

KUTAK ROCK LLP
9/12/13

BORROWER LOAN AGREEMENT

between

CITY OF LOS ANGELES

and

STEELE HOLLYWOODLAND, LP;

Relating to:

\$[]

City of Los Angeles

Multifamily Collateralized Revenue Notes

(Hollywoodland Apartments)

Series 2013N

Dated as of October 1, 2013

INDEX

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

| | Page |
|---|------|
| Preamble | 1 |
| ARTICLE I DEFINITIONS | |
| Section 1.1 Use of Defined Terms | 2 |
| Section 1.2 Interpretation | 2 |
| Section 1.3 Captions and Headings | 2 |
| ARTICLE II REPRESENTATIONS AND COVENANTS | |
| Section 2.1 Representations of the Governmental Lender | 3 |
| Section 2.2 Representations and Covenants of the Borrower | 3 |
| ARTICLE III COMPLETION OF THE PROJECT; ISSUANCE OF THE GOVERNMENTAL LENDER NOTES | |
| Section 3.1 Acquisition, Rehabilitation, Installation, Equipment and Improvement | 6 |
| Section 3.2 Scope of Work | 7 |
| Section 3.3 Issuance of the Governmental Lender Notes; Application of Proceeds and Initial Deposits | 7 |
| Section 3.4 Disbursements From the Project Fund | 8 |
| Section 3.5 Borrower Required to Pay Costs in Event Project Fund Insufficient | 9 |
| Section 3.6 Completion Date | 9 |
| Section 3.7 Investment of Fund Moneys | 9 |
| Section 3.8 Rebate Fund | 10 |
| ARTICLE IV BORROWER LOAN; REPAYMENT OF THE BORROWER LOAN; BORROWER LOAN PAYMENTS AND ADDITIONAL BORROWER PAYMENTS | |
| Section 4.1 Borrower Loan Repayment; Delivery of Note | 10 |
| Section 4.2 Additional Borrower Payments | 11 |
| Section 4.3 Place of Payments | 12 |
| Section 4.4 Obligations Unconditional | 12 |
| Section 4.5 Assignment of Agreement and Pledged Revenues | 12 |
| ARTICLE V ADDITIONAL AGREEMENTS AND COVENANTS | |
| Section 5.1 Right of Inspection | 13 |

| | | |
|-------------|---|----|
| Section 5.2 | Borrower to Maintain its Existence; Sales of Assets or Mergers | 13 |
| Section 5.3 | Indemnification | 14 |
| Section 5.4 | Borrower Not to Adversely Affect Exclusion from Gross Income of Interest on the Governmental Lender Notes | 16 |
| Section 5.5 | Affirmative Covenants | 16 |
| Section 5.6 | Additional Indebtedness | 19 |
| Section 5.7 | Nature of Business | 19 |

ARTICLE VI
PREPAYMENT

| | | |
|-------------|--------------------------|----|
| Section 6.1 | Optional Prepayment | 19 |
| Section 6.2 | Mandatory Prepayment | 19 |
| Section 6.3 | Limitation on Prepayment | 20 |

ARTICLE VII
EVENTS OF DEFAULT AND REMEDIES

| | | |
|-------------|---|----|
| Section 7.1 | Events of Default | 20 |
| Section 7.2 | Remedies on Default | 22 |
| Section 7.3 | No Remedy Exclusive | 23 |
| Section 7.4 | Agreement to Pay Attorneys' Fees and Expenses | 23 |
| Section 7.5 | No Waiver | 23 |
| Section 7.6 | Notice of Default | 23 |
| Section 7.7 | Investor Limited Partner's Cure Rights | 23 |

ARTICLE VIII
MISCELLANEOUS

| | | |
|--------------------------------|--|-----|
| Section 8.1 | Term of Agreement | 24 |
| Section 8.2 | Amounts Remaining in Funds | 24 |
| Section 8.3 | Notices | 24 |
| Section 8.4 | Extent of Covenants of the Governmental Lender; Non-Liability of Governmental Lender; Waiver of Personal Liability | 25 |
| Section 8.5 | Binding Effect | 27 |
| Section 8.6 | Amendments and Supplements | 27 |
| Section 8.7 | Execution Counterparts | 27 |
| Section 8.8 | Severability | 27 |
| Section 8.9 | Governing Law | 27 |
| Section 8.10 | Non-Recourse Obligations | 28 |
| Section 8.11 | HUD-Required Provisions | 28 |
| Section 8.12 | Waiver of Trial by Jury | 29 |
| Section 8.13 | Business Tax Registration Certificate | 29 |
| Section 8.14 | Child Support Assignment Orders | 29 |
| Section 8.15 | Americans with Disabilities Act | 30 |
| EXHIBIT A - FORM OF NOTE | | A-1 |

