

ATTACHMENT B
HCIDLA Request for Issuance of Bonds for Beverly Terrace Apartments

Loan Agreement for Beverly Terrace Apartments on next page.

LOAN AGREEMENT

Among

CITY OF LOS ANGELES

as Issuer

WELLS FARGO BANK, NATIONAL ASSOCIATION

as Bondowner Representative

and

BEVERLY PSH, L.P.

a California limited partnership

as Borrower

Relating to

\$ _____

City of Los Angeles

Multifamily Housing Revenue Bond

(Beverly Terrace Apartments Project)

Series 2015D

Dated as of October 1, 2015

The interests of the Issuer in this Loan Agreement and the Note, excluding the Reserved Rights, have been assigned to _____, as Bond Trustee, pursuant to an Indenture of Trust dated as of October 1, 2015 among the Issuer, _____, as Bond Trustee and Wells Fargo Bank, National Association, as Initial Bondowner Representative.

LOAN AGREEMENT

THIS LOAN AGREEMENT (as amended and supplemented from time to time, this "**Loan Agreement**") is made and entered into as of October 1, 2015, by and among CITY OF LOS ANGELES (the "**Issuer**"), WELLS FARGO BANK, NATIONAL ASSOCIATION, and its successors and assigns ("**Bondowner Representative**"), and BEVERLY PSH, L.P., a California limited partnership (the "**Borrower**").

WITNESSETH:

WHEREAS, the Issuer is a municipal corporation and charter city under the laws of the State of California (the "**State**"); and

WHEREAS, pursuant to Section 248 of its Charter and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code (the "**Law**"), and, to the extent applicable, in accordance with Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code (the "**Act**"), the Issuer is authorized and empowered to issue revenue bonds and apply the proceeds to make loans for the acquisition, construction and development of qualifying housing developments (defined in the Act to include buildings used to provide residential housing for four or more families); and

WHEREAS, Borrower has requested the Issuer to issue its Multifamily Housing Revenue Bond (Beverly Terrace Apartments Project) Series 2015D, in the original principal amount of \$_____ (the "**Bond**") for the purpose of making a loan (the "**Loan**") to finance, in part, the acquisition and construction of a multifamily rental housing project known as Beverly Terrace Apartments Project, located at _____, located in Los Angeles, California, which, collectively, is more particularly described on Exhibit A (the "**Property**") (the "**Improvements**" or the "**Project**"). The Bond shall be issued pursuant to an Indenture of Trust of even date herewith by and among the Issuer, Bondowner Representative and _____, a national banking association, as Bond Trustee (the "**Bond Trustee**") (as amended and supplemented from time to time, the "**Indenture**"); and

WHEREAS, the Issuer deems it desirable and in keeping with its governmental purpose to issue the Bond and lend the proceeds thereof to Borrower for the purposes described above under the terms and conditions contained in this Loan Agreement; and

WHEREAS, to evidence the Loan, Borrower is executing, in favor of the Issuer, that certain Promissory Note payable to the order of Issuer in the aggregate original principal amount of \$_____ (as amended or supplemented from time to time, the "**Note**") which Note provides for the repayment of the Loan in amounts sufficient to pay, when due, the principal of, premium, if any, and interest on the Bond, and which Note will be endorsed over to Bond Trustee, and Borrower has executed or caused to be executed and delivered to Issuer the Construction and Permanent Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing (as amended or supplemented from time to time, the "**Deed of Trust**") with respect to the Project to secure, among other things, the payments due under the Note and this Loan Agreement, which Deed of Trust shall be assigned by the Issuer to the Bond Trustee pursuant to that certain Assignment of Deed of Trust and Loan Documents, executed as of even date herewith (as amended or supplemented from time to time, the "**Assignment of Deed of Trust**"); and

WHEREAS, in order to secure additional financing for the Project, Borrower has obtained a loan made by the Housing and Community Investment Department of the City of Los Angeles ("**HCID**"), in the amount of ///[\$6,016,700]/// (the "**HCID Loan**"). The HCID Loan is evidenced by (i) that certain Loan Agreement dated as of _____ ("**HCID Loan Agreement**"), by and between Borrower and HCID, and (ii) a Promissory Note dated as of _____ ("**HCID Note**"), made by Borrower to the order of HCID and secured by that certain Deed of Trust, Assignment of Rents and Security Agreement dated as of _____ (the "**HCID Deed of**

Trust"), made by Borrower for the benefit of HCID, recorded in the Official Records concurrently with the Deed of Trust; and

WHEREAS, in order to secure additional financing for the Project, Borrower has obtained a loan made by the Community Development Commission of the County of Los Angeles ("CDC"), to Borrower in the amount of \$1,705,000 (the "**\$1,705,000 CDC Loan**"). The \$1,705,000 CDC Loan is evidenced by that certain Loan Agreement dated as of _____, by and between Borrower and CDC (the "**\$1,705,000 CDC Loan Agreement**") and that certain promissory note dated as of _____, made by Borrower to the order of CDC (the "**\$1,705,000 CDC Note**") and secured by that certain Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated as of _____ (the "**\$1,705,000 CDC Deed of Trust**"), made by Borrower for the benefit of CDC, recorded in the Official Records concurrently with the Deed of Trust; and

WHEREAS, in order to secure additional financing for the Project, Borrower has obtained a loan made by the CDC, to Borrower in the amount of \$2,500,000 (the "**CDC First 5 Loan**"; and together with the \$1,705,000 CDC Loan, the "**CDC Loans**"). The CDC First 5 Loan is evidenced by that certain Loan Agreement dated as of _____, by and between Borrower and CDC (the "**CDC First 5 Loan Agreement**") and that certain promissory note dated as of _____, made by Borrower to the order of CDC (the "**CDC First 5 Note**") and secured by that certain Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated as of _____ (the "**CDC First 5 Deed of Trust**"), made by Borrower for the benefit of CDC, recorded in the Official Records concurrently with the Deed of Trust; and

WHEREAS, in order to secure additional financing for the Project, Borrower has obtained a loan made by Wells Fargo Financial National Bank ("**AHP Lender**"), to Borrower in the amount of \$390,000 (the "**AHP Loan**"). The AHP Loan is evidenced by that certain promissory note dated as of _____ (the "**AHP Note**"), made by Borrower to the order of AHP Lender and secured by that certain Deed of Trust with Assignment of Rents and Security Agreement dated as of _____ (the "**AHP Deed of Trust**"), made by Borrower for the benefit of AHP Lender, recorded in the Official Records concurrently with the Deed of Trust; and

WHEREAS, additional funds shall be applied to the Project in the aggregate amount of \$_____ (the "**Capital Contributions**") from Wincopin Circle LLLP, in its capacity as investor limited partner in Borrower (together with its permitted successors and assigns, "**Investor Limited Partner**"); and

AND WHEREAS, the execution and delivery of this Loan Agreement and the issuance of the Bond has been duly and validly authorized by the Issuer; and

NOW, THEREFORE, the Issuer, Borrower and Bondowner Representative (as hereinafter defined), each in consideration of the representations, covenants and agreements of the other as set forth herein, mutually represent, covenant and agree as follows:

ARTICLE 1. DEFINITIONS

1.1 DEFINED TERMS. Capitalized terms used in this Loan Agreement and not otherwise defined have the meanings set forth for those terms in Section 1.01 of the Indenture.

"Acceptable Leases" means written lease agreements on a customary residential lease form, with tenants providing for initial lease terms of not less than six (6) months or more than two (2) years, complying with all applicable laws.

"Account" shall have the meaning ascribed to such term in the Disbursement Plan attached hereto as Exhibit D.

"ACOF" means A Community of Friends, a California nonprofit public benefit corporation.

"Act" has the meaning ascribed to such term in the second WHEREAS clause in the recitals above.

"ADA" means the Americans with Disabilities Act, 42 U.S.C. §§ 12101, et seq. as hereinafter amended or modified.

"Additional Charges" has the meaning ascribed to such term in Section 3.4 of this Loan Agreement.

"Adjusted Operating Expenses" means the Operating Expenses, adjusted by (i) any periodic or seasonal changes in Operating Expenses (including not yet incurred and re-leasing expenses) occurring outside of the Stabilization Period and (ii) the greater of (a) actual Operating Expenses; (b) an amount estimated by Bondowner Representative; or (c) an amount estimated in the appraisal, for the specific period.

"Adjusted Operating Revenues" means the Operating Revenues, adjusted by (i) adjustment to include any periodic or seasonal changes in Operating Revenues occurring outside the Stabilization Period, (ii) adjustments to Operating Revenues to exclude amounts attributable to occupancy in excess of 10% and (iii) the underwriting assumptions used by Bondowner Representative as of the date hereof. Rents used in calculating Adjusted Operating Revenues will include only actual rents collected pursuant to Acceptable Leases and may not include premiums (excess rent above typical rent for a standard unit with a standard term lease) derived from corporate units (units rented to business entities), furnished units, short term leases or similar factors.

"AHAP" means that certain Agreement To Enter Into Housing Assistant Payments Contract dated _____ by and between Borrower and Contract Administrator, pursuant to which Contract Administrator agrees to enter into a Section 8 Housing Assistance Payments Contract upon completion of construction of the Project, providing for housing assistance payments for thirty-nine (39) of the forty (40) units in the Project with a term of at least 15 years, and otherwise in a form and substance approved by Bondowner Representative in connection with the closing of the Loan.

"AHP Lender" shall have the meaning given such term in the Recitals to this Loan Agreement.

"AHP Deed of Trust" shall have the meaning given such term in the Recitals to this Loan Agreement.

"AHP Loan" shall have the meaning given such term in the Recitals to this Loan Agreement.

"AHP Loan Documents" means, collectively, the AHP Note, the AHP Deed of Trust, and any other document evidencing, securing, guaranteeing or otherwise relating to the AHP Loan.

"Application for Payment" has the meaning ascribed to such term in the Disbursement Plan attached hereto as Exhibit "D".

"Approved Form" means the form of lease to be utilized in the leasing of the residential units as approved by Bondowner Representative.

"Architect" means _____, or another architect approved in writing by Bondowner Representative.

"Architectural Contract" means that certain Standard Form of Agreement Between Owner and Architect dated as of April 24, 2015 between Borrower and Architect, and as amended or replaced from time to time.

"Assignment of Deed of Trust" shall have the meaning ascribed to such term in the fifth WHEREAS clause set forth above.

"Bankruptcy Code" means the Bankruptcy Reform Act of 1978 (11 U.S.C. §§ 101-1330) as now or hereafter amended or recodified.

"Bond Counsel" has the meaning ascribed to such term in Section 1.01 of the Indenture.

"Bondholder" has the meaning ascribed to such term in the Indenture.

"Bondowner Representative" means Wells Fargo Bank, National Association and its successors and assigns, and as otherwise defined in Section 1.01 of the Indenture.

"Bond Documents" means the Indenture, the Bond, the Regulatory Agreement and any other documents executed in connection with the issuance of the Bond, including as applicable, the Loan Documents.

"Bond" has the meaning ascribed to such term in the third WHEREAS clause of the recitals above.

"Bond Trustee" means _____, a national banking association, and its successors and assigns under the Indenture.

"Bond Trustee Annual Fee" means the annual fee due and payable to Bond Trustee by Borrower equal to ____% of the outstanding principal amount of the Bond, but not less than a minimum annual fee to Bond Trustee of \$ _____, which fee shall be payable in equal semi-annual installments in arrears on each April 1 and October 1, commencing _____, prorated for the initial and final payments.

"Bonded Work" shall have the meaning ascribed to such term in Section 10.1.

"Border Zone Property" means any property designated as "border zone property" under the provisions of California Health and Safety Code, Sections 25220 et seq., or any regulation, adopted in accordance therewith.

"Borrower" means Beverly PSH, L.P., a California limited partnership, and its permitted successors and assigns.

"Borrower's Funds" means all funds of Borrower deposited with Bondowner Representative pursuant to the terms and conditions of this Loan Agreement.

"Borrower's Funds Account" means an account at Bondowner Representative, from which no withdrawals are permitted without Bondowner Representative's consent, in which all deposits of funds required of Borrower pursuant to this Loan Agreement will be held.

"Business Day" means a day of the week (but not a Saturday, Sunday or holiday) on which the offices of Bondowner Representative are open to the public for carrying on substantially all of Bondowner Representative's business functions. Unless specifically referenced in this Loan Agreement as a Business Day, all references to "days" shall be to calendar days.

“Capital Contribution(s)” means the aggregate sum of _____ and No/100th Dollars (\$ _____) which Investor Limited Partner has committed to contribute to the capital of Borrower and which shall be contributed in the following amounts on or before the required dates set forth below pursuant to the Partnership Documents and as described below:

Payment	Amount	% of Total Investment	Required Date
1	\$ _____	____%	Concurrently with the issuance of the Bonds (the “Initial Capital Contribution”)
2	\$ _____	____%	On or before the initial Termination Date (the “Second Capital Contribution”)
3	\$ _____	____%	On or before the Termination Date (as may be extended pursuant to Sections 3.6 and 3.7, below) (the “Third Capital Contribution”)
4	\$ _____	____%	Payable upon the satisfaction of the conditions set forth in Section 3.02 and Exhibit A-1 of the Partnership Agreement
TOTAL	\$ _____	100.00%	Total Capital Contributions

The Initial Capital Contribution shall be deposited with Bondowner Representative and shall be placed in the Borrower’s Funds Account with, and controlled by, Bondowner Representative under this Loan Agreement (other than any portion of the Initial Capital Contribution which is disbursed directly by the Title Company to pay Project Costs shown on the Financial Requirement Analysis attached hereto as Exhibit C). The Second Capital Contribution shall be disbursed directly to Bondowner Representative to be deposited into the Borrower’s Funds Account and may be directed by Bondowner Representative to Bond Trustee to be applied to reduce the outstanding principal balance of the Loan without the consent of Borrower and, if and to the extent Borrower has satisfied the conditions set forth in Exhibit D, disbursed to Borrower to pay permitted developer fee. The Third Capital Contribution shall be either (i) disbursed directly to Bondowner Representative to be deposited into the Borrower’s Funds Account, or (ii) to an escrow established for the purpose of repaying the Loan, and shall in either event be applied first to reduce the outstanding principal balance of the Loan.

“CDC” shall have the meaning given such term in the Recitals to this Loan Agreement.

“CDC Deed of Trust” shall mean, collectively, the CDC First 5 Deed of Trust and the \$1,705,000 CDC Deed of Trust.

“CDC Loans” shall mean, collectively, the CDC First 5 Loan and the \$1,705,000 CDC Loan.

“CDC Loan Agreement” shall mean, collectively, the CDC First 5 Loan Agreement and the \$1,705,000 CDC Loan Agreement.

“CDC Loan Documents” means, collectively, the CDC Loan Agreement, the CDC Note, the CDC Deed of Trust, the CDC Regulatory Agreement, and any other document evidencing, securing, guaranteeing or otherwise relating to the CDC Loans.

“CDC Regulatory Agreement” means, collectively (i) that certain Covenants, Conditions and Restrictions dated as of even date with the CDC First 5 Loan Agreement, by and between Borrower and CDC, which shall be recorded in the Official Records substantially concurrently with the Deed of Trust and (ii) that certain Covenant, Conditions and Restrictions dated as of even date with the \$1,705,000 CDC

Loan Agreement, by and between Borrower and CDC which shall be recorded in the Official Records substantially concurrently herewith.

“Closing Date” means the date upon which the Loan closes.

“Code” means the Internal Revenue Code of 1986, as amended and with respect to a specific section thereof, such reference shall be deemed to include (a) the regulations promulgated by the United States Department of Treasury under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in (b) and (c).

“Completion Date” means _____, the date by which Completion of Construction of the Improvements must have occurred.

“Completion of Construction” shall mean the satisfaction of each of the following events: (i) the Project shall have been constructed and completed without lien (unless such lien has been bonded over) or defect in accordance with the Plans and Specifications, as evidenced by the issuance of certificates of substantial completion by the Architect, and by issuance of certificates of occupancy or temporary certificates of occupancy (or local equivalent) by each governmental agency having jurisdiction with respect to all units in the Property; (ii) presentation of evidence, satisfactory to the Bondowner Representative, of lien waivers from Contractor; (iii) the building(s) containing all of the forty (40) units shall have been placed in service for purposes of Section 42 of the Internal Revenue Code of 1986, as amended; (iv) receipt by the Bondowner Representative of a copy of the punch list (AIA Form G704) made at the substantial completion inspection, prepared by the Architect and confirmed adequate by the Bondowner Representative; (v) receipt of evidence acceptable to Bondowner Representative that all outstanding punch list items or items needed to obtain the final certificates of occupancy can be completed in the ordinary course of business and the cost to complete all such items will not exceed 2% of the total cost of construction as set forth in the Construction Agreement; (vi) presentation of evidence, satisfactory to the Bondowner Representative, that an amount equal to not less than 150% of the expected costs to complete all outstanding punch list items is available for such costs; (vii) issuance of an as-built ALTA/ACSM Land Title Survey, in a form and substance satisfactory to the Bondowner Representative; and (viii) a date-down of the Title Policy, in a form and substance satisfactory to the Bondowner Representative, which shall include, at a minimum, an ALTA Form 3.1 Zoning - Improved Land Endorsement and the deletion of all standard survey exceptions.

“Constant Carry Test” means Net Operating Income divided by the Permanent Loan amount is equal to or greater than eight and five one tenths percent (8.50%) on the Conversion Date and is projected to be equal to or greater than eleven percent (11.00%) on the one hundred eighty (180) month anniversary of the Conversion Date based on inflationary increases (three percent (3.00% annually with respect to Operating Expenses and two percent (2.00%) annually with respect to Operating Revenue). The calculation of the Permanent Loan over the term shall take into account the anticipated amortization of the Permanent Loan based on the amortization schedule attached to the Financing Agreement.

“Construction Agreement” means the construction contract for the construction of the Improvements by and between Borrower and Contractor.

“Construction Term” means a term commencing on the Effective Date and terminating on the Conversion Date.

“Contractor” means _____.

“Conversion Conditions” means the requirements for converting the Loan to the Permanent Loan set forth in Section 3.17 of this Agreement.

"Conversion Date" means the date that all of the Conversion Conditions are satisfied in a manner acceptable to Bondowner Representative, as determined by Bondowner Representative.

"County" means the County of Los Angeles.

"Day Care Premises" means the portion of the Property described more particularly on Exhibit A-1.

"Debt Service Coverage Ratio" means Net Operating Income divided by the total of all monthly payments of principal and interest on the Note (at the interest rate after the Conversion Date) plus the principal and interest payments due on all other debt requiring periodic payments irrespective of the Property's cash flow.

"Deed of Trust" means that certain Construction and Permanent Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing on the Property, dated as of even date herewith, as from time to time supplemented or amended.

"Default" shall have the meaning ascribed to such term in Section 13.1.

"Default Rate" means the rate which is five percent (5%) above the then current Note Rate, provided, however, that in no event shall the Default Rate exceed the Maximum Interest Rate.

"Delivery Assurance Deed of Trust" means that certain Delivery Assurance Multifamily Deed of Trust, Security Agreement and Fixture Filing dated as of even date herewith, executed by Borrower for the benefit of Bondowner Representative, and recording in the Official Records substantially concurrently with the Deed of Trust.

"Delivery Assurance Note" means that certain Delivery Assurance Note dated as of even date herewith, executed by Borrower for the benefit of Bondowner Representative.

"Determination of Taxability" means the failure of the Bonds to qualify for the exemption from taxation under Section 103(a) of the Internal Revenue Code at any time and for any reason.

"Developer" means ACOF.

"Development Agreement" means that certain Development Services Agreement executed by and between Borrower and Developer, to be in a form and substance acceptable to Bondowner Representative.

"Disbursement" means the drawdown purchase of Bond and related disbursements of the Loan as provided in Section 3.2.

"Effective Date" means the date the Deed of Trust is recorded in the office of the County Recorder of the County.

"Environmental Reports" shall mean the reports referred to in Section 9.1(a) and any other environmental reports or updates requested by Bondowner Representative.

"Event of Default" means Default.

"Exit Fee" shall have the meaning ascribed to such term in the Note.

"Expenses" means all operating expenses incurred for or attributable to the Property, including a monthly accrual for taxes, insurance, replacement reserves and a reasonable management fee.

"Financial Requirements Analysis" means the applicable Financial Requirements Analysis attached hereto as Exhibit C, as designated pursuant to the terms of Section 4.5, as it may be amended from time to time with the written consent of Bondowner Representative.

"First Extended Termination Date" means January 1, 2018.

"Fixed Rate Commitment" means that certain Commitment Agreement for Fixed Rate Permanent Mortgage Loan Project dated as of _____, 2015 between Bondowner Representative and Borrower.

"General Partner" means, collectively, Supportive Housing LLC, a California limited liability company, and St. Anne's Maternity Home, a California nonprofit public benefit corporation.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank, (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial or regulatory functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Gross Income" shall mean, for any Period, the sum of all stabilized residential tenant lease income from the Property actually received in such Period, all stabilized commercial tenant lease income actually received from the Property in such Period, and only such other income actually received from the Property in such Period as is reasonably and in good faith approved by Bondowner Representative.

"Gross Operating Income" shall have the meaning ascribed to such term in Section 12.5.

"Guarantor" means, collectively, A Community of Friends, a California nonprofit public benefit corporation and St. Anne's Maternity Home, a California nonprofit public benefit corporation.

"HAP Contract" means the HAP Contract described in Section 3.17(v), below.

"Hazardous Materials" shall have the meaning ascribed to such term in Section 9.1(a).

"Hazardous Materials Claims" shall have the meaning ascribed to such term in Section 9.1(c).

"Hazardous Materials Laws" shall have the meaning ascribed to such term in Section 9.1(b).

"HCID" shall have the meaning given such term in the Recitals to this Loan Agreement.

"HCID Deed of Trust" shall have the meaning given such term in the Recitals to this Loan Agreement.

"HCID Loan" shall have the meaning given such term in the Recitals to this Loan Agreement.

"HCID Loan Agreement" shall have the meaning given such term in the Recitals to this Loan Agreement.

"HCID Loan Documents" means, collectively, the HCID Loan Agreement, the HCID Note, the HCID Deed of Trust, the HCID Regulatory Agreement, and any other document evidencing, securing, guaranteeing or otherwise relating to the HCID Loan.

"HCID Regulatory Agreement" means that certain Regulatory Agreement dated as of even date with the HCID Loan Agreement, by and between Borrower and HCID, which shall be recorded in the Official Records substantially concurrently with the Deed of Trust.

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

"Improvements" shall have the meaning ascribed to such term in the third WHEREAS clause of the introductory Section in this Loan Agreement.

"Indemnitor" means Borrower, Guarantor and any other person or entity who, or which, in any manner, is or becomes obligated to Bondowner Representative under any indemnity now or hereafter executed in connection with respect to the Loan (collectively or severally as the context thereof may suggest or require).

"Indenture" means the Indenture of Trust dated as of October 1, 2015 by and among Issuer, Bondowner Representative and the Bond Trustee, as it may be amended or supplemented from time to time, or superseded in whole.

"Initial Capital Contribution" shall have the meaning ascribed to such term in the definition of "Capital Contributions" set forth above.

"Investor Affiliate" means any entity where Enterprise Community Investment, Inc. or its affiliates or successors (each, an "Investor Limited Partner Entity") (a) has an ownership interest, directly or indirectly, for which any Investor Limited Partner Entity manages and controls, directly or indirectly, the management decisions of the Investor Affiliate, or that are under common control with any Investor Limited Partner Entity.

"Investor Limited Partner" has the meaning ascribed to such term in the ninth WHEREAS clause of the introductory Section in this Loan Agreement.

"Issuer" means the City of Los Angeles, California, a municipal corporation and charter city under the laws of the State of California.

"Law" shall have the meaning ascribed to such term in the second WHEREAS clause of the introductory Section in this Loan Agreement.

"Licenses" shall have the meaning ascribed thereto in Section 11.27.

"LIHTC" or "Tax Credits" means the Federal Low Income Housing Tax Credits allocated for the Improvements by TCAC.

"Loan" means the principal sum that Bondowner Representative agrees to lend and Borrower agrees to borrow pursuant to the terms and conditions of this Loan Agreement, in the amount of up to _____ and No/100th Dollars (\$_____). After the Conversion Date, the Loan shall mean the Permanent Loan.

"Loan Documents" means those documents, as hereafter amended, supplemented, replaced or modified, properly executed and in recordable form, if necessary, listed in Exhibit B as Loan Documents.

"Master Lease" shall have the meaning set forth in Section 3.17(x) of this Loan Agreement.

"Maturity Date" means the Termination Date as the same may be extended pursuant to Sections 3.6 and 3.7; provided, however, if the Conversion Date occurs, the Maturity Date shall automatically thereafter mean the Permanent Maturity Date.

"Maximum Interest Rate" means the lesser of twelve percent (12%) per annum and the maximum interest rate permitted by law, if any.

"Net Monthly Cash Income" means all actual cash income received from the Property during a calendar month less the actual operating expenses incurred for or attributable to the Property, excluding amounts payable under the Note.

"Net Operating Income" means the excess of the Adjusted Operating Reserve over Adjusted Operating Expenses.

"Note" means the Promissory Note made by Borrower to the order of Issuer in the original principal amount of \$_____ and endorsed by Issuer to the order of the Bond Trustee, all dated of even date with this Loan Agreement, as amended and supplemented from time to time.

"Note Rate" means the interest rate applicable from time to time in accordance with the terms of the Note.

"Obligee" shall have the meaning ascribed to such term in Section 10.1.

"One-Month LIBO Rate" shall have the meaning ascribed to such term in the Note.

"Operating Expenses" shall mean for any period, all reasonable and necessary expenses of operating the Property in the ordinary course of business which are actually incurred by the Borrower (appropriately pro-rated for any expenses that, although actually incurred in a particular period, also relate to other periods) and which are directly associated with and fairly allocable to the Property for the applicable period, including, without limitation, ad valorem real estate taxes and assessments, fees and expenses of the Issuer, insurance premiums and regularly scheduled tax and insurance impounds paid with respect to the Loan (without taking any such payment or expense into account more than once), deposits to replacement reserves, maintenance costs, management fees (not including out-of-pocket cost reimbursements required under the applicable management agreement in such limitation), accounting, legal, and other professional fees, fees relating to wages, salaries, personnel expenses, and fees, reimbursements and payments to the members including asset management fees to the Investment Member (unless such fees, reimbursements and payments are payable solely to the extent of available net cash flow), but excluding payments of principal and interest on the Note, capital expenditures, any of the foregoing expenses which are paid from deposits to cash reserves previously included as Operating Expenses, and any payment or expense for which the Borrower was or is to be reimbursed from proceeds of the Permanent Loan or insurance or by any third party. Operating Expenses shall not include federal, state or local income taxes, corporate overhead or fees or legal and other professional fees unrelated to the operation of the Property. Operating Expenses shall be based on the greater of actual or underwritten as reflected on Exhibit G, attached hereto and incorporated herein by this reference. For purposes of any calculations under this Loan Agreement requiring trending of Operating Expenses such expenses as determined in accordance with this definition shall be trended annually at three percent (3.00%).

"Operating Revenues" means all cash receipts of the Borrower from operation of the Property or otherwise arising in respect of the Property which are properly allocable to the Property for the applicable period, including receipts from leases and parking agreements, concession fees and charges and other miscellaneous operating revenues, proceeds from rental or business interruption insurance, withdrawals from cash reserves (except to the extent any operating expenses paid therewith are excluded from Operating Expenses), but excluding security deposits and earnest money deposits until they are forfeited by the depositor, advance rentals until they are earned, and proceeds from a sale or other disposition. Operating Revenues shall be based on the lower of actual or underwritten as reflected on Exhibit G, attached hereto and incorporated herein by this reference. For purposes of any calculations under this Loan Agreement vacancy shall be equal to the higher of actual vacancy or ten percent (10.00%) and any calculations requiring trending of Operating Revenues such revenues as determined in accordance with this definition shall be trended annually at two percent (2.00%).

"Operating Statement" shall have the meaning ascribed to such term in Section 12.5.

"Option to Extend" means the option to extend the Maturity Date pursuant to terms and conditions set forth in Section 3.6.

"Other Related Documents" means those documents, as hereafter amended, supplemented, replaced or modified from time to time, properly executed and in recordable form, if necessary, listed in Exhibit B as Other Related Documents.

"Participant" shall have the meaning ascribed to such term in Section 15.14.

"Partnership Agreement" shall mean that certain First Amended and Restated Agreement of Limited Partnership of Beverly PSH, L.P., dated as of October __, 2015, by and among General Partner and Investor Limited Partner, as amended and supplemented from time to time.

"Partnership Documents" means the Partnership Agreement, the Development Agreement, any guaranty executed in connection with the Partnership Agreement, any option or right of first refusal agreement executed in connection with the Partnership Agreement, and all other documents now or hereafter executed by Borrower, General Partner and Investor Limited Partner, with the approval of Bondowner Representative, in connection with Borrower and the investment in Borrower by the Investor Limited Partner.

"Permanent Loan" means, after the Conversion Date, the remaining unpaid portion of the Loan in a principal amount not to exceed \$_____ with the amount of such Permanent Loan subject to reduction through the application of a Pre-Conversion Loan Equalization Payment if necessary to satisfy the Conversion Conditions.

"Permanent Loan Documents" means any amendment, modification or restatement of the Loan Documents determined by Bondowner Representative to be necessary to evidence the conversion of the Loan to the Permanent Loan. Bondowner Representative reserves the right to require such other documents, instruments and agreements reasonably necessary to document the Permanent Loan.

"Permanent Maturity Date" means the date that is one hundred eighty (180) months after the ///[first day of the first full calendar month following the]/// Conversion Date.

"Permitted Operating Expenses" shall have the meaning ascribed to such term in Section 12.5.

"Permitted Transfer" means a transfer by Investor Limited Partner of its limited partnership interest in Borrower to an Investor Affiliate or a transfer by any limited partner of Investor Limited Partner of any of its limited partnership interests in Investor Limited Partner; provided, however, that all of the following conditions are satisfied: (i) the transferee assumes and agrees to be bound by and perform all of the obligations of the transferor under the Partnership Documents; (ii) Investor Limited Partner has delivered to Bondowner Representative complete and accurate copies of all documentation evidencing such transfer; (iii) if any Capital Contributions remain unpaid at the time of such transfer, the Investor Limited Partner remains liable to Borrower for payment of such Capital Contributions; (iv) with respect to a transfer by any limited partner of Investor Limited Partner of any of its limited partnership interests in Investor Limited Partner, the Investor Limited Partner remains managed or controlled by an Investor Affiliate, and (v) the transfer complies with all requirements of the Regulatory Agreement. Additionally, Investor Limited Partner's pledge of its limited partnership interests as security for its obligations to make the Capital Contributions pursuant to the terms of the Partnership Documents shall be deemed to be a Permitted Transfer.

"Permitted Transferee" shall mean an eligible transferee of a Permitted Transfer.

"Plans and Specifications" means the plans and specifications prepared by Architect heretofore delivered by Borrower to Bondowner Representative with respect to the Project.

"Pre-Conversion Loan Equalization Payment" means a principal payment by the Borrower made on or before the Termination Date in order to reduce the principal amount of the Loan to equal the reduced amount of the Permanent Loan, if a reduction is required to satisfy the Conversion Conditions.

"Preliminary Reservation Letter" shall have the meaning ascribed to such term in Section 8.2(s).

"Project" shall have the meaning ascribed to such term in the third "Whereas" clause of this Loan Agreement.

"Project Costs" mean any and all costs incurred by Borrower with respect to the acquisition and construction of the Project including, without limitation, costs for the acquisition of property, the removal or demolition of existing structures, the construction of housing and related facilities and improvements, and all other work in connection therewith, and all costs of financing, including, without limitation, the cost of consultants, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Project, administrative and other expenses necessary or incident to the Project and the financing thereof (including reimbursement to any municipality, county or entity for expenditures made for the Project) and all other costs approved by Bond Counsel to the extent such costs are paid from the proceeds of the Bond.

"Property" means the real property described on Exhibit A.

"Property Management Agreement" means that certain Property Management Agreement dated effective as of _____, between Borrower and the Property Manager.

"Property Manager" means ///[ACOF]///.

"Qualified Project Costs" has the meaning ascribed to such term in the Regulatory Agreement.

"Regulatory Agreement" means, collectively, those two (2) certain Regulatory Agreements and Declarations of Restrictive Covenants each dated as of even date with this Loan Agreement, each executed by the Issuer, the Bond Trustee and Borrower relating to the Bond, as originally executed, or as they may from time to time be supplemented, modified or amended.

"Regulatory Costs" means collectively, future, supplemental, emergency or other changes in Reserve Percentages under Federal Reserve Board Regulation D, assessment rates imposed by the Federal Deposit Insurance Corporation, or similar requirements or costs imposed by any domestic or foreign governmental issuer and related in any manner to a One-Month LIBO Rate.

"Replacement Reserve Account" shall mean the account established with Bondowner Representative, in the name of Borrower, as pledgor, for the benefit of Bondowner Representative as pledgee, in accordance with the Replacement Reserve Agreement for the replacement of major capital improvements of the Property including, but not limited to, heating, ventilation, air conditioning, re-plumbing, roofing and sprinkler systems, but not for routine maintenance costs.

"Requirements" has the meaning ascribed thereto in Section 5.15(a).

"Reserve Percentage" shall have the meaning ascribed to such term in the Note.

"Restrictions" means all existing restrictions and regulatory agreements and all future restrictions and regulatory agreements relating to the use and operation of the Property and the Improvements.

"Second Extended Termination Date" means April 1, 2018.

"Secured Obligations" shall have the meaning ascribed to such term in the Deed of Trust.

"Set Aside Letter" shall have the meaning ascribed to such term in Section 10.1 of this Loan Agreement.

"Stabilization Period" means three (3) consecutive, full calendar months immediately preceding the proposed Conversion Date.

"Subdivision Map" shall have the meaning ascribed to such term in Section 11.11 of this Loan Agreement.

"Subordinate Loans" means, collectively, the HCID Loan, the CDC Loans, and the AHP Loan.

"Subordinate Loan Documents" means, collectively, the HCID Loan Documents, the CDC Loan Documents, and the AHP Loan Documents.

///Subordination Agreement (AHP)///
means that certain Subordination Agreement dated as of even date herewith, by and among AHP Lender, Borrower, Bond Trustee and Bondowner Representative.]///
[

"Subordination Agreement (CDC)" means that certain Subordination Agreement dated as of even date herewith, by and among CDC, Borrower, Bond Trustee and Bondowner Representative.

"Subordination Agreement (HCID)" means that certain Subordination Agreement dated as of even date herewith, by and among HCID, Borrower, Bond Trustee and Bondowner Representative.

"Subordination Agreement (Purchase Option)" means that certain Subordination Agreement dated as of even date herewith, by and between Borrower and General Partner in favor of Bondowner Representative.

"Surety" shall have the meaning ascribed to such term in Section 10.1 of this Loan Agreement.

"Swap Agreement" means a "swap agreement" as defined in Section 101 of the Bankruptcy Code, entered into by Borrower and Bondowner Representative (or with another financial institution which is reasonably acceptable to Bondowner Representative), together with all modifications, extensions, renewals and replacements thereof.

"Taxes" means collectively, all withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental issuer and related in any manner to a One-Month LIBO Rate.

"TCAC" means the California Tax Credit Allocation Committee.

"Termination Date" means October 1, 2017.

"Title Company" means Lawyers Title Insurance Company.

"Title Policy" means Bondowner Representative's Policy (or Policies) of Title Insurance as issued by the Title Company with respect to the Deed of Trust.

1.2 EXHIBITS INCORPORATED. Exhibits A, B, C, D, E and F all attached hereto, are hereby incorporated into this Loan Agreement.

