
LOAN AGREEMENT

Dated as of [December 1, 2013]

Between

CITY OF LOS ANGELES,
as Issuer

And

HAZELTINE & WYANDOTTE, LP,
as Borrower

Relating to:

[\$10,381,000]
City of Los Angeles
Multifamily Housing Revenue Bond
(Hazeltine & Wyandotte Apartments)
Series 2013K

The interest of the Issuer in this Loan Agreement (except for certain rights described herein) has been pledged and assigned to Wells Fargo Bank, National Association, as trustee (the "Trustee"), under the Trust Indenture dated as of [December 1, 2013], by and between the Issuer and the Trustee.

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS; PROVISIONS OF GENERAL APPLICATION

Section 1.01. Specific Definitions 2
 Section 1.02. Effect of Headings and Table of Contents 2
 Section 1.03. Date of Loan Agreement..... 3
 Section 1.04. Designation of Time for Performance 3
 Section 1.05. Interpretation..... 3

ARTICLE II

GENERAL

Section 2.01. Issuance of Bond..... 3
 Section 2.02. Assignment to Trustee 3
 Section 2.03. Loan of Bond Proceeds; Note 3
 Section 2.04. Mortgage Loan to Borrower; GNMA Certificates..... 4
 Section 2.05. Disbursements from the Project Fund..... 4
 Section 2.06. Funding Agreement 6
 Section 2.07. Loan Payments..... 6
 Section 2.08. Collateral Payments 7
 Section 2.09. Bond Fund and Collateral Fund..... 7
 Section 2.10. Additional Payments..... 7
 Section 2.11. Initial Deposit; Costs of Issuance Deposit..... 8
 Section 2.12. Overdue Payments; Payments if Default 8
 Section 2.13. Obligations of the Borrower Absolute and Unconditional 8
 Section 2.14. Optional Prepayment of Note 9
 Section 2.15. Mandatory Prepayment of Note..... 9
 Section 2.16. Calculation of Interest Payments 10
 Section 2.17. Grant of Security Interest; Application of Funds..... 10

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.01. Borrower Representations..... 10
 Section 3.02. Issuer Representations 17
 Section 3.03. Survival of Representations and Covenants 17

ARTICLE IV

AFFIRMATIVE COVENANTS

Section 4.01.	Existence	18
Section 4.02.	Taxes and Other Charges	18
Section 4.03.	Repairs; Maintenance and Compliance; Physical Condition.....	18
Section 4.04.	Litigation.....	18
Section 4.05.	Performance of Other Agreements	18
Section 4.06.	Notices	18
Section 4.07.	Cooperate in Legal Proceedings	18
Section 4.08.	Further Assurances.....	19
Section 4.09.	Delivery of Financial Information	19
Section 4.10.	Environmental Matters.....	19
Section 4.11.	Title to the Project.....	19
Section 4.12.	Estoppel Statement.....	19
Section 4.13.	Expenses	19
Section 4.14.	Indemnity	20
Section 4.15.	No Warranty of Condition or Suitability by the Issuer.....	22
Section 4.16.	Right of Access to the Project.....	23
Section 4.17.	Tax Covenants	23
Section 4.18.	Covenants under Indenture	24
Section 4.19.	Notice of Default.....	24
Section 4.20.	Covenant with Bondholders.....	25
Section 4.21.	Covenant to Provide Ongoing Disclosure.....	25
Section 4.22.	Obligation of the Borrower to Complete the Project.....	25
Section 4.23.	Capital Contributions.....	25
Section 4.24.	Cooperation in perfecting Security Interests, Etc	25
Section 4.25.	FHA Insured Mortgage Loan.....	26

ARTICLE V

NEGATIVE COVENANTS

Section 5.01.	[Reserved.]	26
Section 5.02.	[Reserved].....	26
Section 5.03.	Dissolution	26
Section 5.04.	Change in Business or Operation of Property.....	26
Section 5.05.	Debt Cancellation.....	26
Section 5.06.	Assets	26
Section 5.07.	Transfers	26
Section 5.08.	Debt.....	27
Section 5.09.	Assignment of Rights.....	27
Section 5.10.	Principal Place of Business.....	27
Section 5.11.	Partnership Agreement.....	27
Section 5.12.	ERISA.....	27

ARTICLE VI

INSURANCE; CASUALTY; AND CONDEMNATION

Section 6.01.	Insurance	27
Section 6.02.	Casualty.....	27
Section 6.03.	Condemnation.....	27

ARTICLE VII

DEFAULTS

Section 7.01.	Loan Agreement Defaults.....	28
Section 7.02.	Remedies.....	29
Section 7.03.	Cure by Limited Partner.....	31

ARTICLE VIII

[RESERVED]	32
------------------	----

ARTICLE IX

MISCELLANEOUS

Section 9.01.	Notices	32
Section 9.02.	Brokers and Financial Advisors.....	32
Section 9.03.	Survival	32
Section 9.04.	Governing Law; Venue.....	32
Section 9.05.	Modification, Waiver in Writing	32
Section 9.06.	Delay Not a Waiver	32
Section 9.07.	Trial by Jury.....	33
Section 9.08.	Headings	33
Section 9.09.	Severability	33
Section 9.10.	Preferences	33
Section 9.11.	Waiver of Notice.....	33
Section 9.12.	Prior Agreements	34
Section 9.13.	Offsets, Counterclaims and Defenses	34
Section 9.14.	Publicity	34
Section 9.15.	No Usury.....	34
Section 9.16.	Construction of Documents	35
Section 9.17.	No Third Party Beneficiaries	35
Section 9.18.	Assignment	35
Section 9.19.	Complete and Controlling Agreement.....	35
Section 9.20.	Consents.....	36
Section 9.21.	Issuer, Trustee and Bondholder Representative Not in Control; No Partnership	36
Section 9.22.	Time of the Essence	36

Section 9.23.	References to Bondholder Representative	36
Section 9.24.	Release	36
Section 9.25.	Assignments to Trustee.....	37
Section 9.26.	Term of Loan Agreement.....	37
Section 9.27.	Reimbursement of Expenses.....	37
Section 9.28.	Execution in Several Counterparts.....	37

ARTICLE X

LIMITATIONS ON LIABILITY

Section 10.01.	[Reserved.].....	37
Section 10.02.	Limitation on Liability of Bondholder Representative's Officers, Employees, Etc	37
Section 10.03.	Limitation on Liability of the Issuer	37
Section 10.04.	Delivery of Reports, Etc	39
Section 10.05.	HUD-Required Provisions.....	40
Section 10.06.	Non Discrimination and Affirmative Action	40
Section 10.07.	Americans With Disabilities Act	41
Section 10.08.	Business Tax Registration Certificate.....	41
Section 10.09.	Child Support Assignment Orders.....	41

LOAN AGREEMENT

THIS LOAN AGREEMENT is entered into as of [December 1, 2013] (as amended, modified, restated or supplemented, this "Loan Agreement"), between the **CITY OF LOS ANGELES**, a charter city and municipal corporation of the State of California (together with its successors and assigns, the "Issuer"), and **HAZELTINE & WYANDOTTE, L.P.**, a limited partnership duly formed and existing under the laws of the State of California (together with its permitted successors and assigns, the "Borrower").

WITNESSETH:

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 (commencing with Section 52075) of the Health and Safety Code of the State of California (the "Act"), the Issuer is empowered to issue its revenue bonds to finance the acquisition, construction, rehabilitation and development of multifamily rental housing for persons of low and moderate income; and

WHEREAS, the Issuer has determined to issue, sell and deliver its Multifamily Housing Revenue Bond (Hazeltine & Wyandotte Apartments), Series 2013K in the original aggregate principal amount of \$[10,381,000] (the "Bond") pursuant to a Trust Indenture dated as of [December 1, 2013] (as amended and supplemented from time-to-time, the "Indenture") by and between the Issuer and Wells Fargo Bank, National Association, as trustee ("Trustee"); and

WHEREAS, pursuant to this Loan Agreement, the Issuer will agree to lend the proceeds of the Bond to the Borrower and the Borrower will agree to (a) apply the proceeds of the Loan to pay a portion of the costs of acquisition, rehabilitation and equipping of the Project, (b) make payments sufficient to pay the principal of, premium, if any, and interest on the Bonds when due (whether at maturity, by redemption, acceleration or otherwise), and (c) observe the other covenants and agreements and make the other payments set forth therein; and

WHEREAS, the Borrower has delivered to the Issuer its (a) promissory note dated as of [December [], 2013] in an original principal amount equal to the original aggregate principal amount of the Bond (as the same may be amended, supplemented, replaced or modified from time to time, the "Note"). The Note evidences the Borrower's obligation to repay the Loan and the Issuer has made the Loan to the Borrower, subject to the terms and conditions of this Loan Agreement and the Indenture.

NOW, THEREFORE, in consideration of the premises and the mutual promises, representations and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS; PROVISIONS OF GENERAL APPLICATION

Section 1.01. Specific Definitions. For all purposes of this Loan Agreement, except as otherwise expressly provided or unless the context otherwise requires:

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

(b) 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.

(c) 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 method as it exists at the date of the application thereof.

(d) 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.

(e) The terms "herein," "hereof" and "hereunder" and other words of similar import refer to this 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."

(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) Whenever the term "includes" or "including" is used in this Loan Agreement, such terms mean "includes or including by way of example and not limitation."

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

Section 1.02. Effect of Headings and Table of Contents. The Article and Section headings are for convenience only and shall not affect the construction hereof.

Section 1.03. Date of Loan Agreement. The date of this Loan Agreement is intended as and for a date for the convenient identification of this Loan Agreement and is not intended to indicate that this Loan Agreement was executed and delivered on said date.

Section 1.04. Designation of Time for Performance. Except as otherwise expressly provided herein, any reference in this Loan Agreement to the time of day means the time of day in the city where the Trustee maintains its place of business for the performance of its obligations under the Indenture.

Section 1.05. Interpretation. The parties hereto acknowledge that each of them and the Bondholder Representative and their respective counsel have participated in the drafting and revision of this Loan Agreement. Accordingly, the parties agree that any rule of construction that disfavors the drafting party shall not apply in the interpretation of this Loan Agreement or any amendment or supplement or exhibit hereto or thereto.

ARTICLE II

GENERAL

Section 2.01. Issuance of Bond. To provide funds for the purposes provided herein, the Issuer agrees that, in accordance with the Act, it will issue and sell the Bond and cause the Bond to be delivered to the purchaser thereof. The proceeds of the sale of the Bond shall be paid to the Trustee for the account of the Issuer. The Trustee shall promptly deposit the proceeds of the sale of the Bond as provided in the Indenture. The Issuer and the Borrower expressly reserve the right to enter into, to the extent permitted by law, an agreement or agreements other than this Loan Agreement with respect to the issuance by the Issuer under an indenture or indentures other than the Indenture of obligations to provide funds to refund all or any principal amount of the Bond.

Section 2.02. Assignment to Trustee. As security for the Bond, the Issuer has pledged and assigned the Trust Estate to the Trustee under and pursuant to the Indenture. The Trust Estate shall immediately be subject to the lien of such pledge without any physical delivery thereof or any further act, except in the case of the Note, which shall be delivered to the Trustee. The Borrower hereby acknowledges and consents to such assignment to the Trustee.

Section 2.03. Loan of Bond Proceeds; Note. Upon the issuance of the Bond and deposit under the Indenture of the proceeds from the sale of the Bond in accordance with the Indenture, the Issuer shall be deemed to have made the Loan to the Borrower in the original principal amount of the Bond. The Loan will mature and be payable at the times and in the amounts required under the terms of the Note. The proceeds of the Loan shall be used by the Borrower to pay costs of the acquisition, rehabilitation and equipping of the Project and for certain other purposes specified in the Indenture. The Borrower hereby accepts the Loan and acknowledges that the Issuer shall cause the proceeds of the Bond to be deposited with the Trustee in the manner set forth in Section 5.02 of the Indenture and applied as set forth in the Indenture. The Borrower hereby agrees to execute the Note, as evidence of its obligation to repay the Loan, and to deliver the Note simultaneously with the delivery of this Loan Agreement to the Issuer. The Note shall bear interest on the unpaid principal balance thereof at the Note

Rate, calculated on the basis of a year of 360 days and actual days elapsed. The Issuer shall assign the Note to the Trustee for the benefit of the Bondholder.

Section 2.04. Mortgage Loan to Borrower; GNMA Certificates.

(a) To provide and secure funds for the repayment of the Loan, and to provide for the delivery of the Collateral Payments, the Borrower shall simultaneously with the execution and delivery hereof, proceed with obtaining the FHA Insured Mortgage Loan from the FHA Lender and entering into the Funding Agreement with the FHA Lender and the Trustee. In particular, the Borrower will promptly take all necessary actions on its part to close the FHA Insured Mortgage Loan and satisfy all other terms and conditions of the HUD commitment and the requirements of the FHA Lender.

(b) The Borrower represents that the FHA Insured Mortgage Loan is to be insured by FHA pursuant to and in accordance with the provisions of Section 223f of the National Housing Act and applicable regulations thereunder, and that the FHA Insured Mortgage Loan will be in a principal amount not less than the principal amount of the Bond. The FHA Insured Mortgage Loan will be secured on a non-recourse basis pursuant to the FHA Insured Mortgage Loan documents.