| | |
|--|-----|
| EXHIBIT B - BORROWER'S CERTIFICATE TO FHA LENDER AND FISCAL AGENT | B-1 |
| EXHIBIT C - FORM OF COMPLETION CERTIFICATE | C-1 |
| EXHIBIT D - LENDER'S CERTIFICATE TO FISCAL AGENT | D-1 |
| EXHIBIT E - BORROWER'S CERTIFICATE TO FISCAL AGENT | E-1 |
| EXHIBIT F - PROVISIONS RELATING TO JUDICIAL REFERENCE AGREEMENT; REFEREE; COSTS | F-1 |

BORROWER LOAN AGREEMENT

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

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

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

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

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

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

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

I.

DEFINITIONS

1. Use of Defined Terms

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

2. Interpretation

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

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

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

3. Captions and Headings

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

II.

REPRESENTATIONS AND COVENANTS

1. Representations of the Governmental Lender

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

2. Representations and Covenants of the Borrower

The Borrower represents and covenants that:

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

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

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

d. It presently intends to use or operate the Project in a manner consistent with the Act and in accordance with the Regulatory Agreement for the life of the Governmental Lender Notes or such longer period as may be required by the terms of the Regulatory Agreement, and knows of no reason why the Project will not be so used or operated. If, in the future,

there is a cessation of such use or operation, it will use its best efforts to resume that such use or operation or accomplish an alternate use by the Borrower or others approved by the Governmental Lender which will be consistent with the Act and the Regulatory Agreement. It will own and operate the Project in accordance, and will otherwise comply, with the terms of the Tax Certificate.

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

f. The Project will be located entirely within the boundaries of the jurisdiction of the Governmental Lender.

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

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

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

the Governmental Lender Notes for any failure to meet the intent expressed in the foregoing representation, covenant and warranty; and provided further, failure to comply with this representation, covenant and warranty shall not constitute a default or event of default under this Borrower Loan Agreement.

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

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

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

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

state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Borrower Loan Agreement or the other Borrower Loan Documents, or the financial condition, assets, properties or operations of the Borrower. All tax returns (federal, state and local) required to be filed by or on behalf of the Borrower have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by the Borrower in good faith, have been paid or adequate reserves have been made for the payment thereof which reserves, if any, are reflected in the audited financial statements described therein. The Borrower enjoys the peaceful and undisturbed possession of all of the premises upon which it is operating its facilities.

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

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

III.

COMPLETION OF THE PROJECT; ISSUANCE OF THE GOVERNMENTAL LENDER NOTES

1. Acquisition, Rehabilitation, Installation, Equipment and Improvement

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

the rehabilitation and improvement of the Project will be compensated as required by law and the Borrower Loan Documents.

2. Scope of Work

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

3. Issuance of the Governmental Lender Notes; Application of Proceeds and Initial Deposits

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

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

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

4. Disbursements From the Project Fund

Subject to the provisions below and so long as no Event of Default hereunder has occurred and is continuing for which the principal amount of the Governmental Lender Notes has been declared to be immediately due and payable pursuant to Section 7.2 hereof and Section 9.2 of the Funding Loan Agreement, disbursements from the Project Fund shall be made only to pay any of the following "Project Costs":

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

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

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

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

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

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

g. Payment of interest on the Governmental Lender Notes.

h. Payments to the Rebate Fund.

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

conditions and pursuant to the following procedures:

- i. An executed Certificate of the FHA Lender substantially in the form attached hereto as Exhibit D related to the deposit of Available Moneys into the Collateral Fund for the applicable disbursement request.
- ii. An executed Certificate of the Borrower substantially in the form attached hereto as Exhibit B accompanied by a disbursement schedule listing the items for which the disbursement is sought and the total cost of each such item, together with invoices or other appropriate documentation for each such item.
- iii. All Borrower Loan Payments that are then due shall have been paid.
- iv. The disbursement request must be for an amount that allows the Fiscal Agent to transfer Permitted Investments from the Project Fund to the Collateral Fund in exchange for funds in such increments as are needed to fund the disbursement request.

