

TRANSMITTAL

To: **THE COUNCIL**

Date: **10/04/19**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to be 'Eric Garcetti', is written over the printed name.

(Ana Guerrero) for

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

Housing Development Bureau

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hcidla.lacity.org

October 4, 2019

Council File: 19-0558; 19-0590; 17-0090-S2
Council District: 10
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Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 300, City Hall
200 North Spring Street
Los Angeles, CA 90012

Attention: Heleen Ramirez, Legislative Coordinator

COUNCIL TRANSMITTAL: REQUEST FOR AUTHORITY TO ISSUE TAX-EXEMPT MULTIFAMILY CONDUIT REVENUE BONDS IN THE AMOUNT UP TO \$23,415,000 AND NEGOTIATE AND AMEND A HOME/CDBG PERMANENT LOAN FOR PATH VILLAS MONTCLAIR/GRAMERCY, A SUPPORTIVE HOUSING PROJECT

SUMMARY

In accordance with Executive Directive No. 3, the General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through the transmittal, HCIDLA requests authority to issue tax-exempt multifamily conduit revenue bonds in an amount not to exceed \$23,415,000, for the development of the PATH Villas Montclair/Gramercy scattered site project (Project) and, as part of the acquisition/ recapitalization, amend the terms of an existing HOME Investment Partnerships Program (HOME)/Community Development Block Grant program (CDBG) permanent loan (Contract C-101200, C.F. No. 93-1956) (City Permanent Loan), and to add additional funds including HOME and Housing Opportunities for Persons with HIV/AIDS (HOPWA) in the amount of \$1,600,000 (C.F. No. 19-0590) for the Gramercy property. The intent of the proposed amendment is to: continue providing affordable housing for individuals and families; extend the Project's existing affordability period; rehabilitate the property; amend the existing loan terms and funding amount; and establish new ownership and management entities. The California Debt Limit Allocation Committee (CDLAC) designated January 13, 2020 as the tax-exempt bond issuance deadline for the Project.

RECOMMENDATIONS

I. That the Mayor review this transmittal and forward to the City Council for further action;

II. That the City Council, subject to the approval of the Mayor:

- A. ADOPT the Resolution provided as Attachment A to this report, authorizing the issuance of up to \$23,415,000 in tax-exempt multifamily conduit revenue for the PATH Villas Montclair/Gramercy project;
- B. AUTHORIZE the General Manager of HCIDLA, or designee, to negotiate and execute relevant loan documents and amendments to City Contract C-101200, including but not limited to amending interest rates, loan and affordability terms, and loan amount; executing separate promissory notes, deeds of trust, and regulatory agreements for the different funding sources; subordination to new permanent loans; and, assumption, assignment and transfer of ownership to a new limited partnership; subject to the approval of the City Attorney as to form;
- C. AUTHORIZE the General Manager of HCIDLA, or designee, to negotiate and execute relevant bond documents for the Project, subject to the approval of the City Attorney as to form; and,
- D. AUTHORIZE the General Manager of HCIDLA, or designee, to negotiate and reduce, if necessary, the interest rates of the City Permanent Loan from 5.0% to the Applicable Federal Rate (annual compounding), the HHH Loan from 3.0% to 1.5%, and the HOME & HOPWA Promissory Notes based on the Applicable Federal Rate (annual compounding).

BACKGROUND

Project Summary

The Project is a 63-unit scattered site new construction and acquisition/rehabilitation development that consists of two sites, located at 4220 Montclair Street (the “Montclair Site”) and 3317 W. Washington Boulevard (the “Gramercy Site”), in Council District 10. Both properties are located within approximately one mile of each other. The Montclair Site is currently a vacant parcel, and will be a newly constructed, five-story, 46-unit property, comprised of 45 studio units that average 424 square feet and one two-bedroom manager unit. The Montclair Site will have 14 spaces of at-grade parking, including one accessible space, and amenities including a community room, outdoor courtyard, roof terrace with container gardens, laundry facilities, elevator service, and auto and bicycle parking.

The Gramercy Site is currently improved with an affordable mixed-use development built in 1923, and was acquired and significantly rehabilitated in 1997 by People Assisting the Homeless Ventures (PATH Ventures; PATH), the sponsor/developer of the Project. Montclair LA LP (Borrower) will acquire the Gramercy Site at closing. The Gramercy Site currently consists of 16 studio units that average 525 square feet, and 2,000 square feet of commercial space that is currently occupied by the PATH Family Solutions Center (PATH Center), and one vacant commercial space. The Gramercy Site amenities include a community room, laundry facilities, outdoor children’s playground, automobile and bicycle parking, and elevator service. The property has eleven parking spaces, including one existing accessible space. The rehabilitation of the Gramercy Site will include all new unit interiors; building exteriors (repointing brick); roof; major systems, including elevator; landscaping; and a reconfiguration and expansion of the commercial space to 4,000 square feet (expanding into a recently closed child care facility), which will continue to be used by the existing PATH Center, plus new management/administrative and service offices, and a new two-bedroom manager unit. Residents will be temporarily relocated during the rehabilitation process. The PATH Center is operated by an affiliate of PATH, and the current lease expired

and renewed on June 30, 2019, with automatic annual one-year renewals, until one party gives a 60-day notice to terminate the lease.

Based on its age, the Gramercy Site is eligible for the National Register (NR). As such, the City's consultant completed a Section 106 review, dated February 8, 2019, that determined that the project would not cause any adverse indirect impacts to the NR eligible property. However, there are conditions the Gramercy rehabilitation project shall follow to meet the Secretary of the Interior's Standards for Rehabilitation, which will be included in the loan documents and construction management process.