(c) In connection with the FHA Insured Mortgage Loan, the Borrower shall execute and deliver such documents as may be customarily utilized for insured mortgage loans under the provisions of Section 223f of the National Housing Act and applicable regulations thereunder, with such omissions, insertions and variations as may be permitted by such regulations and as may be consistent with the terms and provisions of this Agreement.

(d) The GNMA Certificates issued by the FHA Lender with respect to the FHA Insured Mortgage Loan shall be delivered by the FHA Lender to the purchasers determined by the FHA Lender and the FHA Lender shall be entitled to retain the proceeds from the sale thereof except to the extent that such amounts are delivered to the Trustee as Collateral Payments or as otherwise required or directed by HUD and GNMA. The Borrower agrees to cooperate with the FHA Lender in any manner reasonably requested in order to achieve the timely delivery of the GNMA Certificates to the purchasers thereof or the use by the FHA Lender of its own funds for deposit in the Collateral Fund.

Section 2.05. Disbursements from the Project Fund.

(a) Subject to the provisions below and so long as no Default hereunder has occurred and is continuing for which the principal amount of the Bond has been declared to be immediately due and payable pursuant to Section 7.01 hereof and Section 9.02 of the Indenture, and no Determination of Taxability has occurred, disbursements from the Project Fund shall be made only to pay any of the following Project Costs:

(i) Costs incurred directly or indirectly for or in connection with the acquisition, rehabilitation, improvement 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.

(ii) Premiums attributable to any surety bonds and insurance required to be taken out and maintained during the rehabilitation period with respect to the Project.

(iii) Taxes, assessments and other governmental charges in respect of the Project that may become due and payable during the construction period.

(iv) 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.

(v) Subject to the limitations set forth in the Tax Certificate, Costs of Issuance of the Bond, including, financial, legal, accounting, cash flow verification, printing and engraving fees, charges and expenses, and all other such fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of the Bond, including, without limitation, the fees and expenses of the Trustee properly incurred under the Indenture that may become due and payable during the rehabilitation period.

(vi) Any other costs, expenses, fees and charges properly chargeable to the cost of acquisition, rehabilitation, improvement and equipping of the Project.

(vii) Payment of interest on the Bonds.

(viii) Payments to the Rebate Fund.

(b) Any disbursements from the Project Fund for the payment of Project Costs shall be made by the Trustee only upon the receipt by the Trustee of: (a) a disbursement request approved by the FHA Lender, the Bondholder Representative, the Issuer and the Investment Limited Partner; and (b) Collateral Payments in an amount equal to the amount of any such disbursement request for deposit in the Collateral Fund as provided in Section 4.2 hereof. The Borrower hereby acknowledges and agrees that it shall submit disbursement requests to the Trustee no more frequently than once each calendar month. Each such disbursement request shall be consecutively numbered and accompanied by a copy of the approval of FHA for FHA Insurance of the payments or reimbursements requested. Proceeds of the Bond disbursed pursuant to the provisions of this Agreement may only be used to pay Project Costs approved by the FHA Lender and the Bondholder Representative.

(c) The Borrower's right to request disbursements from the Project Fund is limited to the principal amount of the Loan, which may be less than the principal amount of the FHA Insured Mortgage Loan.

(d) Any disbursement for any item not described in, or the cost for which item is other than as described in, the information statement filed by the Issuer in connection

with the issuance of the Bond as required by Section 149(e) of the Code, and in the notice of public hearing pertaining to the Bond shall be accompanied by an Opinion of Bond Counsel to the effect that such disbursement will not adversely affect the exclusion of interest on the Bond from gross income for federal income tax purposes.

(e) Any money in the Project Fund remaining after payment, or provision for payment, in full of the Project Costs, at the written direction of the Bondholder Representative, promptly shall be paid into the Bond Fund for payment of amounts owing in connection with the Bond.

(f) Notwithstanding any provision of this Agreement or any provision of the Indenture to the contrary, the Trustee shall not disburse funds from the Project Fund unless and until the Trustee confirms that Eligible Funds in the Collateral Fund are at least equal to then-outstanding principal amount of the Bond.

Section 2.06. Funding Agreement. The Borrower shall execute the Funding Agreement with the Trustee and the FHA Lender to coordinate the funding of a portion of the Project Costs with proceeds of the Bonds by the FHA Lender delivering to the Trustee Collateral Payments representing all or a portion of the advances under the FHA Insured Mortgage Loan in connection with, and as a condition to, disbursement of an equal amount of Bond proceeds from the Project Fund to pay Project Costs pursuant to and consistent with Sections 2.05 and 2.08 hereof and Sections 6.07 and 6.08 of the Indenture

Section 2.07. Loan Payments.

(a) The Borrower shall make Loan Payments in accordance with the Note. Each Loan Payment made by the Borrower shall be made in funds immediately available to the Trustee by 11:00 a.m., New York City time, on the first day of each calendar month, commencing [____ 1, 2013] (the "Loan Payment Date"). To the extent that the Initial Deposit is held under the Indenture, such amounts shall be made or credited against Loan Payments. Each such payment shall be made by deposit to such account as the Trustee designates by Written Notice to the Borrower. Whenever any Loan Payment shall be stated to be due on a day that is not a Business Day, such payment shall be due on the first Business Day immediately thereafter. All payments made by the Borrower hereunder or by the Borrower under the other Bond Documents, shall be made irrespective of, and without any deduction for, any set-offs or counterclaims, but such payment shall not constitute a waiver of any such set-offs or counterclaims.

(b) The Borrower and the Issuer each acknowledge that, except as provided by the express terms of the Bond Documents, neither the Borrower nor the Issuer has any interest in any moneys deposited in the funds or accounts established under the Indenture and such funds or accounts shall be in the custody of and (except for moneys due the Issuer on deposit in the Expense Fund and the Rebate Fund) held by the Trustee in trust for the benefit of the Bondholder.

(c) The Borrower shall be liable for payment of Loan Payments, and, if such payments are made, the Borrower shall not be liable for payment of the Bond.

Section 2.08. Collateral Payments. In consideration of and as a condition to the disbursement of Bond proceeds in the Project Fund to pay Project Costs, and to secure the Borrower's obligation to make Loan Payments, the Borrower shall cause the FHA Lender to deliver or cause to be delivered to the Trustee on or before each such disbursement, Collateral Payments equal to the amount of the proposed disbursement. All such Collateral Payments shall be paid to the Trustee for the account of the Issuer and shall be held in the Collateral Fund and disbursed in accordance with the provisions of the Indenture.

Section 2.09. Bond Fund and Collateral Fund. The Borrower and the Issuer each acknowledge that neither the Borrower nor the Issuer has any interest in the Bond Fund or the Collateral Fund and any money deposited therein shall be in the custody of and held by the Trustee in trust for the benefit of the Bondholder.

Section 2.10. Additional Payments.

- (a) The Borrower shall pay to the Trustee on demand the following amounts:
 - (i) the Rebate Amount then due, if any, to be deposited by the Trustee in the Rebate Fund as specified in Section 6.08 of the Indenture and the costs incurred to calculate such Rebate Amount (to the extent such costs are not included in the Loan Payment);
 - (ii) all reasonable fees, charges, costs, advances, indemnities and expenses, including agent and counsel fees, of the Trustee and the Issuer (above and beyond the Trustee's Fee and Issuer's Fee) incurred under the Indenture, as and when the same become due;
 - (iii) all Costs of Issuance and fees, charges and expenses, including agent and counsel fees, reasonably incurred in connection with the issuance of the Bonds, as and when the same become due, to the extent not paid from the Costs of Issuance Fund;
 - (iv) all reasonable charges, costs, advances, indemnities and expenses, including agent and counsel fees, of the Issuer reasonably incurred by the Issuer at any time in connection with the Bond or the Project, including, without limitation, counsel fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of the Bond Documents or any other documents relating to the Project or the Bond or in connection with questions or other matters arising under such documents or in connection with any federal or state tax audit;
 - (v) fees, other than those included in Loan Payments, payable to the Issuer pursuant to Sections 7(n) and (o) of the Regulatory Agreement as and when billed by the Trustee; and
 - (vi) all late charges due and payable under the terms of the Note and Section 2.12; provided, however, that all payments made pursuant to this subsection (vi) shall be made to the Trustee.

(b) The Borrower shall pay to the party entitled thereto as expressly set forth in this Loan Agreement or the other Bond Documents:

(i) all reasonable expenses incurred in connection with the enforcement of any rights under this Loan Agreement, the Regulatory Agreement or the Indenture by the Issuer, the Bondholder Representative, the Trustee or the Bondholder, except as may be expressly limited by the terms of the Indenture;

(ii) the Extension Fee, if Borrower exercises the Extension Option set forth in Section 2.18 hereof; and

(iii) all other payments of whatever nature that the Borrower has agreed to pay or assume under the provisions of this Loan Agreement, the Indenture and any other Bond Document.

Section 2.11. Initial Deposit; Costs of Issuance Deposit; Capitalized Interest Account. The Borrower shall deposit or cause to be deposited with the Trustee on the Closing Date an amount equal to the Initial Deposit. In the event amounts in the Costs of Issuance Fund are insufficient to pay the Costs of Issuance in full, Borrower shall deposit or cause to be deposited with the Trustee within five (5) Business Days of written notice from the Trustee or the Bondholder Representative an amount sufficient to pay the Costs of Issuance in full. In the event amounts on deposit with the Trustee in the Capitalized Interest Account are determined by the Bondholder Representative to be insufficient to pay interest on the Bond through the Maturity Date (or if applicable, the Extended Maturity Date), the Borrower shall deposit within five (5) Business Days of written notice from Trustee or Bondholder Representative Eligible Funds in an amount determined by Bondholder Representative to cover any such shortfall.

Section 2.12. Overdue Payments; Payments if Default. If any Borrower Payment Obligation is not paid by or on behalf of the Borrower when due (including any cure periods), the Borrower shall pay to the Trustee, a Late Charge in the amount and to the extent set forth in the Note, if any. Any such Late Charge shall not be deemed to be additional interest or a penalty, but shall be deemed to be liquidated damages because of the difficulty in computing the actual amount of damages in advance. Late Charges shall be secured by the applicable Bond Documents. Any action regarding the collection of a Late Charge will be without prejudice to any other rights, nor act as a waiver of any other rights, that the Issuer, the Trustee or the Bondholder Representative may have as provided herein, at law or in equity.

Section 2.13. Obligations of the Borrower Absolute and Unconditional.

(a) The obligations of the Borrower under this Loan Agreement and the Note to make Loan Payments and Additional Payments on or before the date the same become due, and to perform all of its other obligations, covenants and agreements hereunder shall be absolute and unconditional, and shall be paid or performed without notice or demand, and without abatement, deduction, set-off, counterclaim, recoupment or defense or any right of termination or cancellation arising from any circumstance whatsoever, whether now existing or hereafter arising, and irrespective of whether the Borrower's title to the Project or to any part thereof is defective or nonexistent, and notwithstanding any damage

due to loss, theft or destruction of the Project or any part thereof, any failure of consideration or frustration of commercial purpose, the taking by eminent domain of title to or of the right of temporary use of all or any part of the Project, legal curtailment of the Borrower's use thereof, the eviction or constructive eviction of the Borrower, any change in the tax or other laws of the United States of America, the State or any political subdivision thereof, any change in the Issuer's legal organization or status, or any default of the Issuer or the Trustee hereunder or under any other Bond Document, and regardless of the invalidity of any action of the Issuer or the invalidity of any portion of this Loan Agreement. The Borrower hereby waives, to the extent permitted by applicable law, the application to it of the provisions of any law now or hereafter in effect contrary to any of its obligations, covenants or agreements under this Loan Agreement or which releases or purports to release the Borrower therefrom. Nothing contained herein shall be construed as prohibiting the Borrower from pursuing any rights or remedies it may have against any Person in a separate legal proceeding.

(b) The Borrower may, however, at its own cost and expense and in its own name or in the name of the Issuer, prosecute or defend any action or proceeding or take any other action involving third persons that the Borrower deems reasonably necessary to secure or protect its right of possession, occupancy and use hereunder, and in such event the Issuer hereby agrees to cooperate fully with the Borrower and to take all action necessary to effect the substitution of the Borrower for the Issuer in any such action or proceeding if the Borrower shall so request.

Section 2.14. Optional Prepayment of Note.

(a) The Borrower shall have the option to prepay the Note to the extent and in the manner set forth in the Note, exercisable by Written Notice to the Issuer and the Trustee, and with the Written Consent of the Bondholder Representative given at least 20 days prior to the proposed prepayment date, for the purpose of redeeming the Outstanding Bond in accordance with Section 4.01 or 4.02(b) of the Indenture on a permitted redemption date of the Bond or paying the Bond at maturity. The consent of the Bondholder Representative shall be given so long as the Borrower has complied with the applicable provisions of the Note and has provided evidence satisfactory to the Bondholder Representative in its sole discretion that the amounts used to prepay the Note will not constitute an avoidable preference under Section 547 of the United States Bankruptcy Code in the event the Borrower or an Affiliate thereof were to become a debtor under the United States Bankruptcy Code.

