Loan or the Funding Loan or contained in any of the Borrower Loan Documents or Funding Loan Documents to which the Borrower is a party;

(h) Any Determination of Taxability or threatened or alleged Determination of Taxability;

(i) Any breach (or alleged breach) by the Borrower of any representation, warranty or covenant made in or pursuant to this Borrower Loan Agreement or in connection with any written or oral representation, presentation, report, appraisal or other information given or delivered by the Borrower, General Partner, or their Affiliates to Governmental Lender, the Funding Lender, the Fiscal Agent, the Servicer or any other Person in connection with the Borrower's application for the Borrower Loan and the Funding Loan (including, without limitation, any breach or alleged breach by the Borrower of any agreement with respect to the provision of any substitute credit enhancement);

(j) any failure (or alleged failure) by the Borrower, the Funding Lender or Governmental Lender to comply with applicable federal and state laws and regulations pertaining to the making of the Borrower Loan and the Funding Loan;

(k) the Project, or the condition, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation, construction or rehabilitation of, the Project or any part thereof;

(l) the use of the proceeds of the Borrower Loan and the Funding Loan, except in the case of the foregoing indemnification of the Governmental Lender, the Funding Lender, the Fiscal Agent or the Servicer or any related Indemnified Party, to the extent such damages are caused by the willful misconduct or gross negligence of the Funding Lender, the Fiscal Agent, the Servicer, or such Indemnified Party or the willful misconduct of the Governmental Lender; or

(m) the exercise of remedies under the Borrower Loan Documents at the direction of the Funding Lender.

In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party (which notice shall be timely given so as not to materially impair the Borrower's right to defend), shall assume the investigation and defense thereof, including the employment of counsel reasonably approved by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and

approve or disapprove any such compromise or settlement, which approval shall not be unreasonably withheld. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and to participate in the investigation and defense thereof. The Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Borrower if and only if in such Indemnified Party's good faith judgment (based on the advice of counsel) a conflict of interest exists or could arise by reason of common representation.

Notwithstanding any transfer of the Project to another owner in accordance with the provisions of this Borrower Loan Agreement or the Regulatory Agreement, the Borrower shall remain obligated to indemnify each Indemnified Party pursuant to this Section 5.3 if such subsequent owner fails to indemnify any party entitled to be indemnified hereunder, unless the Governmental Lender and the Funding Lender have consented to such transfer and to the assignment of the rights and obligations of the Borrower hereunder.

The rights of any persons to indemnity hereunder shall survive the final payment or defeasance of the Borrower Loan and the Funding Loan and in the case of the Servicer, any resignation or removal. The provisions of this Section 5.3 shall survive the termination of this Borrower Loan Agreement. The foregoing provisions of this Section 5.3 are not intended to and shall not negate, modify, limit or change the provisions of Section 9 of the Regulatory Agreement or Section 9 of the Borrower Note.

Section 5.4 Borrower Not to Adversely Affect Exclusion from Gross Income of Interest on the Governmental Lender Note

The Borrower hereby represents that it has taken and caused to be taken, and covenants that it will take and cause to be taken, all actions that may be required of it, alone or in conjunction with the Governmental Lender, for the interest on the Governmental Lender Note to be and to remain excluded from gross income for federal income tax purposes, and represents that it has not taken or permitted to be taken on its behalf, and covenants that it will not take or permit to be taken on its behalf, any actions that would adversely affect such exclusion under the provisions of the Code.

Section 5.5 Affirmative Covenants

Unless the Funding Lender shall otherwise consent in writing:

(a) Maintenance of Properties. The Borrower shall maintain and preserve in good working order and condition, ordinary wear and tear and casualty loss excepted, all of its properties which are necessary or useful in the proper conduct of its business, and shall from time to time make all necessary repairs, renewals, replacements, additions and improvements to said properties. All damage to apartment units shall be repaired promptly and apartment units shall be maintained so as to be available at all times for habitation.

(b) Keeping of Records and Books of Account. The Borrower shall keep adequate records and books of account in which complete entries will be made in accordance with GAAP or indicating deviations therefrom, reflecting all financial

transactions. The Borrower shall deliver to the Funding Lender, and upon written request, the Governmental Lender, annually its year-end financial statements accompanied by a written statement of the Borrower's independent public accountants that in making the examination necessary for certification of such financial statements, nothing has come to their attention that would lead them to believe that the Borrower has violated any of the terms, covenants or provisions of this Borrower Loan Agreement insofar as it relates to accounting matters.

(c) Payment of Taxes, Etc. The Borrower shall promptly pay and discharge: all taxes, assessments, fees, and other governmental charges or levies or imposed upon it or upon any of its properties, income or profits, before the same shall become delinquent; all lawful claims of materialmen, mechanics, carriers, warehousemen, landlords and other similar Persons for labor, materials, supplies and rentals, which if unpaid might by law become a lien upon its properties; any indebtedness heretofore or hereafter incurred by it when due, and discharge, perform and observe covenants, provisions and conditions to be discharged, performed and observed by it in connection therewith, or in connection with any agreement or other instrument relating thereto or in connection with any Lien existing at any time upon any of its properties; provided, however, that the Borrower shall not be required to pay any of the foregoing if (a) the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings, (b) the Borrower shall have set aside on its books adequate reserves with respect thereto and (c) the title of the Borrower to, and its right to use, its properties is not materially and adversely affected thereby. The Borrower hereby agrees that, in the event it fails to pay or cause to be paid taxes, assessments, fees and other governmental charges or levies or the premium on any required insurance, the Fiscal Agent may make such payment, but is not obligated to do so, and the Fiscal Agent shall be reimbursed by the Borrower therefor with interest on the amount so advanced at the Interest Rate for Advances.

(d) Insurance. The Borrower shall at all times maintain, or cause to be maintained, insurance of such types and in such amounts as required by the FHA Lender, HUD and FHA.

(e) Notice of Material Litigation. The Borrower shall promptly notify the Fiscal Agent in writing of any litigation, arbitration proceeding or administrative investigation, inquiry or other proceeding to which it may hereafter become a party or be subject to which may involve any material risk of any material judgment or liability (unless fully covered by insurance) or which may otherwise result in any material adverse change in the business or assets or in the condition, financial or otherwise, of the Borrower or which may materially impair the ability of the Borrower to perform this Borrower Loan Agreement, the Regulatory Agreement or the Borrower Note, or any other agreement or instrument herein or therein contemplated.

(f) Notice of Default. In the event that any Event of Default occurs under this Borrower Loan Agreement, the Borrower shall give prompt notice in writing of such happening to the Fiscal Agent and Governmental Lender.

(g) Performance of Contracts, Etc. Except to the extent contested in good faith, the Borrower shall perform according to and shall comply with all of its contractual obligations and all requirements of law if nonperformance thereof would materially and adversely affect the business or credit of the Borrower on an individual basis or would materially impair the ability of the Borrower to perform this Borrower Loan Agreement, the Regulatory Agreement or the Borrower Note or any other agreement or instrument herein or therein contemplated.

(h) Notice of Other Matters. The Borrower shall promptly notify the Fiscal Agent in writing of any of the following events:

(i) Any material change with respect to the business, assets, liabilities, financial condition, results of operations or business prospects of the Borrower other than changes in the ordinary course of business the effects of which have not been materially adverse.

(ii) A default by the Borrower in any material respect under any material agreement to which the Borrower is a party or by which the Borrower or its properties or assets may be bound, giving in each case the details thereof and specifying the action proposed to be taken with respect thereto.

(i) Cooperation in Perfecting Security Interests, Etc. The Borrower shall promptly perform such acts as may be necessary or advisable to perfect and maintain any lien provided for in this Borrower Loan Agreement or in any agreement or document contemplated herein or therein, or otherwise to carry out the intent of this Borrower Loan Agreement. The Borrower shall, and shall promptly execute, deliver and perform or cause to be done, executed, delivered and performed all such documents, instruments, agreements, things and acts, including, without limitation, financing statements, continuation statements and mortgages as may be necessary or advisable to perfect or maintain a lien on any and all assets or rights owned by the Borrower, or any interest of the Borrower therein.

(j) Environmental Matters. The Borrower will take and continue to take prompt action to remedy all environmental pollution and contamination, hazardous waste disposal and other environmental cleanup problems, if any, whether or not such cleanup problems have resulted from the order or request of a municipal, state, federal, administrative or judicial authority, or otherwise. The foregoing covenant shall not constitute or create a waiver of any rights the Borrower may have to pursue any legal rights or remedies against any third party for any environmental claims.

(k) Non-discrimination. The Borrower shall comply with the applicable nondiscrimination and affirmative action provisions of the laws of the United States of America, the State of California, and the City of Los Angeles. The Borrower shall not discriminate in its employment practices against any employee or applicant for employment denial of family and medical care leave; denial of pregnancy disability leave or reasonable accommodations against any employee or applicant for employment because of such person's race, ancestry, color, citizenship, national origin, religion, sex,

sexual orientation, gender identity/expression, age, marital status, familial status, domestic partner status, physical handicap, mental disability, medical condition, political affiliation or belief. The Borrower shall comply with Executive Order 11246, entitled "Equal Employment Opportunity", as amended by Executive Order 11375, and as supplemented in Department of Labor regulations (41 CRF Part 60). The Borrower shall comply with the provisions of the Los Angeles Administrative Code Sections 10.8 through 10.13, to the extent applicable hereto. The affirmative action program of the Borrower shall include the mandatory contract provisions set forth in the Los Angeles Administrative Code Section 10.8.4, and said provisions are incorporated herein by this reference. The Borrower shall also comply with all rules, regulations, and policies of the City of Los Angeles' Board of Public Works, Office of Contract Compliance relating to nondiscrimination and affirmative action, including the filing of all forms required by the City of Los Angeles. Any subcontract entered into by the Borrower relating to this Borrower Loan Agreement, to the extent allowed hereunder, shall be subject to the provisions of this section. No person shall on the grounds of race, ancestry, color, citizenship, national origin, religion, sex, sexual orientation, gender identity/expression, age, marital status, familial status, domestic partner status, physical handicap, mental disability, medical condition, political affiliation or belief be excluded from participation in, be denied the benefit of, or be subjected to discrimination under this Borrower Loan Agreement. For purposes of this Section, Title 24 Code of Federal Regulations Part 107 and Section 570.601(b) defines specific discriminatory actions that are prohibited and corrective action that shall be taken in a situation as defined therein.

(l) Patriot Act. The Borrower covenants and agrees to provide documentation as reasonably requested or required by the Fiscal Agent to enable the Fiscal Agent to comply with the requirements of the USA Patriot Act as described in Section 13.13 of the Funding Loan Agreement.

Section 5.6 Additional Indebtedness

So long as no Event of Default or Default hereunder shall have occurred and be continuing, the Borrower shall be permitted to incur any indebtedness for any Project Cost or other obligation or payment due under this Borrower Loan Agreement, the Funding Loan Agreement or the Regulatory Agreement.

Section 5.7 Nature of Business

The Borrower will not change the general character of its business as conducted at the date hereof, or engage in any type of business not reasonably related to its business as normally conducted.

ARTICLE VI

PREPAYMENT

Section 6.1 Optional Prepayment

Subject to Section 6.3 below, the Borrower Loan may be prepaid by the Borrower in whole (but not in part) on any Business Day on or after [**First Optional Prepayment Date**] at a prepayment price equal to ___% of the outstanding Borrower Loan balance plus accrued interest through the date fixed for prepayment without penalty in Available Moneys.

Section 6.2 Mandatory Prepayment

Subject to Section 6.3 below, the Borrower Note shall be subject to mandatory prepayment in whole (but not in part) as soon as practicable upon delivery to the Fiscal Agent of a notice of Determination of Taxability as provided in Section 3.1(b) of the Funding Loan Agreement.

Section 6.3 Limitation on Prepayment

Optional or mandatory prepayment of the Borrower Note pursuant to Section 6.1 or 6.2 above shall be conditional upon the Fiscal Agent's confirmation that upon the liquidation of any Permitted Investments held in the Special Funds under the Indenture which would be required to effect a corresponding optional or mandatory prepayment of the Governmental Lender Note, there will be on hand with the Fiscal Agent sufficient Available Moneys in the Special Funds to effect such prepayment of the Governmental Lender Note in full. In order to prepay the Borrower Loan, the Borrower shall give the Fiscal Agent written notice at least thirty (30) days prior to the prepayment date to effect a prepayment of the Governmental Lender Note pursuant to Section 3.1 of the Funding Loan Agreement.

Notwithstanding the foregoing, any notice of optional prepayment may state that such redemption shall be conditioned ("Conditional Notice") upon the receipt by the Fiscal Agent on or prior to the date fixed for such prepayment of moneys sufficient to pay the principal of, premium, if any, and interest in respect of the Governmental Lender Note to be prepaid or upon the occurrence of such other event or condition as shall be set forth in such Conditional Notice, and that, if such moneys shall not have been so received, or if such other event or condition shall have occurred or failed to occur (as the case may be), said notice shall be of no force and effect and the notice shall thereupon be deemed rescinded and the prepayment cancelled. The Fiscal Agent shall within a reasonable time thereafter give notice to the Holders, in the manner in which the original Conditional Notice was given, of the cancellation of such prepayment.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.1 Events of Default

Each of the following shall be an Event of Default:

(a) The Borrower shall fail to pay any Borrower Loan Payment on or prior to the date on which that Borrower Loan Payment is due and payable or within the Borrower Loan Payment Cure Period;

(b) The Borrower shall fail to observe and perform any other agreement, term or condition contained in this Borrower Loan Agreement and the continuation of such failure for a period of thirty (30) days after written notice thereof shall have been given to the Borrower by the Governmental Lender or the Fiscal Agent, or for such longer period as the Governmental Lender and the Fiscal Agent may agree to in writing; provided, that if the failure is other than the payment of money and is of such nature that it can be corrected but not within the applicable period, that failure shall not constitute an Event of Default so long as the Borrower institutes curative action within the applicable period and diligently pursues that action to completion, which must be resolved within one hundred eighty (180) days after the aforementioned notice;

(c) The Borrower shall: (i) admit in writing its inability to pay its debts generally as they become due; (ii) have an order for relief entered in any case commenced by or against it under the federal bankruptcy laws, as now or hereafter in effect, which is not dismissed within ninety (90) days; (iii) commence a proceeding under any other federal or state bankruptcy, insolvency, reorganization or similar law, or have such a proceeding commenced against it and either have an order of insolvency or reorganization entered against it or have the proceeding remain undismissed and unstayed for ninety days; (iv) make an assignment for the benefit of creditors; or (v) have a receiver or trustee appointed for it or for the whole or any substantial part of its property which appointment is not vacated within a period of ninety (90) days;

(d) Any representation or warranty made by the Borrower herein or any statement in any report, certificate, financial statement or other instrument furnished in connection with this Borrower Loan Agreement or with the purchase of the Governmental Lender Note shall at any time prove to have been false or misleading in any adverse material respect when made or given; and

(e) There shall occur an "Event of Default" as defined in the Funding Loan Agreement or the Regulatory Agreement.

Notwithstanding the foregoing, if, by reason of Force Majeure, the Borrower is unable to perform or observe any agreement, term or condition hereof which would give rise to an Event of Default under subsection (b) hereof, the Borrower shall not be deemed in default during the continuance of such inability. However, the Borrower shall promptly give notice to the Fiscal Agent and the Governmental Lender of the existence of an event of Force Majeure and shall use

commercially reasonable efforts to remove the effects thereof; provided that the settlement of strikes or other industrial disturbances shall be entirely within its discretion.

The term "Force Majeure" shall mean, without limitation, the following:

(i) acts of God; strikes, lockouts or other industrial disturbances; acts of terrorism or of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornados; storms; droughts; floods; arrests; restraint of government and people; explosions; breakage, malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; shortages of labor, materials, supplies or transportation; or

(ii) any cause, circumstance or event not reasonably within the control of the Borrower.

The declaration of an Event of Default under subsection (c) above, and the exercise of remedies upon any such declaration, shall be subject to any applicable limitations of federal bankruptcy law affecting or precluding that declaration or exercise during the pendency of or immediately following any bankruptcy, liquidation or reorganization proceedings.

Section 7.2 Remedies on Default

Whenever an Event of Default shall have happened and be subsisting, any one or more of the following remedial steps may be taken:

(a) If acceleration of the principal amount of the Governmental Lender Note has been declared pursuant to Section 9.2 of the Funding Loan Agreement, the Funding Lender or the Fiscal Agent shall declare all Borrower Loan Payments to be immediately due and payable together with any other amounts payable by the Borrower under this Borrower Loan Agreement and the Borrower Note whereupon the same shall become immediately due and payable;

(b) The Funding Lender, or the Fiscal Agent, at the direction of the Funding Lender, may exercise any or all or any combination of the remedies specified in this Borrower Loan Agreement;

(c) The Funding Lender, the Governmental Lender or the Fiscal Agent may have access to, inspect, examine and make copies of the books, records, accounts and financial data of the Borrower pertaining to the Project; or

(d) The Funding Lender or the Fiscal Agent, at the direction of the Funding Lender, may pursue all remedies now or hereafter existing at law or in equity to collect all amounts then due and thereafter to become due under this Borrower Loan Agreement, the Regulatory Agreement and the Borrower Note or to enforce the

performance and observance of any other obligation or agreement of the Borrower under those instruments.

Notwithstanding the foregoing, the Governmental Lender shall not be obligated to take any step which in its opinion will or might cause it to expend time or money or otherwise incur liability unless and until a satisfactory indemnity bond has been furnished to the Governmental Lender at no cost or expense to the Governmental Lender. Any amounts collected as Borrower Loan Payments or applicable to Borrower Loan Payments and any other amounts which would be applicable to payment of Governmental Lender Note Debt Service Charges collected pursuant to action taken under this Section shall be paid into the Governmental Lender Note Fund and applied in accordance with the provisions of the Funding Loan Agreement or, if the Outstanding Governmental Lender Note has been paid and discharged in accordance with the provisions of the Funding Loan Agreement, shall be paid as provided in Section 7.15 of the Funding Loan Agreement for transfers of remaining amounts in the Project Fund.

The provisions of this Section are subject to the further limitation that the rescission by the Fiscal Agent of its declaration that the Governmental Lender Note is immediately due and payable also shall constitute an annulment of any corresponding declaration made pursuant to paragraph (a) of this Section and a waiver and rescission of the consequences of that declaration and of the Event of Default with respect to which that declaration has been made, provided that no such waiver or rescission shall extend to or affect any subsequent or other default or impair any right consequent thereon.

Section 7.3 No Remedy Exclusive

No remedy conferred upon or reserved to the Governmental Lender or the Fiscal Agent by this Borrower Loan Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Borrower Loan Agreement, the Regulatory Agreement or the Borrower Note, or now or hereafter existing at law, in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair that right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Governmental Lender or the Fiscal Agent to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than any notice required by law or for which express provision is made herein.

Section 7.4 Agreement to Pay Attorneys' Fees and Expenses

If an Event of Default should occur and the Governmental Lender or the Fiscal Agent should incur expenses, including attorneys' fees, in connection with the enforcement of this Borrower Loan Agreement, the Regulatory Agreement or the Borrower Note or the collection of sums due thereunder, the Borrower shall reimburse the Governmental Lender and the Fiscal Agent, as applicable, for the expenses so incurred upon demand.

Section 7.5 No Waiver

No failure by the Governmental Lender or the Fiscal Agent to insist upon the strict performance by the Borrower of any provision hereof shall constitute a waiver of their right to strict performance and no express waiver shall be deemed to apply to any other existing or subsequent right to remedy the failure by the Borrower to observe or comply with any provision hereof.

Section 7.6 Notice of Default

The Borrower shall notify the Fiscal Agent and Governmental Lender immediately if it becomes aware of the occurrence of any Event of Default hereunder or of any fact, condition or event which, with the giving of notice or passage of time or both, would become an Event of Default.

Section 7.7 Investor Limited Partner's Cure Rights

The Governmental Lender hereby agrees that any cure of any Event of Default hereunder made or tendered by the Investor Limited Partner or Special Limited Partner shall be deemed to be cure by the Borrower, and shall be accepted or rejected by the Governmental Lender on the same basis as if made or tendered by the Borrower.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Term of Agreement

This Borrower Loan Agreement shall be and remain in full force and effect from the date of delivery of the Governmental Lender Note to the Holder until such time as all of the Governmental Lender Note shall has been fully paid (or provision made for such payment) pursuant to the Funding Loan Agreement and all other sums payable by the Borrower under this Borrower Loan Agreement and the Borrower Note shall have been paid, except for obligations of the Borrower under Sections 3.8, 4.2 and 5.3 hereof, which shall survive any termination of this Borrower Loan Agreement.

Section 8.2 Amounts Remaining in Funds

Any amounts in the Governmental Lender Note Fund remaining unclaimed by the Holders of the Governmental Lender Note for two years after the due date thereof (whether at stated maturity or otherwise), at the option of the Borrower, shall be deemed to belong to and shall be paid, at the written request of the Borrower, to the Borrower by the Fiscal Agent as overpayment of Borrower Loan Payments. With respect to that principal of and interest on the Governmental Lender Note to be paid from moneys paid to the Borrower pursuant to the preceding sentence, the Holders of the Governmental Lender Note entitled to those moneys shall look solely to the Borrower for the payment of those moneys. Further, any amounts remaining in the Governmental Lender Note Fund, the Project Fund and any other special funds or accounts created under this Borrower Loan Agreement, the Regulatory Agreement or the Funding Loan

Agreement after the Outstanding Governmental Lender Note shall be deemed to have been paid and discharged under the provisions of the Funding Loan Agreement and all other amounts required to be paid under this Borrower Loan Agreement, the Borrower Note, Regulatory Agreement and the Funding Loan Agreement have been paid, shall be paid to the Borrower to the extent that those moneys are in excess of the amounts necessary to effect the payment and discharge of the outstanding Governmental Lender Note.

Section 8.3 Notices

All notices, certificates, requests or other communications hereunder shall be in writing and shall be deemed to be sufficiently given when mailed by registered or certified mail, postage prepaid, or forwarded by overnight courier service, delivery charges prepaid, and addressed to the appropriate Notice Address. A duplicate copy of each notice, certificate, request or other communication given hereunder to the Governmental Lender, the Borrower, the Investor Limited Partner, the Governmental Lender or the Fiscal Agent shall also be given to the others. The Borrower, the Investor Limited Partner, the Governmental Lender, and the Fiscal Agent, by written notice given hereunder, may designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

Section 8.4 Extent of Covenants of the Governmental Lender; Non-Liability of Governmental Lender; Waiver of Personal Liability

All covenants, obligations and agreements of the Governmental Lender contained in this Borrower Loan Agreement and the Funding Loan Agreement shall be effective to the extent authorized and permitted by applicable law. It is recognized that notwithstanding any other provision of this Borrower Loan Agreement, neither the Borrower, the Funding Lender nor the Fiscal Agent shall look to the members of the Governmental Lender's City Council or its officers, program participants, attorneys, accountants, financial advisors, agents or staff, past, present or future, for damages suffered by the Borrower, the holders or such Fiscal Agent as a result of the failure of the Governmental Lender to perform any covenant, undertaking or obligation under this Borrower Loan Agreement, the Funding Loan, the Regulatory Agreement, any of the other Funding Loan Documents or any of the other documents referred to herein, or as a result of the incorrectness of any representation made by the Governmental Lender in any of such documents, nor for any other reason except for representations made by the Governmental Lender in any certificate of the Governmental Lender and the opinion of counsel to the Governmental Lender delivered on the date of origination of the Funding Loan. Although this Borrower Loan Agreement recognizes that such documents shall not give rise to any pecuniary liability of the Governmental Lender, nothing contained in this Borrower Loan Agreement shall be construed to preclude in any way any action or proceeding (other than that element of any action or proceeding involving a claim for monetary damages against the Governmental Lender) in any court or before any governmental body, agency or instrumentality or otherwise against the Governmental Lender or any of its officers or employees to enforce the provisions of any of such documents which the Governmental Lender is obligated to perform and the performance of which the Governmental Lender has not assigned to the Fiscal Agent or any other person.

No agreements or provisions contained in this Borrower Loan Agreement, the Funding Loan Agreement, any other Funding Loan Document, nor any agreement, covenant or

undertaking by the Governmental Lender contained in any document executed by the Governmental Lender in connection with the Project or the issuance, sale and delivery of the Governmental Lender Note shall give rise to any pecuniary liability of the Governmental Lender or a charge against its general credit or taxing powers, or shall obligate the Governmental Lender financially in any way. Nothing in the Funding Loan or this Borrower Loan Agreement or the proceedings of the Governmental Lender authorizing the Funding Loan or in the Act or the Law or in any other related document shall be construed to authorize the Governmental Lender to create a debt of the Governmental Lender within the meaning of any constitutional or statutory provision of the State. No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future director, officer, employee or agent of the Governmental Lender in his or her individual capacity, and neither any employee or officer of the Governmental Lender nor any officer thereof executing the Governmental Lender Note shall be liable personally on the Governmental Lender Note or be subject to any personal liability or accountability by reason of the issuance thereof. No director, officer, employee or agent of the Governmental Lender shall incur any personal liability with respect to any other action taken by him or her pursuant to this Borrower Loan Agreement, the Funding Loan Agreement, the Act or the Law, provided such director, officer, employee or agent acts in good faith. No breach of any pledge, obligation or agreement of the Governmental Lender hereunder may impose any pecuniary liability upon the Governmental Lender or any charge upon its general credit

The Borrower hereby acknowledges that the Governmental Lender's sole source of moneys to repay the Funding Loan will be provided by the payments made by the Borrower pursuant to this Borrower Loan Agreement, together with investment income on certain funds and accounts held by the Fiscal Agent under the Funding Loan Agreement, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal (or prepayment price) of and interest on the Funding Loan as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Fiscal Agent, Funding Lender or the Servicer, the Borrower shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or prepayment price) of or interest on the Funding Loan, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Fiscal Agent, Funding Lender, the Borrower, the Governmental Lender or any third party, subject to any right of reimbursement from the Fiscal Agent, Funding Lender, the Governmental Lender or any such third party, as the case may be, therefor.

THE FUNDING LOAN IS ORIGINATED PURSUANT TO THE LAW AND IN ACCORDANCE WITH THE ACT AND IS A LIMITED OBLIGATION OF THE GOVERNMENTAL LENDER. NEITHER THE CITY COUNCIL OF THE GOVERNMENTAL LENDER NOR ANY OFFICIAL OR EMPLOYEE OF THE GOVERNMENTAL LENDER, NOR ANY PERSON EXECUTING THE FUNDING LOAN, SHALL BE LIABLE PERSONALLY ON THE FUNDING LOAN OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF ITS ISSUANCE. THE FUNDING LOAN, THE GOVERNMENTAL LENDER NOTE AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE GOVERNMENTAL LENDER, PAYABLE ONLY FROM THE SOURCES DESCRIBED IN THE FUNDING LOAN AGREEMENT. NEITHER THE GOVERNMENTAL LENDER, THE STATE NOR ANY

OTHER POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF SUCH FUNDING LOAN, THE GOVERNMENTAL LENDER NOTE OR THE INTEREST THEREON OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE MONEY PLEDGED THEREFOR.

THE FUNDING LOAN, THE GOVERNMENTAL LENDER NOTE AND THE INTEREST THEREON DO NOT AND SHALL NEVER CONSTITUTE A DEBT OF INDEBTEDNESS OR A GENERAL OBLIGATION OF THE GOVERNMENTAL LENDER, THE STATE OR ANY MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE GOVERNMENTAL LENDER, THE STATE NOR ANY POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF OR THE FAITH AND CREDIT OF THE ISSUER IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE FUNDING LOAN, THE GOVERNMENTAL LENDER NOTE OR OTHER COSTS INCIDENT THERETO. THE FUNDING LOAN AND GOVERNMENTAL LENDER NOTE ARE NOT DEBTS OF THE UNITED STATES OF AMERICA.

Section 8.5 Binding Effect

This Borrower Loan Agreement shall inure to the benefit of and shall be binding in accordance with its terms upon the Governmental Lender, the Borrower and their respective permitted successors and assigns provided that this Borrower Loan Agreement may not be assigned by the Borrower (except in connection with a sale or transfer of assets pursuant to Section 5.2 hereof) and may not be assigned by the Governmental Lender except to the Fiscal Agent pursuant to the Funding Loan Agreement or as otherwise may be necessary to enforce or secure payment of Governmental Lender Note Debt Service Charges. This Borrower Loan Agreement may be enforced only by the parties, their assignees and others who may, by law, stand in their respective places.

Section 8.6 Amendments and Supplements

Except as otherwise expressly provided in this Borrower Loan Agreement or the Funding Loan Agreement, subsequent to the issuance of the Governmental Lender Note and prior to all conditions provided for in the Funding Loan Agreement for release of the Funding Loan Agreement having been met, this Borrower Loan Agreement, the Regulatory Agreement and the Borrower Note may not be effectively amended, changed, modified, altered or terminated except in accordance with the provisions of Article XI of the Funding Loan Agreement, and Section 22 of the Regulatory Agreement, as applicable.

Section 8.7 Execution Counterparts

This Borrower Loan Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

Section 8.8 Severability

If any provision of this Borrower Loan Agreement, or any covenant, obligation or agreement contained herein is determined by a court to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained herein. That invalidity or unenforceability shall not affect any valid and enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 8.9 Governing Law

This Borrower Loan Agreement shall be deemed to be a contract made under the laws of the State and for all purposes shall be governed by and construed in accordance with the laws of the State without giving effect to the choice of law principles of the State of California that would require the application of the laws of a jurisdiction other than the State of California.

Section 8.10 Non-Recourse Obligations

Notwithstanding anything to the contrary set forth herein, in the Borrower Note and in any other document delivered in connection herewith, it is hereby expressly agreed and understood that the obligations of Borrower hereunder, under the Borrower Note and under every document executed and delivered in connection herewith, are non-recourse to any member, partner, officer, director or employee of the Borrower (each, a "*Related Party*") or to any asset of the Borrower or any Related Party other than the Pledged Revenues, the Project and any income derived therefrom. In furtherance thereof, the Governmental Lender and the Fiscal Agent shall be entitled to look solely and exclusively to the Pledged Revenues, the Project and any income derived therefrom for the payment and other obligations of Borrower hereunder, under the Borrower Note and all evidences of indebtedness secured hereby, and shall not seek a personal judgment against any member, partner, officer, director, member or stockholder of the Borrower, provided that nothing herein shall relieve any such Related Party from liability for any of the following:

(a) rent collected for more than one month in advance and received by a Related Party and not applied to the reasonable operating requirements of the Project;

(b) misappropriation or misapplication by a Related Party of insurance or eminent domain proceeds;

(c) fraud or material misrepresentation by a Related Party against the Governmental Lender or the Holder;

(d) conversion by a Related Party of all or a material portion of the Project; or

(e) gross negligence, willful misconduct or intentional torts of a Related Party relating to the Project or the revenues therefrom.

Section 8.11 HUD-Required Provisions

Borrower and Governmental Lender acknowledge that this Borrower Loan Agreement, and all Borrower's obligations hereunder, are subject and subordinate to the FHA Loan Documents. Notwithstanding any provisions of this Borrower Loan Agreement to the contrary, no obligations of the Borrower hereunder shall be payable except from (A) Surplus Cash (as defined in the FHA Regulatory Agreement) or (B) funds that are not derived from revenues of the Project (as defined in the FHA Mortgage), any proceeds of the FHA Note, any reserve or deposit made with the FHA Lender or any other party as required by HUD in connection with the FHA Loan Documents (collectively, "Non-Project Sources"). No claims or actions shall be made (or payable) under this Borrower Loan Agreement against the Project, the FHA Lender, the proceeds of the FHA Note, or the assets of the Borrower, except for Surplus Cash of the Borrower. In addition, the rights and obligations of the parties under this Borrower Loan Agreement and all other documents evidencing, implementing, or securing this Borrower Loan Agreement (collectively, the "Subordinate Bond Documents") are and shall be subordinated in all respects rights and obligations of the parties to and under the FHA Loan Documents. In the event of any conflict between the provisions of (i) this Borrower Loan Agreement or the Subordinate Bond Documents and (ii) the provisions of the FHA Loan Documents or the Program Obligations (as defined in the FHA Mortgage), the provisions of the FHA Loan Documents or the Program Obligations shall control. The provisions of this Section 8.11 shall control over any inconsistent provisions in this Borrower Loan Agreement or the Subordinate Bond Documents. This Borrower Loan Agreement shall not be amended or modified without the prior written consent of HUD.

Section 8.12 Waiver of Trial by Jury

TO THE MAXIMUM EXTENT PERMITTED UNDER APPLICABLE LAW, EACH OF BORROWER AND THE BENEFICIARY PARTIES, EXCEPT FOR THE GOVERNMENTAL LENDER (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS FUNDING LOAN AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

IF FOR ANY REASON THIS WAIVER IS DETERMINED TO BE UNENFORCEABLE, ALL DISPUTES WILL BE RESOLVED BY JUDICIAL REFERENCE PURSUANT TO THE PROCEDURES SET FORTH IN EXHIBIT F HERETO.

Section 8.13 Business Tax Registration Certificate

Subject to any exemptions available to it, the Borrower represents that it has obtained or will obtain the Business Tax Registration Certificate(s) required by the City of Los Angeles' Business Tax Ordinance (Article 1, Chapter 2, Section 21.00 and following, of the Los Angeles Municipal Code). For the term covered by this Borrower Loan Agreement, the Borrower shall

maintain, or obtain as necessary, any such Business Tax Registration Certificate(s) required of it under said Ordinance and shall not allow any such Business Tax Registration Certificate(s) to be revoked or suspended.

Section 8.14 Child Support Assignment Orders

This Borrower Loan Agreement is subject to Section 10.10 of the Los Angeles Administrative Code, Child Support Assignment Orders Ordinance. Pursuant to this Ordinance, the Borrower certifies that it will (a) fully comply with all State and federal employment reporting requirements applicable to Child Support Assignment Orders; (b) that the principal partners(s) of the Borrower are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally; (c) fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code Section 5230 et seq.; and (d) maintain such compliance throughout the term of this Borrower Loan Agreement. Pursuant to Section 10.10.b of the Los Angeles Administrative Code, failure of the Borrower to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment Orders and Notices of Assignment or the failure of any principal owner(s) of the Borrower to comply with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally shall constitute a default by the Borrower under the terms of this Borrower Loan Agreement, subjecting the Borrower to the remedies provided herein where such failure shall continue for more than 90 days after notice of such failure to the Borrower by the Governmental Lender. Any subcontract entered into by the Borrower relating to this Borrower Loan Agreement, to the extent allowed hereunder, shall be subject to the provisions of this paragraph and shall incorporate the provisions of the Child Support Assignment Orders Ordinance. Failure of the Borrower to obtain compliance of its subcontractors shall constitute a default by the Borrower under the terms of this Borrower Loan Agreement, subjecting the Borrower to the remedies provided herein where such failure shall continue for more than 90 days after notice of such failure to the Borrower by the Governmental Lender.

The Borrower shall comply with the Child Support Compliance Act of 1998 of the State of California Employment Development Department. The Borrower assures that to the best of its knowledge it is fully complying with the earnings assignment orders of all employees and is providing the names of all new employees to the New Hire Registry maintained by the Employment Development Department as set forth in subdivision (1) of Section 7110 of the Public Contract Code.

Section 8.15 Americans with Disabilities Act

The Borrower hereby certifies that it will comply with the Americans with Disabilities Act, 42 U.S.C. 12101 et seq., and its implementing regulations and the American Disabilities Act Amendments Act ("ADAAA") Pub. L.110-325 and all subsequent amendments (the "ADA"). The Borrower will provide reasonable accommodations to allow qualified individuals with disabilities to have access to and to participate in its programs, services and activities in accordance with the provisions of the ADA. In addition the Borrower shall not discriminate against individuals with disabilities nor against persons due to their relationship to or association with a person with a disability. Any subcontract entered into by the Borrower, relating to this

Borrower Loan Agreement, to the extent allowed hereunder, shall be subject to the provisions of this Section.

[Borrower Signature Page to Loan Agreement]

BANNING VILLA PRESERVATION LIMITED PARTNERSHIP

By: _____
Name: _____

EXHIBIT A

FORM OF NOTE

This Note has not been registered under the Securities Act of 1933. Its transferability is restricted by the Funding Loan Agreement and the Borrower Loan Agreement referred to herein.

$[10,100,000] _____ __, 2013

Banning Villa Preservation Limited Partnership, a California limited partnership (the "*Borrower*"), for value received, promises to pay in installments to the City of Los Angeles, as Fiscal Agent (the "*Governmental Lender*") under the Funding Loan Agreement hereinafter referred to, the principal sum of

TEN MILLION, ONE HUNDRED THOUSAND DOLLARS.

and to pay interest on the unpaid balance of such principal sum from and after the Closing Date (as defined in the Funding Loan Agreement at the rate of 0.__% per annum, until the payment of such principal sum has been made or provided for. The Principal Amount stated above shall be paid on or before the fifth Business Day (as defined in the Funding Loan Agreement defined herein) immediately preceding the Maturity Date (as defined in the Funding Loan Agreement defined herein). Interest shall be calculated on the basis of a 360-day year of 12 equal 30-day months. Interest on this Note shall be paid in Federal Reserve funds on the fifth Business Day next preceding each [May] 1 and [November] 1, commencing [November] 1, 2013 (the "Interest Payment Dates").

This Note has been executed and delivered by the Borrower to the Governmental Lender pursuant to a certain Borrower Loan Agreement (the "*Borrower Loan Agreement*" or the "*Agreement*") dated as of [May 1, 2013], between the City of Los Angeles (the "Governmental Lender") and the Borrower. Terms used but not defined herein shall have the meanings ascribed to such terms in the Borrower Loan Agreement and the Funding Loan Agreement, as defined below.

Under the Borrower Loan Agreement, the Governmental Lender has loaned the Borrower a portion of the principal proceeds received from the sale of the Governmental Lender's $[10,100,000] Multifamily Collateralized Revenue Note (Banning Villa Senior Apartments) Series 2013E dated [Dated Date] (the "*Governmental Lender Note*") to assist in the financing of the Project, and the Borrower has agreed to repay such loan by making payments ("*Borrower Loan Payments*") at the times and in the amounts set forth in this Note for application to the payment of Governmental Lender Note Debt Service Charges on the Governmental Lender Note as and when due. The Governmental Lender Note have been issued, concurrently with the execution and delivery of this Note, pursuant to, and are secured by, the Funding Loan Agreement (the "*Funding Loan Agreement*"), dated as of [Dated Date], among the Governmental Lender, Citibank, N.A., as Funding Lender and [Fiscal Agent], as Fiscal Agent (the "*Fiscal Agent*") and in the Funding Loan Agreement has been assigned by the Governmental Lender to the Fiscal Agent to secure the repayment of principal and interest on the Governmental Lender Note and other amounts under the Funding Loan Agreement.

To provide funds to pay the principal of and interest on the Governmental Lender Note as and when due as specified herein, the Borrower hereby agrees to and shall make Borrower Loan Payments in Federal Reserve funds on the 5th Business Day immediately preceding each Interest Payment Date in an amount equal to the Governmental Lender Note Debt Service Charges on the Governmental Lender Note payable on the next succeeding Interest Payment Date. In addition, to provide funds to pay the Governmental Lender Note Debt Service Charges on the Governmental Lender Note as and when due at any other time, the Borrower hereby agrees to and shall make Borrower Loan Payments in Federal Reserve funds on the fifth Business Day immediately preceding any other date on which any Governmental Lender Note Debt Service Charges on the Governmental Lender Note shall be due and payable, whether at maturity, upon acceleration or otherwise, in an amount equal to those Governmental Lender Note Debt Service Charges.

If payment or provision for payment in accordance with the Funding Loan Agreement is made in respect of the Governmental Lender Note Debt Service Charges on the Governmental Lender Note from moneys other than Borrower Loan Payments, this Note shall be deemed paid to the extent such payments or provision for payment of the Governmental Lender Note has been made. Consistent with the provisions of the immediately preceding sentence, the Borrower shall have credited against its obligation to make Borrower Loan Payments any amounts transferred from the Project Fund or the Collateral Fund to the Governmental Lender Note Fund. Subject to the foregoing, all Borrower Loan Payments shall be in the full amount required hereunder.

All Borrower Loan Payments shall be made to the Fiscal Agent at its designated corporate trust office for the account of the Governmental Lender and deposited in the Governmental Lender Note Fund created by the Funding Loan Agreement. Except as otherwise provided in the Funding Loan Agreement, the Borrower Loan Payments shall be used by the Fiscal Agent to pay the Governmental Lender Note Debt Service Charges on the Governmental Lender Note as and when due.