The Borrower will include green building technologies and materials in the rehabilitation, and is committed to increasing the overall current energy efficiency of the building by 10%. Specifically, the Montclair Site will be certified LEED Gold, and the Gramercy Site will be Green-Point rated.

The Montclair Site will serve individuals experiencing homelessness and chronic homelessness, and may include twelve persons with mental illness. Case management services will be provided by PATH. The Gramercy Site will continue to serve very low income residents, and will include two units for qualified residents under the HOPWA program.

Financing History

On March 4, 2019, HCIDLA executed an inducement letter in an amount not to exceed \$27,713,750. The letter evidenced the official intent of the City of Los Angeles (City) to issue its bonds for the development. The letter was executed pursuant to previous authority granted to HCIDLA by the City Council and Mayor (C.F. No. 04-2646). On May 17, 2019, on behalf of the Borrower, HCIDLA submitted two bond applications to the California Debt Limit Allocation Committee (CDLAC) requesting a total bond allocation of \$23,415,000 in tax-exempt bond issuance authority. A copy of the inducement letter and evidence that the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) requirements have been met were needed as part of the bond application. Per the TEFRA requirements, on June 5, 2019, a TEFRA Resolution was approved by City Council and the Mayor (C.F. No. 19-0558). The TEFRA Resolution summarized that a public hearing was publicized, took place, and the hearing minutes were provided to City Council and the Mayor. Evidence of the TEFRA process was supplied to CDLAC in time to meet CDLAC's June 17, 2019, TEFRA evidence due date.

Affordability Restrictions

Pursuant to the City of Los Angeles Multifamily Bond Policies and Procedures (MFBPP) dated April 2005, the Project must provide a public benefit. Therefore, in connection with the issuance of the tax-exempt bonds, one or more Bond Regulatory Agreements will be executed and recorded in the official records of the Los Angeles County Recorder's Office. Each Bond Regulatory Agreement will include affordability restrictions throughout a term ending no sooner than the later of: 1) 55 years after the date on which 50% of the dwelling units are first occupied; 2) the date such bonds are paid in full; or, 3) the date on which any Section 8 assistance terminates, if applicable. In addition to the above, the bond award includes a CDLAC Resolution, which requires that the Project's affordable housing units remain affordable for 55 years.

The Project will also have affordability restrictions applied under a separate agreement with the California Tax Credit Allocation Committee (TCAC) for a term of 55 years, as a result of the allocation of the 4% Low Income Housing Tax Credits (LIHTCs).

All of the 45 supportive housing (SH) homeless and chronically homeless units will be located at the Montclair Site. All Project units will be targeted to households at or below 50% and 60% of AMI, per CDLAC. Tables 1, 2, and 3, below, provide a summary of the unit mix for the Project.

Table 1 – Affordability Restrictions, Montclair Property				
Unit Type	Units at 50% AMI	Units at 60% AMI	Unrestricted (Manager's Unit)	Total Number of Units
Studio	18	27	0	45
Two Bedroom	0	0	1	1
Total	18	27	1	46

Table 2 – Affordability Restrictions, Gramercy Property*				
Unit Type	Units at 50% AMI	Units at 60% AMI	Unrestricted (Manager's Unit)	Total Number of Units
Studio	16	0	0	16
Two Bedroom	0	0	1	1
Total	16	0	1	17

Table 3 – Affordability Restrictions, All Units				
Unit Type	Units at 50% AMI	Units at 60% AMI	Unrestricted (Manager's Unit)	Total Number of Units
Studio	34	27	0	61
Two Bedroom	0	0	2	2
Total	34	27	2	63

**The Gramercy property's 16 restricted units are also subject to deeper affordability based on a combination of requirements from previous and new City funds (HOME, CDBG, HOPWA), as well as current TCAC restrictions requiring an average of 40% AMI (8 units @ 35% AMI and 8 units @ 45% AMI).*

Development Team

The borrower is Montclair LA LP (Borrower), a California limited partnership, comprised of Montclair LA, LLC as the managing general partner, with its Manager/Member 100% held by PATH Ventures, that owns 0.01%; and Raymond James Tax Credit Funds, Inc. (Raymond James), the investor limited partner, will own 99.99% of the limited partnership. The Borrower entity is currently in compliance with HCIDLA's Business Policy (Council File No. 99-1272).

PATH Venture's key staff member is Joel John Roberts, Chief Executive Officer, Jennifer Hark-Dietz, Deputy Chief Executive Officer and Executive Director, and Sandy Olumek, Chief Financial Officer, and has a 12-member Board of Directors.

PATH Ventures has been involved in the development of at least 13 projects consisting of a total of 763 affordable rental housing units over a period of 13 years, in both Los Angeles and San Diego. The Project will be managed by The John Stewart Company, who has experience in developing and managing 400 properties with a total of more than 30,000 units over a nine-year period.