(b) In connection with any such proposed prepayment of the Note, the Borrower shall deposit Eligible Funds with the Trustee by 10:00 a.m., Trustee local time, not less than one Business Day prior to the date of prepayment at a prepayment price equal to the outstanding principal balance of the Note, plus interest on the Note to the date of prepayment, plus any Additional Payments due and payable hereunder through the date of prepayment. Such amounts shall be applied to the redemption of the Bond and payment of all amounts due hereunder. The Borrower shall deliver such certifications and shall satisfy such conditions as set forth in Section 4.01 of the Indenture with respect to the optional redemption of the Outstanding Bond.

Section 2.15. Mandatory Prepayment of Note. The Borrower shall prepay the outstanding principal balance of the Note at the Written Direction of the Bondholder Representative, in whole or in part, at a prepayment price equal to the outstanding principal balance of the Note prepaid, plus interest on the Note to the date of prepayment and the amount of any Prepayment Premium payable under the Note, plus any other amounts payable under the Note or this Loan Agreement, for the purpose of redeeming the Bond as provided in Section 4.02(b) or Section 4.03 or of the Indenture, as applicable, upon the occurrence of Loan Agreement Default as provided in Section 7.01 below.

Such prepayment shall be due and payable by no later than 10:00 a.m., Trustee's principal office local time, at least one Business Day before the date fixed by the Trustee for redemption of the Bond pursuant to Section 4.03 of the Indenture, which date shall be communicated by the Trustee in writing to the Issuer, the Bondholder and the Borrower in accordance with the Indenture. To the extent that the Borrower or the Trustee receive any insurance proceeds or condemnation awards that are to be applied to the prepayment of the Note, such amounts shall be applied to the prepayment of the Note and the corresponding redemption of the Bond.

Section 2.16. Calculation of Interest Payments. The Issuer and the Borrower acknowledge that calculation of all interest payments shall be made by the Bondholder Representative in accordance with the Note.

Section 2.17. Grant of Security Interest; Application of Funds. As security for payment of the Borrower Payment Obligations and the performance by the Borrower of all other terms, conditions and provisions of the Bond Documents, the Borrower hereby pledges and assigns to the Trustee, as assignee of the Issuer, and grants to the Trustee a security interest in, all the Borrower's right, title and interest in and to all payments to or moneys held in the funds and accounts created and held by the Trustee under the Indenture. This Loan Agreement is, among other things, intended by the parties to be a security agreement for purposes of the UCC. Upon the occurrence and during the continuance of a Default hereunder, the Trustee shall apply or cause to be applied any sums held by the Trustee under the Indenture in accordance with Section 9.04 of the Indenture.

Section 2.18. Extension Option. The Borrower shall have the right to extend the Maturity Date to the Extended Maturity Date upon satisfaction of each of the following conditions (the "Extension Conditions"): (i) Borrower shall provide the Bondholder Representative, Issuer and Trustee with written notice of its election to extend the Maturity Date not later than thirty (30) days and not sooner than sixty (60) days prior to the original Maturity Date; (ii) no Default has occurred and is continuing; (ii) rehabilitation of the Project is completed; (iii) Borrower has provided evidence that the FHA Lender has consented to the extension request, if required under the FHA Insured Mortgage Loan documents; (iv) the Extension Fee has been paid to the Bondholder Representative; and (v) the Borrower shall have deposited with the Trustee Eligible Funds to replenish the Capitalized Interest Account in an amount determined by Bondholder Representative sufficient to pay interest on the Loan through the Extended Maturity Date.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.01. Borrower Representations. The Borrower represents and warrants for the benefit of the Issuer, the Trustee and the Bondholder Representative, as of the date of execution hereof, as follows:

(a) The Borrower has been duly organized and is validly existing and in good standing under the laws of the State of California with requisite power and authority, and all material rights, licenses, permits and authorizations, governmental or otherwise, necessary to own its properties and to transact business in the State. The Borrower is duly qualified to do business and is in good standing in the State and each other jurisdiction where the failure to be so qualified would have a material adverse effect upon the Borrower. The sole business of the Borrower is the ownership, management and operation of the Project.

(b) The Borrower has taken all necessary action to authorize the execution, delivery and performance of the Loan Documents. The Loan Documents to which the Borrower is a party have been duly executed and delivered by the Borrower and constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms, subject to applicable bankruptcy, insolvency and similar laws affecting rights of creditors generally, and general principles of equity.

(c) The execution, delivery and performance of the Loan Documents will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other than pursuant to the Bond Documents) upon the Project or the Borrower pursuant to the terms of, any agreement or instrument to which the Borrower is a party or by which its property is subject, nor will such action result in any violation of the provisions of any statute or any order, rule or regulation of any Governmental Authority having jurisdiction over the Borrower or any of its properties. The Borrower's rights under the Licenses and the Management Agreement will not be adversely affected by the execution and delivery of the Loan Documents the Borrower's performance thereunder, the recordation of the Senior Mortgage, or the exercise of any remedies by the Trustee and the Bondholder Representative. Other than any filing or recording necessary to perfect any Lien created by any of the Bond Documents, any consent, approval, authorization, order, registration or qualification of or with any Governmental Authority required for the execution, delivery and performance by the Borrower of the Loan Documents has been obtained and is in full force and effect.

(d) There are no actions, suits or other proceedings at law or in equity by or before any Governmental Authority now pending or, to the best knowledge of the Borrower, threatened against or affecting the Borrower or the Project, which would materially adversely affect the condition (financial or otherwise) or business of the Borrower or the condition or ownership of the Project.

(e) Except as contemplated by the Bond Documents, the Borrower is not a party to any agreement or instrument or subject to any restriction that would materially adversely affect the Borrower or the Project, or the Borrower's business, properties, operations or condition, financial or otherwise. The Borrower is not in default in any material respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any encumbrances permitted by the FHA Lender (the "Permitted Encumbrances") or any other agreement or instrument to which it is a party or by which it or the Project is bound.

(f) The Borrower has good title to the Project, free and clear of all Liens except the Permitted Encumbrances. The Indenture, when properly executed and delivered, together with any UCC financing statements required to be filed in connection therewith, will create perfected security interests in and to, and perfected collateral assignments of, the Trust Estate, all in accordance with the terms thereof. The Permitted Encumbrances do not materially adversely affect the Borrower's ability to repay the Loan. There are no delinquent real property taxes or assessments, including water and sewer charges, with respect to the Project or claims for payment for work, labor or materials affecting the Project that are or may become a Lien prior to, or of equal priority with the Senior Mortgage.

(g) To the best knowledge of the Borrower, the survey for the Project delivered to the Bondholder Representative does not fail to reflect any material matter affecting the Project or the title thereto.

(h) The Borrower is not contemplating either the filing of a petition by it under any state or federal bankruptcy or insolvency law or the liquidation of all or a major portion of its property (a "Bankruptcy Proceeding"), and the Borrower has no knowledge of any Person contemplating the filing of any such petition against it. The Borrower has the ability to pay its debts as they become due.

(i) No statement of fact made by the Borrower in any Bond Documents contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained therein not misleading. There is no material fact or circumstance presently known to the Borrower that has not been disclosed to the Bondholder Representative that materially and adversely affects or, as far as the Borrower can foresee, would materially and adversely affect, the Project or the business, operations or condition (financial or otherwise) of the Borrower.

(j) The Borrower is not an "employee benefit plan," as defined in Section 3(3) of ERISA, subject to Title I of ERISA, and none of the assets of the Borrower constitutes or will constitute "plan assets" of one or more such plans within the meaning of 29 C.F.R. Section 2510.3-101.

(k) The Borrower and the Project and the use thereof will comply, to the extent required, in all material respects with all applicable Legal Requirements. The Borrower is not in default or violation of any order, writ, injunction, decree or demand of any Governmental Authority, the violation of which would materially adversely affect the

condition (financial or otherwise) or business of the Borrower. There has not been committed by the Borrower or any Affiliate involved with the operation or use of the Project any act or omission affording any Governmental Authority the right of forfeiture as against the Project or any part thereof or any moneys paid in performance of the Borrower's obligations under any Bond Document or Loan Document.

(l) All service, maintenance or repair contracts to which the Borrower is a party and affecting the Project have been entered into at arm's length (except for any contract between the Borrower and an Affiliate or an Affiliate of the General Partner and expressly disclosed to the Bondholder Representative) in the ordinary course of the Borrower's business and provide for the payment of fees in amounts and upon terms comparable to existing market rates.

(m) All financial data, including any statements of cash flow and income and operating expense, that have been delivered to the Bondholder Representative in respect of the Project by or on behalf of the Borrower, to the best knowledge of the Borrower, (i) are true, complete and correct in all material respects, (ii) accurately represent the financial condition of the Project as of the date of such reports, and (iii) to the extent prepared by an independent certified public accounting firm, have been prepared in accordance with the Approved Accounting Method consistently applied throughout the periods covered, except as disclosed therein. Other than pursuant to or permitted by the Bond Documents or the Borrower organizational documents, the Borrower has no contingent liabilities, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments. Since the date of such financial statements, there has been no materially adverse change in the financial condition, operations or business of the Borrower from that set forth in said financial statements.

(n) No condemnation or other proceeding has been commenced or, to the Borrower's knowledge, is contemplated, threatened or pending with respect to all or part of the Project or for the relocation of roadways providing access to the Project.

(o) No part of the proceeds of the Loan will be used for the purpose of purchasing or acquiring any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, for any other purpose that would be inconsistent with such Regulation U or any other regulation of such Board of Governors or for any purpose prohibited by Legal Requirements or any Bond Document.

(p) To the best of the Borrower's knowledge, the Project is served by water, sewer, sanitary sewer and storm drain facilities adequate to service it for its intended uses. All public utilities necessary or convenient to the full use and enjoyment of the Project are or will be located in the public right-of-way abutting the Project, and all such utilities are or will be connected so as to serve the Project without passing over other property absent a valid easement. All roads necessary for the use of the Project for its current purpose have been or will be completed and dedicated to public use and accepted by all Governmental Authorities. The Project does not share ingress and egress through an easement or private road or share on-site or off-site recreational facilities and amenities that are not located on the Project and under the exclusive control of the

Borrower, or where there is shared ingress and egress or amenities, there exists an easement or joint use and maintenance agreement under which (i) access to and use and enjoyment of the easement or private road and/or recreational facilities and amenities is perpetual, (ii) the number of parties sharing such easement and/or recreational facilities and amenities must be specified, (iii) the Borrower's responsibilities and share of expenses are specified, and (iv) the failure to pay any maintenance fee with result to an easement will not result in a loss of usage of the easement.

(q) The Borrower is not a "foreign person" within the meaning of §1445(f)(3) of the Code.

(r) Each parcel comprising the Project is a separate tax lot and is not a portion of any other tax lot that is not a part of the Project.

(s) There are no pending or, to the Borrower's best knowledge, proposed special or other assessments for public improvements or otherwise affecting the Project, or any contemplated improvements to the Project that may result in such special or other assessments.

(t) The Bond Documents are not subject to, and the Borrower has not asserted, any right of rescission, set-off, counterclaim or defense, including the defense of usury.

(u) The Borrower has obtained the insurance required by Section 6.01 hereof and has delivered to the Bondholder Representative copies of insurance policies or certificates of insurance reflecting the insurance coverages, amounts and other requirements set forth in this Loan Agreement and in the FHA Insured Mortgage Loan documents.

(v) The Project will be used exclusively as a multifamily residential rental project and other appurtenant and related uses, which use is consistent with the zoning classification for the Project. All certifications, permits, licenses and approvals, including certificates of completion and occupancy permits required for the legal use, occupancy and operation of the Project (collectively, the "Licenses") required at this time for the construction, rehabilitation and equipping of the Project have been obtained. To the Borrower's knowledge, all Licenses obtained by the Borrower have been validly issued and are in full force and effect. The Borrower has no reason to believe that any of the Licenses required for the future use and occupancy of the Project and not heretofore obtained by the Borrower will not be obtained by the Borrower in the ordinary course following the Completion Date. Except as provided by law, no Licenses will terminate, or become void or voidable or terminable, upon any sale, transfer or other disposition of the Project, including any transfer pursuant to foreclosure sale under the Mortgage or deed in lieu of foreclosure thereunder. The Project does not violate any density or building setback requirements of the applicable zoning law. No proceedings are, to the best of the Borrower's knowledge, pending or threatened that would result in a change of the zoning of the Project.

(w) Either all Improvements have been constructed above the flood grade or the Borrower has obtained appropriate flood insurance as directed by the FHA Lender.

(x) The Project, including all Improvements, parking facilities, systems, fixtures, equipment and landscaping, are or, after completion of the construction and repairs, will be in good and habitable condition in all material respects and in good order and repair in all material respects (reasonable wear and tear excepted). The Borrower has not received notice from any insurance company or bonding company of any defect or inadequacy in the Project, or any part thereof, which would adversely affect its insurability or cause the imposition of extraordinary premiums or charges thereon or any termination of any policy of insurance or bond. The physical configuration of the Project is not in material violation of the Americans with Disabilities Act, if required under applicable law.