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

5. Borrower Required to Pay Costs in Event Project Fund Insufficient

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

6. Completion Date

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

7. Investment of Fund Moneys

At the written request of the Authorized Borrower Representative, any moneys held as part of the Governmental Lender Notes Fund, the Project Fund, the Collateral Fund and the Rebate Fund shall be invested or reinvested by the Fiscal Agent in Permitted Investments as provided in the Funding Loan

Agreement. The Governmental Lender (to the extent within its control) and the Borrower each hereby covenants that it will restrict that investment and reinvestment and the use of the proceeds of the Governmental Lender Notes in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time of delivery of and payment for the Governmental Lender Notes or subsequent intentional acts, so that the Governmental Lender Notes will not constitute arbitrage bonds under Section 148 of the Code. No provision of this Borrower Loan Agreement shall be construed to impose upon the Fiscal Agent any obligation or responsibility for compliance with arbitrage regulations.

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

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

8. Rebate Fund

The Borrower agrees to make such payments to the Fiscal Agent as are required of it under Section 7.13 of the Funding Loan Agreement including the fees and expenses of the Rebate Analyst. The obligation of the Borrower to make such payments shall remain in effect and be binding upon the Borrower notwithstanding the release and discharge of the Funding Loan Agreement.

IV.

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

1. Borrower Loan Repayment; Delivery of Note

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

The Borrower shall receive a credit against the Borrower Loan Payments required to be made

hereunder, on any date, equal to the amounts, if any, transferred by the Fiscal Agent from the Initial Deposit Account of the Governmental Lender Notes Fund or the Collateral Fund on such date for the payment of Governmental Lender Note Debt Service Charges.

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

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

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

2. Additional Borrower Payments

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

- a. To the Governmental Lender, when due, the Governmental Lender Fee.
- b. To the appropriate Fund or Account under the Funding Loan Agreement, the Initial Deposit and any deposit of closing costs required under Section 6.1 of the Funding Loan Agreement.
- c. To the Governmental Lender or the Fiscal Agent, as the case may be, whether or not an Event of Default has occurred hereunder, as payment for or reimbursement or prepayment of any and all costs, expenses, and liabilities (i) incurred or paid by the Governmental Lender or the Fiscal Agent, as the case may be, in satisfaction of any obligations of the Borrower hereunder not performed by the Borrower in accordance with the provisions hereof, or (ii) incurred as a result of a request by the Borrower or of a requirement of this Borrower Loan Agreement or the Funding Loan Agreement and not otherwise required to be

paid by the Borrower under this Borrower Loan Agreement, or (iii) incurred in the defense of any action or proceeding with respect to the Project or this Borrower Loan Agreement, or in enforcing this Borrower Loan Agreement, or arising out of or based upon any other document related to the issuance of the Governmental Lender Notes; and

d. To the applicable party, as payment for or reimbursement or prepayment of any ordinary services and ordinary expenses and extraordinary services and extraordinary expenses of the Fiscal Agent as Fiscal Agent, all as provided in the Funding Loan Agreement, as and when the same become due; provided that the Borrower may, without creating an Event of Default hereunder, contest in good faith the necessity for any extraordinary services and extraordinary expenses and the amount of any such ordinary services, ordinary expenses, extraordinary services or extraordinary expenses; provided that fees for ordinary services provided for by the respective letter agreements agreed to by the Borrower and the Fiscal Agent shall be considered to be customary.

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

3. Place of Payments

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

4. Obligations Unconditional

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

5. Assignment of Agreement and Pledged Revenues

To secure the payment of Governmental Lender Note Debt Service Charges, the Governmental

Lender shall assign to the Fiscal Agent, by the Funding Loan Agreement, its rights under and interest in this Borrower Loan Agreement (except for the Unassigned Rights) and the Borrower Note. The Borrower hereby agrees and consents to those assignments. The Governmental Lender shall not attempt to further assign, transfer or convey its interest in the Pledged Revenues or this Borrower Loan Agreement or create any pledge or lien of any form or nature with respect to the Pledged Revenues or Borrower Loan Payments hereunder.

V.

ADDITIONAL AGREEMENTS AND COVENANTS

1. Right of Inspection

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

2. Borrower to Maintain its Existence; Sales of Assets or Mergers

The Borrower shall maintain its existence, not dissolve or sell, transfer or otherwise dispose of all or substantially all of its assets and not consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it; provided, that it may do so in the case that the surviving, resulting or transferee entity is other than the Borrower, such transferee assumes in writing all of the obligations of the Borrower under this Borrower Loan Agreement and the Regulatory Agreement and it has a net worth equal to or greater than that of the Borrower immediately prior to such consolidation, merger, sale or transfer and shall otherwise satisfy all requirements of the Regulatory Agreement. In addition, the Borrower shall not permit one or more other entities to consolidate with or merge into it, or take any action or allow any action to be taken to terminate the existence of the Borrower except in compliance with the terms of the Regulatory Agreement. Nothing herein contained shall limit the rights of (i) any direct or indirect owners of interests in the Borrower to (a) transfer, convey, sell or otherwise dispose of (a "Transfer") their ownership interests to any Affiliate, or in connection with any estate planning, or by operation of law, or (b) make Transfers among and between themselves, or (ii) Borrower to make Transfers as otherwise permitted by the Regulatory Agreement, subject in all cases to the terms of the Regulatory Agreement.