Borrower: Montclair LA LP
C/o PATH Ventures
340 N. Madison Avenue
Los Angeles, CA 90004

Phone: (323) 644-2226
Contact: Allison Riley, Managing Director, Real Estate
Development

Developer: PATH Ventures
340 N. Madison Avenue
Los Angeles, CA 90004
Phone: (323) 644-2226
Contact: Allison Riley, Managing Director, Real Estate
Development

Sponsor: PATH Ventures
340 N. Madison Avenue
Los Angeles, CA 90004
Phone: (323) 644-2226
Contact: Allison Riley, Managing Director, Real Estate
Development

Additional Project development team members are:

Architect: Gonzalez Goodale Architects
135 W. Green Street, #200
Los Angeles, CA 90004
Phone: (626) 568-1428
Contact: Ali Barar

Attorney: Bocarsly Emden
633 W. Fifth Street, 64th Floor
Los Angeles, CA 90071
Phone: (213) 239-8059
Contact: Nichole Berklas

General Contractor: To be determined

Property Manager: The John Stewart Company
1455 Response Road, Suite 140
Sacramento, CA 95843
Contact: Steve McElroy
(916) 561-0323

Tax Credit Investor: Raymond James Tax Credit Funds, Inc.
880 Carillon Parkway
St. Petersburg, FL 33716
(800) 438-8088
Contact: Kevin Kilbane

Financial Structure

The City, as Issuer, will issue a Bond (“Bond”) that will be unenhanced and unrated but will be subject to the City’s MFBPP. The Bond will be privately-placed and initially purchased by Pacific Western Bank, a California banking corporation, (“PacWest”) pursuant to a Loan Agreement between the Issuer and PacWest. The Issuer will use the proceeds of the Bond received from PacWest on a draw-down basis to make a loan (Construction Loan) to the Borrower in the amount not to exceed \$23,415,000, pursuant to the terms of a Loan Agreement between the Issuer and the Borrower. The Borrower will execute a promissory note (Note) to the Issuer as evidence to repay the Construction Loan. The Issuer will assign the Note evidencing the Construction Loan to a Fiscal Agent (to be determined) as security for the Bond. Among its various functions, the Fiscal Agent will receive funds advanced by PacWest in exchange for additional principal amount of the Bond and release such funds to the Borrower for the Project construction. The Construction Loan will be paid monthly as an interest-only loan, will mature in 30 months with one optional 6-month extension, and shall bear interest at a fixed rate currently estimated to be 3.75%.

At conversion to permanent financing, the Construction Loan will be paid down in part with sources available at the permanent financing phase. Concurrently, PacWest will fund a new tax-exempt permanent loan in the amount up to \$1,531,000. The PacWest permanent loan will have a 15 year fully amortizing term and a fixed interest rate currently estimated to be 3.85%.

The financing structure will include funding from the HCIDLA Proposition HHH Supportive Housing Loan Program (HHH) (C.F. #17-0090-S2), tax credit equity investment (4% federal tax credits) from Raymond James, funding from the Los Angeles County Department of Mental Health (DHS), the Department of Housing and Community Development of the State of California’s Multifamily Housing Program (MHP), and a recapitalized HCIDLA loan with additional HOME & HOPWA funding. The Project will receive annual subsidies for 15 years from the Los Angeles County Department of Health Services (DHS), including social service subsidies for both the Montclair property (20 of 45 units) and the Gramercy property (16 units), and an operating (rental) subsidy for Gramercy’s 16 units. Lastly, the Project will receive project-based vouchers for the Montclair property’s 45 units through the Housing Authority of the City of Los Angeles (HACLA).

HCIDLA will recapitalize its existing HOME/CDBG loan #C-101200 (City Permanent Loan) by the Borrower assuming the existing principal balances totaling \$904,553, and accrued interest of approximately \$561,665.46 (interest calculated through 12/31/19, and subject to change), plus the additional principal of \$1,600,000, comprised of \$480,000 in HOME funds (City HOME Note) and \$1,120,000 in HOPWA funds (City HOPWA Note). HCIDLA anticipates amending and restating the City Permanent Loan Agreement with various loan terms including loan amount, interest rates, loan terms, affordability restrictions, and terms of affordability restrictions, plus the addition of standard requirements and conditions of new loan agreements and related documents. The amended and restated City Permanent Loan, City HOME Note(s) and City HOPWA Note will mature at the same time as the separate Bond Regulatory Agreements, a requirement of both the construction lender and equity investor.

HCIDLA requires that PacWest meet the City’s Responsible Banking Ordinance #182138 reporting requirements. At closing, bond counsel will provide the required legal opinions as to the tax-exempt status of the bonds, under federal and state law. The legal and financing documents will include language that establishes the bond structure as a limited obligation and strictly payable from Project revenues. The Project financing complies with both the HCIDLA’s MFBPP and City’s Financial Policies. Additionally,

the legal and financing documents will require the Borrower to provide annual statements and information as requested by HCIDLA.

Interest Rate Reductions

Recently approved amendments to the 2018-19 Proposition HHH Regulations permit HCIDLA to decrease the interest rate up to 2.0% in cases where the equity investor's capital accounts are negative, and/or other demonstrated adverse financial condition(s) are present (CF #17-0090-S8). Similarly, the recently approved 2018 HCIDLA Affordable Housing Managed Pipeline Regulations permit HCIDLA to negotiate a higher or lower interest rate if it is found to be beneficial to the project.

The issue of the negative capital accounts is partly due to the 2016 tax reform, which included changes to calculating depreciation. The \$12,966,278 in total HCIDLA funds represent approximately 31% of the total development cost. A reduction in interest rates will significantly benefit the Project. Therefore, HCIDLA recommends an interest rate reductions for the Project's: Proposition HHH funds from 3.0% to 1.5% simple interest rate; the existing HOME/CDBG loan funds from 5.0% to the Applicable Federal Rate (AFR), based on the month the transaction closes and annually compounding (currently estimated at 2.21%, compounded annually); and the new HOME and HOPWA funds based on AFR, with the same conditions noted above.

Sources and Uses

Tables 4, 5, and 6, below, provide a summary of the sources and uses for the project, including cost per unit and cost category percentages.