The obligation of the Borrower to make the payments required hereunder shall be absolute and unconditional and the Borrower shall make such payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim which the Borrower may have or assert against the Governmental Lender, the Fiscal Agent or any other person.

This Note is subject to optional and mandatory prepayment by the Borrower on the terms stated in the Borrower Loan Agreement.

Whenever an Event of Default under Section 9.1 of the Funding Loan Agreement shall have occurred and, as a result thereof, the principal of and any premium on the Governmental Lender Note then outstanding, and interest accrued thereon, shall have been declared to be immediately due and payable pursuant to Section 9.2 of the Funding Loan Agreement, the unpaid principal amount of and any premium and accrued interest on this Note shall also be due and payable in Federal Reserve funds on the date on which the principal of and premium and interest on the Governmental Lender Note shall have been declared due and payable; provided that the annulment of a declaration of acceleration with respect to the Governmental Lender Note shall also constitute an annulment of any corresponding declaration with respect to this Note.

The payment obligations of this Note are non-recourse to the Borrower to the extent set forth in Section 8.10 of the Borrower Loan Agreement.

Borrower, Fiscal Agent and Governmental Lender acknowledge that this Note, and all Borrower's obligations hereunder, are subject and subordinate to the FHA Loan Documents (i) FHA-Insured Note (Multistate) dated as of [Dated Date] from Borrower to Lender, initially endorsed for mortgage insurance by the Secretary of Housing and Urban Development ("HUD") pursuant to Section 223f of the National Housing Act, as amended (the "FHA Note"); (ii) Multifamily Mortgage, Assignment of Leases and Rents, and Security Agreement (California) dated as of [Dated Date] from Borrower for the benefit of Lender to secure the FHA Note (the "FHA Mortgage"); (iii) Regulatory Agreement dated as of [Dated Date] between Borrower and HUD (the "HUD Regulatory Agreement"); and (iv) any and all other documents, agreements, or instruments which evidence or secure the indebtedness evidenced by the FHA Note. Notwithstanding any provision in this Note to the contrary, this Note shall not be due and payable prior to the maturity date of the FHA Note, provided that it may be prepaid at any time from (A) Surplus Cash (as defined in the HUD Regulatory Agreement) or (B) funds that are not derived from revenues of the Project (as defined in the FHA Mortgage), any proceeds of the FHA Note, any reserve or deposit made with the FHA Lender or any other party as required by HUD in connection with the FHA Loan Documents (collectively, "Non-Project Sources"), but provided further that no prepayment of this Note is permitted prior to the "final endorsement" of the FHA Note for mortgage insurance by HUD. Payments due under this Note may only be paid from amounts on deposit and available for such purpose under the Funding Loan Agreement and to the extent not so paid only from Surplus Cash (but in no event greater than 75% of the total amount of Surplus Cash) or from Non-Project Sources; provided that this restriction on payment shall not excuse any default caused by the failure of the Borrower to pay the indebtedness evidenced by this Note. In addition, (1) the indebtedness evidenced by this Note and all other documents evidencing or securing this Note (collectively, the "Subordinate Loan Documents") are and shall be subordinated in right of payment, to the prior payment in full of the indebtedness evidenced by the FHA Loan Documents, and (2) the Subordinate Loan Documents are and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the FHA Mortgage and the other FHA Loan Documents and to all advances heretofore made or which may hereafter be made pursuant to the FHA Mortgage and the other FHA Loan Documents (including but not limited to, all sums advanced for the purposes of (a) protecting or further securing the lien of the FHA Mortgage, curing defaults by Borrower under the FHA Loan Documents or for any other purpose expressly permitted by the FHA Mortgage, or (b) constructing, renovating, repairing, furnishing, fixturing or equipping the Project).

In the event of any conflict between the provisions of (i) this Note or the Subordinate Loan Documents and (ii) the provisions of the FHA Loan Documents or the Program Obligations (as defined in the FHA Mortgage), the provisions of the FHA Loan Documents or the Program Obligations shall control.

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed in its name as of the date first above written.

BANNING VILLA PRESERVATION LIMITED PARTNERSHIP

By: _____
Name: _____
Title: _____

EXHIBIT B

BORROWER'S CERTIFICATE TO LENDER AND FISCAL AGENT

STATEMENT NO. _____ REQUESTING DISBURSEMENT OF FUNDS FROM PROJECT FUND PURSUANT TO SECTION 3.4 OF THE BORROWER LOAN AGREEMENT
DATED AS OF MAY 1, 2013 BETWEEN THE
CITY OF LOS ANGELES
AND BANNING VILLA PRESERVATION LIMITED PARTNERSHIP

Pursuant to Section 3.4 of the Borrower Loan Agreement (the "*Agreement*") between the City of Los Angeles (the *"Governmental Lender"*) and Banning Villa Preservation Limited Partnership, a California limited partnership (the "*Borrower*") dated as of [May 1, 2013], the undersigned Authorized Borrower Representative hereby requests and authorizes [FISCAL AGENT], as Fiscal Agent (the "*Fiscal Agent*"), as depository of the Project Fund created by the Funding Loan Agreement and defined in the Borrower Loan Agreement, to pay to [LENDER] (the *"FHA Lender"*) out of the moneys deposited in the Project Fund the aggregate sum of $_____ immediately upon: (i) a corresponding amount of Available Moneys being deposited by the FHA Lender into the Collateral Fund; and (ii) receipt of a completed requisition in the form contained as Exhibit C to that Funding Loan Agreement dated as of May 1, 2013 between among the Governmental Lender, Fiscal Agent and Citibank, N.A. as Funding Lender. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Borrower Loan Agreement.

All payments shall be made by check or wire transfer in accordance with the payment instructions set forth in Schedule I or in invoices submitted in accordance therewith and the Fiscal Agent may rely on such payment instructions though given by the Borrower with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein.

To induce the FHA Lender to consent to the disbursement under the FHA Insured Mortgage Loan as shown on Schedule 1 attached hereto, and to induce the Fiscal Agent to release funds in the Project Fund to the FHA Lender as set forth above, the undersigned Authorized Borrower Representative represents, warrants and certifies to the Governmental Lender, the FHA Lender and the Fiscal Agent:

(a) Each item for which disbursement is requested hereunder are presently due and payable, have been properly incurred by the Borrower in connection with the Project being financed with the proceeds of the Borrower Loan, or are reimbursable Project Costs properly chargeable against the Borrower Loan and none of those items has formed the basis for any disbursement heretofore made from said Project Fund.

(b) Each such item is or was necessary in connection with the acquisition, construction, rehabilitation, installation, equipment or improvement of the Project, as defined in the Borrower Loan Agreement.

(c) The costs specified in the Disbursement Schedule attached hereto, when added to all previous disbursements under the Borrower Loan, will result in at least 95% of the aggregate amount of all disbursements having been used to pay or reimburse the Borrower for amounts which are Project Costs.

(d) To the knowledge of the undersigned, there is no current or existing event of default pursuant to the terms of the Borrower Loan Agreement or the Regulatory Agreement and no event exists which by notice or passage of time or both would constitute an event of default under any of the foregoing documents.

(e) No representation or warranty of the Borrower contained in the Borrower Loan Agreement or the Regulatory Agreement is materially incorrect or inaccurate, except as the Borrower has set forth in writing, and there has been no event of default under the terms of any of those documents and which is continuing and no event shall exist which by notice, passage of time or both would constitute an event of default under any of those documents.

(f) This statement and all exhibits hereto, including the Disbursement Schedule, shall be conclusive evidence of the facts and statements set forth herein and shall constitute full warrant, protection and authority to the Fiscal Agent for its actions taken pursuant hereto.

This statement constitutes the approval of the Borrower of the disbursement hereby requested and authorized.

This _____ day of _____, 20__.

By: Authorized Borrower Representative

_____
[Name/Title]

Schedule 1 Approved by Authorized FHA Lender Representative:

By: _____
[Name/Title]

DISBURSEMENT SCHEDULE ____
TO STATEMENT NO. _____ REQUESTING AND AUTHORIZING DISBURSEMENT OF FUNDS FROM PROJECT FUND PURSUANT TO SECTION 3.4 OF THE BORROWER LOAN AGREEMENT DATED AS OF [MAY 1, 2013] BETWEEN THE CITY OF LOS ANGELES AND BANNING VILLA PRESERVATION LIMITED PARTNERSHIP.

PAYEE	AMOUNT	PURPOSE

EXHIBIT C

$[10,100,000]
City of Los Angeles
Multifamily Collateralized Revenue Note
(Banning Villa Senior Apartments)
Series 2013E,
Dated [Closing Date]

COMPLETION CERTIFICATE

To:

[Fiscal Agent]
[Fiscal Agent Address]
_____
_____
Attention: _____

Los Angeles Housing Department
8th Floor
1200 West 7th Street
Los Angeles, CA 90017
Attention: Supervisor, Affordable Housing

Pursuant to Section 3.6 of the Borrower Loan Agreement (the "Agreement") between the City of Los Angeles (the "Governmental Lender") and Banning Villa Preservation Limited Partnership, a California limited partnership (the "Borrower"), dated as of [Dated Date], and relating to the captioned Governmental Lender Note, the undersigned Authorized Borrower Representative hereby certifies to that (with capitalized words and terms used and not defined in this Certificate having the meanings assigned in the Agreement):

(a) The Project was substantially completed and available and suitable for use as multifamily housing on _____.

(b) All other facilities necessary in connection with the Project have been acquired, constructed, equipped and improved,

(c) The acquisition, rehabilitating, equipping and improvement of the Project and those other facilities have been accomplished in such a manner as to conform in all material respects with all applicable zoning, planning, building, environmental and other similar governmental regulations.

(d) Except as provided in subsection (e) of this Certificate, all costs of that acquisition and installation due on or after the date of this Certificate and now payable have been paid.

(e) The Fiscal Agent shall retain $_____ in the Project Fund for the payment of costs of the Project not yet due or for liabilities which the Borrower is contesting or which otherwise should be retained, for the following reasons:

(f) This Certificate is given without prejudice to any rights against third parties that now exist or subsequently may come into being.

IN WITNESS WHEREOF, the Authorized Borrower Representative has set his or her hand as of the _____ day of 20__.

Authorized Borrower Representative

BANNING VILLA PRESERVATION LIMITED PARTNERSHIP

By: _____
Name: _____

EXHIBIT D

LENDER'S CERTIFICATE TO FISCAL AGENT

Pursuant to Section 3.4 of the Borrower Loan Agreement (the "*Agreement*") between the City of Los Angeles (the "*Governmental Lender*") and Banning Villa Preservation Limited Partnership, a California limited partnership (the "*Borrower*") dated as of [May 1, 2013], the undersigned Authorized Lender Representative hereby certifies that the deposit of $_____ into the Collateral Fund on _____, 201___ was fully derived from the sale of GNMA Securities.

Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Agreement.

This _____ day of _____, 20__.

By: Authorized Lender Representative

_____

[Name/Title]

EXHIBIT E

BORROWER'S CERTIFICATE TO FISCAL AGENT

Pursuant to Section 3.4 of the Borrower Loan Agreement (the "*Agreement*") between the City of Los Angeles (the "*Governmental Lender*") and Banning Villa Preservation Limited Partnership, a California limited partnership (the "*Borrower*") dated as of [May 1, 2013], the undersigned Authorized Lender Representative hereby certifies that the deposit of $_____ into the Collateral Fund on _____, 201___ was made from Available Moneys.

Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Agreement.

This _____ day of _____, 20__.

By: Authorized Borrower Representative

_____

[Name/Title]

EXHIBIT F

[NOTE: THE BELOW IS SUBJECT TO CITY OF LOS ANGELES REQUIREMENTS REGARDING WAIVERS OF JURY TRIALS]

PROVISIONS RELATING TO JUDICIAL
REFERENCE AGREEMENT; REFEREE; COSTS

(i) Controversies Subject to Judicial Reference; Conduct of Reference. In the event that any action, proceeding and/or hearing on any matter whatsoever, including all issues of fact or law arising out of, or in any way connected with, the Borrower Note, Borrower Loan or any of the Borrower Loan Documents, or the enforcement of any remedy under any law, statute, or regulation (hereinafter, a "**Controversy**"), is to be tried in a court of the State of California and the jury trial waiver provisions set forth in Section 8.12 of the Borrower Loan Agreement are not permitted or otherwise applicable under then-prevailing law:

(A) Each Controversy shall be determined by a consensual general judicial reference (the "**Reference**") pursuant to the provisions of California Code of Civil Procedure §§ 638 et seq., as such statutes may be amended or modified from time to time.

(B) Upon a written request, or upon an appropriate motion by either Lender or Borrower, any pending action relating to any Controversy and every Controversy shall be heard by a single referee (the "**Referee**") who shall then try all issues (including any and all questions of law and questions of fact relating thereto), and issue findings of fact and conclusions of law and report a statement of decision. The Referee's statement of decision will constitute the conclusive determination of the Controversy. The [Governmental Lender and] Borrower agree that the Referee shall have the power to issue all legal and equitable relief appropriate under the circumstances before him/her.

(C) The [Governmental Lender and] Borrower shall promptly and diligently cooperate with [one another and] the Referee, and shall perform such acts as may be necessary to obtain prompt and expeditious resolution of each Controversy in accordance with the terms of this Section.

(D) [Either the Governmental Lender or]Borrower may file the Referee's findings, conclusions and statement with the clerk or judge of any appropriate court, file a motion to confirm the Referee's report and have judgment entered thereon. If the report is deemed incomplete by such court, the Referee may be required to complete the report and resubmit it.

(E) The [Governmental Lender and] Borrower will each have such rights to assert such objections as are set forth in California Code of Civil Procedure §§ 638 et seq.

(F) All proceedings shall be closed to the public and confidential and all records relating to the Reference shall be permanently sealed when the order thereon becomes final.

(ii) Selection of Referee; Powers.

(A) The Borrower shall select a single neutral Referee, who shall be a retired judge or justice of the courts of the State of California, or a federal court judge, in each case, with at least ten years of judicial experience in civil matters. The Referee shall be appointed in accordance with California Code of Civil Procedure Section 638 (or pursuant to comparable provisions of federal law if the dispute falls within the exclusive jurisdiction of the federal courts).

(B) If within ten (10) days after the request or motion for the Reference, the Borrower has not selected a Referee, [either the Governmental Lender or] Borrower may request or move that the Referee be appointed by the Presiding Judge of the Sacramento County Superior Court or of the U.S. District Court for the Eastern District of California. The Referee shall determine all issues relating to the applicability, interpretation, legality and enforceability of this Exhibit F.

(iii) Provisional Remedies; Self-Help and Foreclosure.

(A) No provision of this Exhibit F shall limit the right of [either the Governmental Lender or] Borrower, [as the case may be,] to (1) exercise such self-help remedies as might otherwise be available under applicable law, (2) initiate judicial or non-judicial foreclosure against any real or personal property collateral, (3) exercise any judicial or power of sale rights, or (4) obtain or oppose provisional or ancillary remedies, including without limitation, injunctive relief, writs of possession, the appointment of a receiver, and/or additional or supplementary remedies from a court of competent jurisdiction before, after or during the pendency of the Reference.

(B) The exercise of, or opposition to, any such remedy does not waive the right of the [Governmental Lender or] Borrower to the Reference pursuant to this Section.

(iv) Costs and Fees.

(A) Promptly following the selection of the Referee, the Borrower shall advance or caused to be advanced the estimated fees and costs of the Referee. In no event shall the Governmental Lender be required to advance or otherwise provide funds hereunder.

(B) In the statement of decision issued by the Referee, the Referee may award costs, including reasonable attorneys' fees, to the prevailing party, if any, and may order the Referee's fees to be paid by Borrower.

FUNDING LOAN AGREEMENT

Among

CITIBANK, N.A.,
as Funding Lender

and

CITY OF LOS ANGELES,
as Governmental Lender

and

U.S. BANK NATIONAL ASSOCIATION,
as Fiscal Agent

Dated as of May 1, 2013

Relating to:

$10,100,000
City of Los Angeles
Multifamily Collateralized Revenue Note
(Banning Villa Senior Apartments)
Series 2013E

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FUNDING LOAN AGREEMENT

THIS FUNDING LOAN AGREEMENT, dated as of May 1, 2013 (this "Funding Loan Agreement"), is entered into by **CITIBANK, N.A.** (together with any successor hereunder, the "Funding Lender"), the **CITY OF LOS ANGELES**, a municipal corporation and charter city of the State of California (together with its successors and assigns, the "Governmental Lender"), and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association, as fiscal agent (together with any successor fiscal agent hereunder, the "Fiscal Agent").

RECITALS

WHEREAS, pursuant to Section 248 of the City Charter of the City of Los Angeles and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code, as amended (collectively, the "Law"), and in accordance with Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Governmental Lender is empowered to issue its revenue bonds, notes or other evidences of indebtedness to finance the acquisition, rehabilitation, construction and development of multifamily rental housing for persons of low and moderate income at prices or rentals they can afford; and

WHEREAS, the Act and the Law authorize the Governmental Lender: (a) to make loans to provide financing for multifamily residential housing located within the jurisdiction of the Governmental Lender; (b) to issue its revenue bonds, notes or other evidence of indebtedness for the purpose of obtaining moneys to make such loans and provide such financing, to establish necessary reserve funds and to pay administrative costs and other costs incurred in connection with the incurrence of such indebtedness of the Governmental Lender; and (c) to pledge all or any part of the revenues and receipts to be received by the Governmental Lender from or in connection with such loans in order to secure the payment of the principal or prepayment amount of and interest on such bonds, debentures, notes or other evidence of indebtedness; and

WHEREAS, Banning Villa Preservation Limited Partnership, a California limited partnership (together with its successors and assigns, the "Borrower"), has requested the Governmental Lender to enter into this Funding Loan Agreement under which the Funding Lender (i) will advance funds (the "Funding Loan") to or for the account of the Governmental Lender, and (ii) apply the proceeds of the Funding Loan to make a loan (the "Borrower Loan") to the Borrower to finance the acquisition, rehabilitation, construction and equipping of a multifamily rental housing development located at 1100 North Banning Boulevard, Los Angeles, California, known as Banning Villa Senior Apartments (the "Project"); and

WHEREAS, simultaneously with the execution and delivery of this Funding Loan Agreement, the Governmental Lender and the Borrower will enter into a Borrower Loan Agreement of even date herewith (as it may be supplemented or amended, the "Borrower Loan Agreement"), whereby the Borrower agrees to make loan payments to the Governmental Lender in an amount which, when added to other funds available under this Funding Loan Agreement, will be sufficient to enable the Governmental Lender to repay the Funding Loan and to pay all costs and expenses related thereto when due; and

WHEREAS, to evidence its payment obligations under the Borrower Loan Agreement, the Borrower will execute and deliver to the Governmental Lender its Multifamily Note (as it may be supplemented or amended, the "Borrower Note") made by the Borrower in favor of the Governmental Lender, as assigned to the Fiscal Agent to secure the performance by the Governmental Lender of its obligations under the Funding Loan; and

WHEREAS, the Governmental Lender has, pursuant to volume cap described in Section 146 of the Code, executed and delivered to the Funding Lender its Multifamily Collateralized Revenue Note dated as of the Closing Date (the "Governmental Lender Note"), under its private activity volume cap described in Section 146 of the Code, evidencing its limited obligation to make the payments due to the Funding Lender under the Funding Loan as provided in this Funding Loan Agreement, all things necessary to make the Funding Loan Agreement, the valid, binding and legal limited obligation of the Governmental Lender, have been done and performed and the execution and delivery of this Funding Loan Agreement and the execution and delivery of the Governmental Lender Note, subject to the terms hereof, have in all respects been duly authorized.

NOW, THEREFORE, THIS FUNDING LOAN AGREEMENT WITNESSETH:

It is hereby covenanted and declared that (i) the Governmental Lender Note is to be delivered to evidence the payment obligations of the Governmental Lender pursuant to this Funding Loan Agreement and (ii) the collateral subject to this Funding Loan Agreement is to be held and applied by the Fiscal Agent, subject to the covenants, conditions and trusts hereinafter set forth, and the Governmental Lender does hereby covenant and agree to and with the Governmental Lender and the Fiscal Agent, for the benefit (except as otherwise expressly provided herein) of the Funding Lender, as follows:

ARTICLE I

DEFINITIONS; PRINCIPLES OF CONSTRUCTION

Section 1.1. Definitions. For all purposes of this Funding Loan Agreement, except as otherwise expressly provided or unless the context otherwise clearly requires:

(a) Unless specifically defined herein, all capitalized terms shall have the meanings ascribed thereto in the Borrower Loan Agreement.

(b) The terms "herein, "hereof" and "hereunder" and other words of similar import refer to this Funding Loan Agreement as a whole and not to any particular Article, Section or other subdivision. The terms "agree" and "agreements" contained herein are intended to include and mean "covenant" and "covenants."

(c) All references made (i) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, and (ii) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well. Singular terms shall include the plural as well as the singular, and vice versa.

(d) All accounting terms not otherwise defined herein shall have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with the Approved Accounting Method. All references herein to "Approved Accounting Method" refer to such principles as they exist at the date of application thereof.

(e) All references in this instrument to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and subdivisions of this instrument as originally executed.

(f) All references in this instrument to a separate instrument are to such separate instrument as the same may be amended or supplemented from time to time pursuant to the applicable provisions thereof.

(g) References to the Governmental Lender Note as "tax exempt" or to the "tax exempt status" of the Governmental Lender Note are to the exclusion of interest on the Governmental Lender Note (other than any portion of the Governmental Lender Note held by a "substantial user" of the Project or a "related person" within the meaning of Section 147 of the Code) from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

(h) The following terms have the meanings set forth below:

"Act" shall have the meaning assigned to such term in the recitals above.

"Additional Borrower Payments" shall have the meaning assigned to such term in the Borrower Loan Agreement.

"Affiliate" shall mean, as to any Person, any other Person that, directly or indirectly, is in Control of, is Controlled by or is under common Control with such Person.

"Authorized Amount" shall mean $10,100,000, the original principal amount of the Funding Loan under this Funding Loan Agreement.

"Authorized Attesting Officer" shall mean the City Treasurer of the Governmental Lender, or such other officer or official of the Governmental Lender who, in accordance with the laws of the State, the bylaws or other governing documents of the Governmental Lender, or practice or custom, regularly attests or certifies official acts and records of the Governmental Lender, and includes any assistant or deputy officer to the principal officer or officers exercising such responsibilities.

"Authorized Borrower Representative" shall mean the person or persons designated in a certificate on file with the Fiscal Agent to act on behalf of the Borrower.

"Authorized FHA Lender Representative" shall mean the person designated to act on behalf of the FHA Lender."

"Authorized Denomination" shall mean $100,000 principal amount and any multiple of $0.01 in excess thereof.

"Authorized Governmental Lender Representative" shall mean the Mayor, the General Manager, any Interim General Manager, Assistant General Manager or Interim Assistant General Manager, Executive Officer or the Director or Acting Director—Major Projects Division of the Los Angeles Housing Department, and any other, officer or employee of the Governmental Lender designated to perform a specified act, to sign a specified document or to act generally on behalf of the Governmental Lender as evidenced by a written certificate furnished to the Funding Lender, the Fiscal Agent, the Servicer (if any) and the Borrower containing the specimen signature of such person and signed on behalf of the Governmental Lender by the Mayor, the General Manager, any Interim General Manager, any Assistant General Manager or Interim Assistant General Manager, Executive Officer or the Director or Acting Director—Major Projects Division of the Los Angeles Housing Department. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Authorized Governmental Lender Representative.

"Authorized FHA Lender Representative" shall mean the person designated to act on behalf of the FHA Lender.

"Available Moneys" shall mean, as of any date of determination, any of the following, as applicable:

(a) the proceeds of the Governmental Lender Note;

(b) proceeds from advances on the FHA Insured Mortgage Loan or from the sale of GNMA Securities;

(c) proceeds from advances on the Subordinate Loan deposited directly with the Fiscal Agent by the Subordinate Lender;

(d) any other amounts, including the proceeds of refunding bonds, for which the Holder has received an opinion of counsel to the effect that the use of such amounts to make payments on the Governmental Lender Note would not violate Section 362(a) of the Bankruptcy Code (or that relief from the automatic stay provisions of such Section 362(a) would be available from the bankruptcy court) or be avoidable as preferential payments under Section 547 or 550 of the Bankruptcy Code should the Governmental Lender or the Borrower become a debtor in proceedings commenced under the Bankruptcy Code;

(e) the proceeds of any letter of credit; or

(f) investment earnings derived from the investment of moneys described in (a), (b), (c), (d) or (e).

"Bankruptcy Code" shall mean Title 11 of the United States Code entitled "Bankruptcy," as in effect now and in the future, or any successor statute.

"Bond Resolution" shall mean that resolution of the Los Angeles City Council dated [_____] 2013 approving issuance of the Governmental Lender Note.

"Borrower" shall mean Banning Villa Preservation Limited Partnership, a California limited partnership, and its permitted successors and assigns.

"Borrower Controlling Entity" shall mean, if the Borrower is a partnership, any general partner or managing general partner of the Borrower, or if the Borrower is a limited liability company, the manager or managing member of the Borrower.

"Borrower Loan" shall mean the loan made by the Governmental Lender to the Borrower pursuant to the Borrower Loan Agreement in the aggregate principal amount of the Borrower Loan Amount, as evidenced by the Borrower Note.

"Borrower Loan Agreement" shall mean the Borrower Loan Agreement, dated of even date herewith, between the Governmental Lender and the Borrower, as supplemented, amended or replaced from time to time in accordance with its terms.

"Borrower Loan Agreement Default" shall mean any event of default set forth in Section 7.1 of the Borrower Loan Agreement. A Borrower Loan Agreement Default shall exist if a Borrower Loan Agreement Default shall have occurred and be continuing beyond any applicable cure period.

"Borrower Loan Amount" shall mean the amount of $10,100,000.

"Borrower Loan Documents" shall have the meaning given such term in the Borrower Loan Agreement.

"Borrower Loan Payment Cure Period" shall mean a period of four Business Days following any Borrower Loan Payment Date.

"Borrower Loan Payment Date" shall mean the fifth Business Day preceding each Governmental Lender Note Payment Date.

"Borrower Loan Payments" shall mean the amounts required to be paid by the Borrower in repayment of the Borrower Loan pursuant to the provisions of the Borrower Note and Section 4.1 of the Borrower Loan Agreement.

"Borrower Note" shall mean the Promissory Note of the Borrower, dated as of the Closing Date, in the form attached to the Borrower Loan Agreement as Exhibit A, in the original principal amount of $10,100,000, evidencing the obligation of the Borrower to make Borrower Loan Payments.

"Borrower Note" as defined in the Borrower Loan Agreement.

"Business Day" shall mean any day other than (i) a Saturday or a Sunday, or (ii) a day on which federally insured depository institutions in New York, New York or the city where the Fiscal Agent is located are authorized or obligated by law, regulation, governmental decree or executive order to be closed.

"Closing Costs Fund" shall mean the fund of that name established under Section 7.3(a) hereof.

"Closing Date" shall mean [_____], 2013, the date that the Funding Loan is funded by the Funding Lender against delivery of the Governmental Lender Note by the Governmental Lender.

"Code" shall mean the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Collateral Fund" shall mean the Collateral Fund created pursuant to Section 7.3 of this Funding Loan Agreement and funded pursuant to Section 7.16 hereof.

"Completion Date" shall mean the date of substantial completion of the Project evidenced in accordance with the requirements of Section 3.6 of the Borrower Loan Agreement.

"Construction Period" shall mean [_____].

"Control" shall mean, with respect to any Person, either (i) ownership directly or through other entities of more than 50% of all beneficial equity interest in such Person, or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities, by contract or otherwise.

"Default" shall mean the occurrence of an event, which, under any Funding Loan Document, would, but for the giving of notice or passage of time, or both, be an event of default under the applicable Funding Loan Document or a Borrower Loan Agreement Default.

"Depository" shall mean, with respect to the Governmental Lender Note, DTC, unless and until there shall be a successor Depository appointed pursuant to the applicable provisions of this Funding Loan Agreement, and thereafter, "Depository" shall mean and refer to such successor Depository. Any Depository shall be a securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry system to record ownership of book entry interests in the Governmental Lender Note or Governmental Lender Note Debt Service Charges thereon, and to effect transfers of book entry interests in the Governmental Lender Note.

"Determination of Taxability" shall mean written notice to the Borrower of (i) failure to make any amendment to the Funding Loan Agreement, the Regulatory Agreement, the Borrower Loan Agreement or the Tax Certificate or to take any other action that, in the written opinion of Tax Counsel, is necessary to preserve the exclusion for purposes of federal income taxation from gross income of interest on the Governmental Lender Note, or (ii) a final judgment or order of a court of competent jurisdiction, or a final ruling or decision of the Internal Revenue Service, in either case to the effect that the interest on the Governmental Lender Note is includable for Federal income tax purposes in the gross incomes of the recipients thereof. A judgment or order of a court of competent jurisdiction or a ruling or decision of the Internal Revenue Service shall

be considered final only if no appeal or action for judicial review has been filed (and is pending) and the time for filing such appeal or action has expired.

"Disbursement Request" shall have the meaning set forth in Section 7.7(a) hereof.

"DTC" shall mean The Depository Trust Company (a limited purpose trust company), New York, New York, and its successors or assigns.

"DTC Participant" shall mean any participant contracting with DTC under its book entry system and includes securities brokers and dealers, banks and trust companies and clearing corporations.

"Expense Fund" shall mean the Expense Fund created pursuant to Section 7.3 of this Funding Loan Agreement and funded pursuant to Section 7.5 hereof.

"Event of Default" shall have the meaning ascribed thereto in Section 9.1 hereof.

"FHA" shall mean the Federal Housing Administration.

"FHA Insurance Commitment" shall mean the commitment for insurance of advances issued by the Federal Housing Commissioner of HUD with respect to the Project, dated [FHA Commitment Date].

"FHA Insurance Regulations" shall mean the FHA Regulations promulgated under the National Housing Act.

"FHA Insured Mortgage Loan" shall mean the mortgage loan in the original principal amount of $[FHA Loan Amount] to be advanced by the FHA Lender to the Borrower and insured by FHA under Section 223f of the National Housing Act, as amended.

"FHA Lender" shall mean [FHA Lender], a [FHA Lender Org.] as Lender on the FHA Insured Mortgage Loan.

"FHA Loan Documents" shall mean the documents related to the FHA Insured Mortgage Loan, including the FHA Insurance Commitment, the FHA Note, the FHA Mortgage, the HUD Regulatory Agreement and any and all other documents, agreements, or instruments which evidence or secure the indebtedness evidenced by the FHA Note.

"FHA Mortgage" shall mean the first-lien priority [Name of FHA Mortgage: Multifamily Mortgage, Assignment of Leases and Rents, and Security Agreement] dated as of [Dated Date] from Borrower for the benefit of FHA Lender to secure the repayment of the FHA Note.

"FHA Note" shall mean the $[FHA Loan Amount] FHA-Insured Note (Multistate) dated as of [Dated Date] from Borrower to FHA Lender to evidence its indebtedness under the FHA Insured Mortgage Loan.

"Fiscal Agent" shall mean [FISCAL AGENT], as fiscal agent hereunder, and any successor fiscal agent or co-fiscal agent appointed under this Funding Loan Agreement.

"Fiscal Agent's Fees" shall mean the ongoing compensation and expenses payable to the Fiscal Agent as follows:

(a) the annual administration fees of the Fiscal Agent, for the ordinary services of the Fiscal Agent rendered under this Funding Loan Agreement during each twelve-month period and shall be equal to [____]% of the outstanding principal amount of the Governmental Lender Note, with an annual minimum fee of $[____], payable annually in arrears on each May 1 commencing May 1, 2014;

(b) the reasonable fees and charges of the Fiscal Agent for necessary extraordinary services rendered by it and/or reimbursement for extraordinary expenses incurred by it under this Funding Loan Agreement as and when the same become due, including reasonable fees and expenses of legal counsel and internal default administrators (including fees prior to litigation, at trial or for appellate proceedings); provided, however, that the Fiscal Agent shall not be required to undertake any such extraordinary services unless provision for payment of extraordinary expenses satisfactory to the Fiscal Agent shall have been made; and

(c) for purposes of the Borrower Loan Agreement, indemnification of the Fiscal Agent by the Borrower.

"Fiscal Year" shall mean, with respect to a Person, that period beginning on January 1 of each year and ending on December 31 of that year or such other fiscal year as shall be designated by such Person as its annual accounting period.

"Fitch" shall mean Fitch, Inc.

"Force Majeure" shall mean any of the causes, circumstances or events described as constituting Force Majeure in Section 7.1 of the Borrower Loan Agreement.

"Funding Lender" shall mean Citibank N.A., a national banking association, and any successor under this Funding Loan Agreement and the Funding Loan Documents.

"Funding Loan Agreement" shall mean this Funding Loan Agreement, dated as of May 1, 2013, by and among the Funding Lender, the Governmental Lender and the Fiscal Agent, as it may from time to time be supplemented, modified or amended by one or more indentures or other instruments supplemental thereto entered into pursuant to the applicable provisions thereof.

"Funding Loan Documents" shall mean (i) this Funding Loan Agreement, (ii) the Borrower Loan Agreement, (iii) the Regulatory Agreement, (iv) the Tax Certificate, (v) the Borrower Loan Documents, (vi) all other documents evidencing, securing, governing or otherwise pertaining to the Funding Loan, and (vii) all amendments, modifications, renewals and substitutions of any of the foregoing.

"GAAP" shall mean generally accepted accounting principles applied on a consistent basis.

"GNMA" shall mean the Government National Mortgage Association, a corporate instrumentality of the United States within the United States Department of Housing and Urban Development organized and existing under the National Housing Act.

"GNMA Documents" shall mean the GNMA Guaranty and the documents related to the GNMA Guaranty.

"GNMA Guaranty" shall mean the guaranty made by GNMA pursuant to the provisions of Section 306(g) of Title III of the National Housing Act, as amended, and the regulations promulgated under the National Housing Act.

"GNMA Mortgage-Backed Securities Guide" shall mean the GNMA Handbook 5500.3, as it may be amended or modified from time to time, which describes and provides instruction to the participants in the GNMA Mortgage-Backed Securities program.

"GNMA Regulations" shall mean the GNMA Regulations promulgated under the National Housing Act.

"GNMA Security" or "GNMA Securities" shall mean a fully modified pass through security in the form of a CLC or a PLC issued by an approved FHA lender and guaranteed by GNMA as to timely payment of principal of and interest on a PLC and as to timely payment of interest only until maturity and timely payment of principal at maturity on a CLC, pursuant to Section 306(g) of the National Housing Act of 1934, as amended, and the regulations promulgated thereunder.

"Governmental Lender" shall mean the City of Los Angeles, a municipal corporation and charter city of the State of California.

"Governmental Lender Closing Costs" shall mean the fees, costs and expenses incurred in connection with the closing of the Funding Loan and issuance of the Governmental Lender Note, including, without limitation, the Governmental Lender's initial fee as described in Section 7(n) of the Regulatory Agreement.

"Governmental Lender Fee" shall mean the Governmental Lender's issuance fee payable by the Fiscal Agent to the Governmental Lender on or before the Closing Date from amounts in the Closing Costs Fund, or otherwise by the Borrower, and the annual fee of the Governmental Lender, all as set forth in Section 7(n) of the Regulatory Agreement.

"Governmental Lender Note" shall mean the Governmental Lender Note the form of which is contained in Exhibit A to this Funding Loan Agreement.

"Government Obligations" shall mean noncallable, nonprepayable (i) direct, general obligations of the United States of America, or (ii) any obligations unconditionally guaranteed as to the full and timely payment of all amounts due thereunder by the full faith and credit of the United States of America (including obligations held in book entry form), but specifically excluding any mutual funds or unit investment trusts invested in such obligations.

"Governmental Lender Note Fund" shall mean the Governmental Lender Note Fund created in Section 7.3 hereof and maintained under Section 7.4 hereof.

"Governmental Lender Note Payment Date" shall mean each Interest Payment Date and any other date on which Governmental Lender Note Debt Service Charges are due, whether at maturity, upon acceleration or otherwise.

"Governmental Lender Note Debt Service Charges" shall mean, for any period or payable at any time, the principal of and interest on the Governmental Lender Note for that period or payable at that time whether due at maturity or upon acceleration.

"HUD" shall mean the United States Department of Housing and Urban Development.

"HUD Regulatory Agreement" shall mean the Regulatory Agreement dated as of [Dated Date] between the Borrower and HUD, related to the FHA Insured Mortgage Loan.

"Initial Deposit" shall mean the deposit of Available Moneys in the amount of $[**Initial Deposit Amount**], which is equal to the interest which will accrue on the Governmental Lender Note from the Closing Date through the Maturity Date of the Governmental Lender Note, which the Borrower shall cause to be made from Available Moneys other than the proceeds of the Governmental Lender Note to the Initial Deposit Account of the Governmental Lender Note Fund on the Closing Date.

"Initial Deposit Account" shall mean the Initial Deposit Account within the Governmental Lender Note Fund created in Section 7.3(a) hereof.

"Interest Payment Account" shall mean the Interest Payment Account within the Governmental Lender Note Fund created in Section 7.3(a) hereof.

"Interest Payment Date" or "Governmental Lender Note Payment Date" shall mean each [May 1] and [November 1], commencing [November 1], 2013, and any date on which the Governmental Lender Note is prepaid prior to maturity.

"Interest Rate" shall mean ____% per annum, calculated on the basis of a 360-day year of twelve 30-day months.

"Interest Rate for Advances" shall mean _____% per annum, calculated on the basis of a 360-day year of twelve 30-day months.

"Law" shall have the meaning assigned thereto in the recitals.

"Maturity Date" shall mean [_____].

"Maximum Rate" shall mean the lesser of (i) 12% per annum and (ii) the maximum interest rate that may be paid on the Funding Loan under State law.

"Moody's" shall mean Moody's Investors Service, Inc., or its successor.

"Noteowner" or "owner of the Governmental Lender Note" or "Holder" shall mean the owner, or as applicable, collectively the owners, of the Governmental Lender Note as shown on the registration books maintained by the Fiscal Agent pursuant to Section 2.4.

"Notice Address" shall be the address for which notices hereunder are to be sent to certain parties as set forth in Section 12.1 hereof.

"Ongoing Governmental Lender Fee" shall mean the portion of the Governmental Lender Fee payable after the Closing Date.

"Opinion of Counsel" shall mean a written opinion from an attorney or firm of attorneys, acceptable to the Funding Lender and the Governmental Lender with experience in the matters to be covered in the opinion; provided that whenever an Opinion of Counsel is required to address the exclusion of interest on the Governmental Lender Note from gross income for purposes of federal income taxation, such opinion shall be provided by Tax Counsel.

"Permitted Investments" shall mean, the following investments which mature (or are redeemable at the option of the Fiscal Agent at a price no less than 100% of the principal amount thereof) at such time or times as to enable disbursements to be made from the fund in which such investment is held or allocated in accordance with the applicable terms:

(a) Government Obligations;

(b) Demand deposits or time deposits with, or certificates of deposit issued by, the Fiscal Agent or its affiliates or any bank organized under the laws of the United States of America or any state or the District of Columbia which has combined capital, surplus and undivided profits of not less than $50,000,000 and maturing in less than 365 days; provided that the Fiscal Agent or such other institution has been rated at least "VMIG-1"/"A-1+" by Moody's or S&P, as applicable, which deposits or certificates are fully insured by the Federal Deposit Insurance Corporation or collateralized pursuant to the requirements of the Office of the Comptroller of the Currency;

(c) Bonds (including tax-exempt bonds), bills, notes or other obligations of or secured by Fannie Mae, Freddie Mac, the Federal Home Loan Bank or the Federal Farm Credit Bank;

(d) Obligations of a state or local government with a short-term S&P rating of A-1+ and a long-term S&P rating of AA+ or higher; or

(e) Money market funds rated "AAAm" by S&P which are registered with the Securities and Exchange Commission and which meet the requirements of Rule 2(a)(7) of the Investment Company Act of 1940, as amended which may be administered by the Trustee or its affiliates (including any money market funds of the Fiscal Agent or its affiliates or for which the Fiscal Agent or an affiliate thereof serves as investment advisor or provides other services to such money market fund and receives reasonable compensation therefor).