Notwithstanding anything to the contrary contained herein, and subject to: (i) the consent of HUD, prior to each occurrence, in accordance with the FHA Loan Documents; and (ii) compliance with the requirements of the Regulatory Agreement, the following shall be permitted and shall not (except as required by clauses (i) and (ii) above) require the prior written approval of Governmental Lender or Fiscal Agent, (a) the transfer by the Investor Limited Partner of its interest in Borrower in

accordance with the terms of Borrower's [Amended and Restated Agreement of Limited Partnership], as it may be amended from time to time (the "Partnership Agreement"), (b) the removal of the general partner of Borrower in accordance with the Borrower's governing instruments and the replacement thereof with the Investor Limited Partner, or any of its affiliates, (c) the transfer of ownership interests in the Investor Limited Partner [or the Special Limited Partner], (d) the transfer of the interests of the Investor Limited Partner in Borrower to Borrower's general partners or any of their affiliates, and (e) any amendment to the Borrower's governing instruments to memorialize the transfers or removal described above.

3. Indemnification

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

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

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

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

(d) Any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance or hazardous material from, the Project or any part thereof; provided, however,

Borrower's liability under this provision shall not extend to cover any violations that first arise, commence or occur as a result of actions of the Indemnified Party, after the satisfaction, discharge, release, assignment, termination or cancellation of the Security Instrument following the payment in full of the Borrower Note and all other sums payable under the Borrower Loan Documents;

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

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

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

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

(i) Any breach (or alleged breach) by the Borrower of any material representation, warranty or covenant made in or pursuant to this Borrower Loan Agreement or in connection with any material, written or oral representation, presentation, report, appraisal or other information given or delivered by the Borrower, the Borrower's general partners, or their Affiliates to Governmental Lender, the Funding Lender, the Fiscal Agent, or any other Person in connection with the Borrower's application for the Borrower Loan and the Funding Loan;

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

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

(l) the use of the proceeds of the Borrower Loan and the Funding Loan; or

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

except in the case of the foregoing indemnification of the Funding Lender, the Fiscal Agent or the Servicer or any related Indemnified Party, to the extent such damages are caused by the gross negligence of the Funding Lender, the Fiscal Agent or the Servicer, and in the case of the indemnifications of the Governmental Lender, except to the extent such damages are caused by the willful misconduct of the Governmental Lender.

In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party (which notice shall be timely given so as not to materially impair the Borrower's right to defend), shall assume the investigation and defense thereof, including the employment of counsel reasonably approved by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement, which approval shall not be unreasonably withheld. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and to participate in the investigation and defense thereof. The Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Borrower if and only if in such Indemnified Party's good faith judgment (based on the advice of counsel) a conflict of interest exists or could arise by reason of common representation.

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

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

4. Borrower Not to Adversely Affect Exclusion from Gross Income of Interest on the Governmental Lender Notes

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

5. Affirmative Covenants

Unless the Funding Lender shall otherwise consent in writing:

- a. Maintenance of Properties. The Borrower shall maintain and preserve in good working order and condition, ordinary wear and tear and casualty loss excepted, all of its properties which are necessary or useful in the proper conduct of its business, and shall from

time to time make all necessary repairs, renewals, replacements, additions and improvements to said properties. All damage to apartment units shall be repaired promptly and apartment units shall be maintained so as to be available at all times for habitation.

b. Keeping of Records and Books of Account. The Borrower shall keep adequate records and books of account in which complete entries will be made in accordance with GAAP or indicating deviations therefrom, reflecting all financial transactions. The Borrower shall deliver to the Funding Lender, and upon written request by it, to the Governmental Lender, annually its year-end financial statements accompanied by a written statement of the Borrower's independent public accountants that in making the examination necessary for certification of such financial statements, nothing has come to their attention that would lead them to believe that the Borrower has violated any of the terms, covenants or provisions of this Borrower Loan Agreement insofar as it relates to accounting matters.

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

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

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

44
Borrower Note, or any other agreement or instrument herein or therein contemplated.

f. [Reserved].

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

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

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

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

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

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

k. Non-discrimination. The Borrower shall comply with the applicable nondiscrimination and affirmative action provisions of the laws of the United States of America,

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

1. Patriot Act. The Borrower covenants and agrees to provide documentation as reasonably requested or required by the Fiscal Agent to enable the Fiscal Agent to comply with the requirements of the USA Patriot Act.