Table 4 – Construction Sources			
Construction	Total Sources	Per Unit	% Total
PacWest Tax-Exempt Loan	\$23,415,000	\$371,667	55.9%
HCIDLA HOME Loan (existing)	\$1,466,278	\$23,274	3.5%
HCIDLA Accrued/Deferred Interest	\$81,012	\$1,286	0.2%
HCIDLA HHH Loan	\$5,353,704	\$84,980	12.8%
HCIDLA Accrued/Deferred Interest	\$80,306	\$1,275	0.2%
LA CDA	\$4,950,000	\$78,571	11.8%
LA CDA Accrued/Deferred Interest	\$136,099	\$2,160	0.3%
Seller Note	\$1,333,722	\$21,170	3.2%
Seller Note Accrued/Deferred Interest	\$73,689	\$1,170	0.2%
HCD – MHP Supportive	\$0	\$0	0.0%
HCID – HTF	\$1,600,000	\$25,397	3.8%
HCID – HTF Accrued/Deferred Interest	\$24,000	\$381	0.1%
Costs Deferred Until Completion	\$2,052,246	\$32,575	4.9%
HCD – MHP Supportive	\$0	\$0	0.0%
General Partner Loan (Cash Reserves)	\$58,736	\$932	0.1%
General Partner	\$100	\$2	0.0%
Tax Credit Limited Partner Equity	\$1,251,631	\$19,867	3.0%
TOTAL	\$41,876,523	\$664,707	100%

Table 5 – Permanent Sources			
Permanent	Total Sources	Per Unit	% Total
Permanent Funding Loan	\$1,531,000	\$24,301	3.7%
HCIDLA HOME Loan (existing)	\$1,466,278	\$23,274	3.5%
HCIDLA Accrued/Deferred Interest	\$81,012	\$1,286	0.2%
HCIDLA HHH Loan	\$9,900,000	\$157,143	23.6%
HCIDLA Accrued/Deferred Interest	\$80,306	\$1,275	0.2%
LA CDA	\$5,000,000	\$79,365	11.9%
LA CDA Accrued/Deferred Interest	\$136,099	\$2,160	0.3%
Seller Note	\$1,333,722	\$21,170	3.2%
Seller Note Accrued/Deferred Interest	\$73,689	\$1,170	0.2%
HCD – MHP Supportive	\$6,444,335	\$102,291	15.4%
HCIDLA – HTF	\$1,600,000	\$25,397	3.8%
HCIDLA Accrued/Deferred Interest	\$24,000	\$381	0.1%
Deferred Developer Fee	\$0	\$0	0.0%
General Partner Loan (Cash Reserves)	\$58,736	\$932	0.1%
General Partner	\$100	\$2	0.0%
General Partner Equity (Dev Fee)	\$1,630,933	\$25,888	3.9%
Tax Credit Limited Partner Equity	\$12,516,313	\$198,672	29.9%
TOTAL	\$41,876,523	\$664,707	100%

Table 6 – Uses of Funds		
Uses of Funds	Total Uses	Cost/Unit
Acquisition Costs	\$6,600,000	\$104,762
Construction & related Costs	\$18,915,271	\$300,242
Architect & Engineering	\$1,688,307	\$26,799
Construction Financing Costs	\$2,757,061	\$43,763
Permanent Financing Costs	\$17,000	\$270
Reserves & appraisal	\$784,036	\$12,445
Developer Fee	\$4,130,933	\$65,570
Other Project Costs	\$6,983,915	\$110,856
TOTALS	\$41,876,523	\$664,707

HCIDLA's Bond Team for the financing of the PATH Villas Montclair/Gramercy Apartments Project is as follows:

Bond Municipal Advisor:	CSG Advisors, Inc. 315 W. 5 th Street, Suite 302 Los Angeles, CA 90013
Bond Issuer Counsel:	Los Angeles City Attorney 200 N. Main Street, 9 th Floor Los Angeles, CA 90012
Bond Counsel:	Kutak Rock LLP 777 S. Figueroa Street, Suite 4550 Los Angeles, CA 90017

Labor Costs

Labor costs for the Project are subject to California prevailing wage requirements, and/or federal wage requirements under the Davis–Bacon Act of 1931 and Related Acts, as applicable.

FISCAL IMPACT

There is no fiscal impact to the General Fund as a result of the issuance of the Bond. The City is a conduit issuer and will not incur liability for repayment of the Bond. The Bond is a limited obligation, payable strictly from revenue derived from the Project. The City will not be obligated to make payments on the Bond.

Prepared By:




CARMEN VELAZQUEZ
Financial Development Officer

Reviewed By:



APOLINAR ABRAJAN
Finance Development Officer I

Reviewed By:



ANDRE' PERRY
Community Housing Programs Manager
(Bonds & HHH)

Reviewed By:



EDWIN GIPSON
Director of Development & Finance

Reviewed By:



SEAN L. SPEAR
Assistant General Manager

Reviewed By:



FOR: LAURA K. GUGLIELMO
Executive Officer

Approved By:



RUSHMORE D. CERVANTES
General Manager

ATTACHMENTS:

PATH Villas Montclair-Gramercy Bond Transmittal Attachment A Bond Resolution

PATH Villas Montclair-Gramercy Bond Transmittal Attachment B Bank Loan Agreement
PATH Villas Montclair-Gramercy Bond Transmittal Attachment C Borrower Loan Agreement
PATH Villas Montclair-Gramercy Bond Transmittal Attachment D Regulatory Agreement

Attachment A

Bond Resolution for PATH Villas Montclair/Gramercy Apartments on next page.