"Person" shall mean any individual, corporation, limited liability company, partnership, joint venture, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

"Pledged Revenues" shall mean the amounts pledged under this Funding Loan Agreement to the payment of the principal of, prepayment premium, if any, and interest on the Funding Loan and the Governmental Lender Note, consisting of the following (but excepting therefrom amounts credited to the Expense Fund or the Rebate Fund): (i) all income, revenues, proceeds and other amounts to which the Governmental Lender is entitled (other than amounts received by the Governmental Lender with respect to the Unassigned Rights) derived from or in connection with the Project and the Funding Loan Documents, including all Borrower Loan Payments due under the Borrower Loan Agreement and the Borrower Note, payments with respect to the Borrower Loan Payments and all amounts obtained through the exercise of the remedies provided in the Funding Loan Documents and all receipts credited under the provisions of this Funding Loan Agreement against said amounts payable, and (ii) moneys held in the funds and accounts established under this Funding Loan Agreement, together with investment earnings thereon.

"PLC" shall mean the Ginnie Mae Certificate issued after the FHA Insured Mortgage Loan is finally endorsed for FHA insurance.

"Project" shall mean the acquisition, rehabilitation and equipping of an existing/a 89-unit apartment complex known as Banning Villa Apartments, and located at 1100 North Banning Boulevard in Los Angeles, California.

"Project Costs" shall mean the costs of the Project specified in Section 3.4 of the Borrower Loan Agreement.

"Project Fund" shall mean Project Fund created in Section 7.3 hereof and administered pursuant to Section 7.7 hereof.

"Project Purposes" shall mean the operation of the Project in accordance with the Act, the Code and the Regulatory Agreement.

"Rating Agency" shall mean any one and each of S&P, Moody's and Fitch then rating the Governmental Lender Note or any other nationally recognized statistical rating agency then rating the Governmental Lender Note or the Securities, which has been approved by the Funding Lender.

"Regulations" shall mean with respect to the Code, the relevant U.S. Treasury regulations and proposed regulations thereunder or any relevant successor provision to such regulations and proposed regulations.

"Regulatory Agreement" shall mean that certain Regulatory Agreement and Declaration of Restrictive Covenants, dated as of the date hereof, by and among the Governmental Lender, the Borrower and the Fiscal Agent, as hereafter amended or modified.

"Resolution" shall mean the resolution of the Governmental Lender authorizing the Funding Loan and the execution and delivery of the Funding Loan Documents to which the Governmental Lender is a party.

"Responsible Officer" shall mean any officer within the Global Corporate Trust Services department (or any successor group) of the Fiscal Agent, including any vice president, assistant vice president, assistant secretary or any other officer or assistant officer of the Fiscal Agent customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, who is responsible for the administration of this Funding Loan Agreement.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Securities Depositories" shall mean The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 227 4039 or 4191; Midwest Securities Trust Company, Capital Structures – Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax (312) 663 2343; Pacific Securities Depository Trust Company, Pacific and Company, P.O. Box 7041, San Francisco, California 94120, Fax (415) 393 4128; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Fax (215) 496 5058; or, in accordance with the then current guidelines of the Securities and Exchange Commission to such other addresses and/or such other securities depositories or, as the Governmental Lender may designate in a request of the Governmental Lender delivered to the Fiscal Agent, to no such depositories.

"Security" shall have the meaning given in Section 4.1 hereof.

"Special Funds" shall mean, collectively, the Governmental Lender Note Fund, the Project Fund and the Collateral Project Fund, and any accounts therein, all as created in this Funding Loan Agreement.

"Standard & Poor's" or "S&P" shall mean Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business division, or its successors.

"State" shall mean the State of California.

"Tax Certificate" shall mean, collectively, (a) the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 dated the Closing Date and executed by the Governmental Lender and the Borrower and (b) the Borrower Cost Certificate dated the Closing Date and executed and delivered by the Borrower, in each case including all exhibits and other attachments thereto and in each case as may be amended from time to time.

"Tax Counsel" shall mean Kutak Rock LLP or any other attorney or firm of attorneys designated by the Governmental Lender and approved by the Funding Lender having a national reputation for skill in connection with the authorization and issuance of municipal obligations under Sections 103 and 141 through 150 (or any successor provisions) of the Code.

"Tax Counsel Approving Opinion" shall mean an opinion of Tax Counsel substantially to the effect that the Governmental Lender Note constitutes a valid and binding obligation of the Governmental Lender and that, under existing statutes, regulations published rulings and judicial decisions, the interest on the Governmental Lender Note is excludable from gross income for federal income tax purposes (subject to the inclusion of such customary exceptions as are acceptable to the recipient thereof).

"Tax Counsel No Adverse Effect Opinion" shall mean an opinion of Tax Counsel to the effect that the event specified therein will not, in and of itself, adversely affect any exclusion of interest in respect of the Governmental Lender Note from gross income for purposes of federal income taxation (subject to the inclusion of such customary exceptions as are acceptable to the recipient thereof).

"UCC" shall mean the Uniform Commercial Code as in effect in the State.

"Unassigned Rights" shall mean the Governmental Lender's rights to reimbursement and payment of its fees, costs and expenses and the Rebate Amount under Section 3.8 of the Borrower Loan Agreement, its rights to attorneys' fees under Sections 4.2 and 5.3 thereof, its rights to indemnification under Section 5.3 thereof, its rights of inspection under Section 5.1 thereof, its rights to receive notices, reports and other statements and its rights to consent to certain matters, as provided in this Funding Loan Agreement and the Borrower Loan Agreement and the Governmental Lender's indemnification, consent and enforcement rights under the Regulatory Agreement.

"Written Certificate," "Written Certification, "Written Consent," "Written Direction," "Written Notice," "Written Order," "Written Registration," "Written Request," and "Written Requisition" shall mean a written certificate, consent, direction, notice, order or requisition signed by an Authorized Borrower Representative, an Authorized Governmental Lender Representative, or an authorized representative of the Funding Lender and delivered to the Funding Lender, the Servicer, the Fiscal Agent or such other Person as required under the Funding Loan Documents.

"Yield" shall mean yield as defined in Section 148(h) of the Code and any regulations promulgated thereunder.

Section 1.2. Effect of Headings and Table of Contents. The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.3. Date of Funding Loan Agreement. The date of this Funding Loan Agreement is intended as and for a date for the convenient identification of this Funding Loan Agreement and is not intended to indicate that this Funding Loan Agreement was executed and delivered on said date.

Section 1.4. Designation of Time for Performance. Except as otherwise expressly provided herein, any reference in this Funding Loan Agreement to the time of day shall mean the time of day in the city where the Funding Lender maintains its place of business for the performance of its obligations under this Funding Loan Agreement.

Section 1.5. Interpretation. The parties hereto acknowledge that each of them and their respective counsel have participated in the drafting and revision of this Funding Loan Agreement. Accordingly, the parties agree that any rule of construction that disfavors the drafting party shall not apply in the interpretation of this Funding Loan Agreement or any amendment or supplement or exhibit hereto.

ARTICLE II

TERMS; GOVERNMENTAL LENDER NOTE

Section 2.1. Terms.

(a) Principal Amount. The total principal amount of the Funding Loan is hereby expressly limited to the Authorized Amount.

(b) Origination Date; Maturity. The Funding Loan shall be originated on the Closing Date and shall mature on the Maturity Date at which time the entire principal amount, to the extent not previously paid, and all accrued and unpaid interest, shall be due and payable.

(c) Principal. The outstanding principal amount of the Governmental Lender Note and of the Funding Loan as of any given date shall be the total amount advanced by the Funding Lender to or for the account of the Governmental Lender to fund the loan evidenced by the Borrower Note as proceeds of the Borrower Loan, less any payments of principal of the Governmental Lender Note previously received upon payment of corresponding principal amounts under the Borrower Note, including voluntary and mandatory prepayments. The principal amount of the Governmental Lender Note and interest thereon shall be payable on the basis specified in this paragraph (c) and in paragraphs (d) and (e) of this Section 2.1.

The Fiscal Agent shall keep a record of all principal advances and principal repayments made under the Governmental Lender Note and shall upon written request provide the Governmental Lender and the Funding Lender with a statement of the outstanding principal balance of the Governmental Lender Note and the Funding Loan.

(d) Interest. Interest shall be paid on the outstanding principal amount of the Governmental Lender Note at the rate or rates set forth in the Borrower Note and otherwise as set forth in the Borrower Loan Agreement; provided, however, that in no event shall interest paid on the Governmental Lender Note exceed the Maximum Rate.

(e) Corresponding Payments. The payment or prepayment of principal, interest and premium, if any, due on the Funding Loan and the Governmental Lender Note shall be made on any date on which the corresponding payment on the Borrower Note is made. Any payment or prepayment made by the Borrower of principal, interest or premium, if any, due on the Borrower Note shall be passed through on the same date on which the Borrower Note payment is made to provide for the payment or prepayment of principal, interest and premium, if any, due on the Funding Loan and the Governmental Lender Note.

(f) Usury. The Governmental Lender intends to conform strictly to the usury laws applicable to this Funding Loan Agreement and the Governmental Lender Note and all agreements made in the Governmental Lender Note, this Funding Loan Agreement and the Funding Loan Documents are expressly limited so that in no event whatsoever shall the amount paid or agreed to be paid as interest or the amounts paid for the use of money advanced or to be advanced hereunder exceed the highest lawful rate prescribed under any law which a court of competent jurisdiction may deem applicable hereto. If, from any circumstances whatsoever, the fulfillment of any provision of the Governmental Lender Note, this Funding Loan Agreement or the other Funding Loan Documents shall involve the payment of interest in excess of the limit prescribed by any law which a court of competent jurisdiction may deem applicable hereto, then the obligation to pay interest hereunder shall be reduced to the maximum limit prescribed by law. If from any circumstances whatsoever, the Funding Lender shall ever receive anything of value deemed interest, the amount of which would exceed the highest lawful rate, such amount as would be excessive interest shall be deemed to have been applied, as of the date of receipt by the Funding Lender, to the reduction of the principal remaining unpaid hereunder and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance, such excess shall be refunded to the Borrower. This paragraph shall control every other provision of the Governmental Lender Note, this Funding Loan Agreement and all other Funding Loan Documents.

In determining whether the amount of interest charged and paid might otherwise exceed the limit prescribed by law, the Governmental Lender intends and agrees that (i) interest shall be computed upon the assumption that payments under the Borrower Loan Agreement and other Funding Loan Documents will be paid according to the agreed terms, and (ii) any sums of money that are taken into account in the calculation of interest, even though paid at one time, shall be spread over the actual term of the Funding Loan.

Section 2.2. Form of Governmental Lender Note. As evidence of its obligation to repay the Funding Loan, simultaneously with the delivery of this Funding Loan Agreement to the Funding Lender, the Governmental Lender hereby agrees to execute and deliver the Governmental Lender Note. The Governmental Lender Note shall be substantially in the form set forth in Exhibit A attached hereto, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Funding Loan Agreement or State law.

Section 2.3. Execution and Delivery of Governmental Lender Note. The Governmental Lender Note shall be executed on behalf of the Governmental Lender by the manual or facsimile signature of the Mayor of the Governmental Lender, and attested by the manual or facsimile signature of an Authorized Attesting Officer. Any facsimile signatures shall have the same force and effect as if said officers had manually signed the Governmental Lender Note. In case any officer of the Governmental Lender whose manual or facsimile signature shall appear on the Governmental Lender Note shall cease to be such officer before the delivery thereof, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery, and also the Governmental Lender Note may bear the facsimile signatures of, or may be signed by, such persons as at the actual time of the execution thereof shall be the proper officers to sign the Governmental Lender

Note although at the date of such Governmental Lender Note such persons may not have been such officers.

The Governmental Lender Note shall not be valid or obligatory for any purpose or be entitled to any security or benefit under this Funding Loan Agreement unless a certificate of authentication on such Governmental Lender Note, substantially in the form set forth in Exhibit A hereto, shall have been manually executed by the Fiscal Agent. The Fiscal Agent shall authenticate the Governmental Lender Note by execution of the certificate of authentication on or attached to the Governmental Lender Note, and the certificate of authentication so executed on or attached to the Governmental Lender Note shall be conclusive evidence that it has been authenticated and delivered under this Funding Loan Agreement

Section 2.4. Investor Letter; Participations; Sale and Assignment.

(a) The Funding Lender shall deliver to the Governmental Lender a signed Investor Letter in substantially the form attached hereto as Exhibit B on the Closing Date.

(b) The Funding Lender shall have the right to sell (i) the Governmental Lender Note and the Funding Loan, or (ii) and portion of or participation interests in the Governmental Lender Note and the Funding Loan in each case only in Authorized Denominations, provided that such sale shall be sold only to purchasers that execute and deliver to the Fiscal Agent, with a copy to the Governmental Lender, an Investor Letter. Notwithstanding the preceding sentence, no Investor Letter shall be required for the Funding Lender to (i) assign the Governmental Lender Note and the Funding Loan or any portion of or participation interests in the Governmental Lender Note and the Funding Loan to any Affiliate of the Funding Lender; (ii) sell or assign the Governmental Lender Note and the Funding Loan or a portion of or participation interests in the Governmental Lender Note and the Funding Loan to a Qualified Institutional Buyer as defined in Rule 144A of the Securities Act (a "QIB") or to a special purpose entity, a trust or custodial arrangement, from which the Governmental Lender Note and the Funding Loan or such portion of or participation in the Governmental Lender Note and the Funding Loan are not expected to be sold except to beneficial owners who are QIBs or who will sign an investor letter to substantially the same effect as the Investor Letter or (iii) sell or assign the Governmental Lender Note and the Funding Loan or any portion of or participation interest in the Governmental Lender Note and the Funding Loan that is then rated "A" or better by at least one Rating Agency (without regard to plus or minus designations).

(c) No service charge shall be made for any sale or assignment of any portion of the Governmental Lender Note, but the Governmental Lender may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any such sale or assignment. Such sums shall be paid in every instance by the purchaser or assignee of the Funding Loan or portion thereof.

(d) The Governmental Lender Note, or any interest therein, shall be in fully-registered form transferable to subsequent holders only on the registration books

which shall be maintained by the Fiscal Agent for such purpose and which shall be open to inspection by the Governmental Lender.

ARTICLE III

PREPAYMENT

Section 3.1. Prepayment of the Governmental Lender Note from Prepayment Under the Borrower Note. The Governmental Lender Note is subject to voluntary and mandatory prepayment as follows:

(a) The Governmental Lender Note shall be subject to voluntary prepayment in full (but not in part) on any Business Day on or after _____1, 20[__] by the Governmental Lender, from funds received by the Governmental Lender to the extent and in the manner and on any date that the Borrower Note is subject to voluntary prepayment as set forth therein (including the provisions of Section 6.1 of the Borrower Loan Agreement), at a prepayment price equal to 100% of the principal balance of the Borrower Note to be prepaid, plus interest thereon to the date of prepayment and the amount of premium, if any, payable under the Borrower Note, plus any Additional Borrower Payments due and payable under the Borrower Loan Agreement through the date of prepayment.

(b) The Governmental Lender Note is subject to mandatory prepayment in whole upon a prepayment of the Borrower Note under Section 6.2 of the Borrower Loan Agreement, as soon as practicable following receipt by the Fiscal Agent of written notice from the Governmental Lender, the Borrower or Section 6.2 of the Borrower Loan Agreement, as soon as practicable following receipt by the Fiscal Agent of written notice from the Governmental Lender, the Borrower or Tax Counsel of a Determination of Taxability, or in whole or in part, as soon as practicable, in order to prevent a Determination of Taxability (in the amount determined by Tax Counsel to be necessary to preserve the tax-exemption of interest on the Government Lender Note which will remain Outstanding thereafter, if any). Any such prepayment of the Government Lender Note will be paid from Available Moneys.

Section 3.2. Notice of Prepayment. Notice of prepayment of the Governmental Lender Note shall be deemed given to the extent that notice of prepayment of the Borrower Note is timely and properly given to the Fiscal Agent and the Funding Lender in accordance with the terms of the Borrower Note and the Borrower Loan Agreement, and no separate notice of prepayment of the Governmental Lender Note is required to be given, and such notice may be conditional as described in Section 6.1 of the Borrower Loan Agreement with respect to Conditional Notice given thereunder.

ARTICLE IV

SECURITY

Section 4.1. Security for the Funding Loan. To secure the payment of the Funding Loan and the Governmental Lender Note, to declare the terms and conditions on which the Funding Loan and the Governmental Lender Note are secured, and in consideration of the premises and of the funding of the Funding Loan by the Funding Lender, the Governmental Lender by these presents does grant, bargain, sell, remise, release, convey, assign, transfer, mortgage, hypothecate, pledge, set over and confirm to the Fiscal Agent and to the Funding Lender, (except as limited herein), a lien on and security interest in the following described property (excepting, however, in each case, the Unassigned Rights) (said property, rights and privileges being herein collectively called, the "Security"):

(a) All right, title and interest of the Governmental Lender in, to and under the Borrower Loan Agreement and the Borrower Note, including, without limitation, all Pledged Revenues, Borrower Loan Payments and Additional Borrower Payments (except those related to the Unassigned Rights) derived by the Governmental Lender under and pursuant to, and subject to the provisions of, the Borrower Loan Agreement; provided that the pledge and assignment made under this Funding Loan Agreement shall not impair or diminish the obligations of the Governmental Lender under the provisions of the Borrower Loan Agreement;

(b) All right, title and interest of the Governmental Lender in, to and under, together with all rights, remedies, privileges and options pertaining to, the Funding Loan Documents, and all other payments, revenues and receipts derived by the Governmental Lender under and pursuant to, and subject to the provisions of, the Funding Loan Documents;

(c) Any and all moneys and investments from time to time on deposit in, or forming a part of, all funds and accounts created and held by the Fiscal Agent under this Funding Loan Agreement, subject to the provisions of this Funding Loan Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein; and

(d) Any and all other real or personal property of every kind and nature or description, which may from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien of this Funding Loan Agreement as additional security by the Governmental Lender or anyone on its part or with its consent, or which pursuant to any of the provisions hereof or of the Borrower Loan Agreement may come into the possession or control of the Fiscal Agent or the Funding Lender or a receiver appointed pursuant to this Funding Loan Agreement; and the Fiscal Agent and the Funding Lender each is hereby authorized to receive any and all such property as and for additional security for the Funding Loan and the Governmental Lender Note and to hold and apply all such property subject to the terms hereof.

The pledge and assignment of and the security interest granted in the Security pursuant to this Section 4.1 for the payment of the principal of, premium, if any, and interest on the Governmental Lender Note, in accordance with its terms and provisions, and for the payment of all other amounts due hereunder, shall attach and be valid and binding from and after the time of the delivery of the Governmental Lender Note by the Governmental Lender. The Security so pledged and then or thereafter received by the Fiscal Agent or the Funding Lender shall immediately be subject to the lien of such pledge and security interest without any physical delivery or recording thereof or further act, and the lien of such pledge and security interest shall be valid and binding and prior to the claims of any and all parties having claims of any kind in tort, contract or otherwise against the Governmental Lender irrespective of whether such parties have notice thereof.

Section 4.2. Delivery of Security. To provide security for the payment of the Funding Loan and the Governmental Lender Note, the Governmental Lender has pledged and assigned its right, title and interest in the Security to the Fiscal Agent for the benefit of the holders from time to time of the Governmental Lender Note. In connection with such pledge, assignment, transfer and conveyance, the Governmental Lender shall deliver to the Fiscal Agent the following documents or instruments promptly following their execution and, to the extent applicable, their recording or filing:

(a) The Borrower Note endorsed without recourse to the Fiscal Agent by the Governmental Lender;

(b) The originally executed Borrower Loan Agreement and Regulatory Agreement;

(c) All other Borrower Loan Documents existing at the time of delivery of the Borrower Note;

(d) Uniform Commercial Code financing statements or other chattel security documents giving notice of the Funding Lender's status as an assignee of the Governmental Lender's security interest in any personal property forming part of the Project, in form suitable for filing;

(e) Uniform Commercial Code financing statements giving notice of the pledge by the Governmental Lender of the Security pledged under this Funding Loan Agreement; and

(f) A rating letter regarding the Governmental Lender Note conferring a rating of "A" or higher.

The Governmental Lender shall deliver and deposit with the Fiscal Agent or the Funding Lender such additional documents, financing statements, and instruments as the Fiscal Agent, as directed by the Funding Lender or the Funding Lender may reasonably require from time to time for the better perfecting and assuring to the Funding Lender of its lien and security interest in and to the Security, at the expense of the Borrower.

ARTICLE V

LIMITED LIABILITY

Section 5.1. Source of Payment of Funding Loan and Other Obligations. The Funding Loan and the Governmental Lender Note are limited obligations of the Governmental Lender, payable solely from the Pledged Revenues and other funds and moneys and Security pledged and assigned hereunder. None of the Governmental Lender, the State, or any political subdivision thereof (except the Governmental Lender, to the limited extent set forth herein) nor any public agency shall in any event be liable for the payment of the principal of, premium (if any) or interest on the Funding Loan or the Governmental Lender Note or for the performance of any pledge, obligation or agreement of any kind whatsoever with respect thereto except as set forth herein, and none of the Funding Loan or the Governmental Lender Note or any of the Governmental Lender's agreements or obligations with respect to the Funding Loan, the Governmental Lender Note or hereunder, shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of or a moral obligation of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever. Neither the faith, revenues, credit nor taxing power of the Governmental Lender, the State or any other political corporation or subdivision or agency thereof shall be pledged to the payment of the principal of, premium (if any), or interest on the Governmental Lender Note or this Funding Loan Agreement.

Section 5.2. Exempt from Individual Liability. No recourse under or upon any obligation, covenant, warranty or agreement contained in this Funding Loan Agreement or in the Governmental Lender Note, or under any judgment obtained against the Governmental Lender, or the enforcement of any assessment, or any legal or equitable proceedings by virtue of any constitution or statute or otherwise, or under any circumstances under or independent of this Funding Loan Agreement, shall be had against the Mayor, the City Council or any of the members, officers, agents or employees of the Governmental Lender (past, present or future), either directly or through the Governmental Lender or otherwise, for the payment for or to the Governmental Lender or any receiver of the Governmental Lender, or for or to the owner of the Governmental Lender Note, or otherwise, of any sum that may be due and unpaid by the Governmental Lender upon the Governmental Lender Note. Any and all personal liability of every nature whether at common law or in equity or by statute or by constitution or otherwise of the Mayor, the City Council or of any such member, officer, agent or employee, as such, by reason of any act of omission on his or her part or otherwise, for the payment for or to the owner of the Governmental Lender Note or otherwise of any sum that may remain due and unpaid upon the Governmental Lender Note secured by this Funding Loan Agreement or any of them is, by the acceptance of the Governmental Lender Note, expressly waived and released as a condition of and in consideration for the execution of this Funding Loan Agreement and the issuance of the Governmental Lender Note. Anything in this Funding Loan Agreement to the contrary notwithstanding, it is expressly understood by the parties to this Funding Loan Agreement that (a) the Governmental Lender may rely exclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Governmental Lender by the Fiscal Agent, the Servicer, the Borrower or the owner of the Governmental Lender Note as to the existence of any fact or state of affairs, (b) the Governmental Lender shall not be under any obligation under this Funding Loan Agreement to perform any record keeping or to provide any legal services, it

being understood that such services shall be performed or caused to be performed by the Fiscal Agent or by the Servicer and (c) none of the provisions of this Funding Loan Agreement shall require the Governmental Lender to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under this Funding Loan Agreement, unless it shall first have been adequately indemnified to its satisfaction against any costs, expenses and liability which it may incur as a result of taking such action. No recourse for the payment of any part of the principal of, premium, if any, or interest on the Governmental Lender Note or for the satisfaction of any liability arising from, founded upon or existing by reason of the issuance, purchase or ownership of the Governmental Lender Note shall be had against the Mayor, the City Council or any officer, member, agent or employee of the Governmental Lender, as such, all such liability being expressly released and waived as a condition of and as a part of the consideration for the execution of this Funding Loan Agreement and the issuance of the Governmental Lender Note. No covenant, stipulation, obligation or agreement of the Governmental Lender contained in this Funding Loan Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Governmental Lender or the Mayor or the City Council in other than that person's official capacity. No member, officer, agent or employee of the Governmental Lender shall be individually or personally liable for the payment of the principal or redemption price of or interest on the Governmental Lender Note or be subject to any personal liability or accountability by reason of the issuance of the Governmental Lender Note.

It is recognized that notwithstanding any other provision of this Funding Loan Agreement, neither the Borrower, the Fiscal Agent nor any owner of the Governmental Lender Note shall look to the Governmental Lender for damages suffered by the Borrower, the Fiscal Agent or such owner as a result of the failure of the Governmental Lender to perform any covenant, undertaking or obligation under this Funding Loan Agreement, the Borrower Loan Agreement, the Governmental Lender Note or any of the other documents referred to herein, or as a result of the incorrectness of any representation made by the Governmental Lender in any of such documents, or for any other reason. Although this Funding Loan Agreement recognizes that such documents shall not give rise to any pecuniary liability of the Governmental Lender, nothing contained in this Funding Loan Agreement shall be construed to preclude in any way any action or proceeding (other than that element of any action or proceeding involving a claim for monetary damages against the Governmental Lender) in any court or before any governmental body, agency or instrumentality or otherwise against the Governmental Lender or any of its officers or employees to enforce the provisions of any of such documents which the Governmental Lender is obligated to perform and the performance of which the Governmental Lender has not assigned to the Fiscal Agent or any other person.

Section 5.3. Limited Obligation. Notwithstanding any other provision of this Funding Loan Agreement to the contrary:

THE GOVERNMENTAL LENDER NOTE IS ISSUED PURSUANT TO THE LAW AND IN ACCORDANCE WITH THE ACT, AND IS A LIMITED OBLIGATION OF THE GOVERNMENTAL LENDER. NEITHER THE CITY COUNCIL OF THE GOVERNMENTAL LENDER NOR ANY OFFICIAL OR EMPLOYEE OF THE GOVERNMENTAL LENDER NOR ANY PERSON EXECUTING THE GOVERNMENTAL LENDER NOTE SHALL BE LIABLE PERSONALLY ON THE

GOVERNMENTAL LENDER NOTE OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF ITS ISSUANCE. THE GOVERNMENTAL LENDER NOTE AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE GOVERNMENTAL LENDER, PAYABLE ONLY FROM THE SOURCES DESCRIBED IN THIS FUNDING LOAN AGREEMENT. NEITHER THE GOVERNMENTAL LENDER, THE STATE NOR ANY OTHER POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE GOVERNMENTAL LENDER NOTE OR THE INTEREST THEREON OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE MONEY PLEDGED THEREFOR. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE NOR ANY POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF NOR THE FAITH AND CREDIT OF THE GOVERNMENTAL LENDER IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE GOVERNMENTAL LENDER NOTE OR OTHER COSTS INCIDENT THERETO. THE GOVERNMENTAL LENDER NOTE IS NOT A DEBT OF THE UNITED STATES OF AMERICA.

ARTICLE VI

CLOSING CONDITIONS; APPLICATION OF FUNDS

Section 6.1. Conditions Precedent to Closing. Closing of the Funding Loan on the Closing Date shall be conditioned upon satisfaction or waiver by the Funding Lender and the Governmental Lender in their sole discretion of each of the conditions precedent to closing set forth in this Funding Loan Agreement, including but not limited to the following:

(a) Receipt by the Funding Lender of the original executed Governmental Lender Note, authenticated by the Fiscal Agent;

(b) Receipt by the Fiscal Agent of the original executed Borrower Note, endorsed by the Governmental Lender to the Fiscal Agent;

(c) Receipt by the Fiscal Agent of executed counterparts of this Funding Loan Agreement, the Borrower Loan Agreement, the Regulatory Agreement, the Tax Certificate, and any UCC financing statement required by the Section 4.2 above;

(d) Receipt by the Fiscal Agent of a certified copy of the Resolution;

(e) Receipt by the Fiscal Agent of an executed Investor Letter from the Funding Lender;

(f) Delivery into escrow or to the Fiscal Agent, as appropriate, of all amounts required to be paid in connection with the origination of the Borrower Loan and the Funding Loan including a deposit of the Initial Deposit to the Governmental Lender Note Fund and a deposit by the Borrower to the Closing Costs Fund of any deposit required to be made at Closing in accordance with Sections 7.3 and 7.6 hereof;

(g) Receipt by the Funding Lender of a Tax Counsel Approving Opinion;

(h) Receipt by the Funding Lender of an Opinion of Counsel from Tax Counsel to the effect that the Governmental Lender Note is exempt from registration under the Securities Act of 1933, and this Funding Loan Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(i) Delivery of an opinion of counsel to the Borrower addressed to the Governmental Lender to the effect that the Borrower Loan Documents and the Regulatory Agreement are valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their terms, subject to such exceptions and qualifications as are acceptable to the Governmental Lender;

(j) Receipt by the Fiscal Agent and Governmental Lender of a letter from a Rating Agency rating the Governmental Lender Note not less than "A"; and

(k) Receipt by the Funding Lender and the Governmental Lender of any other documents or opinions that the Funding Lender, the Governmental Lender or Tax Counsel may require.

ARTICLE VII

FUNDS AND ACCOUNTS

Section 7.1. Authorization to Create Funds and Accounts. Except as provided in Section 7.3 hereof, no funds or accounts shall be established in connection with the Funding Loan at the time of closing and origination of the Funding Loan. The Funding Lender and the Fiscal Agent are authorized to establish and create from time to time such other funds and accounts or subaccounts as may be necessary for the deposit of moneys (including, without limitation, insurance proceeds and/or condemnation awards), if any, received by the Governmental Lender, the Funding Lender or the Fiscal Agent pursuant to the terms hereof or any of the other Funding Loan Documents and not immediately transferred or disbursed pursuant to the terms of the Funding Loan Documents and/or the Borrower Loan Documents.

Section 7.2. Investment of Funds. Amounts held in any funds or accounts created under this Funding Loan Agreement shall be invested in Permitted Investments at the direction of the Borrower, subject in all cases to the restrictions of Section 8.7 hereof and of the Tax Certificate. In the absence of such direction, the Fiscal Agent shall invest any such funds in Permitted Investments as defined in clause (e) under the definition of Permitted Investments. Monies invested hereunder shall be invested in Permitted Investments and shall not remain uninvested for more than 365 consecutive days.

Section 7.3. Establishment of Funds; Initial Deposits.

(a) There are established with the Fiscal Agent the funds and accounts set forth below. Each Fund is to be maintained in the custody of the Fiscal Agent as a separate bank account (except when invested in Permitted Investments). The funds and accounts are:

(i) The Governmental Lender Note Fund, and the Initial Deposit Account and Interest Payment Account therein;

(ii) The Project Fund;

(iii) The Collateral Fund;

(iv) The Expense Fund;

(v) The Closing Costs Fund; and

(vi) The Rebate Fund.

All money required to be deposited with or paid to the Fiscal Agent for the account of any of the funds or accounts created by this Funding Loan Agreement shall be held by the Fiscal Agent in trust for the benefit of the Funding Lender (except the Expense Fund and the Rebate Fund), and except for money held in the Expense Fund and the Rebate Fund, shall, while held by the Fiscal Agent, constitute part of the Pledged Revenues and be subject to the lien hereof.

(b) The proceeds of the sale of the Governmental Lender Note (including without limitation, premium, if any, and interest accrued thereon), shall be deposited by the Fiscal Agent on the Closing Date to the Project Fund.

(c) Not later than the Closing Date, the Borrower shall have (i) caused the Initial Deposit from the proceeds of the [Subordinate Loan] to have been made by the [Subordinate Lender] to the Fiscal Agent, who shall deposit the same to the Initial Deposit Account of the Governmental Lender Note Fund and (ii) the Borrower shall have made or caused to be made an additional deposit to the Closing Costs Fund in the amount to be agreed upon on or before the Closing Date by the Borrower, the Governmental Lender and the Funding Lender from funds of the Borrower other than proceeds of the Governmental Lender Note.

Section 7.4. Governmental Lender Note Fund. The Governmental Lender and the Borrower shall have no interest in the Governmental Lender Note Fund or the moneys therein, which shall always be maintained by the Fiscal Agent completely separate and segregated from all other moneys held hereunder and from any other moneys of the Governmental Lender and the Borrower.

The Fiscal Agent shall deposit into the Governmental Lender Note Fund any amounts received from the Borrower as payments of principal of, premium, if any, or interest on the Borrower Loan and any other amounts received by the Fiscal Agent that are subject to the lien and pledge of this Funding Loan Agreement, including any Pledged Revenues not required to be deposited to the Expense Fund or not otherwise specifically directed in writing to be deposited into other funds created by this Funding Loan Agreement.

The Fiscal Agent shall apply all amounts on deposit in the Governmental Lender Note Fund in the following order of priority:

FIRST, to pay or provide for the payment of the interest then due on the Governmental Lender Note, as the same becomes due and payable;

SECOND, to pay or provide for the payment or the prepayment of principal (and premium, if any) on the Governmental Lender Note, provided moneys have been transferred or deposited into the Governmental Lender Note for such purpose; and

THIRD, to pay or provide for the payment of the Governmental Lender Note Loan on the Maturity Date or earlier prepayment date.

Section 7.5. Expense Fund. The Fiscal Agent shall deposit in the Expense Fund immediately upon receipt from or on behalf of the Borrower, the amounts required by the Regulatory Agreement or the Borrower Loan Agreement to be paid by the Borrower to the Governmental Lender or the Fiscal Agent. Amounts on deposit in the Expense Fund shall be used to pay the fees and expenses of the Governmental Lender and the Fiscal Agent, as and when the same become due or as otherwise set forth in an invoice delivered to the Fiscal Agent. Moneys in the Expense Fund shall be withdrawn or maintained, as appropriate, by the Fiscal Agent to pay (i) on each May 1 and November 1, commencing November 1, 2013, or at the direction of the Governmental Lender, the Governmental Lender Fee, (ii) on each May 1, commencing May 1, 2014, to the Fiscal Agent amounts due pursuant to subpart (a) of the definition of "Fiscal Agent's Fees" herein, (iii) upon receipt, to the Fiscal Agent, any amounts due to the Fiscal Agent which have not been paid, other than amounts paid in accordance with clause (ii) hereof, and (iv) upon receipt, to, or at the direction of, the Governmental Lender, any amounts owing the Governmental Lender by the Borrower and then due and unpaid, other than amounts paid in accordance with clause (i) hereof.

In the event that the amounts on deposit in the Expense Fund are not equal to the amounts payable from the Expense Fund as provided in the preceding paragraph on any date on which such amounts are due and payable, the Fiscal Agent shall give notice to the Borrower of such deficiency and of the amount of such deficiency and request payment, which payment shall be made to the Fiscal Agent by or on behalf of the Borrower not later than the second Business Day following such request, in the amount of such deficiency.

Written notice of any such insufficiency, which would result in the Governmental Lender not receiving the Governmental Lender Fee on the applicable due date, shall be provided by the Fiscal Agent to the Governmental Lender (with a copy to the Borrower and the Funding Lender) within 10 days of the applicable due date.

Upon payment by the Borrower of such deficiency, the amounts for which such deficiency was requested shall be paid by the Fiscal Agent.

Notwithstanding anything herein to the contrary, the Fiscal Agent, on behalf of the Governmental Lender, shall prepare and submit a written invoice to the Borrower for payment of the Governmental Lender Fee not later than 30 days prior to the due date for payment of such the Governmental Lender Fee, and shall remit moneys received by the Borrower to the Governmental Lender for payment of such fee.

Section 7.6. Closing Costs Fund. On the Closing Date, the Borrower shall deposit or cause to be deposited with the Fiscal Agent, for deposit in the Closing Costs Fund, the amount of $[_____]. Amounts in the Closing Costs Fund shall be disbursed by the Fiscal Agent to pay Closing Costs on the Closing Date or as soon as practicable thereafter as follows: moneys on deposit in the Closing Costs Fund shall be applied to: (a) [pay as stated in a completed requisition in the form of Exhibit D]; (b) pay the Fiscal Agent its closing fee of $[_____]; and (c) pay CDIAC a fee of $[_____] upon the receipt of an invoice therefor. Any interest earnings on amounts on deposit in the Closing Costs Fund shall remain in such Fund. Any moneys remaining in the Closing Costs Fund (including investment proceeds) after the earlier of (i) the payment of all costs of issuance as certified in writing to the Fiscal Agent by the Borrower or (ii) a period of six (6) months after the Closing Date, shall be transferred to the Governmental Lender Note Fund for application not inconsistent with the purposes of such Fund or paid to or at the direction of the Borrower and thereupon the Closing Costs Fund shall be closed.

Section 7.7. Project Fund.

(a) Subject to the following paragraph of this Section, the Fiscal Agent shall make disbursements from the Project Fund to pay Project Costs only upon the receipt of a written request of the Borrower signed by an Authorized Borrower Representative (which request shall be in substantially the form attached as Exhibit C to this Funding Loan Agreement) (a "Disbursement Request.") and containing the written consent of the Governmental Lender. The Governmental Lender agrees that if the Governmental Lender has not objected in writing to any disbursement from the Project Fund within five Business Days of receipt of a request for approval of such disbursement, the Governmental Lender shall be deemed to have approved such disbursement. Furthermore, if the Governmental Lender and the Funding Lender disagree as to whether a particular disbursement from the Project Fund shall be approved or disapproved, they shall meet and confer in good faith, upon the request of either of them in an effort to resolve the matter, which meeting may be by telephonic or electronic shall mean, or may be at a personal meeting. If they fail to agree upon the approval or disapproval of such a disbursement following such good faith efforts, the Funding Lender can approve the disbursement and the Fiscal Agent shall pay it from the Project Fund.

(b) When the Fiscal Agent receives a Disbursement Request from the Project Fund in accordance with the provisions of Subsection 7.7(a) hereof and Section 3.4 of the Borrower Loan Agreement, subject to the following paragraph, the Fiscal Agent shall confirm that Available Moneys equal to or greater than the sum of (i) the amount set forth in the Disbursement Request and (ii) all prior disbursements made, are on deposit in the Collateral Fund.

Upon confirmation of the items above, the Fiscal Agent shall thereafter disburse the funds from the Project Fund to pay Project Costs in the amount pursuant to the Disbursement Request directly to (1) the FHA Lender, to the extent the corresponding deposit of Available Money to the Collateral Fund was made by or at the direction of the FHA Lender (as confirmed in the Disbursement Request) or (2) the Borrower (or any other party designated in the Disbursement Request) to the extent the corresponding deposit of Available Moneys to the Collateral Fund was made by or at the direction of the

Borrower or such other party. Any interest earnings on the Project Fund shall be credited to the Governmental Lender Note Fund.

(c) The Fiscal Agent shall cause to be kept and maintained adequate records pertaining to the Project Fund and all disbursements therefrom as herein provided. If requested by the Governmental Lender or the Borrower, or the Investor Limited Partner, after the Project has been completed and a certificate of payment of all costs is filed as provided in Section 7.15 hereof, the Governmental Lender shall file copies of the records pertaining to the Project Fund and disbursements therefrom with the Governmental Lender and the Borrower and the Investor Limited Partner. The Fiscal Agent may conclusively rely on all Disbursement Requests, the execution of the Disbursement Requests by the Authorized Borrower Representative and the approval of all Disbursement Requests by the Funding Lender and the Governmental Lender, as required by this Section, as conditions of payment from the Project Fund, which Disbursement Requests constitute, as to the Fiscal Agent, irrevocable determinations that all conditions to payment of the specified amounts from the Project Fund have been satisfied. These documents shall be retained by the Fiscal Agent, subject at all reasonable times to examination by the Borrower, the Governmental Lender, the Funding Lender and the agents and representatives thereof upon reasonable notice to the Fiscal Agent. The Fiscal Agent is not required to inspect the Project or the construction work or to make any independent investigation with respect to the matters set forth in any Disbursement Request or other statements, orders, certifications and approvals received by the Fiscal Agent. The Fiscal Agent is not required to obtain completion bonds, lien releases or otherwise supervise the acquisition, construction, renovation, equipping, improvement and installation of the Project.

The proceeds of the Governmental Lender Note shall be used or deemed used exclusively to pay costs that (i) are (A) capital expenditures (as defined in Section 1.150-1(a) of the Code's regulations) and (B) not made for the acquisition of existing property, to the extent prohibited in Section 147(d) of the Code, and (ii) are made exclusively with respect to a "qualified residential rental project" within the meaning of Section 142(d) of the Code and that for the greatest number of buildings the proceeds of the Governmental Lender Note shall be deemed allocated on a pro rata basis to the building in the Project and the land on which it is located so that the building and the land on which it is located will have been financed fifty percent (50%) or more by the proceeds of the Governmental Lender Note for the purpose of complying with Section 42(h)(4)(B) of the Code; provided, however, the foregoing representation, covenant and warranty is made for the benefit of the Borrower and its partners and neither the Fiscal Agent nor the Governmental Lender shall have any obligation to enforce this covenant nor shall they incur any liability to any person, including without limitation, the Borrower, the partners of the Borrower, any other affiliate of the Borrower or the holders of the Governmental Lender Note for any failure to meet the intent expressed in the foregoing representation, covenant and warranty; and provided further, failure to comply with this representation, covenant and warranty shall not constitute a default or Event of Default under this Funding Loan Agreement.