6. Additional Indebtedness

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

7. Nature of Business

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

VI.

PREPAYMENT

1. Optional Prepayment

Subject to Section 6.3 below, and only if the Project has been "placed in service" as defined in the Internal Revenue Code, the Borrower Loan may be prepaid by the Borrower in whole (but not in part) on any Business Day on or after [_____] 1, [2014] at a prepayment price equal to 100% of the outstanding Borrower Loan balance plus accrued interest through the date fixed for prepayment without penalty in Available Moneys.

2. Mandatory Prepayment

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

3. Limitation on Prepayment

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

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

VII.

EVENTS OF DEFAULT AND REMEDIES

1. Events of Default

Each of the following shall be an Event of Default:

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

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

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

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

e. There shall occur an "Event of Default" as defined in the Funding Loan Agreement or the Regulatory Agreement other than an Event of Default under the Funding Loan Agreement solely attributable to the acts or omissions of the Governmental Lender.

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

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

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

- i. acts of God; strikes, lockouts or other industrial disturbances; acts of terrorism or of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornados; storms; droughts; floods; arrests; restraint of government and people; explosions; breakage, malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; shortages of labor, materials, supplies or transportation; or
- ii. any cause, circumstance or event not reasonably within the control of the Borrower.

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

2. Remedies on Default

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

- a. If acceleration of the principal amount of the Governmental Lender Notes has been declared pursuant to Section 9.2 of the Funding Loan Agreement, the Funding Lender or the Fiscal Agent shall declare all Borrower Loan Payments to be immediately due and payable together with any other amounts payable by the Borrower under this Borrower Loan Agreement and the Borrower Note whereupon the same shall become immediately due and payable;
- b. The Funding Lender, or the Fiscal Agent, at the direction of the Funding Lender, may exercise any or all, or any combination of the remedies specified in this Borrower Loan Agreement;
- c. The Funding Lender, the Governmental Lender or the Fiscal Agent may have access to, inspect, examine and make copies of the books, records, accounts and financial data of the Borrower pertaining to the Project; or
- d. The Funding Lender or the Fiscal Agent, at the direction of the Funding Lender, may pursue all remedies now or hereafter existing at law or in equity to collect all amounts then due and thereafter to become due under this Borrower Loan Agreement, the Regulatory

Agreement and the Borrower Note, or to enforce the performance and observance of any other obligation or agreement of the Borrower under those instruments.

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

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

3. No Remedy Exclusive

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

4. Agreement to Pay Attorneys' Fees and Expenses

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

5. No Waiver

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

6. Notice of Default

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

7. Investor Limited Partner's Cure Rights

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

VIII.

MISCELLANEOUS

1. Term of Agreement

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

2. Amounts Remaining in Funds

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

Agreement, the Borrower Note, Regulatory Agreement and the Funding Loan Agreement have been paid, shall be paid to the Borrower to the extent that those moneys are in excess of the amounts necessary to effect the payment and discharge of the outstanding Governmental Lender Notes.

3. Notices

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

4. Extent of Covenants of the Governmental Lender; Non-Liability of Governmental Lender; Waiver of Personal Liability

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

No agreements or provisions contained in this Borrower Loan Agreement, the Funding Loan Agreement, any other Funding Loan Document, nor any agreement, covenant or undertaking by the Governmental Lender contained in any document executed by the Governmental Lender in connection

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

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

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

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

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

5. Binding Effect

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

6. Amendments and Supplements

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

7. Execution Counterparts

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

8. Severability

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

9. Governing Law

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

10. Non-Recourse Obligations

Notwithstanding anything to the contrary set forth herein, in the Borrower Note and in any other document delivered in connection herewith, it is hereby expressly agreed and understood that the obligations of Borrower hereunder, under the Borrower Note and under every document executed and delivered in connection herewith, are non-recourse to any member, partner, officer, director or employee of the Borrower (each, a "*Related Party*") or, subject to the restrictions of Section 8.11 hereof, to any asset of the Borrower or any Related Party other than the Pledged Revenues, the Project and any income derived therefrom. In furtherance thereof, the Governmental Lender and the Fiscal Agent shall be entitled, subject to the restrictions of Section 8.11 hereof, to look solely and exclusively to the Pledged Revenues and any income derived therefrom for the payment and other obligations of Borrower hereunder, under the Borrower Note and all evidences of indebtedness secured hereby, and shall not seek a personal judgment against any member, partner, officer, director, member or stockholder of the Borrower, provided that nothing herein shall relieve any such Related Party from liability for any of the following:

- a. rent collected for more than one month in advance and received by a Related Party and not applied to the reasonable operating requirements of the Project;
- b. misappropriation or misapplication by a Related Party of insurance or eminent domain proceeds;
- c. fraud or material misrepresentation by a Related Party against the Governmental Lender or the Holder;
- d. conversion by a Related Party of all or a material portion of the Project; or
- e. gross negligence, willful misconduct or intentional torts of a Related Party

relating to the Project or the revenues therefrom.