ARTICLE 2. ISSUANCE OF BOND; PAYMENT OF ISSUANCE COSTS

2.1 ISSUANCE OF BOND. Upon execution of this Loan Agreement, the other Loan Documents, the Indenture and the occurrence of all conditions precedent to issuance, or as soon

thereafter as practicable, the Issuer will execute the Bond and the Bond Trustee will authenticate and deliver the Bond to Wells Fargo Bank, National Association, or to its order upon payment of the purchase price and filing with Bondowner Representative of the opinion of Bond Counsel as to the legality of the Bond and the furnishing of all other documents required to be furnished before such delivery. The proceeds of the Bond will be deposited with the Bond Trustee and disbursed in accordance with the Indenture and this Loan Agreement.

2.2 NO WARRANTY BY ISSUER. BORROWER AGREES THAT, BECAUSE THE COMPONENTS OF THE PROJECT HAVE BEEN AND ARE TO BE DESIGNATED AND SELECTED BY IT, THE ISSUER HAS NOT MADE AN INSPECTION OF THE PROJECT OR OF ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, AND THE ISSUER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR OTHERWISE, WITH RESPECT TO THE SAME OR THE LOCATION, USE, DESCRIPTION, DESIGN, MERCHANTABILITY, FITNESS FOR USE FOR ANY PARTICULAR PURPOSE, CONDITION OR DURABILITY THEREOF, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY BORROWER. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER PATENT OR LATENT, THE ISSUER SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO. THE PROVISIONS OF THIS SECTION 2.2 HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES OR REPRESENTATIONS BY THE ISSUER, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT. IN ADDITION, BORROWER ACKNOWLEDGES, REPRESENTS AND WARRANTS THAT IT UNDERSTANDS THE NATURE AND STRUCTURE OF THE PROJECT; THAT IT IS FAMILIAR WITH THE PROVISIONS OF ALL OF THE DOCUMENTS AND INSTRUMENTS RELATING TO THE FINANCING OF THE PROJECT TO WHICH IT OR THE ISSUER IS A PARTY OR OF WHICH IT IS A BENEFICIARY; THAT IT UNDERSTANDS THE RISKS INHERENT IN SUCH TRANSACTIONS, INCLUDING WITHOUT LIMITATION THE RISK OF LOSS OF THE PROJECT; AND THAT IT HAS NOT RELIED ON THE ISSUER FOR ANY GUIDANCE OR EXPERTISE IN ANALYZING THE FINANCIAL OR OTHER CONSEQUENCES OF SUCH FINANCING TRANSACTIONS OR OTHERWISE RELIED ON THE ISSUER IN ANY MANNER EXCEPT TO ISSUE THE BONDS IN ORDER TO PROVIDE FUNDS FOR THE LOAN.

2.3 PAYMENT OF COSTS OF ISSUANCE BY BORROWER. Borrower agrees that it will provide any and all funds required for the prompt and full payment of all costs of issuance of the Bond from sources other than proceeds of the Bond, including, but not limited to, the following items:

- (a) all legal (including Bond Counsel and counsel to Borrower, Issuer and Bondowner Representative), abstractors', title insurance, financial, engineering, environmental, construction services, survey, appraisal and accounting fees and expenses, administrative fees, printing and engraving costs and other expenses incurred and to be incurred by Borrower, Issuer and Bondowner Representative on or before or in connection with issuance of the Bond;
- (b) premiums on all insurance required to be secured and maintained during the term of this Loan Agreement;
- (c) all recording fees and other taxes, charges, assessments, license or registration fees of every nature whatsoever incurred and to be incurred in connection with this financing (other than a tax on the income of Issuer or Bondowner Representative);
- (d) all initial fees and expenses of Bondowner Representative and the Issuer (including, without limitation, the Issuer's initial bond administration fee and the fees of the Issuer's financial consultant);
- (e) the fees payable to Bondowner Representative pursuant to Section 3.12;

(f) fees payable to the California Debt Limit Allocation Committee and the California Tax Credit Allocation Committee; and

(g) other reasonable costs of issuance.

ARTICLE 3. THE LOAN

3.1 THE LOAN.

(a) Construction Loan. The Issuer agrees, upon the terms and conditions herein specified, to lend to Borrower the proceeds of the Bond, by causing such proceeds to be deposited with the Bond Trustee in installments corresponding to the successive "draw-down" purchases of the Bond by the Bondowner Representative. The proceeds of the Bond shall be disbursed as provided herein and in the Indenture. The obligation of Borrower to repay the Loan shall be evidenced by the Note. Contemporaneously with the issuance of the Bond, the Issuer will endorse the Note without recourse to the order of the Bond Trustee, as the assignee of the Issuer. Borrower will repay the Loan in accordance with the provisions of the Note and this Loan Agreement.

(b) Permanent Loan. If Borrower elects to convert the Loan to the Permanent Loan in the principal sum not to exceed _____ and No/100th Dollars (\$ _____) subject to the terms and conditions of Section 3.17 of this Loan Agreement (including, but not limited to, Section 3.17(b)), then the Maturity Date shall automatically be extended to the Permanent Maturity Date or such earlier date as may result from Bondowner Representative's direction to Bond Trustee to accelerate the Loan upon the occurrence of any Event of Default.

3.2 LOAN DISBURSEMENTS. The proceeds of the Bond shall be disbursed by Bondowner Representative only in accordance with a written requisition of Borrower in the form attached to the Indenture, approved in writing by Bondowner Representative and the Issuer, which approval shall be granted by Bondowner Representative upon satisfaction or waiver by Bondowner Representative of the conditions set forth in Article 4 of this Loan Agreement. No proceeds of the Bond shall be disbursed after the Termination Date, unless an opinion of Bond Counsel is delivered, which opinion states that such disbursement will not adversely affect the exclusion of interest on the Bonds from the gross income of the holders of the Bonds; provided, however, in no event shall any proceeds of the Bond be disbursed after the Conversion Date.

3.3 LOAN REPAYMENT AND PAYMENT OF OTHER AMOUNTS. Borrower hereby acknowledges its indebtedness to the Issuer and covenants to repay the Loan, and to pay interest on the amount of the Loan outstanding from time to time in accordance with the following:

(a) Subject to any limitation set forth in the Note and the payment of any applicable Exit Fee or other prepayment fee, prepayment premium or rate lock breakage fee under either the terms of the Note or the Rate Lock Agreement, Borrower may, at its option, prepay principal on the Note, in whole or in part, in order to effect a full or partial redemption of the Bond pursuant to Section 4.01 of the Indenture by paying to Bond Trustee an amount equal to the principal amount of the Bond to be redeemed, together with all accrued and unpaid interest through the date of full or partial redemption of the Bond on the portion of principal prepaid. Borrower shall give Bondowner Representative not less than fifteen (15) days' written notice of its intention to make a prepayment pursuant to this Section 3.3(a).

(b) Following the occurrence of a Default under this Loan Agreement and demand by Bondowner Representative for full redemption of the Bond pursuant to Section 4.01(b) of the Indenture, Borrower shall immediately pay to Bond Trustee the full amount of outstanding principal of the Note, together with all accrued and unpaid interest thereon through the date of redemption of the Bond and any applicable Exit Fee or other prepayment fee, prepayment

premium or rate lock breakage fee under either the terms of the Note or the Rate Lock Agreement.

(c) Prior to and through the Conversion Date, Borrower shall pay to Bond Trustee on or before the first Business Day of each month, an amount equal to the interest accrued on the Loan during the previous month as determined pursuant to Section 2 of the Fixed Rate Agreement attached to the Note, subject to Section 15.38 hereof.

(d) Following the Conversion Date and for so long as any principal of the Loan is outstanding, Borrower shall pay, on or before the first Business Day of each month, (i) to Bond Trustee an amount equal to the Level Payment Amount (as defined in the Note) determined in accordance with Section 4 of the Note, and (ii) to Bondowner Representative, any deposit due in the Replacement Reserve Account under the Replacement Reserve Agreement, Operating Deficit Reserve pursuant to Section 11.36 of this Loan Agreement or the Tax and Insurance Impound pursuant to Section 11.32 of this Loan Agreement.

(e) In the event of damage to or destruction or condemnation of the Project or any part thereof, Borrower shall pay to Bondowner Representative, for full or partial redemption of the Bond pursuant to Section 4.01(e) of the Indenture, such portion of the Loan as is required to be paid pursuant to Section 5.6 of the Deed of Trust, plus accrued and unpaid interest through the date of redemption of the Bond, without premium.

(f) Borrower agrees to pay to Bondowner Representative, at the same time as the monthly payments pursuant to Section 3.3(c) above, one-twelfth (1/12th) of the amount budgeted by Borrower for annual premiums for insurance required to be maintained pursuant to this Loan Agreement and for real estate taxes or other charges for governmental service for the current year (except for utility charges) which shall be disbursed by Bondowner Representative from time to time.

(g) Borrower agrees to make such other payments to Bond Trustee, in the amounts and at the times necessary to enable the Bond Trustee, on behalf of the Issuer, to pay all amounts payable with respect to the Bond when due, whether as principal of, premium, or interest on, or otherwise, and whether at maturity or by redemption (including mandatory sinking fund redemption) or acceleration or otherwise.

(h) Borrower also agrees to pay, (i) all taxes and assessments of any type or character charged to the Issuer or to the Bondowner Representative affecting the amount available to the Issuer or the Bondowner Representative from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Bondowner Representative and taxes based upon or measured by the net income of the Bondowner Representative; provided, however, that the Borrower shall have the right to protest any such taxes or assessments and to require the Issuer or the Bondowner Representative, at the Borrower's expense, to protest and contest any such taxes or assessments levied upon them and that the Borrower shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Issuer or the Bondowner Representative; (ii) all reasonable fees, charges and expenses of the Bondowner Representative for services rendered under the Indenture, as and when the same become due and payable; (iii) the fees of the Issuer, payable as set forth in Section 7 of the Regulatory Agreement, all other fees required to be paid to the Issuer under the Regulatory Agreement or any other agreement between the Issuer and Borrower, or any ordinance or regulation applicable to Borrower or the Project, any fees imposed by the Issuer in connection with any consents, waivers or amendments requested by Borrower, and the reasonable fees and expenses of the Issuer or any agents, attorneys, accountants, consultants selected by the Issuer to act on its

behalf in connection with this Loan Agreement, the Regulatory Agreement, the Loan Documents, the Bond or the Indenture, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of the Bond or subject to the terms of Section 15.1 in connection with any litigation which may at any time be instituted involving this Loan Agreement, the Regulatory Agreements, the Loan Agreement, the Loan Documents, the Bond or the Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of the foregoing; and (iv) these obligations and those in Section 11.38 shall remain valid and in effect notwithstanding repayment of the loan hereunder or termination of this Loan Agreement or the Indenture.

(i) Borrower agrees: (i) to pay to each of Bondowner Representative and the Bond Trustee from time to time reasonable compensation for all services rendered by it (including the reasonable compensation, expenses and disbursements of its agents and counsel) under the Indenture and any other agreements relating to the Bond to which Bondowner Representative or the Bond Trustee is a party, which shall include, without limitation, the Bond Trustee Annual Fee (collectively, "**Ordinary Fees and Expenses**"); (ii) except as otherwise expressly provided in the Indenture, this Loan Agreement or such other agreements related to the Bond or the Project, to reimburse Bondowner Representative and the Bond Trustee upon its request for all reasonable expenses, disbursements and advances (including reasonable counsel fees) incurred or made by Bondowner Representative or the Bond Trustee (provided that Bondowner Representative shall not be required to make advances) in accordance with any provision of the Indenture or other agreements to which Bondowner Representative or the Bond Trustee is a party (including, but not limited to, the reasonable compensation and the expenses and disbursements of its agents and counsel and the cost of printing the Bond), except any such expense, disbursement or advance (provided that Bondowner Representative or the Bond Trustee shall not be required to make advances) as may be attributable to its gross negligence or willful misconduct, (iii) to pay to an arbitrage consultant reasonable compensation for all services rendered by it, and (iv) to pay to the Bond Trustee any rebatable arbitrage required to be paid to the federal government.

(j) Borrower agrees to pay on the Maturity Date, (a) to Bond Trustee, the full amount of outstanding principal of the Note, together with all accrued and unpaid interest thereon through the Maturity Date and, (b) to Bond Trustee, Bondowner Representative or the Issuer, as applicable, all other amounts due to the Bond Trustee, the Bondowner Representative or the Issuer (solely in its capacity as Issuer under the Bond Documents and Loan Documents) under the Loan Documents or the Bond Documents.

3.4 ADDITIONAL CHARGES. Borrower agrees to pay each and all of the following (collectively, the "Additional Charges"):

(a) upon the occurrence of a default under the Indenture or a Default under this Loan Agreement, to or upon the order of the Issuer or Bondowner Representative, when due, all reasonable fees of the Issuer, Bondowner Representative or the Bond Trustee for services rendered under the Indenture and any other amounts due under Section 11.2 hereof which are not included in Ordinary Fees and Expenses, and all reasonable fees and charges of any registrars, legal counsel, accountants, engineers, public agencies and others incurred in the performance, on request of the Issuer, of services required under the Indenture or this Loan Agreement for which such persons are entitled to payment or reimbursement, provided that Borrower may, upon notice to the Issuer and without creating a Default hereunder, contest in good faith the necessity or reasonableness of any such services, fees or expenses other than Ordinary Fees and Expenses, but the Issuer's final decision shall control;

(b) (i) all indemnity payments required to be made under this Loan Agreement and the Regulatory Agreement (such indemnity payments being due to the Issuer or Indemnified Party upon written demand therefor and accruing interest at the Default Rate 60 days after notice of demand therefor); (ii) all reasonable expenses (including reasonable legal fees and expenses)

incurred by the Issuer in exercising its rights under this Loan Agreement or the Regulatory Agreement following a Default; and (iii) all other reasonable expenses incurred by the Issuer in relation to the Project or the Bond which are not otherwise required to be paid by Borrower under the terms of this Loan Agreement or any separate fee agreement, including costs incurred as a result of a request by Borrower; and

(c) interest, at the Default Rate, on all payments not made by Borrower under Section 3.3, this Section 3.4 and Section 3.8 when due, to the parties entitled thereto.

3.5 MATURITY DATE. The Maturity Date of the Loan shall be the Termination Date subject to the right to extend the Termination Date as provided in Sections 3.6 and 3.7; provided, however, if the Conversion Date occurs, then the Maturity Date shall automatically be extended to the Permanent Maturity Date. On the Maturity Date, all sums due and owing under this Loan Agreement, the other Loan Documents and the Bond Documents shall be repaid in full. All payments due to Bond Trustee, Bondowner Representative and Issuer (solely in its capacity as Issuer under the Loan Documents and Bond Documents), as applicable, under this Loan Agreement, whether at the Maturity Date or otherwise, shall be paid in immediately available funds.

3.6 FIRST OPTION TO EXTEND. Borrower shall have the option to extend the Termination Date to the First Extended Termination Date (the "First Option to Extend"), upon satisfaction of each of the following conditions precedent:

(a) Borrower shall provide Bondowner Representative with written notice of Borrower's request to exercise the First Option to Extend not more than ninety (90) days but not less than thirty (30) days prior to the initial Termination Date;

(b) As of the date of Borrower's delivery of notice of request to exercise the First Option to Extend, and as of the initial Termination Date, no Default shall have occurred, and no event or condition which, with the giving of notice or the passage of time or both, would constitute a Default shall have occurred and be continuing, and Borrower shall so certify in writing;

(c) Borrower shall pay to Bondowner Representative a construction loan extension fee of equal to one eighth of one percent (0.125%) of the total commitment amount of the Loan (whether disbursed or undisbursed), as determined by Bondowner Representative on the initial Termination Date.

(d) Borrower shall extend the "Closing Date" under the Fixed Rate Commitment to a date not earlier than the First Extended Termination Date and shall execute any acknowledgement, agreement or other documentation of such extension that Bondowner Representative requires in connection with such extension.

(e) Borrower shall execute or cause the execution of all documents reasonably required by Bondowner Representative to exercise the First Option to Extend and shall deliver to Bondowner Representative, at Borrower's sole cost and expense, such title insurance endorsements reasonably required by Bondowner Representative;

(f) There shall have occurred no material adverse change, as determined by Bondowner Representative in its sole discretion, in the financial condition of Borrower, General Partner, any Guarantor or any limited partner of Borrower from that which existed as of the later of: (i) the Effective Date; or (ii) the date upon which the financial condition of such party was first represented to Bondowner Representative;

(g) (i) Borrower shall represent and warrant to Issuer and Bondowner Representative in writing that the Development Agreement and the other Partnership Documents are in full force and effect, and there is no event or condition which, with the giving of notice or the

passage of time or both, would constitute a material default by any party to any such document which could have a material adverse effect upon the Property, the Improvements, the LIHTCs relating thereto, or the repayment of the Loan; and (ii) any outside date set forth in any Partnership Document for the repayment of the Loan and the stabilization of the Project shall be (or shall be extended) to a date no earlier than the First Extended Termination Date;

(h) (i) Borrower shall represent and warrant to Issuer and Bondowner Representative in writing that the Subordinate Loans have been fully disbursed, and the Subordinate Loan Documents and the AHAP are in full force and effect, and there is no event or condition with, with the giving of notice or the passage of time or both, would constitute a material default by any party to any such document which would have a material adverse effect upon the Property, the Improvements, or the repayment of the Loan; and (ii) any outside date set forth in any Subordinate Loan Document for the repayment of the Loan and the stabilization of the Project shall be (or shall be extended) to a date no earlier than the First Extended Termination Date;

(i) Borrower shall provide Bondowner Representative with written evidence that the Investor Limited Partner has made its Initial Capital Contribution ///[and the Second Capital Contribution]/// and the Investor Limited Partner's commitment to make the remaining Capital Contributions is in full force and effect;

(j) The construction of the Project shall be one hundred percent (100%) complete and lien free, as evidenced by Bondowner Representative's receipt of a mechanic's lien-free endorsement to the Title Policy and by Bondowner Representative's receipt of a copy of a recorded notice of completion for the community building and a certificate of occupancy and building permit sign-off for the residential buildings;

(k) The balance of proceeds of the Loan allocated in the Financial Requirements Analysis to interest reserve, or the balance in Borrower's Funds Account as of the initial Termination Date, shall be sufficient to pay interest on the Loan until the First Extended Termination Date or Borrower shall have deposited with Bondowner Representative as Borrower's Funds, an amount sufficient to pay any shortfall in the interest to accrue and be owing on the Loan through the First Extended Termination Maturity Date;

(l) Borrower shall provide evidence satisfactory to Bondowner Representative of Borrower's continued compliance with all TCAC achievement dates, including Borrower's ability to meet the TCAC placed-in-service date, if any; and

(m) Borrower shall have delivered Bondowner Representative written evidence satisfactory to Bondowner Representative showing that not less than _____ percent (___%) of the Units within the Project have been leased to and occupied by third-party residential tenants under residential leases complying with this Loan Agreement and the Bond Documents.

Except as modified by the exercise of this First Option to Extend, the terms and conditions of this Loan Agreement and the other Loan Documents as modified and approved by Bondowner Representative shall remain unmodified and in full force and effect.

3.7 SECOND OPTION TO EXTEND. Borrower shall have the option to extend the Termination Date from the First Extended Termination Date to the Second Extended Termination Date (the "Second Option to Extend"), upon satisfaction of each of the following conditions precedent:

(a) Borrower shall have previously exercised the First Option to Extend in accordance with the terms and conditions set forth in Section 3.6 the Termination Date was

thereby previously extended from the initial Termination Date to the First Extended Termination Date;

(b) Borrower shall provide Bondowner Representative with written notice of Borrower's request to exercise the Second Option to Extend not more than ninety (90) days but not less than thirty (30) days prior to the First Extended Termination Date;

(c) As of the date of Borrower's delivery of notice of request to exercise the Second Option to Extend, and as of the initial Termination Date, no Default shall have occurred, and no event or condition which, with the giving of notice or the passage of time or both, would constitute a Default shall have occurred and be continuing, and Borrower shall so certify in writing;

(d) Borrower shall pay to Bondowner Representative a construction loan extension fee of equal to one eighth of one percent (0.125%) of the total commitment amount of the Loan (whether disbursed or undisbursed), as determined by Bondowner Representative on the First Extended Termination Date. This shall be in addition to the extension fee applicable in connection with the First Option to Extend;

(e) Borrower shall pay to Bondowner Representative a permanent commitment extension fee equal to one quarter of one percent (0.25%) of the maximum Permanent Loan commitment amount, as determined by Bondowner Representative;

(f) Borrower shall extend the "Closing Date" under the Fixed Rate Commitment to a date not earlier than the Second Extended Termination Date and shall execute any acknowledgement, agreement or other documentation of such extension that Bondowner Representative requires in connection with such extension;

(g) Borrower shall execute or cause the execution of all documents reasonably required by Bondowner Representative to exercise the Second Option to Extend and shall deliver to Bondowner Representative, at Borrower's sole cost and expense, such title insurance endorsements reasonably required by Bondowner Representative;

(h) There shall have occurred no material adverse change, as determined by Bondowner Representative in its sole discretion, in the financial condition of Borrower, General Partner, any Guarantor or any limited partner of Borrower from that which existed as of the later of: (i) the Effective Date; or (ii) the date upon which the financial condition of such party was first represented to Bondowner Representative;

(i) (i) Borrower shall represent and warrant to Issuer and Bondowner Representative in writing that the Development Agreement and the other Partnership Documents are in full force and effect, and there is no event or condition which, with the giving of notice or the passage of time or both, would constitute a material default by any party to any such document which could have a material adverse effect upon the Property, the Improvements, the LIHTCs relating thereto, or the repayment of the Loan; and (ii) any outside date set forth in any Partnership Document for the repayment of the Loan and the stabilization of the Project shall be (or shall be extended) to a date no earlier than the Second Extended Termination Date;

(j) (i) Borrower shall represent and warrant to Issuer and Bondowner Representative in writing that the Subordinate Loans have been fully disbursed, and the Subordinate Loan Documents and the AHAP are in full force and effect, and there is no event or condition with, with the giving of notice or the passage of time or both, would constitute a material default by any party to any such document which would have a material adverse effect upon the Property, the Improvements, or the repayment of the Loan; and (ii) any outside date set forth in any Subordinate Loan Document for the repayment of the Loan and the stabilization of the

Project shall be (or shall be extended) to a date no earlier than the Second Extended Termination Date;

(k) Borrower shall provide Bondowner Representative with written evidence that the Investor Limited Partner has made its Initial Capital Contribution ///[and the Second Capital Contribution]/// and the Investor Limited Partner's commitment to make the remaining Capital Contributions is in full force and effect;

(l) The construction of the Project shall be one hundred percent (100%) complete and lien free, as evidenced by Bondowner Representative's receipt of a mechanic's lien-free endorsement to the Title Policy and by Bondowner Representative's receipt of a copy of a recorded notice of completion for the community building and a certificate of occupancy and building permit sign-off for the residential buildings;

(m) The balance of proceeds of the Loan allocated in the Financial Requirements Analysis to interest reserve, or the balance in Borrower's Funds Account as of the First Extended Termination Date, shall be sufficient to pay interest on the Loan until the Second Extended Termination Date or Borrower shall have deposited with Bondowner Representative as Borrower's Funds, an amount sufficient to pay any shortfall in the interest to accrue and be owing on the Loan through the Second Extended Termination Maturity Date;

(n) Borrower shall provide evidence satisfactory to Bondowner Representative of Borrower's continued compliance with all TCAC achievement dates, including Borrower's ability to meet the TCAC placed-in-service date, if any; and

(o) Borrower shall have delivered Bondowner Representative written evidence satisfactory to Bondowner Representative showing that not less than ninety percent (90%) of the Units within the Project have been leased to and occupied by third-party residential tenants under residential leases complying with this Loan Agreement and the Bond Documents.

Except as modified by the exercise of this Second Option to Extend, the terms and conditions of this Loan Agreement and the other Loan Documents as modified and approved by Bondowner Representative shall remain unmodified and in full force and effect.

3.8 INTEREST RATE. Interest shall accrue on outstanding principal of the Loan as provided in the Note, and shall be payable as provided in the Note and Section 3.3(c) of this Loan Agreement.

3.9 BORROWER'S OBLIGATIONS UNCONDITIONAL. The obligations of Borrower to perform and observe the other agreements on its part contained herein shall be absolute and unconditional and payment of the Loan and Additional Charges and all other payments required of Borrower hereunder or under the Note shall be paid without notice or demand and without set off, counterclaim, or defense for any reason and without abatement or deduction or defense. Borrower will not suspend or discontinue any such payments, will perform and observe all of its other agreements in this Loan Agreement and will not terminate this Loan Agreement for any cause, including, but not limited, to any acts or circumstances that may constitute failure of consideration, destruction or damage to the Project or Borrower's business, the taking of the Project or Borrower's business by condemnation or otherwise, the lawful prohibition of Borrower's use of the Project or Borrower's business, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Loan Agreement, the lack of right, power or authority of the Issuer to enter into this Loan Agreement, eviction by paramount title, commercial frustration of purpose, bankruptcy or insolvency of the Issuer or Bondowner Representative, change in the tax or other laws or administrative rulings or actions of the United States of America or of the State or any political subdivision thereof, or failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it

being the intention of the parties hereto that the payment of the Loan and other amounts payable by Borrower hereunder or under the Note shall be paid in full when due without any delay or diminution whatever.

3.10 ASSIGNMENT OF ISSUER'S RIGHTS. Pursuant to the Indenture and the Assignment of Deed of Trust, the Issuer has assigned certain of the amounts payable hereunder and has assigned, without recourse or liability, to the Bond Trustee, certain of the Issuer's rights under this Loan Agreement and the Note (except the Issuer's Reserved Rights (as defined in the Indenture), including certain of the rights to receive payments hereunder, and hereby directs Borrower to make said payments directly to the Bond Trustee, or otherwise upon the order of Bondowner Representative. Borrower assents to such assignment and will make payments under this Loan Agreement of such assigned amounts directly to the Bond Trustee, or otherwise upon the order of Bondowner Representative or Bond Trustee without defense or set off by reason of any dispute between Borrower, the Issuer, the Bondholders, the Bond Trustee or Bondowner Representative.

3.11 ADDITIONAL SECURITY INTEREST. Borrower hereby grants and assigns to Bondowner Representative a security interest, to secure payment and performance of all obligations, in all of Borrower's right, title and interest, now or hereafter acquired, to the payment of money from Bondowner Representative to Borrower under any Swap Agreement.

3.12 LOAN FEES. Borrower shall pay to Bondowner Representative, at Loan closing, (i) a construction period loan fee in the amount equal to seventy-five one hundredths percent (0.75%) of the aggregate Loan amount, which amount is _____ and No/100th Dollars (\$_____) and (ii) a permanent period loan fee in the amount of the greater of (a) one percent (1%) of the maximum Permanent Loan amount or (b) \$10,000. Bondowner Representative shall earn the fees described in this Section 3.12 when paid by Borrower, and such fees shall be nonrefundable.

3.13 LOAN DOCUMENTS. Borrower shall deliver to Bondowner Representative concurrently with this Loan Agreement each of the documents, properly executed and in recordable form, as applicable, described in Exhibit B as Loan Documents, together with those documents described in Exhibit B as Other Related Documents.

3.14 EFFECTIVE DATE. The date of the Loan Documents is for reference purposes only. The Effective Date of delivery and transfer to Bond Trustee of the rights of Issuer under the Loan Documents shall be the Closing Date.

3.15 CREDIT FOR PRINCIPAL PAYMENTS. Any payment made upon the outstanding principal balance of the Loan shall be credited as of the Business Day received, provided such payment is received by Bondowner Representative no later than 11:00 a.m. (Pacific Standard Time or Pacific Daylight Time, as applicable) and constitutes immediately available funds. Any principal payment received after said time or which does not constitute immediately available funds shall be credited upon such funds having become unconditionally and immediately available to Bondowner Representative.

3.16 FULL REPAYMENT AND RECONVEYANCE. Upon receipt of all sums owing and outstanding under the Loan Documents and the Permanent Loan Documents, Bondowner Representative shall issue a full reconveyance of the Property and Improvements from the lien of the Deed of Trust; provided, however, that all of the following conditions shall be satisfied at the time of, and with respect to, such reconveyance: (a) Bondowner Representative shall have received full payment and performance of all other obligations secured by the Deed of Trust, including, without limitation, any other costs set forth in the Note and the Deed of Trust, and all escrow, closing and recording costs, the costs of preparing and delivering such reconveyance and any sums then due and payable under the Loan Documents; and (b) Bondowner Representative shall have received a written release satisfactory to Bondowner Representative of any set aside letter, letter of credit or other form of undertaking which Bondowner Representative has issued to any surety, governmental agency or any other party in connection with the Loan and/or the Property and Improvements. Any obligation of Bondowner Representative to make further disbursements under the Loan shall terminate as to any portion of the Loan undisbursed as of the

date of issuance of such full release or reconveyance, and any commitment of Bondowner Representative to lend any undisbursed portion of the Loan shall be canceled. Any repayment shall be without prejudice to Borrower's obligations under any Swap Agreement between Borrower and Bondowner Representative, which shall remain in full force and effect subject to the terms of such Swap Agreement (including provisions that may require a reduction, modification or early termination of a swap transaction, in whole or in part, in the event of such repayment, and may require Borrower to pay any fees or other amounts for such reduction, modification or early termination), and no such fees or amounts shall be deemed a penalty hereunder or otherwise.

3.17 CONVERSION. At any time during the Construction Term, Borrower shall have the option to convert the Loan to the Permanent Loan, subject to the completion of all of the following requirements (collectively, the "Conversion Conditions") to the satisfaction of Bondowner Representative and its counsel, in their sole discretion, prior to the Termination Date (as may be extended pursuant to Sections 3.6 and 3.7):

- (a) Bondowner Representative receives a written request for conversion of the Loan from Borrower at least sixty (60) days prior to the proposed Conversion Date; and
- (b) Bond Trustee shall have received a Pre-Conversion Loan Equalization Payment to pay the Loan down to the Permanent Loan amount of \$_____, together with any additional Pre-Conversion Loan Equalization Payment(s) necessary to satisfy the requirements of subsection 3.17(m) and/or subsection 3.17(p), below; and
- (c) As of the proposed Conversion Date, there exists no Event of Default under this Loan Agreement and no event which, with the passing of time or the giving of notice, or both, would constitute an Event of Default; and
- (d) Borrower delivers to Bondowner Representative a certificate certifying that: (i) there exists no Event of Default under this Loan Agreement and no event or condition which, with the passing of time or the giving of notice, or both, would constitute an Event of Default; (ii) there has occurred no material adverse change in the business prospects, financial condition or results of operations of Borrower or any Guarantor since the Effective Date; (iii) all of the Loan Documents are in full force and effect; and (iv) all of the representations and warranties set forth therein are true and correct; and
- (e) Borrower shall provide Bondowner Representative with written evidence that the Tax Credit Investor has made all of its scheduled Capital Contributions that are due as of the proposed Conversion Date and that at least ninety percent (90%) of the total Capital Contributions to be made by Tax Credit Investor have been made by the Conversion Date; and
- (f) Receipt and approval by Bondowner Representative of an as-built ALTA survey of the Land and Improvements, dated within 90 days of the Conversion Date; and
- (g) Receipt and approval by Bondowner Representative of an endorsement to the existing lender's title insurance policy dated as of the Conversion Date and containing no title exceptions other than encumbrances approved in writing by Bondowner Representative; and
- (h) Receipt and approval by Bondowner Representative of the results of then-current UCC, judgment and tax liens searches performed at the appropriate state and

local levels with respect to Borrower (and each general partner of Borrower if Borrower is a limited partnership); and

- (i) Receipt and approval by Bondowner Representative of complete copies of any changes or modifications to the organizational documents of Borrower, each managing member of Borrower and any other principal of Borrower since the date hereof, along with updated legal existence certificates and, if applicable, good standing certificates and certificates of authority to transact business in the jurisdiction in which the Property is located; and
- (j) Receipt by Bondowner Representative of evidence that all insurance coverages required by the Loan Documents are in full force and effect; and
- (k) Completion of Construction shall have occurred (i) in a good and workmanlike manner and substantially in accordance with the Plans and Specifications, and (ii) in compliance with all applicable requirements of all governmental authorities having jurisdiction over the Property, including, without limitation, all applicable laws, building codes, zoning requirements, subdivision requirements, fire and safety laws, as evidenced by a certificate of the Architect stating that such completion has occurred; and
- (l) Receipt and approval by Bondowner Representative of the final inspection report from the Architect; and
- (m) Borrower's delivery of evidence in the form of certified operating statement for the Property, that, (i) for the Stabilization Period, the Property has maintained a Debt Service Coverage Ratio of at least 1.20:1.00, which shall be determined by Bondowner Representative in its sole but reasonable discretion and (ii) the Property has a projected Debt Service Coverage Ratio of the greater of (x) 1.20 to 1.00 in the first stabilized year and (y) such Debt Service Coverage Ratio necessary in the first stabilized year to achieve at least a 1.20 to 1.00 Debt Service Coverage Ratio through the Permanent Maturity Date which shall be determined by Bondowner Representative in its sole but reasonable discretion, and based on inflationary increases as determined by Bondowner Representative; and
- (n) Borrower's delivery of evidence in the form of certified rent rolls for the Property that, for the Stabilization Period, at least ninety percent (90%) of the units in the Improvements shall have been leased to third party tenants under executed Leases at rents that are not less than pro forma rents; and
- (o) Bondowner Representative's receipt of evidence that a final (unconditional) allocation of low-income housing tax credits has been made with respect to the Project, which may consist of (i) copies of Forms 8609 for each building in the Project and the recording of the applicable Regulatory/Extended Use Agreement, or (ii) the receipt by Bondowner Representative of a final project cost certification and evidence that all conditions imposed by the state allocating agency for the issuance of Forms 8609 have been satisfied; and
- (p) Bondowner Representative's receipt of evidence that the Borrower has satisfied the Constant Carry Test which shall be determined by Bondowner Representative in its sole but reasonable discretion; and

- (q) If applicable, receipt by Bondowner Representative of a subordination agreement for any subordinate financing on the Property permitted by Bondowner Representative; and
- (r) Receipt by Bondowner Representative of any amendment or modification of the Loan Documents required by Bondowner Representative to evidence the Conversion; and
- (s) Borrower shall make the initial deposit of \$_____ (the "Initial Deposit to the Replacement Reserve") required under the Replacement Reserve Agreement with such Initial Deposit to the Replacement Reserve being deposited in an account or sub-account maintained by Bondowner Representative (the "Replacement Reserve"), to be held and disbursed in accordance with the terms of the Replacement Reserve Agreement. Thereafter, Borrower shall make monthly deposits to the Replacement Reserve as required pursuant to the terms of the Replacement Reserve Agreement. All amounts deposited into the Replacement Reserve and all earnings thereon are referred to collectively as the "Replacement Reserve Funds." Borrower assigns to Bondowner Representative all of Borrower's interest in the Replacement Reserve as additional security for all of the Borrower's obligations under the Loan Documents; and
- (t) Borrower shall deposit the Operating Deficit Reserve with Bondowner Representative required under Section 11.36 of this Loan Agreement; and
- (u) Borrower shall deliver to Bondowner Representative a fully executed Section 8 Housing Assistance Payments Contract between Borrower and Contract Administrator pursuant to which Contract Administrator agrees to provide Section 8 Housing Assistance Payments for at least thirty-nine (39) of the units in the Project for at term of at least fifteen (15) years (and expiring no earlier than the Permanent Maturity Date) which contract rents for each assisted unit of at least \$_____, and otherwise in a form and substance approved by Bondowner Representative ("**HAP Contract**"); and
- (v) Borrower shall deliver to Bondowner Representative, an annual budget for the Property for the year in which the proposed Conversion Date occurs; provided that if the proposed Conversion Date occurs in the last ninety (90) days of the Borrower's fiscal year, then Borrower shall also deliver an annual budget for the Property for the following fiscal year; and
- (w) Borrower shall deliver to Bondowner Representative evidence acceptable to Bondowner Representative of the types and amounts of insurance on the Project and in accordance with Article 7 of this Loan Agreement. Borrower shall also deliver to Bondowner Representative the current real estate tax statement showing that the taxes for the Property are based on a fully assessed, completed, operating and stabilized property as improved and that the Property has been granted the Property Tax Exemption. Borrower shall provide to Bondowner Representative evidence, in a format acceptable to Bondowner Representative, that all real estate taxes then due and payable and current insurance premiums have been paid in full when due; and
- (x) Borrower shall have delivered to Bondowner Representative a fully-executed master lease for the Day Care Premises in a form and substance approved by Bondowner Representative ("**Master Lease**") and any other master lease or master sublease for all or any portion of the Property, in each case in a form and substance approved by Bondowner Representative, which Master Lease (and any other master lease or master sublease) shall be subordinate in all respects

to the Deed of Trust. Borrower shall provide Bondowner Representative with estoppel letters from the tenant under the Master Lease and any tenant under or any other master lease or master sublease, in each case in a form and substance acceptable to Bondowner Representative; and

- (y) Receipt by Bondowner Representative of such additional or confirmatory documents as Bondowner Representative may reasonably require.