Upon the occurrence and continuance of an Event of Default hereunder because of which the principal amount of the Governmental Lender Note has been declared to be due and immediately payable pursuant to Section 9.2 hereof or upon the redemption of the Governmental

Lender Note in full or its payment at maturity, any moneys remaining in the Project Fund shall be promptly transferred by the Fiscal Agent to the Governmental Lender Note Fund to the extent required to fund such redemption or payment.

Section 7.8. Governmental Lender Note Fund. There shall be deposited in the Governmental Lender Note Fund (1) the amounts set forth in Section 7.3, (2) interest earnings on the Project Fund and the Collateral Fund and (3) amounts set forth under this Section 7.8, and (4) amounts from the Collateral Fund as and when set forth in Section 7.16.

The Governmental Lender Note Fund (and accounts therein for which provision is made in this Funding Loan Agreement or in the Borrower Loan Agreement) and the moneys and Permitted Investments therein shall be used solely and exclusively for the payment of Governmental Lender Note Debt Service Charges as they become due and at stated maturity, or upon acceleration, all as provided herein and in the Borrower Loan Agreement.

The Fiscal Agent shall transmit to any paying agent, as appropriate, from moneys on deposit in the Governmental Lender Note Fund, amounts sufficient to make timely payments of Governmental Lender Note Debt Service Charges. To the extent that the amount needed by the paying agent is not sufficiently predictable, the Fiscal Agent may make any credit arrangements with the paying agent which will permit those payments to be made. The Governmental Lender authorizes and directs the Fiscal Agent to cause withdrawal of moneys from the Governmental Lender Note Fund which are available for the purpose of paying, and are sufficient to pay, Governmental Lender Note Debt Service Charges as they become due and payable, for the purposes of paying or transferring moneys to the paying agent which are necessary to pay such Governmental Lender Note Debt Service Charges. Amounts credited to or on deposit in the Initial Deposit Account shall be transferred to the Governmental Lender Note Fund on each Borrower Loan Payment Date in order to provide for the payment of Governmental Lender Note Debt Service Charges on the next succeeding Governmental Lender Note Payment Date.

In the event that amounts on deposit in the Governmental Lender Note Fund on any Borrower Loan Payment Date are insufficient to make the payment of Governmental Lender Note Debt Service Charges due on the next succeeding Governmental Lender Note Payment Date, the Fiscal Agent shall transfer funds in the following order to the Governmental Lender Note Fund and use such funds, together with amounts then on deposit in the Governmental Lender Note Fund, to pay the Governmental Lender Note Debt Service Charges due on the next succeeding Governmental Lender Note Payment Date:

(1) first, from amounts on deposit in the Initial Deposit Account of the Governmental Lender Note Fund;

(2) second, from amounts on deposit in the Collateral Fund; and

(3) third, from amounts on deposit in the Project Fund.

Section 7.9. Investment of Special Funds and Rebate Fund. Except as otherwise set forth in this Section 7.9, moneys in the Special Funds and the Rebate Fund shall be invested and reinvested by the Fiscal Agent in Permitted Investments at the oral or written direction of the Authorized Borrower Representative. In the absence of such written direction from the

Borrower, such moneys shall be invested in Permitted Investments described in clause (e) of the definition of Permitted Investments. At no time shall the Authorized Borrower Representative direct that any funds constituting gross proceeds of the Governmental Lender Note be used in any manner as would constitute failure of compliance with Section 148 of the Code. Investments of moneys in the Governmental Lender Note Fund and the Collateral Fund shall mature or be redeemable at the times and in the amounts necessary to provide moneys to pay Governmental Lender Note Debt Service Charges as they become due (whether scheduled or unscheduled, on an Interest Payment Date, upon redemption or at stated maturity). Each investment of moneys in the Project Fund shall mature or be redeemable at such time as may be necessary to make payments from the Project Fund. Any of those investments may be purchased from or sold to the Fiscal Agent, the Registrar or the paying agent, or any bank, trust company or savings and loan association affiliated with any of the foregoing. The Fiscal Agent shall sell or redeem investments credited to the Governmental Lender Note Fund to produce sufficient moneys applicable hereunder to and at the times required for the purposes of paying Governmental Lender Note Debt Service Charges when due as aforesaid, and shall do so without necessity for any order on behalf of the Governmental Lender and without restriction by reason of any order. An investment made from moneys credited to the Special Funds shall constitute part of that respective Fund. All investment earnings from amounts on deposit in the Project Fund and the Collateral Fund shall be credited to the Governmental Lender Note Fund. All gains resulting from the sale of, or income from, any investment made from moneys credited to the Special Funds shall be credited to and become part of the Governmental Lender Note Fund. Monies invested hereunder shall be invested in Permitted Investments and shall not remain uninvested for more than 365 days.

Section 7.10. Moneys to be Held in Trust. Except where moneys have been deposited with or paid to the Fiscal Agent pursuant to an instrument restricting their application to particular Governmental Lender Note, all moneys required or permitted to be deposited with or paid to the Fiscal Agent or the paying agent under any provision of this Funding Loan Agreement or the Borrower Note, and any investments thereof, shall be held by the Fiscal Agent or the paying agent in trust. Except for moneys held by the Fiscal Agent pursuant to Section 7.13 hereof, all moneys described in the preceding sentence held by the Fiscal Agent or the paying agent shall be subject to the lien hereof while so held.

Section 7.11. Nonpresentment of Governmental Lender Note. In the event that the Governmental Lender Note shall not be presented for payment when the principal thereof becomes due, or a check or draft for interest is uncashed, if moneys sufficient to pay the principal then due of that Bond or of such check or draft shall have been made available to the Fiscal Agent for the benefit of its Holder, all liability of the Governmental Lender to that Holder for such payment of the principal then due of the Governmental Lender Note or of such check or draft thereupon shall cease and be discharged completely. Thereupon, it shall be the duty of the Fiscal Agent to hold those moneys, without liability for interest thereon, in a separate account in the Governmental Lender Note Fund for the exclusive benefit of the Holder, who shall be restricted thereafter exclusively to those moneys for any claim of whatever nature on its part under this Indenture or on, or with respect to, the principal then due of that Governmental Lender Note or of such check or draft. The Fiscal Agent shall notify the Borrower in writing of any Governmental Lender Note that has not been presented for payment when the principal thereof becomes due.

Any of those moneys which shall be so held by the Fiscal Agent, and which remain unclaimed by the Holder of a Governmental Lender Note not presented for payment or check or draft not cashed for a period of four years after the due date thereof, shall be paid to the Borrower free of any trust or lien, upon a request in writing by the Authorized Borrower Representative. Thereafter, the Holder of that Governmental Lender Note shall look only to the Borrower for payment and then only to the amounts so received by the Borrower without any interest thereon, and the Fiscal Agent shall not have any responsibility with respect to those moneys.

Section 7.12. Repayment to the Borrower from the Governmental Lender Note Fund. Except as provided in Section 7.13 hereof, any amounts remaining in the Governmental Lender Note Fund (i) after the outstanding Governmental Lender Note shall be deemed paid and discharged under the provisions of this Funding Loan Agreement, and (ii) after payment of all fees, charges and expenses of the Fiscal Agent, the Registrar and the paying agents and of all other amounts required to be paid under this Funding Loan Agreement, the Borrower Loan Agreement, the Regulatory Agreement and the Borrower Note, shall be paid to the Borrower to the extent that those amounts are in excess of those necessary to effect the payment and discharge of the outstanding Governmental Lender Note.

Section 7.13. Rebate Fund. Any provision hereof to the contrary notwithstanding, amounts credited to the Rebate Fund shall be applied solely for the purposes of making payments to the United States of America as set forth herein and shall be free and clear of any lien of this Funding Loan Agreement.

(a) The Fiscal Agent shall deposit or transfer to the credit of the Rebate Fund each amount delivered to the Fiscal Agent by the Borrower for deposit thereto and each amount directed by the Borrower to be transferred thereto. Within 15 days after each receipt or transfer of funds to the Rebate Fund, or otherwise as set forth in a Written Direction of the Borrower or the Governmental Lender, the Fiscal Agent shall withdraw from the Rebate Fund and pay to the United States of America the entire balance of the Rebate Fund or such lesser amount as shall be set forth in such Written Direction.

(b) All payments to the United States of America pursuant to this Section 7.13 shall be made by the Fiscal Agent for the account and in the name of the Governmental Lender and shall be paid through the United States Mail (return receipt requested or overnight delivery), addressed to the appropriate Internal Revenue Service Center and accompanied by the appropriate Internal Revenue Service forms (such forms to be provided to the Fiscal Agent by the Borrower or the Rebate Analyst as set forth in the Borrower Loan Agreement).

(c) The Fiscal Agent shall preserve all statements, forms and explanations received from the Borrower and delivered to the Fiscal Agent pursuant to the Borrower Loan Agreement and all records of transactions in the Rebate Fund until six years after the retirement of all of the Governmental Lender Note.

(d) The Fiscal Agent may conclusively rely on the instructions of the Borrower or the Rebate Analyst with regard to any actions to be taken by it pursuant to

this Section and shall have no liability for any consequences of any failure of the Borrower or the Rebate Analyst to perform its duties or obligations or to supply accurate or sufficient instructions. Except as specifically provided in Subsection (b) above, the Fiscal Agent shall have no duty or responsibility with respect to the Rebate Fund or the Borrower's duties and responsibilities with respect thereto except to follow the Borrower's or the Rebate Analyst's specific written instruction related thereto.

(e) If at any time during the term of this Funding Loan Agreement the Governmental Lender, the Fiscal Agent or the Borrower desires to take any action which would otherwise be prohibited by the terms of this Section 7.13, such person shall be permitted to take such action if it shall first obtain and provide to the other persons named herein, a Tax Counsel No Adverse Effect Opinion and an opinion of Tax Counsel that such action shall be in compliance with the laws of the State and the terms of this Funding Loan Agreement.

(f) Moneys and securities held by the Fiscal Agent in the Rebate Fund shall not be deemed funds of the Governmental Lender and are not pledged or otherwise subject to any security interest in favor of the Owners to secure the Governmental Lender Note or any other obligations.

(g) Moneys in the Rebate Fund may be separately invested and reinvested by the Fiscal Agent as provided in Section 7.9 hereof, at the request of and as directed in writing by the Borrower, in Permitted Investments, subject to the Code. The Fiscal Agent shall sell and reduce to cash a sufficient amount of such Permitted Investments whenever the cash balance in the Rebate Fund is insufficient for its purposes.

(h) Notwithstanding anything to the contrary in this Funding Loan Agreement, no payment shall be made by the Fiscal Agent to the United States if the Borrower shall furnish to the Governmental Lender and the Fiscal Agent, an opinion of Tax Counsel to the effect that such payment is not required under Section 148(d) and (f) of the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Governmental Lender Note. In such event, the Borrower shall be entitled to withdraw funds from the Rebate Fund to the extent the Borrower shall provide a Tax Counsel No Adverse Effect Opinion to the Governmental Lender and the Fiscal Agent with respect to such withdrawal.

(i) The Fiscal Agent shall keep and make available to the Governmental Lender and the Borrower records concerning the investments of all funds held by the Fiscal Agent pursuant to the Funding Loan Agreement including date bought and sold, price and commission paid, and bids taken, if any, and shall keep all such records until six years after the date on which no Governmental Lender Note are Outstanding in order to enable the Borrower to make the computations required under section 148(f) of the Code.

(j) Notwithstanding the foregoing, the computations and payments of rebate amounts referred to in this Section 7.13 need not be made to the extent that neither the Governmental Lender nor the Borrower will thereby fail to comply with any

requirements of section 148(f) of the Code based on a Tax Counsel No Adverse Effect Opinion, a copy of which shall be provided to the Fiscal Agent.

The Fiscal Agent shall comply with the provisions of the Tax Certificate, the requirements of which shall control over any contradictory or conflicting provision of this Section 7.13. Without limiting the generality of the foregoing, the Fiscal Agent shall furnish to the Borrower all information reasonably requested by the Borrower with respect to the Governmental Lender Note and investments of the funds and accounts maintained by the Fiscal Agent hereunder. The Fiscal Agent shall make deposits to and disbursements from the Rebate Fund (including rebate payments to the United States required to be made by the Tax Certificate), as well as investments of the amounts therein, in accordance with the written directions received from the Borrower pursuant to this Section 7.13 and the Tax Certificate. Anything in Article X hereof to the contrary notwithstanding, the provisions of the Tax Certificate may be superseded or amended by an amendment or supplement to the Tax Certificate affected in accordance with the terms thereof.

Section 7.14. Valuation. For the purpose of determining the amount on deposit to the credit of any Fund or Account, the value of obligations in which money in such Fund or Account shall have been invested shall be computed at the then market value thereof.

The Permitted Investments shall be valued by the Fiscal Agent at any time requested by the Authorized Borrower Representative on reasonable notice to the Fiscal Agent (which period of notice may be waived or reduced by the Fiscal Agent); provided, however, that the Fiscal Agent shall not be required to value the Permitted Investments more than once in any calendar month.

Section 7.15. Completion of the Project. The completion of the Project and payment of all costs and expenses incident thereto shall be evidenced by the filing with the Fiscal Agent of the Completion Certificate required by Section 3.6 of the Borrower Loan Agreement. As soon as practicable after the filing with the Fiscal Agent of the Completion Certificate, any balance remaining in the Project Fund (other than the amounts retained by the Fiscal Agent as described in the Completion Certificate) shall be deposited or applied in accordance with the direction of the Authorized Borrower Representative pursuant to Section 3.4 of the Borrower Loan Agreement.

Section 7.16. Collateral Fund. There shall be deposited from time to time in the Collateral Fund, Available Moneys in the form of FHA Insured Mortgage Loan advances or proceeds from the sale of GNMA securities received from the FHA Lender in such amounts and at such times as may be necessary to allow the Fiscal Agent to transfer funds from the Project Fund, pursuant to Section 7.7 hereof, upon the Fiscal Agent's receipt of a disbursement request from the Borrower. The Collateral Fund shall only be used and applied for, and irrevocably committed to the transfer by the Fiscal Agent to the Governmental Lender Note Fund for use by the Fiscal Agent to pay the principal component of the Governmental Lender Note Debt Service Charges which are due and payable upon redemption of the Governmental Lender Note or at maturity. Any interest earnings on the Collateral Fund shall be credited to the Governmental Lender Note Fund.

ARTICLE VIII

REPRESENTATIONS AND COVENANTS

Section 8.1. General Representations. The Governmental Lender makes the following representations as the basis for the undertakings on its part herein contained:

(a) The Governmental Lender is a municipal corporation and charter city, organized and existing under the laws of the State of California, and has the power and authority to (i) enter into the Funding Loan Documents to which it is a party and the transactions contemplated thereby, (ii) incur the indebtedness represented by the Governmental Lender Note and the Funding Loan and apply the proceeds of such indebtedness to finance the Project and (iii) carry out its other obligations under this Funding Loan Agreement and the Governmental Lender Note, and by proper action has duly authorized the Governmental Lender's execution and delivery of, and its performance under, such Funding Loan Documents and all other agreements and instruments relating thereto.

(b) The Governmental Lender is not in default under or in violation of, and the execution and delivery of the Funding Loan Documents to which it is a party and its compliance with the terms and conditions thereof will not conflict or constitute a default under or a violation of, (i) the Act or the Law, (ii) to its knowledge, any other existing laws, rules, regulations, judgments, decrees and orders applicable to it, or (iii) to its knowledge, the provisions of any agreements and instruments to which the Governmental Lender is a party, a default under or violation of which would prevent it from entering into the Funding Loan Agreement, executing and delivering the Governmental Lender Note, financing the Project, executing and delivering the other Funding Loan Documents to which it is a party or consummating the transactions contemplated thereby. The Governmental Lender makes no representations as to the necessity of registering the Borrower Note pursuant to any securities laws or complying with any other requirements of securities laws.

(c) No litigation, inquiry or investigation of any kind in or by any judicial or administrative court or agency is pending or, to the knowledge of the Governmental Lender, threatened against the Governmental Lender with respect to (i) the organization and existence of the Governmental Lender, (ii) its authority to execute or deliver the Funding Loan Documents to which it is a party, (iii) the validity or enforceability of any such Funding Loan Documents or the transactions contemplated thereby, (iv) the title of any officer of the Governmental Lender who executed such Funding Loan Documents or (v) any authority or proceedings relating to the execution and delivery of such Funding Loan Documents on behalf of the Governmental Lender, and no such authority or proceedings have been repealed, revoked, rescinded or amended but are in full force and effect.

(d) The revenues and receipts to be derived from the Borrower Loan Agreement, the Borrower Note and this Funding Loan Agreement have not been pledged

previously by the Governmental Lender to secure any of its notes or bonds other than the Funding Loan as evidenced by the Governmental Lender Note.

(e) The California Debt Limit Allocation Committee has provided an allocation of the State's 2011 private activity bond volume cap under section 146 of the Code to the Governmental Lender for the Governmental Lender Note, the Governmental Lender has timely made any required carry forward election with respect to such allocation. The Governmental Lender hereby elects to apply the alternative option under clause (2) of the first paragraph of Section 3.01 of IRS Notice 2011-63 with respect to the issue date of the Governmental Lender Note; and, in connection therewith, has directed Tax Counsel to include the information on Form 8038 filed for the Governmental Lender Note that is required by section 3.03 of said Notice.

THE GOVERNMENTAL LENDER MAKES NO REPRESENTATION, COVENANT OR AGREEMENT AS TO THE FINANCIAL POSITION OR BUSINESS CONDITION OF THE BORROWER OR THE PROJECT AND DOES NOT REPRESENT OR WARRANT AS TO ANY STATEMENTS, MATERIALS, REPRESENTATIONS OR CERTIFICATIONS FURNISHED BY THE BORROWER IN CONNECTION WITH THE FUNDING LOAN OR AS TO THE CORRECTNESS, COMPLETENESS OR ACCURACY THEREOF.

Section 8.2. No Encumbrance on Security. The Governmental Lender will not knowingly create or knowingly permit the creation of any mortgage, pledge, lien, charge or encumbrance of any kind on the Security or any part thereof prior to or on a parity with the lien of this Funding Loan Agreement, except as expressly permitted or contemplated by the Funding Loan Documents.

Section 8.3. Repayment of Funding Loan. Solely from amounts pledged therefor, and subject to the provisions of Article III hereof, the Governmental Lender will duly and punctually repay, or cause to be repaid, the Funding Loan, as evidenced by the Governmental Lender Note, as and when the same shall become due, all in accordance with the terms of the Governmental Lender Note and this Funding Loan Agreement.

Section 8.4. [Reserved].

Section 8.5. Borrower Loan Agreement Performance.

(a) The Funding Lender or the Fiscal Agent, on behalf of the Governmental Lender, may (but shall not be required or obligated) perform and observe any such agreement or covenant of the Governmental Lender under the Borrower Loan Agreement, all to the end that the Governmental Lender's rights under the Borrower Loan Agreement may be unimpaired and free from default.

(b) The Governmental Lender will promptly notify the Borrower, the Fiscal Agent, and the Funding Lender in writing of the occurrence of any Borrower Loan Agreement Default, provided that the Governmental Lender has received written notice or otherwise has knowledge of such event.

Section 8.6. Maintenance of Records; Inspection of Records.

(a) The Fiscal Agent shall keep and maintain adequate records pertaining to any funds and accounts established hereunder, including all deposits to and disbursements from said funds and accounts and shall keep and maintain the registration books for the Funding Loan and interests therein. The Fiscal Agent shall retain in its possession all certifications and other documents presented to it, all such records and all records of principal, interest and premium paid on the Funding Loan, subject to the inspection of the Funding Lender and the Governmental Lender and their representatives at all reasonable times and upon reasonable prior notice.

(b) The Governmental Lender and the Funding Lender will at any and all times, upon the reasonable request of the Borrower, the Fiscal Agent, the Governmental Lender or the Funding Lender, afford and procure a reasonable opportunity by their respective representatives to inspect the books, records, reports and other papers of the Governmental Lender or the Funding Lender, as appropriate, relating to the Project and the Funding Loan, if any, and to make copies thereof.

Section 8.7. Tax Covenants. The Governmental Lender covenants to and for the benefit of the Fiscal Agent and the Funding Lender that, notwithstanding any other provisions of this Funding Loan Agreement or of any other instrument, it will (subject to the limited liability provisions hereof):

(a) Enforce or cause to be enforced all obligations of the Borrower under the Regulatory Agreement in accordance with its terms and seek to cause the Borrower to correct any violation of the Regulatory Agreement within a reasonable period after any such violation is first discovered;

(b) Not take or cause to be taken any other action or actions, or fail to take any action or actions, which would cause the interest payable on the Governmental Lender Note to be includable in gross income for federal income tax purposes;

(c) At all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Governmental Lender on the Governmental Lender Note will be excluded from the gross income of the holders of the Governmental Lender Note, for federal income tax purposes, pursuant to Section 103 of the Code, except in the event where any holder of the Governmental Lender Note or a portion thereof is a "substantial user" of the facilities financed with the Funding Loan or a "related person" within the meaning of Section 147(a) of the Code;

(d) Not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Governmental Lender Note to be "federally guaranteed" within the meaning of Section 149(b) of the Code and the Regulations;

(e) Require the Borrower to agree, pursuant to the terms and provisions of the Borrower Loan Agreement, not to commit any act and not to make any use of the proceeds of the Funding Loan, or any other moneys which may be deemed to be proceeds of the Funding Loan pursuant to the Code, which would cause the Governmental Lender

Note to be an "arbitrage bond" within the meaning of Sections 103(b) and 148 the Code, and to comply with the requirements of the Code throughout the term of the Governmental Lender Note; and

(f) Require the Borrower, pursuant to the terms and provisions of the Borrower Loan Agreement and the Tax Certificate, to take all steps necessary to compute and pay any rebatable arbitrage in accordance with Section 148(f) of the Code.

In furtherance of the covenants in this Section 8.7, the Governmental Lender and the Borrower shall execute, deliver and comply with the provisions of the Tax Certificate, which are by this reference incorporated into this Funding Loan Agreement and made a part of this Funding Loan Agreement as if set forth in this Funding Loan Agreement in full. In the event of any conflict as between this Section 8.7 and the requirements of the Tax Certificate, the Tax Certificate shall control.

For purposes of this Section 8.7 the Governmental Lender's compliance shall be based solely on matters within the Governmental Lender's control and no acts, omissions or directions of the Borrower, the Fiscal Agent, the Funding Lender or any other Persons shall be attributed to the Governmental Lender.

In complying with the foregoing covenants, the Governmental Lender may rely from time to time on a Tax Counsel No Adverse Effect Opinion or other appropriate opinion of Tax Counsel.

Section 8.8. Performance by the Borrower. Without relieving the Governmental Lender from the responsibility for performance and observance of the agreements and covenants required to be performed and observed by it hereunder, the Borrower, on behalf of the Governmental Lender, may perform any such agreement or covenant if no Borrower Loan Agreement Default or Default under the Borrower Loan Agreement exists.

Section 8.9. Maintenance of Records. The Funding Lender shall keep and maintain adequate records pertaining to funds and accounts relative to the Borrower Loan not established with the Fiscal Agent, if any, including all deposits to and disbursements from said funds and accounts and will provide information and records relating thereto to the Fiscal Agent or the Governmental Lender upon request.

ARTICLE IX

DEFAULT; REMEDIES

Section 9.1. Events of Default. Any one or more of the following shall constitute an event of default (an "Event of Default") under this Funding Loan Agreement (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or Governmental body):

(a) A default in the payment of any interest upon the Governmental Lender Note when such interest becomes due and payable; or

(b) A default in the payment of principal of, or premium on, the Governmental Lender Note when such principal or premium becomes due and payable, whether at its stated maturity, by declaration of acceleration or call for mandatory prepayment or otherwise; or

(c) Subject to Section 8.8 hereof, default in the performance or breach of any material covenant or warranty of the Governmental Lender in this Funding Loan Agreement (other than a covenant or warranty or default in the performance or breach of which is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 30 days after there has been given written notice, as provided in Section 11.3 hereof, to the Governmental Lender and the Borrower by the Funding Lender or the Fiscal Agent, specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under this Funding Loan Agreement; provided that, so long as the Governmental Lender has commenced to cure such failure to observe or perform within the thirty (30) day cure period and the subject matter of the default is not capable of cure within said thirty (30) day period and the Governmental Lender is diligently pursuing such cure to the Funding Lender's satisfaction, with the Funding Lender's Written Direction or Written Consent, then the Governmental Lender shall have an additional period of time as reasonably necessary (not to exceed 30 days unless extended in writing by the Funding Lender) within which to cure such default; or

(d) A default in the payment of any Additional Borrower Payments; or

(e) Any other "Default" or "Event of Default" under any of the other Funding Loan Documents (taking into account any applicable grace periods therein).

Section 9.2. Acceleration of Maturity; Rescission and Annulment.

(a) Subject to the provisions of Section 9.9 hereof, upon the occurrence of an Event of Default under Section 9.1 hereof, then and in every such case, the Funding Lender or the Fiscal Agent at the direction of the Funding Lender, may declare the principal of the Funding Loan and the Governmental Lender Note and the interest accrued to be immediately due and payable, by notice to the Governmental Lender and the Borrower and upon any such declaration, all principal of and Prepayment Premium, if any, and interest on the Funding Loan and the Governmental Lender Note shall become immediately due and payable.

(b) At any time after a declaration of acceleration has been made pursuant to subsection (a) of this Section, the Funding Lender, or the Fiscal Agent at the direction of the Funding Lender, may by Written Notice to the Governmental Lender, rescind and annul such declaration and its consequences if:

(i) There has been deposited with the Funding Lender a sum sufficient to pay (1) all overdue installments of interest on the Funding Loan, (2) the principal of and Prepayment Premium on the Funding Loan that has become due otherwise than by such declaration of acceleration and interest thereon at the rate

or rates prescribed therefor in the Funding Loan, (3) to the extent that payment of such interest is lawful, interest upon overdue installments of interest at the rate or rates prescribed therefor in the Funding Loan, and (4) all sums paid or advanced by the Funding Lender and the reasonable compensation, expenses, disbursements and advances of the Funding Lender, its agents and counsel (but only to the extent not duplicative with subclauses (1) and (3) above); and

(ii) All Events of Default, other than the nonpayment of the principal of the Funding Loan which have become due solely by such declaration of acceleration, have been cured or have been waived in writing as provided in Section 9.9 hereof.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

(c) Notwithstanding the occurrence and continuation of an Event of Default, it is understood that neither the Fiscal Agent nor the Funding Lender shall pursue any remedies against the Borrower or the Project if no Borrower Loan Agreement Default has occurred and is continuing. An Event of Default hereunder shall not in and of itself constitute a Borrower Loan Agreement Default.

Section 9.3. Additional Remedies; Funding Lender Enforcement.

(a) Upon the occurrence of an Event of Default, the Funding Lender, or the Fiscal Agent at the direction of the Funding Lender, may, subject to the provisions of this Section 9.3 and Section 9.9 hereof, proceed to protect and enforce its rights by mandamus or other suit, action or proceeding at law or in equity. No remedy conferred by this Funding Loan Agreement upon or remedy reserved to the Funding Lender or the Fiscal Agent is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to any other remedy given to the Funding Lender or the Fiscal Agent hereunder or now or hereafter existing at law or in equity or by statute.

(b) Upon the occurrence and continuation of any Event of Default, the Funding Lender, or the Fiscal Agent at the direction of the Funding Lender, may proceed forthwith to protect and enforce its rights and this Funding Loan Agreement by such suits, actions or proceedings as the Funding Lender, in its sole discretion, or the Fiscal Agent at the direction of the Funding Lender, shall deem expedient. Funding Lender, or the Fiscal Agent at the direction of the Funding Lender, shall have upon the occurrence and continuation of any Event of Default all rights, powers, and remedies with respect to the Security as are available under the Uniform Commercial Code applicable thereto or as are available under any other applicable law at the time in effect and, without limiting the generality of the foregoing, the Funding Lender, or the Fiscal Agent at the direction of the Funding Lender, may proceed at law or in equity or otherwise, to the extent permitted by applicable law:

(i) to take possession of the Security or any part thereof, with or without legal process, and to hold, service, administer and enforce any rights

thereunder or thereto, and otherwise exercise all rights of ownership thereof, including (but not limited to) the sale of all or part of the Security;

(ii) [reserved];

(iii) to service and administer the Funding Loan as agent and on behalf of the Governmental Lender or otherwise, and, if applicable, to take such actions necessary to enforce the Borrower Loan Documents and the Funding Loan Documents on its own behalf, and to take such alternative courses of action, as it may deem appropriate; or

(iv) to take such steps to protect and enforce its rights whether by action, suit or proceeding in equity or at law for the specific performance of any covenant, condition or agreement in the Governmental Lender Note, this Funding Loan Agreement or the other Funding Loan Documents, or the Borrower Loan Documents, or in and of the execution of any power herein granted, or for foreclosure hereunder, or for enforcement of any other appropriate legal or equitable remedy or otherwise as the Funding Lender may elect.

(c) Whether or not an Event of Default has occurred, the Funding Lender, in its sole discretion, or the Fiscal Agent at the direction of the Funding Lender, shall have the sole right to waive or forbear any term, condition, covenant or agreement of the Security Instrument, the Borrower Loan Agreement, the Borrower Note or any other Borrower Loan Documents or Funding Loan Documents applicable to the Borrower, or any breach thereof, other than a covenant that would adversely impact the tax exempt status of the interest on the Governmental Lender Note, and provided that the Governmental Lender may enforce specific performance with respect to the Unassigned Right.

(d) If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in the Regulatory Agreement, and if such default remains uncured for a period of 60 days after the Borrower, the Equity Investor, the Fiscal Agent and the Funding Lender receive Written Notice stating that a default under the Regulatory Agreement has occurred and specifying the nature of the default, the Funding Lender, or the Fiscal Agent at the direction of the Funding Lender, shall have the right to seek specific performance of the provisions of the Regulatory Agreement or to exercise its other rights or remedies thereunder.

(e) If the Borrower defaults in the performance of its obligations under the Borrower Loan Agreement to make rebate payments, to comply with any applicable continuing disclosure requirements, or to make any other payments owed pursuant to Sections 4.2 or 5.3 of the Borrower Loan Agreement (subject to the applicable notice and cure periods) for fees, expenses or indemnification, the Funding Lender, or the Fiscal Agent at the direction of the Funding Lender, shall have the right to exercise all its rights and remedies thereunder (subject to the last paragraph of Section 9.14 hereof).

Section 9.4. Application of Money Collected. Any money collected by the Funding Lender pursuant to this Article and any other sums then held by the Funding Lender or the Fiscal Agent as part of the Security, shall be applied in the following order, at the date or dates fixed by the Funding Lender or the Fiscal Agent at the direction of the Funding Lender:

(a) First: To the payment of any and all amounts due under the Funding Loan Documents other than with respect to principal and interest accrued on the Funding Loan, including, without limitation, any amounts due to the Governmental Lender, the Funding Lender, the Fiscal Agent and the Rebate Analyst;

(b) Second: To the payment of the whole amount of the Funding Loan, as evidenced by the Governmental Lender Note, then due and unpaid in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Funding Loan) on overdue principal of, and Prepayment Premium and overdue installments of interest on the Funding Loan; provided, however, that partial interests in any portion of the Funding Loan shall be paid in such order of priority as may be prescribed by Written Direction of the Funding Lender in its sole and absolute discretion, or the Fiscal Agent at the direction of the Funding Lender; and

(c) Third: The payment of the remainder, if any, to the Borrower or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Section 9.5. Remedies Vested in Funding Lender and Fiscal Agent. All rights of action and claims under this Funding Loan Agreement or the Governmental Lender Note may be prosecuted and enforced by the Funding Lender, or the Fiscal Agent at the direction of the Funding Lender, without the possession of the Governmental Lender Note or the production thereof in any proceeding relating thereto.

Section 9.6. Restoration of Positions. If Funding Lender, or the Fiscal Agent at the direction of the Funding Lender, shall have instituted any proceeding to enforce any right or remedy under this Funding Loan Agreement and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Funding Lender or Fiscal Agent, then and in every such case the Governmental Lender and the Funding Lender or Fiscal Agent shall, subject to any determination in such proceeding, be restored to their former positions hereunder, and thereafter all rights and remedies of the Governmental Lender, the Funding Lender and the Fiscal Agent shall continue as though no such proceeding had been instituted.

Section 9.7. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Funding Lender for the Fiscal Agent is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy

hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 9.8. Delay or Omission Not Waiver. No delay or omission of the Funding Lender or the Fiscal Agent to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Funding Lender or the Fiscal Agent may be exercised from time to time, and as often as may be deemed expedient, by Funding Lender or the Fiscal Agent at the direction of the Funding Lender. No waiver of any default or Event of Default pursuant to Section 9.9 hereof shall extend to or shall affect any subsequent default or Event of Default hereunder or shall impair any rights or remedies consequent thereon.

Section 9.9. Waiver of Past Defaults. Before any judgment or decree for payment of money due has been obtained by the Funding Lender, or the Fiscal Agent at the direction of the Funding Lender or the Fiscal Agent at the direction of the Funding Lender may, subject to Section 9.6 hereof, by Written Notice to the Governmental Lender and the Borrower, waive any past default hereunder or under the Borrower Loan Agreement and its consequences except for default in obligations due the Governmental Lender pursuant to or under the Unassigned Rights. Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Funding Loan Agreement and the Borrower Loan Agreement; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 9.10. Remedies Under Borrower Loan Agreement or Borrower Note. As set forth in this Section 9.10 but subject to Section 9.9 hereof, the Funding Lender, or the Fiscal Agent at the direction of the Funding Lender, shall have the right, in its own name or on behalf of the Governmental Lender, to declare any default and exercise any remedies under the Borrower Loan Agreement or the Borrower Note, whether or not the Governmental Lender Note has been accelerated or declared due and payable by reason of an Event of Default.

Section 9.11. Waiver of Appraisement and Other Laws.

(a) To the extent permitted by law, the Governmental Lender will not at any time insist upon, plead, claim or take the benefit or advantage of, any appraisement, valuation, stay, extension or redemption law now or hereafter in force, in order to prevent or hinder the enforcement of this Funding Loan Agreement; and the Governmental Lender, for itself and all who may claim under it, so far as it or they now or hereafter may lawfully do so, hereby waives the benefit of all such laws. The Governmental Lender, for itself and all who may claim under it, waives, to the extent that it may lawfully do so, all right to have the property in the Security marshaled upon any enforcement hereof.

(b) If any law now in effect prohibiting the waiver referred to in Section 9.11(a), shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to constitute any part of the contract herein contained or to preclude the application of this Section 9.11.

Section 9.12. Suits to Protect the Security. The Funding Lender, or the Fiscal Agent at the direction of the Funding Lender, shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Security by any acts that may be unlawful or in violation of this Funding Loan Agreement and to protect its interests in the Security and in the rents, issues, profits, revenues and other income arising therefrom, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any Governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security hereunder or be prejudicial to the interests of the Funding Lender or the Fiscal Agent.

Section 9.13. Remedies Subject to Applicable Law. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Funding Loan Agreement invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law.

Section 9.14. Assumption of Obligations. In the event that the Funding Lender or its assignee or designee, or the Fiscal Agent at the direction of the Funding Lender, shall become the legal or beneficial owner of the Project by foreclosure or deed in lieu of foreclosure, such party shall succeed to the rights and the obligations of the Borrower under the Borrower Loan Agreement, the Borrower Note, the Regulatory Agreement and any other Funding Loan Documents to which the Borrower is a party. Such assumption shall be effective from and after the effective date of such acquisition and shall be made with the benefit of the limitations of liability set forth therein and without any liability for the prior acts of the Borrower.

It is the intention of the parties hereto that upon the occurrence and continuance of an Event of Default hereunder, rights and remedies may be pursued pursuant to the terms of the Funding Loan Documents.

ARTICLE X

AMENDMENT; AMENDMENT OF BORROWER LOAN AGREEMENT AND OTHER DOCUMENTS

Section 10.1. Amendment of Funding Loan Agreement. Any of the terms of this Funding Loan Agreement and the Governmental Lender Note may be amended or waived only by an instrument signed by the Funding Lender and the Governmental Lender, and in the case of this Funding Loan Agreement, the Fiscal Agent, provided, however, no such amendment which materially affects the rights, duties, obligations or other interests of the Borrower shall be made without the consent of the Borrower, and, provided further, that if the Borrower is in default under any Funding Loan Document, no Borrower consent shall be required unless such amendment has a material adverse effect on the rights, duties, obligations or other interests of the Borrower. All of the terms of this Funding Loan Agreement shall be binding upon the successors and assigns of and all persons claiming under or through the Governmental Lender,

the Fiscal Agent or any such successor or assign, and shall inure to the benefit of and be enforceable by the successors and assigns of the Funding Lender and the Fiscal Agent.

Section 10.2. Amendments Require Funding Lender Consent. The Governmental Lender shall not consent to any amendment, change or modification of the Borrower Loan Agreement or any other Borrower Loan Document or Funding Loan Document without the prior Written Consent of the Funding Lender, or the Fiscal Agent at the direction of the Funding Lender.

Section 10.3. Consents and Opinions. No amendment to this Funding Loan Agreement or any other Funding Loan Document entered into under this Article X or any amendment, change or modification otherwise permitted under this Article X shall become effective unless and until (i) the Funding Lender shall have approved the same in writing in its sole discretion and, in the case of this Funding Loan Agreement, the Fiscal Agent should have also approved the same in writing and (ii) the Funding Lender and the Fiscal Agent shall have received, at the expense of the Borrower, a Tax Counsel No Adverse Effect Opinion and an Opinion of Counsel to the effect that any such proposed amendment is authorized and complies with the provisions of this Funding Loan Agreement and is a legal, valid and binding obligation of the parties thereto, subject to normal exceptions relating to bankruptcy, insolvency and equitable principles limitations.

ARTICLE XI

THE FISCAL AGENT

Section 11.1. Appointment of Fiscal Agent; Acceptance. The Governmental Lender hereby appoints [FISCAL AGENT] as Fiscal Agent hereunder. The Fiscal Agent shall signify its acceptance of the duties and obligations imposed upon it by this Funding Loan Agreement by executing this Funding Loan Agreement.

Section 11.2. Certain Duties and Responsibilities of Fiscal Agent.

(a) The Fiscal Agent undertakes to perform such duties and only such duties as are specifically set forth in this Funding Loan Agreement, and no implied covenants or obligations shall be read into this Funding Loan Agreement against the Fiscal Agent.

(b) If an event of default exists hereunder or under any Borrower Loan Document, the Fiscal Agent shall exercise such of the rights and powers vested in it by this Funding Loan Agreement, and subject to Section 11.2(c)(iii) hereof, and to the provisions of Article X hereof with respect to the direction of certain actions by the Funding Lender, use the same degree of care and skill in their exercise, as a prudent corporate trust officer would exercise or use under the circumstances in the conduct of corporate trust business.

(c) No provision of this Funding Loan Agreement shall be construed to relieve the Fiscal Agent from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, in each case, as finally adjudicated by a court of law, except that:

(i) This subsection shall not be construed to limit the effect of subsection (a) of this Section;

(ii) The Fiscal Agent shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts;

(iii) The Fiscal Agent shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Funding Lender relating to the time, method and place of conducting any proceeding for any remedy available to the Fiscal Agent, or exercising any trust or power conferred upon the Fiscal Agent under this Funding Loan Agreement; and

(iv) No provision of this Funding Loan Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it in its sole discretion.

Subject to its rights to indemnification pursuant to Section 11.4 hereof, the Fiscal Agent is directed to enter into the Borrower Loan Documents to which it is a party and other related documents, solely in its capacity as Fiscal Agent.

(d) Whether or not therein expressly so provided, every provision of this Funding Loan Agreement and the other Funding Loan Documents relating to the conduct or affecting the liability of or affording protection to the Fiscal Agent shall be subject to the provisions of this Section.

(e) The Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of this Funding Loan Agreement; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Funding Loan Agreement.

(f) The permissive rights of the Fiscal Agent to do things enumerated in this Funding Loan Agreement shall not be construed as a duty.

(g) The rights of the Fiscal Agent and limitations of liability enumerated herein and in Section 11.4 shall extend to actions taken or omitted in its role as assignee of the Governmental Lender under the Borrower Loan Agreement and the other Funding Loan Documents.