(y) All of the Improvements included in determining the appraised value of the Project will lie wholly within the boundaries and building restriction lines of the Project, and no improvement on an adjoining property encroaches upon the Project, and no easement or other encumbrance upon the Project encroaches upon any of the Improvements, so as to affect the value or marketability of the Project.

(z) All transfer taxes, deed stamps, intangible taxes or other amounts in the nature of transfer taxes required to be paid by any Person under applicable Legal Requirements in connection with the transfer of the Project to the Borrower have been paid. All stamp, intangible or other similar taxes required to be paid by any Person under applicable Legal Requirements in connection with the execution, delivery, recordation, filing, registration, perfection or enforcement of any of the Bond Documents have been or will be paid.

(aa) The Borrower is not (i) an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended; or (ii) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(bb) The Borrower has not accepted the Loan or entered into any Bond Document with the actual intent to hinder, delay or defraud any creditor, and the Borrower has received reasonably equivalent value in exchange for its obligations under the Bond Documents. Giving effect to the transactions contemplated by the Bond Documents, the fair saleable value of the Borrower's assets exceeds and will, immediately following the execution and delivery of the Bond Documents, exceed the Borrower's total liabilities, including subordinated, unliquidated, disputed or contingent liabilities. The fair saleable value of the Borrower's assets is and will, immediately following the execution and delivery of the Bond Documents, be greater than the Borrower's probable liabilities, including the maximum amount of its contingent liabilities or its debts as such debts become absolute and matured. The Borrower's assets do not and, immediately following the execution and delivery of the Bond Documents

will not, constitute unreasonably small capital to carry out its business as conducted or as proposed to be conducted. The Borrower does not intend to, and does not believe that it will, incur debts and liabilities (including contingent liabilities and other commitments) beyond its ability to pay such debts as they mature (taking into account the timing and amounts to be payable on or in respect of obligations of the Borrower).

(cc) Except as set forth in the Partnership Agreement, the Borrower has no obligation to any Person to purchase, repurchase or issue any ownership interest in it.

(dd) Upon completion of rehabilitation, the Project will not be in violation of any Legal Requirement pertaining to or imposing liability or standards of conduct concerning environmental regulation, contamination or clean-up, and will comply with covenants and requirements relating to environmental hazards as set forth in the Senior Mortgage.

(ee) The Borrower does not use and will not use any trade name, and has not done and will not do business under any name other than its actual name set forth herein. The principal place of business of the Borrower is its primary address for notices as set forth in Section 9.01, and the Borrower has no other place of business, other than the Project and such principal place of business.

(ff) There is no secured or unsecured indebtedness with respect to the Project or any residual interest therein, other than **Permitted Encumbrances** and the permitted secured indebtedness described in Section 5.08.

(gg) The Borrower has filed (or has obtained effective extensions for filing) all federal, state and local tax returns required to be filed and has paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments, if any, payable by the Borrower.

(hh) All representations, warranties and certifications of the Borrower set forth in the Regulatory Agreement and the Tax Certificate are incorporated by reference herein and the Borrower will comply with such as if set forth herein.

(ii) By its execution and delivery of this Loan Agreement, the Borrower approves the form and substance of the Indenture and the execution thereof by the Issuer and the Trustee, and agrees to carry out the responsibilities and duties specified in the Indenture to be carried out by the Borrower. The Borrower acknowledges that (i) it understands the nature and structure of the transactions relating to the financing of the Project, (ii) it is familiar with the provisions of all of the Bond Documents and other documents and instruments relating to the financing, (iii) it understands the risks inherent in such transactions, including without limitation the risk of loss of the Project, and (iv) it has not relied on the Issuer, the Trustee or the Bondholder Representative for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by the Bond Documents or otherwise relied on the Issuer, the Trustee or the Bondholder Representative in any manner.

(jj) The Project, as designed, will conform in all material respects with all applicable zoning, planning, building and environmental laws, ordinances and regulations of governmental authorities having jurisdiction over the Project, including, but not limited to, the Americans with Disabilities Act of 1990, to the extent required (as evidenced by an architect's certificate to such effect).

(kk) The Project satisfies all requirements of the Act and the Code with respect to multifamily rental housing.

(ll) The Project is, as of the date of issuance of the Bond, in compliance with all requirements of the Regulatory Agreement to the extent such requirements are applicable; and the Borrower intends to cause the residential units in the Project to be rented or available for rental on a basis which satisfies the requirements of the Regulatory Agreement, including all applicable requirements of the Act and the Code, and pursuant to leases which comply with all applicable laws.

(mm) The Borrower intends to hold the Project for its own account and has no current plans, and has not entered into any agreement, to sell the Project or any part of it. The Borrower intends to occupy the Project or cause the Project to be occupied and to operate it or cause it to be operated at all times during the term of this Loan Agreement in compliance with the terms of the Regulatory Agreement and does not know of any reason why the Project will not be so used by it in the absence of circumstances not now anticipated by it or totally beyond its control.

(nn) Neither the Borrower nor any Related Person shall obtain any interest in the Bond in an amount related to the principal amount of the Loan.

Section 3.02. Issuer Representations. The Issuer makes the following representations as the basis for the undertakings on its part herein contained:

(a) The Issuer is a charter city and municipal corporation duly organized, validly existing and in good standing under the constitution and the laws of the State.

(b) The Issuer has all necessary power and authority to issue the Bond and to execute and deliver this Loan Agreement, the Indenture and the other Bond Documents to which it is a party, and to perform its duties and discharge its obligations hereunder and thereunder.

(c) The Issuer has taken all action on its part for the issuance of the Bond and for the sale, execution and delivery thereof.

(d) To secure the payment of the Bond, the Issuer shall assign to the Trustee, by the Indenture, its rights under and interest in this Agreement (except for the Unassigned Issuer Rights). The Borrower hereby agrees and consents to those assignments. The Issuer shall not attempt to further assign, transfer or convey its interest in the Trust Estate or this Agreement or create any pledge or lien of any form or nature with respect to the Trust Estate. The Trustee shall be a third party beneficiary to this Agreement.

It is expressly acknowledged that the Issuer makes no representation as to the financial position or business condition of the Borrower and does not represent or warrant as to any of the statements, materials (financial or otherwise), representations or certifications furnished or to be made and furnished by the Borrower in connection with the issuance, sale, execution and delivery of the Bond, or as to the correctness, completeness or accuracy of such statements.

Section 3.03. Survival of Representations and Covenants. All of the representations and warranties in Sections 3.01 and 3.02 and elsewhere in the Bond Documents (a) shall survive for so long as any portion of the Borrower Payment Obligations remains due and owing and (b) shall be deemed to have been relied upon by the Bondholder Representative and the Bondholder notwithstanding any investigation heretofore or hereafter made by the Trustee, the Bondholder Representative or the Bondholder or on its behalf, provided, however, that the representations, warranties and covenants set forth in Sections 3.01(dd) and 4.10 shall survive in perpetuity.

ARTICLE IV

AFFIRMATIVE COVENANTS

During the term of this Loan Agreement, the Borrower hereby covenants and agrees with the Bondholder, the Trustee, the Bondholder Representative and the Issuer that:

Section 4.01. Existence. The Borrower shall (a) do or cause to be done all things necessary to preserve, renew and keep in full force and effect its existence and its material rights, and franchises, (b) continue to engage in the business presently conducted by it, (c) obtain and maintain all material Licenses, and (d) qualify to do business and remain in good standing under the laws of each jurisdiction, in each case where the failure to be so qualified would have a material adverse effect upon the Borrower.

Section 4.02. Taxes and Other Charges. The Borrower shall pay all Taxes and Other Charges as the same become due and payable, except to the extent that the amount, validity or application thereof is being contested in good faith.

Section 4.03. Repairs; Maintenance and Compliance; Physical Condition. The Borrower shall cause the Project to be maintained in a good, habitable and safe (so as to not threaten the health or safety of the Project's tenants or their invited guests) condition and repair (reasonable wear and tear excepted) and shall not remove, demolish or materially alter the Improvements or any equipment located on the Land (except for removal of aging or obsolete equipment or furnishings in the normal course of business). After completion of repairs, no structural or other material defect or damages to the Project will exist, whether latent or otherwise.

Section 4.04. Litigation. The Borrower shall give prompt Written Notice to the Issuer, the Trustee and the Bondholder Representative, of any litigation, governmental proceedings or claims or investigations regarding an alleged actual violation of a Legal Requirement pending or, to the Borrower's knowledge, threatened against the Borrower which might materially adversely affect the Borrower's condition (financial or otherwise) or business or the Project.

Section 4.05. Performance of Other Agreements. The Borrower shall observe and perform in all material respects each and every term to be observed or performed by it pursuant to the terms of any agreement or instrument affecting or pertaining to the Project.

Section 4.06. Notices. The Borrower shall promptly advise the Issuer, the Trustee and the Bondholder Representative of (a) any material adverse change in the Borrower's condition, financial or otherwise, other than general changes in the real estate market, (b) any fact or circumstance affecting the Borrower or the Project that materially and adversely affects the Borrower's ability to meet its obligations hereunder or under any of the other Bond Document to which it is a party in a timely manner, or (c) the occurrence of any Loan Agreement Default of which the Borrower has knowledge. The Borrower shall cause to be delivered to the Trustee and the Bondholder Representative any Securities and Exchange Commission or other public filings, if any, of the Borrower within two Business Days of such filing.

Section 4.07. Cooperate in Legal Proceedings. The Borrower shall cooperate fully with the Trustee and the Bondholder Representative, with respect to, and permit the Trustee and the Bondholder Representative, at their option, to participate in, any proceedings before any Governmental Authority that may in any way affect the rights of the Bondholder under any Bond Document.

Section 4.08. Further Assurances. The Borrower shall, at the Borrower's sole cost and expense (except as provided in Section 8.01), (a) furnish to the Bondholder Representative all instruments, documents, boundary surveys, footing or foundation surveys, certificates, plans and specifications, appraisals, title and other insurance reports and agreements, reasonably requested by the Bondholder Representative; (b) execute and deliver to the Bondholder Representative, such documents, instruments, certificates, assignments and other writings, and do such other acts necessary or desirable, to evidence, preserve and/or protect the collateral at any time securing or intended to secure the Bond, as the Bondholder Representative may reasonably request from time to time; (c) do and execute all and such further lawful and reasonable acts, conveyances and assurances for the better and more effective carrying out of the intents and purposes of the Bond Documents, as the Bondholder Representative shall reasonably request from time to time; and (d) upon the request therefor by the Bondholder Representative, given from time to time after the occurrence of any Loan Agreement Default for so long as such Loan Agreement Default, as applicable, is continuing, pay for (i) reports of UCC, federal tax lien, state tax lien, judgment and pending litigation searches with respect to the Borrower and (ii) searches of title to the Project, each such search to be conducted by search firms reasonably designated by the Bondholder Representative in each of the locations reasonably designated by the Bondholder Representative.

Section 4.09. Delivery of Financial Information. The Borrower shall furnish or cause to be furnished the financial statements and other information in accordance with the terms of the FHA Insured Mortgage Loan documents.

Section 4.10. Environmental Matters. So long as the Borrower owns or is in possession of the Project, the Borrower shall (a) keep the Project in compliance with all Hazardous Materials Laws (as defined in the Regulatory Agreement), (b) promptly notify the Trustee, the Issuer and the Bondholder Representative if the Borrower shall become aware that any Hazardous Materials (as defined in the Regulatory Agreement) are on or near the Project in

violation of Hazardous Materials Laws, and (c) commence and thereafter diligently prosecute to completion all remedial work necessary with respect to the Project required to be performed by the Borrower under any Hazardous Material Laws, in each case as set forth in the Loan Documents and the Senior Mortgage.

Section 4.11. Title to the Project. The Borrower will warrant and defend the title to the Project, subject only to **Permitted Encumbrances**, against the claims of all Persons.

Section 4.12. Estoppel Statement. The Borrower shall furnish to the Bondholder Representative for the benefit of the Issuer, the Trustee and the Bondholder Representative within ten days after request by the Bondholder Representative, with a statement, duly acknowledged and certified, setting forth (a) the unpaid principal of the Note, (b) the Note Rate, (c) the date installments of interest and/or principal were last paid, (d) any offsets or defenses to the payment of the Borrower Payment Obligations, and (e) that the Loan Documents are valid, legal and binding obligations of the Borrower and have not been modified or, if modified, giving particulars of such modification, and whether any Default exists thereunder.