ARTICLE 4. DISBURSEMENT OF LOAN FUNDS

4.1 CONDITIONS PRECEDENT TO INITIAL DISBURSEMENTS OF PROCEEDS OF THE BOND. Bondowner Representative's obligation to consent to the initial disbursement of proceeds of the Bond, in an amount not to exceed \$_____, shall be subject at all times to satisfaction of each of the following conditions precedent:

(a) Delivery of Documents. The documents listed on Exhibit B (including without limitation all Loan Documents and all Other Related Documents) shall have been delivered to Bondowner Representative in form and substance satisfactory to Bondowner Representative, duly executed (and, if required by Bondowner Representative, acknowledged) by all of the appropriate parties.

(b) Recorded Documents. The following documents shall have been duly recorded, in the order indicated below, in the Official Records of the County:

- (i) the Regulatory Agreement;
- (ii) the Deed of Trust;
- (iii) the Assignment of Deed of Trust;
- (iv) the Subordination Agreement (HCID);
- (v) the HCID Regulatory Agreement;
- (vi) the HCID Deed of Trust;
- (vii) the Subordination Agreement (CDC);
- (viii) the CDC Regulatory Agreement;
- (ix) the \$1,705,000 CDC Deed of Trust;
- (x) the CDC First 5 Deed of Trust;
- (xi) the Subordination Agreement (AHP);
- (xii) the AHP Deed of Trust; and
- (xiii) the Subordination Agreement (Purchase Option).

(c) Financing Statements. The Financing Statements described in Exhibit B shall have been filed with the California Secretary of State, and Bondowner Representative shall have received and approved the results of a UCC search conducted and certified by the California Secretary of State.

(d) AHAP. Borrower shall have entered into an AHAP with Contract Administrator, in a form and substance approved by Bondowner Representative, in its sole and absolute discretion and Contract Administrator shall have consented to the assignment by Borrower to Bondowner Representative of the AHAP Contract and the rights of Borrower under the AHAP.

(e) Title Insurance. Borrower shall (at its own expense) have obtained a commitment from the Title Company in form and content satisfactory to Bondowner Representative for delivery to the Bond Trustee of a mortgagee's policy of title insurance (the "**Title Policy**") which complies with the following requirements: (x) the Title Policy shall be issued with respect to the Property, shall show the Deed of Trust as the insured mortgage, shall name the Bond Trustee as insured, shall be dated as of the Closing Date, shall be in an amount not less than the original principal amount of the Bond, shall contain no creditor's rights exceptions, and shall be in form and substance reasonably satisfactory to Bondowner Representative; (y) when originally issued, the Title Policy shall be in form ALTA LP-10 (in 2006 form or other form acceptable to Bondowner Representative) and shall contain such endorsements (2006 forms where applicable and available) as Bondowner Representative may require, including without limitation, ALTA 9.7, Comprehensive, unmodified for land under development; CLTA 103.5, Water Rights; ALTA 17, Access and abut; CLTA 116, Address; ALTA 25, Survey; ALTA 3.2, Zoning, land under development; ALTA 26, Subdivision; ALTA 18.1, Multiple Tax Parcel; ALTA 6, Variable Rate, CLTA 104.7, Assignment of Rents and Leases; ALTA 8.2, Environmental Lien; Custom Endorsement, Deletion of Arbitration; ALTA 19, Contiguity; ALTA 17.2, Utility Access; ALTA 27, Usury; ALTA 24, Doing Business; CLTA 112.1, Bondholder; ALTA 39, Authentication; Custom Endorsement, Encroachments; and a commitment to issue such further endorsements as Bondowner Representative may require, including without limitation, CLTA 101.2 or CLTA 101.6 Mechanics' liens/Notice of completion, CLTA 102.5 Foundation without encroachment and CLTA 122 Datedown for draw in such number and at such times as may be required by Bondowner Representative; and (z) the Title Policy shall include a commitment by the Title Company to rewrite the Title Policy into a full ALTA Loan Policy (in 2006 form or other form acceptable to Bondowner Representative), containing all the endorsements listed above and any such additional endorsements as Bondowner Representative may reasonably require upon completion of construction of the Project. The Title Policy shall insure:

- (i) that Borrower possesses a fee interest in the Property;
- (ii) that the Deed of Trust is a valid first lien upon Borrower's fee interest in the Property, subject only to Permitted Encumbrances;
- (iii) that the following standard exceptions be waived and insured: (1) facts which would be disclosed by a comprehensive survey of the Property, (2) mechanic's, contractors' or materialmen's liens and lien claims, (3) all other exceptions noted in Schedule B, Section I of the Title Policy and (4) the endorsement deleting the creditor's rights exception and arbitration clause.

(f) Confirmation of Insurance. Bondowner Representative shall have received and approved in form and substance satisfactory to Bondowner Representative all insurance policies, certificates, and any other evidence of insurance coverage that Borrower is required to obtain and maintain pursuant to Article 7 of this Loan Agreement.

(g) Opinion Letters. Bondowner Representative shall have received (i) an original Bond Counsel approving and tax opinion for the Bond or a reliance letter therefor, in form and content satisfactory to Bondowner Representative, with a reliance letter addressed to Bondowner Representative, and (ii) an opinion of Borrower's counsel addressed to Bondowner Representative, Bond Trustee and Issuer, in form and content satisfactory to Bondowner Representative and Issuer, which opinion shall state that the successors and assigns of

Bondholder Representative as holder of the Note and of Bond Trustee as trustee under the Indenture are permitted to rely on the opinion.

(h) Delivery of Contracts; Approval of Reports. Bondowner Representative shall have received and approved in form and substance satisfactory to Bondowner Representative:

- (i) a soils report for the Property;
- (ii) an environmental questionnaire and environmental site assessment with respect to the presence, if any, of Hazardous Materials on the Property;
- (iii) two sets of the Plans and Specifications, certified as complete by the Architect, together with evidence of all necessary or appropriate approvals of all applicable Governmental Authorities;
- (iv) copies of any initial study, negative declaration, mitigated negative declaration, environmental impact report, notice of determination or notice of exemption prepared, adopted, certified or filed by or with any Governmental Authority in connection with the Property and Project;
- (v) copies of all documents, agreements, instruments, policies and other materials relating to the Project requested by Bondowner Representative, including without limitation, appraisals; all design, architect's, engineering, brokerage and construction contracts; and surveys, in each case set forth in such detail as Bondowner Representative may require; and
- (vi) the fully executed Construction Contract for the Project.

(i) Payment and Performance Bond as to Construction Contract. Borrower shall have delivered to Bondowner Representative a payment and performance bond covering performance and labor and materials under the Construction Contract, in form satisfactory to Bondowner Representative (the "**Payment and Performance Bond**"), meeting the following requirements:

- (i) the Payment and Performance Bond shall name Borrower as obligee and Wells Fargo Bank, National Association, and its successors as Bondowner Representative under the Indenture as dual obligees;
- (ii) the Payment and Performance Bond shall be in an amount not less than one hundred percent (100%) of the costs of the Construction Contract;
- (iii) the Payment and Performance Bond shall be issued by a corporate surety licensed to do business in the State of California and approved in writing by Bondowner Representative;
- (iv) the Payment and Performance Bond shall include language to the effect that the Contractor will promptly and faithfully perform its obligations under the Construction Contract and that the surety waives notice of any alteration or extension of time given by Borrower under the Construction Contract;
- (v) the Payment and Performance Bond shall include a requirement of the principal to promptly make payment to all claimants;

(vi) the Payment and Performance Bond shall correctly state Borrower's name and the address of the Project; and

(vii) The Payment and Performance Bond shall be otherwise in a form and content as required by Bondowner Representative.

(j) Preliminary Reservation Letter. Bondowner Representative shall have received a photocopy of the Preliminary Reservation Letter from TCAC.

(k) Utilities. Bondowner Representative shall have received evidence satisfactory to Bondowner Representative that all utility services, including, without limitation, gas, water, sewage, electrical and telephone, necessary for the development and occupancy of the Property and Project are available at or within the boundaries of the Property, or Borrower has taken all steps necessary to assure that all such services will be available upon completion of the Project.

(l) Payment of Loan Fees. Borrower shall have paid to Bondowner Representative, in good funds, all fees owing pursuant to Section 3.12 and shall have paid to Bond Trustee all costs of issuance of the Bond.

(m) Sufficiency of Funds. Bondowner Representative shall have received evidence satisfactory to Bondowner Representative that there will be sufficient funds available to Borrower to complete the Project and cover all costs as shown on the Disbursement Budget attached hereto, whether from the proceeds of the Loan, Capital Contributions of the Investor Limited Partner, amounts in the Borrower's Funds Account, or from another source or other sources acceptable to Bondowner Representative.

(n) Admission of Investor Limited Partner. Bondowner Representative shall have received and approved in form and content reasonably satisfactory to Bondowner Representative the fully executed Partnership Agreement. The Partnership Agreement shall have been amended in a manner reasonably satisfactory to Bondowner Representative to admit Investor Limited Partner as the limited partner of Borrower and Bond Trustee shall have received a first priority security interest in (i) the general partnership interest of the General Partner in Borrower; and (ii) the housing tax credit awarded to Borrower, all in form and substance reasonably acceptable to Bondowner Representative. The Partnership Documents shall obligate the Investor Limited Partner to make cash Capital Contributions in at least the amounts and at the times set forth in Section 1.1 above, subject to terms and conditions satisfactory to Bondowner Representative.

(o) Initial Capital Contribution. Borrower shall have delivered to Bondowner Representative simultaneously with the first disbursement of Bond proceeds, written evidence satisfactory to Bondowner Representative of the receipt by Borrower of the Initial Capital Contribution from the Investor Limited Partner and the application of the same in accordance with the Financial Requirements Analysis. Any unused portion of the Initial Capital Contribution shall be utilized as Borrower's Funds pursuant to the terms and conditions of the Loan Documents, shall be deposited into Borrower's Funds Account with Bondowner Representative and shall be disbursed by Bondowner Representative to pay Project Costs pursuant to the terms and conditions outlined in the Loan Documents.

(p) Environmental Site Assessment. Bondowner Representative shall have received and approved in form and substance satisfactory to Bondowner Representative: (i) an environmental questionnaire and environmental site assessments with respect to the presence, if any, of Hazardous Materials on the Property and Improvements; (ii) two sets of the Plans and Specifications, certified as complete by the Architect, together with evidence of all necessary or appropriate approvals of governmental agencies; (iii) copies of all agreements which are material to completion of the Improvements; (iv) copies of all building permits and similar permits, licenses, approvals, development agreements and other authorizations of governmental agencies required in connection with the development of the Property and Improvements; and (v) copies of

any initial study, negative declaration, mitigated negative declaration, environmental impact report, notice of determination or notice of exemption (if any) prepared, adopted, certified or filed by or with any governmental agency in connection with the Property and Improvements.

(q) Subordinate Loans. Borrower shall have obtained and received \$_____ of the proceeds of the CDC Loans, \$_____ of the proceeds of the AHP Loan and \$_____ of the proceeds of the HCID Loan, in each case, which shall have been disbursed to and applied to pay Project Costs shown on the Disbursement Budget, and delivered evidence satisfactory to Bondowner Representative thereof.

(r) Delivery of Permits. Bondowner Representative shall have received and approved in form and content satisfactory to Bondowner Representative evidence of satisfaction of any and all conditions precedent to issuance (other than payment of a fee) of all building permits and similar permits, licenses, approvals, development agreements and other authorizations of Governmental Authorities required in connection with the construction of the Project including, but not limited to, all authorizations, (including building permits, annexation agreements, development agreements, subdivision approvals, sewer and water permits, vault permits, encroachment permits, driveway access and curb cut authorizations) and zoning and land use entitlements, and all other approvals, consents, permits and licenses issued or to be issued by any Governmental Authority which are (a) required for the construction of the Project in accordance with the Plans and Specifications and in accordance with all applicable laws, ordinances and regulations and (b) capable of being issued through the date of the requested Disbursement, and all of the same shall remain in full force and effect.

(s) Approval of Contractor and Construction Agreement. Bondowner Representative shall have approved: (i) the selection of Contractor as the general contractor for the Project; and (ii) the Construction Agreement, in form and substance, along with a cost and plan review and development budget for the Project prepared in accordance with the Construction Agreement. Bondowner Representative shall have received a financial analysis of Contractor satisfactory to Bondowner Representative in form and substance.

(t) Recordation of Executed Payment and Performance Bond. Bondowner Representative shall have received a copy of the fully executed Payment and Performance Bond, meeting the requirements set forth in Section 4.1(i) above and otherwise in form and substance satisfactory to Bondowner Representative, and shall have received evidence satisfactory to Bondowner Representative that such Payment and Performance Bond has been recorded in the Official Records of the Los Angeles County Registrar-Recorder/County Clerk.

(u) Construction. Bondowner Representative shall have received a copy of the Notice to Proceed, evidence of all necessary or appropriate approvals of all applicable governmental authorities in connection with the Plans and Specifications, and all building permits and similar permits, licenses, approvals, development agreements and other authorizations of governmental authorities required in connection with the construction and development of the Property and Project including, but not limited to, all authorizations (including building permits, annexation agreements, development agreements, subdivision approvals, sewer and water permits, vault permits, encroachment permits, driveway access and curb cut authorizations) and zoning and land use entitlements, and all other approvals, consents, permits and licenses issued or to be issued by any governmental authority which are (a) required for the development, construction of the Project in accordance with the Plans and Specifications and in accordance with all applicable laws, ordinances and regulations and (b) capable of being issued through the date of the requested Disbursement, and all of the same shall remain in full force and effect.

(v) RETECHS Review. Bondowner Representative shall have received a report from Bondowner Representative's RETECHS department ("**RETECHS**") certifying that (i) RETECHS has found no issues with the Property requiring that additional action be taken with respect to the Property prior to Issuer's receipt of the Property as collateral for the Loan and

assignment thereof to Bondowner Representative, and (ii) the Project can be completed in accordance with the Plans and Specifications and the Construction Agreement by the Completion Date.

4.2 CONDITIONS PRECEDENT TO ANY DISBURSEMENT. Bondowner Representative's obligation to make any "drawdown" purchase of the Bond and corresponding Disbursement of the Loan (including the first Disbursement and the final Disbursement) shall be subject to the satisfaction (or waiver by Bondowner Representative, in its sole discretion) of the following conditions precedent:

(a) No Default. There shall exist no Default, as defined in this Loan Agreement, or Default as defined in any of the other Loan Documents or in the Other Related Documents, or event, omission or failure of condition which would constitute a Default after notice or lapse of time, or both.

(b) Loan "in balance". Any undisbursed Loan funds and all sums, if any, to be provided by Borrower as shown in Exhibit C, shall be at all times equal to or greater than the amount which Bondowner Representative from time to time determines necessary to: (i) pay, through completion, all costs of development, construction, marketing and sale or leasing of the Property and Improvements in accordance with the Loan Documents; (ii) pay all sums which may accrue under the Loan Documents; and (iii) enable Borrower to perform and satisfy all of the covenants of Borrower contained in the Loan Documents. If Bondowner Representative determines at any time that the undisbursed Loan funds are insufficient for said purposes, Borrower shall deposit the amount of such deficiency in Borrower's Funds Account within fifteen (15) days of Bondowner Representative's written demand.

(c) No Default Under Loan Documents. No default or event of default, or event, omission or failure of condition which would constitute a default or event of default after notice or lapse of time, or both, exists under the Loan Documents.

(d) Application for Payment. Bondowner Representative shall have received and approved an Application for Payment (as defined in the Disbursement Plan) executed by Borrower stating the amount of the Disbursement then requested and meeting the requirements of the Disbursement Plan attached hereto as Exhibit D, and all other documents, instruments, agreements, certificates, lien waivers and other items required thereunder.

(e) Disbursement Plan Conditions. All of the conditions precedent to the requested Disbursement set forth in the Disbursement Plan attached hereto as Exhibit D shall have been satisfied.

(f) Compliance with Financial Requirements Analysis: Borrower's Funds. Borrower shall be in compliance with its obligations under Section 5.6 and 5.7 of this Loan Agreement. To the extent that Borrower is obligated to deposit Borrower's Funds into Borrower's Funds Account pursuant to those Sections, such Borrower's Funds shall have been fully disbursed as a condition to any obligation of Bondowner Representative to make further disbursement of proceeds of the Loan except as otherwise expressly provided in Section 4.4(b) hereof.

(g) Bondowner Representative Inspections. Bondowner Representative shall have determined, based upon such inspections and examinations of the progress of construction of the Project as Bondowner Representative shall elect in its sole judgment to conduct from time to time, that construction of the Project is proceeding in substantial conformity with the Plans and Specifications, as modified by change orders with respect to which Borrower has complied with Section 5.5. Borrower shall have paid all of the costs and expenses reasonably incurred by Bondowner Representative in any such inspection and examination.

(h) Government Inspections. If Bondowner Representative shall so require, any portion of the Project completed through the date of the requested Disbursement which requires inspection or certification by municipal or other governmental authorities shall have been inspected and certified as complete and all other necessary approvals shall have been duly issued and Bondowner Representative shall have received true and correct copies of all such inspections, certificates and approvals or Bondowner Representative shall have received other evidence, in form and content reasonably satisfactory to Bondowner Representative, that the Project has been constructed in such a manner as to be in compliance with any such inspections, certificates and approvals.

(i) Title Endorsements. Bondowner Representative shall have received such endorsements and binders to the Title Policy as Bondowner Representative may require (including without limitation endorsements confirming the continuing priority of the Deed of Trust with respect to such Disbursement, and endorsements confirming that no encroachments exist on the Property or adjoining property). Bondowner Representative shall be furnished, at no cost to it, such surveys and certificates as may be required by the title insurance company in connection with the issuance of such endorsements. Without limitation upon the generality of the foregoing, Bondowner Representative shall not be required to consent to any Disbursement after the foundations of any new building that forms part of the Project have been installed, unless and until the Bondowner Representative has been furnished, at the sole cost of Borrower, such endorsements to the Title Policy as Bondowner Representative may require, guaranteeing in effect that the foundations of such buildings have been located and constructed within the boundary lines of the Property and that the foundations do not encroach onto any easements in violation of the terms of any recorded documents related to such easements. Bondowner Representative shall be furnished, at no cost to it, such surveys and certificates as may be required by the title insurance company in connection with the issuance of such endorsement.

(j) Mechanics' Liens; Stop Notices. No mechanic's lien shall have been recorded against the Property and no stop notice shall have been served upon Borrower, Issuer or Bondowner Representative (unless there has been issued a surety bond, or such other collateral as is satisfactory to Bondowner Representative, adequate to release the Project from the lien thereof in accordance with this section), and Bondowner Representative shall have no reasonable cause to believe that the requested Disbursement will be junior in priority of lien to any mechanics' or material suppliers' lien or to any intervening or other lien upon the Property; if a claim of lien is recorded which affects the Property or Project or a bonded stop notice is served upon Borrower, Issuer or Bondowner Representative, Borrower shall fully comply with Section 5.8.

(k) Compliance With Bond and Loan Documents. Borrower shall have complied with all of the terms and conditions imposed by the Indenture and this Loan Agreement in connection with such Disbursement and Bondowner Representative shall have received a certificate to that effect signed by Borrower.

(l) No Default; Compliance with Bond Documents. There shall exist no Default, as defined in this Loan Agreement, or Event of Default as defined in any of the other Bond Documents and Loan Documents or in the other Related Documents (subject to all applicable notice and cure periods), or event requiring mandatory redemption of the Bond or event which, with the giving of notice or the passage of time, or both, could be any Default or event requiring mandatory redemption of the Bond, and Borrower shall have performed all of its obligations under this Loan Agreement and complied with all of the terms and conditions imposed by the Indenture and this Loan Agreement in connection with such Disbursement and, if Bondowner Representative shall so require, Bondowner Representative shall have received a certificate to that effect signed by Borrower.

(m) Representations and Warranties. All representations and warranties contained in this Loan Agreement shall be true and correct in all material respects as of the date of the

Disbursement, and Bondowner Representative shall have received a certificate restating each of such representations and warranties as true and correct as of the date of the Disbursement.

(n) Full Force and Effect. Each of the Bond Documents and Loan Documents shall remain in full force and effect, binding upon all parties thereto.

(o) Workmanship. All work performed to date in construction of the Project shall have been accomplished in a good workmanlike manner and in accordance with the Plans and Specifications.

(p) Intentionally omitted.

(q) Construction. Bondowner Representative shall have received a copy of evidence of all necessary or appropriate approvals of all applicable governmental authorities in connection with the Plans and Specifications, and all building permits and similar permits, licenses, approvals, development agreements and other authorizations of governmental authorities required in connection with the construction and development of the Property and Project including, but not limited to, all authorizations, (including building permits, annexation agreements, development agreements, subdivision approvals, sewer and water permits, vault permits, encroachment permits, driveway access and curb cut authorizations) and zoning and land use entitlements, and all other approvals, consents, permits and licenses issued or to be issued by any governmental authority which are (a) required for the development and construction of the Project in accordance with the Plans and Specifications and in accordance with all applicable laws, ordinances and regulations and (b) capable of being issued through the date of the requested Disbursement, and all of the same shall remain in full force and effect

4.3 ACCOUNT, PLEDGE AND ASSIGNMENT, AND DISBURSEMENT AUTHORIZATION.

The proceeds of the Bond and Borrower's Funds, when qualified for disbursement, shall be disbursed to or for the benefit or account of Borrower under the terms of this Loan Agreement and the Indenture; provided, however, that any direct disbursements from the proceeds of the Bond which are made by means of wire transfer, shall be subject to the provisions of Section 4.7 below. Disbursements hereunder may be made by Bondowner Representative upon the written request of either Tara Barauskas, Director of Housing, or Dora Leong Gallo, Chief Executive Officer, acting alone, who has been authorized by Borrower to request such disbursements, until such time as written notice of Borrower's revocation of such authority is received by Bondowner Representative at the address shown in Exhibit D. As additional security for Borrower's performance under the Loan Documents, Borrower hereby irrevocably pledges and assigns to Bondowner Representative all monies at any time deposited in the Account.

4.4 BORROWER'S FUNDS ACCOUNT, PLEDGE AND ASSIGNMENT. Except as otherwise provided in this Loan Agreement, all of Borrower's Funds which are deposited with Bondowner Representative by Borrower prior to the Conversion Date as shown in Exhibit C, or any other provision of the Loan Documents, shall be placed in Borrower's Funds Account with, and controlled by, Bondowner Representative for disbursement under this Loan Agreement. All Borrowers' Funds shall be disbursed prior to any Proceeds of the Bond funds being disbursed. As additional security for Borrower's performance under the Loan Documents, Borrower hereby irrevocably pledges and assigns to Bondowner Representative, and grants a security interest to Bondowner Representative in and to, all monies at any time deposited in Borrower's Funds Account.

4.5 FINANCIAL REQUIREMENTS ANALYSIS. Borrower shall apply proceeds of the Loan in accordance with the Financial Requirements Analysis attached hereto as Exhibit C. Promptly and in any event within ten (10) days after Borrower's discovery that the Financial Requirements Analysis does not accurately project the costs which have been and will be incurred in connection with development of the Project in accordance with the Plans and Specifications, Borrower shall notify Bondowner Representative of the discrepancy and shall submit to Bondowner Representative a revised budget of costs of development of the Project.

4.6 BALANCING. Borrower agrees to keep the Financial Requirements Analysis "in balance" at all times. The Financial Requirements Analysis is not "in balance" if any undisbursed principal of the Loan together with all sums, if any, to be provided by Borrower as shown in Exhibit C are not at all times equal to or greater than the amount which Bondowner Representative from time to time reasonably determines necessary to: (i) complete each line item category as contained on Exhibit C; (ii) pay, through completion, all costs of construction, operation and leasing of the Project in accordance with the Loan Documents; (iii) pay all sums which may become payable under the Loan Documents and Other Related Documents; and (iv) enable Borrower to perform and satisfy all of the covenants of Borrower contained in the Loan Documents. If Bondowner Representative reasonably determines at any time that the Financial Requirements Analysis is not "in balance", Borrower shall provide the amount of such deficiency to Bondowner Representative for deposit into Borrower's Funds Account.

4.7 FUNDS TRANSFER DISBURSEMENTS. Borrower hereby authorizes Bondowner Representative to disburse the proceeds of any Loan(s) made by Bondowner Representative or its affiliate pursuant to the Loan Documents as requested by an authorized representative of Borrower to any of the accounts designated in Exhibit F. Borrower agrees to be bound by any transfer request: (i) authorized or transmitted by Borrower; or, (ii) made in Borrower's name and accepted by Bondowner Representative in good faith and in compliance with these transfer instructions, even if not properly authorized by Borrower. Borrower further agrees and acknowledges that Bondowner Representative may rely solely on any bank routing number or identifying bank account number or name provided by Borrower to effect a wire or funds transfer even if the information provided by Borrower identifies a different bank or account holder than named by Borrower. Bondowner Representative is not obligated or required in any way to take any actions to detect errors in information provided by Borrower. If Bondowner Representative takes any actions in an attempt to detect errors in the transmission or content of transfer or requests or takes any actions in an attempt to detect unauthorized funds transfer requests, Borrower agrees that no matter how many times Bondowner Representative takes these actions Bondowner Representative will not in any situation be liable for failing to take or correctly perform these actions in the future and such actions shall not become any part of the transfer disbursement procedures authorized under this provision, the Loan Documents, or any agreement between Bondowner Representative and Borrower. Borrower agrees to notify Bondowner Representative of any errors in the transfer of any funds or of any unauthorized or improperly authorized transfer requests within fourteen (14) days after Bondowner Representative's confirmation to Borrower of such transfer.

Bondowner Representative will, in its sole discretion, determine the funds transfer system and the means by which each transfer will be made. Bondowner Representative may delay or refuse to accept a funds transfer request if the transfer would: (i) violate the terms of this authorization; (ii) require use of a bank unacceptable to Bondowner Representative or prohibited by government authority; (iii) cause Bondowner Representative to violate any Federal Reserve or other regulatory risk control program or guideline; or (iv) otherwise cause Bondowner Representative to violate any applicable law or regulation.

Bondowner Representative shall not be liable to Borrower or any other parties for (i) errors, acts or failures to act of others, including other entities, banks, communications carriers or clearinghouses, through which Borrower's transfers may be made or information received or transmitted, and no such entity shall be deemed an agent of Bondowner Representative; (ii) any loss, liability or delay caused by fires, earthquakes, wars, civil disturbances, power surges or failures, acts of government, labor disputes, failures in communications networks, legal constraints or other events beyond Bondowner Representative's control; or (iii) any special, consequential, indirect or punitive damages, whether or not (a) any claim for these damages is based on tort or contract or (b) Bondowner Representative or Borrower knew or should have known the likelihood of these damages in any situation. Bondowner Representative makes no representations or warranties other than those expressly made in this Loan Agreement.

Notwithstanding anything to the contrary herein, disbursements of Bond proceeds shall be made only through the Bond Trustee as required by the Indenture.

4.8 LOAN DISBURSEMENTS. Subject to the conditions set forth in Sections 4.1, 4.2 and 4.3, the proceeds of the Bond and Borrower's Funds shall be disbursed in accordance with the terms and conditions of Exhibit D. Disbursements made after the deposit of Borrower's Funds shall be made first from the Borrower's Funds Account until depleted, unless needed to qualify for the "50% bond test." Disbursements of proceeds of the Bond and Borrower's Funds shall be made, upon satisfaction or waiver of the conditions set forth in Sections 4.1, 4.2 and 4.3, into the applicable Account. All disbursements shall be held by Borrower in trust and applied by Borrower solely for the purposes for which the funds have been disbursed. Bondowner Representative has no obligation to monitor or determine Borrower's use or application of the disbursements.

4.9 CONDITIONS TO THE OBLIGATIONS OF THE ISSUER. The obligations of the Issuer to issue and deliver the Bond on the Closing Date shall be subject, at the option of the Issuer, to the performance by Bondowner Representative and Borrower of their respective obligations to be performed hereunder and under the Indenture at or prior to the Closing Date and to the following additional conditions:

(a) Each of the Indenture, this Loan Agreement and the Regulatory Agreement shall have been executed by the parties thereto;

(b) No order, decree, injunction, ruling or regulation of any court, regulatory agency public board or body shall have been issued, nor shall any legislation have been enacted, with the purpose or effect, directly or indirectly of prohibiting the offering, sale or issuance of the Bond as contemplated in the Indenture herein; and

(c) The conditions precedent set forth in Sections 4.1 and 4.3 hereof shall have been satisfied.

ARTICLE 5. CONSTRUCTION

5.1 COMMENCEMENT AND COMPLETION OF CONSTRUCTION.

(a) Borrower shall commence construction of the Improvements within thirty (30) days after Closing and shall complete construction of the Improvements on or before the Completion Date.

5.2 FORCE MAJEURE. The time within which construction of the Improvements must be completed shall be extended for a period of time equal to the period of any delay directly affecting construction which is caused by fire, earthquake or other acts of God, strike, lockout, acts of public enemy, riot, insurrection, or governmental regulation of the sale or transportation of materials, supplies or labor; provided, however, that Borrower shall furnish Bondowner Representative with written notice satisfactory to Bondowner Representative evidencing any such delay within ten (10) days from the occurrence of any such delay. In no event shall the time for completion of the Improvements be extended beyond the earlier of the Original Maturity Date or more than sixty (60) days beyond the Completion Date without the prior written consent of Bondowner Representative.

5.3 CONSTRUCTION AGREEMENT. Borrower and Contractor have entered into the Construction Agreement pursuant to the terms and conditions of which Contractor is to rehabilitate the Improvements. Borrower shall require Contractor to perform in accordance with the terms of the Construction Agreement and shall not amend, modify or alter the responsibilities of Contractor under the Construction Agreement without Bondowner Representative's prior written consent. Borrower shall execute, upon Bondowner Representative's request, an assignment of Borrower's rights under the Construction Agreement to Bondowner Representative as security for Borrower's obligations under this Loan Agreement and the other Loan Documents and shall cause the Contractor to consent to any such assignment.

5.4 ARCHITECT'S AGREEMENT. Borrower and Architect have entered into the Architect's Agreement pursuant to which Architect is to design the construction of the Improvements. Borrower shall require Architect to perform in accordance with the terms of the Architect's Agreement and shall not amend, modify or alter the responsibilities of Architect under the Architect's Agreement without Bondowner Representative's prior written consent. Upon Bondowner Representative's request, Borrower shall execute an assignment of the Architect's Agreement and the Plans and Specifications to Bondowner Representative as additional security for Borrower's performance under this Loan Agreement and the other Loan Documents and shall cause the Architect to consent to any such assignment.

5.5 PLANS AND SPECIFICATIONS.

(a) Changes; Bondowner Representative Consent. Except as otherwise provided in this Loan Agreement, Borrower shall not make any changes in the Plans and Specifications without Bondowner Representative's prior written consent if such change: (i) constitutes a material change in the building material or equipment specifications, or in the architectural or structural design, value or quality of any of the Improvements; (ii) would result in an increase of construction costs in excess of Twenty-Five Thousand and No/100th Dollars (\$25,000) for any single change or in excess of Fifty Thousand and No/100th Dollars (\$50,000) for all such changes; or (iii) would adversely affect the structural integrity, quality of building materials, or overall efficiency of operating systems of the Improvements. Without limiting the above, Bondowner Representative agrees that Borrower may make minor changes in the Plans and Specifications without Bondowner Representative's prior written consent, provided that such changes do not violate any of the conditions specified herein. Borrower shall at all times maintain, for inspection by Bondowner Representative, a full set of working drawings of the Improvements.

(b) Changes; Submission Requirements. Borrower shall submit any proposed change in the Plans and Specifications to Bondowner Representative at least ten (10) days prior to the commencement of construction relating to such proposed change whether or not such change is subject to Bondowner Representative's consent. Requests for any change which requires consent shall be accompanied by working drawings and a written description of the proposed change, submitted on a change order form acceptable to Bondowner Representative, signed by Borrower and, if required by Bondowner Representative, also by the Architect and the Contractor. At its option, Bondowner Representative may require Borrower to provide: (i) evidence satisfactory to Bondowner Representative of the cost and time necessary to complete the proposed change; (ii) a deposit in the amount of any increased costs into Borrower's Funds Account; and (iii) a complete set of "as built" Plans and Specifications for the completed Improvements.

(c) Consent Process. Borrower acknowledges that Bondowner Representative's review of any changes and required consent may result in delays in construction and hereby consents to any such reasonable delays.

(d) Final Plans and Specifications. Upon completion of the Improvements, Borrower shall deliver to Bondowner Representative within ten (10) days a set of final Plans and Specifications.

5.6 CONTRACTOR/CONSTRUCTION INFORMATION. Within ten (10) days of Bondowner Representative's written request, Borrower shall deliver to Bondowner Representative from time to time in a form acceptable to Bondowner Representative: (a) a list detailing the name, address and phone number of each contractor, subcontractor and material supplier to be employed or used for the construction of the Improvements together with the dollar amount, including changes, if any, of each contract and subcontract, and the portion thereof, if any, paid through the date of such list; (b) copies of each contract and subcontract identified in such list, including any changes thereto; (c) a cost breakdown of the projected total cost of constructing the Improvements, and that portion, if any, of each cost item which has been incurred; and (d) a construction progress schedule detailing the progress of construction

and the projected sequencing and completion time for uncompleted work, all as of the date of such schedule.

Borrower agrees that Bondowner Representative may disapprove any contractor, subcontractor or material supplier which, in Bondowner Representative's good faith determination, is deemed financially or otherwise unqualified; provided, however, that the absence of any such disapproval shall not constitute a warranty or representation of qualification by Bondowner Representative. Bondowner Representative may contact any such contractor, subcontractor or material supplier to discuss the course of construction.

5.7 PROHIBITED CONTRACTS. Without Bondowner Representative's prior written consent, Borrower shall not contract for any materials, furnishings, equipment, fixtures or other parts or components of the Improvements, if any third party shall retain any ownership interest (other than lien rights created by operation of law) in such items after their delivery to the Property and Improvements. Borrower shall have five (5) days to effect the removal of any such retained interest.

5.8 LIENS AND STOP NOTICES. If a claim of lien is recorded which affects the Property or Improvements or a bonded stop notice is served upon Issuer, Bond Trustee or Bondowner Representative, Borrower shall, within twenty (20) calendar days of such recording or service or within five (5) calendar days of Bondowner Representative's demand, whichever occurs first: (a) pay and discharge the claim of lien or bonded stop notice; (b) effect the release thereof by recording or delivering to Bondowner Representative a surety bond in sufficient form and amount; or (c) provide Issuer, Bond Trustee and Bondowner Representative with other assurances which Issuer or Bondowner Representative deems, in its sole discretion, to be satisfactory for the payment of such claim of lien or bonded stop notice and for the full and continuous protection of Issuer, Bond Trustee and Bondowner Representative from the effect of such lien or bonded stop notice. Borrower shall promptly pay or otherwise discharge all taxes, claims and liens for labor done, and for materials and services furnished, which may affect the Property. Borrower shall keep the Property free of all liens, claims, charges or encumbrances. Borrower shall have the right to contest in good faith any taxes, claim or lien by appropriate proceedings on the terms and conditions set forth in the Deed of Trust (including, but not limited to, Borrower providing a bond or other security in sufficient form or amount as determined by Bondowner Representative, in its sole discretion).