Section 11.3. Notice of Defaults. Upon the occurrence of any default hereunder or under any Borrower Loan Document and provided that a Responsible Officer of the Fiscal Agent is aware of or has received Written Notice of the existence of such default, promptly, and in any

event within 15 days, the Fiscal Agent shall transmit to the Governmental Lender, the Borrower, and the Funding Lender, in the manner and at the addresses for notices set forth in Section 12.1 hereof, notice of such default hereunder known to the Fiscal Agent pursuant to Section 11.4(g) hereof, unless such default shall have been cured or waived.

Section 11.4. Certain Rights of Fiscal Agent. Except as otherwise provided in Section 11.1 hereof:

(a) The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, debenture, coupon or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) Any request or direction of the Governmental Lender mentioned herein shall be sufficiently evidenced by a certificate or order executed by an Authorized Governmental Lender Representative;

(c) Whenever in the administration of this Funding Loan Agreement or any Borrower Loan Document the Fiscal Agent shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Fiscal Agent (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a Written Certificate of the Governmental Lender, the Funding Lender, the Servicer or the Borrower, as appropriate;

(d) The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Funding Loan Agreement or any Borrower Loan Document at the request or direction of the Funding Lender, pursuant to Article IX of this Funding Loan Agreement, unless the Funding Lender shall have offered to the Fiscal Agent in writing security or indemnity reasonably satisfactory to the Fiscal Agent against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction, except costs, expenses and liabilities which are adjudicated to have resulted from its own negligence or willful misconduct;

(e) The Fiscal Agent shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, debenture, coupon or other paper or document but the Fiscal Agent, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Fiscal Agent shall determine to make such further inquiry or investigation, it shall be entitled to examine the books and records of the Governmental Lender, if any, and of the Borrower, in either case personally or by agent or attorney after reasonable notice and during normal business hours;

(f) The Fiscal Agent may execute any of its powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and pay reasonable compensation thereto and the Fiscal Agent shall not be responsible for any misconduct or

negligence on the part of any agent or attorney appointed with due care by it hereunder. The Fiscal Agent may act upon the advice of counsel of its choice concerning all matters hereof and the Fiscal Agent shall not be responsible for any loss or damage resulting from any action or inaction taken in good faith reliance upon said advice; and

(g) The Fiscal Agent shall not be required to take notice or be deemed to have notice of any default hereunder or under any Borrower Loan Document except for failure by the Borrower to make payments of principal, interest, premium, if any, or Governmental Lender Fee when due, unless a Responsible Officer of the Fiscal Agent shall be specifically notified by a Written Notice of such default by the Governmental Lender, the Servicer or the Funding Lender, and all notices or other instruments required by this Funding Loan Agreement or under any Borrower Loan Document to be delivered to the Fiscal Agent, must, in order to be effective, be delivered in writing to a Responsible Officer of the Fiscal Agent at the Office of the Fiscal Agent, and in the absence of such Written Notice so delivered the Fiscal Agent may conclusively assume there is no default as aforesaid.

Section 11.5. Not Responsible for Recitals. The recitals contained herein and in the Governmental Lender Note shall be taken as the statements of the Governmental Lender, and the Fiscal Agent assumes no responsibility for their correctness. The Fiscal Agent makes no representations as to the value or condition of the Pledged Revenues, the Security or any part thereof, or as to the title of the Governmental Lender thereto or as to the security afforded thereby or hereby, or as to the validity or sufficiency of this Funding Loan Agreement or of the Funding Loan.

The Fiscal Agent shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the funding of the Funding Loan.

The Fiscal Agent shall not be required to monitor the financial condition of the Borrower or the physical condition of the Project. Unless otherwise expressly provided, the Fiscal Agent shall be under no obligation to analyze, review or make any credit decisions with respect to any financial statements, reports, notices, certificates or documents received hereunder but shall hold such financial statements reports, notices, certificates and documents solely for the benefit of, and review by, the Funding Lender and such other parties to whom the Fiscal Agent may provide such information pursuant to this Funding Loan Agreement.

The Fiscal Agent makes no representations as to and shall have no responsibility for the sufficiency of the insurance required under any of the Borrower Loan Documents.

Section 11.6. May Hold Funding Loan. The Fiscal Agent in its individual or any other capacity may become the owner or pledgee of the Funding Loan and may otherwise deal with the Governmental Lender, the Funding Lender and the Borrower with the same rights it would have if it were not Fiscal Agent.

Section 11.7. Moneys Held by Fiscal Agent. Moneys held in the Special Funds shall not be commingled with monies in the Expense Fund or the Rebate Fund. Moneys held by the

Fiscal Agent in trust hereunder shall be segregated from other funds except to the extent set forth herein. The Fiscal Agent shall be under no liability for interest on any moneys received by it hereunder except as otherwise provided herein.

Section 11.8. Compensation and Reimbursement. Under the Borrower Loan Agreement, the Borrower has agreed to, except as otherwise expressly provided herein, reimburse the Fiscal Agent as provided in this Funding Loan Agreement or the Borrower Loan Agreement, upon its request for all reasonable expenses, disbursements and advances incurred or made by the Fiscal Agent in accordance with any provision of this Funding Loan Agreement (including the reasonable fees, expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Fiscal Agent's negligence or willful misconduct, both as finally adjudicated by a court of law.

When the Fiscal Agent incurs expenses or renders service in connection with any bankruptcy or insolvency proceeding, such expenses (including the fees and expenses of its counsel) and the compensation for such services are intended to constitute expenses of administration under any bankruptcy law or law relating to creditors rights generally.

(a) The Governmental Lender has no obligation to pay the Fiscal Agent for services rendered.

(b) As security for the performance of the obligations of the Borrower under this Section and for the payment of such compensation, expenses, reimbursements and indemnity, the Fiscal Agent shall have the right to use and apply any moneys held by it as Pledged Revenues.

(c) The Fiscal Agent's rights to compensation and reimbursement shall survive its resignation or removal, the payment of the Funding Loan or the Borrower Loan or the release of this Funding Loan Agreement.

Section 11.9. Fiscal Agent Required; Eligibility. Any successor Fiscal Agent shall at all times be a trust company, a state banking corporation or a national banking association with the authority to accept trusts in the State approved in writing by the Governmental Lender and either (a) have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition, (b) be a wholly owned subsidiary of a bank holding company, or a wholly owned subsidiary of a company that is a wholly owned subsidiary of a bank holding company, having a combined capital surplus of at least $50,000,000 as set forth in its most recent published annual report of condition, have at least $500,000,000 of trust assets under management and have a combined capital surplus of at least $2,000,000 as set forth in its most recent published annual report of condition, (c) be otherwise acceptable to the Funding Lender and the Governmental Lender in their sole and absolute discretion and (d) shall have at least a minimum long-term rating by S&P of "A" or if the Fiscal Agent does not have a long-term rating from S&P, it shall have a minimum short-term rating from S&P of "A-1" (the "Minimum Fiscal Agent Rating").

Section 11.10. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Fiscal Agent hereunder and no appointment of a successor Fiscal Agent pursuant to this Article shall become effective until the written acceptance by the successor Fiscal Agent of such appointment.

(b) The Fiscal Agent may resign at any time by giving 60 days' Written Notice thereof to the Governmental Lender, the Borrower, the Servicer, if any, and the Funding Lender. If an instrument of acceptance by a successor Fiscal Agent shall not have been delivered to the Fiscal Agent within 45 days after the giving of such notice of resignation, the resigning Fiscal Agent may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent. If the Fiscal Agent no longer meets the Minimum Fiscal Agent Rating requirement set forth in Section 11.9 hereof, it shall resign within 60 calendar days of the withdrawal or suspension of a former Minimum Fiscal Agent Rating or other even giving rise to its failure to maintain the Minimum Fiscal Agent Rating.

(c) The Fiscal Agent may be removed at any time with 30 days' notice by (i) the Governmental Lender, with the Written Consent of the Funding Lender, (ii) the Borrower (unless the Borrower is in default under any of the Borrower Loan Documents), with the Written Consent of the Funding Lender and the Governmental Lender, or (iii) the Funding Lender by Written Notice delivered to the Fiscal Agent, the Governmental Lender and the Borrower.

(d) If the Fiscal Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the Office of the Fiscal Agent for any cause, the Governmental Lender shall promptly appoint a successor Fiscal Agent, with the consent of the Funding Lender. In case all or substantially all of the Pledged Revenues and Security shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee may similarly appoint a successor to fill such vacancy until a new Fiscal Agent shall be so appointed by the Governmental Lender. If, within 60 days after such resignation, removal or incapability or the occurrence of such vacancy, the Governmental Lender has failed to so appoint a successor Fiscal Agent, then a successor Fiscal Agent shall be appointed by the Funding Lender (from any of the institutions approved by the Governmental Lender to serve as a fiscal agent or trustee) with Written Notice thereof delivered to the Governmental Lender, the Borrower, the Servicer, if any, and the retiring Fiscal Agent, and the successor Fiscal Agent so appointed shall, forthwith upon its acceptance of such appointment, become the successor Fiscal Agent and supersede the successor Fiscal Agent appointed by such receiver or Fiscal Agent. If no successor Fiscal Agent shall have been appointed by the Governmental Lender or the Funding Lender and accepted appointment in the manner hereinafter provided, the Fiscal Agent may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent.

(e) The retiring Fiscal Agent shall cause Written Notice of each resignation and each removal of the Fiscal Agent and each appointment of a successor Fiscal Agent

to be provided to the Funding Lender. Each notice shall include the name of the successor Fiscal Agent and the address of the office of the successor Fiscal Agent.

Section 11.11. Acceptance of Appointment by Successor.

(a) Every successor Fiscal Agent appointed hereunder shall execute, acknowledge and deliver to the Governmental Lender and to the retiring Fiscal Agent an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Fiscal Agent shall become effective and such successor Fiscal Agent, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers, trusts and duties of the retiring Fiscal Agent; notwithstanding the foregoing, on request of the Governmental Lender or the successor Fiscal Agent, such retiring Fiscal Agent shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Fiscal Agent upon the trusts herein expressed all the estates, properties, rights, powers and trusts of the retiring Fiscal Agent, and shall duly assign, transfer and deliver to such successor Fiscal Agent all property and money held by such retiring Fiscal Agent hereunder. Upon request of any such successor Fiscal Agent, the Governmental Lender shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Fiscal Agent all such estates, properties, rights, powers and trusts.

(b) No successor Fiscal Agent shall accept its appointment unless at the time of such acceptance such successor Fiscal Agent shall be qualified and eligible under this Article and shall meet the Minimum Fiscal Agent Rating Requirement set forth in Section 11.9 hereof.

Section 11.12. Merger, Conversion, Consolidation or Succession to Business. Any corporation into which the Fiscal Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Fiscal Agent shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Fiscal Agent, shall be the successor of the Fiscal Agent hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, to the extent operative, without the execution or filing of any paper or any further act on the part of any of the parties hereto. Notwithstanding the foregoing, any such successor Fiscal Agent shall cause Written Notice of such succession to be delivered to the Governmental Lender and Funding Lender within 30 days of such succession.

Section 11.13. Appointment of Co-Fiscal Agent. It is the purpose of this Funding Loan Agreement that there shall be no violation of any laws of any jurisdiction (including particularly the laws of the State) denying or restricting the right of banking corporations or associations to transact business as Fiscal Agent in such jurisdiction. It is recognized that in case of litigation under this Funding Loan Agreement, the Borrower Loan Agreement, any other Borrower Loan Document or the Regulatory Agreement, and in particular in case of the enforcement of any of them on default, or in case the Fiscal Agent deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Fiscal Agent or hold title to the properties, in trust, as herein provided, or take any other action which may be desirable or necessary in connection therewith, it may be

necessary that the Fiscal Agent appoint an additional individual or institution as a separate or co-fiscal agent. The following provisions of this Section are adopted to these ends:

The Fiscal Agent is hereby authorized to appoint an additional individual or institution as a separate or co-fiscal agent hereunder, upon Written Notice to the Governmental Lender, the Funding Lender and the Borrower, and with the consent of the Governmental Lender and the Funding Lender, but without the necessity of further authorization or consent, in which event each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Funding Loan Agreement, any Borrower Loan Document, the Regulatory Agreement or the Borrower Loan Agreement to be exercised by or vested in or conveyed to the Fiscal Agent with respect thereto shall be exercisable by and vest in such separate or co-fiscal agent but only to the extent necessary to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-fiscal agent shall run to and be enforceable by either of them.

Should any instrument in writing from the Governmental Lender be required by the separate fiscal agent or co-fiscal agent appointed by the Fiscal Agent for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request of the Fiscal Agent, be executed, acknowledged and delivered by the Governmental Lender. In case any separate fiscal agent or co-fiscal agent, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate fiscal agent or co-fiscal agent, so far as permitted by law, shall vest in and be exercised by the Fiscal Agent until the appointment of a successor to such separate fiscal agent or co-fiscal agent.

Section 11.14. No Recourse Against Officers or Employees of Fiscal Agent. No recourse with respect to any claim related to any obligation, duty or agreement contained in this Funding Loan Agreement or any other Funding Loan Document shall be had against any officer or employee, as such, of the Fiscal Agent, it being expressly understood that the obligations, duties and agreements of the Fiscal Agent contained in this Funding Loan Agreement and the other Funding Loan Documents are solely corporate in nature.

ARTICLE XII

MISCELLANEOUS

Section 12.1. Notices.

(a) All notices, consents, approvals and requests required or permitted hereunder or under any other Borrower Loan Document or Funding Loan Document (a "notice") shall be deemed to be given and made when delivered by hand, by recognized overnight delivery service, confirmed facsimile transmission (provided any telecopy or other electronic transmission received by any party after 4:00 p.m., local time, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day), or five (5) calendar days after deposited in the

United States mail, registered or certified, postage prepaid, with return receipt requested, addressed as follows:

If to the Governmental Lender:	Los Angeles Housing Department 8th Floor 1200 West 7th Street Los Angeles, CA 90017 Attention: Supervisor, Affordable Housing Bond Program Facsimile: (213) 808-8918
With a copy to:	Los Angeles Housing Department Post Office Box 532729 Los Angeles, CA 90053-2729 Facsimile: (213) 808-8606 Attention: Supervisor, Affordable Housing Bond Program
If to the Fiscal Agent:	[FISCAL AGENT] Attention: _____ Ref: LA MF (Banning 2013E) Telephone: (213) Facsimile: (213)
If to the Borrower:	Banning Villa Preservation Limited Partnership Attention: _____ Telephone: _____ Facsimile: _____
With a copy to:	Levy, Levy, Levy 900 Larkspur Landing Circle Suite 275 Larkspur, CA 94939 Attention: Paul Renno Telephone: (415) 461-4900 Facsimile: (415) 461-4994

With a copy to:	Union Bank 1901 Avenue of the Stars Suite 600 Los Angeles, CA 90067 Attention: Perica Bell Facsimile: (310) 551-8964 E-mail: perica.bell@unionbank.com
If to the Funding Lender:	Citibank, N.A. % Citi Community Capital Transaction Management Group 390 Greenwich Street, 2nd Floor New York, NY 10013 Attention: Desk Head Deal #[_____] Facsimile: (212) 723-8939 and Citibank, N.A. % Citi Community Capital Municipal Securities Division 325 East Hillcrest Drive, Suite 160 Thousand Oaks, CA 91360 Attention: Operations Manager/Asset Management Deal #[_____] Facsimile: (805) 557-0924
With a copy to:	Citibank, N.A. 787 W. Fifth Street, 29th Floor Los Angeles, CA 90071 Attention: Account Specialist Deal #[_____] Facsimile: (213) 624-3380
And a copy of any notices of default sent to:	Citigroup, Inc. Citi Community Capital Municipal Securities Division 388 Greenwich Street New York, NY 10013 Attention: General Counsel's Office Deal #[_____] Facsimile: (212) 723-8939

If to the Governmental Lender Noteholder Representative: Citibank, N.A.
787 W. Fifth Street, 29th Floor
Los Angeles, CA 90071
Attention: Account Specialist
Deal #[_____]
Facsimile: (213) 624-3380

If to the Rating Agency: Standard & Poor's Rating Services
55 Water Street, 38th Floor
New York, NY 10041
Attention: Public Finance Surveillance Group
Email: pubfin_structured@standardandpoors.com

Any such notice, demand, request or communication shall be deemed to have been given and received for all purposes under this Funding Loan Agreement: (i) three Business Days after the same is deposited in any official depository or receptacle of the United States Postal Service first class, or, if applicable, certified mail, return receipt requested, postage prepaid; (ii) on the date of transmission when delivered by telecopier or facsimile transmission, telex, telegraph or other telecommunication device, provided any telecopy or other electronic transmission received by any party after 4:00 p.m., local time, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day; (iii) on the next Business Day after the same is deposited with a nationally recognized overnight delivery service that guarantees overnight delivery; and (iv) on the date of actual delivery to such party by any other shall mean; provided, however, if the day such notice, demand, request or communication shall be deemed to have been given and received as aforesaid is not a Business Day, such notice, demand, request or communication shall be deemed to have been given and received on the next Business Day. Any facsimile signature by a Person on a document, notice, demand, request or communication required or permitted by this Funding Loan Agreement shall constitute a legal, valid and binding execution thereof by such Person.

Any notice given pursuant to Sections 3.2, 9.1(c), 9.2, 9.9, 11.3, 11.10, 11.11, 11.12, 11.13, shall be simultaneously given to the Rating Agency, if and so long as the Bonds are rated.

Any party to this Funding Loan Agreement may change such party's address for the purpose of notice, demands, requests and communications required or permitted under this Funding Loan Agreement by providing written notice of such change of address to all of the parties by written notice as provided herein.

Section 12.2. Term of Funding Loan Agreement. This Funding Loan Agreement shall be in full force and effect until all payment obligations of the Governmental Lender hereunder have been paid in full and the Funding Loan has been retired or the payment thereof has been provided for; except that on and after payment in full of the Governmental Lender Note, this Funding Loan Agreement shall be terminated, without further action by the parties hereto.

Section 12.3. Successors and Assigns. All covenants and agreements in this Funding Loan Agreement by the Governmental Lender shall bind its successors and assigns, whether so expressed or not.

Section 12.4. Legal Holidays. In any case in which the date of payment of any amount due hereunder or the date on which any other act is to be performed pursuant to this Funding Loan Agreement shall be a day that is not a Business Day, then payment of such amount or such act need not be made on such date but may be made on the next succeeding Business Day, and such later payment or such act shall have the same force and effect as if made on the date of payment or the date fixed for prepayment or the date fixed for such act, and no additional interest shall accrue for the period from and after such date and prior to the date of payment.

Section 12.5. Governing Law. This Funding Loan Agreement shall be governed by and shall be enforceable in accordance with the laws of the State.

Section 12.6. Invalidity, Illegality or Unenforceability of Provisions. If any provision of this Funding Loan Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions shall not in any way be affected or impaired. In case any covenant, stipulation, obligation or agreement contained in the Governmental Lender Note or in this Funding Loan Agreement shall for any reason be held to be usurious or in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Governmental Lender or the Funding Lender only to the full extent permitted by law.

Section 12.7. Execution in Several Counterparts. This Funding Loan Agreement may be contemporaneously executed in several counterparts, all of which shall constitute one and the same instrument and each of which shall be, and shall be deemed to be, an original.

Section 12.8. Nonrecourse Obligation of the Borrower. Except as otherwise provided in the Borrower Loan Agreement, any obligations of the Borrower under this Funding Loan Agreement or other provisions of the Borrower Loan Agreement are without recourse to the Borrower or to the Borrower's partners or members, as the case may be, and the provisions of Section 8.10 of the Borrower Loan Agreement are by this reference incorporated herein.

Section 12.9. Waiver of Trial by Jury. TO THE MAXIMUM EXTENT PERMITTED UNDER APPLICABLE LAW, EACH OF BORROWER AND THE BENEFICIARY PARTIES (EXCEPT THE GOVERNMENTAL LENDER) (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS FUNDING LOAN AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

IF FOR ANY REASON THIS WAIVER IS DETERMINED TO BE UNENFORCEABLE, ALL DISPUTES WILL BE RESOLVED BY JUDICIAL REFERENCE

PURSUANT TO THE PROCEDURES SET FORTH IN EXHIBIT D OF THE BORROWER LOAN AGREEMENT.

Section 12.10. Electronic Transactions. The transactions described in this Funding Loan Agreement may be conducted and related documents and may be stored by electronic shall mean. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 12.11. Nondiscrimination and Affirmative Action. The Fiscal Agent shall comply with the applicable nondiscrimination and affirmative action provisions of the laws of the United States of America, the State of California, and the City of Los Angeles, California (the "City"). Fiscal Agent shall not discriminate in its employment practices against any employee or applicant for employment denial of family and medical care leave; denial of pregnancy disability leave or reasonable accommodations against any employee or applicant for employment because of such person's race, ancestry, color, citizenship, national origin, religion, sex, sexual orientation, gender identity/expression, age, marital status, familial status, domestic partner status, physical handicap, mental disability, medical condition, political affiliation or belief. The Fiscal Agent shall comply with Executive Order 11246, entitled "Equal Employment Opportunity", as amended by Executive Order 11375, and as supplemented in Department of Labor regulations (41 CRF Part 60). The Fiscal Agent shall comply with the provisions of the Los Angeles Administrative Code Sections 10.8 through 10.13, to the extent applicable hereto. The affirmative action program of the Fiscal Agent shall include the mandatory contract provisions set forth in the Los Angeles Administrative Code Section 10.8.4, and said provisions are incorporated herein by this reference. The Fiscal Agent shall also comply with all rules, regulations, and policies of the City's Board of Public Works, Office of Contract Compliance relating to nondiscrimination and affirmative action, including the filing of all forms required by the City. Any subcontract entered into by the Fiscal Agent relating to this Funding Loan Agreement, to the extent allowed hereunder, shall be subject to the provisions of this section. No person shall on the grounds of race, ancestry, color, citizenship, national origin, religion, sex, sexual orientation, gender identity/expression, age, marital status, familial status, domestic partner status, physical handicap, mental disability, medical condition, political affiliation or belief be excluded from participation in, be denied the benefit of, or be subjected to discrimination under this Funding Loan Agreement. For purposes of this Section, Title 24 Code of Federal Regulations Part 107 and Section 570.601(b) defines specific discriminatory actions that are prohibited and corrective action that shall be taken in a situation as defined therein.

Section 12.12. Business Tax Registration Certificate. Subject to any exemption available to it, the Fiscal Agent represents that it has obtained or will obtain the Business Tax Registration Certificate(s) required by the City of Los Angeles' Business Tax Ordinance (Article 1, Chapter 2, Section 21.00 and following, of the Los Angeles Municipal Code). For the term covered by this Funding Loan Agreement, the Fiscal Agent shall maintain, or obtain as necessary, all such Business Tax Registration Certificates required of it under said Ordinance and shall not allow any such Business Tax Registration Certificate to be revoked or suspended.

Section 12.13. Child Support Assignment Orders. This Funding Loan Agreement is subject to Section 10.10 of the Los Angeles Administrative Code, Child Support Assignment Orders Ordinance. Pursuant to this Ordinance, the Fiscal Agent certifies that (1) it will fully comply with all State and Federal employment reporting requirements applicable to Child Support Assignment Orders; (2) it will fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code Section 5230 et seq.; and (3) it will maintain such compliance throughout the term of this Funding Loan Agreement. Pursuant to Section 10.10.b of the Los Angeles Administrative Code, failure of the Fiscal Agent to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment Orders and Notices of Assignment or the failure of any principal owner(s) of the Fiscal Agent to comply with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally shall subject the Fiscal Agent to termination under this Funding Loan Agreement where, in either case, such failure shall continue for more than 90 days after notice of such failure to the Fiscal Agent by the Governmental Lender. Any subcontract entered into by the Fiscal Agent relating to this Funding Loan Agreement, to the extent allowed hereunder, shall be subject to the provisions of this paragraph and shall incorporate the provisions of the Child Support Assignment Orders Ordinance. Failure of the Fiscal Agent to obtain compliance of its subcontractors shall subject the Fiscal Agent to termination under this Funding Loan Agreement where such failure shall continue for more than 90 days after notice of such failure to the Fiscal Agent by the Governmental Lender.

The Fiscal Agent shall comply with the Child Support Compliance Act of 1998 of the State of California Employment Development Department. The Fiscal Agent hereby affirms that to the best of its knowledge it is fully complying with the earnings assignment orders of all employees, and is providing the names of all new employees to the New Hire Registry maintained by the Employment Development Department as set forth in subdivision (1) of Section 7110 of the Public Contract Code.

Section 12.14. Americans with Disabilities Act. The Fiscal Agent hereby certifies that it will comply with the Americans with Disabilities Act 42, U.S.C. Section 12101 et seq., and its implementing regulations and the American Disabilities Act Amendments Act ("ADAAA") Pub. L. 110-325 and all subsequent amendments (the "ADA"). The Fiscal Agent will provide reasonable accommodations to allow qualified individuals with disabilities to have access to and to participate in its programs, services and activities in accordance with the provisions of the ADA. In addition, the Fiscal Agent will not discriminate against persons with disabilities nor against persons due to their relationship to or association with a person with a disability. Any subcontract entered into by the Fiscal Agent, relating to this Funding Loan Agreement, to the extent allowed hereunder, shall be subject to the provisions of this section.

Section 12.15. FHA Federal Laws and Requirements Control. Notwithstanding anything in this Funding Loan Agreement or the Borrower Loan Agreement to the contrary:

(a) Borrower, Fiscal Agent and Governmental Lender acknowledge that this Funding Loan Agreement, and any obligations of Borrower hereunder, are subject and subordinate to the FHA Loan Documents. Notwithstanding any provision in this Funding Loan Agreement to the contrary, no obligations of the Borrower or hereunder shall be

payable except from (A) Surplus Cash (as defined in the HUD Regulatory Agreement) or (B) funds that are not derived from revenues of the Project (as defined in the FHA Mortgage), any proceeds of the FHA Note, any reserve or deposit made with the FHA Lender or any other party as required by HUD in connection with the FHA Loan Documents (collectively, "Non-Project Sources"). No claims or actions shall be made (or payable) under this Indenture against the Project, the FHA Lender, the proceeds of the FHA Note, or the assets of the Borrower, except for Surplus Cash of the Borrower. In addition, the rights and obligations of the parties under this Funding Loan Agreement and all other documents evidencing, implementing, or securing this Funding Loan Agreement (collectively, the "Subordinate Bond Documents") are and shall be subordinated in all respects rights and obligations of the parties to and under the FHA Loan Documents. In the event of any conflict between the provisions of (i) this Funding Loan Agreement or the Subordinate Bond Documents and (ii) the provisions of the FHA Loan Documents or the Program Obligations (as defined in the FHA Mortgage), the provisions of the FHA Loan Documents or the Program Obligations shall control. The provisions of this Section 12.14 shall control over any inconsistent provisions in this Funding Lender or the Subordinate Bond Documents.

(b) Any subsequent amendment to this Funding Loan Agreement or the Borrower Loan Agreement is subject to prior written approval of HUD (so long as the Project is subject to a mortgage insured or held by HUD). No amendment to this Funding Loan Agreement or the Borrower Loan Agreement shall conflict with the provisions of the Program Obligations.

(c) The Governmental Lender Note is not a debt of the United States of America, HUD, FHA, GNMA or any other agency or instrumentality of the federal government, and are not guaranteed by the full faith and credit of the United States or any agency or instrumentality thereof.

(d) There is no pledge hereunder or under the Borrower Loan Agreement of the gross revenues or any of the assets of the Project.

(e) Neither a default under this Funding Loan Agreement nor under the Borrower Loan Agreement shall constitute a default under the Borrower Loan Documents related to the Project.

(f) Nothing contained herein or in the Borrower Loan Agreement shall inhibit or impair the right of FHA to require or agree to any amendment, change or modification of any FHA Loan Documents related to the Project for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision contained therein, or in regard to matters or questions arising under said FHA Loan Documents so long as any such amendment, change or modification shall not adversely affect the payment terms of the Governmental Lender Note.

(g) Neither the Governmental Lender Note, the Fiscal Agent, nor any of the Holders has or shall be entitled to assert any claim against the Project, any reserves or

deposits required by HUD in connection with the Project, or the rents or deposits or other income of the Project.

(h) Proceeds from any condemnation award or from the payment of a claim under any hazard insurance policy relating to the Project will not be payable to the Fiscal Agent, but will be payable in accordance with the Borrower Loan Documents.

Section 12.16. Reference Date. This Funding Loan Agreement is dated for reference purposes only as of May 1, 2013.

IN WITNESS WHEREOF, the Funding Lender, the Fiscal Agent and the Governmental Lender have caused this Funding Loan Agreement to be duly executed as of the date first written above.

CITIBANK, N.A.

By: _____
Authorized Signatory

[FISCAL AGENT], as Fiscal Agent

By: _____
Name: _____
Title: _____

CITY OF LOS ANGELES, as Governmental Lender

By Los Angeles Housing Department

By: _____
Name: Helmi A. Hisserich
Title: Assistant General Manager

Approved as to form:

Carmen A. Trutanich, City Attorney:

By:_____
Deputy/Assistant City Attorney

EXHIBIT A

FORM OF GOVERNMENTAL LENDER NOTE

THIS GOVERNMENTAL LENDER NOTE IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE FUNDING LOAN AGREEMENT.

CITY OF LOS ANGELES
MULTIFAMILY COLLATERALIZED REVENUE NOTE
(BANNING VILLA SENIOR APARTMENTS)
SERIES 2013E

$10,100,000 **[_____], 2013**

FOR VALUE RECEIVED, the undersigned CITY OF LOS ANGELES ("Obligor"), a municipal corporation and charter city of the State of California (the "State"), promises to pay to the order of CITIBANK, N.A. (together with its successors and assigns, "Holder"), solely from amounts pledged therefor under the below-defined Funding Loan Agreement, the maximum principal sum of TEN MILLION ONE HUNDRED THOUSAND DOLLARS ($10,100,000), on [_____] or earlier as provided herein, together with interest thereon at the rates, at the times and in the amounts provided below.

Obligor shall pay to the Holder on or before each date on which payment is due under that certain Funding Loan Agreement, dated as of May 1, 2013 (the "Funding Loan Agreement"), among Obligor, [FISCAL AGENT], as fiscal agent (the "Fiscal Agent"), and Holder, an amount in immediately available funds sufficient to pay the principal amount of and Prepayment Premium, if any, on the Funding Loan then due and payable, whether by maturity, acceleration, prepayment or otherwise. In the event that amounts derived from proceeds of the Borrower Loan, condemnation awards or insurance proceeds or investment earnings thereon are applied to the payment of principal due on the Funding Loan in accordance with the Funding Loan Agreement, the principal amount due hereunder shall be reduced to the extent of the principal amount of the Funding Loan so paid. Capitalized terms not otherwise defined herein shall have the meaning assigned in the Funding Loan Agreement or the Borrower Loan Agreement (as defined below).

Obligor shall pay to the Holder on or before each date on which interest on the Funding Loan is payable interest on the unpaid balance hereof in an amount in immediately available funds sufficient to pay the interest on the Funding Loan then due and payable in the amounts and at the rate or rates set forth in the Funding Loan Agreement.

The Funding Loan and this Governmental Lender Note are pass-through obligations relating to a construction and permanent loan (the "Borrower Loan") made by Obligor from proceeds of the Funding Loan to Banning Villa Preservation Limited Partnership, a California limited partnership, as borrower (the "Borrower"), under that certain Borrower Loan Agreement, dated as of May 1, 2013 (as the same may be modified, amended or supplemented from time to time, the "Borrower Loan Agreement"), between the Obligor and the Borrower, evidenced by the Borrower Note (as defined in the Borrower Loan Agreement). Reference is made to the

Borrower Loan Agreement and to the Borrower Note for complete payment and prepayment terms of the Borrower Note, payments on which are passed-through under the Governmental Lender Note.

This Governmental Lender Note is a limited obligation of the Obligor, payable solely from the Pledged Revenues and other funds and moneys and Security pledged and assigned under the Funding Loan Agreement. **THIS GOVERNMENTAL LENDER NOTE SHALL NOT BE A DEBT OR AN OBLIGATION, EITHER GENERAL OR SPECIAL, OF THE OBLIGOR, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE OBLIGOR, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON. NEITHER THE FAITH, REVENUES, CREDIT NOR TAXING POWER OF THE OBLIGOR, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY), OR INTEREST ON THIS GOVERNMENTAL LENDER NOTE. THIS GOVERNMENTAL LENDER NOTE IS PAYABLE, AS TO PRINCIPAL, PREMIUM (IF ANY), AND INTEREST, SOLELY OUT OF THE PLEDGED REVENUES AND THE SECURITY WHICH IS THE SOLE ASSET OF THE OBLIGOR PLEDGED THEREFOR, AND THEN ONLY TO THE EXTENT PROVIDED IN THE FUNDING LOAN AGREEMENT. NEITHER THE MEMBERS OF THE CITY COUNCIL OF THE OBLIGOR NOR ANY PERSONS EXECUTING THIS NOTE SHALL BE LIABLE PERSONALLY ON THIS NOTE BY REASON OF THE ISSUANCE HEREOF.**

THIS GOVERNMENTAL LENDER NOTE HAS BEEN ISSUED PURSUANT TO THE LAW AND IN ACCORDANCE WITH THE ACT.

NO MEMBER, OFFICER, AGENT, EMPLOYEE OR ATTORNEY OF THE OBLIGOR, INCLUDING ANY INDIVIDUAL EXECUTING THE FUNDING LOAN AGREEMENT OR THIS NOTE, SHALL BE LIABLE PERSONALLY ON THIS GOVERNMENTAL LENDER NOTE OR FOR ANY REASON RELATING TO THE ISSUANCE OF THIS GOVERNMENTAL LENDER NOTE. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THIS GOVERNMENTAL LENDER NOTE, OR FOR ANY CLAIM BASED ON THIS GOVERNMENTAL LENDER NOTE, OR OTHERWISE IN RESPECT OF THIS GOVERNMENTAL LENDER NOTE, OR BASED ON OR IN RESPECT OF THE FUNDING LOAN AGREEMENT OR ANY SUPPLEMENT THERETO, AGAINST ANY MEMBER, OFFICER, EMPLOYEE OR AGENT, AS SUCH, OF THE OBLIGOR OR ANY SUCCESSOR, WHETHER BY VIRTUE OF ANY CONSTITUTION, STATUTE OR RULE OF LAW, OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, ALL SUCH LIABILITY BEING, BY THE ACCEPTANCE OF THIS NOTE AND AS PART OF THE CONSIDERATION FOR THE ISSUE OF THIS GOVERNMENTAL LENDER NOTE, EXPRESSLY WAIVED AND RELEASED.

All capitalized terms used but not defined herein shall have the meanings ascribed to them in the Funding Loan Agreement or in the Borrower Loan Agreement.

This Governmental Lender Note is subject to the express condition that at no time shall interest be payable on this Governmental Lender Note or the Funding Loan Agreement at a rate in excess of the Maximum Rate; and Obligor shall not be obligated or required to pay, nor shall the Holder be permitted to charge or collect, interest at a rate in excess of such Maximum Rate. If by the terms of this Governmental Lender Note or of the Funding Loan Agreement, Obligor is required to pay interest at a rate in excess of such Maximum Rate, the rate of interest hereunder or thereunder shall be deemed to be reduced immediately and automatically to such Maximum Rate, and any such excess payment previously made shall be immediately and automatically applied to the unpaid balance of the principal sum hereof and not to the payment of interest.

Amounts payable hereunder representing late payments, penalty payments or the like shall be payable to the extent allowed by law.

This Governmental Lender Note is subject to all of the terms, conditions, and provisions of the Funding Loan Agreement, including those respecting prepayment and the acceleration of maturity.

The rights and remedies of the Holder hereof during the occurrence of a default are as set forth in the Funding Loan Agreement. All of the covenants, conditions and agreements contained in the Funding Loan Documents are hereby made part of this Governmental Lender Note.

No delay or omission on the part of the Holder in exercising any remedy, right or option under this Governmental Lender Note or the Funding Loan Documents shall operate as a waiver of such remedy, right or option. In any event a waiver on any one occasion shall not be construed as a waiver or bar to any such remedy, right or option on a future occasion. The rights, remedies and options of the Holder under this Governmental Lender Note and the Funding Loan Documents are and shall be cumulative and are in addition to all of the rights, remedies and options of the Holder at law or in equity or under any other agreement.

Subject to the limits on liability set forth herein and in the Funding Loan Agreement, and solely from the collateral pledged therefor, Obligor shall pay all costs of collection on demand by the Holder, including without limitation, reasonable attorneys' fees and disbursements, which costs may be added to the indebtedness hereunder, together with interest thereon, to the extent allowed by law, as set forth in the Funding Loan Agreement.

The transfer of this Governmental Lender Note is subject to certain restrictions as provided in the Funding Loan Agreement and described below and to registration by the holder in person or by the holder's attorney hereof upon surrender of this Governmental Lender Note at the principal corporate trust office of the Fiscal Agent, duly endorsed or accompanied by a written instrument or instruments of transfer in form satisfactory to the Fiscal Agent and executed and with guaranty of signature by the holder hereof or his, her or its attorney duly authorized in writing, containing written instructions as to the details of the registration of the transfer of this Governmental Lender Note. Thereupon the Obligor shall execute (if necessary) and the Fiscal Agent shall authenticate and deliver in the name of the transferee or transferees (but not registered in blank or to "bearer" or a similar designation), a new Governmental Lender Note.

BY ITS ACQUISITION HEREOF, THE HOLDER OF THIS GOVERNMENTAL LENDER NOTE AGREES (A) THAT IT HAS EXECUTED AN INVESTOR LETTER IN SUBSTANTIALLY THE FORM REQUIRED BY THE FUNDING LOAN AGREEMENT AND THAT IT WILL NOT SELL OR OTHERWISE TRANSFER THIS GOVERNMENTAL LENDER NOTE EXCEPT AS PROVIDED IN THE FUNDING LOAN AGREEMENT, AND (B) THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS GOVERNMENTAL LENDER NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

This Governmental Lender Note may not be changed orally. Presentment for payment, notice of dishonor, protest and notice of protest are hereby waived. The acceptance by the Holder of any amount after the same is due shall not constitute a waiver of the right to require prompt payment, when due, of all other amounts due hereunder. The acceptance by the Holder of any sum in an amount less than the amount then due shall be deemed an acceptance on account only and upon condition that such acceptance shall not constitute a waiver of the obligation of Obligor to pay the entire sum then due, and Obligor's failure to pay such amount then due shall be and continue to be a default notwithstanding such acceptance of such amount on account, as aforesaid. Consent by the Holder to any action of Obligor which is subject to consent or approval of the Holder hereunder shall not be deemed a waiver of the right to require such consent or approval to future or successive actions.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Governmental Lender Note or caused this Governmental Lender Note to be duly executed and delivered by its authorized representative as of the date first set forth above.

OBLIGOR:

CITY OF LOS ANGELES

(SEAL)

_____
City Treasurer

By _____
Mayor

CERTIFICATE OF AUTHENTICATION

This Governmental Lender Note is the Governmental Lender Note described in the within mentioned Funding Loan Agreement.

Date of Authentication: _____

[FISCAL AGENT], as Fiscal Agent

By _____
Name _____
Title _____

EXHIBIT B

FORM OF INVESTOR LETTER

_____ __, 20__

City of Los Angeles
Los Angeles, California

[FISCAL AGENT]
Los Angeles, California

Re: Loan in the Maximum Amount of $10,100,000 from CITIBANK, N.A. to the CITY OF LOS ANGELES (the "Governmental Lender") under a Funding Loan Agreement dated as of May 1, 2013 (the "Funding Loan Agreement") among the Funding Lender, [FISCAL AGENT], as fiscal agent (the "Fiscal Agent") and the Governmental Lender (the "Funding Loan")

Ladies and Gentlemen:

The undersigned, as holder (the "Holder") of the above referenced funding loan (the "Funding Loan") originated under a Funding Loan Agreement dated as of May 1, 2013 (the "Funding Loan Agreement") among the City of Los Angeles (the "Governmental Lender"), [FISCAL AGENT], as fiscal agent (the "Fiscal Agent") and Citibank, N.A., as funding lender and represented by that Governmental Lender Note issued under the Funding Loan Agreement, hereby represents that:

1. The Holder has sufficient knowledge and experience in financial and business matters with respect to the evaluation of residential real estate developments such as the Project to be able to evaluate the risk and merits of the investment represented by the Funding Loan. We are able to bear the economic risks of such investment.