RESOLUTION
CITY OF LOS ANGELES

A RESOLUTION AUTHORIZING THE ISSUANCE AND DELIVERY OF ONE OR MORE SERIES OF MULTIFAMILY NOTES BY THE CITY OF LOS ANGELES DESIGNATED AS ITS MULTIFAMILY MORTGAGE REVENUE NOTE (PATH VILLAS MONTCLAIR-GRAMERCY) SERIES 2019P IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$23,415,000 TO PROVIDE FINANCING FOR THE ACQUISITION, CONSTRUCTION, REHABILITATION AND EQUIPPING OF THE SCATTERED-SITE MULTIFAMILY HOUSING PROJECT SPECIFIED IN PARAGRAPH 16 HEREOF AND APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS AND AGREEMENTS AND THE TAKING OF RELATED ACTIONS INCLUDING THE EXECUTION OF AMENDATORY DOCUMENTS THERETO.

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

WHEREAS, the City now desires to issue its revenue note pursuant to the Law, and in accordance with the Act, to provide financing for the acquisition, rehabilitation and equipping of the scattered-site multifamily rental housing project described in paragraph 16 below (the “Project”); and

WHEREAS, the Project is located wholly within the City; and

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

WHEREAS, the City proposes to issue, pursuant to the Law and in accordance with the Act, its Multifamily Mortgage Revenue Note (PATH Villas Montclair-Gramercy) Series 2019P (the “Note”) in one or more series in an aggregate principal amount not to exceed \$23,415,000; and

WHEREAS, the City proposes to use the proceeds of the Note to fund a loan to the owner identified in paragraph 16 (the “Owner”) to finance a portion of the acquisition, construction,

rehabilitation and equipping of the Project and, if applicable, to pay certain costs of issuance in connection with the issuance of the Note; and

WHEREAS, Pacific Western Bank., or a subsidiary or affiliate thereof (the “Purchaser”) has expressed its intention to make a loan (the “Bank Loan”) to the City and as evidence for such loan acquire (or to cause a subsidiary or affiliate to acquire) the Note authorized hereby in whole, and this Council (the “City Council”) finds that the public interest and necessity require that the City at this time make arrangements for the issuance and delivery of such Note; and

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

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

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

WHEREAS, pursuant to Section 147(f) of the Code, the City caused a notice to appear in the *Los Angeles Times*, which is a newspaper of general circulation in the City, on May 3, 2019 to the effect that a public hearing would be held on May 17, 2019 regarding the issuance of the Note; and

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

WHEREAS, the minutes of such public hearing, and any written comments received with respect thereto, have been presented to this City Council; and

WHEREAS, the Owner of the Project provided to the City the following information as a good faith estimate of the cost of the Note financing and the City disclosed such information in accordance with Section 5852.1 of the California Government Code: (a) the true interest cost of the Note, (b) the finance charge of the Note, including all third party expenses, (c) the amount of proceeds received by the City for the issuance and delivery of the Note less the finance charge of the Note and any reserves or capitalized interest paid or funded with proceeds of the Note and (d) the total payment amount (the “Financing Information”); and

WHEREAS, such Financing Information has been disclosed in connection with the City Council meeting in which this Resolution is approved;

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

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

2. Pursuant to the Law and in accordance with the Act and the Bank Loan Agreement (as hereinafter defined) a revenue note of the City, to be designated as “City of Los Angeles Multifamily Mortgage Revenue Note (PATH Villas Montclair-Gramercy) Series 2019P” in one or more series in an aggregate principal amount not to exceed \$23,415,000, is hereby authorized to be issued. The principal amount of the Note to be issued shall be determined by a Designated Officer (as defined below) in accordance with this Resolution.

3. The proposed form of Loan Agreement (the “Bank Loan Agreement”), among the City, the Purchaser and such party as shall be designated by the City in the final form of Bank Loan Agreement, as fiscal agent (the “Fiscal Agent”), in substantially the form attached hereto, is hereby approved along with any additions or supplements which may, in the determination of a Designated Officer, be necessary to document the issuance of the Note authorized hereunder. The Mayor of the City, the General Manager or any Interim General Manager, any Assistant General Manager, or any Acting Assistant General Manager, Interim Assistant General Manager, Executive Officer, Director or Acting Director—Finance and Development Division of the Housing Development Bureau of the Los Angeles Housing and Community Investment Department (each hereinafter referred to as a “Designated Officer”) are hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Bank Loan Agreement, with such additions, changes or corrections as the Designated Officer executing the same may approve upon consultation with the City Attorney and Bond Counsel to the City and approval by the City Attorney, provided that such additions or changes shall not authorize an aggregate principal amount of the Note in excess of the amount stated above, such approval by the City Attorney to be conclusively evidenced by the execution and delivery of the Bank Loan Agreement with such additions, changes or corrections.

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

5. The proposed form of the Note, as set forth in the Bank Loan Agreement, is hereby approved, and the Mayor and City Treasurer, Interim City Treasurer, or Deputy City Treasurer of the City are hereby authorized and directed to execute, by manual or facsimile signatures of such officers under the seal of the City, and the Fiscal Agent or an authenticating agent, is hereby authorized and directed to authenticate, by manual signatures of one or more authorized officers of the Fiscal Agent or an authenticating agent, the Note in substantially such form and the Fiscal Agent is hereby authorized and directed to issue and deliver the Note to the Purchaser in accordance with the Bank Loan

Agreement. The date, maturity dates, interest rate or rates (which may be either fixed or variable), interest payment dates, denomination, form of registration privileges, manner of execution, place of payment, terms of redemption, use of proceeds, series designation and other terms of the Note shall be as provided in the Bank Loan Agreement as finally executed; provided, however, that the aggregate principal amount of the Note shall not exceed \$23,415,000, the interest rate on the Note shall not exceed 12% per annum, and the final maturity of the Note shall be no later than December 1, 2059. The initial purchase price of the Note shall be 100% of the principal amount thereof to be paid as advances are made with respect to the Note by the Purchaser. The Note may, if so provided in the Bank Loan Agreement, be issued as a "draw-down" note to be funded over time as provided in the Bank Loan Agreement. Such Note may be delivered in temporary form pursuant to the Bank Loan Agreement if, in the judgment of the City Attorney, delivery in such form is necessary or appropriate until the Note in definitive form can be prepared.