5.9 CONSTRUCTION RESPONSIBILITIES. Borrower shall construct the Improvements in a workmanlike manner according to the Plans and Specifications and the recommendations of any soils or engineering report approved by Bondowner Representative. Borrower shall comply with all applicable laws, ordinances, rules, regulations, building restrictions, recorded covenants and restrictions, and requirements of all regulatory authorities having jurisdiction over the Property or Improvements. Borrower shall be solely responsible for all aspects of Borrower's business and conduct in connection with the Property and Improvements, including, without limitation, for the quality and suitability of the Plans and Specifications and their compliance with all governmental requirements, the supervision of the work of construction, the qualifications, financial condition and performance of all architects, engineers, contractors, material suppliers, consultants and property managers, and the accuracy of all applications for payment and the proper application of all disbursements. Neither Issuer, Bond Trustee nor Bondowner Representative is obligated to supervise, inspect or inform Borrower or any third party of any aspect of the construction of the Improvements or any other matter referred to above.

5.10 ASSESSMENTS AND COMMUNITY FACILITIES DISTRICTS. Without Bondowner Representative's prior written consent, Borrower shall not cause to become effective or otherwise consent to the formation of any assessment district or community facilities district which includes all or any part of the Property and Project pursuant to: (a) the Mello-Roos Community Facilities act of 1982; (b) the Municipal Improvement Act of 1913; or (c) any other comparable or similar statute or regulation. Borrower shall not cause or otherwise consent to the levying of special taxes or assessments against the Property and Project by any such assessment district or community facilities district.

5.11 DELAY. Borrower shall promptly notify Bondowner Representative in writing of any event causing more than a five (5) day delay or interruption of construction, or the timely completion of

construction. The notice shall specify the particular work delayed, and the cause and period of each delay.

5.12 INSPECTIONS. Bondowner Representative shall have the right to enter upon the Property at all reasonable times and upon reasonable notice to inspect the Project and the construction work and to verify information disclosed or required pursuant to this Loan Agreement. If Bondowner Representative in its reasonable judgment determines that any work or materials fail to conform to the approved Plans and Specifications or sound building practices, or that they otherwise depart from any of the requirements of this Loan Agreement, Bondowner Representative may require the work to be stopped and withhold its consent to further disbursements of proceeds of the Loan and Borrower's Funds until the matter is corrected. If this occurs, Borrower must correct the work to Bondowner Representative's reasonable satisfaction promptly and, at Bondowner Representative's request, halt all other work pending completion of such corrective work. No such action by Bondowner Representative will affect Borrower's obligation to complete the Project in substantial conformity with the Plans and Specifications on or before the Completion Date. Bondowner Representative has no duty to visit Project site, to supervise or observe construction activities or to examine any books or records. Any site visit, observation or examination by Bondowner Representative is solely for the purpose of protecting Bondowner Representative's rights and interests, and may not be relied upon by Borrower or by any third party as a representation or warranty of compliance with this Loan Agreement or any other agreement. No site visit, observation or examination by Bondowner Representative will impose any liability on Bondowner Representative with respect to the adequacy of the design or construction of the Project or result in a waiver of any default of Borrower or be a representation that Borrower is or will be in compliance with the Plans and Specifications, that the construction is free from defective materials or workmanship, or that the construction complies with all applicable Requirements. Neither Borrower nor any other party is entitled to rely on any site visit, observation or examination by Bondowner Representative. Bondowner Representative owes no duty of care to protect Borrower or any other party against, or to inform Borrower or any other party of, any negligent or defective design or construction of the Project or any other adverse condition affecting the Property.

5.13 SURVEY. Upon Bondowner Representative's written request, Borrower shall promptly deliver to Bondowner Representative: (a) a perimeter survey of the Property; (b) upon completion of the foundations of the Improvements, a survey showing the location of the Improvements on the Property and confirming that the Improvements are located entirely within the Property and do not encroach upon any easement, or breach or violate any governmental requirement; and (c) upon completion of the Improvements, an as-built survey acceptable to a title insurer for purposes of issuing an ALTA policy of title insurance. All such surveys shall be performed and certified by a licensed engineer or surveyor acceptable to the title insurer.

5.14 PAYMENT AND PERFORMANCE BONDS. Borrower shall thereafter maintain in effect, at all times prior to completion of the Project, the dual obligee performance and labor and material payment bonds required pursuant to Section 4.1(i). If requested by Bondowner Representative, Borrower shall record said bond and shall file the Plans and Specifications and the Construction Agreement, if any, in the Official Records of the County.

5.15 PROJECT, TITLE, OPERATION AND MAINTENANCE.

(a) The Issuer shall not be under any obligation to operate, maintain or repair the Property. Borrower agrees that it will, at its own expense, (a) keep the Property in safe repair and in such operating condition as is needed for its operations; (b) make all necessary repairs and replacements to the Property (whether ordinary or extraordinary, structural or nonstructural); (c) subject to the restrictions imposed by the Regulatory Agreement, operate the Project in a sound and economic manner in accordance with usual business practice; (d) operate the Project in compliance with all applicable laws, codes, environmental laws, zoning laws, the ADA (to the extent applicable) and laws regulating construction, occupancy or maintenance of property of a character included in the Project; and (e) comply with all existing and future laws, regulations, orders, building codes and restrictions and requirements of, and all permits and approvals from,

and agreements with and commitments to, all governmental, judicial or legal authorities having jurisdiction over the Property or Borrower's business, conducted thereon or therefrom and with all restrictive covenants and other title encumbrances encumbering the Property, including without limitation those contained in the Regulatory Agreement (all collectively, the "**Requirements**").

(b) Borrower shall pay all expenses of the operation and maintenance of the Project including, but without limitation, adequate insurance thereon and insurance against all liability for injury to persons or property arising from the operation thereof, and all taxes and special assessments levied upon or with respect to the Project and payable during the term of this Loan Agreement, all in conformance with and subject to any good faith contest provisions provided in the Deed of Trust.

(c) In the event Borrower shall fail to maintain, or cause to be maintained, the full insurance coverage required by this Loan Agreement or shall fail to keep the Project in good repair and good operating condition and make all necessary repairs and replacements to the Project, Bondowner Representative may, after providing Borrower with reasonable notice and the opportunity to remedy the problem(s) identified by Bondowner Representative, but shall be under no obligation to, contract for the required policies of insurance and pay the premiums on the same or make any required repairs, renewals and replacements; and Borrower agrees to reimburse the Issuer or Bondowner Representative to the extent of the amounts so advanced, and in addition shall pay interest on any such amount at the Default Rate from the date such amount was advanced until the date such amount was repaid or reimbursed by Borrower.

(d) Borrower shall obtain or cause to be obtained all necessary permits and approvals for the operation and maintenance of the Project and shall comply with all applicable lawful requirements of any governmental body regarding the use or condition of the Project, whether existing or later enacted or whether involving any change in governmental policy or requiring structural or other changes to part or all of the Project and irrespective of the cost of making the same. Borrower must deliver copies of all such permits and approvals to Bondowner Representative promptly and in any event within twenty (20) days after receipt thereof.

(e) Notwithstanding the provisions of this Section 5.15, Borrower may in good faith contest the validity or the applicability of any law, ordinance, rule or regulation provided that during the period of such contest and any appeal therefrom, (i) such failure to comply with such requirement or requirements will not adversely affect the lien of the Deed of Trust or materially endanger such liens or the Project or any part thereof, (ii) will not subject the Project or any part thereof to loss or forfeiture and (iii) Borrower will post with Bondowner Representative, for the benefit of the Bondholders, cash, a bond or other reasonably acceptable security in an amount equal to 125% of the disputed amount.

(f) Borrower agrees not to permit or suffer others to commit a nuisance in or about the Property or themselves commit a nuisance in connection with their use or occupancy of the Property.

5.16 ADVANCES. Borrower acknowledges and agrees that under this Loan Agreement and certain of the other Loan Documents, the Bondholders, the Bond Trustee or Bondowner Representative may, but shall be under no obligation to, take certain action and make certain advances relating to the Project from certain funds held under the Indenture or otherwise, or to certain other matters as expressly provided therein, and Borrower shall be obligated to repay all such advances on demand with interest from the date such payment was originally advanced until repaid or reimbursed by Borrower at the Default Rate.

5.17 ALTERATIONS TO THE PROJECT AND REMOVAL OF EQUIPMENT. After completion of construction in accordance with the Plans and Specifications, subject to Section 5.5(a), Borrower shall not, without the reasonable consent of Bondowner Representative, remodel or make any additions, modifications, alterations, or changes to the Project (collectively referred to as "**alterations**") in

or to the Project or remove any equipment therefrom other than in the ordinary course of business in the operation of the Project. Notwithstanding the provisions of the Deed of Trust, no such alteration or removal will be made if to do so would impair the character of the Project as a "project" within the meaning of the Law or the Act, or impair the exclusion of interest on the Bond from gross income for federal income tax purposes.

5.18 CONSTRUCTION SCHEDULE. If, based on any construction progress schedule or other materials submitted by Borrower, Bondowner Representative in its reasonable judgment determines that the Project will not be completed by the Completion Date, Bondowner Representative may request Borrower in writing to reschedule the work of construction to permit timely completion. In addition, if Bondowner Representative in its reasonable judgment determines that any building constituting the Project will not be "placed in service" (within the meaning of Section 42 of the Code) by the Completion Date, Bondowner Representative may request Borrower in writing to reschedule the work of construction. Within fifteen (15) days after receiving such a request from Bondowner Representative, Borrower must deliver to Bondowner Representative a revised construction progress schedule showing completion of the Project by the Completion Date. As a condition to any agreement to extend the Completion Date, Bondowner Representative may require Borrower to confirm by evidence satisfactory to Bondowner Representative that such extension will not have any adverse effect upon the availability of the LIHTC for the Project.

5.19 PRESERVATION OF RIGHTS. Borrower must obtain, preserve and maintain in good standing, as applicable, all rights, privileges and franchises necessary or desirable for the operation of the Property and the conduct of Borrower's business thereon or therefrom.

5.20 MAINTENANCE AND REPAIR. Borrower must (i) maintain the Property, including the parking and landscaping portions thereof, in good condition and repair, reasonable wear and tear excepted, (ii) promptly make all necessary structural and non-structural repairs to the Project (or cause tenants under any leases to perform such obligation), and (iii) not erect any new buildings, structures or building additions on the Property, without the prior written consent of Bondowner Representative. Borrower must pay when due all claims for labor performed and materials furnished therefor in connection with any improvement or construction activities.

5.21 PERFORMANCE OF ACTS. Borrower must perform, upon Bondowner Representative's request, all acts necessary to perfect any lien or security interest provided for in the Loan Documents.

5.22 MANAGEMENT AGREEMENT. Bondowner Representative must review and approve any agreement providing for the management or operation of the Property, including any material modifications or amendments thereto before Borrower can enter into such agreement, provided, however, the approval of Bondowner Representative shall not be required for the renewal of any such agreement.

ARTICLE 6. [Reserved]

ARTICLE 7. INSURANCE

Borrower shall, while any obligation of Borrower or any Guarantor under any Loan Document remains outstanding, maintain at Borrower's sole expense, with licensed insurers approved by Bondowner Representative, the following policies of insurance in form and substance satisfactory to Bondowner Representative. Capitalized terms used in this Article shall have the same meaning as such terms are commonly and presently defined in the insurance industry.

7.1 TITLE INSURANCE. A Title Policy, together with any endorsements which Bondowner Representative may require, insuring Bond Trustee, in the principal amount of the Loan, of the validity

and the priority of the lien of the Deed of Trust upon the Property, subject only to matters approved by Bondowner Representative in writing. During the term of the Loan, Borrower shall cause to be delivered to Bondowner Representative, within five (5) days of Bondowner Representative's written request, such other endorsements to the Title Policy as Bondowner Representative may require, including without limitation, a lien-free endorsement in form and content satisfactory to Bondowner Representative upon completion of the construction of the Improvements. Upon the request of Bondowner Representative, or its successors or assigns, Borrower shall provide a valid recorded Notice of Completion evidencing that the Improvements are 100% complete, Bondowner Representative shall have received a lien free endorsement in form and content satisfactory to Bondowner Representative to be attached to the Title Policy, and an LP-10 Rewrite to the Title Policy in form and content satisfactory to Bondowner Representative, or its successors or assigns.

7.2 PROPERTY INSURANCE.

(a) A Builders All Risk/ Special Form Completed Value (Non-Reporting Form) Hazard Insurance policy, including without limitation, theft coverage and such other coverages and endorsements as Bondowner Representative may require, insuring Bondowner Representative against damage to the Property and Improvements in an amount not less than 100% of the full replacement cost at the time of completion of the Improvements. Such coverage should adequately insure any and all Loan collateral, whether such collateral is onsite, stored offsite or otherwise. Bond Trustee shall be named on the policy as Mortgagee and named under a Bondowner Representative's Loss Payable Endorsement (form #438BFU or equivalent).

7.3 FLOOD HAZARD INSURANCE. A policy of flood insurance, as required by applicable governmental regulations, or as deemed necessary by Bondowner Representative, in an amount required by Bondowner Representative, but in no event less than the amount sufficient to meet the requirements of applicable law and governmental regulation.

7.4 LIABILITY INSURANCE. A policy of Commercial General Liability insurance on an occurrence basis, with coverages and limits as required by Bondowner Representative, insuring against liability for injury and/or death to any person and/or damage to any property occurring on the Property and/or in the Improvements. During the period of any construction, Borrower may cause its contractors and/or subcontractors to maintain in full force and effect any or all of the liability insurance required hereunder. Bondowner Representative may require that Borrower be named as an additional insured on any such policy. Whether Borrower employs a general contractor or performs as owner-builder, Bondowner Representative may require that coverage include statutory workers' compensation insurance Bondowner maintains employees at any time during the term of this agreement as defined by section 3500 of the California Labor Code.

7.5 OTHER COVERAGE. Such other reasonable insurance in such reasonable amounts as Bondowner Representative may from time to time request against such other insurable hazards which at the time are commonly insured against for property similar to the subject Property located in or around the region in which the subject Property is located. Such coverage requirements may include but are not limited to coverage for earthquake, acts of terrorism, business income, rental loss, sink hole, soft costs, tenant improvement or environmental. Borrower hereby acknowledges that earthquake coverage will be required for the Property.

7.6 OTHER INSURANCE. If Bondowner Representative so requests, Borrower must provide such copy of worker's compensation insurance as may be required by applicable worker's compensation insurance laws (including employer's liability insurance, if required by Bondowner Representative), covering all employees of Borrower.

7.7 GENERAL.

(a) Borrower shall provide to Bondowner Representative the originals of all required insurance policies, or other evidence of insurance acceptable to Bondowner Representative. All

insurance policies shall provide that the insurance shall not be cancelled without ten (10) days prior written notice to Bondowner Representative of any cancellation for nonpayment of premiums and not less than 30 days prior written notice to Bondowner Representative of any other cancellation. Bondowner Representative shall be named under a Bondowner Representative's Loss Payable Endorsement (Form #438BFU or equivalent) on all insurance policies which Borrower actually maintains with respect to the Property and Improvements. All insurance policies shall be issued and maintained by insurers approved to do business in the state in which the Property is located and must have an A.M. Best Company financial rating and policyholder surplus acceptable to Bondowner Representative. All proceeds of insurance policies shall be controlled by Bondowner Representative and disbursed by Bondowner Representative pursuant to and in accordance with Section 5.6 of the Deed of Trust. Borrower shall provide to Bondowner Representative evidence of any other hazard insurance Bondowner Representative may deem necessary at any time during the Loan.

(b) Intentionally Omitted.

(c) Each policy of insurance required under the Loan Documents must provide that it may not be modified or canceled without at least thirty (30) days prior written notice to Bondowner Representative, ten (10) days for non-payment of premium. The Certificate of Insurance for each policy of insurance required hereunder shall show Bondowner Representative as a recipient of any notice of cancellation as follows: Wells Fargo Bank, Community Lending and Investment, MAC #E2064-075, 333 S. Grand Avenue, 7th Floor, Los Angeles, California 90071, Attention: Loan Administration Officer. At least ten (10) days before expiration of any required insurance policy, Borrower shall furnish Bondowner Representative with proof acceptable to Bondowner Representative that a new policy has been issued, continuing in force the insurance covered by the policy that is expiring. At the same time, Borrower shall also furnish Bondowner Representative with evidence satisfactory to Bondowner Representative that all premiums for any such new policy have been paid. If at least ten (10) days before a required policy expires, Bondowner Representative does not receive proof and evidence that a new policy has been issued and that the premiums for it have been paid, Bondowner Representative in its sole discretion may procure a new policy and advance funds to pay the premiums for it. Borrower shall repay Bondowner Representative immediately on demand for any advance for such premiums, which shall be considered to be an additional loan to Borrower bearing interest at the rate of interest provided for in the Note, and secured by the Loan Documents.

(d) Upon an Event of Default, whether or not the same has thereafter been cured or waived by Bondowner Representative, but for the lapse of any applicable grace period, Borrower shall, at the request of Bondowner Representative, deposit with Bondowner Representative, in monthly installments in advance on the first day of each month, an amount sufficient, as reasonably estimated by Bondowner Representative, to pay all insurance premiums next due on all policies of insurance required by this Loan Agreement or the other Loan Documents. In such event, Borrower further agrees, upon Bondowner Representative's request, to cause all bills, statements or other documents relating to the foregoing insurance premiums to be sent or mailed directly to Bondowner Representative. Upon receipt of such bills, statements or other documents, and provided Borrower has deposited sufficient funds with Bondowner Representative pursuant to this Section 8.7, Bondowner Representative shall pay such premiums as may be due thereunder out of the funds so deposited with Bondowner Representative. If at any time and for any reason the funds deposited with Bondowner Representative are or will be insufficient to pay such premiums as may then or subsequently be due, Bondowner Representative may notify Borrower and Borrower shall immediately deposit an amount equal to the deficiency with Bondowner Representative. If at any time the funds deposited with Bondowner Representative exceed the amount deemed necessary by Bondowner Representative to pay such premiums as may then or subsequently be due, such excess shall be credited to Borrower on the next monthly installment or installments of such funds. Upon payment and performance in full of the Loan all indebtedness and obligations under the Loan Documents, Bondowner Representative shall promptly refund to Borrower any such funds held by

Bondowner Representative. Nothing herein shall cause Bondowner Representative to be deemed a trustee of such funds or to be obligated to pay any amounts in excess of the amount of funds deposited with Bondowner Representative pursuant to this Section 8.7. Bondowner Representative may commingle such deposits with its own funds and Borrower shall not be entitled to any interest thereon.

ARTICLE 8. REPRESENTATIONS AND WARRANTIES

8.1 REPRESENTATIONS AND WARRANTIES OF THE ISSUER. The Issuer makes the following representations and warranties:

(a) The Issuer is a municipal corporation and charter city, and is authorized to issue the Bond to finance a portion of the cost of the Project pursuant to the Law and in accordance with Act.

(b) The Issuer has lawful power and authority under the Law and the Act to enter into this Loan Agreement and the Indenture and to carry out its obligations hereunder and under the Indenture. By proper action of its governing body, the Issuer has been duly authorized to execute and deliver this Loan Agreement, acting by and through its duly authorized officers. The Indenture and this Loan Agreement have been duly executed by the Issuer and, assuming due execution by all other parties thereto, each constitutes a valid, legal, binding and enforceable obligation of the Issuer (subject to bankruptcy, insolvency or creditors' rights laws, principles of equity and the limitations of remedies against governmental agencies within the State) without offset, defense or counterclaim. To the Issuer's knowledge, the execution, delivery and performance of the Indenture and this Loan Agreement by the Issuer will not violate any material provision of any law, regulation, order or decree of any governmental authority and all consents, approvals, authorizations, orders or filings of or with any State court or governmental agency or body, if any, required for the execution, delivery and performance of such documents by the Issuer have been obtained or made.

(c) To the Issuer's knowledge, the Issuer has not received notice of any pending or threatened action, suit or proceeding, arbitration or governmental investigation against the Issuer, an adverse outcome of which would materially affect the Issuer's performance under the Indenture and this Loan Agreement.

(d) To the Issuer's knowledge, the execution, delivery and performance of the Indenture and this Loan Agreement by the Issuer will not cause or constitute a material default under or materially conflict with its organizational documents or other agreements to which it is a party or otherwise materially adversely affect performance of the duties of the Issuer under such organizational documents or other agreements.

8.2 REPRESENTATIONS AND WARRANTIES OF THE BORROWER. As a material inducement to Bondowner Representative's entry into this Loan Agreement and Issuer's issuance of the Bond, Borrower represents and warrants to Bondowner Representative and Issuer as of the Effective Date and continuing thereafter that:

(a) Organization Of Borrower And General Partner. Borrower is and shall at all times hereafter be a limited partnership duly organized and validly existing under the laws of the State of California and is and at all times hereafter shall be qualified and licensed to do business, and is in good standing, in any state in which it conducts its business or in which the failure to qualify could have a material adverse effect on the condition, financial or otherwise, business, Property or results of operations of Borrower. General Partner is and shall at all times be a corporation or limited liability company, duly organized and validly existing under the laws of the state of its formation, and is and at all times shall be qualified and licensed to do business, and is in good standing, in any state in which it conducts its business or in which the failure to qualify

could have a material adverse effect on the condition, financial or otherwise, of its business or the Property.

(b) Enforceability. Borrower is in compliance with all laws and regulations applicable to its organization, existence and transaction of business and has all necessary rights and powers to own, develop and operate the Property and Improvements as contemplated by the Loan Documents.

(c) Requisite Power. Borrower has all requisite partnership power to borrow the sums provided for under the Loan and under this Loan Agreement, and has all requisite power to execute, deliver, issue and perform this Loan Agreement and all other Loan Documents to which it is a party and to consummate the transactions hereunder and thereunder. General Partner has all requisite power to act on its own behalf and as Borrower's general partner in connection with its and Borrower's execution, delivery and performance of this Loan Agreement, the other Loan Documents and any and all other documents executed in connection herewith or therewith to which it or Borrower is a party, and the consummation of the transactions hereunder or thereunder.

(d) Formation And Organizational Documents. Borrower has delivered to Bondowner Representative all formation and organizational documents of Borrower, of the general partner, joint venturers or members of Borrower, if any, and Guarantor of the Loan, if any, and all such formation and organizational documents remain in full force and effect and have not been amended or modified since they were delivered to Bondowner Representative. Borrower shall immediately provide Bondowner Representative with copies of any amendments or modifications of the formation or organizational documents.

(e) Authorization. All partnership actions on the part of Borrower or all corporate, limited liability company and/or partnership actions on behalf of the General Partner necessary for the authorization, execution, delivery and performance of this Loan Agreement, the other Loan Documents and any and all other documents executed in connection herewith or therewith, has been duly taken and is in full force and effect. All corporate or limited liability company actions on the part of the General Partner, acting on its own behalf and as Borrower's general partner necessary for the authorization, execution, delivery and performance of this Loan Agreement, the other Loan Documents or any other document executed in connection herewith or therewith to which it or Borrower is a party has been duly taken and is in full force and effect. In addition, each authorized officer or partner executing this Loan Agreement, the other Loan Documents or any other document executed in connection herewith or therewith, is (as of the date of such execution) duly and properly in office and fully authorized to execute and deliver the same on behalf of the General Partner, acting on its own behalf and as Borrower's general partner.

(f) Binding Obligations. This Loan Agreement, the other Loan Documents and any and all other documents executed in connection herewith or therewith to which either Borrower or the General Partner is a party have been duly executed and delivered and are the legal, valid and binding obligations of Borrower and General Partner (as the case may be), enforceable in accordance with their respective terms, except as limited by applicable bankruptcy, reorganization, insolvency or similar laws affecting the enforcement of creditor's rights generally and by general principles of equity.

(g) No Violation. Borrower's and General Partner's execution, delivery, and performance under the Loan Documents do not: (a) require any consent or approval not heretofore obtained under any partnership agreement, operating agreement, articles of incorporation, bylaws or other document; (b) violate any governmental requirement applicable to the Property and Improvements or any other statute, law, regulation or ordinance or any order or ruling of any court or governmental entity; (c) conflict with, or constitute a breach or default of, or permit the acceleration of obligations under any agreement, contract, lease, or other document by which Borrower or General Partner is or the Property and Improvements are bound or regulated;

or (d) violate any statute, law, regulation or ordinance, or any order of any court or governmental entity.

(h) No Conflict. The execution and delivery of the Loan Documents, the consummation of the transactions therein contemplated and the fulfillment of or compliance with the terms and conditions thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the partnership agreement of the Borrower or to the best knowledge of the Borrower and with respect to the Borrower, any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Borrower is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Loan Documents, or the financial condition, assets, properties or operations of the Borrower.

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

(j) Compliance With Laws. Borrower has and at all times shall have obtained all permits, licenses, exemptions, and approvals necessary to construct, occupy, operate and market the Property and Improvements, and shall maintain compliance with all governmental requirements applicable to the Property and Improvements and all other applicable statutes, laws, regulations and ordinances necessary for the transaction of its business, including without limitation all laws and regulations with respect to the creation, continued effectiveness and availability of LIHTCs. The Property is a legal parcel lawfully created in full compliance with all subdivision laws and ordinances. Borrower and General Partner are in compliance in all material respects with all applicable laws, rules, regulations and ordinances.

(k) Litigation. Except as disclosed to Bondowner Representative and Issuer in writing, 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 or any General Partner, after reasonable investigation, threatened, against or affecting the Borrower or any General Partner 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 the Loan Documents or upon the financial condition, assets, properties or operations of the Borrower or any General Partner and the Borrower or any General Partner 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 the 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 or any General Partner 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 or any General Partner 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 or any General Partner enjoys the peaceful and undisturbed possession of all of the premises upon which it is operating its facilities.

(l) Financial Condition. All financial statements and information heretofore and hereafter delivered to Bondowner Representative by Borrower, including, without limitation, information relating to the financial condition of Borrower, the Property, the Improvements, the partners, joint venturers or members of Borrower, and/or any Guarantor, fairly and accurately represent the financial condition of the subject thereof as of the date hereof and have been prepared (except as noted therein) in accordance with generally accepted accounting principles consistently applied. Borrower acknowledges and agrees that Bondowner Representative may request and obtain additional information from third parties regarding any of the above, including, without limitation, credit reports.

(m) No Material Misrepresentation. No written information, exhibit or report furnished to the Issuer by the Borrower in connection with the negotiation of the 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.

(n) No Material Adverse Change. There has been no material adverse change in the financial condition of Borrower and/or any Guarantor since the dates of the latest financial statements furnished to Bondowner Representative and, except as otherwise disclosed to Bondowner Representative in writing, Borrower has not entered into any material transaction which is not disclosed in such financial statements.

(o) Loan Proceeds and Adequacy. The undisbursed Loan proceeds, together with Borrower's Funds, the Subordinate Loan proceeds, the Capital Contributions and all other sums, if any, to be provided by Borrower as shown in Exhibit C, are sufficient to acquire and rehabilitate the Improvements in accordance with the terms and conditions of this Loan Agreement.

(p) Accuracy. All reports, documents, instruments, information and forms of evidence delivered to Bondowner Representative by Borrower concerning the Loan or security for the Loan or required by the Loan Documents are accurate, correct and sufficiently complete to give Bondowner Representative true and accurate knowledge of their subject matter, and do not contain any misrepresentation or omission.

(q) Tax Liability. Borrower and General Partner have filed all required federal, state, county and municipal tax returns and has paid all taxes and assessments owed and payable, and Borrower has no knowledge of any basis for any additional payment with respect to any such taxes and assessments.

(r) Utilities. All utility services, including, without limitation, gas, water, sewage, electrical and telephone, necessary for the construction and occupancy of the Property and Improvements are available at or within the boundaries of the Property, or Borrower has taken all steps necessary to assure that all such services will be available upon completion of the Improvements. Borrower shall pay when due all utility assessments and charges for gas, electricity, fuel, water, steam, sewer, drainage, refuse disposal, telephone and other services furnished to or for the benefit of the Property and all other assessments or charges of a similar nature, whether public or private, affecting the Property or any portion thereof, whether or not such assessments or charges are liens on the Property.

(s) Compliance. Borrower is familiar with and in compliance with all governmental requirements for the construction of the Improvements and will conform to and comply with all governmental requirements and the Plans and Specifications.

(t) Americans With Disabilities Act Compliance. The Improvements shall be rehabilitated and completed, and thereafter maintained, in strict accordance and full compliance with any applicable requirements of the Americans with Disabilities Act, of July 26, 1990, Pub. L. No. 101 336, 104 Stat. 327, 42 U.S.C. § 12101, et seq., as amended from time to time. Borrower shall be responsible for all ADA compliance costs. 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"). 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. Borrower will not discriminate against persons with disabilities nor against persons due to their relationship to or association with a person with a disability. Any subcontract entered into by Borrower, relating to this Loan Agreement, to the extent allowed hereunder, shall be subject to the provisions of this Section 8.2.

(u) LIHTC. Borrower has received a Tax-Exempt Reservation Letter dated May 20, 2015 (the "**Preliminary Reservation Letter**"), and Borrower is entitled to a LIHTC allocation for the Improvements from TCAC. The LIHTC allocation as set forth in said Preliminary Reservation Letter is for Federal LIHTCs in the minimum amount of Six Hundred Seventy-Seven Thousand Four Hundred Seventy-Five and No/100th Dollars (\$677,475) annually for each of ten (10) years. Borrower shall completely and in a timely manner perform all actions and meet all requirements to maintain and perfect the reservations and LIHTC allocation, including, without limitation, timely furnishing to the TCAC of all of the items required to be furnished to it no later than such date as required by TCAC in order to prevent the expiration of the reservation and allocation. If Bondowner Representative determines, in its sole and absolute discretion, that Borrower will not meet the TCAC requirements as set forth in the Preliminary Reservation Letter, Borrower hereby agrees to reapply for the next available allocation of LIHTCs within all timelines and requirements as established by TCAC. Failure to do so is a Default pursuant to Section 13.1 herein. Borrower shall submit to Bondowner Representative, immediately upon receipt, until the Loan has been paid in full, a copy of all written communication to or from TCAC or any other governmental authority relating to the Improvements or the LIHTC. Borrower has delivered to Bondowner Representative copies of any Annual Owner Certification or Final Cost Certification prepared by Borrower for TCAC (and, if an audit thereof uncovers deficiencies, any evidence provided to TCAC of the cure of such deficiencies), any other reporting Borrower provides to TCAC in connection with compliance with the Requirements and Internal Revenue Forms 8586 and 8609, to the extent issued.

(v) Business Loan. The Loan is a business loan transaction in the stated amount solely for the purpose of carrying on the business of Borrower and none of the proceeds of the Loan will be used for the personal, family or agricultural purposes of Borrower.

(w) Capital Contribution. The Investor Limited Partner will be required to make Capital Contributions to the Borrower in exchange for Investor Limited Partner's limited partnership interest in the Borrower and, subject to and in accordance with the terms and conditions of the Partnership Agreement, Investor Limited Partner will make an Initial Capital Contribution in the amount of not less than \$ _____ and total Capital Contributions in the amounts set forth in Section 1.1.

(x) Tax Shelter Regulations. Neither Borrower, any Guarantor, nor any subsidiary of any of the foregoing intends to treat the Loan or the transactions contemplated by this Loan Agreement and the other Loan Documents as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4). If Borrower or any other party to the Loan determines to take any action inconsistent with such intention, Borrower will promptly notify Bondowner Representative thereof. If Borrower so notifies Bondowner Representative, Borrower acknowledges that Bondowner Representative may treat the Loan as part of a transaction that is subject to Treasury Regulation Section 301.6112-1, and Bondowner Representative will maintain

the lists and other records, including the identity of the applicable party to the Loan as required by such Treasury Regulation.

(y) Borrower Not A "Foreign Person". Borrower is not a "foreign person" within the meaning of Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended from time to time.

(z) Full Disclosure. This Loan Agreement and the financial information delivered in connection herewith and therewith, and the representations and warranties of Borrower or any member or General Partner herein and in any other document delivered or to be delivered by or on behalf of Borrower or any member or General Partner, do not and will not contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein, in light of the circumstances under which they were made, not misleading. To the best knowledge of Borrower, after diligent inquiry and investigation, there is no material fact which Borrower has not disclosed to Bondowner Representative in writing which materially and adversely affect the assets, business, prospects, profits or condition (financial or otherwise) of Borrower, the rights of Bondowner Representative, the ability of Borrower to perform this Loan Agreement and the Loan Documents.

(aa) Bond-Related Representations.

- (i) Other than the Bond, no other obligations have been or are expected to be issued under Section 103 of the Code for sale at substantially the same time as the Bond is sold pursuant to a common plan of marketing and at substantially the same rate of interest as the Bond and which are payable in whole or part by Borrower or otherwise have with the Bond any common or pooled security for the payment of debt service thereon, or which are otherwise treated as the same "issue of obligations" as the Bond as described in Revenue Ruling No. 81 216.
- (ii) Borrower is not in the trade or business of selling properties such as the Project and has acquired the Project for investment purposes only or otherwise for use by Borrower in its trade or business. Therefore Borrower has no present intention to voluntarily sell, surrender or otherwise transfer, in whole or part, its interest in the Project in the foreseeable future, other than in connection with the purchase option granted to General Partner in the Partnership Agreement.
- (iii) Borrower has reviewed and approved the provisions of the Indenture.
- (iv) To the best of Borrower's knowledge, no member of the governing body of the Issuer or any other officer of the Issuer has any significant or conflicting interest, financial, employment or otherwise, in Borrower, the Project or the transactions contemplated hereby.
- (v) The covenants, representations and warranties of Borrower in the Regulatory Agreement are true and correct as of the date hereof and are incorporated herein by reference and made a part of this Loan Agreement.
- (vi) Borrower has not entered into the transaction evidenced hereby with the actual intent to hinder, delay or defraud any creditor and Borrower has received reasonably equivalent value in exchange for its obligations hereunder and under the Deed of Trust and the Regulatory Agreement.

- (vii) Borrower has no known material contingent liabilities except as created by the Partnership Agreement.
- (viii) Borrower has no material financial obligation under any Indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which Borrower is a party or by which Borrower or the Project are otherwise bound, other than (a) obligations under this Loan Agreement and the other Loan Documents to which Borrower is a party; (b) the Subordinate Loan Documents; and (c) obligations which may be incurred by Borrower from time to time in the ordinary course of business.
- (ix) Borrower has not borrowed or received other debt financing that has not been heretofore repaid in full.
- (x) Borrower is not (a) an "investment company" or a company "controlled by an investment company" within the meaning of the Investment Company Act of 1940, as amended; (b) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended; or (c) subject to any other federal or state law or regulation which purports to restrict its ability to borrow money other than Article 15 of the California State Constitution.
- (xi) Except as disclosed in the Title Policy, there are no pending or, to the knowledge of Borrower, proposed special or other assessments for public improvements affecting the Project, nor, to the knowledge of Borrower, are there any contemplated improvements to the Property that may result in such special or other assessments.
- (xii) No statement of fact made by Borrower herein or in the Loan Documents to which Borrower is a party contains any untrue statement of a material fact or omits to state any material fact necessary to make statements made by Borrower herein or therein not materially misleading. There is no fact presently known to Borrower which has not been disclosed which materially adversely affects or, to the best of Borrower's knowledge, would materially adversely affect the business, operations or conditions (financial or otherwise) of Borrower.
- (xiii) All reports, documents, instruments, information and forms of evidence delivered to Bondowner Representative or Issuer by Borrower concerning the Loan or required by the Loan Documents are (or, in the case of materials prepared by persons other than Borrower or its members or general partner, are to the best of Borrower's knowledge) accurate, correct and sufficiently complete to give Bondowner Representative or Issuer, as applicable, true and accurate knowledge of their subject matter.
- (xiv) Borrower owns directly, and not through any affiliated entity, all of the personal property and fixtures necessary for the operation of the Property for the uses presently being conducted thereon.
- (xv) Before any Guarantor became obligated in connection with the Loan, Borrower made full disclosure to such Guarantor regarding Borrower's financial condition and business operations, the present and former

condition, uses and ownership of the Property and all other circumstances bearing upon Borrower's ability to pay and perform its obligations under the Loan Documents.