Section 4.13. Expenses. The Borrower shall pay all reasonable expenses incurred by the Issuer, the Trustee and the Bondholder Representative (except as provided in Section 8.01) in connection with the Bond, including reasonable fees and expenses of the Issuer's, the Trustee's and the Bondholder Representative's attorneys, environmental, engineering and other consultants, and fees, charges or taxes for the recording or filing of Bond Documents. The Borrower shall pay or cause to be paid all reasonable expenses of the Issuer, the Rebate Analyst, the Trustee and the Bondholder Representative (except as provided in Section 8.01) in connection with the issuance or administration of the Bond, including audit costs, inspection fees, settlement of condemnation and casualty awards, and premiums for title insurance and endorsements thereto. The Borrower shall, upon request, promptly reimburse the Issuer, the Trustee and the Bondholder Representative for all reasonable amounts expended, advanced or incurred by the Issuer, the Trustee and the Bondholder Representative to collect the Note, or to enforce the rights of the Issuer, the Trustee and the Bondholder Representative under this Loan Agreement or any other Loan Document, or to defend or assert the rights and claims of the Issuer, the Trustee and the Bondholder Representative under the Bond Documents arising out of a Loan Agreement Default or with respect to the Project (by litigation or other proceedings) arising out of a Loan Agreement Default, which amounts will include all court costs, attorneys' fees and expenses, fees of auditors and accountants, and investigation expenses as may be reasonably incurred by the Issuer, the Trustee and the Bondholder Representative in connection with any such matters (whether or not litigation is instituted), together with interest at the Default Rate on each such amount from the date of disbursement until the date of reimbursement to the Issuer, the Trustee and the Bondholder Representative, all of which shall constitute part of the Loan and shall be secured by the Bond Documents. The obligations and liabilities of the Borrower under this Section 4.13 shall survive the Term of this Loan Agreement and the exercise by the Issuer, the Bondholder Representative or the Trustee, as the case may be, of any of its rights or remedies under the Bond Documents, including the acquisition of the Project by foreclosure or a conveyance in lieu of foreclosure.

Section 4.14. Indemnity.

(a) To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Bondholder Representative, the Trustee, the Issuer and each of their officers, directors, officials, employees, counsel, attorneys, accountants, financial advisors, staff, members of its governing body and agents, past, present and future, and their respective successors and assigns and other Affiliates, assignees of Bondholder Representative's interest in the Bond or the Loan, owners of participation or other interests in the Loan, and the officers, directors, employees, attorneys and agents of each of them (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:

(i) Any breach by the Borrower of its obligations under, or any misrepresentation by the Borrower contained in, any of the Bond Documents, except as provided in Section 8.01;

(ii) Any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees in connection with the 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, installation, rehabilitation or construction of, the Project or any part thereof;

(iii) Any lien (other than a **Permitted Encumbrance**) or charge upon payments by the Borrower to the Issuer and the Trustee hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Issuer or the Trustee in respect of any portion of the Project;

(iv) Any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from, the Project or any part thereof during the period in which the Borrower is in possession or control of the Project;

(v) The enforcement of, or any action taken by the Issuer, the Trustee or the Bondholder Representative related to remedies under, this Loan Agreement, the Indenture and the other Bond Documents;

(vi) Any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact by the Borrower contained in any offering statement or document for the Bond or any of the Bond

Documents, or any omission or alleged omission from any offering statement or document for the Bond of any material fact necessary to be stated therein in order to make the statements made therein by the Borrower, in the light of the circumstances under which they were made, not misleading; and

(vii) In the case of indemnification to the Issuer and its respective officers, directors, officials, employees, attorney and agents only, the Bond, the Note, the Bond Documents or the Project; provided, however, nothing in this clause (vii) or any other clause of this Section 4.14 shall require the Borrower to indemnify the Issuer for the payment of principal of, premium, if any, or interest on the Bond.

(b) In the case of the foregoing indemnification of the Bondholder Representative and the Trustee or any related Indemnified Party, the Borrower will have no indemnification obligation under (a) above to the extent such damages are caused by the negligence or willful misconduct of such Indemnified Party or any breach by such party of its obligations under any of the Bond Documents. In the case of the foregoing indemnification of the Bondholder Representative or any related Indemnified Party, the Borrower will have no indemnification obligations under (a) above to the extent such damages are caused by any untrue statement or misleading statement of a material fact by such Indemnified Party contained in any offering statement or any omission or alleged omission from any such offering statement of any material fact necessary to be stated therein in order to make the statements made therein by such Indemnified Party not misleading. In the case of the foregoing indemnification of the Issuer or any related Indemnified Party, they shall be indemnified by the Borrower with respect to Liabilities arising from their own negligence or breach of contractual duty, but not for any Liabilities arising from the Issuer's own bad faith, fraud or willful misconduct. 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 or delayed. 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; provided however the Issuer has the absolute right to employ separate counsel at the expense of the Borrower. The Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party other than the Issuer 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 written advice of counsel) a conflict of interest exists by reason of common representation except that the Borrower shall always pay the reasonable fees and expenses of the Issuer's counsel.

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

(d) [reserved]

(e) The provisions of this Section shall survive the termination of this Loan Agreement and the Regulatory Agreement.

Section 4.15. No Warranty of Condition or Suitability by the Issuer. BORROWER AGREES THAT, BECAUSE THE COMPONENTS OF THE PROJECT HAVE BEEN AND ARE TO BE DESIGNATED AND SELECTED BY IT, ISSUER HAS NOT MADE AN INSPECTION OF THE PROJECT OR OF ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, AND ISSUER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR OTHERWISE, WITH RESPECT TO THE SAME OR THE LOCATION, USE, DESCRIPTION, DESIGN, MERCHANTABILITY, FITNESS FOR USE FOR ANY PARTICULAR PURPOSE, CONDITION OR DURABILITY THEREOF, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY BORROWER. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER PATENT OR LATENT, ISSUER SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO. THE PROVISIONS OF THIS SECTION 4.15 HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES OR REPRESENTATIONS BY ISSUER, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT. IN ADDITION, BORROWER ACKNOWLEDGES, REPRESENTS AND WARRANTS THAT IT UNDERSTANDS THE NATURE AND STRUCTURE OF THE PROJECT; THAT IT IS FAMILIAR WITH THE PROVISIONS OF ALL OF THE DOCUMENTS AND INSTRUMENTS RELATING TO THE FINANCING OF THE PROJECT TO WHICH IT OR ISSUER IS A PARTY OR OF WHICH IT IS A BENEFICIARY; THAT IT UNDERSTANDS THE RISKS INHERENT IN SUCH TRANSACTIONS, INCLUDING WITHOUT LIMITATION THE RISK OF LOSS OF THE PROJECT; AND THAT IT HAS NOT RELIED ON ISSUER FOR ANY GUIDANCE OR EXPERTISE IN ANALYZING THE FINANCIAL OR OTHER CONSEQUENCES OF SUCH FINANCING TRANSACTIONS OR OTHERWISE RELIED ON ISSUER IN ANY MANNER EXCEPT TO ISSUE THE BOND IN ORDER TO PROVIDE FUNDS FOR THE LOAN.

Section 4.16. Right of Access to the Project. The Borrower agrees that the Issuer, the Trustee, the Bondholder Representative and their duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right, but no obligation at all reasonable

times during normal business hours and upon reasonable notice, to enter onto the Land (a) to examine, test and inspect the Project without material interference or prejudice to the Borrower's operations or any tenant's occupancy, and (b) to perform such work in and about the Project made necessary by reason of the Borrower's default under any of the provisions of this Loan Agreement. The Issuer, the Trustee, the Bondholder Representative and their duly authorized agents, attorneys, accountants and representatives shall also be permitted, without any obligation to do so, at all reasonable times and upon reasonable notice during normal business hours, to examine the books and records of the Borrower with respect to the Project.

Section 4.17. Tax Covenants. The Borrower hereby represents, warrants, covenants and agrees as follows:

(a) The Borrower shall not take any action or omit to take any action that, if taken or omitted, respectively, would adversely affect the excludability of interest on the Bond from gross income for federal income tax purposes. The Borrower and the Issuer shall execute such amendments hereof and supplements hereto (and shall comply with the provisions thereof) as may, in the opinion of Bond Counsel, be necessary to preserve or perfect such exclusion. The Borrower shall comply with each specific covenant in this Section at all times prior to the last maturity of the Bond, unless and until there shall have been delivered to the Trustee and the Issuer a Favorable Opinion of Bond Counsel to the effect that failure to comply with such covenant shall not adversely affect the excludability of interest on the Bond from gross income for federal income tax purposes, and thereafter such covenant shall no longer be binding upon the Borrower.

(b) All representations, warranties, and certifications made by the Borrower in connection with the delivery of the Bond on the Closing Date, including, but not limited to, those representations, warranties, and certifications contained in the Tax Certificate are and shall be true, correct, and complete in all respects. Prior to Closing, the Borrower shall verify the accuracy of, and execute the Tax Certificate in such final form as approved by Bond Counsel.

(c) The Borrower shall not take any action or omit to take any action with respect to the Gross Proceeds of the Bond or of any amounts expected to be used to pay the principal thereof or the interest thereon which, if taken or omitted, respectively, would cause the Bond to be classified as an "arbitrage bond" within the meaning of Section 148 of the Code. The Borrower further covenants and agrees that it will comply with and will take all action reasonably required, to the extent such action is within the Borrower's control, to insure that the Trustee complies with all applicable requirements of Section 148 of the Code and the rules and regulations of the United States Treasury Department thereunder relating to the Bond and the interest thereon, including the employment of a Rebate Analyst for the calculation of any Rebate Amount to the United States Treasury Department. The Borrower agrees that it will cause the Rebate Analyst to calculate the Rebate Amount as required in the Tax Certificate and agrees to pay all costs associated therewith. Within 15 days after the date of each such calculation, the Borrower shall promptly deliver a report or letter from the Rebate Analyst setting forth the Rebate Amount, if any, then due and the methods used to calculate such amount (each, a "Rebate Report") to the Issuer and the Trustee and shall pay the Rebate Amount

to the Trustee. In addition, the Borrower shall prepare, or cause the Rebate Analyst to prepare, and deliver to the Trustee any forms required by the Internal Revenue Service to be submitted with payment of the Rebate Amount, if any, and the addresses to which such forms must be sent at the same time the related Rebate Report is delivered to the Trustee.

(d) Anything in this Loan Agreement to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that the Issuer and the Trustee may rely conclusively on the truth and accuracy of any certificate, opinion, notice, representation or instrument made or provided by the Borrower in order to establish the existence of any fact or statement of affairs solely within the knowledge of the Borrower, and which is required to be noticed, represented or certified by the Borrower hereunder or in connection with any filings, representations or certifications required to be made by the Borrower in connection with the issuance and delivery of the Bond.

Section 4.18. Covenants under Indenture. The Borrower will fully and faithfully perform all the duties and obligations which the Issuer has covenanted and agreed in the Indenture to cause the Borrower to perform and any duties and obligations which the Borrower is required in the Indenture to perform. The foregoing will not apply to any duty or undertaking of the Issuer, which by its nature cannot be delegated or assigned.

Section 4.19. Notice of Default. The Borrower will advise the Issuer, the Trustee and the Bondholder Representative promptly by Written Notice of the occurrence of any Default or Loan Agreement Default of which it has knowledge, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto.

Section 4.20. Covenant with Bondholders. The Issuer and the Borrower agree that this Loan Agreement is executed and delivered in part to induce the purchase by others of the Bond and, accordingly, all covenants and agreements of the Issuer and the Borrower contained in this Loan Agreement are hereby declared to be for the benefit of the Trustee, the Bondholder Representative, and the Holder of the Bond. Notwithstanding the foregoing, the Bondholder's rights to enforce this provision of this Loan Agreement are governed by the terms of the Indenture.

Section 4.21. Covenant to Provide Ongoing Disclosure. In the event that the Bond becomes subject to Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), the Borrower shall enter into a written undertaking for the benefit of the Holder to provide for the continuing disclosure of information about the Bond, the Borrower and other matters as may be required to cause compliance with the Rule. Failure of the Borrower to comply with the Rule shall not be a default under the Indenture, this Loan Agreement or any of the other Bond Documents, provided, however, the Borrower acknowledges that the Issuer, the Trustee or any Bondholder shall be entitled to bring an action for specific performance to cause the Borrower to comply with the covenant set forth in this Section.

Section 4.22. Obligation of the Borrower to Complete the Project. The Borrower shall proceed with reasonable dispatch to acquire, rehabilitate and construct the Project. If amounts on deposit in the Project Fund designated for the Project and available to be disbursed

therefor are not sufficient to pay the costs of the acquisition, rehabilitation and equipping of the Project, the Borrower shall pay such additional costs from its own funds. The Borrower shall not be entitled to any reimbursement from the Issuer, the Trustee, the Bondholder Representative or the Bondholder in respect of any such costs or to any diminution or abatement in the repayment of the Loan. The Issuer shall not be liable to the Borrower, the Bondholder or any other person if for any reason the Project is not completed or if the proceeds of the Loan are insufficient to pay all costs of the Project. The Issuer does not make any representation or warranty, either express or implied, that moneys, if any, which will be paid into the Project Fund or otherwise made available to the Borrower will be sufficient to complete the Project, and the Issuer shall not be liable to the Borrower, the Bondholder or any other person if for any reason the Project is not completed.