11. HUD-Required Provisions

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

12. Waiver of Trial by Jury

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

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

13. Business Tax Registration Certificate

Subject to any exemptions available to it, the Borrower represents that it has obtained or will obtain the Business Tax Registration Certificate(s) required by the City of Los Angeles' Business Tax

Ordinance (Article 1, Chapter 2, Section 21.00 and following, of the Los Angeles Municipal Code). For the term covered by this Borrower Loan Agreement, the Borrower shall maintain, or obtain as necessary, any such Business Tax Registration Certificate(s) required of it under said Ordinance and shall not allow any such Business Tax Registration Certificate(s) to be revoked or suspended.

14. Child Support Assignment Orders

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

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

15. Americans with Disabilities Act

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

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

STEELE HOLLYWOODLAND LP, a California limited partnership, as Borrower

By: Steele Hollywoodland GP LLC, a California limited liability company, Its General Partner

By: Steele Properties Holdings LLC, a Colorado limited liability company, Its Managing Member

By:
Name:
Title:

By: CHC Hollywoodland MGP LLC, a California limited liability company, Its Managing General Partner

By: Community Housing Concepts, Inc., a Colorado nonprofit corporation, Its Managing Member

By:
Name:
Title:

[Borrower Signature Page to *Hollywoodland* Borrower Loan Agreement]

GOVERNMENTAL LENDER:

CITY OF LOS ANGELES, as the Governmental
Lender

By Los Angeles Housing and Community
Investment Department

By
Name
Authorized Officer

Approved as to form:

Michael N. Feuer, City Attorney:

By
Deputy/Assistant City Attorney

[Governmental Lender Signature Page to *Hollywoodland* Borrower Loan Agreement]

EXHIBIT A

FORM OF NOTE

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

\$[]

[], 2013

STEELE HOLLYWOODLAND LP, a California limited partnership (the "*Borrower*"), for value received, promises to pay in installments to the City of Los Angeles (the "*Governmental Lender*") under the Funding Loan Agreement hereinafter referred to, the principal sum of

[] DOLLARS.

and to pay interest on the unpaid balance of such principal sum from and after the Closing Date (as defined in the Funding Loan Agreement at the rate of []% per annum, until the payment of such principal sum has been made or provided for. The Principal Amount stated above shall be paid on or before the fifth Business Day (as defined in the Funding Loan Agreement defined herein) immediately preceding the Maturity Date (as defined in the Funding Loan Agreement defined herein). Interest shall be calculated on the basis of a 360-day year of 12 equal 30-day months. Interest on this Note shall be paid in Federal Reserve funds on the fifth Business Day next preceding each [] 1 and [] 1, commencing [] 1, 2014 (the "*Interest Payment Dates*").

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

Under the Borrower Loan Agreement, the Governmental Lender has loaned the Borrower the principal proceeds received from the sale of the Governmental Lender's \$[] Multifamily Collateralized Revenue Notes (Hollywoodland Apartments) Series 2013N dated October [], 2013 (the "*Governmental Lender Notes*") to assist in the financing of the Project, and the Borrower has agreed to repay such loan by making payments ("*Borrower Loan Payments*") at the times and in the amounts set forth in this Note for application to the payment of Governmental Lender Note Debt Service Charges on the Governmental Lender Notes as and when due. The Governmental Lender Notes have been issued, concurrently with the execution and delivery of this Note, pursuant to, and are secured by, the Funding Loan Agreement (the "*Funding Loan Agreement*"), dated as of October 1, 2013, among the Governmental Lender, Citibank, N.A., as Funding Lender and [FISCAL AGENT], as Fiscal Agent (the "*Fiscal Agent*") and in the Funding Loan Agreement has been assigned by the Governmental Lender to the Fiscal Agent to secure the repayment of principal and interest on the Governmental Lender Notes and other amounts under the Funding Loan Agreement.

To provide funds to pay the principal of and interest on the Governmental Lender Notes as and

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

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

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

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

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

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

declaration with respect to this Note.