- (xvi) Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the financing of the Project; that it is familiar with the provisions of all of the documents and instruments relating to such financing to which Borrower is a party or of which it is a beneficiary, including the Indenture; that it understands the risks inherent in such transactions; and that it has not relied on the Issuer for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by the Bond Documents and the Indenture or otherwise relied on the Issuer for any advice.

(bb) Representations and Warranties of Borrower Related to Certain Tax Matters. Borrower further represents and warrants that:

- (i) as of the Effective Date, Borrower is in compliance with all requirements of the Tax Certificate, and the representations set forth in the Tax Certificate pertaining to Borrower and the Project are true and accurate;
- (ii) the Bond is not "federally guaranteed" as defined in Section 149(b) of the Code;
- (iii) in accordance with Section 147(b) of the Code, the weighted average maturity of the Bond does not exceed one hundred twenty percent (120%) of the weighted average reasonably expected economic life of the facilities (comprising the Project) financed with the proceeds of the Bond, determined as of the date the Bond is issued;
- (iv) neither Borrower nor, to the best knowledge of Borrower, any "related person" to Borrower (within the meaning of Section 147(a)(2) of the Code), will purchase the Bond pursuant to any arrangement, formal or informal;
- (v) the information furnished by Borrower and used by the Issuer in preparing the certificate pursuant to Section 148 of the Code and information statement pursuant to Section 149(e) of the Code is accurate and complete as of the date of the issuance of the Bond;
- (vi) the acquisition and construction of the Project were not commenced prior to the sixtieth (60th) day preceding the Issuer's expression of intent with respect to the Project on _____, and no obligation for which reimbursement will be sought from proceeds of the Bond relating to the construction or equipping of the Project was paid or incurred prior to sixty (60) days prior to such date;
- (vii) the Project is, as of the Closing Date, in compliance with all requirements of the Regulatory Agreement to the extent such requirements are applicable on the Closing Date and the representations and warranties of Borrower in Sections 1, 3, 4 and 5 of the Regulatory Agreement are true and correct;
- (viii) Borrower intends to cause the residential units in the Project to be rented or available for rental on a basis which satisfies the requirements of the

Regulatory Agreement, including all applicable requirements of the Law, the Act and the Code, and pursuant to leases which comply with all applicable laws; and

- (ix) no money on deposit in any fund or account in connection with the Bond, whether or not such money was derived from other sources, will be used by or under the direction of Borrower in a manner which would cause the Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code.

8.3 TAX EXEMPTION; REGULATORY AGREEMENT. Borrower (and with respect to Section 8.3(a), (b) and (c), the Issuer) hereby covenants, represents and agrees as follows:

(a) not to knowingly take or omit to take any action with respect to this Loan Agreement (with respect to the Issuer) and not to take or omit to take any action with respect to this Loan Agreement or the Project (solely with respect to Borrower) that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bond (so long as the Bond is not owned by a person or entity which is a "substantial user" of the Property);

(b) to take such action or actions, including amendment of the Regulatory Agreement, to the extent deemed necessary in the opinion of Bond Counsel, to preserve or perfect the exclusion of interest on the Bond from gross income for federal income tax purposes;

(c) at the expense of Borrower, to file of record such documents and take such other steps as are necessary in order to insure that the requirements and restrictions of the Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of the Regulatory Agreement in the real property records of Los Angeles County, California;

(d) to notify any subsequent owner of the Project of the requirements and restrictions contained in the Regulatory Agreement in any documents transferring any interest in the Project to another person to the end that such transferee has notice of such restrictions, and to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement; and

(e) to provide to the Issuer notice of any action (other than actions in its ordinary course of business) which impacts the Issuer's rights hereunder or under the Regulatory Agreement.

8.4 REPRESENTATIONS OF BORROWER AS SINGLE PURPOSE ENTITY.

(a) Borrower covenants and agrees that it shall not:

(i) (1) except in connection with any Subordinate Loan or any Swap Agreement between Borrower and Bondowner Representative, incur, create or assume any indebtedness for borrowed money except indebtedness represented by an invoice, statement of account, check, work request, purchase order or other similar document representing expenses relating to activities of Borrower undertaken in accordance with its formation documents or (2) transfer or lease the Project or any interest therein, except as permitted under Section 5.12 of the Deed of Trust;

(ii) engage, directly or indirectly, in any business other than that arising out of or entering into this Loan Agreement and the other Loan Documents

to which Borrower is a party and the ownership, management, leasing, construction, development, operation and maintenance of the Project;

- (iii) commingle its assets with the assets of any other entity;
- (iv) partition the Property except as expressly permitted under the Deed of Trust; or
- (v) voluntarily file or consent to the filing of a petition for bankruptcy, reorganization, assignment for the benefit of creditors or similar proceeding under any federal or state bankruptcy, insolvency, reorganization or other similar law, without the unanimous consent of its partners.

Borrower represents and warrants that as the date hereof it does not have any indebtedness or obligations which would cause it to be in violation of the foregoing covenants.

Further, Borrower covenants that it will do or cause to be done all things necessary to preserve and keep in full force and effect its existence, will not engage in, seek or consent to any dissolution, winding up, liquidation, consolidation, merger or asset sale; will not materially modify its Partnership Agreement without the prior written consent of Bondowner Representative (it being understood that Bondowner Representative's consent may be granted or withheld as to transfers of partnership interests in a manner consistent with this Loan Agreement and Section 5.12 of the Deed of Trust, may be withheld as to any amendment which reduces the obligations of the partners to contribute funds to Borrower below amounts necessary to maintain the Financial Requirements Analysis "in balance", and shall not otherwise be unreasonably withheld); will pay all expenses of the Project from assets of Borrower; will maintain separate books and records and bank accounts; will at all times hold itself out to the public as a separate and distinct legal entity (including in its leasing activities, in entering into any contract and in preparing its financial statements); will file its own tax returns; and will cause its management to meet regularly to carry on its business.

(b) Borrower shall do all things necessary to preserve and keep in full force and effect its existence, rights and privileges under the laws of the State and its right to own property or transact business in the State. Borrower further represents and warrants that it is, and, so long as any portion of the Loan shall remain unpaid, shall do all things necessary to continue to be, an entity which is formed or organized solely for the purpose of holding, directly, an ownership interest in the Project, does not engage in any business unrelated to such properties and the financing thereof, does not have any assets other than those related to its interest in the properties or the financing thereof or any indebtedness other than the Subordinate Loans, and as permitted by the Deed of Trust or the other Loan Documents, has its own separate books and records and its own accounts, in each case which are separate and apart from the books and records and accounts of any other entity and will maintain the same as official records, holds itself out as being an entity, separate and apart from any other entity and will conduct its business in its own name.

(c) Borrower will not fail to correct any known misunderstanding regarding the separate identity of Borrower.

(d) Borrower will not assume or guarantee or become obligated for the debts of any other entity or hold out its credit as being available to satisfy the obligations of any other entity; will allocate fairly and reasonably any overhead for shared office space; will not pledge its assets for the benefit of any other person or entity; will not make loans to any person or entity; will not enter into or be a party to any transaction with its partners or affiliates except (a) pursuant to its Partnership Documents as they exist as of the date of this Loan Agreement; or (b) in the ordinary

course of business and on terms which are no less favorable to it than would be obtained in a comparable arm's-length transaction with an unrelated third party.

(e) Any firm, corporation or partnership which can make the representations and warranties and satisfy the covenants set forth in this Section 8.4 shall constitute a "**Single Purpose Entity.**"

ARTICLE 9. HAZARDOUS MATERIALS

9.1 SPECIAL REPRESENTATIONS AND WARRANTIES. Without in any way limiting the other representations and warranties set forth in this Loan Agreement, and after reasonable investigation and inquiry, Borrower hereby specially represents and warrants to the best of Borrower's knowledge as of the date of this Loan Agreement as follows:

(a) Hazardous Materials. Except as previously disclosed to Bondowner Representative in that certain Phase I Environmental Site Assessment prepared by _____ dated _____ as Job No. _____, as the Property and Improvements are not and have not been a site for the use, generation, manufacture, storage, treatment, release, threatened release, discharge, disposal, transportation or presence of any oil, flammable explosives, asbestos, urea formaldehyde insulation, radioactive materials, hazardous wastes, toxic or contaminated substances or similar materials, including, without limitation, any substances which are "hazardous substances," "hazardous wastes," "hazardous materials," "toxic substances," "wastes," "regulated substances," "industrial solid wastes," or "pollutants" under the Hazardous Materials Laws, as described below, and/or other applicable environmental laws, ordinances and regulations (collectively, the "**Hazardous Materials**"). "Hazardous Materials" shall not include commercially reasonable amounts of such materials used in the ordinary course of construction and/or operation of the Property which are used and stored in accordance with all applicable environmental laws, ordinances and regulations.

(b) Hazardous Materials Laws. The Property and Improvements are in compliance with all laws, ordinances and regulations relating to Hazardous Materials ("**Hazardous Materials Laws**"), including, without limitation: the Clean Air Act, as amended, 42 U.S.C. Section 7401 et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1251 et seq.; the Resource Conservation and Recovery Act of 1976, as amended, 42 U.S.C. Section 6901 et seq.; the Comprehensive Environment Response, Compensation and Liability Act of 1980, as amended (including the Superfund Amendments and Reauthorization Act of 1986, "CERCLA"), 42 U.S.C. Section 9601 et seq.; the Toxic Substances Control Act, as amended, 15 U.S.C. Section 2601 et seq.; the Occupational Safety and Health Act, as amended, 29 U.S.C. Section 651, the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. Section 11001 et seq.; the Mine Safety and Health Act of 1977, as amended, 30 U.S.C. Section 801 et seq.; the Safe Drinking Water Act, as amended, 42 U.S.C. Section 300f et seq.; and all comparable state and local laws, laws of other jurisdictions or orders and regulations.

(c) Hazardous Materials Claims. There are no claims or actions ("**Hazardous Materials Claims**") pending or threatened against Borrower, the Property or Improvements by any governmental entity or agency or by any other person or entity relating to Hazardous Materials or pursuant to the Hazardous Materials Laws.

9.2 BORDER ZONE PROPERTY. The Property has not been designated as Border Zone Property under the provisions of California Health and Safety Code, Sections 25220 et seq. and there has been no occurrence or condition on any real property adjoining or in the vicinity of the Property that could cause the Property or any part thereof to be designated as Border Zone Property.

9.3 HAZARDOUS MATERIALS COVENANTS. Borrower agrees as follows:

(a) No Hazardous Activities. Borrower shall not cause or permit the Property or Improvements to be used as a site for the use, generation, manufacture, storage, treatment, release, discharge, disposal, transportation or presence of any Hazardous Materials.

(b) Compliance. Borrower shall comply and cause the Property and Improvements to comply with all Hazardous Materials Laws.

(c) Notices. Borrower shall immediately notify Bondowner Representative in writing of: (i) the discovery of any Hazardous Materials on, under or about the Property and Improvements; (ii) any knowledge by Borrower that the Property and Improvements do not comply with any Hazardous Materials Laws; (iii) any Hazardous Materials Claims; and (iv) the discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property that could cause the Property or any part thereof to be designated as Border Zone Property.

(d) Remedial Action. In response to the presence of any Hazardous Materials on, under or about the Property or Improvements, Borrower shall immediately take, at Borrower's sole expense, all remedial action required by any Hazardous Materials Laws or any judgment, consent decree, settlement or compromise in respect to any Hazardous Materials Claims.

(e) Asbestos and Lead-Based Paint. Any asbestos containing materials discovered at the Property or any suspect asbestos containing materials that were not previously tested and that will be disturbed during the construction of the Project should be tested or assumed to be asbestos containing material and handled accordingly. Bondowner Representative shall have received a certification acceptable to Bondowner Representative from an abatement contractor acceptable to Bondowner Representative that all asbestos containing materials and all lead-based paint or lead containing paint existing on the Property have been removed and disposed of in compliance with all applicable laws and regulations. In connection therewith, Bondowner Representative shall have received copies of documentation of the proper removal and disposal of all such substances, including, without limitation, waste manifests, work and disposal logs, worker medical records, air clearance sampling logs and lead dust sampling logs, as applicable. To the extent that any such materials have not been removed and instead shall remain in place at the Property, Bondowner Representative shall have received an operations and maintenance plan acceptable to Bondowner Representative with respect to the maintenance and containment of such materials.

9.4 INSPECTION BY BONDOWNER REPRESENTATIVE. Upon reasonable prior notice to Borrower, Bondowner Representative, its employees and agents, may from time to time (whether before or after the commencement of a nonjudicial or judicial foreclosure proceeding) enter and inspect the Property and Improvements for the purpose of determining the existence, location, nature and magnitude of any past or present release or threatened release of any Hazardous Materials into, onto, beneath or from the Property and Improvements.

9.5 HAZARDOUS MATERIALS INDEMNITY. BORROWER HEREBY AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS ISSUER, BOND TRUSTEE AND BONDOWNER REPRESENTATIVE, THEIR GOVERNING BODIES, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS FROM AND AGAINST ANY AND ALL LOSSES, DAMAGES, LIABILITIES, CLAIMS, ACTIONS, JUDGMENTS, COURT COSTS AND LEGAL OR OTHER EXPENSES (INCLUDING, WITHOUT LIMITATION, ATTORNEYS' FEES AND EXPENSES), WHICH ISSUER OR BONDOWNER REPRESENTATIVE MAY INCUR AS A DIRECT OR INDIRECT CONSEQUENCE OF THE USE, GENERATION, MANUFACTURE, STORAGE, DISPOSAL, THREATENED DISPOSAL, TRANSPORTATION OR PRESENCE OF HAZARDOUS MATERIALS IN, ON, UNDER OR ABOUT THE PROPERTY OR IMPROVEMENTS, EXCEPT THOSE ARISING FROM ISSUER'S WILLFUL MISCONDUCT OR FROM BONDOWNER REPRESENTATIVE'S OR BOND TRUSTEE'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, BORROWER SHALL IMMEDIATELY PAY TO ISSUER AND BONDOWNER REPRESENTATIVE UPON DEMAND ANY AMOUNTS OWING UNDER THIS

INDEMNITY, TOGETHER WITH INTEREST FROM THE DATE THE INDEBTEDNESS ARISES UNTIL PAID AT THE RATE OF INTEREST APPLICABLE TO THE PRINCIPAL BALANCE OF THE NOTE. BORROWER'S DUTY AND OBLIGATIONS TO DEFEND, INDEMNIFY AND HOLD HARMLESS ISSUER AND BONDOWNER REPRESENTATIVE AND BOND TRUSTEE SHALL SURVIVE THE CANCELLATION OF THE NOTE AND THE RELEASE, RECONVEYANCE OR PARTIAL RECONVEYANCE OF THE DEED OF TRUST.

9.6 LEGAL EFFECT OF SECTION. Borrower and Bondowner Representative agree that: (a) this Article 10 is intended as Bondowner Representative's written request for information (and Borrower's response) concerning the environmental condition of the real property security as required by California Code of Civil Procedure §726.5; and (b) each provision in this Article (together with any indemnity applicable to a breach of any such provision) with respect to the environmental condition of the real property security is intended by Issuer, Bondowner Representative and Borrower to be an "environmental provision" for purposes of California Code of Civil Procedure §736, and as such it is expressly understood that Borrower's duty to indemnify Issuer and Bondowner Representative hereunder shall survive: (i) any judicial or non-judicial foreclosure under the Deed of Trust, or transfer of the Property in lieu thereof; (ii) the release and reconveyance or cancellation of the Deed of Trust; and (iii) the satisfaction of all of Borrower's obligations under the Loan Documents.

ARTICLE 10. SET ASIDE LETTERS

10.1 SET ASIDE LETTERS. If, at Borrower's request, Bondowner Representative issues any letter or letters ("**Set Aside Letter**") to any governmental agency ("**Obligee**") or bonding company ("**Surety**") whereby Bondowner Representative agrees to allocate Loan proceeds for the construction of off-site, common area, or other improvements required by any governmental agency or for which bonds may be required ("**Bonded Work**") in connection with the development of the Property, Borrower represents, warrants, covenants and agrees as follows:

(a) The sum which Borrower requests Bondowner Representative to allocate for the Bonded Work shall be sufficient to pay for the construction and completion cost of the Bonded Work in accordance with any agreement between Borrower and Obligee and a copy of such agreement shall be furnished to Bondowner Representative by Borrower prior to and as a condition precedent to the issuance by Bondowner Representative of any Set Aside Letter;

(b) Bondowner Representative is irrevocably and unconditionally authorized to disburse to the Obligee or Surety all or any portion of said allocated Loan proceeds upon a demand of such Surety or Obligee made in accordance with the terms and conditions of the Set Aside Letter;

(c) Any disbursements or payments which Bondowner Representative makes or may be obligated to make under any Set Aside Letter, whether made directly to the Surety, Obligee, or to others for completion of all or part of the Bonded Work, shall be deemed a disbursement under this Loan Agreement to or for the benefit or account of Borrower;

(d) BORROWER SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS ISSUER AND BONDOWNER REPRESENTATIVE FROM ANY CLAIM, DEMAND, CAUSE OF ACTION, DAMAGE, LOSS OR LIABILITY, INCLUDING, WITHOUT LIMITATION, ANY COURT COSTS AND REASONABLE ATTORNEYS' FEES AND EXPENSES, WHICH ISSUER OR BONDOWNER REPRESENTATIVE MAY SUFFER OR INCUR AS A DIRECT OR INDIRECT CONSEQUENCE OF ITS ISSUANCE OF OR COMPLIANCE WITH ANY REQUESTED SET ASIDE LETTER. BORROWER SHALL PAY ANY INDEBTEDNESS ARISING UNDER THIS INDEMNITY TO ISSUER AND BONDOWNER REPRESENTATIVE IMMEDIATELY UPON DEMAND OF ISSUER OR BONDOWNER REPRESENTATIVE, AS APPLICABLE. BORROWER'S DUTY TO DEFEND, INDEMNIFY AND HOLD HARMLESS ISSUER AND BONDOWNER REPRESENTATIVE HEREUNDER SHALL SURVIVE THE RELEASE AND

CANCELLATION OF THE NOTE AND THE FULL OR PARTIAL RELEASE OR RECONVEYANCE OF THE DEED OF TRUST OR OTHER LOAN DOCUMENTS;

(e) Bondowner Representative shall have no obligation to release any collateral or security under the Loan Documents unless and until Bondowner Representative has received a full and final written release of its obligations under each Set Aside Letter; and

(f) The fee for issuing each Set Aside Letter hereunder shall be one and one-half percent (1.50%) per annum of the Set Aside Letter amount.

ARTICLE 11. COVENANTS OF BORROWER

11.1 COMPLIANCE WITH COVENANTS. So long as this Loan Agreement continues in effect, and until the full and final repayment of the Loan and all indebtedness of Borrower to Issuer and Bondowner Representative, Borrower shall keep each of the covenants set forth below, elsewhere herein, in the Loan Documents, in the Hazardous Materials Indemnity Agreement (Unsecured), in the Indenture, in the Regulatory Agreement, and in the documents relating to the LIHTC. Borrower shall comply with all existing and future laws, regulations, orders, building restrictions and requirements of, and all agreements with and commitments to, all governmental, judicial or legal authorities having jurisdiction over the Property, including those pertaining to the sale, leasing or financing of the Property, and with all covenants and restrictions, whether recorded or not, affecting the Property (all collectively, the "Requirements").

11.2 EXPENSES. Borrower shall immediately pay Bondowner Representative, Issuer and/or Bond Trustee upon demand all reasonable costs and expenses incurred by Bondowner Representative, Issuer or Bond Trustee in connection with: (a) the preparation of this Loan Agreement, all other Loan Documents, and Other Related Documents contemplated hereby; (b) the administration of this Loan Agreement, the Indenture, the other Loan Documents and Other Related Documents for the term of the Loan; (c) the enforcement or satisfaction by Bondowner Representative of any of Borrower's obligations under this Loan Agreement, the other Loan Documents, the Indenture, or the Other Related Documents and (d) any revisions, extensions, renewals, refinancings, additional disbursements or "workouts" of the Loan, and in the exercise of any of Bondowner Representative's rights or remedies under this Loan Agreement. For all purposes of this Loan Agreement, Bondowner Representative's costs and expenses shall include, without limitation, all recording and escrow charges, appraisal fees, mortgage taxes, cost engineering and inspection fees, legal fees and expenses, administration/documentation expenses (including without limitation photocopying, postage, telephone, messenger, fax, private express mail, etc.), accounting fees, environmental consultant fees, auditor fees, UCC filing fees and UCC vendor fees, flood certification vendor fees, tax service vendor fees and the cost to Bondowner Representative of any recording and filing fees, escrow fees, title insurance premiums, title surveys, survey invoices, legal fees, appraisal and inspection fees, reconveyance and notary fees. Borrower recognizes and agrees that formal written appraisals of the Property and Improvements by a licensed independent appraiser may be required by Bondowner Representative's internal procedures and/or federal regulatory reporting requirements on an annual and/or specialized basis and that Bondowner Representative may, at its option, require inspection of the Property and Improvements by an independent supervising architect and/or cost engineering specialist: (i) prior to each advance; (ii) at least once each month during the course of construction even though no disbursement is to be made for that month; (iii) upon completion of the Improvements; and (iv) at least semi-annually thereafter. At its option, upon written notice to Borrower, Bondowner Representative may make disbursements from the Loan to cover any expenses or charges which are to be borne by Borrower, including, but not limited to, the cost of any required inspections and/or certifications. If any of the services described above are provided by an employee of Bondowner Representative or Bond Trustee, Bondowner Representative or Bond Trustee's costs and expenses for such services shall be calculated in accordance with Bondowner Representative or Bond Trustee's standard charge for such services.

11.3 ERISA COMPLIANCE. Borrower shall at all times comply with the provisions of ERISA with respect to any retirement or other employee benefit plan to which it is a party as employer, and as soon as possible after Borrower knows, or has reason to know, that any Reportable Event (as defined in ERISA) with respect to any such plan of Borrower has occurred, it shall furnish to Bondowner Representative a written statement setting forth details as to such Reportable Event and the action, if any, which Borrower proposes to take with respect thereto, together with a copy of the notice of such Reportable Event furnished to the Pension Benefit Guaranty Corporation.

11.4 TAX CREDIT INVESTMENT. Pursuant to the terms and conditions of the Partnership Agreement, Investor Limited Partner has purchased a limited partnership interest in the Partnership in exchange for making the Capital Contributions to the Partnership. The Partnership shall: (a) timely satisfy its obligations, and cause General Partner to satisfy its obligations, for the funding of the Capital Contributions; (b) not commit any breach or default under the Partnership Agreement (c) maintain the Partnership Agreement in full force and effect until all sums owing to Bondowner Representative with respect to the Loan have been paid; (d) not consent to any termination, amendment or modification of the Partnership Agreement which would modify the timing or amounts of the Investor Limited Partner's Capital Contributions without Bondowner Representative's prior written consent or as otherwise permitted under the terms of the Loan Agreement; and (e) not use any of the proceeds of the Capital Contribution for any purpose other than as contemplated by the Financial Requirements Analysis.

11.5 OTHER INVESTMENT IN BORROWER. Any investments in or contributions to Borrower (other than the Capital Contributions) required to be made by any shareholder, general partner or limited partner, as the case may be, shall be made at the times and on the terms and conditions set forth in any documents or agreements so providing as such documents or agreements exist as of the Effective Date.

11.6 TAX EXEMPTION. Borrower shall, when eligible to do so, take all action necessary to qualify for, and obtain and maintain the maximum exemption from all general property taxes for the property under the California Revenue and Taxation Code Section 214(g) ("**Property Tax Exemption**"). In addition, Borrower shall take, or cause the General Partner to take, all actions necessary to obtain and maintain the General Partner's tax-exempt status pursuant to Section 501(c)(3) of the Code.

11.7 PROCEEDS OF THE CAPITAL CONTRIBUTIONS. None of the proceeds of the Capital Contributions received prior to Conversion shall be used for any purpose other than for payment of the Bond or payment of Project Costs in accordance with the Financial Requirements Analysis through the Conversion Date, unless Bondowner Representative consents in writing to such other use. Further, Borrower covenants and agrees that Borrower will comply and cause its General Partner to comply with all obligations and requirements under its Partnership Documents necessary to cause the Investor Limited Partner to timely fund all Capital Contributions to Borrower for payment of the Bond until all sums owing to Bondowner Representative under the Loan Documents have been paid in full. On or before the dates set forth in Section 1.1 for funding of Capital Contribution installments by Investor Limited Partner, Borrower shall direct the Investor Limited Partner to deliver directly to Bondowner Representative for deposit into the Borrower's Funds Account, the ///[Second Capital Contribution and Third Capital Contribution]///. If and to the extent the Borrower satisfies the conditions precedent for the disbursement of developer fee set forth on Exhibit D, including, but not limited to Section 21 of Exhibit D, then Bondowner Representative shall permit the release of such permitted amounts from the Borrower's Funds Account.

11.8 LEASING. After completion of the construction of the Improvements, Borrower agrees to use commercially reasonable efforts to lease one hundred percent (100%) of the Improvements to tenants and such leases will be at rental rates consistent with the low income requirements of TCAC and any Restrictions, with one manager's unit permitted.

11.9 APPROVAL OF LEASES. All leases and renewals of leases of all or any part of the Property and Improvements entered into after the Effective Date shall be upon terms consistent with the Approved Form. All standard lease forms, and any material deviation from the Approved Form shall be

approved by Bondowner Representative, and if required pursuant to agreements with the Investor Limited Partner, by Investor Limited Partner, in writing prior to execution of any such lease. All residential leases (on the Approved Form), and other leases or residency agreements entered into by Borrower, and all indebtedness arising thereunder or secured thereby, shall contain a provision stating that such leases and such tenants' rights thereunder are unconditionally junior and subordinate to the Regulatory Agreement, the Deed of Trust and the Loan Documents, and all indebtedness arising thereunder or secured thereby.

11.10 INCOME TO BE APPLIED TO DEBT SERVICE. Borrower shall first apply all income from leases, and all other income derived from the Property, to pay costs and expenses associated with the ownership, maintenance, development, operation, and marketing of the Land and the Improvements, including all amounts then required to be paid under the Loan Documents, before using or applying such income for any other purpose. At all times while any portion of the Loan is outstanding, (a) to the extent that proceeds of the Loan that are allocated to payment of interest on the Loan pursuant to the Financial Requirements Analysis, are insufficient, all Net Monthly Cash Income shall be used first to pay monthly interest payments coming due under the Loan except as otherwise provided in the Loan Documents, and (b) prior to the Conversion Date, Borrower may not distribute any income to any of its members, partners, or shareholders, allow any member, partner, or shareholder to withdraw capital or make any payments on indebtedness owed to any member, partner, or shareholder.

11.11 SUBDIVISION MAPS. Prior to recording any final map, plat, parcel map, lot line adjustment or other subdivision map of any kind covering any portion of the Property (collectively, "**Subdivision Map**"), Borrower shall submit such Subdivision Map to Bondowner Representative for Bondowner Representative's review and approval, which approval shall not be unreasonably withheld. Within ten (10) Business Days after Bondowner Representative's receipt of such Subdivision Map, Bondowner Representative shall provide Borrower written notice if Bondowner Representative disapproves of said Subdivision Map. Bondowner Representative shall be deemed to have approved the Subdivision Map if such notice is not provided to Borrower. Within five (5) Business Days after Bondowner Representative's request, Borrower shall execute, acknowledge and deliver to Bondowner Representative such amendments to the Loan Documents as Bondowner Representative may reasonably require to reflect the change in the legal description of the Property resulting from the recordation of any Subdivision Map. In connection with and promptly after the recordation of any amendment or other modification to the Deed of Trust recorded in connection with such amendments, Borrower shall deliver to Bondowner Representative, at Borrower's sole expense, a title endorsement to the Title Policy in form and substance satisfactory to Bondowner Representative insuring the continued first priority lien of the Deed of Trust, subject only to prior encumbrances approved in writing by Bondowner Representative. Subject to the execution and delivery by Borrower of any documents required under this Section, Bondowner Representative shall, if required by applicable law, sign any Subdivision Map approved, or deemed to be approved, by Bondowner Representative pursuant to this Section.

11.12 PERMANENT FINANCING. Subject to satisfaction of the terms and conditions set forth in Section 3.17 hereof, the Loan shall convert to the Permanent Loan in a principal amount of \$ _____, subject to reduction in order to satisfy the Conversion Conditions.

11.13 OPINION OF LEGAL COUNSEL. Borrower shall provide, at Borrower's expense, at Closing an opinion of legal counsel in form and content satisfactory to Bondowner Representative which opinion shall be transferable and shall state that Bond Trustee's successors and assigns as holder of the Note are permitted to rely on the opinion, to the effect that: (a) upon due authorization, execution and recordation or filing as may be specified in the opinion, each of the Loan Documents shall be legal, valid and binding instruments, enforceable against the makers thereof in accordance with their respective terms; (b) Borrower is duly formed and has all requisite authority to enter into the Loan Documents; and (c) such other matters, incident to the transactions contemplated hereby, as Bondowner Representative may reasonably require.

11.14 FURTHER ASSURANCES. Upon Bondowner Representative's request and at Borrower's sole cost and expense, Borrower shall execute, acknowledge and deliver any other instruments and perform any other acts necessary, desirable or proper, as determined by Bondowner Representative, to carry out the purposes of this Loan Agreement and the other Loan Documents or to perfect and preserve any liens created by the Loan Documents.

11.15 ASSIGNMENT. Without the prior written consent of Bondowner Representative, Borrower shall not assign Borrower's interest under any of the Loan Documents, or in any monies due or to become due thereunder, and any assignment without such consent shall be void. In this regard, Borrower acknowledges that Bondowner Representative would not make this Loan except in reliance on Borrower's expertise, reputation, prior experience in developing and constructing commercial real property, Bondowner Representative's knowledge of Borrower, and Bondowner Representative's understanding that this Loan Agreement is more in the nature of an agreement involving personal services than a standard loan where Bondowner Representative would rely on security which already exists. Bondowner Representative shall not unreasonably withhold its consent to a transfer to the General Partner pursuant to the purchase option and right of first refusal to be granted to the General Partner in the Partnership Agreement.

11.16 COMPLIANCE WITH LAWS. Borrower shall comply with all laws and requirements of Governmental Authorities and all rights of third parties, relating to the Property or Borrower's business or other properties, and deliver to Bondowner Representative from time to time, within ten (10) days of Bondowner Representative's request therefor, evidence satisfactory to Bondowner Representative that Borrower has complied with any such law, requirement or right.

11.17 MAINTENANCE AND SECURITY FOR PROJECT. Borrower shall maintain the Project in good condition and repair subject to reasonable wear and tear (such condition and repair to be consistent with that of competing properties), take all measures reasonably required by Bondowner Representative to protect the physical security of the Project, and not permit any waste or damage with respect to the Project.

11.18 NOTICE OF CERTAIN MATTERS. Borrower shall give notice to Bondowner Representative and the Issuer, within 7 days of Borrower's actual knowledge thereof, of each of the following:

- (a) any litigation or claim of any kind affecting or relating to Borrower or to Guarantor, and involving an amount in excess of \$50,000.00, and any litigation or claim of any kind that might subject Borrower to liability in excess of \$50,000.00, whether covered by insurance or not;
- (b) any aspect of the Project that is not in conformity with the Plans and Specifications in a material respect;
- (c) the creation or imposition of any mechanic's lien, materialmen's lien or other lien against the Project unless Borrower shall post statutory bonds or other security satisfactory to Bondowner Representative sufficient to cause the removal of such lien;
- (d) the occurrence of any default that remains uncured beyond any applicable notice and cure period by Borrower or any other party under any Project Agreement, or the receipt by Borrower of any notice of default under any Project Agreement;
- (e) the occurrence of any dispute between Borrower and any Governmental Authority relating to the Project, the adverse determination of which might materially affect the Project;

(f) the occurrence of any threat or commencement of proceedings in condemnation or eminent domain relating to Borrower's ownership of the Project;

(g) the use of any trade name hereafter used by Borrower in connection with the Project, other than the use of the trade name selected by Borrower prior to lease-up and occupancy of the Project;

(h) any change in Borrower's principal place of business;

(i) the occurrence of any Default or event which, with the giving of notice or the passage of time or both, would constitute a Default;

(j) the occurrence of any other event or condition causing a material adverse change in the financial condition or operations of Borrower, or in the physical condition of the Property; and

(k) any communication, whether written or oral, that Borrower may receive from any governmental, judicial or legal authority, giving notice of any claim or assertion that the Property fail in any material respect to comply with any of the Requirements or any applicable governmental law.

11.19 LIENS ON PROPERTY. Borrower shall not cause or suffer to become effective any lien, restriction or other title limitation affecting any part of the Property other than mechanics' liens permitted pursuant to Section 4.2(j), the Regulatory Agreement, the Deed of Trust, the Subordinate Deeds of Trust, Permitted Encumbrances and any other liens or encumbrances previously approved by Bondowner Representative in writing and the inchoate liens securing the payment of taxes and assessments not delinquent. Borrower acknowledges that, with any project of the magnitude of the Project, modifications of the Plans and Specifications and Loan Documents may be necessary from time to time and that the existence of junior lienholders, who would be required to consent to such modifications in order to protect the priority of the lien of the Deed of Trust, could impair the expeditious completion of the Project, to the detriment of all parties.

11.20 PROHIBITION OF TRANSFER.

(a) Borrower represents, agrees and acknowledges that:

(i) Development of real property is a highly complex activity which requires substantial knowledge of law and business conditions and practices, and an ability to control, coordinate and schedule the many factors affecting such development. Experience, financial stability, managerial ability and a good reputation in the business community enhance a developer's ability to obtain market rents (or maximum permissible rents pursuant to the Regulatory Agreement) and/or sales prices and to induce cooperation in scheduling and are taken into account by Bondowner Representative in approving loan applications.

(ii) Borrower has represented to Bondowner Representative, not only in the representations and warranties contained in the Loan Documents, but also in its initial credit application and in all of the negotiations connected with the Loan, certain facts concerning Borrower's financial stability, managerial and operational ability, reputation, skill, and creditworthiness. Bondowner Representative has relied upon these representations and warranties as a substantial and material consideration in its decision to enter into this Loan Agreement.

- (iii) The conditions and terms provided in this Loan Agreement were induced by these representations and warranties and would not have been made available by Bondowner Representative in the absence of these representations and warranties.
- (iv) Borrower's financial stability and managerial and operational ability and that of those persons or entities having a direct or beneficial interest in Borrower are a substantial and material consideration to any third parties who have entered or will enter into agreements with Borrower.
- (v) Bondowner Representative has relied upon the skills and services offered by such third parties and the provision of such skills and services is jeopardized if Borrower breaches its covenants contained below regarding transfers.
- (vi) Except as otherwise permitted under Section 11.19(d), a transfer of possession of or title to the Property, or a change in the person or entity operating, developing, rehabilitating or managing the Property would substantially increase the risk of Default under the Loan Documents and significantly and materially impair and reduce Bondowner Representative's security for the obligations under this Loan Agreement.

(b) In consideration of Bondowner Representative's induced reliance on such representations, warranties and agreements, Borrower shall not make any transfer prohibited by Section 5.12 of the Deed of Trust or Section 13 of the Regulatory Agreement. Bondowner Representative acknowledges that Borrower will grant or may grant to the General Partner or its affiliates an option to purchase the Project or the limited partnership interests in Borrower, and a right of first refusal with respect to transfers of the Project to the General Partner or its affiliates. Subject to the Regulatory Agreement, the grant of such option and/or such right of first refusal shall not constitute a violation of this Section 11.19, but any exercise of such option or right pursuant to such option or right of first refusal or any purchase of the Project pursuant to such option or right of first refusal shall constitute a violation of this Section 11.19.

(c) Without the prior written consent of Bondowner Representative and/or Issuer, as applicable, Borrower shall not assign Borrower's interest under any of the Bond Documents or Loan Documents, or in any monies due or to become due thereunder, and any assignment without such consent shall be void.