Section 4.23. Capital Contributions. Upon the funding thereof, the Borrower shall pay, or cause to be paid, to the Trustee for deposit in the Project Fund so much of the proceeds of the Capital Contributions (as such terms are defined in the Partnership Agreement) payable by the Limited Partner in accordance with the terms of the Partnership Agreement.

Section 4.24. 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 Agreement or in any agreement or document contemplated herein or therein, or otherwise to carry out the intent of this Agreement. The Borrower shall, and shall promptly execute, deliver and perform or cause to be done, executed, delivered and performed, including upon request of the Trustee, 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, and the Trustee and its officers, employees and authorized agents, or any of them, are hereby irrevocably appointed the attorneys-in-fact of the Borrower to do all acts and things which may be deemed necessary or advisable to preserve, perfect and continue perfected any lien in favor of the Trustee. The Trustee shall not be responsible for the initial filing of financial statements.

Section 4.25. FHA Insured Mortgage Loan. The Borrower shall fully observe and perform each and every term to be observed or performed by it pursuant to the terms of the FHA Insured Mortgage Loan documents.

ARTICLE V

NEGATIVE COVENANTS

Until the end of the term of this Loan Agreement, without the prior Written Consent of the Bondholder Representative, the Borrower covenants and agrees that it will not, directly or indirectly:

Section 5.01. [Reserved.]

Section 5.02. [Reserved].

Section 5.03. Dissolution. Dissolve or liquidate, in whole or in part, merge with or consolidate into another Person.

Section 5.04. Change in Business or Operation of Property. Enter into any line of business other than the ownership and operation of the Project, or make any material change in the scope or nature of its business objectives, purposes or operations, or undertake or participate in activities other than the continuance of its present business and activities incidental or related thereto or otherwise cease to operate the Project as a multi-family property or terminate such business for any reason whatsoever (other than temporary cessation in connection with construction of the Project).

Section 5.05. Debt Cancellation. Cancel or otherwise forgive or release any claim or debt owed to the Borrower by a Person, except for adequate consideration or in the ordinary course of the Borrower's business in its reasonable judgment.

Section 5.06. Assets. Purchase or own any real property or personal property incidental thereto other than the Project.

Section 5.07. Transfers. Make, suffer or permit the occurrence of any transfer of the Project or any interest in Borrower other than a transfer permitted under the FHA Insured Mortgage Loan documents or the Indenture or transfer any material License required for the operation of the Project.

Section 5.08. Debt. Create, incur or assume any indebtedness for borrowed money, whether unsecured or secured by all or any portion of the Project (including subordinate debt), or any partnership interest in the Borrower other than the Borrower Payment Obligations and secured indebtedness incurred pursuant to or permitted by the Bond Documents.

Section 5.09. Assignment of Rights. Attempt to (i) assign the Borrower's rights or interest under any Bond Document in contravention of any Bond Document, or (ii) surrender the Borrower's fee interest in the Land.

Section 5.10. Principal Place of Business. Change its principal place of business without providing 30 days' prior Written Notice of the change to the Trustee and the Bondholder Representative.

Section 5.11. Partnership Agreement. Surrender, terminate, cancel, modify, change, supplement, alter or amend in any material respect, or waive or release in any material respect any of its rights and remedies under, the Partnership Agreement, except as otherwise permitted in the FHA Insured Mortgage Loan documents.

Section 5.12. ERISA. Maintain, sponsor, contribute to or become obligated to contribute to, or suffer or permit any ERISA Affiliate of the Borrower to, maintain, sponsor, contribute to or become obligated to contribute to, any Plan, or permit the assets of the Borrower to become "plan assets," whether by operation of law or under regulations promulgated under ERISA.

ARTICLE VI

INSURANCE; CASUALTY; AND CONDEMNATION

Section 6.01. Insurance. The Borrower, at its sole cost, for the mutual benefit of the Borrower and the Trustee, as representative of the Bondholder, shall obtain and maintain during the term of this Loan Agreement the policies of insurance required by the FHA Insured Mortgage Loan documents. All policies of insurance required pursuant to this Section shall conform to the requirements set forth in the FHA Insured Mortgage Loan documents. The Borrower shall deliver to the Bondholder Representative a certified copy of each policy within 30 days after its effective date.

Section 6.02. Casualty. If the Project is damaged or destroyed, in whole or in part, by fire or other casualty (a "Casualty"), the Borrower shall give prompt Written Notice thereof to the Trustee, the Issuer and the Bondholder Representative.

Section 6.03. Condemnation. The Borrower shall promptly, after obtaining knowledge thereof, give the Issuer, the Trustee and the Bondholder Representative Written Notice of the actual or threatened commencement of any condemnation proceeding affecting the Project and shall deliver to the Issuer, the Trustee and the Bondholder Representative copies of any and all papers served in connection with such condemnation.

ARTICLE VII

DEFAULTS

Section 7.01. Loan Agreement Defaults. Each of the following events shall constitute a "Loan Agreement Default", or a "Default" hereunder:

(a) failure by the Borrower to make any Loan Payment or Additional Payment within five days after the date such payment is due;

(b) failure by the Borrower to prepay the Note on the date such payment is due as required by Section 2.15;

(c) failure by or on behalf of the Borrower to pay when due any amount (other than as provided in subsections (a) or (b) above) required to be paid by the Borrower under this Loan Agreement, the Note or any of the other Bond Documents, including a failure to repay any amounts that have been previously paid but are recovered, attached or enjoined pursuant to any insolvency, receivership, liquidation or similar proceedings, which default remains uncured for a period of five days after Written Notice thereof shall have been given to the Borrower;

(d) [Reserved.];

(e) any representation or warranty made by the Borrower in any Loan Document, or in any report, certificate, financial statement or other instrument,

agreement or document furnished by the Borrower in connection with any Bond Document, shall be false or misleading in any material respect as of the Closing Date;

(f) the Borrower shall make a general assignment for the benefit of creditors or shall generally not be paying its debts as they become due;

(g) an Act of Bankruptcy with respect to the Borrower or any Guarantor;

(h) an event of default of the Borrower as defined or described in any other Bond Document to which the Borrower is a party occurs and any applicable notice and or cure period has expired;

(i) the Borrower shall continue to be in Default under any of the other terms, covenants or conditions of this Loan Agreement (other than paragraphs (a) through (h) above) for 30 days after notice from the Trustee or the Bondholder Representative in the case of such other Default; provided, however, that if such other Default under this paragraph (i) is susceptible of cure but cannot reasonably be cured within such 30-day period, and the Borrower shall have commenced to cure such Default within such 30-day period and thereafter diligently and expeditiously proceeds to cure the same, such 30-day period shall be extended for an additional period of time as is reasonably necessary for the Borrower in the exercise of due diligence to cure such Default, such additional period not to exceed 60 days; or

(j) the General Partner shall make a general assignment for the benefit of creditors, shall generally not be paying its debts as they become due, or an Act of Bankruptcy with respect to the General Partner shall occur, unless in all cases the General Partner is replaced with a substitute General Partner that satisfies the requirements of the Senior Mortgage.

After a Responsible Officer of the Trustee obtains actual knowledge of the occurrence of a Loan Agreement Default, the Trustee shall give Written Notice thereof to the Issuer, the Borrower, the Limited Partner and the Bondholder Representative.

Section 7.02. Remedies.

(a) *Acceleration.* Upon the occurrence of a Default (other than a Default described in paragraph (f) or (g) of Section 7.01) and at any time and from time to time thereafter, as long as such Default continues to exist, in addition to any other rights or remedies available to the Trustee pursuant to the Bond Documents or at law or in equity, the Trustee shall, at the Written Direction of the Bondholder Representative, take such action, without notice or demand, as the Bondholder Representative deems advisable to protect and enforce its rights against the Borrower, including declaring the Borrower Payment Obligations to be immediately due and payable (including, without limitation, the principal of, Prepayment Premium, if any, and interest on and all other amounts due on the Note to be immediately due and payable), without notice or demand, and apply such payment of the Borrower Payment Obligations to the redemption of the Bonds pursuant to Section 4.04 of the Indenture; and upon any Default described in paragraph (f) or (g) of Section 7.01, the Borrower Payment Obligations shall become

immediately due and payable at the Bondholder Representative's election, in the Bondholder Representative's sole discretion (as the case may be), without notice or demand, and the Borrower hereby expressly waives any such notice or demand, anything contained in any Bond Document to the contrary notwithstanding. Notwithstanding anything herein to the contrary, the Bondholder Representative shall control the enforcement of the remedies hereunder and under the Indenture.

(b) **Remedies Cumulative.** Upon the occurrence of a Default, all or any one or more of the rights, powers, privileges and other remedies available to the Trustee against the Borrower under the Bond Documents or at law or in equity may be exercised by the Trustee, at the Written Direction of the Bondholder Representative, at any time and from time to time, whether or not all or any of the Borrower Payment Obligations shall be declared due and payable, and whether or not the Trustee or the Bondholder Representative shall have commenced any foreclosure proceeding or other action for the enforcement of its rights and remedies under any of the Bond Documents. Any such actions taken by the Trustee or the Bondholder Representative shall be cumulative and concurrent and may be pursued independently, singly, successively, together or otherwise, at such time and in such order as the Bondholder Representative may determine in its sole discretion, to the fullest extent permitted by law, without impairing or otherwise affecting the other rights and remedies of the Trustee or the Bondholder Representative permitted by law, equity or contract or as set forth in the Bond Documents. Without limiting the generality of the foregoing, the Borrower agrees that if a Default is continuing, all Liens and other rights, remedies or privileges provided to the Trustee and Bondholder Representative shall remain in full force and effect until they have exhausted all of its remedies, the Senior Mortgage has been foreclosed, the Project has been sold and/or otherwise realized upon satisfaction of the Borrower Payment Obligations or the Borrower Payment Obligations have been paid in full. To the extent permitted by applicable law, nothing contained in any Bond Document shall be construed as requiring the Trustee or the Bondholder Representative to resort to any portion of the Project for the satisfaction of any of the Borrower Payment Obligations in preference or priority to any other portion, and the Trustee or Bondholder Representative may seek satisfaction out of the entire Property or any part thereof, in its absolute discretion.

(c) **Delay.** No delay or omission to exercise any remedy, right, power accruing upon a Default, or the granting of any indulgence or compromise by the Trustee or the Bondholder Representative shall impair any such remedy, right or power hereunder or be construed as a waiver thereof, but any such remedy, right or power may be exercised from time to time and as often as may be deemed expedient. A waiver of one Loan Agreement Default shall not be construed to be a waiver of any subsequent Loan Agreement Default or to impair any remedy, right or power consequent thereon. Notwithstanding anything contained in this Agreement to the contrary, neither the Issuer nor the Trustee may assert any claim arising hereunder against the Borrower's interest in the Project, any reserve or deposit made with the FHA Lender or with any other entity that is required by HUD in connection with the FHA Insured Mortgage Loan, or in the rents or other income of the Project for the payment of any charge or obligation due hereunder except to the extent available from then currently available "Surplus Cash" as

that term is defined in the HUD Regulatory Agreement approved for distribution by HUD.

(d) ***Bondholder Representative's and Trustee's Right to Perform the Obligations.*** If the Borrower shall fail, refuse or neglect to make any payment or perform any act required of it by the Bond Documents, then while any Loan Agreement Default exists, and without notice to or demand upon the Borrower and without waiving or releasing any other right, remedy or recourse the Trustee or the Bondholder Representative may have because of such Loan Agreement Default, the Trustee or the Bondholder Representative may (but shall not be obligated to) make such payment or perform such act for the account of and at the expense of the Borrower, and shall have the right to enter upon the Project for such purpose and to take all such action thereon and with respect to the Project as it may deem necessary or appropriate. If the Trustee or the Bondholder Representative shall elect to pay any sum due with reference to the Project, the Trustee or the Bondholder Representative may do so in reliance on any bill, statement or assessment procured from the appropriate governmental authority or other issuer thereof without inquiring into the accuracy or validity thereof. Similarly, in making any payments to protect the security intended to be created by the Bond Documents, the Trustee or the Bondholder Representative shall not be bound to inquire into the validity of any apparent or threatened adverse title, lien, encumbrance, claim or charge before making an advance for the purpose of preventing or removing the same. All sums paid by the Trustee or the Bondholder Representative pursuant to this Section 7.02, and all other sums expended by the Trustee or the Bondholder Representative to which any of them shall be entitled to be indemnified, together with interest thereon at the Default Rate from the date of such payment or expenditure until paid, shall constitute additions to all amounts payable with respect to the Bond, shall be secured by the Bond Documents and shall be paid by the Borrower to the Trustee or the Bondholder Representative upon demand.

(e) ***Trustee's Exercise of the Issuer's Remedies.*** Whenever any Loan Agreement Default shall have occurred and be continuing, the Trustee may at the Written Direction of the Bondholder Representative, but shall not be obligated to, exercise any or all of the rights of the Issuer under this Article, upon notice as required of the Issuer unless the Issuer has already given the required notice. In addition, the Trustee shall have available to it all of the remedies prescribed by the Indenture. Notwithstanding anything herein to the contrary, the Issuer may not exercise any remedies available to the Issuer against the Borrower under the Bond Documents or at law or in equity in order to enforce its Unassigned Issuer's Rights, other than the remedy of specific performance, without the consent of the Bondholder Representative.