2. The Holder acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and the Holder has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Governmental Lender, the Project, the Borrower, the use of proceeds of the Funding Loan and the Funding Loan, the Governmental Lender Note and the security therefor so that, as a reasonable investor, the Holder has been able to make its decision to extend the Funding Loan and acquire the Governmental Lender Note. The Holder acknowledges that it has not relied upon the addressees hereof for any information in connection with the Holder's purchase of the Governmental Lender Note.

3. The Holder acknowledges that it is purchasing the Governmental Lender Note for investment for its own account and not with a present view toward resale or the distribution thereof, in that it does not now intend to resell or otherwise dispose of all or any part of its interests in the Governmental Lender Note; provided, however, that the Holder may sell or transfer the Governmental Lender Note in whole or any participation interests in the

Governmental Lender Note, in each case only in Authorized Denominations, subject to, except as otherwise provided in the Funding Loan Agreement, including, as applicable, delivery to the Governmental Lender and the Fiscal Agent of an investor letter from the transferee in substantially the same substance as this Investor Letter with no revisions except as may be approved in writing by the Governmental Lender. The Holder shall not sell or transfer the Governmental Lender Note or any interest therein to a party related to or affiliated with the Borrower or any general partner, limited partner or member of the Borrower without the prior written consent of the Governmental Lender.

4. The Holder understands that the Governmental Lender Note is a limited obligation of the Governmental Lender, payable solely from funds and moneys pledged and assigned under the Funding Loan Agreement, and that the liabilities and obligations of the Governmental Lender with respect to the Governmental Lender Note are expressly limited as set forth in the Funding Loan Agreement and related documents.

5. The Holder hereby waives the requirement of any "due diligence investigation or inquiry" by the Governmental Lender, by each employee of the Governmental Lender, by each member of the City Council of the Governmental Lender, and by counsel to the Governmental Lender, the Fiscal Agent, counsel to the Fiscal Agent and Tax Counsel in connection with the authorization, execution and delivery of the Governmental Lender Note and the Holder's purchase of the Governmental Lender Note, other than, in the case of counsel, such professional due diligence normally and customarily required for such counsel to deliver any opinion delivered by it in connection with the issuance of the Governmental Lender Note. The Holder recognizes and agrees that the Governmental Lender, each employee of the Governmental Lender, each member of the City Council of the Governmental Lender, counsel to the Governmental Lender, the Fiscal Agent, counsel to the Fiscal Agent and Tax Counsel have made no representations or statements (expressed or implied) with respect to the accuracy or completeness of any of the materials reviewed by the Holder in connection with the Holder's purchase of the Governmental Lender Note. In making an investment decision, the Holder is relying upon its own examination of the Governmental Lender, the Borrower, the Project and the terms of the Governmental Lender Note.

6. The Holder understands that (a) the Governmental Lender Note has not been registered with any federal or state securities agency or commission, and (b) no credit rating has been sought or obtained with respect to the Governmental Lender Note, and the Holder acknowledges that the Governmental Lender Note is a speculative investment and that there is a high degree of risk in such investment.

7. The Holder acknowledges that the Governmental Lender Note is a limited obligation of the Governmental Lender, payable solely from amounts provided by or at the direction of the Borrower, and is not an obligation payable from the general revenues or other funds of the Governmental Lender, the State of California or any other political subdivision of the State of California. The Holder acknowledges that the Governmental Lender is issuing the Governmental Lender Note on a conduit, nonrecourse basis, and has no continuing obligations with respect thereto except as expressly set forth in the Funding Loan Agreement.

8. The Holder agrees to indemnify and hold harmless the Governmental Lender, its officers, employees and agents and the members of the governing board of the Governmental Lender, past, present and future, with respect to any claim asserted against any of them that is based upon the Holder's sale, transfer or other disposition of its interest in the Funding Loan in violation of the provisions hereof or of the Funding Loan Agreement or any inaccuracy in any statement made by the Holder in this letter.

9. Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Funding Loan Agreement.

[Signature Page to Investor Letter]

CITIBANK, N.A., as Holder

By _____
Name _____
Its _____

EXHIBIT C

FORM OF WRITTEN REQUISITION
(Project Fund)

Draw #_____

[FISCAL AGENT]
Attention: Global Corporate Trust Services

Re: City of Los Angeles Multifamily Collateralized Revenue Note (Banning Villa Senior Apartments), Series 2013E dated [_____], 2013

This requisition is being delivered to you in accordance with the Funding Loan Agreement dated as of May 1, 2013 (the "Funding Loan Agreement") among Citibank, N.A. (the "Funding Lender"), the City of Los Angeles (the "Governmental Lender") and [FISCAL AGENT], as fiscal agent (the "Fiscal Agent") pursuant to which the above-referenced note (the "Governmental Lender Note") was issued. Capitalized terms not defined herein shall have the meanings assigned thereto in the Funding Loan Agreement.

1. You are requested to disburse funds in the amount of $_____ from the Note Proceeds Account of the Project Fund as Draw #_____ pursuant to Section 7.7 of the Funding Loan Agreement in the amount(s), to the person(s) and for the purpose(s) set forth on Schedule I attached hereto and incorporated herein by reference.

2. The undersigned certifies that:

(i) there has been received no notice (a) of any lien, right to lien or attachment upon, or claim affecting the right of the payee to receive payment of, any of the moneys payable under such requisition to any of the persons, firms or corporations named therein, and (b) that any materials, supplies or equipment covered by such requisition are subject to any lien or security interest, or if any notice of any such lien, attachment, claim or security interest has been received, such lien, attachment, claim or security interest has been released, discharged, insured or bonded over or will be released, discharged, insured or bonded over upon payment of the requisition;

(ii) this Requisition contains no items representing payment on account of any percentage entitled to be retained at the date of the certificate;

(iii) the obligation stated on this Requisition has been incurred in or about the acquisition, construction, rehabilitation or equipping of the Project, each item is a proper charge against the Project Fund, and the obligation has not been the basis for a prior requisition that has been paid;

(iv) this Requisition contains no items representing any Closing Costs or any other amount constituting an issuance cost under Section 147(g) of the Code and payment of the costs referenced herein will not violate any representation, warranty or covenant of

the Borrower in the Borrower Loan Agreement, the Regulatory Agreement or the Tax Certificate;

(v) not less than 95% of the sum of: (a) the amounts requisitioned by this Requisition to be funded from the Note Proceeds Account of the Project Fund plus (b) all amounts previously disbursed from the Note Proceeds Account of the Project Fund have been or will be applied by the Borrower to pay Qualified Project Costs (as defined in the Regulatory Agreement);

(vi) the Borrower acknowledges that fees, charges or profits (including, without limitation, developer fees) payable to the Borrower or a "related person" (within the meaning of Section 144(a)(3) of the Code) are not deemed to be Qualified Project Costs; and

(vii) as of the date hereof, no event or condition has happened or is happening or exists that constitutes, or that with notice or lapse of time or both, would constitute, an Event of Default under the Funding Loan Agreement or under the Borrower Loan Agreement.

Dated: _____, 20___

BANNING VILLA PRESERVATION LIMITED PARTNERSHIP, a California limited partnership

By: _____

[For Requisitions from Note Proceeds Account]

Approved by Funding Lender:

CITIBANK, N.A.

By: _____
Title: _____
Date: _____

[For all Requisitions]

Approved by the Governmental Lender:

For Governmental Lender consent requirements,
see Section 7.7 of the Funding Loan Agreement

CITY OF LOS ANGELES

By: _____
Name: _____
Title: _____

Date: _____

EXHIBIT D

CLOSING COSTS REQUISITION

[FISCAL AGENT]

Attention: Global Corporate Trust Services

Re: City of Los Angeles Multifamily Collateralized Revenue Note (Banning Villa Senior Apartments), Series 2013E dated [_____], 2013

The undersigned, an Authorized Representative of Banning Villa Preservation Limited Partnership, a California limited partnership (the "Borrower"), hereby certifies to you that he/she is authorized and empowered to submit this requisition to you and that attached hereto as Schedule "A" is a schedule of issuance costs incurred in connection with the closing of the funding loan evidenced by the above described Governmental Lender Note (the "Governmental Lender Note"), including the names and addresses of the payees and the specific amounts payable to each such payee, and that to the best of the undersigned's information and belief, such amounts are true and correct.

This requisition is being delivered to you in accordance with the Funding Loan Agreement dated as of May 1, 2013 (the "Funding Loan Agreement") among Citibank, N.A. (the "Funding Lender"), the City of Los Angeles (the "Governmental Lender") and [FISCAL AGENT], as Fiscal Agent pursuant to which the Governmental Lender Note was issued and delivered. You are hereby instructed to withdraw from the Closing Costs Fund created under the Funding Loan Agreement the amounts shown across from each payee listed on Schedule "A" hereto and pay such amounts to each such payee by wire transfer or by such other shall mean as is acceptable to you and any such payee.

Very truly yours,

BANNING VILLA PRESERVATION LIMITED PARTNERSHIP

By: _____
Name: _____

Date: _____

Approved by Funding Lender:

CITIBANK, N.A.

By: _____
Title: _____

Date: _____

Approved by the Governmental Lender:

CITY OF LOS ANGELES

By: _____
Name: _____
Title: _____

Date: _____

SCHEDULE "A"

Note:	$10,100,000 City of Los Angeles Multifamily Collateralized Revenue Note (Banning Villa Senior Apartments), Series 2013E dated [_____], 2013
Payee:	
Amount:	
Method of Payment:	
Description of Expense:	

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

KUTAK ROCK LLP
1650 FARNAM STREET
OMAHA, NE 68102
ATTENTION: J. TOGER SWANSON, ESQ

REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

by and among

CITY OF LOS ANGELES,
as Governmental Lender

and

[FISCAL AGENT],
as Fiscal Agent

and

BANNING VILLA PRESERVATION LIMITED PARTNERSHIP
as Borrower

relating to

$10,100,000
City of Los Angeles
Multifamily Collateralized Revenue Note
(Banning Villa Senior Apartments)
Series 2013E

Dated as of [_____ 1, 2013]

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REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (this "Agreement" or this "Regulatory Agreement") is made and entered into as of [_____ 1, 2013] by and among the **CITY OF LOS ANGELES**, a charter city and municipal corporation in the State of California (together with any successor to its rights, duties and obligations, the "Governmental Lender" or the "City"), **[FISCAL AGENT]**, a national banking association in its capacity as fiscal agent (the "Fiscal Agent") under the Funding Loan Agreement dated as of [_____ 1, 2013] (the "Funding Loan Agreement") by and among the Governmental Lender, Citibank, N.A. as Funding Lender and the Fiscal Agent, with an office in Los Angeles, California, and **BANNING VILLA PRESERVATION LIMITED PARTNERSHIP**, a California limited partnership (the "Borrower").

W I T N E S S E T H :

WHEREAS, pursuant to Section 248 of the City Charter of the Governmental Lender and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code, as amended (collectively, the "Law"), and in accordance with Chapter 7 of Part 5 of Division 31 (commencing with Section 52075) of the Health and Safety Code of the State of California, as amended (the "Act"), the Governmental Lender is empowered to issue notes and other evidence of indebtedness to finance the acquisition, rehabilitation and equipping of multifamily rental housing; and

WHEREAS, on January 11, 2013, the Governmental Lender indicated its intent to provide for the issuance of revenue bonds to finance a portion of the acquisition, rehabilitation and equipping of Banning Villa Apartments, a multifamily residential rental housing project located in the City of Los Angeles at 1100 North Banning Boulevard, Los Angeles, California, on the site more particularly described in Exhibit A hereto (the "Project") and the City Council subsequently adopted a resolution (the "Resolution") authorizing the issuance of a note for such purpose; and

WHEREAS, in furtherance of the purposes of the Law, the Act and the Resolution, and as a part of the Governmental Lender's program of financing housing, the Governmental Lender has issued $10,100,000 maximum principal amount of its Multifamily Collateralized Revenue Note (Banning Villa Senior Apartments) Series 2013E (the "Note") the proceeds of which will be used to fund a loan (the "Loan") to the Borrower to finance the acquisition, rehabilitation and equipping of the Project; and

WHEREAS, in order for interest on the Note to be excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"), and the income tax regulations (the "Regulations") and rulings with respect to the Code, and in order to comply with the Law, the Act and the policies with respect to the Governmental Lender's housing program, the use and operation of the Project must be restricted in certain respects; and

WHEREAS, the Governmental Lender, the Fiscal Agent and the Borrower have determined to enter into this Regulatory Agreement in order to set forth certain terms and

conditions relating to the acquisition, rehabilitation and equipping of the Project and in order to ensure that the Project will be used and operated in accordance with the Code, the Law, the Act and the additional requirements of the Governmental Lender;

NOW, THEREFORE, in consideration of the mutual covenants and undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the Governmental Lender, the Fiscal Agent and the Borrower hereby agree as follows:

Section 1. Definitions and Interpretation. Terms not otherwise defined herein shall have the meanings assigned thereto in the Funding Loan Agreement or Loan Agreement, as applicable. The following terms shall have the respective meanings assigned to them in this Section 1 unless the context in which they are used clearly requires otherwise:

"*Act*" means Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California, as the same may be amended from time to time (but only to the extent any such amendments, by their terms or by appropriate election of the Governmental Lender, apply to the Note outstanding as of the effective date of such amendments).

"*Adjusted Income*" means the adjusted income of a person (together with the adjusted income of all persons who intend to reside with such person in one residential unit) calculated pursuant to Section 142(d)(2)(B) of the Code.

"*Affiliated Party*" means a limited or general partner or member of the Borrower, a person whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code or a person who, together with the Borrower, is a member of the same controlled group of corporations (as defined in Section 1563(a) of the Code, except that "more than 50 percent" shall be substituted for "at least 80 percent" each place it appears therein).

"*Agreement*" or "*Regulatory Agreement*" means this Regulatory Agreement and Declaration of Restrictive Covenants, as it may be amended from time to time.

"*Area*" means the Los Angeles Primary Metropolitan Statistical Area.

"*Authorized Borrower Representative*" means any person who, at any time and from time to time, may be designated as the Borrower's authorized representative by written certificate furnished to the Governmental Lender and the Fiscal Agent containing the specimen signature of such person and signed on behalf of the Borrower by or on behalf of any authorized general partner of the Borrower if the Borrower is a general or limited partnership, by any authorized managing member of the Borrower if the Borrower is a limited liability company, or by any authorized officer of the Borrower if the Borrower is a corporation, which certificate may designate an alternate or alternates, or in the event that such term shall refer to successors or assigns of the Borrower, any authorized general partner if the successor or the assignee is a general or limited partnership, any authorized managing member if the successor or assignee is a limited liability company or any authorized officer if the successor or the assignee is a corporation. The Fiscal Agent may conclusively presume that a person designated in a written certificate filed with it as an Authorized Borrower Representative is an Authorized Borrower

Representative until such time as the Borrower files with it (with a copy to the Governmental Lender) a written certificate identifying a different person or persons to act in such capacity.

"*Bond Counsel*" means an attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the validity of, and the Tax-exempt nature of interest on, obligations issued by states and their political subdivisions, selected by the Governmental Lender and duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia but shall not include counsel for the Borrower or the Fiscal Agent.

"*Borrower*" means Banning Villa Preservation Limited Partnership, a California limited partnership, and its successors and assigns.

"*CDLAC*" means the California Debt Limit Allocation Committee or its successors.

"*CDLAC Conditions*" has the meaning set forth in Section 7(d) hereof.

"*Certificate of Continuing Program Compliance*" means the Certificate of Continuing Program Compliance and Statistical Report to be filed by the Borrower with the Governmental Lender and the Fiscal Agent at the times specified in Sections 4(d) and (f) of this Regulatory Agreement, such report to contain the information set forth in and to be in substantially the form attached hereto as Exhibit B or such other form as may from time to time be prescribed by the Governmental Lender.

"Closing Date" or *"Note Closing Date"* means the date upon which the Note is initially funded in an amount equal to at least $50,001.

"*Code*" means the Internal Revenue Code of 1986; each reference to the Code shall be deemed to include (a) any successor internal revenue law and (b) the applicable regulations whether final, temporary or proposed under the Code or such successor law.

"*Completion Date*" means the date of the completion of the acquisition, rehabilitation and equipping of the Project, as that date shall be specified in the Rehabilitation Completion Certificate.

"*Costs of Issuance*" means costs of issuing the Note as set forth in the Funding Loan Agreement.

"*FHA*" means the Federal Housing Administration, an organizational unit within HUD or any successor entity and any authorized representatives or agents thereof, including the Secretary of HUD, the Federal Housing Commissioner and their representatives or agents.

"*FHA Loan Documents*" means those documents which have been or are required by FHA and/or the Lender to be executed by Borrower, FHA and/or the Lender in connection with the Senior Note as described in Section 12.15 of the Funding Loan Agreement.

"Fiscal Agent" means [FISCAL AGENT] in its capacity as Fiscal Agent under the Funding Loan Agreement, together with its successors and assigns.

"Funding Loan Agreement" means the Funding Loan Agreement dated as of [_____ 1, 2013] by and among the Governmental Lender, Citibank, N.A. as Funding Lender and the Fiscal Agent relating to the issuance of the Note as amended, modified, supplemented or restated from time to time.

"Governmental Lender" means the City of Los Angeles, a charter city and municipal corporation of the State of California.

"*Hazardous Materials*" means petroleum and petroleum products and compounds containing them, including gasoline, diesel fuel and oil; explosives; flammable materials; radioactive materials; polychlorinated biphenyls ("PCBs") and compounds containing them; lead and lead-based paint; asbestos or asbestos-containing materials in any form that is or could become friable; underground or above-ground storage tanks, whether empty or containing any substance; any substance the presence of which on the Project is prohibited by any federal, state or local authority; any substance that requires special handling and any other material or substance now or in the future that (i) is defined as a "hazardous substance," "hazardous material," "hazardous waste," "toxic substance," "toxic pollutant," "contaminant," or "pollutant" by or within the meaning of any Hazardous Materials Law, or (ii) is regulated in any way by or within the meaning of any Hazardous Materials Law.

"*Hazardous Materials Laws*" means all federal, state, and local laws, ordinances and regulations and standards, rules, policies and other governmental requirements, administrative rulings and court judgments and decrees in effect now or in the future and including all amendments, that relate to Hazardous Materials or the protection of human health or the environment and apply to Borrower or to the Project. Hazardous Materials Laws include, but are not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901, et seq., the Toxic Substance Control Act, 15 U.S.C. Section 2601, et seq., the Clean Water Act, 33 U.S.C. Section 1251, et seq., and the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101 et seq., and their state analogs.

"*Housing Act*" means the United States Housing Act of 1937, as amended, or its successor.

"*HUD*" means the U.S. Department of Housing and Urban Development and any successor agency.

"*Income Certification*" means, initially, a Verification of Income in the form attached hereto as Exhibit C or in such other form as may from time to time be provided by the Governmental Lender to the Borrower and, with respect to recertifications, the Income Certification attached hereto as Exhibit D or such other form as may, from time to time, be provided by the Governmental Lender to the Borrower.

"*Inducement Date*" means [_____], 20[___].

"*Loan*" means the loan of the sale proceeds of the Note by the Governmental Lender to the Borrower pursuant to the Loan Agreement for the purpose of providing funds for the acquisition, rehabilitation and equipping of the Project.

"*Loan Agreement*" means the Borrower Loan Agreement, dated as of [_____ 1, 2013], between the Governmental Lender and the Borrower, as amended or supplemented from time to time.

"*Low Income Tenant*" means a tenant whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of lower-income families under Section 8 of the Housing Act, except that the percentage of median gross income that qualifies as lower income shall be [60%] of median gross income for the Area with adjustments for family size. Except as otherwise provided herein, the occupants of a unit in the Project shall not be considered to be Low Income Tenants if all the occupants of a unit are students (as defined in Section 152(f)(2) of the Code) and any one of those students is not (1) a single parent living with his/her children; (2) a student receiving assistance under Title IV of the Social Security Act (Temporary Assistance for Needy Families); (3) a student enrolled in a job training program receiving assistance under the Job Training Partnership Act or under other similar Federal, State, or local laws; (4) a student who was previously under the care and placement responsibility of a foster care program (under part B or E of Title IV of the Social Security Act) or (5) a student who is married and files a joint return. Single parents described in (1) above may not be dependents of another individual and their children may not be dependents of another individual other than their parents. The determination of a tenant's status as a Low Income Tenant shall be made by the Borrower upon initial occupancy of a unit in the Project by such Tenant and annually thereafter and at any time the Borrower has knowledge that the number of occupants in that unit has increased, on the basis of an Income Certification executed by the tenant.

"*Low Income Units*" means the units in the Project required to be rented to, or held available for occupancy by, Low Income Tenants pursuant to Sections 4(a), 4(b) and 6(a) hereof.

"*Net Proceeds*" means the total proceeds derived from the issuance, sale and delivery of the Note, representing the total purchase price of the Note, including any premium paid as part of the purchase price of the Note, but excluding the accrued interest, if any, on the Note paid by the initial purchaser of the Note. "*Note Documents*" means the Funding Loan Agreement, the Loan Agreement, this Regulatory Agreement, the Tax Certificate and any other document now or hereafter executed by the Borrower, the Governmental Lender, Fiscal Agent or Noteholder in connection with the Note.

"*Note*" means, the Governmental Lender's Multifamily Collateralized Revenue Note (Banning Villa Senior Apartments) Series 2013E, authorized, authenticated and delivered under the Funding Loan Agreement, as defined in the recitals hereto.

"*Noteholders*" or "*Owners*" or "*Holders*" means the party identified as the owner(s) of the Note on the registration books maintained by the Fiscal Agent on behalf of the Governmental Lender.

"*Project*" means the Project Facilities and the Project Site.

"*Project Costs*" means, to the extent authorized by the Code, the Regulations, the Law and the Act, any and all costs incurred by the Borrower with respect to the acquisition and rehabilitation of the Project, whether paid or incurred prior to or after the Inducement Date, including, without limitation, costs for site preparation, the planning of housing, related facilities

and improvements, the acquisition of property, the removal or demolition of existing structures, the construction or rehabilitation of housing and related facilities and improvements, and all other work in connection therewith, including Qualified Project Costs, and all costs of financing, including, without limitation, the cost of consultant, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Project, contractors' and developer's overhead and supervisors' fees and costs directly allocable to the Project, administrative and other expenses necessary or incident to the Project and the financing thereof (including reimbursement to any municipality, county or other entity or person for expenditures made for the Project).

"*Project Facilities*" means the buildings, structures and other improvements on the Project Site to be reconstructed, rehabilitated, constructed or improved by the Borrower, and all fixtures and other property owned by the Borrower and located on, or used in connection with, such buildings, structures and other improvements constituting the Project. Project Facilities do not include retail sales facilities, leased office space, commercial facilities or recreational, fitness, parking or business facilities available to members of the general public.

"*Project Site*" means the parcel or parcels of real property having the street address of 1100 North Banning Boulevard, in the City of Los Angeles, California and all rights and appurtenances thereunto appertaining, as more particularly described in Exhibit A hereto.

"*Qualified Project Costs*" means the Project Costs (excluding issuance costs) incurred not earlier than the date 60 days prior to the Inducement Date which either constitute land or property of a character subject to the allowance for depreciation under Section 167 of the Code, or are chargeable to a capital account with respect to the Project for federal income tax and financial accounting purposes, or would be so chargeable either with a proper election by the Borrower or but for the proper election by the Borrower to deduct those amounts; provided, however, that only such portion of the interest accrued on the Note during the rehabilitation of the Project shall constitute Qualified Project Costs as bear the same ratio to all such interest or fees, as applicable, as the Qualified Project Costs bear to all Project Costs; and provided further that interest accruing on or after the Completion Date shall not be Qualified Project Costs; and provided finally that if any portion of the Project is being rehabilitated by the Borrower or an Affiliated Party (whether as a general contractor or a subcontractor), "Qualified Project Costs" shall include only (a) the actual out-of-pocket costs incurred by the Borrower or such Affiliated Party in rehabilitating the Project (or any portion thereof), (b) any reasonable fees for supervisory services actually rendered by the Borrower or such Affiliated Party (but excluding any profit component) and (c) any overhead expenses incurred by the Borrower or such Affiliated Party which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the rehabilitation of the Project or payments received by such Affiliated Party due to early completion of the Project (or any portion thereof). Qualified Project Costs do not include Costs of Issuance. Notwithstanding anything herein to the contrary, no Project Costs relating to the acquisition of the Project or any assets relating thereto (including, without limitation, rights and interests with respect to development of the Project) shall constitute "Qualified Project Costs" unless, at the time Note proceeds are expended to pay such costs, the Borrower and the seller of such assets are not "related persons" as such term is defined in Section 147(a)(2)(A) of the Code.

"*Qualified Project Period*" means the period beginning on the first day on which 10% of the dwelling units in the Project are first occupied and ending on the latest of (a) the date which is 15 years after the date on which 50% of the dwelling units in the Project are first occupied, (b) the first date on which no Tax-exempt private activity bond (as that phrase is used in Section 142(d)(2) of the Code) issued with respect to the Project is outstanding or (c) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates. The CDLAC Conditions apply for a period which, in some cases, exceeds the Qualified Project Period.

"*Qualified Rehabilitation Expenditures*" means any amount properly chargeable to capital account which is incurred no earlier than 60 days prior to the Inducement Date by the person acquiring the building or property (or additions or improvements to property) or by the seller of the property under a sales contract between the Borrower and the seller of the Project to the Borrower in connection with the rehabilitation of a building. In the case of an integrated operation contained in a building before its acquisition, such term includes rehabilitating existing equipment in such building or replacing it with equipment having substantially the same function. "Qualified Rehabilitation Expenditures" do not include any amount which is incurred after the date two years after the later of the date on which the building was acquired by the Borrower or the date on which the Note was issued. "Qualified Rehabilitation Expenditures" do not include any expenditure described in Section 47(c)(2)(B) of the Code. All amounts constituting Qualified Rehabilitation Expenditures must be depreciated on a straight line basis over 27.5 years (unless otherwise provided in the Code).

"*Regulations*" means the Income Tax Regulations promulgated or proposed (if deemed appropriate in the opinion of Bond Counsel) by the Department of the Treasury pursuant to the Code from time to time.

"*Rehabilitation Completion Certificate*" means a written certification signed by an Authorized Representative of the Borrower confirming that prior to the date which is 24 months after the Closing Date, the Borrower has incurred Qualified Rehabilitation Expenditures with respect to the Project in an amount equal to or greater than 15% of the portion of the cost of acquiring the Project (exclusive of any acquisition costs attributable to land) financed with the Net Proceeds of the Note.

"*Taxability Event*" means either (a) refusal by the Borrower to consent to any amendment or supplement hereto or to the Funding Loan Agreement which, in the opinion of Bond Counsel, is necessary or advisable to maintain the exclusion of interest on the Note from gross income for federal income tax purposes; or (b) any of (i) the enactment of applicable legislation of which the Fiscal Agent has actual knowledge, (ii) a final judgment or order of a court of original or appellate jurisdiction of which the Fiscal Agent has actual knowledge, (iii) a final ruling or decision of the Internal Revenue Service of which the Fiscal Agent has actual knowledge or (iv) the filing with the Fiscal Agent of an opinion of Bond Counsel, in each case to the effect that the interest on the Note (other than interest on the Note for any period during which the Note is held by a "substantial user" of any facility financed with the proceeds of the Note or a "related person," as such terms are used in Section 147(a) of the Code) is includable in the gross incomes of all recipients thereof for federal income tax purposes. With respect to the foregoing, a judgment or order of a court or a ruling or decision of the Internal Revenue Service

shall be considered final only if no appeal or action for judicial review has been filed and the time for filing such appeal has expired.

"*Tax Certificate*" means the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 dated the Closing Date, executed and delivered by the Governmental Lender and the Borrower, as amended, modified, supplemented or restated from time to time.

"*Tax-exempt*" means, with respect to interest on any obligations of a state or local government, including the Note, that such interest is excluded from gross income for federal income tax purposes (other than interest on the Note for any period during which the Note is held by a "substantial user" of any facility financed with the proceeds of the Note or a "related person," as such terms are used in Section 147(a) of the Code); provided, however, that such interest may be includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of the masculine, feminine or neuter gender shall be construed to include each other gender and words of the singular number shall be construed to include the plural number, and vice versa. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The defined terms used in the preamble and recitals of this Regulatory Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all defined terms shall be determined by reference to this Section l, notwithstanding any contrary definition in the preamble or recitals hereof. The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

Section 2. Acquisition, Rehabilitation and Equipping of the Project. The Borrower hereby represents as of the date hereof, covenants and agrees with the Governmental Lender and the Fiscal Agent as follows:

(a) The Borrower has incurred, or will incur within six months after the Closing Date, a substantial binding obligation to commence the acquisition and rehabilitation of the Project, pursuant to which the Borrower is or will be obligated to expend at least 5% of the proceeds of the Loan financed from proceeds of the Note.

(b) The Borrower's reasonable expectations respecting the total cost of the acquisition and rehabilitation of the Project are accurately set forth in the Borrower Cost Certificate submitted to the Governmental Lender on the Closing Date.

(c) The Borrower has acquired the Project Site, and will, within six months following the Note Closing Date, commence the rehabilitation of the Project and will

proceed with due diligence to complete the same. Notwithstanding anything herein to the contrary, no Project Costs relating to the acquisition of the Project or any assets relating thereto (including, without limitation, rights and interests with respect to development of the Project) shall constitute "Qualified Project Costs" unless, at the time Note proceeds are expended to pay such costs, the Borrower and the seller of such assets are not "related persons" as such term is defined in Section 147(a)(2)(A) of the Code. The Borrower reasonably expects to complete the rehabilitation of the Project and to expend the full amount of the proceeds of the Loan for Project Costs prior to the date which is 24 months after the Closing Date.

(d) The Borrower agrees that the full amount of each disbursement of Note proceeds pursuant to the Funding Loan Agreement and the Loan Agreement will be applied to pay or to reimburse the Borrower for the payment of Project Costs and that, after taking into account each such disbursement, (i) the aggregate disbursements of Note proceeds will have been applied to pay or to reimburse the Borrower for the payment of Qualified Project Costs in an aggregate amount equal to 97% or more of the aggregate disbursements of the Loan; provided, however, that if the Borrower provides the Fiscal Agent with an opinion of Bond Counsel to the effect that the Tax-exempt status of interest on the Note will not be adversely affected if less than the aforesaid percentage, but not less than 95%, is disbursed for such purpose, then the certificate may refer to such lesser percentage as may be specified by Bond Counsel; and (ii) less than 25% of the proceeds of the Note expended relative to the Project Site will be disbursed to pay or to reimburse the Borrower for the cost of acquiring land or rights with respect to land relative to the Project Site (exclusive of the cost of acquiring improvements on such land).

(e) On the Completion Date of the Project, the Borrower will submit to the Governmental Lender and the Fiscal Agent a duly executed and completed Rehabilitation Completion Certificate as provided in Section 2(i) hereof.

(f) No proceeds of the Note will be used to pay or reimburse any cost (i) incurred more than sixty days prior to the Inducement Date, or (ii) incurred more than three years prior to such payment or reimbursement. Any allocation of Note proceeds to the reimbursement of previously incurred costs shall be made not later than 18 months after the later of (i) the date the original expenditure was paid or (ii) the date the Project is placed in service or abandoned. The acquisition, rehabilitation and equipping of the Project by the Borrower commenced less than 60 days prior to the Inducement Date, and as of 60 days prior to the Inducement Date (A) neither the Borrower nor any "related person" (as such phrase is used in Section 147(a)(2) of the Code) has made any expenditure in connection with the acquisition, rehabilitation or equipping of the Project, (B) no on-site work has been commenced by the Borrower or any related person in connection with the rehabilitation of the Project, and (C) no off-site fabrication of any portion of the Project has been commenced by the Borrower or any related person. The Project consists, and shall at all times consist, of property which is land or is subject to the allowance for depreciation provided in Section 167 of the Code.

(g) The Borrower has or shall, prior to the date which is 24 months (unless extended pursuant to subsection "(j)" below) after the Closing Date, expend proceeds of the Note equal to not less than 15% of the amount of Note proceeds expended to acquire the Project (exclusive of any acquisition costs attributable to land) on Qualified Rehabilitation Expenditures which expenditures shall be confirmed in writing through a Rehabilitation Completion Certificate delivered to the Governmental Lender and the Fiscal Agent not later than 25 months (unless extended pursuant to subsection "(j)" below) after the Closing Date.

(h) The Borrower (and any Affiliated Party) will not take or omit to take, as is applicable, any action if such action or omission would in any way cause the proceeds from the Loan to be applied in a manner contrary to the requirements of this Regulatory Agreement, nor will it take or omit to take any such action if the Borrower (or any Affiliated Party) knows that such action or omission may cause the proceeds from the sale of the Note to be applied in a manner contrary to the Funding Loan Agreement, the Loan Agreement, the Law, the Act or the Code.

(i) The Borrower shall, on the Completion Date, evidence the Completion Date by providing a Rehabilitation Completion Certificate to the Fiscal Agent and the Governmental Lender, signed by the Authorized Borrower Representative, stating the total cost of the Project and identifying the total acquisition cost (which shall specify the costs attributable to land and the costs attributable to buildings) and the total Qualified Project Costs and Qualified Rehabilitation Expenditures, and further stating that (A) rehabilitation of the Project has been completed substantially in accordance with the plans, specifications and work orders therefor, and all labor, services, materials and supplies used in rehabilitation or construction have been paid for and (B) all other facilities necessary in connection with the Project have been acquired, constructed and installed substantially in accordance with the work write-up and work orders therefor and all costs and expenses incurred in connection therewith have been paid. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights of the Borrower against third parties for the payment of any amount not then due and payable which exist at the date of such certificate or which may subsequently exist.

(j) The foregoing certificate evidencing the Completion Date shall be delivered to the Fiscal Agent no later than the date 24 months from the Closing Date unless the Borrower delivers to the Fiscal Agent a certificate of the Governmental Lender consenting to an extension of such date, accompanied by an opinion of Bond Counsel to the effect that such extension will not result in interest on the Note being included in gross income for federal income tax purposes. The Borrower agrees to spend additional moneys for payment of any costs of the Project sufficient to reduce the portion of Note proceeds (A) spent on land by the Borrower relative to the Project Site to an amount that is less than 25% of the amount of Note proceeds spent by the Borrower relative to the Project Site for all purposes and (B) spent on costs of the Project paid or incurred by or on account of the Borrower or any related person (as such term is used in Section 147(a)(2) of the Code) on or after the date 60 days prior to the Inducement Date and chargeable to the capital account of the Project (or so chargeable either with a proper election by the Borrower to deduct such amounts, within the meaning of Treasury

Regulation 1.103-8(a)(1)) so that the amount of Note proceeds expended on such Qualified Project Costs are at least 97% of the amount of Note proceeds spent for all purposes related to the Project, except that, upon receipt by the Borrower, the Fiscal Agent and the Governmental Lender of an approving opinion of Bond Counsel, the percentage of such amounts so used may be 95%.

(k) No Note proceeds shall be expended to acquire any structures other than buildings within the meaning of Section 147(d) of the Code.

Section 3. Residential Rental Property. The Borrower hereby acknowledges and agrees that the Project is to be owned, managed and operated as a "qualified residential rental project" (within the meaning of Section 142(d) of the Code) for a term equal to the Qualified Project Period. To that end, and for the Qualified Project Period, the Borrower hereby represents, covenants, warrants and agrees as follows:

(a) The Project Facilities will be developed for the purpose of providing multifamily residential rental property, and the Borrower will own, manage and operate the Project Facilities as a project to provide multifamily residential rental property comprising a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities in accordance with Section 142(d) of the Code and Section 1.103-8(b) of the Regulations, the Law and the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time. For purposes of this Subsection 3(a), the term "functionally related and subordinate facilities" includes facilities for use by the tenants (for example, swimming pools, other recreational facilities and parking areas) and other facilities which are reasonably required for the Project, for example, heating and cooling equipment, trash disposal equipment and units for resident managers and maintenance personnel. Substantially all of the Project will contain such units and functionally related and subordinate facilities.

(b) All of the dwelling units in the Project will be similarly constructed units, and each Low Income Unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range and oven, a sink and a refrigerator.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park. Notwithstanding the foregoing, single-room occupancy units provided under Section 42(i)(3)(B)(iv) of the Code shall not be considered to be utilized on a transient basis.

(d) No part of the Project will at any time be owned by a cooperative housing corporation, nor shall the Borrower take any steps in connection with a conversion to such ownership or uses. Other than filing a condominium map and a final subdivision map on the Project and obtaining a Final Subdivision Public Report from the California

Department of Real Estate, the Borrower shall not take any steps in connection with a conversion of the Project to condominium ownership during the Qualified Project Period.

(e) All of the dwelling units will be available for rental on a continuous basis to members of the general public, and the Borrower will not give preference to any particular class or group in renting the dwelling units in the Project, except to the extent that dwelling units are required to be leased or rented to Low Income Tenants and persons 55 years of age and older and except as further provided in any regulatory agreement executed between the Borrower and a subordinate lender (including the Governmental Lender) in connection with the Project and except to the extent the Borrower gives preference to a class of persons permitted to be given preference pursuant to the Code, State law and other applicable federal law.

(f) The Project Site consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the Project Facilities comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) No dwelling unit in the Project shall be occupied by the Borrower; provided, however, that if the Project contains five or more dwelling units, this subsection shall not be construed to prohibit occupancy of not more than one dwelling unit by one or more resident managers or maintenance personnel any of whom may be the Borrower.

(h) The Project shall be maintained in conformity with the habitability and fire codes of the City of Los Angeles.

(i) The Project shall be managed in a manner consistent with prudent property management standards consistent with similar projects in the area and in compliance with all state and local laws, ordinances and regulations relating thereto.

(j) Should involuntary noncompliance with the provisions of Regulations Section 1.103-8(b) be caused by fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency after the Closing Date which prevents the Governmental Lender from enforcing the requirements of the Regulations, or condemnation or similar event, the Borrower covenants that, within a "reasonable period" determined in accordance with the Regulations, and subject to the provisions of the Funding Loan Agreement and the Loan Agreement, it will either prepay the Loan or apply any proceeds received as a result of any of the preceding events to reconstruct the Project to meet the requirements of Section 142(d) of the Code and the Regulations.

Section 4. Low Income Tenants; Records and Reports. Pursuant to the requirements of the Code and the Governmental Lender, the Borrower hereby represents, warrants and covenants as follows:

(a) The Project will be developed for the purpose of providing multifamily residential rental property, and the Borrower will own, manage and operate the Project as

a project to provide multifamily residential rental property comprising a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities in accordance with the Law and the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time. Within 30 days after each of (i) the date on which 10% of the dwelling units in the Project are occupied by tenants providing an Income Certification and (ii) the date on which 50% of dwelling units in the Project are occupied by tenants providing an Income Certification, the Borrower shall execute and deliver to the Governmental Lender, with a copy to: the Los Angeles Housing Department Occupancy Monitoring Section, 1200 West 7th Street, 9th Floor, Los Angeles, CA 90017; the Funding Lender and the Fiscal Agent, a certificate identifying such dates and the beginning date and earliest ending date of the Qualified Project Period. The Borrower shall use its best efforts to record a copy of such certificates in the Office of the County Recorder of the County of Los Angeles, California.

(b) Commencing on the first day of the Qualified Project Period, Low Income Tenants shall occupy at least [40%] of all completed and occupied units in the Project (excluding units occupied by property managers) before any additional units are occupied by persons who are not Low Income Tenants; and for the Qualified Project Period no less than [40%] of the total number of completed units of the Project shall at all times be rented to and occupied by Low Income Tenants. For the purposes of this paragraph (b), a vacant unit which was most recently occupied by a Low Income Tenant is treated as rented and occupied by a Low Income Tenant until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such unit shall be redetermined. In determining whether the requirements of this subsection (b) have been met, fractions of units shall be treated as entire units.

(c) No tenant qualifying as a Low Income Tenant shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Adjusted Income increases to exceed the qualifying limit for Low Income Tenants; provided, however, that should a Low Income Tenant's Adjusted Income, as of the most recent determination thereof, exceed 140% of the then applicable income limit for a Low Income Tenant of the same family size, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) a Low Income Tenant; and provided further that, until such next available unit is rented to a tenant who is not a Low Income Tenant, the former Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Low Income Tenant for purposes of the [40%] requirement of paragraph (b) of this Section 4 (if applicable). If the Project consists of more than one building, this requirement shall apply on a building-by-building basis.