(d) Notwithstanding any other provision of this Loan Agreement or the other Loan Documents to the contrary:

- (i) Subject to the requirements for Issuer approval set forth in Section 13 of the Regulatory Agreement, the Investor Limited Partner of Borrower shall be permitted to remove the general partner of Borrower for cause and substitute a new general partner in its place in accordance with the terms and conditions of the Partnership Agreement; provided, however, that (a) Investor Limited Partner shall obtain the prior written consent of Bondowner Representative to such removal and substitution, which consent shall be in Bondowner Representative's reasonable discretion; (b) Investor Limited Partner can demonstrate to Bondowner Representative's reasonable satisfaction that the Loan is "in balance" notwithstanding any loss of property tax exemption which may result in such substitution, (c) the substitute general partner shall be selected no later than thirty (30) days and is admitted no later than sixty (60) days after the date of removal of the general partner or such longer period of time as Bondowner Representative may consent to, and (d) the

substitute general partner shall execute and deliver to Bondowner Representative such documents as Bondowner Representative may reasonably require in order to evidence its assumption of all of the rights and obligations of the removed general partner under all the Loan Documents.

- (ii) The Investor Limited Partner may make a Permitted Transfer of its interest in Borrower to an Investor Affiliate.

11.21 MANAGEMENT OF PROPERTY. Without the prior written consent of Bondowner Representative, Borrower shall not enter into any agreement providing for the management, leasing or operation of the Property or Improvements. Bondowner Representative hereby approves of the Property Management Agreement by and between Borrower and the Property Manager. During the term of the Loan, Property Manager shall provide management for the Property, pursuant to the Property Management Agreement. Borrower shall not (i) amend, modify or waive any default under the Property Management Agreement, or any successor thereof, without Bondowner Representative's prior written consent, or (ii) dismiss or replace the Property Manager, without Bondowner Representative's prior written consent.

11.22 PARTNERSHIP DOCUMENTS; NO AMENDMENTS. Borrower shall fully comply with and perform all of the obligations of Borrower under the Partnership Documents. Borrower shall not amend, modify or terminate any of the following documents without Bondowner Representative's prior written consent and shall keep in full force and effect the following documents:

- (a) The Partnership Documents;
- (b) Regulatory Agreement;
- (c) AHAP and any HAP Contract; and
- (d) The Subordinate Loan Documents.

Further, during the term of the Loan, no General Partner shall jeopardize in a material way the Property or the financial viability of the Borrower by (i) violating its fiduciary responsibilities under the Partnership Agreement, or (ii) willfully violating any law, regulation or order applicable to the Partnership, and such violations are not remedied or cured as permitted, in the time frames provided, under the Partnership Agreement. Borrower shall notify Bondowner Representative and promptly deliver to Bondowner Representative copies of all written notices by any party under the Partnership Agreement. All funds received by Borrower from the Capital Contributions of Investor Limited Partner pursuant to the Partnership Documents, are to be paid promptly to Bondowner Representative for application to costs of construction of the Improvements or repayment of the Loan as set forth in this Loan Agreement.

Borrower shall not (i) allow or enable Borrower to issue any partnership interests or equity interests other than as set forth in the Partnership Agreement; (ii) dissolve the Borrower; (iii) cause the removal or replacement of General Partner other than as provided in Sections 11.19(b) or 11.19(d); or (iv) except as otherwise permitted under the terms of the Partnership Agreement, materially reduce the amount of the Capital Contributions or alter the time for payment or impair or alter the obligations of the Investor Limited Partner to make or fully fund Capital Contributions in the amounts required pursuant to Section 4.1(m) of this Loan Agreement, provided however that this Section 11.21 shall not prevent the Borrower from accepting any Capital Contributions under the Partnership Agreement; and the Partnership Documents shall remain in full force and effect until all sums owing with respect to the Loan have been paid, subject to any purchase of Limited Partner's interests in Borrower upon the terms and conditions set forth in this Loan Agreement.

11.23 RESTRICTIONS. Except for the Regulatory Agreement, (a) Borrower shall not execute any agreement or document to restrict the use of the Improvements (or which otherwise limit development or sale of the Property or Improvements) other than as expressly consented to by Bondowner Representative, and (b) any such restrictions are, and shall remain subordinate to the Deed of Trust and repayment of the Loan and shall not bind any transferee of the Property who receives title to the Property after foreclosure under the Deed of Trust, or obtains title by deed in lieu of foreclosure under the Deed of Trust.

11.24 TAXES AND IMPOSITIONS. Subject to Borrower's right to claim exemptions under California Revenue and Taxation Code Section 214, Borrower shall pay or cause to be paid, prior to delinquency, all of the following (collectively, the "Impositions"): (a) all general and specific real property taxes and assessments imposed on the Property; (b) all other taxes and assessments and charges of every kind that are assessed upon the Property (or upon the owner and/or operator of the Property) and that create or may create a lien upon the Property (or upon any personal property or fixtures used in connection with the Property), including without limitation nongovernmental levies and assessments pursuant to applicable covenants, conditions or restrictions; and (c) all license fees, taxes and assessments imposed on Bondowner Representative (other than Bondowner Representative's income or franchise taxes) which are measured by or based upon (in whole or in part) the amount of the obligations secured by the Property. If permitted by law, Borrower may pay or cause to be paid any Imposition in installments (together with any accrued interest). Borrower shall not be required to pay or cause to be paid any Imposition so long as (d) its validity is being actively contested in good faith and by appropriate proceedings, (e) Borrower has demonstrated to Bondowner Representative's reasonable satisfaction that leaving such Imposition unpaid pending the outcome of such proceedings could not result in conveyance of the Property in satisfaction of such Imposition or otherwise impair Bondowner Representative's interests under the Loan Documents and (f) if Bondowner Representative shall so request, Borrower has furnished Bondowner Representative with a bond or other security satisfactory to Bondowner Representative in an amount not less than 100% of the applicable claim. Upon demand by Bondowner Representative from time to time, Borrower shall (g) deliver to Bondowner Representative, within thirty (30) days following the due date of Imposition, evidence of payment or other satisfaction of such Imposition reasonably satisfactory to Bondowner Representative and (h) furnish to Bondowner Representative a tax reporting service for the Property of a type and duration, and with a company reasonably satisfactory to Bondowner Representative. The General Partner shall take all actions necessary to obtain and maintain its tax exempt status pursuant to 501(c)(3) of the Code.

11.25 COMPLIANCE WITH LIHTC. After the transfer to the Partnership, neither General Partner nor Investor Limited Partner shall commit a breach or default under the Partnership Agreement and the Partnership Agreement shall remain in full force and effect until all sums owing with respect to the Loan have been paid.

Borrower further covenants and agrees:

(a) To observe and perform all obligations imposed on Borrower in connection with the LIHTC, including the obligation to have the Property "placed in service" (within the meaning given in Section 42 of the Internal Revenue Code) in a timely manner; and to operate the residential units of the Property or to use Borrower's best efforts to cause the appropriate parties to operate the same in accordance with all statutes and regulations governing the LIHTC;

(b) Not to release, forego, alter, amend or modify its rights to the LIHTC without Bondowner Representative's prior written consent, which Bondowner Representative may give or withhold in Bondowner Representative's reasonable discretion;

(c) Not to execute any residential lease of all or any portion of the Property or Improvements that does not comply fully with all requirements and regulations governing the LIHTC, except with Bondowner Representative's prior written consent, which Bondowner Representative may give or withhold in its sole and absolute discretion;

(d) To cause to be kept all records, and cause to be made all elections and certifications, pertaining to the number and size of apartment units, occupancy thereof by tenants, income level of tenants, set-asides for low-income tenants, and any other matters now or hereafter required to qualify for and maintain the LIHTC in connection with the low-income occupancy of the Property;

(e) To comply with the appropriate minimum low-income set-aside requirements under the Internal Revenue Code or applicable federal regulations ("**Federal Laws**") imposed by TCAC, and all California laws and regulations ("**State Laws**") applicable to the creation, maintenance and continued availability of the LIHTC;

(f) To certify compliance with the set-aside requirement and report the dollar amount of qualified basis and maximum applicable percentage, date of placement in service and any other information required for the LIHTC at such time periods as required by Federal Laws, TCAC or State Laws for such LIHTC;

(g) To set aside the appropriate number of units for households with incomes meeting the required standards of the Los Angeles County median income to qualify for the LIHTC (as determined pursuant to Section 42 of the Code and/or State Laws), adjusted for family size, and to operate and maintain all such units as "low-income units" qualifying for the LIHTC under Section 42(i)(3) of the Code and/or State Laws;

(h) To exercise good faith in all activities relating to the operation and maintenance of the Property in accordance with the requirement of Federal Laws and State Laws; and

(i) To promptly deliver to Bondowner Representative true and correct copies of all notices or other documents or communications received or given by Borrower with regard to or relating in any way to the partnership interests and/or the LIHTC. Immediately upon receipt thereof, Borrower must deliver to Bondowner Representative a copy of the basis audit (as required by Section 42 of the Code) for the Property (including a certificate of Borrower's accountant or attorneys if requested by Bondowner Representative); the first annual income certification for all tenants of the Property showing that the tenants are qualified for purposes of Borrower's obtaining LIHTC; and the fully-completed Form 8609 (required by the Code) issued for the Property. Borrower must deliver promptly to Bondowner Representative such other certificates, income certificates, reports, and information as Bondowner Representative may request.

11.26 TAX CREDIT DOCUMENTATION. Borrower shall timely prepare or otherwise obtain and file with all appropriate agencies all documentation required in connection with qualifying for and obtaining the LIHTC. Borrower shall submit to Bondowner Representative, immediately upon receipt, a copy of each required document, including (but not necessarily limited to) each of the following: (a) verification, in form reasonably acceptable to Bondowner Representative, regarding the availability of LIHTC with respect to the Improvements in an amount not less than \$677,475 annually for ten (10) years; (b) a certification in form acceptable to Bondowner Representative confirming the calculation of the amount of the LIHTC; (c) a copy of application for the LIHTC, together with receipts indicating payment of any required fees in connection with the LIHTC; (d) form of restriction agreement(s) with regard to the LIHTC as required by TCAC; (e) all other written communications to or from TCAC and any other applicable governmental authority relating to the Property or the Improvements; in each case, provided that all or any portion of the Loan or any other sum to which Bondowner Representative shall be entitled with respect to the Loan remains unpaid. Borrower shall also keep Bondowner Representative timely advised of all other contacts with the TCAC and any other applicable governmental authority by or on behalf of Borrower with respect to the Property or the Improvements. Borrower shall further submit all documentation relating to the LIHTC and evidence of compliance to Bondowner Representative on an annual basis concurrently with the submission thereof to any applicable governmental authority, including, but not limited to, TCAC, which shall in any event occur in a timely manner as required in connection with the LIHTC. Borrower shall immediately deliver to Bondowner Representative a full copy of any notices or

reports Borrower receives from TCAC and any notices or reports Borrower provided to TCAC in connection with the LIHTC which could reasonably be expected to materially affect Bondowner Representative or the Security for the Loan.

11.27 ADDITIONAL FINANCING. Other than the sources of financing identified in this Loan Agreement, Borrower shall not, without the prior written consent of Bondowner Representative, receive any other financing for the construction of the Improvements and shall not further encumber the Property or Improvements including without limitation, entering into a land sale contract, sale contract or leaseback or conditional sales contract for the Property or Improvements or any portion thereof.

11.28 PERMITS, LICENSES AND APPROVALS. Borrower shall properly obtain, comply with and keep in effect all governmental approvals, permits, certificates, licenses, inspections, consents and franchises (collectively, the "**Licenses**") necessary to continue to conduct its respective businesses and to own, market, occupy, lease and operate the Property and the Improvements, including without limitation, all Licenses related to environmental laws, and shall promptly deliver copies thereof to Bondowner Representative.

11.29 PUBLICITY. Bondowner Representative shall have the right to refer to the Property in its own promotional and advertising materials. Borrower shall not post signs identifying Bondowner Representative as its lender, or otherwise identify Bondowner Representative as its lender, except with Bondowner Representative's prior written consent in each instance.

11.30 AFFORDABILITY COVENANTS. Throughout the term of the Loan, the requisite number of residential apartment units in the Improvements shall rent at such rents, and to households having such incomes, as required by the most restrictive between the (i) Regulatory Agreement (ii) any other regulatory agreements or other restrictive agreements recorded against the Property, and (iii) any agreements, restrictions or other Requirements to which Borrower or the Property may be subject, including (but not limited to) those of the State of California, acting through TCAC in connection with an allocation of the LIHTC. The foregoing rent and income restrictions shall apply to the Property for so long as the Loan or any portion thereof remains outstanding or such later time as may be provided under the foregoing documents. Each year during the Term of the Loan, Borrower shall provide Bondowner Representative with a copy of Borrower's annual tenant and rent certification and qualification report made (i) pursuant to the Regulatory Agreement, (ii) to TCAC in connection with the tax credit allocation, and (iii) those governmental agencies charged with determining Borrower's compliance with regulations applicable to the LIHTC claimed by Borrower for the Property.

11.31 SUBORDINATION OF INDEBTEDNESS AND REGULATORY RESTRICTIONS. Other than the Regulatory Agreement, any deed of trust, mortgage, regulatory agreement, covenant or restrictive agreement or other instrument evidencing, securing or related to any financing or regulatory requirements imposed by TCAC or any other party on Borrower or the Property, and any obligations related thereto, shall be and remain subordinate to the Loan, and shall be subordinated to the Deed of Trust by an instrument or instruments satisfactory to Bondowner Representative and its counsel. No proceeds of collateral or payments of principal, interest or other amounts due and owing with respect to any other obligations described herein, following a Default under the Loan Documents, shall be received by obligee until the Loan shall have been paid in full.

11.32 IMPOUNDS FOR REAL PROPERTY TAXES. Borrower shall to establish an account with Bondowner Representative for the payment of property taxes and all other expenses required to be paid under Section 11.24 of this Loan Agreement on the terms and conditions set forth in Section ___ of the Deed of Trust ("**Tax and Insurance Impound**"). Borrower shall deposit with Bondowner Representative, in monthly installments in advance on the first day of each month, an amount sufficient, as reasonably estimated by Bondowner Representative, to pay all Impositions (as defined herein) for the Property.

11.33 NO SALE OF PROPERTY. Except as permitted in this Loan Agreement or the Deed of Trust, Borrower shall not sell, convey, or otherwise transfer or dispose of its interest in any Property, nor

contract to do any of the foregoing, without the prior written consent of Bondowner Representative in each instance, except such Property as is customarily transferred in the ordinary course of operation of residential multi-family rental developments.

11.34 NONRESIDENTIAL LEASES. Leases entered into other than for residential units within the Improvements, including, without limitation, leases for laundry equipment, vending machines, administrative space by affiliates of Borrower, General Partner, Property Manager, or otherwise, and commercial space within the Improvements (if any, "**Nonresidential Lease(s)**"), must be approved by Bondowner Representative prior to execution thereof, which approval shall not be unreasonably withheld. Borrower shall comply in all respects with any restrictions or guidelines as to the rents or other fees that may be charged for such nonresidential space, if any, which are contained in the Loan Documents, the Requirements or in any other agreement by which Borrower or the Property may be bound and which has been approved by Bondowner Representative in writing. Following the occurrence and during the continuance of any Default (as defined in Section 13.1 below), Bondowner Representative may make written demand on Borrower to submit all rents under the Nonresidential Leases to Bondowner Representative.

11.35 LANDLORD OBLIGATIONS. Borrower shall perform all obligations required to be performed by it as landlord under any lease affecting any part of the Property or Improvements.

11.36 OPERATING DEFICIT RESERVE.

(a) On or before the date hereof, Borrower shall deposit with Bondowner Representative an amount not less than \$_____ (the "**Operating Deficit Reserve**") in an account or sub-account maintained by Bondowner Representative (the "**Operating Deficit Reserve Account**"). Bondowner Representative shall have the sole right to make withdrawals from such Operating Deficit Reserve. All investment earnings on funds in the Operating Deficit Reserve shall be calculated by Bondowner Representative and added to and become part of the Operating Deficit Reserve. If applicable law requires and provided that no Event of Default exists under any of the Loan Documents, Bondowner Representative shall pay to Borrower the interest earned on the Operating Deficit Reserve once each year. Borrower hereby assigns to Bondowner Representative, and grants Bondowner Representative a first-priority security interest in, all of Borrower's interest in the Operating Deficit Reserve Account and all deposits at any time contained therein and the proceeds thereof as additional security for all of the Borrower's obligations under this Instrument and the other Loan Documents. Any amounts deposited with Bondowner Representative under this Section 11.36 may be commingled with any other funds held by Bondowner Representative (provided that Bondowner Representative shall maintain separate sub-accounts for such Operating Deficit Reserve) and shall not operate to reduce the Loan, unless applied by Bondowner Representative for that purpose under Section 11.36(c).

(b) Upon written request from the Borrower and satisfaction of the requirements set forth herein, including all Operating Deficit Reserve Disbursement Conditions (as such term is defined below), Bondowner Representative shall disburse, or authorize disbursement of, amounts from the Operating Deficit Reserve Account, subject to the Bondowner Representative's approval, to cover any Operating Deficit (as such term is defined below) in connection with the Improvements until all funds held in the Operating Deficit Reserve Account have been depleted. As used herein, an "Operating Deficit" shall exist if and to the extent that cash flow from the Improvements is insufficient to pay normal operating expenses and maintenance of the Improvements, Impositions (as defined in Section 11.24) and regularly scheduled debt service of the Borrower; provided that such normal operating expenses and maintenance, Impositions or debt service shall not include any items which are to be paid from any other reserves or accounts maintained pursuant to the terms of this Loan Agreement or any subordinate loan documents.

(c) Upon the occurrence of an Event of Default, Borrower shall immediately lose all of its rights to receive disbursements from the Operating Deficit Reserve unless and until all amounts secured by this Loan Agreement have been paid and the lien of this Loan Agreement

has been released by Bondowner Representative. Upon any such Event of Default, Bondowner Representative may, in its sole and absolute discretion, use the Operating Deficit Reserve (or any portion thereof) for any purpose, including but not limited to (i) repayment of any indebtedness secured by this Loan Agreement, including but not limited to principal prepayments and the prepayment premium applicable to such full or partial prepayment (as applicable); provided, however, that such application of funds shall not cure or be deemed to cure any default or Event of Default; (ii) reimbursement of Bondowner Representative for all losses and expenses (including, without limitation, reasonable legal fees) suffered or incurred by Bondowner Representative as a result of such default or Event of Default; or (iii) payment of any amount expended in exercising (and exercise) all rights and remedies available to Bondowner Representative at law or in equity or under this Instrument or under any of the other Loan Documents.

(d) Nothing in this Instrument shall obligate Bondowner Representative to apply all or any portion of the Operating Deficit Reserve on account of any default or Event of Default by Borrower or to repayment of the indebtedness secured by this Instrument or in any specific order of priority.

(e) Any disbursement from the Operating Deficit Reserve Account to cover any operating deficit is subject to Bondowner Representative's prior approval, in Bondowner Representative's reasonable discretion. Bondowner Representative shall have no obligation to disburse, or authorize disbursement of, any such amounts to Borrower unless all of the following conditions (the "**Operating Deficit Reserve Disbursement Conditions**") have been satisfied as determined by Bondowner Representative in its reasonable discretion (or have been waived in writing by Bondowner Representative):

- (i) Bondowner Representative shall have received a written request signed by Borrower together with such documentation and information as Bondowner Representative may require. Each such request shall be in form and substance acceptable to Bondowner Representative and shall include such items of information and documentation, including, without limitation, invoices, canceled checks, lien waivers and other evidence as Bondowner Representative may require to show that there currently is, or potentially will be, an operating deficit, and that Borrower is otherwise in compliance with all Loan Documents;
- (ii) The Improvements shall not have been materially damaged;
- (iii) The Land and Improvements or any interest therein shall not have been materially affected by eminent domain or condemnation proceedings; and
- (iv) No default or Event of Default shall have occurred and be continuing under any of the Loan Documents.

(f) Borrower shall pay within 10 days of request from Bondowner Representative (i) all reasonable costs and expenses incurred by Bondowner Representative in connection with collecting, holding and disbursing the Operating Deficit Reserve pursuant to this Section 11.36, and (ii) all reasonable fees, charges, costs and expenses incurred by Bondowner Representative in connection with inspections made by Bondowner Representative or Bondowner Representative's representatives in carrying out Bondowner Representative's responsibility to make certain determinations under this Section 11.36.

11.37 COVENANT FOR THE BENEFIT OF THE BONDHOLDERS. Borrower recognizes the authority of the Issuer to assign its interest in and pledge moneys receivable under this Loan Agreement to the Bond Trustee as security for the payment of the principal of and interest and redemption premiums,

if any, on the Bond, and the payment of all other amounts as set forth in Article 3 of this Loan Agreement. Borrower hereby (i) agrees to be bound by the Issuer's grant of such assignment and pledge, (ii) grants to the Bond Trustee a security interest in any right and interest Borrower may have in sums held in the Funds described in Article V of the Indenture, to secure the obligations of Borrower under this Loan Agreement and the other Loan Documents and (iii) agrees that the Bond Trustee shall have all of the rights of a secured party under the California Uniform Commercial Code in connection with such security interest. Each of the terms and provisions of this Loan Agreement is a covenant for the use and benefit of the Bondholders and Bondowner Representative, so long as the Bond shall remain Outstanding; but upon payment in full of the Bond in accordance with the Indenture and of all fees and charges requested under Sections 3.3 and 3.4 of this Loan Agreement, all references in this Loan Agreement to Bondowner Representative, the Bond, the Bond Trustee and the Bondholders shall be ineffective, and the Bondholders, the Bond Trustee and Bondowner Representative shall thereafter have no rights hereunder, save and except those that shall have theretofore vested or that arise from provisions hereunder which survive termination of this Loan Agreement. All rights and benefits provided to Bondowner Representative pursuant to this Loan Agreement are provided to Bondowner Representative in both its capacity as owner of the Bond and its capacity as "Bondowner Representative" (i.e., representative of the Bondholder) as that capacity is established and defined pursuant to the Indenture, and shall extend to each successive Bondholder and "Bondowner Representative" under the Indenture.

11.38 INSPECTION AND ACCESS.

(a) Borrower agrees that the Issuer, Bondowner Representative and their duly authorized agents, shall have the right to examine and inspect during normal business hours, and for that purpose to enter upon, the Property, and shall also have such right of access thereto at reasonable times and under reasonable conditions and subject to the rights of tenants in possession as may be reasonably necessary to cause the Project to be properly maintained in accordance with Article 5 and in accordance with the applicable provisions of the other Loan Documents. In each instance, the Issuer, Bondowner Representative and their duly authorized agents will give Borrower notice before entering the Project premises and make reasonable efforts to avoid interfering with Borrower's use of the Property when exercising any of the rights granted in this Section.

(b) Subject to the restrictions of all applicable laws, Borrower hereby covenants to execute, acknowledge and deliver all such further documents, and do all such other acts and things as may be necessary in order to grant to the Issuer and Bondowner Representative the rights of access and entry described herein and agrees that such rights of access and entry shall not be terminated, curtailed or otherwise limited by any assignment, lease or other transfer of the Property by Borrower to any other person and subject to the rights of tenants in possession at reasonable times and under reasonable conditions.

11.39 INDEMNITY.

(A) TO THE FULLEST EXTENT PERMITTED BY LAW, BORROWER AGREES TO INDEMNIFY, HOLD HARMLESS AND DEFEND THE ISSUER, THE BOND TRUSTEE, BONDOWNER REPRESENTATIVE, AND EACH OF THEIR RESPECTIVE OFFICERS, GOVERNING MEMBERS, DIRECTORS, OFFICIALS, EMPLOYEES, ATTORNEYS AND AGENTS (COLLECTIVELY, THE "**INDEMNIFIED PARTIES**"), AGAINST ANY AND ALL LOSSES, DAMAGES, CLAIMS, ACTIONS, LIABILITIES, COSTS AND EXPENSES OF ANY CONCEIVABLE NATURE, KIND OR CHARACTER (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES, LITIGATION AND COURT COSTS, AMOUNTS PAID IN SETTLEMENT AND AMOUNTS PAID TO DISCHARGE JUDGMENTS) EXCEPT ARISING OUT OF ISSUER'S WILLFUL MISCONDUCT OR BONDOWNER REPRESENTATIVE'S OR BOND TRUSTEE'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, TO WHICH THE INDEMNIFIED PARTIES, OR ANY OF THEM, MAY BECOME SUBJECT UNDER OR ANY STATUTORY LAW (INCLUDING FEDERAL OR STATE SECURITIES LAWS) OR AT COMMON LAW OR OTHERWISE, ARISING OUT OF OR BASED UPON OR IN ANY WAY RELATING TO:

- (i) THE BOND, THE INDENTURE, THIS LOAN AGREEMENT OR ANY OTHER DOCUMENT TO WHICH THE ISSUER IS A PARTY, OR THE EXECUTION OR AMENDMENT HEREOF OR THEREOF OR IN CONNECTION WITH TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, INCLUDING THE ISSUANCE, SALE OR RESALE OF THE BOND, PROVIDED, HOWEVER, THAT NO INDEMNIFICATION OBLIGATION SHALL RESULT IN LIABILITY FOR REPAYMENT OF PRINCIPAL OR INTEREST ON THE LOAN;
- (ii) ANY ACT OR OMISSION OF BORROWER OR ANY OF ITS AGENTS, CONTRACTORS, SERVANTS, EMPLOYEES OR LICENSEES IN CONNECTION WITH THE PROJECT, THE OPERATION OF THE PROJECT, OR THE CONDITION, ENVIRONMENTAL OR OTHERWISE, OCCUPANCY, USE, POSSESSION, CONDUCT OR MANAGEMENT OF WORK DONE IN OR ABOUT, OR FROM THE PLANNING, DESIGN, ACQUISITION, INSTALLATION OR CONSTRUCTION OF, THE PROJECT OR ANY PART THEREOF;
- (iii) ANY LIEN OR CHARGE UPON PAYMENTS BY BORROWER TO THE ISSUER AND BONDOWNER REPRESENTATIVE HEREUNDER, OR ANY TAXES (INCLUDING, WITHOUT LIMITATION, ALL AD VALOREM TAXES AND SALES TAXES), ASSESSMENTS, IMPOSITIONS AND OTHER CHARGES IMPOSED ON THE ISSUER OR THE TRUSTEE IN RESPECT OF ANY PORTION OF THE PROJECT;
- (iv) ANY VIOLATION OF ANY ENVIRONMENTAL REGULATIONS WITH RESPECT TO, OR THE RELEASE OF ANY HAZARDOUS SUBSTANCES FROM, THE PROJECT OR ANY PART THEREOF;
- (v) THE DEFEASANCE AND/OR REDEMPTION, IN WHOLE OR IN PART, OF THE BOND;
- (vi) ANY UNTRUE STATEMENT OR MISLEADING STATEMENT OR ALLEGED UNTRUE STATEMENT OR ALLEGED MISLEADING STATEMENT OF A MATERIAL FACT CONTAINED IN ANY OFFERING STATEMENT OR DISCLOSURE OR CONTINUING DISCLOSURE DOCUMENT FOR THE BOND OR ANY OF THE DOCUMENTS RELATING TO THE BOND, OR ANY OMISSION OR ALLEGED OMISSION FROM ANY OFFERING STATEMENT OR DISCLOSURE OR CONTINUING DISCLOSURE DOCUMENT FOR THE BOND OF ANY MATERIAL FACT NECESSARY TO BE STATED THEREIN IN ORDER TO MAKE THE STATEMENTS MADE THEREIN, IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY WERE MADE, NOT MISLEADING;
- (vii) ANY DECLARATION OF TAXABILITY OF INTEREST ON THE BOND, OR ALLEGATIONS (OR REGULATORY INQUIRY) THAT INTEREST ON THE BOND IS TAXABLE, FOR FEDERAL TAX PURPOSES; AND
- (viii) THE BOND TRUSTEE'S AND BONDOWNER REPRESENTATIVE'S ACCEPTANCE OR ADMINISTRATION OF THE TRUST OF THE INDENTURE, OR THE EXERCISE OR PERFORMANCE OF ANY OF ITS POWERS OR DUTIES THEREUNDER OR UNDER ANY OF THE DOCUMENTS RELATING TO THE BOND TO WHICH IT IS A PARTY; EXCEPT (A) IN THE CASE OF THE FOREGOING INDEMNIFICATION OF BONDOWNER REPRESENTATIVE AND BOND TRUSTEE OR ANY

OF ITS RESPECTIVE OFFICERS, MEMBERS, DIRECTORS, OFFICIALS, EMPLOYEES, ATTORNEYS AND AGENTS, TO THE EXTENT SUCH DAMAGES ARE CAUSED BY THE NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PARTY; OR (B) IN THE CASE OF THE FOREGOING INDEMNIFICATION OF THE ISSUER OR ANY OF ITS OFFICERS, MEMBERS, DIRECTORS, OFFICIALS, EMPLOYEES, ATTORNEYS AND AGENTS, TO THE EXTENT SUCH DAMAGES ARE CAUSED BY THE WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PARTY. IN THE EVENT THAT ANY ACTION OR PROCEEDING IS BROUGHT AGAINST ANY INDEMNIFIED PARTY WITH RESPECT TO WHICH INDEMNITY MAY BE SOUGHT HEREUNDER, BORROWER, UPON WRITTEN NOTICE FROM THE INDEMNIFIED PARTY, SHALL ASSUME THE INVESTIGATION AND DEFENSE THEREOF, INCLUDING THE EMPLOYMENT OF COUNSEL REASONABLY ACCEPTABLE TO 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. EACH INDEMNIFIED PARTY SHALL HAVE THE RIGHT TO EMPLOY SEPARATE COUNSEL IN ANY SUCH ACTION OR PROCEEDING AND PARTICIPATE IN THE INVESTIGATION AND DEFENSE THEREOF, AND 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 BORROWER IF IN THE JUDGMENT OF SUCH INDEMNIFIED PARTY A CONFLICT OF INTEREST EXISTS OR COULD ARISE BY REASON OF COMMON REPRESENTATION OR IF ALL PARTIES COMMONLY REPRESENTED DO NOT AGREE AS TO THE ACTION (OR INACTION) OF COUNSEL. NOTWITHSTANDING THE FOREGOING, IN NO EVENT SHALL BORROWER BE REQUIRED TO INDEMNIFY THE INDEMNIFIED PARTIES FOR ANY LIABILITY ARISING DUE TO (I) IN THE CASE OF THE ISSUER, THE WILLFUL MISCONDUCT OF SUCH PARTY; AND (II) IN THE CASE OF THE OTHER INDEMNIFIED PARTIES, THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF ANY OF SUCH INDEMNIFIED PARTIES.

(B) THE RIGHTS OF ANY PERSONS TO INDEMNITY HEREUNDER AND RIGHTS TO PAYMENT OF FEES AND REIMBURSEMENT OF EXPENSES HEREUNDER SHALL SURVIVE THE FINAL PAYMENT OR DEFEASANCE OF THE BOND AND IN THE CASE OF BONDOWNER REPRESENTATIVE OR THE BOND TRUSTEE ANY RESIGNATION OR REMOVAL. THE PROVISIONS OF THIS SECTION SHALL SURVIVE THE TERMINATION OF THIS LOAN AGREEMENT.

11.40 TAX STATUS OF BOND. Borrower hereby covenants, represents and agrees as follows: (a) that Borrower will not take or permit any action to be taken that would adversely affect either the exclusion from gross income for federal income tax purposes of the interest on the Bond and, if it should take or permit any such action, Borrower will take all lawful actions to rescind such action promptly upon having knowledge thereof; and (b) that Borrower will take such action or actions, including amending the Loan and this Loan Agreement, as determined reasonably necessary in the opinion of Bond Counsel to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the United States Department of the Treasury or the Internal Revenue Service under the Code. Borrower further covenants and agrees that it will direct all investments in compliance with the Code. Borrower covenants and agrees to cause to be calculated by

an arbitrage consultant and pay to the Bond Trustee any amounts owing to the United States as rebatable arbitrage in accordance with the procedures set forth in the Tax Certificate and Section 6.07 of the Indenture.

11.41 INCORPORATION OF TAX CERTIFICATE. The covenants, representations, warranties and agreements of Borrower set forth in the Tax Certificate are incorporated by reference herein as if fully set forth herein.

11.42 LOSS OF TAX EXCLUSION. Borrower understands that the interest rates provided under the Note and this Loan Agreement have been established on the assumption that interest paid on the Bond will be excludable from the Bondholders' gross income under Section 103 of the Code and applicable State law. In the event that (i) Borrower receives notice from Bondowner Representative that Bondowner Representative has discovered any facts or circumstances that would cause interest paid on the Bond not to be tax-exempt; or (ii) any Bondholder receives notice from the Internal Revenue Service or other governmental authority that interest payable on the Bond is not tax-exempt, or that the Internal Revenue Service is challenging the tax-exempt status of the Bond, then the interest rate shall be increased, both prospectively and retroactively, to an annual variable rate equal to the Default Rate. *In the event of an increase in the interest rate under this Section 11.42, Borrower shall pay to the Bondholders promptly upon demand an amount sufficient to adjust previous payments of interest to the increased rate.* Borrower shall also indemnify, defend and hold Issuer and Bondowner Representative harmless from any penalties, interest expense or other costs, including reasonable attorneys' fees (including all charges of Issuer's, Bond Trustee's and Bondowner Representative's internal and tax counsel) and accountants' costs, resulting from any dispute with the Internal Revenue Service concerning the exclusion from gross income for federal income tax purposes of interest on the Bond and the interest payable to any Bondholder on the Bond, and upon receipt by Bondowner Representative of the amounts set forth in the foregoing indemnity, Bondowner Representative shall assign to Borrower any claims it may have against third parties for negligent acts or omissions in connection with the failure of interest on the Bond to be excludable from gross income for federal income tax purposes. The obligations of Borrower under this paragraph shall survive termination of this Loan Agreement and repayment of the Loan.

11.43 TAXES, REGULATORY COSTS AND RESERVE PERCENTAGES. Upon Bondowner Representative's demand, Borrower shall pay to Bondowner Representative, in addition to all other amounts which may be, or become, due and payable under this Loan Agreement and the other Loan Documents, any and all Taxes and Regulatory Costs, to the extent they are not internalized by calculation of a One-Month LIBO Rate. Further, at Bondowner Representative's option, the One-Month LIBO Rate shall be automatically adjusted by adjusting the Reserve Percentage, as determined by Bondowner Representative in its prudent banking judgment, from the date of imposition (or subsequent date selected by Bondowner Representative) of any such Regulatory Costs. Bondowner Representative shall give Borrower notice of any Taxes and Regulatory Costs as soon as practicable after their occurrence, but Borrower shall be liable for any Taxes and Regulatory Costs regardless of whether or when notice is so given.

11.44 AMENDMENT OF REGULATORY AGREEMENT. Borrower shall not suffer or permit to become effective any restrictions (including, without limitation, any "automatic" amendment of the Regulatory Agreement pursuant to its terms) which impose requirements with respect to the occupancy, leasing or operation of the Project which are materially more burdensome than those contained as of the date of this Loan Agreement in the Regulatory Agreement or any agreement required to be signed in connection with the TCAC Regulatory Agreement, without first obtaining the consent of Bondowner Representative and the Issuer to the imposition of such restriction.

11.45 TAX COVENANTS. The Borrower shall comply with the requirements and conditions of the Tax Certificate and the Regulatory Agreement. Without limiting the foregoing and notwithstanding anything to the contrary in this Loan Agreement, Borrower will not take, or permit to be taken on its behalf, any action which would cause interest on the Bond to be included in gross income for federal

income tax purposes and will take such reasonable action as may be necessary to continue such exclusion from gross income, including:

(a) Borrower will not use the proceeds of the Bond, or any other funds which may be deemed to be proceeds of the Bond pursuant to Section 148 of the Code, in the manner which will cause the Bond to be an "arbitrage bond" within the meaning of such section, and will comply with the requirements of such Section throughout the term of the Bond;

(b) Borrower will prepare and file any statements required to be filed by it in order to maintain such exclusion;

(c) Borrower will pay to the United States any amount required to be paid by the Issuer or Borrower pursuant to Section 148(f) of the Code, at the times, in the amounts and at the places required in order to maintain the exclusion of interest on the Bond from gross income for federal income tax purposes, and Borrower shall compute, or cause to be computed, such amounts annually so long as required by the Code.