(f) ***Assumption of Obligations.*** If the Trustee, the Bondholder or the Bondholder Representative or their respective assignee or designee 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 assume the obligations of the Borrower under this Loan Agreement, the Note, the Regulatory Agreement and any other Loan Documents. 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 a Loan Agreement Default, rights and remedies may be pursued pursuant to the terms of the Bond Documents. The parties hereto acknowledge that, among the possible outcomes to the pursuit of such remedies, is the situation where the Trustee, the Bondholder Representative, the Bondholder or their respective assignees or designees becomes the owner of the Project and assumes the obligations identified above, and the Note, the Bond and the other Bond Documents remain outstanding.

(g) **Right to Directly Enforce.** Notwithstanding any other provision hereof to the contrary, the Bondholder Representative, shall have the right to directly enforce all rights and remedies hereunder with or without involvement of the Issuer or the Trustee, provided that only the Issuer may enforce the Unassigned Issuer's Rights.

Section 7.03. Cure by Limited Partner. The Issuer, the Trustee and the Bondholder Representative hereby agrees that cure of any Default made or tendered by the Limited Partner hereunder or under any Bond Document shall be deemed to be a cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower, provided that the Limited Partner's right to cure shall not extend any cure period. The Trustee, the Issuer, the Bondholder Representative shall provide to the Limited Partner a copy of any default notice delivered to the Borrower hereunder, which copy shall be delivered at the same time and in the same manner as delivered to the Borrower hereunder.

ARTICLE VIII

[RESERVED]

ARTICLE IX

MISCELLANEOUS

Section 9.01. Notices. All notices, consents, approvals and requests required or permitted hereunder or under any other Bond Document (a "notice") shall be given in the manner and under the conditions set forth in the Indenture, addressed to the appropriate party at the address set forth in Section 13.01 of the Indenture.

Section 9.02. Brokers and Financial Advisors. The Borrower hereby represents that it has dealt with no financial advisors, brokers, underwriters, placement agents, agents or finders in connection with the Loan, other than those disclosed to the Bondholder Representative and whose fees shall be paid by the Borrower pursuant to a separate agreement. The Borrower and the Bondholder Representative shall indemnify and hold the other harmless from and against any and all claims, liabilities, costs and expenses of any kind in any way relating to or arising from a claim by any Person that such Person acted on behalf of the indemnifying party in connection with the transactions contemplated herein. The provisions of this Section 9.02 shall survive the expiration and termination of this Loan Agreement and the repayment of the Borrower Payment Obligations.

Section 9.03. Survival. This Loan Agreement and all covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the making by the Issuer of the Loan and the execution and delivery to the Trustee of the Note, and shall continue in full force and effect so long as all or any of the Borrower Payment Obligations is unpaid. All the Borrower's covenants and agreements in this Loan Agreement shall inure to the benefit of the respective legal representatives, successors and assigns of the Issuer, the Bondholder Representative or the Trustee on behalf of the Bondholder.

Section 9.04. Governing Law; Venue. This Loan Agreement shall be governed by the laws of the State. Venue for all litigation arising from or in connection with this Loan Agreement or the Note shall be in Los Angeles, California.

Section 9.05. Modification, Waiver in Writing. No modification, amendment, extension, discharge, termination or waiver of any provision of this Loan Agreement or of any other Bond Document, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in a writing signed by the party against whom enforcement is sought, and then such waiver or consent shall be effective only in the specific instance, and for the purpose, for which given. Except as otherwise expressly provided herein, no notice to or demand on the Borrower shall entitle the Borrower to any other or future notice or demand in the same, similar or other circumstances.

Section 9.06. Delay Not a Waiver. Neither any failure nor any delay on the part of the Trustee or the Bondholder Representative in insisting upon strict performance of any term, condition, covenant or agreement, or exercising any right, power, remedy or privilege hereunder, or under any other Bond Document, shall operate as or constitute a waiver thereof, nor shall a single or partial exercise thereof preclude any other future exercise, or the exercise of any other right, power, remedy or privilege. In particular, and not by way of limitation, by accepting payment after the due date of any amount payable under any Bond Document, the Trustee and the Bondholder Representative shall not be deemed to have waived any right either to require prompt payment when due of all other amounts due under the Bond Documents, or to declare a Default for failure to effect prompt payment of any such other amount.

Section 9.07. Trial by Jury. THE BORROWER HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THE BOND DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY THE BORROWER, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. THE TRUSTEE AND THE BONDHOLDER REPRESENTATIVE IS EACH HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY THE BORROWER. THIS SECTION IN NO WAY AFFECTS THE RIGHT OF THE ISSUER TO ELECT A TRIAL BY JURY.

Section 9.08. Headings. The Section headings in this Loan Agreement are included herein for convenience of reference only and shall not constitute a part of this Loan Agreement for any other purpose.

Section 9.09. Severability. Wherever possible, each provision of this Loan Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Loan Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Loan Agreement.

Section 9.10. Preferences. The Trustee shall have the continuing and exclusive right to apply or reverse and reapply in accordance with the Bond Documents any and all payments by the Borrower to any portion of the Borrower Payment Obligations. To the extent the Borrower makes a payment to the Trustee or the Trustee receives proceeds of any collateral, which is in whole or part subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds received, the Borrower Payment Obligations or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment or proceeds had not been received by the Trustee.

Section 9.11. Waiver of Notice. The Borrower shall not be entitled to any notices of any nature whatsoever from the Issuer, the Bondholder Representative or the Trustee except with respect to matters for which this Loan Agreement or any other Bond Document specifically and expressly provides for the giving of notice by the Issuer, the Bondholder Representative or the Trustee, as the case may be, to the Borrower and except with respect to matters for which the Borrower is not, pursuant to applicable Legal Requirements, permitted to waive the giving of notice. The Borrower hereby expressly waives the right to receive any notice from the Issuer, the Bondholder Representative or the Trustee as the case may be with respect to any matter for which no Bond Document specifically and expressly provides for the giving of notice by the Issuer, the Bondholder Representative or the Trustee to the Borrower and except with respect to matters for which the Borrower is not, pursuant to applicable Legal Requirements, permitted to waive the giving of notice.

Section 9.12. Prior Agreements. This Loan Agreement and the other Bond Documents contain the entire agreement of the parties hereto and thereto in respect of the Loan and the transactions contemplated hereby and thereby, and all prior agreements among or between such parties, whether oral or written, are superseded by the terms of this Loan Agreement and the other Bond Documents.

Section 9.13. Offsets, Counterclaims and Defenses. The Borrower hereby waives the right to assert a counterclaim, other than a compulsory counterclaim, in any action or proceeding brought against it by the Trustee or the Bondholder Representative with respect to a Loan Payment. Any assignee of Bondholder's interest in and to the Bond Documents shall take the same free and clear of all offsets, counterclaims or defenses that are unrelated to the Bond Documents which the Borrower may otherwise have against any assignor of such documents, and no such unrelated offset, counterclaim or defense shall be interposed or asserted by the

Borrower in any action or proceeding brought by any such assignee upon such documents, and any such right to interpose or assert any such unrelated offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by the Borrower.

Section 9.14. Publicity. The Bondholder Representative shall have the right to issue press releases, advertisements and other promotional materials describing the Bondholder Representative's participation in the purchasing of the Bonds.

Section 9.15. No Usury. The Borrower, the Issuer and the Trustee intend at all times to comply with applicable state law or applicable United States federal law (to the extent that it permits a party to contract for, charge, take, reserve or receive a greater amount of interest than under state law) and that this Section 9.15 shall control every other agreement in the Bond Documents. If the applicable law (state or federal) is ever judicially interpreted so as to render usurious any amount called for under the Note or any other Bond Document, or contracted for, charged, taken, reserved or received with respect to the Borrower Payment Obligations, or if the Trustee's acceleration of the maturity of the Loan or any prepayment by the Borrower or any premium or Late Charge results in the Borrower having paid any interest in excess of that permitted by applicable law, then it is the parties' express intent that all excess amounts theretofore collected by the Trustee shall be credited against the unpaid Principal and all other elements of the Borrower Payment Obligations (or, if the Borrower Payment Obligations has been or would thereby be paid in full, refunded to the Borrower), and the provisions of the Bond Documents immediately be deemed reformed and the amounts thereafter collectible thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for thereunder. All sums paid or agreed to be paid to the Trustee for the use, forbearance or detention of the Loan shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Loan until payment in full so that the rate or amount of interest on account of the Loan does not exceed the maximum lawful rate from time to time in effect and applicable to the Loan for so long as the Loan is outstanding. Notwithstanding anything to the contrary contained in any Bond Document, it is not the intention of the Trustee to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

Section 9.16. Construction of Documents. The parties hereto acknowledge that they were represented by counsel in connection with the negotiation and drafting of the Bond Documents and that the Bond Documents shall not be subject to the principle of construing their meaning against the party that drafted them.

Section 9.17. No Third Party Beneficiaries. The Bond Documents are solely for the benefit of the Bondholder, the Issuer, the Trustee, the Limited Partner, the Bondholder Representative and the Borrower and nothing contained in any Bond Document shall be deemed to confer upon anyone other than the Bondholder, the Issuer, the Trustee, the Limited Partner, the Bondholder Representative and the Borrower any right to insist upon or to enforce the performance or observance of any of the obligations contained therein.

Section 9.18. Assignment. The Bondholder's rights, title, obligations and interests in the Bond Documents may, subject to the restrictions noted the last sentence of this Section 9.18,

be assigned by the Bondholder Representative at any time in its sole discretion, whether by operation of law (pursuant to a merger or other successor in interest) or otherwise upon the designation of a new Bondholder Representative by the Holder of the Bond. Upon such assignment, all references to the Bondholder Representative in this Loan Agreement and in any Bond Document shall be deemed to refer to such assignee or successor in interest and such assignee or successor in interest shall thereafter stand in the place of the prior Bondholder Representative. The Borrower may not assign its rights, interests or obligations under this Loan Agreement or under any of the Bond Documents, except only as may be expressly permitted hereby or by the other Bond Documents.

Section 9.19. Complete and Controlling Agreement. THIS LOAN AGREEMENT AND THE OTHER BOND DOCUMENTS TO WHICH THEY ARE PARTIES COMPLETELY SETS FORTH THE AGREEMENT BETWEEN THE ISSUER AND THE BORROWER AS TO THE MATTERS COVERED BY THIS LOAN AGREEMENT AND FULLY SUPERSEDES ALL PRIOR AGREEMENTS, BOTH WRITTEN AND ORAL, BETWEEN THE ISSUER AND THE BORROWER RELATING TO ALL SUCH MATTERS. THE TERMS AND PROVISIONS OF THIS LOAN AGREEMENT MAY BE AMENDED OR SUPERSEDED ONLY BY A WRITTEN INSTRUMENT (SUBJECT TO THE PROVISIONS OF ARTICLE XI OF THE INDENTURE) AND NO ORAL AGREEMENTS, PRACTICES, STANDARDS OR OTHER EXTRINSIC COMMUNICATIONS OR FACTS SHALL HAVE ANY BEARING ON THE INTERPRETATION OR ENFORCEMENT OF THIS LOAN AGREEMENT EXCEPT AS OTHERWISE EXPRESSLY AGREED TO IN WRITING BY THE ISSUER AND THE BORROWER.

Section 9.20. Consents. Wherever in this Loan Agreement it is provided that the Issuer or the Trustee shall, may or must give its approval or consent, or execute supplemental agreements or schedules, the Issuer or the Trustee may not unreasonably or arbitrarily withhold, delay or refuse such approvals or consents.

Section 9.21. Issuer, Trustee and Bondholder Representative Not in Control; No Partnership. None of the covenants or other provisions contained in this Loan Agreement shall, or shall be deemed to, give the Issuer, the Trustee or the Bondholder Representative the right or power to exercise control over the affairs or management of the Borrower, the power of the Issuer, the Trustee and the Bondholder Representative being limited to the rights to exercise the remedies referred to in the Bond Documents. The relationship between the Borrower and the Issuer, the Trustee, the Bondholder Representative and the Bondholder is, and at all times shall remain, solely that of debtor and creditor. No covenant or provision of the Bond Documents is intended, nor shall it be deemed or construed, to create a partnership, joint venture, agency or common interest in profits or income between the Borrower and the Issuer, the Trustee, the Bondholder Representative or the Bondholder or to create an equity interest in the Project or in the Issuer, the Trustee, the Bondholder Representative or the Bondholder. None of the Issuer, the Trustee, the Bondholder Representative or the Bondholder undertakes or assumes any responsibility or duty to the Borrower or to any other person with respect to the Project or the Loan, except as expressly provided in the Bond Documents; and notwithstanding any other provision of the Bond Documents: (a) the Issuer, the Trustee, the Bondholder Representative and the Bondholder are not, and shall not be construed as, a partner, joint venturer, alter ego,

manager, controlling person or other business associate or participant of any kind of the Borrower or its stockholders, members or partners and the Issuer, the Trustee, the Bondholder Representative and the Bondholder do not intend to ever assume such status; (b) the Issuer, the Trustee, the Bondholder Representative and the Bondholder shall in no event be liable for any the Borrower Payment Obligations, expenses or losses incurred or sustained by the Borrower; and (c) the Issuer, the Trustee, the Bondholder Representative and the Bondholder shall not be deemed responsible for or a participant in any acts, omissions or decisions of the Borrower or its stockholders, members or partners. The Issuer, the Trustee, the Bondholder Representative, the Bondholder and the Borrower disclaim any intention to create any partnership, joint venture, agency or common interest in profits or income between the Issuer, the Trustee, the Bondholder Representative, the Bondholder and the Borrower, or to create an equity in the Project in the Issuer, the Trustee, the Bondholder Representative or the Bondholder, or any sharing of liabilities, losses, costs or expenses.