6. The proposed form of Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") to be entered into by and among the City, the Fiscal Agent and the Owner, substantially in the form attached hereto, is hereby approved. Any Designated Officer is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver one or more Regulatory Agreements, with such additions, changes and corrections as the Designated Officer may approve upon consultation with the City Attorney and Bond Counsel and approval of the City Attorney, such approval to be conclusively evidenced by the execution of said Regulatory Agreement with such additions, changes or corrections. Any Designated Officer is hereby authorized and directed for and in the name and on behalf of the City to execute amendments to the Regulatory Agreement in order that interest on the Note remains tax-exempt.

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

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

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

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

11. Pursuant to Section 147(f) of the Code, the City Council hereby approves the issuance of the Note to finance the Project. It is intended that this Resolution constitute approval of the Note by the applicable elected representative of the issuer of the Note and the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project is located, in accordance with said Section 147(f).

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

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

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

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

16. The "Project" and "Owner" referred to herein are as follows:

Project Name	# of Units	Address	Owner
		4220 Montclair Street, Los Angeles, CA 90018	Montclair LA LP
PATH Villas Montclair-Gramercy	63 (including 2 manager units)	3317 West Washington Boulevard, Los Angeles, CA 90018	

I certify that the foregoing Resolution was adopted by the Council of the City of Los Angeles at its meeting on _____, 2019.

By _____
Name _____
Title _____

Attachment B

Loan Agreement for PATH Villas Montclair/Gramercy Apartments on next page.

LOAN AGREEMENT

by and among

**PACIFIC WESTERN BANK,
as Bank**

and

**CITY OF LOS ANGELES,
as Governmental Lender**

and

**[_____]
as Fiscal Agent**

dated as of [_____] 1, 2019

relating to:

**\$(_____)
City of Los Angeles
Multifamily Housing Revenue Note
(PATH Villas Montclair-Gramercy)
Series 2019P**

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LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of [_____] 1, 2019 (this “Bank Loan Agreement”), is by and among Pacific Western Bank, a California state-chartered bank (the “Bank”), and the City of Los Angeles, a charter city and a municipal corporation of the State of California, (together with its successors and assigns, the “Governmental Lender” or “City”) and [_____] a national banking association duly organized and existing under the laws of the United States of America, in its capacity as fiscal agent (together with its successors and assigns, the “Fiscal Agent”).

RECITALS

WHEREAS, the Governmental Lender is a charter city and a municipal corporation of the State of California; and

WHEREAS, the Governmental Lender is empowered pursuant to Chapter 7 of Part 5 of Division 31 (commencing with Section 52075) of the California Health and Safety Code (the “Act”) and Section 248 of the City Charter of the City and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code (the “Law”) to: (a) make loans to any person to provide financing for residential rental developments located within the jurisdiction of the Governmental Lender and intended to be occupied in part by persons of low and moderate income; (b) incur indebtedness for the purpose of obtaining moneys to make such loans and provide such financing, to establish any required reserve funds and to pay administrative costs and other costs incurred in connection with the incurrence of such indebtedness of the Governmental Lender; and (c) pledge all or any part of the revenues, receipts or resources of the Governmental Lender, including the revenues and receipts to be received by the Governmental Lender from or in connection with such loans, and to mortgage, pledge or grant security interests in such loans or other property of the Governmental Lender in order to secure the payment of the principal of, prepayment premium, if any, on and interest on such indebtedness of the Governmental Lender; and

WHEREAS, Montclair LA LP, a California limited partnership (the “Borrower”), has requested the Governmental Lender to enter into this Loan Agreement under which the Bank (i) will advance funds (the “Bank Loan”) to or for the account of the Governmental Lender, and (ii) apply the proceeds of the Bank Loan to make a loan (the “Borrower Loan”) to the Borrower to finance the acquisition, construction, rehabilitation and equipping of a scattered-site multifamily rental housing development located in the City of Los Angeles, known as “PATH Villas Montclair-Gramercy” (the “Project”); and

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

WHEREAS, to evidence its payment obligations under the Borrower Loan Agreement, the Borrower will execute and deliver to the Governmental Lender its Borrower Note (as defined herein), and the obligations of the Borrower under the Borrower Note will be secured by a lien on and security interest in the Project pursuant to a [Deed of Trust, Security Agreement, Absolute Assignment of Leases and Rents and Fixture Filing] of even date herewith made by the Borrower in favor of the Governmental Lender, as assigned by the Governmental Lender without recourse to the Bank to secure the performance by the Governmental Lender of its obligations under the Bank Loan; and

WHEREAS, the Governmental Lender has executed and delivered to the Bank its Governmental Lender Note (as defined herein), evidencing its obligation to make the payments due to the Bank under the Bank Loan as provided in this Loan Agreement, and all things necessary to make this Loan Agreement, the valid, binding and legal limited obligation of the Governmental Lender, have been done and performed and the execution and delivery of this Loan Agreement and the execution and delivery of the Governmental Lender Note, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, in consideration of the premises and the mutual representations, covenants and agreements herein contained, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1. Definitions. The following words and terms as used in this Agreement shall have the following meanings unless the context or use otherwise requires:

“Act” means Chapter 7 of Part 5 of Division 31 (commencing with Section 52075) of the California Health and Safety Code, as now in effect and as it may from time to time hereafter be amended or supplemented to apply to obligations incurred as of the Closing Date.