(d) not less than ninety five percent (95%) of the net proceeds of the Bond (within the meaning of Section 142(a) of the Code) shall be used to pay Qualified Project Costs;

(e) in order to satisfy the requirements set forth in subpart (4) of the definition of "program investment" that appears in Section 1.148 1(b) of the Treasury Regulations (which requirements must be met in order for the Loan to qualify as a program investment within the meaning of that section), neither the Borrower nor any related person will purchase any interest in the Bond in amount related to the amount of the Loan;

(f) no changes will be made to the Project, no actions will be taken by Borrower, and Borrower will not omit to take any actions, which will in any way adversely affect the tax-exempt status of the interest on the Bond;

(g) if Borrower becomes aware of any circumstance, event or condition which would result in the interest payable on the Bond becoming includable in gross income for federal income tax purposes, Borrower will promptly give written notice of such circumstance, event or condition to the Issuer and Bondowner Representative;

(h) the full amount of each disbursement from the Loan will be applied to pay or to reimburse Borrower for the payment of Project Costs and, after taking into account any proposed disbursement, (i) at least ninety five percent (95%) of the net proceeds of the Bond (as defined in Section 150 of the Code) will be used to pay Qualified Project Costs to provide a qualified residential rental project (as defined in Section 142(d) of the Code), (ii) less than twenty-five percent (25%) of the net proceeds of the Bond will have been disbursed to pay or to reimburse Borrower for the cost of acquiring land, (iii) not more than two percent (2%) of the proceeds of the Bond will have been used for Costs of Issuance (as defined in the Regulatory Agreement), and (iv) none of the proceeds of the Bond (as defined for purposes of Section 147(g) of the Code) will be disbursed to provide working capital;

(i) Borrower will cause all of the residential units in the Project first occupied after the Effective Date and to be rented or available for rental on a basis which satisfies the requirements of the Law, the Act, the Code and the Regulatory Agreement;

(j) all leases for the Project entered into after the Effective Date will comply with all applicable laws and the Regulatory Agreement;

(k) in connection with any lease entered into after the Effective Date or grant by Borrower of the use of the Project, Borrower will require that the lessee or user of any portion of

the Project not use that portion of the Project in any manner which would violate the covenants set forth in this Loan Agreement or the Regulatory Agreement;

(l) no portion of the proceeds of the portion of the Loan shall be used to provide any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises, and no portion of the proceeds of the Loan shall be used for an office unless (i) the office is located on the premises of the facilities constituting the Project and (ii) not more than a de minimis amount of the functions to be performed at such office is not related to the day-to-day operations of the Project; and

(m) Borrower shall, prior to the date which is 24 months after the Closing Date (subject to extension as permitted by the Regulatory Agreement), expend proceeds of the Bond equal to not less than 15% of the amount of Bond proceeds expended to acquire the Project (exclusive of any acquisition costs attributable to land) on ///[Qualified Construction Expenditures]/// (as defined in the Regulatory Agreement) which expenditures shall be confirmed in writing through a Certificate of Completion delivered to the Issuer and the Trustee not later than 25 months (subject to extension as permitted by the Regulatory Agreement) after the Closing Date.

In any matter relating to the exclusion of interest on the Bond from gross income for federal income tax purposes, the terms and provisions of the Tax Certificate shall control in the event of any conflict between this Loan Agreement and the Tax Certificate.

11.46 INTENTIONALLY OMITTED.

11.47 OPERATING EXPENSES. After the occurrence of a Default, but for the lapse of any applicable grace period, and notwithstanding such Default shall be or have been cured or waived by Bondowner Representative, Bondowner Representative shall have the right to require Borrower to deposit with Bondowner Representative, in monthly installments in advance on the first day of each month, an amount sufficient, as reasonably estimated by Bondowner Representative, to pay all Operating Expenses for the Property. In such event, Borrower further agrees, upon Bondowner Representative's request, to cause all bills, statements or other documents relating to the operating expenses to be sent or mailed directly to Bondowner Representative. Upon receipt of such bills, statements or other documents, and provided Borrower has deposited sufficient funds with Bondowner Representative pursuant to this Section 11.46, Bondowner Representative shall pay such amounts as may be due thereunder out of the funds so deposited with Bondowner Representative. If at any time and for any reason the funds deposited with Bondowner Representative are or will be insufficient to pay such Operating Expenses as may then or subsequently be due, Bondowner Representative may notify Borrower and Borrower shall immediately deposit an amount equal to the deficiency with Bondowner Representative. If at any time the funds deposited with Bondowner Representative exceed the amount deemed necessary by Bondowner Representative to pay such operating expenses as may then or subsequently be due, such excess shall be credited to Borrower on the next monthly installment or installments of such funds. Upon payment and performance in full of the Loan and all indebtedness and obligations under the Loan Documents, Bondowner Representative shall promptly refund to Borrower any such funds held by Bondowner Representative. Nothing herein shall cause Bondowner Representative to be deemed a trustee of such funds or to be obligated to pay any amounts in excess of the amount of funds deposited with Bondowner Representative pursuant to this Section 11.46. Bondowner Representative may commingle such deposits with its own funds and Borrower shall not be entitled to any interest thereon. Borrower shall execute whatever security agreements, financing statements and other documents and instruments as Bondowner Representative may require in order to confirm Bondowner Representative's security interest in and/or control over such accounts.

11.48 INTENTIONALLY OMITTED.

11.49 INTENTIONALLY OMITTED.

11.50 SUBORDINATE LOANS. Borrower shall timely perform all obligations of Borrower with respect to the Subordinate Loans under the documents executed in connection therewith. Borrower shall deliver to Bondowner Representative copies, certified by Borrower to be true and correct, of the documents that evidence and secure the Subordinate Loans, the form and content of which shall be subject to Bondowner Representative's reasonable approval. Borrower shall at all times fully and timely comply and cause the Property and Improvements to comply with all applicable terms and conditions of the documents that evidence and secure the Subordinate Loans and shall provide Bondowner Representative with such verification of that compliance from time to time as reasonably requested by Bondowner Representative. Borrower shall not (a) commit any breach or default under the Subordinate Loans; (b) fail to maintain the Subordinate Loans in full force and effect until all sums owing to lender with respect to each loan have been paid; or (c) consent to any termination, amendment or modification of the terms of the Subordinate Loans without Bondowner Representative's prior written consent.

11.51 AMERICANS WITH DISABILITIES ACT COMPLIANCE. Borrower shall comply fully with all federal and state laws, including those of the Americans with Disabilities Act ("ADA"), 42 U.S.C. 12101 et seq. and its implementing regulations. Under the ADA, Borrower shall provide for reasonable accommodations to allow qualified individuals with disabilities access to and participation in their programs, services and activities. In addition, Borrower shall not discriminate against individuals with disabilities nor against persons due to their relationship or association with a person with a disability. Any subcontract entered into by Borrower relating to this Loan Agreement, to the extent allowed hereunder, shall be subject to the provisions of this Section. Borrower shall be responsible for all ADA compliance costs.

11.52 KEEPING GUARANTOR AND INVESTOR LIMITED PARTNER INFORMED. Borrower must keep Guarantor and Investor Limited Partner informed of Borrower's financial condition and business operations, the condition and all uses of the Property, including all changes in condition or use, and any and all other circumstances that might affect Borrower's ability to pay or perform its obligations under this Loan Agreement.

11.53 STATUS OF BORROWER.

(a) Throughout the term of this Loan Agreement, Borrower will maintain its existence as a limited partnership under the laws of the State of California in good standing and qualified to transact business in the State and will not wind up or otherwise dispose of all or substantially all of its assets.

(b) Notwithstanding the provisions of the Deed of Trust, Borrower shall not effect a merger, consolidation or transfer if the result thereof would cause the interest on the Bond (in the hands of any person who is not a "substantial user" of the Project or a "related person") to become includable in gross income for federal income tax purposes.

(c) Upon any change in the status of Borrower, by way of substitution, sale or otherwise of Borrower, the Issuer and Bondowner Representative shall be promptly informed and, if requested, Borrower as newly constituted shall deliver to the Issuer and Bondowner Representative an instrument in form satisfactory to each of them affirming the liability of Borrower hereunder.

11.54 FILING OF FINANCING STATEMENTS. Borrower agrees that it will cooperate with Bondowner Representative in filing or causing to be filed, at Borrower's sole expense, on or before August 1 of each fifth calendar year in which the Loan remains outstanding, commencing August 1, 2019, any financing statements or continuation statements required or requested by Bondowner Representative to perfect and preserve the security interest of the Issuer and Bondowner Representative in this Loan Agreement and the payments to be made hereunder, as granted in the Indenture.

11.55 NEGATIVE COVENANTS. Without Bondowner Representative's prior written consent, Borrower may not:

- (a) engage in any business activities substantially different from Borrower's present business;
- (b) liquidate or dissolve Borrower's business;
- (c) lease (other than pursuant to residential leases to tenants of the Project permitted pursuant to the Loan Documents) or dispose of all or a substantial part of Borrower's business or Borrower's assets;
- (d) enter into any consolidation, merger, pool, joint venture, syndicate or other combination.

11.56 SWAP DOCUMENTS. If Borrower enters into any Swap Agreement with Bondowner Representative, Borrower shall, upon receipt from Bondowner Representative, execute promptly all documents evidencing such transaction.

11.57 LENDER ACCOUNTS. Bondowner Representative agrees to provide Borrower and Bond Trustee records of amounts on deposit in any account held by Bondowner Representative hereunder as and to the extent necessary to make any calculation of rebate amounts payable to the United States required by this Loan Agreement, the Indenture, the Tax Certificate or the Regulatory Agreement.

ARTICLE 12. REPORTING COVENANTS

12.1 FINANCIAL INFORMATION. Borrower shall keep true and correct financial books and records for the Property, using generally accepted accounting principles consistently applied, unless otherwise noted. Within ninety (90) days after the end of each of Borrower's and General Partner's fiscal years, Borrower shall deliver to Bondowner Representative an audited balance sheet and income statement for Borrower and General Partner, together with a statement showing all changes in Borrower's and General Partner's financial condition and a certification by Borrower of compliance with all applicable provisions of the Regulatory Agreement and Section 42 of the Code. Within one hundred fifty (150) days after the end of Guarantor's fiscal year, Borrower shall deliver to Bondowner Representative an audited balance sheet and income statement for Guarantor, together with a statement showing all changes in Guarantor's financial condition and a certification by Borrower of compliance with all applicable provisions of the Regulatory Agreement and Section 42 of the Code. Borrower shall also promptly deliver to Bondowner Representative, upon Bondowner Representative's request, monthly and/or quarterly balance sheets and income statements for Borrower, Guarantor or General Partner, certified to be true and correct by the chief financial officer of Borrower, Guarantor or General Partner, as applicable. In addition, if Bondowner Representative so requests as shall be necessary for Bondowner Representative to comply with current federal law, at Bondowner Representative's reasonable discretion, Borrower shall also promptly provide annual balance sheets and income statements for Borrower's limited partner. Borrower shall promptly provide Bondowner Representative with any additional financial information that Borrower may obtain, or Bondowner Representative may reasonably request, on itself, Guarantor or General Partner, including but not limited to, signed copies of any tax returns and such other information concerning Borrower's, Guarantor's or General Partner's affairs and properties as Bondowner Representative may reasonably request.

12.2 BOOKS AND RECORDS. Borrower shall maintain complete books of account and other records for the Property and Improvements and for disbursement and use of the proceeds of the Loan and Borrower's Funds, and the same shall be available for inspection and copying by Bondowner Representative or Issuer upon reasonable prior notice.

12.3 REPORTS. Within ten (10) days of Bondowner Representative's request, Borrower shall deliver to Bondowner Representative monthly inventory reports, marketing and sales schedules and reports, marketing and sales information and/or leasing information, with respect to all real property

projects of Borrower and all general partners, venturers and members of Borrower, all in form and substance acceptable to Bondowner Representative.

12.4 LEASING REPORTS. Borrower shall deliver to Bondowner Representative monthly (prior to the Conversion Date) and annual rent rolls, leasing schedules and reports, operating statements and/or such other leasing information as Bondowner Representative shall request with respect to the Property and Improvements, each in form and substance satisfactory to Bondowner Representative and certified by an authorized officer of Borrower to be true and correct. In addition, Borrower shall promptly obtain and deliver to Bondowner Representative such estoppel certificates and subordination and attornment agreements executed by such tenants in such forms as Bondowner Representative may from time to time require.

12.5 OPERATING STATEMENTS FOR PROPERTY AND IMPROVEMENTS. Beginning with the first calendar month following the Effective Date, Borrower shall deliver to Bondowner Representative on the fifteenth (15th) day of each month an "**Operating Statement**" which shows in detail the amounts and sources of Gross Operating Income received by or on behalf of Borrower and the amounts and purposes of Permitted Operating Expenses paid by or on behalf of Borrower with respect to the Property and Improvements for the previous month.

"**Gross Operating Income**" for this purpose shall mean the sum of any and all amounts, payments, fees, rentals, additional rentals, expense reimbursements (including, without limitation, all reimbursements by tenants, lessees, licensees and other users of the Property and Improvements) discounts or credits to Borrower, income, interest and other monies directly or indirectly received by or on behalf of or credited to Borrower from any person with respect to Borrower's ownership, use, development, operation, leasing, franchising, marketing or licensing of the Property and Improvements. Gross Operating Income shall be computed on a cash basis and shall include for each monthly statement all amounts actually received in such month whether or not such amounts are attributable to a charge arising in such month.

"**Permitted Operating Expenses**" shall mean the following expenses to the extent that such expenses are reasonable in amount and customary for properties of this type: (i) taxes and assessments imposed upon the Property and Improvements to the extent that such taxes and assessments are required to be paid by Borrower and are actually paid or reserved for by Borrower; (ii) bond assessments; (iii) insurance premiums for casualty insurance (including, without limitation, earthquake) and liability insurance carried in connection with the Property and Improvements, provided, however, if any, insurance is maintained as part of a blanket policy covering the Property and Improvements and other properties, the insurance premium included in this subparagraph shall be the premium fairly allocable to the Property and Improvements; (iv) operating expenses incurred by Borrower for the management, operation, cleaning, leasing, maintenance and repair of the Property and Improvements. Permitted Operating Expenses shall not include any interest or principal payments on the Loan or any allowance for depreciation.

12.6 ADDITIONAL FINANCIAL INFORMATION. Borrower shall promptly provide Bondowner Representative with any additional financial information that Borrower may obtain, or Bondowner Representative may reasonably request, regarding Borrower and/or the General Partner, including but not limited to, signed copies of any tax returns and such other information concerning Borrower's or the General Partner's affairs and properties as Bondowner Representative may reasonably request. If Borrower or any General Partner thereof fails to comply with the obligations of this Section 12.6 within sixty (60) days of Bondowner Representative's written request for financial statements (excluding audited financial statements) or other information related to Borrower, such General Partner, the Property or the Loan within the specified time periods set forth herein or in any other provision requiring such delivery (subject to any applicable notice and cure periods set forth herein), then Borrower or General Partner shall pay to Bondowner Representative, as damages, the sum of One Hundred and No/100th Dollars (\$100.00) per day (plus interest thereon at the Default Rate as specified in the Note) until Borrower or its General Partner has complied therewith or such information is otherwise received by Bondowner Representative.

12.7 NOTICE FROM INVESTOR LIMITED PARTNER(S). Borrower shall immediately deliver to Bondowner Representative a full copy of any notice from Investor Limited Partner pursuant to which Investor Limited Partner may refuse to fund any portion of the capital contributions or demands a return of any capital contributions.

ARTICLE 13. DEFAULTS AND REMEDIES

13.1 DEFAULT. The occurrence of any one or more of the following shall constitute an event of default ("**Default**") under this Loan Agreement and the other Loan Documents:

(a) Monetary. Borrower's failure to pay when due, any sums payable under the Note or any of the other Loan Documents or Borrower's failure to deposit any Borrower's Funds as and when required under this Loan Agreement;

(b) Performance of Obligations. Borrower's failure to perform, keep or observe any term, provision, condition, covenant, or agreement contained in this Loan Agreement, any other Loan Document, or any other present or future agreement between Borrower and Bondowner Representative and/or evidencing and/or securing the Loan within thirty (30) days after written notice to Borrower from Bondowner Representative requesting that Borrower cure such failures; provided, however, that, if cure cannot reasonably be effected within such 30-day period, such failure shall not be a Default so long as Borrower promptly (in any event, within 10 days after receipt of such notice) commences cure, and thereafter diligently (in any event within 60 days after receipt of such notice) prosecutes such cure to completion; or provided, however, that if a cure period is expressly provided for the remedy of such failure elsewhere in this Loan Agreement or other Loan Document, as applicable, such cure period provided shall govern and Borrower's failure to perform will not constitute a Default until such date as the specified cure period expires (and any cure period set forth in this subsection (b) shall not apply); or

(c) Construction; Use. (i) There is any material deviation in the work of construction from the Plans and Specifications or governmental requirements or the appearance or use of defective workmanship or materials in constructing the Improvements, and Borrower fails to remedy the same to Bondowner Representative's satisfaction within ten (10) days of Bondowner Representative's written demand to do so; or (ii) there is a cessation of construction of the Improvements prior to completion for a continuous period of more than fifteen (15) days (except as caused by an event of force majeure for which a longer delay may be permitted under Article 4); or (iii) the City does not consent to a purchase of the Bond and corresponding disbursement of proceeds of the Loan for a period of more than thirty (30) days after Borrower's delivery of a proper request for such disbursement; (iv) the construction, sale or leasing of any of the Improvements in accordance with the Loan Documents is prohibited, enjoined or delayed for a continuous period of more than thirty (30) days; or (v) utilities or other public services necessary for the full occupancy and utilization of the Property and Improvements are curtailed for a continuous period of more than thirty (30) days (except as caused by an event of force majeure for which a longer delay may be permitted under Article 4); or

(d) Liens, Attachment; Condemnation. (i) The recording of any claim of lien against the Property or Improvements or the service on Bondowner Representative of any bonded stop notice relating to the Loan and the continuance of such claim of lien or bonded stop notice for twenty (20) days without discharge, satisfaction or provision for payment being made by Borrower in a manner satisfactory to Bondowner Representative; or (ii) the condemnation, seizure or appropriation of, or occurrence of an uninsured casualty with respect to any material portion of the Property or Improvements; or (iii) the sequestration or attachment of, or any levy or execution upon any of the Property or Improvements, any other collateral provided by Borrower under any of the Loan Documents, any monies in the Account or in Borrower's Funds Account, or any substantial portion of the other assets of Borrower, which sequestration, attachment, levy or execution is not released, expunged or dismissed prior to the earlier of thirty (30) days or the sale of the assets affected thereby; or

(e) Representations and Warranties. (i) The failure of any representation or warranty of Borrower, any of its members or any of the General Partners, or any of its officers, employees or agents on behalf of Borrower in any of the Loan Documents and the continuation of such failure for more than ten (10) days after written notice to Bondowner Representative requesting that Borrower cure such failure; or (ii) any material adverse change in the financial condition of Borrower, any of its members, any of the Guarantors, or any Indemnitor from the financial condition represented to Bondowner Representative as of the later of: (a) the Effective Date; or (b) the date upon which the financial condition of such party was first represented to Bondowner Representative; or

(f) Voluntary Bankruptcy; Insolvency. (i) The filing of a petition by Borrower for relief under the Bankruptcy Code, or under any other present or future state or federal law regarding bankruptcy, reorganization or other debtor relief law; (ii) the filing of any pleading or an answer by Borrower in any involuntary proceeding under the Bankruptcy Code or other debtor relief law which admits the jurisdiction of the court or the petition's material allegations regarding Borrower's insolvency; (iii) a general assignment by Borrower for the benefit of creditors; or (iv) Borrower applying for, or the appointment of, a receiver, trustee, custodian or liquidator of Borrower or any of its property; or if any insolvency proceeding is commenced by Borrower or any General Partner, or Borrower or any General Partner becomes insolvent or otherwise cannot pay its debts and obligations as such becomes due (or admits the same in writing); or

(g) Involuntary Bankruptcy. The failure of Borrower to effect a full dismissal of any involuntary petition under the Bankruptcy Code or under any other debtor relief law that is filed against Borrower or in any way restrains or limits Borrower or Bondowner Representative regarding the Loan, the Property or the Improvements, prior to the earlier of the entry of any court order granting relief sought in such involuntary petition, or ninety (90) days after the date of filing of such involuntary petition; or

(h) Partners; Guarantor. The occurrence of any of the events specified in Section 13.1(f) or 13.1(g) as to any person or entity other than Borrower, including, without limitation, any Guarantor, Indemnitor, which is in any manner obligated to Bondowner Representative under the Loan Documents; or

(i) Other Bankruptcy. The occurrence of any of the events specified in Sections 13.1(f) or 13.1(g) of this Loan Agreement with respect to Contractor (unless Contractor is replaced by a contractor reasonably satisfactory to Bondowner Representative within ninety (90) days of such occurrence, except that such period shall be limited to thirty (30) days if such proceedings have a materially adverse impact upon the progress of construction of the improvements or the availability of the LIHTC); or

(j) Dissolution. The dissolution of Borrower, any Guarantor or any Indemnitor; or

(k) Change In Management or Control. Except as otherwise permitted under the Loan Documents, the occurrence of any material management or organizational change in Borrower or in the partners of Borrower, including, without limitation, any partnership dispute which Bondowner Representative determines, in its sole and absolute discretion, shall have a material adverse effect on the Loan, on the Property and Improvements, or on the ability of Borrower or its partners to perform their obligations under the Loan Documents; or

(l) Loss of Priority. The failure at any time of the Deed of Trust to be a valid first lien upon the Property and Improvements or any portion thereof, (subject only to the Regulatory Agreement), other than as a result of any release or reconveyance of the Deed of Trust with respect to all or any portion of the Property and Improvements pursuant to the terms and conditions of this Loan Agreement; or

(m) Hazardous Materials. Except as disclosed in the Environmental Reports, the discovery of any significant Hazardous Materials in, on or about the Property or Improvements subsequent to the Effective Date. Any such Hazardous Materials shall be "significant" for this purpose if said Hazardous Materials, in Bondowner Representative's sole discretion, have a materially adverse impact on the value of the Property and Improvements; or

(n) Investor Limited Partner Financing. The failure to comply with Sections 8.2(u) and (w), 11.4, 11.7 and 12.7 of this Loan Agreement or, the failure of Investor Limited Partner to make the Capital Contributions to Borrower in the amounts and prior to the required dates set forth in the definition of Capital Contributions set forth in Section 1.1, above, the occurrence of a material breach or default under the Partnership Documents, or failure to satisfy any of the material terms, covenants or conditions of or under the Partnership Documents, which has the effect of causing or excusing the failure of partners in Borrower to make capital contributions in the amounts and at the times required in the definition of Capital Contributions set forth in Section 1.1, above and such failure continues for more than thirty (30) days after notice of such failure from Bondowner Representative to Borrower; or

(o) Withdrawal of General Partner. Except as otherwise expressly permitted under the terms of this Loan Agreement, the withdrawal of a General Partner as a general partner and Borrower's failure to provide a substitute or replacement acceptable to Bondowner Representative and Investor Limited Partner within thirty (30) days after the occurrence of any such withdrawal; or

(p) Tax Certificate. Failure by Borrower or Issuer to perform their obligations under the Tax Certificate, or failure of any of the representations or warranties contained in the Tax Certificate to be and remain true and correct at any time; or

(q) LIHTC. Failure to remain in material compliance with TCAC requirements, which failure extends beyond applicable notice and cure periods expressly set forth in the TCAC requirements, or to promptly reapply for the LIHTC upon Bondowner Representative's request, or the expiration of the LIHTC; or

(r) Default Under Guaranty. The occurrence of a default under any guaranty now or hereafter executed in connection with the Loan beyond any cure period expressly set forth in such guaranty, including without limitation, Guarantor's failure to perform any covenant, condition or obligation thereunder; or

(s) Investor Limited Partner Bankruptcy. Prior to the funding of the Capital Contributions, the occurrence of any of the events specified in Sections 13.1(f) or 13.1(g) of this Loan Agreement with respect to the Investor Limited Partner; or

(t) Permanent Financing. The failure to satisfy the Conversion Conditions on or before the Termination Date (as may be extended pursuant to Sections 3.6 or 3.7) or the occurrence of a default or breach by Borrower, or failure to satisfy any of the terms, covenants or conditions, of the Permanent Loan Documents for any reason whatsoever; or

(u) Determination of Taxability. There is a Determination of Taxability with respect to the Bonds; or

(v) Transfer of Assets. The sale, assignment, pledge, hypothecation, mortgage or transfer of all or a substantial portion of assets of an entity Guarantor; or

(w) Failure to Fund Replacement Reserve Fund. Failure by Borrower to fund the Replacement Reserve Fund in accordance with the requirements of the Replacement Reserve

Agreement dated as of the date hereof and executed by Borrower in favor of Bondowner Representative; or

(x) Failure to Fund Operating Deficit Reserve. Failure by Borrower to fund or replenish the Operating Deficit Reserve in accordance with the requirements of this Loan Agreement; or

(y) Adverse Financial Condition - Other Than Borrower. Any material adverse change in the financial condition of any Guarantor or Indemnitors from the condition shown on the financial statement(s) submitted to Bondowner Representative and relied upon by Bondowner Representative in making the Loan, the materiality and adverse effect of such change in financial condition to be reasonably determined by Bondowner Representative in accordance with its credit standards and underwriting practices in effect at the time of making such determination; or

(z) Transfer of Assets. The sale, assignment, pledge, hypothecation, mortgage or transfer of all or a substantial portion of assets of Borrower, any of the Guarantor or any Indemnitor, other than in the ordinary course of business of said entity or as otherwise permitted under the Loan Documents; or Borrower ceases its operations or sells or otherwise disposes of all or substantially all of the Property (except as otherwise permitted under the Loan Documents) or a governmental authority condemns or expropriates, or an order is issued by a governmental authority for the condemnation or expropriation of all or substantially all of the Property; or

(aa) Hazardous Materials Indemnity Agreement (Unsecured). The occurrence of a default and the expiration of any applicable cure periods under the Hazardous Materials Indemnity Agreement (Unsecured) executed by an Indemnitor, in favor of Bondowner Representative, and dated of even date herewith; or

(bb) Attachment or Levy. All or any of Borrower's or the General Partner's assets in excess of Fifty Thousand Dollars (\$50,000.00) in aggregate value are attached, seized, subjected to a writ or distress warrant, or are levied upon, or come into the possession of any judicial officer or assignee for the benefit of credits unless, with respect to any such assets, such attachment, seizure, writ, warrant or levy shall be dismissed, released or stayed within ten (10) days of issuance thereof; or

(cc) Governmental Lien. A notice of lien, levy or assessment in excess of Fifty Thousand Dollars (\$50,000.00) in the aggregate, is filed of record with respect to any or all of Borrower's or the General Partner's assets by the United States Government, or any department, agency or instrumentality thereof, or by any other public authority, or if any taxes or debts owing at any time hereafter to any one or more of such entities in excess of Fifty Thousand Dollars (\$50,000.00) in the aggregate, becomes a lien, whether choate, inchoate or otherwise, upon any or all of Borrower's or the General Partner's assets, and the same is not paid, or otherwise released within forty-five (45) days of the filing thereof; or

(dd) Criminal Proceedings. Any criminal proceedings against Borrower or the General Partner shall have been instituted or Borrower or the General Partner shall be indicted for any crime, in either case for which a forfeiture of a material amount of the Property or any of its other property or assets is a potential penalty and such proceedings or indictment is not dismissed within sixty (60) days; or

(ee) Subordinate Loan Default. The occurrence of any default under any Subordinate Loan that remains uncured beyond any applicable notice and cure periods expressly set forth in the applicable Subordinate Loan Document; or

(ff) AHAP or HAP Contract Default. The occurrence of any default under the AHAP or any HAP Contract that remains uncured beyond any applicable notice and cure periods

expressly set forth in the AHAP or HAP Contract, as applicable, the termination of the AHAP or the HAP Contract, the termination or reduction of the housing assistance payments to be provided pursuant to the HAP Contract; or

(gg) Bond Document Amendment. Any of the Bond Documents shall be amended (including any "automatic" amendment of the Regulatory Agreement pursuant to its terms) without the express prior written consent or Bondowner Representative; or

(hh) Subordinate Loan Document, Partnership Document, AHAP, or HAP Contract Amendment. Any Subordinate Loan Document, Partnership Document, AHAP or HAP Contract is amended, supplemented, modified or terminated without the express prior written consent of Bondowner Representative; or

(ii) First 5 Transition Reserve Reduction/Termination. The termination or reduction of the "First 5 Transition Reserve" described in the CDC First 5 Loan Agreement; or

(jj) Disapproval of Transfer of Bond. The City does not consent, within thirty (30) days after written request therefor, to a transfer of the Bond to a Sophisticated Investor to whom such transfer would be permitted pursuant to the Indenture but for lack of consent by the City.

(kk) Swap Contract. An "Event of Default" occurs under any Swap Agreement (as defined therein) between Borrower and Bondowner Representative; or

(ll) Default Under the Partnership Agreement. Any default by General Partner under the Partnership Agreement or under any agreement or instrument relating to or executed in connection with the Partnership Agreement that is not cured within the cure period set forth in such agreement or instrument.

13.2 ACCELERATION UPON DEFAULT; REMEDIES.

(a) Upon the occurrence of any Default specified in this Article 13, Bondowner Representative may, at its sole option, direct that Bond Trustee, as assignee of Issuer, declare all sums owing to Bondowner Representative under the Note, this Loan Agreement and the other Loan Documents immediately due and payable (in an amount equal to that necessary to pay in full the Bond and the interest thereon, assuming acceleration of the Bond under the Indenture and to pay all other indebtedness due under this Loan Agreement and the other Loan Documents). Upon such acceleration, Bondowner Representative may, with notice to the Bond Trustee, in addition to all other remedies permitted under this Loan Agreement and the other Loan Documents and at law or equity, apply any sums in the Account and Borrower's Funds Account to the sums owing under the Loan Documents and any and all obligations of Bondowner Representative to consent to further disbursements under the Loan shall terminate.

(b) Whenever any Default shall have occurred and be continuing, any one or more of the following remedial steps may also be taken to the extent permitted by law and Bond Trustee shall take such actions as directed by Bondowner Representative:

- (i) the Bond Trustee, as assignee of the Issuer, may take whatever action at law or in equity as it determines to be appropriate to collect all sums then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement, covenant, representation or warranty of Borrower, under this Loan Agreement or any other Related Document, or to foreclose the real property and/or personal property security for such obligations, or to otherwise compensate the Issuer and Bondowner Representative for any damages on account of such Default; and

(ii) the Issuer (without the prior written consent of Bondowner Representative if Bondowner Representative is not enforcing the Issuer's rights in a manner to protect the Issuer or is otherwise taking action that brings adverse consequences to the Issuer), may take whatever action at law or in equity may appear necessary or appropriate to enforce its rights to indemnification under Sections 9.5, 11.39, 11.42 and 15.1 and to collect all sums then due and thereafter to become due to the Issuer under Sections 3.4(b) and (c) and 3.5 of this Loan Agreement; provided that the Issuer will not take any action which would prejudice the rights of the Bond Trustee or Bondowner Representative.

(c) All of Bondowner Representative's and Issuer's rights and remedies are cumulative. If any Default occurs, Issuer's obligation to lend and Bondowner Representative's obligation to consent to disbursements of proceeds of the Loan under the Loan Documents automatically terminate, and Bondowner Representative in its sole discretion may withhold any one or more disbursements. Bondowner Representative may also withhold any one or more disbursements after an event occurs that, with notice or the passage of time, could become a Default. No disbursement of Loan funds by Bondowner Representative will cure any default of Borrower, unless Bondowner Representative agrees otherwise in writing in each instance.

(d) If Borrower becomes the subject of any Insolvency Proceeding, all of Borrower's obligations under the Loan Documents shall automatically become immediately due and payable upon the filing of the petition commencing such proceeding, all without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demands of any kind or character. Upon the occurrence of any other Default, all of Borrower's obligations under the Loan Documents may become due and payable immediately without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor or other notices or demands of any kind or character, all at Bondowner Representative's option, exercisable in its sole discretion. If such acceleration occurs, Bondowner Representative may apply any undisbursed Loan funds and any sums in Borrower's Funds Account to Borrower's obligations under the Loan Documents, in any order and proportions in Bondowner Representative's sole discretion.

Also upon any Default that occurs during the course of construction of the Project, Bondowner Representative in its sole discretion may enter and take possession of the Property or direct the Bond Trustee to do so, whether in person, by agent or by court-appointed receiver, and take any and all actions that Bondowner Representative in its sole discretion may consider necessary to complete construction of the Project, including making changes in plans, specifications, work or materials and entering into, modifying or terminating any contractual arrangements, all subject to Bondowner Representative's right at any time to discontinue any work without liability. By choosing to complete the construction of the Project, Bondowner Representative does not assume any liability to Borrower or any other person for completing the Project or for the manner or quality of its construction, and Borrower expressly waives any such liability. If Bondowner Representative exercises any of the rights or remedies provided in this Section 13.2, that exercise will not make Bondowner Representative, or cause Bondowner Representative to be deemed, a partner or joint venturer of Borrower. Bondowner Representative in its sole discretion may choose to complete construction in its own name. All sums expended by Bondowner Representative in completing construction will be considered to have been disbursed to Borrower and will be secured by the Deed of Trust and any other collateral held by Bondowner Representative in connection with the Loan; any sums of principal will be considered to be an additional loan to Borrower bearing interest at the Default Rate, and be secured by the Deed of Trust and any other collateral held by Bondowner Representative in connection with the Loan. For these purposes Bondowner Representative, in its sole discretion, may reallocate any line item or cost category of the cost breakdown.

13.3 DISBURSEMENTS TO THIRD PARTIES. Upon the occurrence of a Default occasioned by Borrower's failure to pay money to a third party as required by this Loan Agreement, Bondowner Representative may but shall not be obligated to make such payment from the Loan proceeds,

Borrower's Funds, or other funds of Bondowner Representative. If such payment is made from proceeds of the Loan or from Borrower's Funds, Borrower shall immediately deposit with Bondowner Representative, upon written demand, an amount equal to such payment. If such payment is made from funds of Bondowner Representative, Borrower shall immediately repay such funds upon written demand of Bondowner Representative. In either case, the Default with respect to which any such payment has been made by Bondowner Representative shall not be deemed cured until such deposit or repayment (as the case may be) has been made by Borrower to Bondowner Representative.

13.4 LENDER'S COMPLETION OF CONSTRUCTION. Upon the occurrence of a Default, Bond Trustee may, upon five (5) days prior written notice to Borrower, and with or without legal process, take possession of the Property and Improvements, remove Borrower and all agents, employees and contractors of Borrower from the Property and Improvements, complete the work of construction and market and sell or lease the Property and/or Improvements. For this purpose, Borrower irrevocably appoints Bond Trustee as its attorney in fact, which agency is coupled with an interest. As attorney in fact, Bond Trustee may, in Borrower's name and at the direction of Bondowner Representative, take or omit to take any action that Bondowner Representative may deem appropriate, including, without limitation, exercising Borrower's rights under the Loan Documents and all contracts concerning the Property and/or Improvements.

13.5 LENDER'S CESSATION OF CONSTRUCTION. If Bondowner Representative determines at any time that the Improvements are not being constructed in accordance with the Plans and Specifications and all governmental requirements, Bondowner Representative may immediately cause all construction to cease on any of the Improvements affected by the condition of nonconformance. Borrower shall thereafter not allow any construction work, other than corrective work, to be performed on any of the Improvements affected by the condition of nonconformance until such time as Bondowner Representative notifies Borrower in writing that the nonconforming condition has been corrected.