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

Borrower, Fiscal Agent and Governmental Lender acknowledge that this Note, and all Borrower's obligations hereunder, are subject and subordinate to the following FHA Loan Documents: (i) FHA-Insured Note (Multistate) dated as of October 1, 2013 from Borrower to FHA Lender, initially endorsed for mortgage insurance by the Secretary of Housing and Urban Development ("HUD") pursuant to Section 221(d)(4) of the National Housing Act, as amended (the "FHA Note"); (ii) Multifamily Deed of Trust, Assignment of Leases and Rents, and Security Agreement (California) dated as of October 1, 2013 from Borrower for the benefit of FHA Lender to secure the FHA Note (the "FHA Mortgage"); (iii) Regulatory Agreement dated as of October 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 FHA Note. Notwithstanding any provision in this Note to the contrary, this Note shall not be due and payable prior to the maturity date of the FHA Note, provided that it may be prepaid at any time from (A) Surplus Cash (as defined in the HUD Regulatory Agreement) or (B) funds that are not derived from revenues of the Project (as defined in the FHA Mortgage), any proceeds of the FHA Note, any reserve or deposit made with the FHA Lender or any other party as required by HUD in connection with the FHA Loan Documents (collectively, "Non-Project Sources"), but provided further that no prepayment of this Note is permitted prior to the "final endorsement" of the FHA Note for mortgage insurance by HUD. Payments due under this Note may only be paid from amounts on deposit and available for such purpose under the Funding Loan Agreement and to the extent not so paid only from Surplus Cash (but in no event greater than 75% of the total amount of Surplus Cash) or from Non-Project Sources; provided that this restriction on payment shall not excuse any default caused by the failure of the Borrower to pay the indebtedness evidenced by this Note. In addition, (1) the indebtedness evidenced by this Note and all other documents evidencing or securing this Note (collectively, the "Subordinate Loan Documents") are and shall be subordinated in right of payment, to the prior payment in full of the indebtedness evidenced by the FHA Loan Documents, and (2) the Subordinate Loan Documents are and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the FHA Mortgage and the other FHA Loan Documents and to all advances heretofore made or which may hereafter be made pursuant to the FHA Mortgage and the other FHA Loan Documents (including but not limited to, all sums advanced for the purposes of (a) protecting or further securing the lien of the FHA Mortgage, curing defaults by Borrower under the FHA Loan Documents or for any other purpose expressly permitted by the FHA Mortgage, or (b) constructing, renovating, repairing, furnishing, fixturing or equipping the Project).

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

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

STEELE HOLLYWOODLAND LP, a
California limited partnership

By _____

Pay to the Order of:

[FISCAL AGENT], as Fiscal Agent

as assignee under that certain Funding Loan Agreement

WITHOUT RECOURSE

GOVERNMENTAL LENDER:

CITY OF LOS ANGELES, as the Governmental
Lender

By Los Angeles Housing and Community Investment
Department

By:
Authorized Officer

Approved as to form:

Michael N. Feuer, City Attorney:

By:
Deputy/Assistant City Attorney

EXHIBIT B

BORROWER'S CERTIFICATE TO FHA LENDER AND FISCAL AGENT

STATEMENT NO. _____ REQUESTING DISBURSEMENT OF FUNDS FROM
PROJECT FUND PURSUANT TO SECTION 3.4 OF THE BORROWER LOAN AGREEMENT
DATED AS OF OCTOBER 1, 2013 BETWEEN THE
CITY OF LOS ANGELES
AND STEELE HOLLYWOODLAND LP

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

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

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

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

- (c) The costs specified in the Disbursement Schedule attached hereto, when added to all previous disbursements under the Borrower Loan, will result in at least 95% of the aggregate amount of all disbursements having been used to pay or reimburse the Borrower for amounts which are Project Costs.
- (d) To the knowledge of the undersigned, there is no current or existing event of default pursuant to the terms of the Borrower Loan Agreement or the Regulatory Agreement and no event exists which by notice or passage of time or both would constitute an event of default under any of the foregoing documents.
- (e) No representation or warranty of the Borrower contained in the Borrower Loan Agreement or the Regulatory Agreement is materially incorrect or inaccurate, except as the Borrower has set forth in writing, and there has been no event of default under the terms of any of those documents and which is continuing and no event shall exist which by notice, passage of time or both would constitute an event of default under any of those documents.
- (f) This statement and all exhibits hereto, including the Disbursement Schedule, shall be conclusive evidence of the facts and statements set forth herein and shall constitute full warrant, protection and authority to the Fiscal Agent for its actions taken pursuant hereto.

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

This _____ day of _____, 20__.