“Act of Bankruptcy” means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Borrower, or any guarantor of the Borrower, under any applicable bankruptcy, insolvency or similar law now or hereafter in effect.

“Affiliate” means, as to any Person, any other Person that, directly or indirectly, is in Control of, is Controlled by or is under common Control with such Person.

“Approved Institutional Buyer” means (1) a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as in effect on the date hereof (the “Securities Act”); (2) an institutional “accredited investor” as defined in Section 501(a)(1) through (3) of Regulation D promulgated under the Securities Act; (3) an entity that is directly or indirectly wholly owned or controlled by the Bank (being a financial institution described in (1) above; (4) an entity all of the investors in which are described in (1), (2) or (3) above; or (7) a custodian or trustee for a party described in (1), (2), (3) above.

“Assignment Agreement” means that certain Assignment Agreement, dated as of [_____] 1, 2019, by and between the Bank and the Governmental Lender, as referenced in Section 6.6 of this Bank Loan Agreement and Section 6.8 of the Borrower Loan Agreement.

“Bank” means Pacific Western Bank, and its successors and assigns.

“Bank Loan” means the mortgage loan originated hereunder by the Bank to the Governmental Lender initially in a maximum principal amount of \$[_____] , evidenced by the Governmental Lender Note, for the purpose of enabling the Governmental Lender to make the Borrower Loan to the Borrower pursuant to the terms of the Borrower Loan Agreement.

“Bank Loan Agreement” means this Loan Agreement, as amended and supplemented from time to time.

“Bank Loan Documents” means this Bank Loan Agreement, the Borrower Loan Agreement, the Regulatory Agreement, the Governmental Lender Note, the Assignment Agreement, the Borrower Note, the Borrower Assignments, the Continuing Covenant Agreement, the Disbursement Agreement and the Deed of Trust.

“Borrower” means Montclair LA LP, a California limited partnership, and its successors and assigns.

“Borrower Assignments” means, collectively, [the Assignment of Development Agreement and Developer Fee Subordination Agreement, made effective as of [_____] 1, 2019, by the Borrower for the benefit of the Bank; the Environmental Indemnity Agreement, made effective as of [_____] 1, 2019, by the Borrower and the Guarantor in favor of the Bank; the Guaranty of Payment and Performance, made effective as of [_____] 1, 2019, by the Guarantor in favor of the Bank; the Continuing Covenant Agreement; the Disbursement Agreement; the Assignment of Construction Contracts, made effective as of [_____] 1, 2019, by the Borrower in favor of the Bank; and the Assignment of Management Contracts and Subordination of Management Fees, and made effective as of [_____] 1, 2019, by the Borrower in favor of the Bank.]

“Borrower Loan” means the mortgage loan originated by the Governmental Lender to the Borrower in a maximum principal amount of \$[_____] , evidenced by the Borrower Note, pursuant to the terms of the Borrower Loan Agreement;

“Borrower Loan Agreement” means that certain Loan Agreement, dated as of [_____] 1, 2019, by and between the Governmental Lender and the Borrower, as amended and supplemented from time to time, pursuant to which the Borrower Loan is being made.

“Borrower Note” means the promissory note evidencing the Borrower Loan in the maximum principal amount of \$[_____] , executed by the Borrower, in the form attached to the Borrower Loan Agreement as Exhibit A thereto.

“Borrower Representative” means any officer of the [general partner] of the Borrower designated by action of the Borrower to be a Borrower Representative for purposes of the Loan Documents.

“Business Day” means any day other than a Saturday, a Sunday, or a day on which the Bank is closed.

“CDLAC” means the California Debt Limit Allocation Committee or any successor thereto.

“City” means the City of Los Angeles, California.

“Closing Costs” has the meaning given to the term Costs of Funding in the Borrower Loan Agreement.

“Closing Costs Fund” means the fund by that name established pursuant to Section 7.3(d) hereof.

“Closing Date” means [Closing Date], being the date of issuance of Governmental Lender Note for purposes of the Code.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Governmental Lender Note and (except as otherwise referenced herein) as it may be amended, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Continuing Covenant Agreement” means the Continuing Covenant Agreement, dated as of [] 1, 2019, between the Bank and the Borrower, as amended and supplemented from time to time in accordance with its terms.

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

“County” means the County of Los Angeles, California.

“Deed of Trust” means the Deed of Trust, Security Agreement, Absolute Assignment of Leases and Rents and Fixture Filing, dated as of [] 1, 2019, executed by the Borrower and granting a security interest in the Project, to [], as trustee, for the benefit of the Governmental Lender, in order to secure the Borrower’s obligations under the Borrower Note to repay the Borrower Loan, and all obligations related thereto under this Borrower Loan Agreement.

“Disbursement Agreement” means the Construction Disbursement Agreement, dated as of [] 1, 2019, between the Bank and the Borrower, as amended and supplemented from time to time in accordance with its terms.

“Equity Investor” means [], a [] limited liability company, and its successors and assigns.

“Event of Default” means any of the events described as an event of default in Section 7.1 hereof.

“Fiscal Agent” shall mean [_____], which entity is appointed pursuant to Section [_____] to serve as Fiscal Agent under this Bank Loan Agreement, and any successor thereto pursuant to Section [_____].

“Fiscal Agent’s Fees” shall mean [_____].

“Governmental Lender” means the City of Los Angeles, a charter city and municipal corporation of the State of California, together with its successors and assigns.