(d) The Borrower will obtain, complete and maintain on file Income Certifications from each Low Income Tenant, including (i) an Income Certification dated immediately prior to the initial occupancy of such Low Income Tenant in the Project and, in the case of tenants residing in the Project as of the date of acquisition thereof (if applicable), dated immediately prior to the disbursement of Note proceeds to fund acquisition and rehabilitation of the Project and (ii) thereafter, annual Income

Certifications dated as of the anniversary date of each initial Income Certification. The Borrower will obtain such additional information as may be required in the future by the State of California, by the Governmental Lender and by Section 142(d) of the Code, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to obligations which are Tax-exempt under Section 142(d) of the Code. A copy of the most recent Income Certification for Low Income Tenants commencing or continuing occupation of a Low Income Unit (and not previously filed with the Governmental Lender) shall be attached to the Certificate of Continuing Program Compliance which is to be filed with the Governmental Lender no later than the fifteenth day of each month until such report indicates compliance with Section 4(b) and thereafter each January and July until the end of the Qualified Project Period. The Borrower shall make a good-faith effort to verify that the income information provided by an applicant in an Income Certification is accurate by obtaining the acceptable forms of verification enumerated in Chapter 3 of the most current, amended edition of HUD Handbook 4350.3, or such instruction by HUD that may supersede this handbook, and any additional documentation that the Governmental Lender shall deem relevant, such as the two most recent years' tax returns or other forms of independent verification satisfactory to the Governmental Lender.

(e) The Borrower will use its best efforts to maintain complete and accurate records pertaining to the Low Income Units, and will with reasonable notice permit any duly authorized representative of the Governmental Lender, the Fiscal Agent, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project during regular business hours, including those records pertaining to the occupancy of the Low Income Units.

(f) The Borrower will prepare and submit to the Governmental Lender and the Fiscal Agent, no later than the fifteenth day of each month following the receipt by the Fiscal Agent of the Rehabilitation Completion Certificate to and including the month in which such report indicates that [40%] of the occupied units are occupied by Low Income Tenants, and thereafter no later than the fifteenth day of each January and July, until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance executed by the Borrower stating (i) the percentage of the dwelling units of the Project which were occupied or deemed occupied, pursuant to paragraph (b) of this Section 4, by Low Income Tenants during such period; (ii) that either (A) no unremedied default has occurred under this Regulatory Agreement, or (B) a default has occurred, in which event the certificate shall describe the nature of the default in detail and set forth the measures being taken by the Borrower to remedy such default; and (iii) that, to the knowledge of the Borrower, no Taxability Event has occurred, or if a Taxability Event has occurred, setting forth all material facts relating thereto.

(g) On or before each February 15 during the Qualified Project Period, the Borrower will submit to the Governmental Lender a draft of the completed Internal Revenue Service Form 8703 or such other annual certification required by the Code to be submitted to the Secretary of the Treasury as to whether the Project continues to meet the

requirements of Section 142(d) of the Code. On or before each March 31 during the Qualified Project Period the Borrower will submit such completed form to the Secretary of the Treasury, regardless of whether or not the Governmental Lender has responded to such draft.

(h) Subject to the requirements of any Section 8 Housing Assistance Payments Contract with respect to the Project, each lease or rental agreement pertaining to a Low Income Unit shall contain a provision to the effect that the Borrower has relied on the income certification and supporting information supplied by the Low Income Tenant in determining qualification for occupancy of the Low Income Unit and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement. Each such lease or rental agreement shall also provide that the tenant's income is subject to annual certification in accordance with Section 4(c) hereof and to recertification if the number of occupants in the units changes for any reason (other than the birth of a child to an occupant of such unit) and that if upon any such certification such tenant's Adjusted Income exceeds 140% of the then applicable income limit for a Low Income Tenant of the same family size, such tenant may cease to qualify as a Low Income Tenant, and such tenant's rent is subject to increase. Notwithstanding anything in this Section 4(h) to the contrary, such tenant's rent may be increased only pursuant to Section 7(l) hereof.

Section 5. Tax-exempt Status of the Note. The Borrower and the Governmental Lender make the following representations, warranties and agreements for the benefit of the holder of the Note from time to time:

(a) The Borrower and the Governmental Lender will not knowingly take or permit actions within their control, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the Tax-exempt nature of the interest on the Note and, if either should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof, provided that the Borrower shall not have violated these covenants if the interest on the Note becomes taxable to a person solely because such person is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code.

(b) The Borrower and the Governmental Lender will take such action or actions as may be necessary, in the written opinion of Bond Counsel filed with the Governmental Lender and the Fiscal Agent, with a copy to the Borrower, to comply fully with all applicable rules, rulings, policies, procedures, Regulations or other official statements promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service pertaining to obligations the interest on which is Tax-exempt under Section 142(d) of the Code.

(c) The Borrower and the Governmental Lender will file or record such documents and take such other steps as are necessary, in the written opinion of Bond Counsel filed with the Governmental Lender and the Fiscal Agent, with a copy to the Borrower, in order to insure that the requirements and restrictions of this Regulatory

Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of this Regulatory Agreement in the real property records of the County of Los Angeles.

(d) The Borrower will not knowingly enter into any agreements which would result in the payment of principal or interest on the Note being "federally guaranteed" within the meaning of Section 149(b) of the Code.

(e) Subject to Section 14 hereof, the Borrower hereby covenants to include the requirements and restrictions contained in this Regulatory Agreement in any documents transferring any interest in the Project prior to the expiration of the Qualified Project Period to another person to the end that such transferee has notice of, and is bound by, such restrictions, and to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement; provided, however, that so long as any former Borrower has no remaining interest in the Project, such former Borrower shall have no obligation to monitor such transferee's compliance with such restrictions, and such former Borrower shall incur liability if such transferee fails to comply with such restrictions only in proportion to its then remaining interest.

(f) The Borrower and any related person (as defined in Section 147(a)(2) of the Code) thereto shall not acquire the Note in an amount related to the amount of the Loan.

Section 6. Additional Requirements of the Act. In addition to the requirements set forth in Sections 2 through 5, and without limiting any additional requirements in Section 7, during the Qualified Project Period, the Borrower and the Governmental Lender hereby agree to comply with each of the requirements of the Act, and, without limiting the foregoing, the Borrower hereby specifically agrees to comply with each of the requirements set forth in this Section 6, as follows:

(a) As provided in Section 52097.5 of the Act, not less than [40%] of the total number of units in the Project shall be reserved for occupancy by tenants whose adjusted gross income does not exceed [60%] of the median adjusted gross income for the Area, adjusted for family size, as determined pursuant to Section 8 of the Housing Act.

(b) The rents paid by the tenant for the units reserved pursuant to paragraph (a) of this Section (excluding any supplemental rental assistance from the State, the federal government, or any other public agency to those occupants or on behalf of those units) shall not exceed the amount derived by multiplying 30% times [60%] of the median adjusted gross income for the Area, adjusted for family size, as determined pursuant to Section 8 of the Housing Act, assuming a family of one person in the case of a studio unit, two persons in the case of a one-bedroom unit, three persons in the case of a two-bedroom unit, four persons in the case of a three-bedroom unit, and five persons in the case of a four-bedroom unit.

(c) During the Qualified Project Period the Borrower shall file Certificates of Continuing Program Compliance in the form and at the time required by Sections 4(d)

and (f) hereof that shall contain sufficient information to allow the Governmental Lender to file any annual report required by the Act or pursuant to California Government Code Section 8855.5.

(d) No portion of the Note shall be used to finance the acquisition, construction, rehabilitation, refinancing or development of commercial property for lease.

(e) The Borrower shall not apply selection criteria to certificate holders under Section 8 of the United States Housing Act of 1937, as amended, that are more burdensome than the criteria applied to all other prospective tenants.

(f) Following the expiration or termination of the Qualified Project Period with respect to the Project, except in the event of foreclosure and redemption of the Note, deed in lieu of foreclosure, eminent domain or action of a federal agency preventing enforcement, units required to be reserved for occupancy pursuant hereto shall remain available to any eligible household occupying a reserved unit at the date of expiration or termination, at a rent not greater than the amount set forth in (b) above, until the earliest of any of the following occur:

(i) The household's income exceeds 140% of the maximum eligible income specified herein;

(ii) The household voluntarily moves or is evicted for "good cause." "Good cause" for the purposes of this Section, means the nonpayment of rent or allegation of facts necessary to prove major, or repeated minor, violations of material provisions of the occupancy agreement which detrimentally affect the health and safety of other persons or the structure, the fiscal integrity of the development, or the purposes or special programs of the development;

(iii) Thirty (30) years after the date of the commencement of the Qualified Project Period relative to the Project; and

(iv) The Borrower pays the relocation assistance and benefits to tenants as provided in subdivision (b) of Section 7264 of the California Government Code.

(g) During the three years prior to expiration of the Qualified Project Period, the Borrower shall continue to make available to Low Income Tenants reserved units that have been vacated to the same extent that nonreserved units are made available to tenants other than Low Income Tenants.

Notwithstanding Section 1461 of the California Civil Code, the provisions hereof shall run with the land and may be enforced either in law or in equity by any resident, local agency, entity or any other person adversely affected by the Borrower's failure to comply with this Regulatory Agreement.

Section 7. Additional Requirements of CDLAC and the Governmental Lender. In addition to, and not in derogation of, the requirements set forth in the preceding and following

sections of this Regulatory Agreement, each of which is hereby incorporated in this Section as a specific requirement of CDLAC and the Governmental Lender, whether or not required by California or federal law, the Borrower represents, warrants, covenants and agrees as follows:

(a) The Borrower shall promptly provide to the Governmental Lender such information with respect to the Project or the Note as the Governmental Lender shall from time to time request. The Borrower shall provide written notice to the Governmental Lender of receipt of a certificate of occupancy or other official authorization to occupy the Project immediately upon receipt.

(b) The Low Income Units shall be of comparable quality to all other units in the Project, shall be dispersed throughout the Project, and shall offer a range of size and number of bedrooms comparable to those units which are available to other tenants; and Low Income Tenants shall have access to and enjoyment of all common areas and facilities of the Project on the same basis as tenants of other units.

(c) The Borrower agrees that it will not discriminate in the rental of units or in its employment practices against any employee or applicant for employment because of the applicant's race, religion, national origin, ancestry, sex, age (except restrictions upon occupancy of units by tenants 55 years of age and older), sexual orientation, disability, marital status, domestic partner status or medical condition. All contracts entered into by the Borrower which relate to the Project shall contain a like provision. The Borrower shall comply with the provisions of Sections 10.8.2 and 10.8.4 of the Administrative Code of the Governmental Lender, the provisions of which are hereby incorporated by reference.

(d) The Borrower shall comply with the conditions set forth in Exhibit A to CDLAC Resolution No. 13-19, adopted on March 13, 2013 (the "CDLAC Conditions"), as they may be modified or amended from time to time, which conditions are incorporated herein by reference and made a part hereof and are attached hereto as Exhibit G. Following completion of the rehabilitation of the Project, the Borrower will prepare and submit to CDLAC, on or before each March 1, until the end of the Qualified Project Period, a Certificate of CDLAC Program Compliance, in substantially the form attached hereto as Exhibit E, executed by an Authorized Borrower Representative. The Governmental Lender and the Fiscal Agent shall have no obligation to monitor the Borrower's compliance with the CDLAC Conditions. Notwithstanding anything to the contrary herein, the provisions of this Section 7(d) shall remain effective for the period specified in the CDLAC Conditions, unless this Regulatory Agreement shall terminate as otherwise provided in Section 14 hereof.

(e) For the Qualified Project Period, the Borrower will comply with the provisions of the Unruh Civil Rights Act, including, without limitation, Sections 51.2 and, as applicable, 51.3 of the California Civil Code, as amended, and Sections 45.50 et seq. of the Los Angeles Municipal Code, as amended.

(f) The lease to be utilized by the Borrower in renting any residential units in the Project to Low Income Tenants shall provide for termination of the lease and consent

by such person to immediate eviction, subject to applicable provisions of California law, for any tenant who fails to qualify as a Low Income Tenant and who has made a material misrepresentation on the Income Certification as to such tenant's qualification as a Low Income Tenant. All such leases shall contain clauses, among others, wherein each individual lessee (i) certifies the accuracy of the statements made in the Income Certification and (ii) agrees that the family income, family composition and other eligibility requirements shall be deemed substantial and material obligations of his tenancy; that he will comply promptly with all requests for information with respect thereto from the Borrower or the Governmental Lender; and that his failure to provide accurate information in the Income Certification or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of his tenancy and shall be a default thereunder. Additionally, such lease shall contain provisions informing any tenant of the possibility of rental payment increases in accordance with the terms of this Regulatory Agreement.

(g) All Income Certifications will be maintained on file at the Project or, with the prior written consent of the Governmental Lender, at the principal place of business of the Borrower or the property manager of the Project, so long as this Regulatory Agreement is in effect and for five years thereafter with respect to each Low Income Tenant who occupied a residential unit in the Project during the Qualified Project Period.

(h) The Borrower will accept as tenants, on the same basis as all other prospective tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing program under Section 8 of the Housing Act, or its successor. The Borrower shall not apply selection criteria to Section 8 certificate or voucher holders that are more burdensome than criteria applied to all other prospective tenants.

(i) The Borrower shall submit to the Governmental Lender (i) at the times specified in Sections 4(d) and (f) herein, a Certificate of Continuing Program Compliance, which shall include the information called for therein, including occupancy records for all units in the Project, and (ii) within 15 days after receipt of a written request, any other information or completed forms requested by the Governmental Lender, in each case, in order to comply with reporting requirements of the Internal Revenue Service or the State of California, including, without limitation, information necessary for the Governmental Lender to file any periodic report, or any other information concerning the Project as the Governmental Lender may reasonably request.

(j) All workers performing construction or rehabilitation work for the Project employed by the Borrower or by any contractor or subcontractor shall be compensated in an amount no less than the greater of (i) the general prevailing rate of per diem wages as determined pursuant to Labor Code Sections 1770-1781 and implementing regulations of the Department of Industrial Relations, (ii) any applicable minimum wage requirements imposed by the laws of the State of California and (iii) the "Living Wage" as determined by the policies and procedures of the City of Los Angeles. The Borrower shall comply with all reporting and recordkeeping requirements of the applicable prevailing wage statutes and regulations. The Governmental Lender shall have the right to appoint a third-party consultant to monitor compliance with this requirement, and the Borrower

shall pay the fees and expenses of such consultant. Following any such appointment, the Borrower shall comply with any request by the Governmental Lender to deliver to such consultant, in addition to or instead of the Governmental Lender, any reports, notices or other documents required to be delivered pursuant hereto, and upon reasonable notice to the Borrower to make the Project and the books and records with respect thereto available for inspection during regular business hours by such consultant as an agent of the Governmental Lender.

(k) The Governmental Lender may, at its option and at its expense, at any time appoint an administrator to administer this Regulatory Agreement and to monitor performance by the Borrower of the terms, provisions and requirements hereof. Following any such appointment, the Borrower shall comply with any request by the Governmental Lender to deliver to such administrator, in addition to or instead of the Governmental Lender, any reports, notices or other documents required to be delivered pursuant hereto, and upon reasonable notice to the Borrower to make the Project and the books and records with respect thereto available for inspection during regular business hours by such administrator as an agent of the Governmental Lender.

(l) If upon the annual certification or recertification required in Section 4(d) a tenant's Adjusted Income exceeds 140% of the then applicable income limit for a Low Income Tenant of the same family size, all rental limits herein previously applicable to the unit occupied for such tenant shall continue to apply until the next available unit is rented to a tenant who is a Low Income Tenant.

(m) There are four points in time when the Borrower is required to give written notice to all tenants of Low Income Units:

(i) Upon initial move-in/lease execution, Borrower shall give written notice to all tenants of Low Income Units, of the duration of the rent restrictions under this Regulatory Agreement. Borrower must maintain, in its files, a copy of each notice containing each tenant's signed acknowledgement of the notice required hereunder. The notice shall, at the least, contain language that the rent restrictions under this Regulatory Agreement shall be for a term equal to the later of the expiration of: (a) the Qualified Project Period; or (b) the CDLAC Conditions. Upon termination of the rent restriction period under this Regulatory Agreement, rents may be set at a market rates unless otherwise restricted by some other legal, regulatory, or contractual requirement.

(ii) Twelve months prior to the termination of the rent restriction period under this Regulatory Agreement, Borrower must give written notice to its tenants of the termination of the restrictions on the Low Income Units before their rents may be raised to market rent levels. The Borrower must also give written notice, pursuant to California Government Code Section 65863.10, to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, and the Los Angeles Department of Housing and Community Development.

(iii) Six months prior to the termination of the rent restriction period under this Regulatory Agreement, Borrower must give written notice to its tenants of the termination of the restrictions on the Low Income Units before their rents may be raised to market rent levels. Borrower must also give written notice, pursuant to California Government Code Section 65863.10, to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, and the Los Angeles Department of Housing and Community Development.

(iv) Ninety days prior to the termination of the rent restriction period under this Regulatory Agreement, Borrower must again give written notice to its tenants of the termination of the restrictions on the Low Income Units before their rents may be raised to market rent levels.

(n) The Borrower shall pay to the Governmental Lender its initial and ongoing fees with respect to the issuance of the Note. The Borrower shall pay the Governmental Lender an initial fee immediately upon issuance of the Note equal to $[25,250] (.25% of the aggregate maximum principal amount of the Note ($[10,100,000]) issuable under the Funding Loan Agreement. In addition, the Borrower shall, as compensation for the Governmental Lender's monitoring of the provisions of this Regulatory Agreement, pay to the Governmental Lender, semiannually in arrears (on the first day of each [_____] and [_____] commencing [_____] 1, 2013, for the period from the date of issuance of the Note through the later of: (i) the end of the Qualified Project Period; or (ii) termination of the CDLAC Conditions, prorated for the initial and any subsequent partial period, a semiannual amount equal to: (A) during the period from the Dated Date to the date of payment in full of the Note, one half of 0.125% of the maximum aggregate principal amount of the Note issuable under the Funding Loan Agreement ($[10,100,000]); and (B) following the payment in full of the Note, $1,250, or such lesser amount as shall be necessary in the opinion of Bond Counsel to preserve the exemption of interest on the Note from gross income for federal income tax purposes. Throughout the term of this Agreement, the Fiscal Agent, or the Governmental Lender, as applicable, shall provide an invoice to the Borrower at least 30 days prior to the due date of each such payment (and if applicable, a copy of which shall be provided to the Governmental Lender) and shall collect such payments from the Borrower and immediately remit such funds to the Governmental Lender. Upon the prepayment of the Note in whole, prior to the end of the later of: (i) the end of the Qualified Project Period; or (ii) termination of the CDLAC Conditions, the Borrower shall, at its election, either: (A) pay to the Governmental Lender, on or before such payment, an amount equal to the present value of the remaining The Governmental Lender fees payable hereunder, as calculated by the Governmental Lender, using a discount rate equal to the yield on the United States treasury security maturing on the date nearest the end of the later of: (1) the Qualified Project Period; or (2) the termination of the CDLAC Conditions, on the date of prepayment, or such lesser amount as shall be necessary in the opinion of Bond Counsel to preserve the exemption of interest on the Note from gross income for federal income tax purposes; or (B) pay directly to the Governmental Lender on an annual basis, in arrears on each [_____] 1, the accrued fee described above. The Borrower shall not be required to pay the fee described in the preceding sentence if the Note is prepaid in

whole under circumstances which permit termination of this Regulatory Agreement pursuant to Section 14 hereof.

(o) The Borrower shall pay to the Governmental Lender a processing fee equal to: (i) prior to the payment of the Note in full, the greater of $5,000 or 0.125% of the maximum principal amount of the Note issuable under the Funding Loan Agreement; and (ii) following the payment of the Note in full, $5,000, plus any expenses incurred by the Governmental Lender, including, without limitation, bond counsel, city attorney, issuer attorney and financial advisor fees, as a condition to the consideration and receipt of any consent, approval, amendment, transfer or waiver requested of the Governmental Lender with respect to the Project, the Project Site or the Note. The Governmental Lender shall provide an invoice directly to the Borrower for such amounts.

(p) The Borrower shall pay the Governmental Lender its then-current fees in connection with any consent, approval, transfer, amendment or waiver requested of the Governmental Lender, together with any expenses incurred by the Governmental Lender in connection therewith.

(q) The Fiscal Agent shall report to the Governmental Lender and the Borrower in writing semiannually, within 10 days of each [_____] 1 and [_____] 1, the principal amount of the Note outstanding as of such [_____] 1 or [_____] 1, as appropriate.

(r) The Borrower shall promptly provide the Governmental Lender such information with respect to the Project or the Note as the Governmental Lender shall from time to time request.

(s) The Borrower shall include the Governmental Lender as an additional insured on all liability insurance policies relating to the Borrower or the Project.

(t) The Borrower shall not rent any Low Income Unit to: (i) any individual who (A) holds an ownership interest in the Borrower, any general partner or member (or owner of such general partner or member) of the Borrower, (B) is an officer, board member, employee or agent of, or consultant to, the Borrower or any general partner or member thereof or owner of such general partner or member or (C) is a developer of the Project (collectively, an "Owner/Developer"); (ii) any Immediate Family Member of an Owner/Developer ("Immediate Family Members" consists of: (A) spouses; (B) children, (C) parents and grandparents, (D) siblings, (E) in-laws, including brother/sister in-law and mother/father in-law and son/daughter in law or (F) significant other or domestic partner); or (iii) any elected official or his or her spouse/partner, who participated in the deliberative process, vote or consideration of legislative action regarding the issuance of the Note or other loan in support of the Project, unless such person otherwise qualifies for tenancy under this Agreement and such tenancy is approved in writing by the Governmental Lender.

Borrower shall include a certification in each tenant application that the applicant is not an Owner/Developer, an elected official who participated in the issuance of the Note or an

Immediate Family Member thereof. Borrower recognizes and agrees that the penalty for violation of the above covenant shall be a fine of $5,000 per violation/ per Unit.

Any of the foregoing requirements of the Governmental Lender (except (d) above, which may be expressly waived by CDLAC) may be expressly waived by the Governmental Lender in writing in the Governmental Lender's sole discretion, but (i) no waiver by the Governmental Lender of any requirement of this Section 7 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement, including particularly but without limitation the provisions of Sections 2 through 6 hereof, except to the extent the Governmental Lender has received an opinion of Bond Counsel that any such provision is not required by the Act or the Law and may be waived without adversely affecting the exclusion from gross income of interest on the Note for federal income tax purposes; and (ii) any requirement of this Section 7 shall be void and of no force and effect if the Governmental Lender and the Borrower receive a written opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Note to become includable in gross income for federal income tax purposes, if such opinion is accompanied by a copy of a ruling from the Internal Revenue Service to the same effect, or to the effect that compliance with such requirement would be in conflict with the Act or the Law.

Section 8. Modification of Covenants. The Borrower, the Fiscal Agent and the Governmental Lender hereby agree as follows:

(a) To the extent any amendments to the Law, the Act, the Regulations or the Code shall, in the written opinion of Bond Counsel filed with the Governmental Lender, the Fiscal Agent and the Borrower, (with a copy to the Funding Lender) impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement in order to maintain the Tax-exempt status of interest on the Note, this Regulatory Agreement shall be deemed to be automatically amended, without the consent or approval of any other person, to impose such additional or more restrictive requirements. The parties hereto hereby agree to execute such amendment hereto as shall be necessary to document such automatic amendment hereof.

(b) To the extent that the Law, the Act, the Regulations or the Code, or any amendments thereto, shall, in the written opinion of Bond Counsel filed with the Governmental Lender, the Fiscal Agent and the Borrower (with a copy to the Funding Lender), impose requirements upon the ownership or operation of the Project less restrictive than imposed by this Regulatory Agreement, this Regulatory Agreement may be amended or modified to provide such less restrictive requirements but only by written amendment signed by the Governmental Lender, the Fiscal Agent and the Borrower and approved by the written opinion of Bond Counsel to the effect that such amendment is permitted by the Law and the Act and will not affect the Tax-exempt status of interest on the Note. The Governmental Lender shall be under no obligation to agree to any such amendment, it being understood that each of the requirements of this Regulatory Agreement is a specific requirement of the Governmental Lender, whether or not required by California or federal law.

(c) The Borrower, the Governmental Lender and, if applicable, the Fiscal Agent shall execute, deliver and, if applicable, file or record any and all documents and instruments necessary to effectuate the intent of this Section 8, and the Governmental Lender hereby appoints the Fiscal Agent as its true and lawful attorney-in-fact to execute, deliver and, if applicable, file or record on behalf of the Governmental Lender, as is applicable, any such document or instrument (in such form as may be approved in writing by Bond Counsel) if the Governmental Lender defaults in the performance of its obligations under this subsection (c); provided, however, that unless directed in writing by the Governmental Lender, the Fiscal Agent shall take no action under this subsection (c) without first notifying the Governmental Lender and without first providing the Governmental Lender an opportunity to comply with the requirements of this Section 8. Nothing in this Section 8(c) shall be construed to allow the Fiscal Agent to execute an amendment to this Regulatory Agreement on behalf of the Governmental Lender.

Section 9. Indemnification. The Borrower shall defend, indemnify and hold harmless the Governmental Lender and the Fiscal Agent and the respective officers, members, supervisors, directors, officials and employees, counsel, attorneys and agents, past present and future of each of them (collectively, the "Indemnified Parties") against all loss, costs, damages, expenses, suits, judgments, actions and liabilities of whatever nature (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement, and amounts paid to discharge judgments) directly or indirectly resulting from or arising out of or related to (a) the design, rehabilitation, installation, operation, use, occupancy, maintenance, financing or ownership of the Project (including compliance with laws, ordinances and rules and regulations of public authorities relating thereto), (b) any written statements or representations with respect to the Borrower, the Project or the Note made or given to the Governmental Lender or the Fiscal Agent, or any underwriters or purchaser of the Note or any tenants or applicants for tenancy in the Project or any other person, by the Borrower, or any Authorized Borrower Representative, including, but not limited to, statements or representations of facts, financial information or limited partnership affairs, (c) the Note or the Tax-exempt status of interest on the Note or (d) the failure or alleged failure of any person or entity (including Borrower, its contractor or subcontractors) to pay the general prevailing rate of per diem wages as determined pursuant to Labor Code Sections 1770-1781 and implementing regulations of the Department of Industrial Relations in connection with the construction or rehabilitation of the improvements or any other work undertaken or in connection with the Project or (e) any actual or alleged violation of any Hazardous Materials Law or with respect to the presence of Hazardous Materials on or under the Project or in any of improvements or on or under any property of the Borrower that is adjacent to the Project (whether before or after the date of this Agreement and whether or not Borrower knew of the same); provided, however, that this provision shall not require the Borrower to indemnify the Indemnified Parties from any claims, costs, fees, expenses or liabilities arising from the fraud or willful misconduct or, in the case of the Fiscal Agent, the negligence of the Indemnified Parties. The Borrower also shall pay and discharge and shall indemnify and hold harmless the Governmental Lender and the Fiscal Agent from (i) any lien or charge upon payments by the Borrower to the Governmental Lender and the Fiscal Agent hereunder or under the Note Documents and (ii) any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges in respect of any portion of the Project. If any such claim is asserted, or any such lien or charge upon payments,

or any such taxes, assessments, impositions or other charges are sought to be imposed, the Governmental Lender or the Fiscal Agent shall give prompt notice to the Borrower and the Borrower shall, as provided in the following paragraph, have the right to assume the defense thereof, with full power to litigate, compromise or settle the same in its sole discretion, provided that the Governmental Lender and the Fiscal Agent shall have the right to review and approve or disapprove any such compromise or settlement. In addition thereto, the Borrower will pay upon demand all of the reasonable fees and expenses paid or incurred by the Fiscal Agent and/or the Governmental Lender in enforcing the provisions hereof against the Borrower. The Borrower shall also pay the Governmental Lender its standard fees and reimburse the Governmental Lender for its expenses in connection with any consent, approval, amendment, waiver or other action taken at the request or for the benefit of the Borrower in connection with this Regulatory Agreement, the Note, or any other document or agreement relating thereto. In the event of any audit or inquiry regarding the Note or the Project from any governmental entity, the Borrower shall, at the election of the Governmental Lender, be responsible for responding to and resolving such audit or inquiry at the expense of the Borrower.

Promptly after receipt by any party entitled to indemnification under this Section 9 of notice of the commencement of any suit, action or proceeding, such Indemnified Party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 9, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any Indemnified Party otherwise than under this Section 9 or from any liability under this Section 9 unless the failure to provide notice prejudices the defense of such suit, action or proceeding. In case any such action is brought against any Indemnified Party, and it notifies the indemnifying party, the indemnifying party shall be entitled to participate in, and to the extent that it may elect by written notice delivered to the Indemnified Party promptly after receiving the aforesaid notice from such Indemnified Party (but shall not be required) to assume, the defense thereof, with counsel reasonably satisfactory to such Indemnified Party; provided, however, if the defendants in any such action include both the Indemnified Party and the indemnifying party and the Indemnified Party shall have reasonably concluded that there are legal defenses available to it and/or other Indemnified Parties which are different from or additional to those available to the indemnifying party, the Indemnified Party or parties shall have the right to select separate counsel to assert such legal defenses and otherwise to participate in the defense of such action on behalf of such Indemnified Party or parties. Upon the indemnifying party's receipt of notice from the Indemnified Party of such Indemnified Party's election so to assume the defense of such action and selection by the Indemnified Party of counsel, the indemnifying party shall not be liable to such Indemnified Party under this Section 9 for any attorneys' fees or expenses subsequently incurred by such Indemnified Party for the engagement of separate counsel in connection with defense thereof unless (i) the Indemnified Party shall have employed separate counsel in connection with the assertion of legal defenses in accordance with the proviso to the next preceding sentence, or (ii) the indemnifying party shall not have employed counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party or shall not have employed such counsel within a reasonable time after notice of commencement of the action or (iii) the indemnifying party has authorized the employment of separate counsel to represent the Indemnified Party at the expense of the indemnifying party. Notwithstanding the foregoing, the Fiscal Agent shall not be indemnified for income tax, franchise tax or similar tax liability relating to the Fiscal Agent's own income and operations.

Section 10. Consideration. The Governmental Lender has issued the Note to provide funds to finance the acquisition, rehabilitation and equipping of the Project, all for the purpose, among others, of inducing the Borrower to acquire and rehabilitate the Project. In consideration of the issuance of the Note by the Governmental Lender, the Borrower has entered into this Regulatory Agreement and has agreed to restrict the uses to which this Project can be put on the terms and conditions set forth herein.

Section 11. Reliance. The Governmental Lender and the Borrower hereby recognize and agree that the representations and covenants set forth herein may be relied upon by all persons interested in the legality and validity of the Note and in the exemption from federal income taxation and California personal income taxation of the interest on the Note. In performing their duties and obligations hereunder, the Governmental Lender and the Fiscal Agent may rely upon statements and certificates of the Low Income Tenants and upon audits of the books and records of the Borrower pertaining to the Project. In addition, the Governmental Lender and the Fiscal Agent may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Governmental Lender or the Fiscal Agent hereunder in good faith and in conformity with such opinion. In determining whether any default or lack of compliance by the Borrower exists under this Regulatory Agreement, the Fiscal Agent may, but shall not be required to, conduct any investigation into or review of the operations or records of the Borrower and may rely solely on any written notice or certificate delivered to the Fiscal Agent by the Borrower or the Governmental Lender with respect to the occurrence or absence of a default unless it knows that the notice or certificate is erroneous or misleading.

Section 12. Project in the City of Los Angeles. The Borrower hereby represents and warrants that the Project will be located entirely within the City of Los Angeles.

Section 13. Sale or Transfer of the Project; Equity Interests. The Borrower hereby covenants and agrees not to voluntarily (which term shall not be interpreted to include a foreclosure of any security for the Loan, the granting by the Borrower of a deed-in-lieu of foreclosure, or any other comparable conversion of the Loan) sell, transfer or otherwise dispose of the Project, or any portion thereof (other than for individual tenant use as contemplated hereunder), equity interests in the Borrower aggregating more than 50% of the equity interest in the Borrower, or any general partner interests in the Borrower, without obtaining the prior written consent of the Governmental Lender, which consent shall not be unreasonably withheld by the Governmental Lender and shall be given by the Governmental Lender if (a) the Borrower is not in default hereunder or under the Loan Agreement; (b) the purchaser or assignee is not in default under any obligations it may have to the Governmental Lender and is not the subject of any legal or enforcement actions by the Governmental Lender, and the purchaser or assignee certifies that the continued operation of the Project will comply with the provisions of this Regulatory Agreement; (c) evidence reasonably satisfactory to the Governmental Lender is presented to establish that the purchaser or assignee is willing to comply and capable of complying with the terms and conditions of this Regulatory Agreement; (d) either (i) evidence satisfactory to the Governmental Lender is presented to establish that the purchaser or assignee has at least three years' experience in the ownership, operation and management of rental housing projects, without any record of material violations of discrimination restrictions or other state or federal laws or regulations applicable to such projects or (ii) the purchaser or assignee

agrees to retain a property management firm which the Governmental Lender determines has the experience and record described in subclause (i) above, or (iii) the Governmental Lender determines that it has no reason to believe that the purchaser or assignee is incapable, financially or otherwise, of complying with, or may be unwilling to comply with, the terms of all agreements binding on such purchaser or assignee and relating to the Project; (e) the Governmental Lender and the Fiscal Agent shall have received (i) with respect to any transfer of the Project, reasonable evidence satisfactory to the Governmental Lender that the Borrower's purchaser or transferee has assumed in writing and in full, the Borrower's duties and obligations under this Regulatory Agreement and the Loan Agreement, (ii) with respect to any transfer of the Project to a new Borrower, an opinion of counsel to the transferee that the transferee has duly assumed the obligations of the Borrower under this Regulatory Agreement and that such obligations and this Regulatory Agreement are binding on the transferee, (iii) unless waived by the Governmental Lender, an opinion of Bond Counsel that such transfer will not adversely affect the Tax-exempt nature of the interest on the Note, (iv) from the Borrower, a Certificate of Continuing Program Compliance (and a "bring-down" certificate, if necessary) current as of the date of transfer and (v) evidence satisfactory to the Governmental Lender that the purchaser or assignee does not have pending against it, nor does it have a history of, building or fire code violations as identified by the Governmental Lender, the State of California or federal regulatory agencies; (f) the purchaser or assignee files with the Governmental Lender an affirmative action plan and other affirmative action documents required by the Governmental Lender, each acceptable to the Governmental Lender; (g) the Borrower or transferee pays all costs of the transfer of title, including, but not limited to, the cost of meeting the conditions specified in this Section 13; and (h) such other conditions are met as the Governmental Lender may reasonably impose to assure compliance by the Project with the requirements of this Regulatory Agreement. It is hereby expressly stipulated and agreed that, except for any such sale, transfer or disposition agreed to by the Governmental Lender in a separate writing, any sale, transfer or other disposition of the Project in violation of this Section 13 shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under this Regulatory Agreement. Upon any sale or other transfer which complies with this Regulatory Agreement, the Borrower shall be fully released from its obligations hereunder, but only to the extent such obligations have been assumed by the transferee of the Project, without the necessity of further documentation. Any transfer of the Project to any entity, whether or not affiliated with the Borrower, shall be subject to the provisions of this Section 13.

Notwithstanding the foregoing, if the Fiscal Agent acquires title to the Project by foreclosure or deed in lieu of foreclosure, no consent of the Governmental Lender shall be required to such transfer under this Regulatory Agreement and no other conditions shall be required to be satisfied. However, if the Fiscal Agent acquires title to the Project by foreclosure or deed in lieu of foreclosure and this Regulatory Agreement has not been terminated pursuant to Section 14 below, consent of the Governmental Lender and delivery of items (a) through (h) above shall be required for any transfer of the Project subsequent to the Fiscal Agent's acquisition of the Property by foreclosure or deed in lieu of foreclosure.

Notwithstanding anything to the contrary contained herein, the respective interests of Borrower's limited partners shall, with prior written notice to the Governmental Lender, be transferable under this Regulatory Agreement to any affiliate of the limited partners of Borrower,

without the consent of the Governmental Lender and/or Fiscal Agent but with prior written notice thereto.

In addition to the above requirements, the Borrower shall obtain the consent of CDLAC to any transfer of the Project in the manner and to the extent as may at the time be required by CDLAC.

Section 14. Term. This Regulatory Agreement and all and each of the provisions hereof shall become effective upon its execution and delivery, and shall remain in full force and effect for the periods provided herein and, except as otherwise provided in this Section 14 shall terminate in its entirety at the end of the Qualified Project Period (or in the case of Section 7(d) hereof at the times set forth in CDLAC Resolution No. 13-19), it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Note, discharge of the Loan and termination of the Funding Loan Agreement and the Loan Agreement.

Notwithstanding the foregoing, the provisions of Section 9 hereof shall, in the case of the Fiscal Agent, survive the term of this Regulatory Agreement or the replacement of the Fiscal Agent, but only as to claims arising from events occurring during the term of this Regulatory Agreement or the Fiscal Agent's tenure as Fiscal Agent under the Funding Loan Agreement, and shall, in the case of the Governmental Lender, survive the term of this Regulatory Agreement, but only as to claims arising from events occurring during the term of this Regulatory Agreement.

The terms of this Regulatory Agreement to the contrary notwithstanding, this Regulatory Agreement and all the requirements set forth herein (except Section 9 as aforesaid) shall terminate and be of no further force and effect in the event of (a) involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire, seizure, requisition, change in a federal law or an action of a federal agency after the Closing Date which prevents the Governmental Lender or the Fiscal Agent from enforcing the provisions hereof, or (b) condemnation, foreclosure, delivery of a deed in lieu of foreclosure or a similar event, but only if, within a reasonable period thereafter, either the portion of the Note attributable to the affected portion of the Project is retired or amounts received as a consequence of such event are used to provide a project which meets the requirements of the Code set forth in Sections 2 through 6 of this Regulatory Agreement and provided that, in either case, an opinion of Bond Counsel (unless waived by the Governmental Lender) is delivered to the Fiscal Agent to the effect that the exclusion from gross income for federal income tax purposes of interest on the Note will not be adversely affected thereby. The provisions of the preceding sentence shall cease to apply and the requirements referred to therein shall be reinstated if, at any time during the Qualified Project Period after the termination of such requirements as a result of involuntary noncompliance due to foreclosure, transfer of title by deed in lieu of foreclosure or similar event, the Borrower or any related person (within the meaning of Section 147(a)(2) of the Code) obtains an ownership interest in the Project for tax purposes. The Borrower hereby agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Borrower nor any related person as described above will obtain an ownership interest in the Project for tax purposes.

Upon the termination of this Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms.

Section 15. Covenants To Run With the Land. The Borrower hereby subjects the Project (including the Project Site) to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Governmental Lender and the Borrower hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Borrower's successors in title to the Project; provided, however, that on the termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire. The Governmental Lender and, if necessary, the Fiscal Agent, agree to execute a quitclaim deed or other documents required to remove this Regulatory Agreement from title after the covenants, agreements and restrictions herein have expired. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

No breach of any of the provisions of this Regulatory Agreement shall impair, defeat or render invalid the lien of any security instrument, deed of trust or like encumbrance made in good faith and for value encumbering the Project or any portion thereof.

Section 16. Burden and Benefit. The Governmental Lender and the Borrower hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Borrower's legal interest in the Project is rendered less valuable thereby. The Governmental Lender and the Borrower hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Low Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Note was issued. Notwithstanding the foregoing or any other provision of this Regulatory Agreement, no person, other than the parties hereto, shall have any rights of enforcement of this Regulatory Agreement.

Section 17. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use, development and improvement of the Project Site.

Section 18. Default; Enforcement. If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in this Regulatory Agreement, and if such default remains uncured for a period of 60 days after notice thereof shall have been given by the Governmental Lender to the Borrower, then the Governmental Lender shall declare an "Event of Default" to have occurred hereunder; provided, however, that if the default stated in the notice is of such a nature that it cannot be corrected within 60 days, such default shall not constitute an Event of Default hereunder so long as (i) the Borrower institutes corrective action within said 60 days and diligently pursues such action until the default is

corrected and (ii) in the opinion of Bond Counsel, the failure to cure said default within 60 days will not adversely affect the Tax-exempt status of interest on the Note. The Fiscal Agent hereby consents to any correction of the default by the Governmental Lender on behalf of the Borrower. The Governmental Lender hereby consents to any correction of a default on the part of the Borrower hereunder made by the Borrower's limited partners on behalf of the Borrower within the time periods provided in this Section. Copies of any notices sent to the Borrower hereunder shall simultaneously be sent to Borrower's limited partners at the address set forth in Section 23.