By: Authorized Borrower Representative

[Name/Title]

Schedule 1 Approved by Authorized FHA Lender
Representative:

By:

[Name/Title]

DISBURSEMENT SCHEDULE _____
TO STATEMENT NO. _____ REQUESTING AND AUTHORIZING
DISBURSEMENT OF FUNDS FROM PROJECT FUND PURSUANT TO SECTION 3.4 OF
THE BORROWER LOAN AGREEMENT DATED AS OF OCTOBER 1, 2013 BETWEEN THE
CITY OF LOS ANGELES AND STEELE HOLLYWOODLAND LP.

PAYEE

AMOUNT

PURPOSE

EXHIBIT C

\$[]
City of Los Angeles
Multifamily Collateralized Revenue Notes
(Hollywoodland Apartments)
Series 2013N,
Dated [], 2013

COMPLETION CERTIFICATE

To:

[FISCAL AGENT]
[ADDRESS]
Los Angeles, CA 90071
Attention: Global Corporate Trust Services

Los Angeles Housing and Community Investment Department
8th Floor
1200 West 7th Street
Los Angeles, CA 90017
Attention: Supervisor, Affordable Housing Bond Program
Bond

Pursuant to Section 3.6 of the Borrower Loan Agreement (the "Agreement") between the City of Los Angeles (the "Governmental Lender") and Steele Hollywoodland LP, a California limited partnership (the "Borrower"), dated as of October 1, 2013, and relating to the captioned Governmental Lender Notes, the undersigned Authorized Borrower Representative hereby certifies to that (with capitalized words and terms used and not defined in this Certificate having the meanings assigned in the Agreement):

- (a) The Project was substantially completed and available and suitable for use as multifamily housing on _____.
- (b) All other facilities necessary in connection with the Project have been acquired, rehabilitated, equipped and improved,
- (c) The acquisition, rehabilitating, equipping and improvement of the Project and those other facilities have been accomplished in such a manner as to conform in all material respects with all applicable zoning, planning, building, environmental and other similar governmental regulations.
- (d) Except as provided in subsection (e) of this Certificate, all costs of that acquisition and installation due on or after the date of this Certificate and now payable have been paid.
- (e) The Fiscal Agent shall retain \$ _____ in the Project Fund for the

payment of costs of the Project not yet due or for liabilities which the Borrower is contesting or which otherwise should be retained, for the following reasons:

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

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

Authorized Borrower Representative

STEELE HOLLYWOODLAND LP, a California
limited partnership

By _____

EXHIBIT D

LENDER'S CERTIFICATE TO FISCAL AGENT

Pursuant to Section 3.4 of the Borrower Loan Agreement (the "Agreement") between the City of Los Angeles (the "Governmental Lender") and Steele Hollywoodland LP, a California limited partnership (the "Borrower") dated as of October 1, 2013, the undersigned Authorized Lender Representative hereby certifies that the deposit of \$_____ into the Collateral Fund on _____, 201__ was fully derived from the sale of GNMA Securities or funding of the FHA or FHA Lender approved loan requisition (HUD Form 92403) with regard to the Project.

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

This ____ day of _____, 20__.

By: Authorized Lender Representative

[Name/Title]

EXHIBIT E

BORROWER'S CERTIFICATE TO FISCAL AGENT

Pursuant to Section 3.4 of the Borrower Loan Agreement (the "*Agreement*") between the City of Los Angeles (the "*Governmental Lender*") and Steele Hollywoodland LP, a California limited partnership (the "*Borrower*") dated as of October 1, 2013, the undersigned Authorized Borrower Representative hereby certifies that the deposit of \$ _____ into the Collateral Fund on _____, 201__ was made from Available Moneys.

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

This _____ day of _____, 20__.

By: Authorized Borrower Representative

[Name/Title]

EXHIBIT F

[NOTE: THE BELOW IS SUBJECT TO CITY OF LOS ANGELES REQUIREMENTS REGARDING WAIVERS OF JURY TRIALS DESCRIBED IN SECTION 8.12 OF THE BORROWER LOAN AGREEMENT]

PROVISIONS RELATING TO JUDICIAL REFERENCE AGREEMENT; REFEREE; COSTS

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

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

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

The Borrower shall promptly and diligently cooperate with the Referee, and shall perform such acts as may be necessary to obtain prompt and expeditious resolution of each Controversy in accordance with the terms of this Section.

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

The Borrower will have such rights to assert such objections as are set forth in California Code of Civil Procedure §§ 638 et seq.

All proceedings shall be closed to the public and confidential and all records

relating to the Reference shall be permanently sealed when the order thereon becomes final.

Selection of Referee; Powers.

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

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

Provisional Remedies: Self-Help and Foreclosure.

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

The exercise of, or opposition to, any such remedy does not waive the right of the Borrower to the Reference pursuant to this Section.

Costs and Fees.

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

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