13.6 REPAYMENT OF FUNDS ADVANCED. Any funds expended by Bondowner Representative in the exercise of its rights or remedies under this Loan Agreement and the other Loan Documents shall be payable to Bondowner Representative upon demand, together with interest at the rate applicable to the principal balance of the Note from the date the funds were expended.

13.7 RIGHTS CUMULATIVE, NO WAIVER. All Bondowner Representative's rights and remedies provided in this Loan Agreement and the other Loan Documents, together with those granted by law or at equity, are cumulative and may be exercised by Bondowner Representative at any time. Bondowner Representative's exercise of any right or remedy shall not constitute a cure of any Default unless all sums then due and payable to Bondowner Representative under the Loan Documents are repaid and Borrower has cured all other Defaults. No waiver shall be implied from any failure of Bondowner Representative to take, or any delay by Bondowner Representative in taking, action concerning any Default or failure of condition under the Loan Documents, or from any previous waiver of any similar or unrelated Default or failure of condition. Any waiver or approval under any of the Loan Documents must be in writing and shall be limited to its specific terms.

13.8 EXERCISE OF THE ISSUER'S REMEDIES BY BONDOWNER REPRESENTATIVE. Whenever any default shall have happened and be subsisting the Bond Trustee or Bondowner Representative may, but except as otherwise provided in the Indenture shall not be obligated to, exercise any or all of the rights of the Issuer under this Article 13, with notice to the Issuer.

13.9 RESERVED.

13.10 NONEXCLUSIVE REMEDIES. No remedy herein conferred upon or reserved to the Issuer or Bondowner Representative 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 Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any Default shall impair any such 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 Bondowner Representative to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required or as may be required by law.

13.11 EFFECT OF WAIVER. In the event any agreement contained in this Loan Agreement is breached by either party and thereafter such breach is waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

13.12 BONDOWNER REPRESENTATIVE MAY FILE PROOFS OF CLAIM. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to Borrower or the property of Borrower, Bondowner Representative (with the prior consent of Bondowner Representative), shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) To file and prove a claim and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Issuer and Bondowner Representative (including any claim for the reasonable compensation, expenses, disbursements and advances of the Issuer and Bondowner Representative, their agents and counsel) allowed in such judicial proceeding; and

(b) To collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same.

13.13 RESTORATION OF POSITIONS. If Bondowner Representative has instituted any proceeding to enforce any right or remedy under this Loan Agreement, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to Bondowner Representative, then and in every such case Borrower, Bondowner Representative shall, subject to any determination in the proceeding, be restored to the positions they held prior to commencement of such proceedings, and thereafter all rights and remedies of the Issuer and Bondowner Representative shall continue as though no such proceeding had been instituted.

13.14 SUITS TO PROTECT THE PROJECT. If Borrower shall fail to do so after thirty (30) days prior written notice from Bondowner Representative, Bondowner Representative shall have power to institute and to maintain such proceedings as either of them may deem expedient to prevent any impairment of the Project or any portion thereof, by any acts which may be unlawful or in violation of this Loan Agreement, and such suits and proceedings as Bondowner Representative may deem expedient to protect its interests in the Project or any portion thereof, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of, or compliance with, such enactment, rule or order would impair or adversely affect the Project or be prejudicial to the interests of Bondowner Representative.

13.15 INVESTOR LIMITED PARTNER CURE OF DEFAULTS. Notwithstanding anything to the contrary contained herein, Bondowner Representative hereby agrees that any cure of any default made or tendered by Investor Limited Partner shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower.

13.16 NOTICE TO TAX CREDIT INVESTOR. Bondowner Representative agrees that it shall not direct Bond Trustee to complete a foreclosure sale of the Property or record a deed-in-lieu of foreclosure with respect to the Property (each, a "Foreclosure Remedy") unless and until Investor Limited Partner has first been given thirty (30) days' written notice of the default(s) or Event(s) of Default giving rise to Bondowner Representative's right to direct Bond Trustee to complete such Foreclosure Remedy, and Tax Credit Investor has failed, within such thirty (30) day period, to cure such default(s) and Event(s) of Default; provided, however, that Bondowner Representative shall be entitled during such thirty (30) day period to continue to pursue all of its rights and remedies under the Loan Documents, including, but not limited to, acceleration of the Note (subject to any de-acceleration provisions specifically set forth in the

Loan Documents or otherwise available under applicable law), exercise of its rights and remedies under the Loan Documents, commencement and pursuit of foreclosure (but not completion of the foreclosure sale), enforcement of any guaranty (subject to any notice and cure provisions contained therein), and/or enforcement of any other Loan Document. It is the express interest of the parties hereunder that Bondowner Representative shall have the right to pursue all rights and remedies except completion of a Foreclosure Remedy without liability to Tax Credit Investor for failure to provide notice to Tax Credit Investor, and that Bondowner Representative's liability hereunder shall be expressly limited to actual damages to Tax Credit Investor directly caused by Bondowner Representative's direction to Bond Trustee to complete of a Foreclosure Remedy without Tax Credit Investor receiving the notice and opportunity to cure described above. Bondowner Representative's failure to give any such notice for any reason shall not act to impair or waive any remedy or right of Bondowner Representative under this Loan Agreement or any other Loan Document. Bondowner Representative shall give Tax Credit Investor notice at the address set forth below or such other address as Tax Credit Investor may instruct Bondowner Representative in writing from time to time:

Wincopin Circle LLLP
c/o Enterprise Community Asset Management, Inc.
11000 Broken Land Parkway
Suite 700
Columbia, Maryland 21044

ARTICLE 14. TERMINATION

14.1 TERMINATION OF LOAN AGREEMENT; REQUIRED PREPAYMENT.

(a) Except during the continuance of a Default, Borrower shall have the option of terminating this Loan Agreement if (i) the Bond has been paid in full or if provision is otherwise made for payment of the Bond in such manner that the Indenture will be discharged on or before the date of termination, (ii) such prepayment and termination is allowed by the Note and the Deed of Trust, (iii) Borrower provides Bondowner Representative and the Issuer with an opinion of Bond Counsel to the effect that all such conditions for discharge of the Indenture have been satisfied; and provided that this Loan Agreement may not be terminated unless and until (x) all of Borrower's obligations under the Loan Documents have been satisfied and (y) all of Borrower's obligations with respect to the Issuer's fees, Bond Trustee's fees and any rebate obligation have been satisfied and Borrower has so certified to the Issuer and Bondowner Representative. All obligations of Borrower under Sections 3.3(a), 3.4, 9.5, 11.39, 11.42, and 15.1 shall survive termination of this Loan Agreement. Notwithstanding the foregoing, Borrower may not terminate this Loan Agreement unless and until the Bond Trustee has received an amount equal to Bondowner Representative's, Bond Trustee's and Issuer's fees and expenses under the Indenture and any other amounts due under Sections 3.3(a), 3.4, 9.5, 11.39, 11.42 and 11.51 hereof, accrued and to accrue until the Bond is fully paid and redeemed and all other advances, fees, costs and expenses reasonably incurred and to be incurred on or before the termination date by Bondowner Representative under the Indenture and by the Issuer and Bondowner Representative under this Loan Agreement and/or the other Loan Documents.

(b) On the termination date, a closing shall be held at any office mutually agreed upon among the Issuer, Borrower and Bondowner Representative (which closing may be conducted by first-class mail or recognized overnight delivery service). At the closing the Issuer and Bondowner Representative shall, upon acknowledgment of receipt of the sum required to be paid pursuant to Section 14.1(a), execute and deliver to Borrower such release and other instruments as Borrower reasonably determines is necessary to terminate this Loan Agreement. All further obligations of Borrower hereunder (except as specifically provided in Sections 3.3(a), 3.4, 9.5, 11.39, 11.42, 11.51 and 15.1 shall thereupon terminate, provided, however, that Borrower shall also remain obligated to pay or reimburse the Issuer and Bondowner Representative for the payment of all other fees, costs and expenses unaccounted for in the sum

paid in accordance with Section 14.1(a) above and reasonably incurred before or subsequent to such closing in connection with the Bond.

ARTICLE 15. MISCELLANEOUS PROVISIONS

15.1 INDEMNITY. BORROWER HEREBY AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS ISSUER, BOND TRUSTEE AND BONDOWNER REPRESENTATIVE, THEIR GOVERNING BODIES, DIRECTORS, OFFICERS, OFFICIALS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS FROM AND AGAINST ANY AND ALL LOSSES, DAMAGES, LIABILITIES, CLAIMS, ACTIONS, JUDGMENTS, COURT COSTS AND LEGAL OR OTHER EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND EXPENSES) WHICH ISSUER OR BONDOWNER REPRESENTATIVE MAY INCUR AS A DIRECT OR INDIRECT CONSEQUENCE OF: (a) THE PURPOSE TO WHICH BORROWER APPLIES THE PROCEEDS OF THE BONDS; (b) THE FAILURE OF BORROWER TO PERFORM ANY OBLIGATIONS AS AND WHEN REQUIRED BY THIS LOAN AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS; (c) ANY FAILURE AT ANY TIME OF ANY OF BORROWER'S REPRESENTATIONS OR WARRANTIES TO BE TRUE AND CORRECT; OR (d) ANY ACT OR OMISSION BY BORROWER, CONSTITUENT PARTNER OF BORROWER, ANY CONTRACTOR, SUBCONTRACTOR OR MATERIAL SUPPLIER, ENGINEER, ARCHITECT OR OTHER PERSON OR ENTITY WITH RESPECT TO ANY OF THE PROPERTY OR IMPROVEMENTS, PROVIDED, HOWEVER THAT BORROWER WILL NOT BE REQUIRED TO (A) INDEMNIFY ISSUER FOR LIABILITIES ARISING DUE TO ISSUER'S WILLFUL MISCONDUCT OR (B) INDEMNIFY BONDOWNER REPRESENTATIVE OR BOND TRUSTEE FOR LIABILITIES ARISING FROM BONDOWNER REPRESENTATIVE'S OR BOND TRUSTEE'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, RESPECTIVELY. BORROWER SHALL IMMEDIATELY PAY TO ISSUER, BONDOWNER REPRESENTATIVE AND BOND TRUSTEE UPON DEMAND ANY AMOUNTS OWING UNDER THIS INDEMNITY, TOGETHER WITH INTEREST FROM THE DATE THE INDEBTEDNESS ARISES UNTIL PAID AT THE RATE OF INTEREST APPLICABLE TO THE PRINCIPAL BALANCE OF THE NOTE. BORROWER'S DUTY AND OBLIGATIONS TO DEFEND, INDEMNIFY AND HOLD HARMLESS ISSUER, BONDOWNER REPRESENTATIVE AND BOND TRUSTEE SHALL SURVIVE CANCELLATION OF THE NOTE AND THE RELEASE, RECONVEYANCE OR PARTIAL RECONVEYANCE OF THE DEED OF TRUST.

15.2 FORM OF DOCUMENTS. The form and substance of all documents, instruments, and forms of evidence to be delivered to Bondowner Representative under the terms of this Loan Agreement and any of the other Loan Documents shall be subject to Bondowner Representative's approval and shall not be modified, superseded or terminated in any respect without Bondowner Representative's prior written approval.

15.3 NO THIRD PARTIES BENEFITED. No person other than Issuer, Bondowner Representative, Bond Trustee and Borrower and their permitted successors and assigns shall have any right of action under any of the Loan Documents.

15.4 NOTICES. All notices, demands, or other communications under this Loan Agreement and the other Loan Documents shall be in writing and shall be delivered to the appropriate party at the address set forth on the signature page of this Loan Agreement and as specified in Exhibit D (subject to change from time to time by written notice to all other parties to this Loan Agreement). All communications shall be deemed served upon delivery of, or if mailed, upon the first to occur of receipt or the expiration of three (3) days after the deposit in the United States Postal Service mail, postage prepaid and addressed to the address of Borrower or Bondowner Representative at the address specified; provided, however, that non-receipt of any communication as the result of any change of address of which the sending party was not notified or as the result of a refusal to accept delivery shall be deemed receipt of such communication.

15.5 ATTORNEY-IN-FACT. Borrower hereby irrevocably appoints and authorizes Bondowner Representative, as Borrower's attorney in fact, which agency is coupled with an interest, to execute and/or record in Bondowner Representative's or Borrower's name any notices, instruments or documents

that Bondowner Representative deems appropriate to protect Bondowner Representative's or Bond Trustee's interest under any of the Loan Documents.

15.6 ACTIONS. Borrower agrees that Bondowner Representative, in exercising the rights, duties or liabilities of Bondowner Representative or Borrower under the Loan Documents, may commence, appear in or defend any action or proceeding purporting to affect the Property, the Improvements, or the Loan Documents and Borrower shall immediately reimburse Bondowner Representative upon demand for all such expenses so incurred or paid by Bondowner Representative, including, without limitation, attorneys' fees and expenses and court costs.

15.7 RIGHT OF CONTEST. Borrower may contest in good faith any claim, demand, levy or assessment (other than liens and stop notices, which are addressed in Section 6.8) by any person other than Bondowner Representative which would constitute a Default if: (a) Borrower pursues the contest diligently, in a manner which Bondowner Representative determines is not prejudicial to Bondowner Representative, and does not impair the rights of Bondowner Representative under any of the Loan Documents; and (b) Borrower deposits with Bondowner Representative any funds or other forms of assurance which Bondowner Representative in good faith determines from time to time appropriate to protect Bondowner Representative from the consequences of the contest being unsuccessful. Borrower's compliance with this Section shall operate to prevent such claim, demand, levy or assessment from becoming a Default.

15.8 RELATIONSHIP OF PARTIES. The relationship of Borrower and Bondowner Representative under the Loan Documents is, and shall at all times remain, solely that of borrower and lender, and Bondowner Representative neither undertakes nor assumes any responsibility or duty to Borrower or to any third party with respect to the Property or Improvements, except as expressly provided in this Loan Agreement and the other Loan Documents.

15.9 DELAY OUTSIDE BONDOWNER REPRESENTATIVE'S CONTROL. Bondowner Representative shall not be liable in any way to Borrower or any third party for Bondowner Representative's failure to perform or delay in performing under the Loan Documents (and Bondowner Representative may suspend or terminate all or any portion of Bondowner Representative's obligations under the Loan Documents) if such failure to perform or delay in performing results directly or indirectly from, or is based upon, the action, inaction, or purported action, of any governmental or local authority, or because of war, rebellion, insurrection, strike, lock out, boycott or blockade (whether presently in effect, announced or in the sole judgment of Bondowner Representative deemed probable), or from any Act of God or other cause or event beyond Bondowner Representative's control.

15.10 ATTORNEYS' FEES AND EXPENSES; ENFORCEMENT. If any attorney is engaged by Bondowner Representative to enforce or defend any provision of this Loan Agreement, any of the other Loan Documents or Other Related Documents, or as a consequence of any Default under the Loan Documents, with or without the filing of any legal action or proceeding, and including, without limitation, any fees and expenses incurred in any bankruptcy proceeding of Borrower, then Borrower shall immediately pay to Bondowner Representative, upon demand, the amount of all reasonable attorneys' fees and expenses and all costs incurred by Bondowner Representative in connection therewith, together with interest thereon from the date of such demand until paid at the rate of interest applicable to the principal balance of the Note as specified therein.

15.11 IN-HOUSE COUNSEL FEES. Whenever Borrower is obligated to pay or reimburse Bondowner Representative for any attorneys' fees, those fees shall include the reasonable allocated costs for services of in-house counsel or loan administrators.

15.12 IMMEDIATELY AVAILABLE FUNDS. Unless otherwise expressly provided for in this Loan Agreement, all amounts payable by Borrower to Bondowner Representative shall be payable only in United States currency, immediately available funds.

15.13 LENDER'S CONSENT. Wherever in this Loan Agreement there is a requirement for Issuer's or Lender's consent and/or a document to be provided or an action taken "to the satisfaction of Bondowner Representative," it is understood by such phrase that, unless otherwise stated, Bondowner Representative shall exercise its consent, right or judgment in a reasonable manner given the specific facts and circumstance applicable at the time.

15.14 LOAN SALES AND PARTICIPATIONS; DISCLOSURE OF INFORMATION. Borrower acknowledges the intention of the parties to facilitate the marketability of the Loan to purchasers in the secondary market and agrees that Bondowner Representative may elect, at any time, subject to the requirements of the Indenture, to sell, assign or grant participations in all or any portion of its rights and obligations under the Loan Documents, and that any such sale, assignment or participation may be to one or more financial institutions, private investors, and/or other entities, at Bondowner Representative's sole discretion ("**Participant**"). Borrower further agrees that Bondowner Representative may disseminate to any such actual or potential purchaser(s), assignee(s) or participant(s) all documents and information (including, without limitation, all financial information) which has been or is hereafter provided to or known to Bondowner Representative with respect to: (a) the Property and Improvements and its operation; (b) any party connected with the Loan (including, without limitation, Borrower, any partner of Borrower, any constituent partner or member of Borrower, any Guarantor, any Indemnitor and any Non-Borrower Trustor); and/or (c) any lending relationship other than the Loan which Bondowner Representative may have with any party connected with the Loan. In the event of any such sale, assignment or participation, Bondowner Representative and the parties to such transaction shall share in the rights and obligations of Bondowner Representative as set forth in the Loan Documents only as and to the extent they agree among themselves. In connection with any such sale, assignment or participation, Borrower further agrees that the Loan Documents shall be sufficient evidence of the obligations of Borrower to each purchaser, assignee, or participant, and upon written request by Bondowner Representative, Borrower shall enter into such amendments or modifications to the Loan Documents as may be reasonably required in order to evidence any such sale, assignment or participation. The indemnity obligations of Borrower under the Loan Documents shall also apply with respect to any purchaser, assignee or participant.

Anything in this Loan Agreement to the contrary notwithstanding, and without the need to comply with any of the formal or procedural requirements of this Loan Agreement, including this Section, any lender may at any time and from time to time pledge and assign all or any portion of its rights under all or any of the Loan Documents to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Bondowner Representative from its obligations thereunder.

15.15 FANNIE MAE REQUIREMENTS. Borrower agrees to execute such additional documents (which documents shall be considered "Loan Documents") as Bondowner Representative may reasonably request to facilitate the sale of the Loan at any time to, or the provision of a credit enhancement facility with respect to the Bond by, Fannie Mae or another purchaser or credit enhancer of loans in the secondary market which generally follows Fannie Mae standards. If there are any modifications in or additions to any of the requirements imposed or standards used by Fannie Mae in connection with loans purchased by it or by others purchasing loans on the secondary market or in connection with credit enhancement facilities provided by it or other credit enhancement providers on the secondary market, and generally following Fannie Mae standards, then, at Bondowner Representative's request, Borrower shall execute amendments to the Loan Documents, or shall execute additional Loan Documents, to conform with such modifications or additions. Despite anything in the foregoing to the contrary, none of the amendments or additional documents requested hereunder shall materially change the terms of the Loan Documents or increase the financial obligations of Borrower.

15.16 SIGNS. Bondowner Representative may place on the Property reasonable signs standard to construction loan transactions stating that construction financing is being provided by Bondowner Representative.

15.17 BONDOWNER REPRESENTATIVE'S AGENTS. Bondowner Representative may designate an agent or independent contractor to exercise any of Bondowner Representative's rights

under this Loan Agreement and any of the other Loan Documents. Any reference to Bondowner Representative in any of the Loan Documents shall include Bondowner Representative's agents, employees or independent contractors. Borrower shall pay the costs of such agent or independent contractor either directly to such person or to Bondowner Representative in reimbursement of such costs, as applicable.

15.18 TAX SERVICE. Bondowner Representative is authorized to secure, at Borrower's expense, a tax service contract with a third party vendor which shall provide tax information on the Property and Improvements satisfactory to Bondowner Representative.

15.19 WAIVER OF RIGHT TO TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE LAW, BORROWER AND BONDOWNER REPRESENTATIVE (BUT NOT THE ISSUER) EACH EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (a) ARISING UNDER THE LOAN DOCUMENTS, INCLUDING, WITHOUT LIMITATION, ANY PRESENT OR FUTURE MODIFICATION THEREOF OR (b) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THE LOAN DOCUMENTS (AS NOW OR HEREAFTER MODIFIED) OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION IS NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND THE BONDOWNER REPRESENTATIVE (BUT NOT THE ISSUER) AND THE BORROWER EACH HEREBY AGREES AND CONSENTS THAT ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF BONDOWNER REPRESENTATIVE AND BORROWER TO THE WAIVER OF ANY RIGHT THEY MIGHT OTHERWISE HAVE TO TRIAL BY JURY.

15.20 SEVERABILITY. If any provision or obligation under this Loan Agreement and the other Loan Documents shall be determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, that provision shall be deemed severed from the Loan Documents and the validity, legality and enforceability of the remaining provisions or obligations shall remain in full force as though the invalid, illegal, or unenforceable provision had never been a part of the Loan Documents, provided, however, that if the rate of interest or any other amount payable under the Note or this Loan Agreement or any other Loan Document, or the right of collectability therefor, are declared to be or become invalid, illegal or unenforceable, Bondowner Representative's obligations to make advances under the Loan Documents shall not be enforceable by Borrower.

15.21 HEIRS, SUCCESSORS AND ASSIGNS. Except as otherwise expressly provided under the terms and conditions of this Loan Agreement, the terms of the Loan Documents shall bind and inure to the benefit of the heirs, successors and assigns of the parties.

15.22 TIME. Time is of the essence of each and every term of this Loan Agreement.

15.23 HEADINGS. All Article, Section or other headings appearing in this Loan Agreement and any of the other Loan Documents are for convenience of reference only and shall be disregarded in construing this Loan Agreement and any of the other Loan Documents.

15.24 GOVERNING LAW. This Loan Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of California, except to the extent preempted by federal laws. Borrower and all persons and entities in any manner obligated to Bondowner Representative under the Loan Documents consent to the jurisdiction of any federal or state court within the State of California having proper venue and also consent to service of process by any means authorized by California or federal law.

15.25 INTEGRATION; INTERPRETATION. The Loan Documents contain or expressly incorporate by reference the entire agreement of the parties with respect to the matters contemplated

therein and supersede all prior negotiations or agreements, written or oral. The Loan Documents shall not be modified except by written instrument executed by all parties. Any reference to the Loan Documents includes any amendments, renewals or extensions now or hereafter approved by Bondowner Representative in writing. Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The word "include(s)" means "include(s), without limitation", and the word "including" means "including, but not limited to". No listing of specific instances, items or matters in any way limits the scope or generality of any language of this Loan Agreement. The exhibits to this Loan Agreement are hereby incorporated in this Loan Agreement.

15.26 USA PATRIOT ACT NOTICE; COMPLIANCE. The USA Patriot Act of 2001 (Public Law 107-56) and federal regulations issued with respect thereto require all financial institutions to obtain, verify and record certain information that identifies individuals or business entities which open an "account" with such financial institution. Consequently, Bondowner Representative may from time-to-time request, and Borrower shall provide to Bondowner Representative, Borrower's name, address, tax identification number and/or such other identification information as shall be necessary for Bondowner Representative to comply with federal law. An "account" for this purpose may include, without limitation, a deposit account, cash management service, a transaction or asset account, a credit account, a loan or other extension of credit, and/or other financial services product.

15.27 JOINT AND SEVERAL LIABILITY. The liability of all persons and entities obligated in any manner under this Loan Agreement and any of the Loan Documents shall be joint and several.

15.28 COUNTERPARTS. To facilitate execution, this document may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature of, or on behalf of, each party, or that the signature of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single document. It shall not be necessary in making proof of this document to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.

15.29 NO WAIVER; CONSENTS. No alleged waiver by Bondowner Representative or Issuer will be effective unless in writing, and no waiver will be construed as a continuing waiver. No waiver may be implied from any delay or failure by Bondowner Representative or Issuer to take action on account of any default of Borrower or to exercise any right or remedy against Borrower or any security. Consent by Bondowner Representative or Issuer to any act or omission by Borrower may not be construed as a consent to any other or subsequent act or omission or as a waiver of the requirement for Bondowner Representative's consent to be obtained in any future or other instance. All of Bondowner Representative's rights and remedies are cumulative.

15.30 AMENDMENTS, CHANGES AND MODIFICATIONS. Except as otherwise provided in this Loan Agreement or in the Indenture, subsequent to the issuance of the Bond and before the lien of the Indenture is satisfied and discharged in accordance with its terms, this Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of Bondowner Representative and Borrower (and the Issuer to the extent any proposed amendment, change or modification relates to any rights reserved by the Issuer under the Indenture).

15.31 LIMITATION ON ISSUER'S LIABILITY. The Issuer shall not be obligated to pay the principal of, premium, if any, or interest on the Bond, except from Revenues.

Any obligation or liability of the Issuer created by or arising out of this Loan Agreement (including without limitation any liability created by or arising out of the representations, warranties or covenants set forth herein or otherwise) shall not impose a debt or pecuniary liability upon the Issuer or a charge upon its general credit, but shall be payable solely out of Revenues. Neither the issuance of the Bond nor the

delivery of this Loan Agreement shall, directly or indirectly or contingently, obligate the Issuer to make any appropriation for payment of the Bond. Nothing in the Bond or this Loan Agreement or the proceedings of the Issuer authorizing the Bond or in the Act or the Law or in any other related document shall be construed to authorize the Issuer to create a debt of the Issuer within the meaning of any constitutional or statutory provision of the State. No breach of any pledge, obligation or agreement of the Issuer hereunder may impose any pecuniary liability upon the Issuer or any charge upon its general credit.

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

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

No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bond or for any claim based thereon or upon any obligation, covenant or agreement in this Loan Agreement contained, against, the Issuer, any past, present or future member of its governing body, its officers, attorneys, accountants, financial advisors, agents or staff or the officers, attorneys, accountants, financial advisors, agents or staff of any successor public entity, as such, either directly or through the Issuer or any successor public entity, under any rule of law or penalty of otherwise, and all such liability of the Issuer, any member of its governing body and its officers, attorneys, accountants, financial advisors, agents and staff is hereby, and by the acceptance of the Bond, expressly waived and released as a condition of, and in consideration for, the execution of this Loan Agreement and the issuance of the Bond. It is recognized that notwithstanding any other provision of this Loan Agreement, neither Borrower nor any Bondholder shall look to the Issuer or the members of its City Council, officers, program participants, attorneys, accountants, financial advisors, agents or staff for damages suffered by Borrower or such Bondholder as a result of the failure of the Issuer to perform any covenant, undertaking or obligation under this Loan Agreement, the Bond, the Regulatory Agreement, any of the Bond Documents or Loan Documents or any of the other documents referred to herein, or as a result of the incorrectness of any representation made by the Issuer in any of such documents, nor for any other reason except for representations made by the Issuer in any certificate of the Issuer and the opinion of counsel to the Issuer delivered on the Delivery Date. Although this Loan Agreement recognizes that such documents shall not give rise to any pecuniary liability of the Issuer, nothing contained in this 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 Issuer) in any court or before any governmental body, agency or instrumentality or otherwise against the Issuer or any of its officers or employees to enforce the provisions of any of such documents which the Issuer is obligated to perform and the performance of which the Issuer has not assigned to the Trustee or any other person.

15.32 PURPOSE AND EFFECT OF BONDOWNER REPRESENTATIVE APPROVAL.

Bondowner Representative's approval of any matter in connection with the Loan is for the sole purpose of protecting the security and rights of Bondowner Representative. No such approval will result in a waiver

of any default of Borrower. In no event may Bondowner Representative's approval be a representation of any kind with regard to the matter being approved.

15.33 NO COMMITMENT TO INCREASE LOAN. From time to time, Bondowner Representative may approve changes to the Plans and Specifications at Borrower's request and also require Borrower to make corrections to the work of construction, all on and subject to the terms and conditions of this Loan Agreement. Borrower acknowledges that no such action or other action by Bondowner Representative will in any manner commit or obligate the Issuer or Bondowner Representative to increase the amount of the Loan.

15.34 RELATIONSHIPS WITH OTHER BONDOWNER REPRESENTATIVE CUSTOMERS. From time to time, Bondowner Representative may have business relationships with Borrower's customers, suppliers, contractors, tenants, partners, shareholders, officers or directors, or with *businesses offering products or services similar to those of Borrower, or with persons seeking to invest in, borrow from or lend to Borrower.* Borrower agrees that Bondowner Representative may extend credit to such parties and take any action it deems necessary to collect the credit, regardless of the effect that such extension or collection of credit may have on Borrower's financial condition or operations. Borrower further agrees that in no event will Bondowner Representative be obligated to disclose to Borrower any information concerning any other Bondowner Representative customer.

15.35 DISCLOSURE TO TITLE COMPANY. Without notice to or the consent of Borrower, Bondowner Representative may disclose to any title insurance company insuring any interest of Bondowner Representative under the Deed of Trust (whether as primary insurer, coinsurer or reinsurer) any information, data or material in Bondowner Representative's possession relating to Borrower, the Loan, the Project or the Property.

15.36 RESTRICTION ON PERSONAL PROPERTY. Except for the replacement of personal property made in the ordinary course of Borrower's business with items of equal or greater value, Borrower may not sell, convey or otherwise transfer or dispose of its interest in any personal property in which Bondowner Representative has a security interest or contract to do any of the foregoing, without the prior written consent of Bondowner Representative in each instance.

15.37 LOAN COMMISSION. Bondowner Representative is not obligated to pay any brokerage commission or fee in connection with or arising out of the Loan. Borrower must pay any and all brokerage commissions or fees arising out of or in connection with the Loan.

15.38 COMPLIANCE WITH USURY LAWS. Notwithstanding any other provision of this Loan Agreement, it is agreed and understood that in no event shall this Loan Agreement, with respect to the Note or other instrument of indebtedness, be construed as requiring Borrower or any other person to pay interest and other costs or considerations that constitute interest under any applicable law which are contracted for, charged or received pursuant to this Loan Agreement in an amount in excess of the maximum amount of interest allowed under any applicable law. In the event of any acceleration of the payment of the principal amount of the Note or other evidence of indebtedness, that portion of any interest payment in excess of the maximum legal rate of interest, if any, provided for in this Loan Agreement or related documents shall be canceled automatically as of the date of such acceleration, or if theretofore paid, credited to the principal amount. The provisions of this Section prevail over any other provision of this Loan Agreement.

15.39 NON-DISCRIMINATION AND AFFIRMATIVE ACTION. The Borrower shall comply with the applicable nondiscrimination and affirmative action provisions of the laws of the United States of America, the State of California, and the Issuer. *The Borrower shall not discriminate in its employment practices against any employee or applicant for employment denial of family and medical care leave; denial of pregnancy disability leave or reasonable accommodations against any employee or applicant for employment because of such person's race, ancestry, color, citizenship, national origin, religion, sex, sexual orientation, gender identity/expression, age, marital status, familial status, domestic partner status, physical handicap, mental disability, medical condition, political affiliation or belief.* The Borrower shall

comply with Executive Order 11246, entitled "Equal Employment Opportunity", as amended by Executive Order 11375, and as supplemented in Department of Labor regulations (41 CFR Part 60). The Borrower shall comply with the provisions of the Los Angeles Administrative Code Sections 10.8 through 10.13, to the extent applicable hereto. The affirmative action program of the Borrower shall include the mandatory contract provisions set forth in the Los Angeles Administrative Code Section 10.8.4, and said provisions are incorporated herein by this reference. The Borrower shall also comply with all rules, regulations, and policies of the Issuer's Board of Public Works, Office of Contract Compliance relating to nondiscrimination and affirmative action, including the filing of all forms required by the Issuer. Any subcontract entered into by the Borrower relating to this 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 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.

15.40 BUSINESS TAX REGISTRATION CERTIFICATE. Subject to any exemption available to it, each of Borrower and Bondowner Representative represents that it has obtained or will obtain the Business Tax Registration Certificate(s) required by the City's Business Tax Ordinance (Article 1, Chapter 2, Section 21.00 and following, of the Los Angeles Municipal Code). Solely to the extent applicable to either, for the term covered by this Loan Agreement, Borrower and Bondowner Representative each shall maintain, or obtain as necessary, any such Business Tax Registration Certificate(s) required of it under said Ordinance and shall not allow any such Business Tax Registration Certificate(s) to be revoked or suspended.

15.41 CHILD SUPPORT ASSIGNMENT ORDERS. This Loan Agreement is subject to Section 10.10 of the Los Angeles Administrative Code, Child Support Assignment Orders Ordinance. Pursuant to this Ordinance, Borrower certifies that it will (1) fully comply with all State and Federal employment reporting requirements applicable to Child Support Assignment Orders; (2) that the principal owner(s) of Borrower are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally; (3) 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 (4) maintain such compliance throughout the term of the Regulatory Agreement. Pursuant to Section 10.10.b of the Los Angeles Administrative Code, failure of Borrower to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment Orders and Notices of Assignment or the failure of any principal owner(s) of Borrower to comply with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally shall constitute a default by Borrower as appropriate, under the terms of the Regulatory Agreement, subjecting (i) Borrower to the remedies provided herein and (ii) the Trustee to termination under the Indenture where, in either case, such failure shall continue for more than ninety (90) days after notice of such failure to Borrower by Issuer. Any subcontract entered into by Borrower relating to this 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 Borrower to obtain compliance of its subcontractors shall constitute a default by Borrower under the terms of this Loan Agreement, subjecting (i) Borrower to the remedies provided herein and (ii) the Trustee to termination under the Indenture where such failure shall continue for more than ninety (90) days after notice of such failure to Borrower by Issuer.

The Borrower shall comply with the Child Support Compliance Act of 1998 of the State of California Employment Development Department. The Borrower hereby affirms that it is fully complying with the earning 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 (b) of the Public Contract Code § 7110.

15.42 CAPITAL ADEQUACY. If any owner of the Bond, or any holder of a participating interest in the ownership of the Bond of another person or entity (collectively, a "**Bondowner**") determines that compliance with any law or regulation or with any guideline or request from any central bank or other governmental agency (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Bondowner, or any corporation controlling such Bondowner, as a consequence of, or with reference to, such Bondowner's or such corporation's commitments or its making or maintaining advances below the rate which such Bondowner or such corporation controlling Bondowner could have achieved but for such compliance (taking into account the policies of such Bondowner or corporation with regard to capital), then Borrower shall, from time to time, within thirty (30) calendar days after written demand by Bondowner Representative or such Participant, pay to such Bondowner additional amounts sufficient to compensate such Bondowner or such corporation controlling such Bondowner to the extent that such Bondowner determines such increase in capital is allocable to such Bondowner's obligations hereunder. A certificate as to such amounts, submitted to Borrower by such Bondowner, shall be conclusive and binding for all purposes, absent manifest error.

[Signature pages follow]

IN WITNESS WHEREOF, Issuer, Borrower and Bondowner Representative have executed this Loan Agreement as of the date appearing on the first page of this Loan Agreement.

ISSUER:

CITY OF LOS ANGELES

Approved as to form:

MICHAEL N. FEUER, City Attorney

By: Los Angeles Housing and Community
Investment Department

By: _____
Assistant/Deputy City Attorney

By: _____
Authorized Officer

Issuer's Address:

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

BONDOWNER REPRESENTATIVE:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____

Norma Dominguez
Vice President

Bondowner Representative's Address:

Wells Fargo Bank, National Association
Community Lending and Investment
MAC# E2064-075
333 S. Grand Avenue, 7th Floor
Los Angeles, California 90071
Attention: Loan Administration Officer

BORROWER:

BEVERLY PSH, L.P.,
a California limited partnership

By: Supportive Housing LLC,
a California limited liability company,
its Managing General Partner

By: A Community of Friends,
a California nonprofit public benefit corporation,
its Sole Member/Manager

By: _____
Dora Leong Gallo
Chief Executive Officer

By: St. Anne's Maternity Home,
a California nonprofit public benefit corporation,
its Administrative General Partner

By: _____
Dana A. "Tony" Walker, MA
President and Chief Executive Officer

Borrower's Address:

Beverly PSH, L.P.
c/o A Community of Friends
3701 Wilshire Boulevard
Suite 700
Los Angeles, California 90010
Attention: President