Following the declaration of an Event of Default hereunder, the Fiscal Agent, as directed by the Governmental Lender and subject to the provisions of the Funding Loan Agreement relative to the Fiscal Agent's duty to exercise remedies generally, or the Governmental Lender may, at its option, take any one or more of the following steps:

(a) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the Governmental Lender or the Fiscal Agent hereunder;

(b) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Project; and

(c) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower hereunder.

During the Qualified Project Period, the Borrower hereby grants to the Governmental Lender the option, upon either (a) the expiration of 60 days after the giving of the notice to the Borrower referred to in the first paragraph of this Section 18 of the Borrower's default under this Regulatory Agreement or (b) the vacancy of a Low Income Unit for more than six months and the submission by the Governmental Lender to the Borrower during such six-month or longer period of at least five proposed tenants which meet the qualifications of Low Income Tenants and the qualifications of a reasonable landlord, to lease up to [40%] of the units in the Project for a rental of $1.00 per unit per year for the sole purpose of subleasing such units to Low Income Tenants for a period of not less than six months, but only to the extent necessary to comply with the provisions of Sections 2 through 7 of this Regulatory Agreement and to insure full occupancy of the Low Income Units. The option granted in the preceding sentence shall be effective only if the Borrower or the Fiscal Agent has not instituted corrective action before the end of such 60-day period referenced in (a) above, or the Borrower has not rented the unit during the six-month or longer period referenced in (b) above, to a qualified Low Income Tenant. The option and any leases to the Governmental Lender under this provision shall terminate with respect to each default upon the achievement, by the Borrower, the Fiscal Agent or the Governmental Lender, of compliance with the requirements of Section 2 through 7 hereof, and any subleases entered into pursuant to the Governmental Lender's option shall be deemed to be leases from the Borrower. The Governmental Lender shall make diligent effort, but shall not be required, to rent Low Income Units to Low Income Tenants at the highest rents practicable, subject to the limits of Sections 5, 6 and 7 hereof. Any rental paid under any such sublease shall be paid to the Borrower after the Governmental Lender has been reimbursed for any reasonable

expenses incurred in connection with such sublease, provided that, if the Borrower is in default under the Loan Agreement, such rental shall be paid to the Fiscal Agent for credit against payments due under the Loan Agreement. The Fiscal Agent shall have the right, as directed by the Governmental Lender, in accordance with this Section 18 and the provisions of the Funding Loan Agreement, to exercise any or all of the rights or remedies of the Governmental Lender hereunder, provided that prior to taking any such action the Fiscal Agent shall give the Governmental Lender written notice of its intended action. All reasonable fees, costs and expenses of the Governmental Lender and the Fiscal Agent incurred in taking any action pursuant to this Section 18 shall be the sole responsibility of the Borrower.

After the Funding Loan Agreement has been discharged, the Governmental Lender may act on its own behalf to declare an "Event of Default" to have occurred and to take any one or more of the steps specified hereinabove to the same extent and with the same effect as if taken by the Fiscal Agent.

The obligations of the Borrower hereunder are not secured by a lien on the Project and the Loan shall not be accelerated as a result of any default hereunder. The Borrower hereby agrees that specific enforcement of the Borrower's agreements contained herein is the only means by which the Governmental Lender may obtain the benefits of such agreements made by the Borrower herein and the Borrower therefore agrees to the imposition of the remedy of specific performance against it in the case of any default by the Borrower hereunder.

The occurrence of a Taxability Event shall not, in and of itself, constitute a default hereunder.

Section 19. The Fiscal Agent. The Fiscal Agent shall act as specifically provided herein and in the Funding Loan Agreement. The Fiscal Agent is entering into this Regulatory Agreement solely in its capacity as Fiscal Agent under the Funding Loan Agreement, and the duties, powers, rights and liabilities of the Fiscal Agent in acting hereunder shall be subject to the provisions of the Funding Loan Agreement.

The Governmental Lender shall be responsible for the monitoring and verifying of compliance by the Borrower with the terms of this Regulatory Agreement. The Fiscal Agent may at all times assume compliance with this Regulatory Agreement unless otherwise notified in writing by the Governmental Lender, or unless it has actual knowledge of noncompliance.

After the date on which no principal of the Note remains outstanding as provided in the Funding Loan Agreement, the Fiscal Agent shall no longer have any duties or responsibilities under this Regulatory Agreement and all references to the Fiscal Agent in this Regulatory Agreement shall be deemed references to the Governmental Lender.

Section 20. Recording and Filing. The Borrower shall cause this Regulatory Agreement, and all amendments and supplements hereto and thereto, to be recorded and filed in the real property records of the County of Los Angeles and in such other places as the Governmental Lender or the Fiscal Agent may reasonably request. The Borrower shall pay all fees and charges incurred in connection with any such recording. This Regulatory Agreement

shall be recorded in the grantor-grantee index to the name of the Borrower as grantor and the Governmental Lender as grantee.

Section 21. Governing Law. This Regulatory Agreement shall be governed by the laws of the State of California. The Fiscal Agent's rights, duties and obligations hereunder are governed in their entirety by the terms and provisions of the Funding Loan Agreement.

Section 22. Amendments. This Regulatory Agreement shall be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County of Los Angeles, California, and only upon receipt by the Governmental Lender of an opinion from Bond Counsel that such amendment will not adversely affect the Tax-exempt status of interest on the Note and is not contrary to the provisions of the Law or the Act and with the written consent of the Fiscal Agent.

The Governmental Lender, the Fiscal Agent and the Borrower hereby agree to amend this Regulatory Agreement to the extent required, in the opinion of Bond Counsel (subject to the approval of the City Attorney of the Governmental Lender), in order that interest on the Note remain Tax-exempt. The party or parties requesting such amendment shall notify the other parties to this Regulatory Agreement of the proposed amendment, with a copy of such requested amendment to Bond Counsel and the City Attorney of the Governmental Lender and a request that such Bond Counsel render to the Governmental Lender an opinion as to the effect of such proposed amendment upon the Tax-exempt status of interest on the Note.

Section 23. Notices. Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery, certified or registered mail, postage prepaid, return receipt requested, at the addresses specified below, or at such other addresses as may be specified in writing by the parties hereto:

If to The Governmental Lender:	City of Los Angeles Los Angeles Housing Department 8th Floor 1200 West 7th Street Los Angeles, CA 90017 Attention: Supervisor, Affordable Housing Bond Program Facsimile: (213) 808-8918
with a copy to:	Los Angeles Housing Department P.O. Box 532729 Los Angeles, CA 90053-2729 Attention: Supervisor, Affordable Housing Bond Program
If to Borrower:	Banning Villa Preservation Limited Partnership
with a copy to:	

with a copy to: [Tax Credit Investor]
[Address]
Attention:
Fax:

If to the Fiscal Agent: [FISCAL AGENT]
[ADDRESS]
Los Angeles, CA [_____]
Attention:
Ref:
Telephone: (
Facsimile: (

Notice shall be deemed given three Business Days after the date of mailing.

A duplicate copy of each notice, certificate or other communication given hereunder by any party hereto to another party hereto shall also be given to all of the parties specified above. Failure to provide any such duplicate notice pursuant to the foregoing sentence, or any defect in any such duplicate notice so provided shall not constitute a default hereunder. All other documents required to be submitted to any of the foregoing parties shall also be submitted to such party at its address set forth above. Any of the foregoing parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, documents or other communications shall be sent.

Section 24. Severability. If any provision of this Regulatory Agreement or if the applicability of any such provision shall be invalid, illegal or unenforceable, the validity, legality, enforceability, or the applicability with respect to the validity, legality and enforceability, of the remaining portions hereof shall not in any way be affected or impaired thereby.

Section 25. Multiple Counterparts. This Regulatory Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Section 26. Nondiscrimination and Affirmative Action. The Fiscal Agent and the Borrower shall comply with the applicable nondiscrimination and affirmative action provisions of the laws of the United States of America, the State of California, and the Governmental Lender. Fiscal Agent and the Borrower shall not discriminate in its employment practices against any employee or applicant for employment denial of family and medical care leave; denial of pregnancy disability leave or reasonable accommodations against any employee or applicant for employment because of such person's race, ancestry, color, citizenship, national origin, religion, sex, sexual orientation, gender identity/expression, age, marital status, familial status, domestic partner status, physical handicap, mental disability, medical condition, political affiliation or belief. The Fiscal Agent and the Borrower shall comply with Executive Order 11246, entitled "Equal Employment Opportunity", as amended by Executive Order 11375, and as supplemented in Department of Labor regulations (41 CRF Part 60). The Fiscal Agent and

the Borrower shall comply with the provisions of the Los Angeles Administrative Code Sections 10.8 through 10.13, to the extent applicable hereto. The affirmative action program of the Fiscal Agent and the Borrower shall include the mandatory contract provisions set forth in the Los Angeles Administrative Code Section 10.8.4, and said provisions are incorporated herein by this reference. The Borrower and Fiscal Agent shall also comply with all rules, regulations, and policies of the Governmental Lender's Board of Public Works, Office of Contract Compliance relating to nondiscrimination and affirmative action, including the filing of all forms required by the Governmental Lender. Any subcontract entered into by the Borrower or Fiscal Agent relating to this Regulatory Agreement, to the extent allowed hereunder, shall be subject to the provisions of this section. No person shall on the grounds of race, ancestry, color, citizenship, national origin, religion, sex, sexual orientation, gender identity/expression, age, marital status, familial status, domestic partner status, physical handicap, mental disability, medical condition, political affiliation or belief be excluded from participation in, be denied the benefit of, or be subjected to discrimination under this Regulatory Agreement. For purposes of this Section, Title 24 Code of Federal Regulations Part 107 and Section 570.601(b) defines specific discriminatory actions that are prohibited and corrective action that shall be taken in a situation as defined therein.

Section 27. Business Tax Registration Certificate. Subject to any exemption available to it, the Fiscal Agent and Borrower each represent that it will obtain and hold the Business Tax Registration Certificate(s) required by the Governmental Lender's Business Tax Ordinance (Article 1, Chapter 2, Section 21.00 and following, of the Los Angeles Municipal Code). For the term covered by this Regulatory Agreement, the Fiscal Agent and the Borrower shall maintain, or obtain as necessary, all such Business Tax Registration Certificates required of it under said Ordinance and shall not allow any such Business Tax Registration Certificate to be revoked or suspended.

Section 28. Financial Obligations Personal to Borrower. The Governmental Lender acknowledges that the Project shall be encumbered by the Note Documents. Notwithstanding any provisions of this Regulatory Agreement to the contrary, all obligations of the Borrower under this Regulatory Agreement for the payment of money and all claims for damages against the Borrower occasioned by breach or alleged breach by the Borrower of its obligations under this Regulatory Agreement, including indemnification obligations, shall not be a lien on the Project and no Person shall have the right to enforce such obligations other than directly against the Borrower as provided in Section 18 of this Regulatory Agreement, except that the Governmental Lender shall have the right at all times to enforce the rights contained in the third paragraph of Section 18 hereof. No subsequent owner of the Project shall be liable or obligated for the breach or default of any obligations of the Borrower under this Regulatory Agreement on the part of any prior Borrower, including, but not limited to, any payment or indemnification obligation. Such obligations are personal to the Person who was the Borrower at the time the default or breach was alleged to have occurred and such Person shall remain liable for any and all damages occasioned thereby even after such Person ceases to be the Borrower. Each Borrower shall comply with and be fully liable for all obligations of an "owner" hereunder during its period of ownership. Notwithstanding the foregoing, neither the Borrower nor its partners shall be personally liable for any indemnification obligation under the Note Documents which would result in the repayment of principal and interest on the Loan.

Section 29. Third-party Beneficiaries. The CDLAC is intended to be and is a third-party beneficiary of this Regulatory Agreement, and the CDLAC shall have the right (but not the obligation) to enforce, separately or jointly with the Governmental Lender and/or the Fiscal Agent or to cause the Governmental Lender or the Fiscal Agent to enforce, the provisions of Section 7(d) of this Regulatory Agreement and to pursue an action for specific performance of such provisions or other available remedy at law or in equity in accordance with Section 18 hereof, provided that any such action or remedy shall not materially adversely affect the interests and rights of the Noteholder and shall otherwise be subject to the terms, conditions and limitations applicable to the enforcement of remedies under this Regulatory Agreement.

Section 30. Child Support Assignment Orders. This Regulatory Agreement is subject to Section 10.10 of the Los Angeles Administrative Code, Child Support Assignment Orders Ordinance. Pursuant to this Ordinance, each of the Borrower and the Fiscal Agent certifies that it will (a) fully comply with all State and Federal employment reporting requirements applicable to Child Support Assignment Orders; (b) that the principal owner(s) of the Borrower are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally; (c) fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code Section 5230 et seq.; and (d) maintain such compliance throughout the term of this Regulatory Agreement. Pursuant to Section 10.10.b of the Los Angeles Administrative Code, failure of the Borrower or the Fiscal Agent to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment Orders and Notices of Assignment or the failure of any principal owner(s) of the Borrower or the Fiscal Agent to comply with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally shall constitute a default by the Borrower or the Fiscal Agent, as appropriate, under the terms of this Regulatory Agreement, subjecting (i) the Borrower to the remedies provided herein and (ii) the Fiscal Agent to termination under the Funding Loan Agreement where, in either case, such failure shall continue for more than ninety (90) days after notice of such failure to the Borrower or the Fiscal Agent by the Governmental Lender. Any subcontract entered into by the Borrower or the Fiscal Agent relating to this Regulatory Agreement, to the extent allowed hereunder, shall be subject to the provisions of this paragraph and shall incorporate the provisions of the Child Support Assignment Orders Ordinance. Failure of the Borrower or the Fiscal Agent to obtain compliance of its subcontractors shall constitute a default by the Borrower or the Fiscal Agent, as appropriate, under the terms of this Regulatory Agreement, subjecting (A) the Borrower to the remedies provided herein and (B) the Fiscal Agent to termination under the Funding Loan Agreement where such failure shall continue for more than ninety (90) days after notice of such failure to the Borrower or the Fiscal Agent by the Governmental Lender.

The Borrower and the Fiscal Agent shall comply with the Child Support Compliance Act of 1998 of the State of California Employment Development Department. The Borrower and the Fiscal Agent each assures that to the best of its knowledge it is fully complying with the earnings assignment orders of all employees, and is providing the names of all new employees to the New Hire Registry maintained by the Employment Development Department as set forth in subdivision (1) of the Public Contract Code Section 7110.

Section 31. Americans with Disabilities Act. The Borrower and the Fiscal Agent each hereby certifies that it will comply with the Americans with Disabilities Act 42, U.S.C. 12101

et seq., and its implementing regulations and the American Disabilities Act Amendments Act (ADAAA) Pub. L. 110-325 and all subsequent amendments (the "ADA"). The Borrower and the Fiscal Agent each will provide reasonable accommodations to allow qualified individuals with disabilities to have access to and to participate in its programs, services and activities in accordance with the provisions of the ADA. The Borrower and the Fiscal Agent each will not discriminate against persons with disabilities or against persons due to their relationship to or association with a person with a disability. Any subcontract entered into by the Borrower or the Fiscal Agent, relating to this Regulatory Agreement, to the extent allowed hereunder, shall be subject to the provisions of this paragraph.

Section 32. Slavery Disclosure Ordinance. This Regulatory Agreement is subject to the Slavery Disclosure Ordinance, Section 10.41 of the Los Angeles Administrative Code, as it may be amended from time to time. The Borrower hereby agrees to execute and deliver a certificate in the form attached hereto as Exhibit H (or such other form as is required by the Governmental Lender) certifying that it has complied with the applicable provisions of this Ordinance. The Borrower acknowledges that failure to fully and accurately complete the affidavit may result in a default under this Regulatory Agreement.

Section 33. HUD and FHA Requirements.

(a) Notwithstanding anything in this Regulatory Agreement to the contrary, so long as the FHA Insured Mortgage Loan (as defined in the Funding Loan Agreement) has been funded and any portion thereof remains unpaid, except the requirements in 26 U.S.C. §42(h)(6)(E)(ii), if applicable, the provisions hereof are expressly subordinate to the terms of the FHA Loan Documents and all applicable HUD mortgage insurance (and Section 8, if applicable) regulations and related administrative requirements. In the event of any conflict between the provisions of this Regulatory Agreement and the provisions of an applicable HUD regulation, related HUD administrative requirements, or FHA Loan Documents, the HUD regulations, related administrative requirements, or FHA Loan Documents shall control.

In the event of foreclosure or transfer of title by deed in lieu of foreclosure, any and all tax or land use covenants contained herein shall automatically terminate.

Failure to comply with the tax or land-use covenants contained herein will not serve as a basis for default on the U.S. Department of Housing and Urban Development insured mortgage.

Enforcement of the covenants herein will not result in any claim against the Project, any reserve or deposit required by HUD in connection with the mortgage transaction, or the rents or other income from the property other than:

(i) Available surplus cash, if the mortgagor is profit-motivated;

(ii) Available distributions and residual receipts authorized for release by HUD, if the mortgagor is limited distribution; or

(iii) Available residual receipts authorized by HUD if the mortgagor is nonprofit.

Any subsequent amendment to this Regulatory Agreement is subject to prior HUD approval.

No action shall be taken in accordance with the rights granted herein to preserve the tax exemption of the interest on the Note, or prohibiting the Borrower from taking any action that might jeopardize the tax-exemption, except in strict accord with the National Housing Act, applicable mortgage insurance regulations, the FHA Loan Documents, or if applicable, Section 8 of the U.S. Housing Act of 1937 and the regulations thereunder.

(b) In consideration of HUD's agreeing to insure the FHA Insured Mortgage Loan and in reliance by HUD upon the promises of the Borrower, the Lender (as defined in the Funding Loan Agreement), the Governmental Lender and the Fiscal Agent to comply herewith, HUD has reserved the right to require the Governmental Lender and the Fiscal Agent to remove or void the restrictions found in this Regulatory Agreement (to the extent and only to the extent that these restrictions exceed those required by the Internal Revenue Code for the tax-exempt financing provided for in the Funding Loan Agreement) upon a determination by HUD that the restrictions are threatening the financial viability of the Project, i.e., impairing the Borrower's ability to sustain a level of income sufficient to meet all financial obligations of the Project, including the debt service costs, HUD-required escrows, and the Project's operation expenses. In the absence of the Governmental Lender's and Fiscal Agent's compliance with HUD's request that it remove or void the restrictions, the Governmental Lender and the Fiscal Agent expressly recognize the power of HUD to take the appropriate action to unilaterally remove or void these restrictions and agree that HUD shall not have to look any further than this for the power to remove or void said restrictions.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Governmental Lender, the Fiscal Agent and the Borrower have executed this Regulatory Agreement by duly authorized representatives, all as of the date first above written.

CITY OF LOS ANGELES, as Governmental Lender

By Los Angeles Housing Department

By _____
Name _____
Authorized Officer

Approved as to form:

CITY OF LOS ANGELES
CARMEN A. TRUTANICH, City Attorney

_____
Deputy/Assistant City Attorney

[Signature Page to ***Banning Villa*** Regulatory Agreement]

[FISCAL AGENT],
as Fiscal Agent

By _____
Name _____
Authorized Signatory

[Signature Page to ***Banning Villa*** Regulatory Agreement]

BANNING VILLA PRESERVATION LIMITED PARTNERSHIP, a California limited partnership

By:_____

[Signature Page to ***Banning Villa*** Regulatory Agreement]

NOTARY ACKNOWLEDGMENT STATEMENT

State of California)

County of _____)

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

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

WITNESS my hand and official seal.

Signature _____ [SEAL]

NOTARY ACKNOWLEDGMENT STATEMENT

State of California)

County of _____)

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

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

WITNESS my hand and official seal.

Signature _____ [SEAL]

NOTARY ACKNOWLEDGMENT STATEMENT

State of California)

County of_____)

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

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

WITNESS my hand and official seal.

Signature _____ [SEAL]

NOTARY ACKNOWLEDGMENT STATEMENT

State of California)

County of_____)

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

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

WITNESS my hand and official seal.

Signature _____ [SEAL]

EXHIBIT A

DESCRIPTION OF PROJECT SITE

The land referred to is situated in the County of Los Angeles, City of Los Angeles, State of California, and is described as follows:

[INSERT LEGAL DESCRIPTION]

EXHIBIT B

FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

FOR THE [MONTH/QUARTER] ENDING _____

$10,100,000
City of Los Angeles
Multifamily Collateralized Revenue Note
(Banning Villa Senior Apartments)
Series 2013E

The undersigned, being the Authorized Borrower Representative of Banning Villa Preservation Limited Partnership, a California limited partnership (the "Borrower"), has read and is thoroughly familiar with the provisions of the various loan documents associated with the Borrower's participation in the multifamily housing program of the City of Los Angeles (the "Governmental Lender"), including, without limitation, the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of [_____ 1, 2013] (the "Regulatory Agreement"), among the Borrower, the Governmental Lender and [FISCAL AGENT], as Fiscal Agent relative to the property located at 1100 North Banning Boulevard.

As of the date of this Certificate, the following percentages of completed residential units in the Project (as such term is defined in the Regulatory Agreement) (i) are occupied by Low Income Tenants (as such term is defined in the Regulatory Agreement) or (ii) are currently vacant and being held available for such occupancy and have been so held continuously since the date a Low Income Tenant vacated such unit, as indicated:

Occupied by Low Income Tenants:	_____% Unit Nos. _____ and size
Held vacant for occupancy continuously since last occupied by Low Income Tenant:	_____% Unit Nos. _____ and size
Vacant Units:	_____%
Low Income Tenants who commenced Occupancy of units during the Preceding [month/quarter]:	Unit Nos. ___

Attached is a separate sheet (the "Occupancy Summary") listing, among other items, the following information for each unit in the Project: the number of each unit, the occupants of each unit and the size, in square feet, of each unit. It also indicates which units are occupied by Low

Income Tenants and which units became Low Income Units during the preceding [month/quarter]. The information contained thereon is true and accurate.

The undersigned hereby certifies that (1) a review of the activities of the Borrower during such [month/quarter] and of the Borrower's performance under the Loan Agreement has been made under the supervision of the undersigned; (2) to the best of the knowledge of the undersigned, based on the review described in clause (1) hereof, the Borrower is not in default under any of the terms and provisions of the above documents [OR DESCRIBE THE NATURE OF ANY DEFAULT IN DETAIL AND SET FORTH THE MEASURES BEING TAKEN TO REMEDY SUCH DEFAULT]; and (3) to the knowledge of the Borrower, no Taxability Event (as such term is defined in the Regulatory Agreement) has occurred [OR, IF A TAXABLILITY EVENT HAS OCCURRED, SET FORTH ALL MATERIAL FACTS RELATING THERETO].

BANNING VILLA PRESERVATION
LIMITED PARTNERSHIP, a California limited partnership

By:_____

EXHIBIT C

FORM OF INCOME CERTIFICATION

NOTE TO APARTMENT OWNER: This form is designed to assist you in computing Annual Income in accordance with the method set forth in the Department of Housing and Urban Development ("HUD") Regulations (24 C.F.R. Part 5 Subpart F). You should make certain that this form is at all times up to date with the HUD Regulations.

Re: Banning Villa Apartments, 1100 North Banning Boulevard, Los Angeles, CA.

The undersigned hereby (certify) (certifies) that:

1. This Certification of Tenant Eligibility is being delivered in connection with the undersigned's application for occupancy of Apartment #_____ in the Banning Villa Apartments located at 1100 North Banning Boulevard, in Los Angeles, California.

2. List all the occupants of the apartment, the relationship (if any) of the various occupants, their ages, and indicate whether they are students (for this purpose, a student is any individual who has been, or will be, a full-time student at an educational institution during five months (whether consecutive or not) of the year in which this application is submitted, other than a correspondence school, with regular facilities and students).

	Occupant	**Relationship**	**Age**	**Student (Yes or No)**	**Social Security Number**
(a)	_____	_____	_____	_____	_____
(b)	_____	_____	_____	_____	_____
(c)	_____	_____	_____	_____	_____
(d)	_____	_____	_____	_____	_____
(e)	_____	_____	_____	_____	_____
(f)	_____	_____	_____	_____	_____

3. If all of the occupants are students, answer the following questions for each occupant

(a) Is any student listed in paragraph 2 above married and files a joint return for federal income tax purposes? List any such students.

Name(s) No Not Applicable

(b) Is any student listed in paragraph 2 above (i) a single parent living with his/her children, (ii) not a dependent of another individual and (iii) whose children are not dependents of an individual other than their parents? List any such students.

Yes Name(s) No Not Applicable

(c) Is any student listed in paragraph 2 above a student receiving assistance under Title IV of the Social Security Act (Temporary Assistance for Needy Families)? List any such students.

Yes Name(s) No Not Applicable

(d) Is any student listed in paragraph 2 above a student enrolled in a job-training program receiving assistance under the Job Training Partnership Act or under other similar Federal, State or local laws? List any such students.

Yes Name(s) No Not Applicable

(e) Is any student listed in paragraph 2 a student who was previously under the care and placement responsibility of a foster care program (under part B or E of Title IV of the Social Security Act)? List any such students.

Yes Name(s) No Not Applicable

4. The total anticipated income for each person listed in paragraph 2 above during the 12-month period commencing with the date occupancy will begin including:

> full amount, before any payroll deductions, of wages, salaries, overtime, commissions, fees, tips, and bonuses; net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness or any allowance for depreciation of capital assets); interest and dividends (including income from assets excluded below); the full amount of periodic payments from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic payments including any lump sum payment for the delayed start of a periodic payment; payments in lieu of earnings, such as unemployment and disability compensation, workers' compensation and severance pay; all public assistance income; periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; all regular and special pay and allowances of members of the Armed Forces (whether or not living in the dwelling) who are the head of the family or spouse; and any earned income tax credit to the extent that it exceeds income tax liability;

but excluding:

> income from employment of children (including foster children) under the age of 18 years; payments received for the care of foster children or foster adults (usually individuals with disabilities, unrelated to the tenant family, who are unable to live alone);

lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workers' compensation), capital gains and settlement for personal or property losses; amounts which are specifically for reimbursement of medical expenses; amounts of educational scholarships paid directly to the student or the educational institution, and amounts paid to a veteran for use in meeting the costs of tuition, fees, books and equipment, but in either case only to the extent used for such purposes; special pay to a serviceman head of a family who is away from home and exposed to hostile fire; amounts received under training programs funded by HUD; amounts received under Plan to Attain Self-Sufficiency; amounts for out-of-pocket expenditures incurred in connection with other public assistance programs; resident service stipend (not in excess of $200 per month); amounts from state or local employment training programs; temporary, nonrecurring or sporadic income (including gifts); reparation payments paid by a foreign government to persons who were persecuted during the Nazi era; earnings in excess of $480 for each full-time student 18 years old or older (excluding head of family and spouse); adoption assistance payments in excess of $480 per adopted child; deferred periodic payments of supplemental social security income and benefits received in a lump sum; refunds or rebates of property taxes paid on the unit; payments from state agency to allow developmentally disabled family member to stay home; relocation payments under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970; foster child care payments; the value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charges for the allotments; and payments to volunteers under the Domestic Volunteer Service Act of 1973; is as follows:

	Occupant	**Anticipated Annual Income**	**Source of Income or Employer**
(a)	_____	$_____	_____
(b)	_____	$_____	_____
(c)	_____	$_____	_____
(d)	_____	$_____	_____
(e)	_____	$_____	_____
(f)	_____	$_____	_____
	TOTAL	$_____	

5.(a) Do the persons whose income or contributions are included in Item 4 above have savings, stocks, bonds, equity in real property or other form of capital investment (excluding the

values of necessary items of personal property such as furniture and automobiles and interest in Indian trust land)?

_____ Yes _____ No

(b) Have the persons whose income or contributions are included in Item 4 above disposed of any assets (other than at a foreclosure or bankruptcy sale) during the last two years at less than fair market value?

_____ Yes _____ No

(c) If the answer to (a) or (b) above is yes, does the combined total value of all such assets owned or disposed of by all such persons total more than $5,000?

_____ Yes _____ No

(d) If the answer to (c) above is yes,

(i) insert the total value of all such assets owned or disposed of $_____; and

(ii) state:

(A) the amount of income expected to be derived from such assets in the 12-month period beginning on the date of initial occupancy in the unit that you propose to rent:

$_____

(B) the amount of such income, if any, that was included in Item 4 above:

$_____

6. Neither myself nor any other occupant of the unit I/we propose to rent is the owner of the rental housing project in which the unit is located (hereinafter, the "Borrower"), has any family relationship to the Borrower or owns directly or indirectly any interest in the Borrower. For purposes of this paragraph, indirect ownership by an individual shall mean ownership by a family member, ownership by a corporation, partnership, estate or trust in proportion to the ownership or beneficial interest in such corporation, partnership, estate or trust held by the individual or a family member and ownership, direct or indirect, by a partner of the individual.

7. This Income Certification is made with the knowledge that it will be relied upon by the Borrower to determine maximum income for eligibility to occupy the unit, and I/we declare that all information set forth herein is true, correct and complete and based upon information I/we deem reliable and that the statement of total anticipated income contained in

paragraph 4 is reasonable and based upon such investigation as the undersigned deemed necessary.

8. I/we will assist the Borrower in obtaining any information or documents required to verify the statements made therein, including either an income verification from my/our present employer(s) or copies of federal tax returns for the immediately preceding calendar year.

9. I/we acknowledge that I/we have been advised that the making of any misrepresentation or misstatement (whether or not intentional) in this Income Certification will constitute a material breach of my/our agreement with the Borrower to lease the unit and will entitle the Borrower to prevent my/our occupancy of the unit and will be cause for immediate termination of such lease.

10. The undersigned hereby acknowledge and agree that on or before January 1 (or upon Lease renewal) of each year the undersigned and any other current residents of such apartment will complete and deliver a new Income Certification, in the form then in use, to the Borrower and that the undersigned's rent is subject to increase 30 days after written notice is given to the undersigned stating that the undersigned no longer qualifies as a Lower Income Tenant under the Tax Regulatory Agreement.

11. RESIDENT(S) STATEMENT: I/We certify that the statements are true and complete to the best of my/our knowledge and belief and are given under penalty of perjury. In the event this Income Certification is executed more than five days prior to the date I/we intend to occupy the unit, I/we hereby agree to update and recertify the accuracy of the information herein provided as of the date I/we first occupy the unit:

(a) _____ Date: _____

(b) _____ Date: _____

(c) _____ Date: _____

(d) _____ Date: _____

(e) _____ Date: _____

(f) _____ Date: _____

[*The signatures of all persons over the age of 18 years listed in Number 2 above are required*]

12. Calculation of Eligible Income:

(a) Enter the amount entered for entire household in 4 above: $_____

(b) Enter income derived from assets (line 5(d)(2)(A)): $_____

(c) Subtract (b) from (a) $_____

(d) Multiply the amount entered in 5(d)(1) by the current passbook savings rate to determine the total annual earnings on assets [5(d)(1)] if invested in passbook savings.

Passbook rate _____% X _____ = $_____

(e) Enter the greater of (b) or (d) $_____

(f) TOTAL ELIGIBLE INCOME (Line (e) + (c)) $_____

13. The amount entered in 12(f):

(a) _____ Qualifies the applicant(s) as a Lower Income Tenant(s).

(b) _____ Does not qualify the applicant(s) as Lower Income Tenant(s).

14. Number of apartment unit assigned: _____

Bedroom size: _____ Rent: $_____

Tenant-paid Utilities:

Water _____ Gas _____ Electric _____

Trash _____ Other (list type) _____

15. Was this apartment unit last occupied for a period of 31 consecutive days by persons whose aggregate anticipated annual income as certified in the above manner upon their initial occupancy of the apartment unit qualified them as Lower Income Tenants?

_____ Yes _____ No

16. Method used to verify applicant(s) income:

_____ Employer income verification

_____ Social Security Administration verification

_____ Department of Social Services verification

_____ Copies of tax returns

_____ Other (_____)

17. Method used to verify responses, if any, in paragraph 3 of this Income Certification:

_____ Copies of Tax Returns

_____ Evidence of participation in an enumerated program

18. BORROWER'S STATEMENT: Based on the representations herein and upon the proofs and documentation submitted pursuant to paragraph 8 hereof, the family or individual(s) named in paragraph 2 of this Income Certification is/are eligible under the provisions of the Regulatory Agreement and Declaration of Restrictive Covenants to live in a unit in the Project.

Date _____ Signature of Authorized Borrower Representative:

By _____
Name _____
Title _____

EXECUTION OF ITEMS 19 AND 20

_____ IS _____ IS NOT NECESSARY.

Initials: _____.

19. If this Income Certification was executed by me/us more than five days prior to my/our occupancy of the unit, I/we hereby update and recertify the accuracy of the information herein provided as of _____, 20_____ and state:

_____ (a) No additional information is required to be provided to make this Income Certification true and correct on the date of this certification.

_____ (b) The following information is provided to update the information previously provided in the Income Certification:

_____

_____

_____

[Remainder of page intentionally left blank]

(a) _____ Date: _____

(b) _____ Date: _____

(c) _____ Date: _____

(d) _____ Date: _____

(e) _____ Date: _____

(f) _____ Date: _____

20. BORROWER'S STATEMENT: The family or individual(s) named in paragraph 2 of this Income Certification have, pursuant to paragraph 19 hereof, updated and recertified the information heretofore provided as specifically set forth in paragraph 19 hereof.

Date _____ Signature of Authorized Borrower Representative

By _____
Name _____
Title _____

[Remainder of page intentionally left blank]

INCOME VERIFICATION
(for employed persons)

The undersigned employee has applied for a rental unit located in a project financed by the issuance of a note by the City of Los Angeles for persons of low or moderate income. Every income statement of a prospective tenant must be stringently verified. Please indicate below the employee's current annual income from wages, overtime, bonuses, commissions or any other form of compensation received on a regular basis.

Annual Wages_____

Overtime _____

Bonuses _____

Commissions _____

Total Current Income _____

I hereby certify that the statements above are true and complete to the best of my knowledge.

_____
Date

By _____
Name _____
Title _____

I hereby grant you permission to disclose my income to _____, in order that they may determine my income eligibility for rental of an apartment located in their project which has been financed under the by an issuance of a note by the City of Los Angeles.

Date _____

Signature _____

Please send form to:_____

[Income verification signature page]

INCOME VERIFICATION
(for self-employed persons)

I hereby attach copies of my individual federal and state (if applicable) income tax returns for the immediately preceding calendar year and certify that the information shown in such income tax returns is true and complete to the best of my knowledge.

Date _____

Signature _____

EXHIBIT D

FORM OF ANNUAL TENANT INCOME RECERTIFICATION

CITY OF LOS ANGELES
ANNUAL TENANT INCOME RECERTIFICATION

Project name_____

Apartment #_____ Date of Original Certification_____

Resident name_____

TO THE RESIDENT:
This form is a continuation of the City of Los Angeles (the "City") Affordable Housing Program (the "Program") which was previously discussed with you. In order to keep you on the qualifying list, you will need to update the following information each year when you renew your lease. The Borrower is required by the Internal Revenue Code of 1986 and the City to maintain this information in order to maintain the Program.

Household Composition:
1) Please list all of those individuals residing in your apartment.
2) Please list the anticipated annual income of all occupants of your household who are 18 years of age or older (if housemaker, or unemployed, etc.—please list as such).
3) If college or technical school student, please list if full-time or part-time student.

	NAME	SS#	AGE	ANTICIPATED ANNUAL INCOME*	OCCUPATION/STUDENT
1)					
2)					
3)					
4)					
5)					
6)					
7)					

*SEE INCOME DEFINITION ATTACHED TO THIS FORM.

DO YOU OWN OR HAVE YOU ACQUIRED OR HAVE YOU DISPOSED OF ANY ASSETS OVER $5,000.00 IN THE PAST YEAR?_____

If so, please describe and list amount and annual income expected to be derived from such assets._____
_____

If all persons residing in your apartment are full-time students, please indicate for each such person whether they are: (1) a single parent living with his/her children; (2) a student receiving assistance under Title IV of the Social Security Act (Temporary Assistance for Needy Families); (3) a student enrolled in a job-training program receiving assistance under the Job Training Partnership Act or under other similar federal, state or local laws; (4) a student who was previously under the care and placement responsibility of a foster care program (under part B or E of Title IV of the Social Security Act); or (5) a student who is married and files a joint return. Single parents described in (1) above may not be dependents of another individual and their children may not be dependents of another individual other than their parents.

Please have all occupants over the age of 18 sign this certification.

I/we acknowledge that I/we have been advised that the making of any misrepresentation or misstatement in this declaration will constitute a material breach of my/our agreement with the Borrower to lease the unit and will entitle the Borrower to prevent or terminate my/our occupancy of the unit by institution of an action for ejection or other appropriate proceedings.

I/we declare under penalty of perjury that the foregoing is true and correct.

SIGNATURES: DATE:

1) _____ _____

2) _____ _____

3) _____ _____

4) _____ _____

MANAGER'S SIGNATURE:

_____ _____

DEFINITION OF INCOME

The full amount, before any payroll deductions, of wages, salaries, overtime, commissions, fees, tips, and bonuses; net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness or any allowance for depreciation of capital assets); interest and dividends (including income from assets excluded below); the full amount of periodic payments from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic payments including any lump sum payment for the delayed start of a periodic payment; payments in lieu of earnings, such as unemployment and disability compensation, workers' compensation and severance pay; all public assistance income; periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; all regular and special pay and allowances of members of the Armed Forces (whether or not living in the dwelling) who are the head of the family or spouse; and any earned income tax credit to the extent that it exceeds income tax liability;

but excluding:

income from employment of children (including foster children) under the age of 18 years; payments received for the care of foster children or foster adults (usually individuals with disabilities, unrelated to the tenant family, who are unable to live alone); lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workers' compensation), capital gains and settlement for personal or property losses; amounts which are specifically for reimbursement of medical

expenses; amounts of educational scholarships paid directly to the student or the educational institution, and amounts paid to a veteran for use in meeting the costs of tuition, fees, books and equipment, but in either case only to the extent used for such purposes; special pay to a serviceman head of a family who is away from home and exposed to hostile fire; amounts received under training programs funded by HUD; amounts received under Plan to Attain Self-Sufficiency; amounts for out-of-pocket expenditures incurred in connection with other public assistance programs; resident service stipend (not in excess of $200 per month); amounts from state or local employment training programs; temporary, nonrecurring or sporadic income (including gifts); reparation payments paid by a foreign government to persons who were persecuted during the Nazi era; earnings in excess of $480 for each full-time student 18 years old or older (excluding head of family and spouse); adoption assistance payments in excess of $480 per adopted child; deferred periodic payments of supplemental social security income and benefits received in a lump sum; refunds or rebates of property taxes paid on the unit; payments from state agency to allow developmentally disabled family member to stay home; relocation payments under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970; foster child care payments; the value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charges for the allotments; and payments to volunteers under the Domestic Volunteer Service Act of 1973.

EXHIBIT E

FORM OF CERTIFICATE OF CDLAC PROGRAM COMPLIANCE

Project Name: Banning Villa Apartments

Name of Note Issuer: City of Los Angeles

CDLAC Application No.: 13-026

Pursuant to Section 13 of Resolution No. 13- 19 (the "Resolution"), adopted by the California Debt Limit Allocation Committee (the "Committee") on March 13, 2013, I, _____, an Officer of the Project Sponsor, hereby certify under penalty of perjury that, as of the date of this Certification, the above-mentioned Project is in compliance with all of the terms and conditions set forth in the Resolution.

I further certify that I have read and understand the Resolution, which specifies that once the Note is issued, the terms and conditions set forth in the Resolution Exhibit A shall be enforceable by the Committee through an action for specific performance, negative points, withholding future allocations or any other available remedy.

Please check or write N/A to the items listed below:

_____ The project is currently in the Construction or Rehabilitation phase.

_____ The project has incorporated the minimum specification into the project design for all new construction and rehabilitation projects as evidenced by the attached third party certification (HERS Rater, Green Point Rater or US Green Building Council). For project under construction or rehabilitation, the information is due following receipt of the verification but in no event shall the documentation be submitted more than two years after the issuance of notes.

_____ For projects that received points for exceeding the minimum requirements please attach the appropriate California Energy Commission compliance form for the project which shows the necessary percentage improvement better than the appropriate standards. The compliance form must be signed by a California Association of Building Consultants, Certified Energy Plans Examiner or HERS Rater as applicable.

_____ _____

Signature of Officer Date

_____

Printed Name of Officer

_____

Title of Officer

_____

Phone Number

EXHIBIT F

[RESERVED]

EXHIBIT G

CDLAC RESOLUTION

EXHIBIT H

FORM OF SLAVERY DISCLOSURE ORDINANCE CERTIFICATE