Section 9.22. Time of the Essence. Time is of the essence with respect to this Loan Agreement.

Section 9.23. References to Bondholder Representative. The provisions of Section 13.05 of the Indenture pertaining to the Bondholder Representative are incorporated by reference herein.

Section 9.24. Release. The Borrower hereby acknowledges that it is executing this Loan Agreement and each of the Bond Documents to which it is a party as its own voluntary act free from duress and undue influence.

Section 9.25. Assignments to Trustee. It is understood and agreed that all right, title and interest of the Issuer in and to this Loan Agreement (other than the Unassigned Issuer's Rights) are to be pledged and assigned by the Issuer to the Trustee in trust as security for the Bonds under and pursuant to the Indenture. The Borrower consents to such pledge and assignment. The Issuer directs the Borrower, and the Borrower agrees, to pay or cause to be paid to the Trustee at its corporate trust office set forth in Section 13.01 of the Indenture, all payments so assigned pursuant to this Section.

Section 9.26. Term of Loan Agreement. This Loan Agreement shall be in full force and effect until the Bond is no longer Outstanding under the Indenture and all Bond Obligations and other payment obligations of the Borrower hereunder have been paid in full or the payment thereof has been provided for; except that on and after payment in full of the Note, this Loan Agreement shall be terminated, without further action by the parties hereto; provided, however, that the obligations of the Borrower under Sections 2.10, 3.01(hh), 3.01(II), 3.01(mm), 4.10, 4.13, 4.14, 4.17 and 9.27 shall survive the termination of this Loan Agreement.

Section 9.27. Reimbursement of Expenses. If, upon or after the occurrence of any Loan Agreement Default, the Issuer, the Trustee or the Bondholder Representative shall employ attorneys or incur other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the Borrower contained herein, the Borrower will on demand therefor reimburse the Issuer, the Trustee and the Bondholder Representative for reasonable fees of such attorneys and such other reasonable expenses so incurred. The

Borrower's obligation to pay the amounts required to be paid hereunder and under Section 2.10 hereof shall be subordinate to its obligations to make payments under the Note.

Section 9.28. Execution in Several Counterparts. This 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.

ARTICLE X

LIMITATIONS ON LIABILITY

Section 10.01. [Reserved.]

Section 10.02. Limitation on Liability of Bondholder Representative's Officers, Employees, Etc. Any obligation or liability whatsoever of the Bondholder Representative that may arise at any time under this Loan Agreement or any other Loan Document shall be satisfied, if at all, out of the Bondholder Representative's assets only. No such obligation or liability shall be personally binding upon, nor shall resort for the enforcement thereof be had to, the Project or any of the Bondholder Representative's managers, shareholders, directors, officers, employees or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise.

Section 10.03. Limitation on Liability of the Issuer. Issuer shall not be obligated to pay the principal of, premium, if any, or interest on the Bond, except from the Trust Estate. Any obligation or liability of the Issuer created by or arising out of this Agreement (including without limitation any liability created by or arising out of the representations, warranties or covenants set forth herein or otherwise) shall not impose a debt or pecuniary liability upon the Issuer or a charge upon its general credit, but shall be payable solely out of the Trust Estate. Neither the issuance of the Bond nor the delivery of this Agreement shall, directly or indirectly or contingently, obligate the Issuer to make any appropriation for payment of the Bond. Nothing in the Bond or this Agreement or the proceedings of the Issuer authorizing the Bond or in the Act or the Law or in any other related document shall be construed to authorize the Issuer to create a debt of the Issuer within the meaning of any constitutional or statutory provision of the State. No breach of any pledge, obligation or agreement of the Issuer hereunder may impose any pecuniary liability upon the Issuer or any charge upon its general credit.

THE BOND IS ISSUED PURSUANT TO THE LAW AND IN ACCORDANCE WITH THE ACT AND IS A LIMITED OBLIGATION OF THE ISSUER. NEITHER THE CITY COUNCIL OF THE ISSUER NOR ANY OFFICIAL OR EMPLOYEE OF THE ISSUER NOR ANY PERSON EXECUTING THE BOND SHALL BE LIABLE PERSONALLY ON THE BOND OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF ITS ISSUANCE. THE BOND AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE ONLY FROM THE SOURCES DESCRIBED IN THIS AGREEMENT. NEITHER THE ISSUER, THE STATE NOR ANY OTHER POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF SUCH BOND OR THE INTEREST THEREON OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE MONEY

PLEGGED THEREFOR. THE BOND AND THE INTEREST THEREON DO NOT AND SHALL NEVER CONSTITUTE A DEBT OF INDEBTEDNESS OR A GENERAL OBLIGATION OF THE ISSUER, THE STATE OR ANY MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE. 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 ISSUER IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BOND OR OTHER COSTS INCIDENT THERETO. THE BOND IS NOT A DEBT OF THE UNITED STATES OF AMERICA.

No recourse under or upon any obligation, covenant, warranty or agreement contained in the Indenture, this Loan Agreement or in the Bond, or under any judgment obtained against Issuer, 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 the Indenture or this Loan Agreement, shall be had against the Mayor, the City Council or any of the members, officers, agents or employees of the Issuer, as such, past, present or future of the Issuer, either directly or through the Issuer or otherwise, for the payment for or to the Issuer or any receiver of the Issuer, or for or to the owner of the Bond, or otherwise, of any sum that may be due and unpaid by the Issuer upon the Bond. 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 owners of the Bond or otherwise of any sum that may remain due and unpaid upon the Bond secured by the Indenture or any of them is, by the acceptance of the Bond, expressly waived and released as a condition of and in consideration for the execution of the Indenture and this Loan Agreement and the issuance of the Bond.

Anything in this Loan Agreement to the contrary notwithstanding, it is expressly understood by the parties to this Agreement that (a) the Issuer may rely exclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Issuer by the Trustee, the Borrower, the Bondholder Representative or any Bondholder as to the existence of any fact or state of affairs, (b) the Issuer shall not be under any obligation under the Indenture or this 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 Trustee, the Bondholder Representative or by any Bond holder and (c) none of the provisions of the Indenture, this Loan Agreement, the Regulatory Agreement or any Bond Document shall require the Issuer 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 the Indenture, this Agreement, the Regulatory Agreement and any Bond Document 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. It is recognized that notwithstanding any other provision of this Loan Agreement, neither the Borrower nor any Bondholder shall look to the Issuer or the members of its City Council, officers, program participants, attorneys, accountants, financial advisors, agents or staff for damages suffered by the Borrower or such Bondholder as a result of the failure of the Issuer to perform any covenant, undertaking or obligation under this Loan Agreement, the Bond, the Regulatory Agreement, any of the Bond Documents or any of the other documents referred to herein, or as a result of the incorrectness of

any representation made by the Issuer in any of such documents, nor for any other reason except for representations made by the Issuer in any certificate of the Issuer and the opinion of counsel to the Issuer delivered on the Closing Date.

No recourse for the payment of any part of the principal of, premium, if any, or interest on the Bond or for the satisfaction of any liability arising from, founded upon or existing by reason of the issuance, purchase or ownership of the Bond shall be had against the Mayor, the City Council or any officer, member, agent or employee of the Issuer, 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 the Indenture and this Loan Agreement and the issuance of the Bond. No covenant, stipulation, obligation or agreement of the Issuer contained in the Indenture, this Agreement, the Regulatory Agreement or any Loan Document shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Issuer or the Mayor or the City Council in other than that person's official capacity. No member, officer, agent or employee of the Issuer shall be individually or personally liable for the payment of the principal or redemption price of or interest on the Bond or be subject to any personal liability or accountability by reason of the issuance of the Bond.

Section 10.04. Delivery of Reports, Etc. The delivery of reports, information and documents to the Issuer as provided herein is for informational purposes only and the Issuer's receipt of such shall not constitute constructive knowledge of any information contained therein or determinable from information contained therein. The Issuer shall have no duties or responsibilities except those that are specifically set forth herein, and no other duties or obligations shall be implied in this Loan Agreement against the Issuer.

Section 10.05. HUD-Required Provisions. Borrower and Issuer acknowledge that this Loan Agreement, and all Borrower's obligations hereunder, are subject and subordinate to the following documents (collectively, the "Senior Loan Documents"): (i) \$[FHA LOAN AMOUNT] Note (Multistate) dated as of [December 1, 2013] (the "Senior Note") from Borrower to FHA 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 "Senior Note"); (ii) Multifamily Deed of Trust, Assignment of Leases and Rents and Security Agreement dated as of [December 1, 2013] from Borrower for the benefit of FHA Lender to secure the Senior Note (the "Senior Mortgage"); (iii) Regulatory Agreement dated as of [December 1, 2013] 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 Senior Note. Notwithstanding any provision in this Loan Agreement to the contrary, no obligations of the Borrower 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 Senior Mortgage), any proceeds of the Senior Note, any reserve or deposit made with the FHA Lender or any other party as required by HUD in connection with the Senior Loan Documents (collectively, "Non-Project Sources"), which Non-Project Sources include proceeds of the Collateral Payments. No claims or actions shall be made (or payable) under this Loan Agreement against the Project, the FHA Lender, the proceeds of the Senior Note, or the assets of the Borrower, except for Surplus Cash of the Borrower and the Collateral Payments. In the event of any conflict between the provisions of (i) this Loan Agreement or the Subordinate Bond Documents and (ii) the provisions of the Senior

Loan Documents or the Program Obligations (as defined in the Senior Mortgage), the provisions of the Senior Loan Documents or the Program Obligations shall control. The provisions of this Section shall control over any inconsistent provisions in this Loan Agreement or the Subordinate Bond Documents. This Loan Agreement shall not be amended or modified without the prior written consent of HUD.

Section 10.06. Non Discrimination and Affirmative Action. 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 Issuer. 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 CFR 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 Issuer's Board of Public Works, Office of Contract Compliance relating to nondiscrimination and affirmative action, including the filing of all forms required by the Issuer. Any subcontract entered into by the Borrower relating to this 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 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 10.07. Americans With Disabilities Act. 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 ("ADAA") Pub. L. 110-325 and all subsequent amendments ("ADA"). Borrower will provide for reasonable accommodations to allow qualified individuals with disabilities access to and participation in their programs, services and activities in accordance with the ADA. In addition, Borrower shall not discriminate against individuals with disabilities nor against persons due to their relationship or association with a person with a disability. Any subcontract entered into by Borrower relating to this Agreement, to the extent allowed hereunder, shall be subject to the provisions of this Section.

Section 10.08. Business Tax Registration Certificate. Subject to any exemption available to it, Borrower and Bondowner Representative each represent 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 Agreement, Borrower and Bondholder Representative each 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 10.09. Child Support Assignment Orders. This Agreement is subject to Section 10.10 of the Los Angeles Administrative Code, Child Support Assignment Orders Ordinance. Pursuant to this Ordinance, 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 owner(s) of 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 the Regulatory Agreement. Pursuant to Section 10.10.b of the Los Angeles Administrative Code, failure of 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 Borrower to comply with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally shall constitute a default by Borrower as appropriate, under the terms of the Regulatory Agreement, subjecting (i) Borrower to the remedies provided herein and (ii) the Trustee to termination under the Indenture where, in either case, such failure shall continue for more than 90 days after notice of such failure to Borrower by Issuer. Any subcontract entered into by Borrower relating to this 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 Borrower to obtain compliance of its subcontractors shall constitute a default by Borrower under the terms of this Agreement, subjecting (i) Borrower to the remedies provided herein and (ii) the Trustee to termination under the Indenture where such failure shall continue for more than 90 days after notice of such failure to Borrower by Issuer.

Borrower shall comply with the Child Support Compliance Act of 1998 of the State of California Employment Development Department. The Borrower 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.

[remainder of page intentionally left blank]

THIS LOAN AGREEMENT EXECUTED as of the date first written above.

ISSUER:

CITY OF LOS ANGELES, as Issuer

By: _____
Authorized Officer

Approved as to form:

MICHAEL N. FEUER, City Attorney

Deputy/Assistant City Attorney

HAZELTINE & WYANDOTTE, LP, a California limited partnership, as Borrower

By: Housing Corporation of America, a Utah nonprofit corporation, its managing general partner

By: _____
Ronald H. Olson, President

By: InSite H&W, LLC, a California limited liability company, its administrative general partner

By: _____
Steven Eglash, Manager