“Governmental Lender Note” means that certain City of Los Angeles Multifamily Housing Revenue Note (PATH Villas Montclair-Gramercy) Series 2019P, dated the Closing Date, evidencing the Bank Loan, in the principal amount of \$[_____], made by the Governmental Lender and payable to the Bank, as executed by the Governmental Lender on the Closing Date as it may thereafter be amended or supplemented from time to time, in the form attached hereto as Exhibit A.

“Governmental Lender Representative” means the Mayor, the General Manager, any Interim General Manager, any Acting General Manager, any Assistant General Manager, any Acting Assistant General Manager or Interim Assistant General Manager, Executive Officer or the Director or Acting Director—Finance and Development Division of the Housing Development Bureau of the Los Angeles Housing and Community Investment Department, and any other, officer or employee of the Governmental Lender designated to perform a specified act, to sign a specified document or to act generally on behalf of the Governmental Lender as evidenced by a written certificate furnished to the Bank, the Fiscal Agent, and the Borrower containing the specimen signature of such person and signed on behalf of the Governmental Lender by the Mayor, the General Manager, any Interim General Manager, any Acting General Manager, any Assistant General Manager, any Acting Assistant General Manager or Interim Assistant General Manager, Executive Officer or the Director or Acting Director—Finance and Development Division of the Housing Development Bureau of the Los Angeles Housing and Community Investment Department. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of such Governmental Lender Representative.

“Guarantor” has the meaning given that term in the Borrower Loan Agreement.

“Initial Disbursement” means the initial advance of the principal of the Bank Loan on the Closing Date in respect of Governmental Lender Note, in the amount specified by the Bank on the Closing Date (which shall be an amount no less than \$55,000).

“Law” means Section 248 of the City Charter of the City and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code⁴, as supplemented and amended to the Closing Date.

“Loan Documents” has the meaning given to such term in the Borrower Loan Agreement.

“Maturity Date” shall mean the maturity date of the Governmental Lender Note as specified therein.

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

“Note Proceeds Account” shall mean the account by that name in the Project Fund established pursuant to Section [] hereof.

“Opinion of Counsel” shall mean a written opinion from an attorney or firm of attorneys, acceptable to the Bank and the Governmental Lender with experience in the matters to be covered in the opinion; provided that whenever an Opinion of Counsel is required after the Closing Date to address the exclusion of interest on the Governmental Lender Note from gross income for purposes of federal income taxation, such opinion shall be a Tax Counsel No Adverse Effect Opinion.

“Permitted Investments” shall mean, to the extent authorized by law for investment of any moneys held under this Bank Loan Agreement, but only to the extent that the same are acquired at Fair Market Value:

(a) Government Obligations.

(b) Direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or instrumentality of the United States of America (other than the Federal Home Loan Mortgage Corporation) or direct obligations of the World Bank, which obligations are rated in the Highest Rating Category.

(c) Obligations, in each case rated in the Highest Rating Category, of (i) any state or territory of the United States of America, (ii) any agency, instrumentality, authority or political subdivision of a state or territory or (iii) any public benefit or municipal corporation the principal of and interest on which are guaranteed by such state or political subdivision.

(d) Any written repurchase agreement entered into with a Qualified Financial Institution whose unsecured short-term obligations are rated in the Highest Rating Category.

(e) Commercial paper rated in the Highest Rating Category.

(f) Interest bearing negotiable certificates of deposit, interest bearing time deposits, interest bearing savings accounts and bankers’ acceptances, issued by a Qualified Financial Institution if either (i) the Qualified Financial Institution’s unsecured short term obligations are rated in the Highest Rating Category or (ii) such deposits, accounts or acceptances are fully collateralized by investments described in clauses (a) or (b) of this definition or fully insured by the Federal Deposit Insurance Corporation.

(g) An agreement held by the Fiscal Agent for the investment of moneys at a guaranteed rate with a Qualified Financial Institution whose unsecured long term obligations are rated in the Highest Rating Category or Second Highest Rating Category, or whose obligations are unconditionally guaranteed or insured by a Qualified Financial Institution whose unsecured long term obligations are rated in the Highest Rating Category or Second Highest Rating Category; provided that such agreement is in a form acceptable to the Bank and the Fiscal Agent; and provided further that such agreement includes the following restrictions:

(1) the invested funds will be available for withdrawal without penalty or premium, at any time that the Bank is required to pay moneys from the Fund(s) established under this Bank Loan Agreement to which the agreement is applicable;

(2) the agreement, and if applicable the guarantee or insurance, is an unconditional and general obligation of the provider and, if applicable, the guarantor or insurer of the agreement, and ranks *pari passu* with all other unsecured unsubordinated obligations of the provider, and if applicable, the guarantor or insurer of the agreement;

(3) the Bank and the Fiscal Agent receive an Opinion of Counsel, which may be subject to customary qualifications, that such agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and, if applicable, an Opinion of Counsel that any guaranty or insurance policy provided by a guarantor or insurer is legal, valid, binding and enforceable upon the guarantor or insurer in accordance with its terms; and

(4) the agreement provides that if during its term the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement, is withdrawn, suspended by any rating agency or falls below the Second Highest Rating Category, the provider must, within ten days, either: (A) collateralize the agreement (if the agreement is not already collateralized) with Permitted Investments described in paragraph (a) or (b) by depositing collateral with the Fiscal Agent or a third party custodian, such collateralization to be effected in a manner and in an amount reasonably satisfactory to the Bank, or, if the agreement is already collateralized, increase the collateral with Permitted Investments described in paragraph (a) or (b) by depositing collateral with the Fiscal Agent or a third party custodian, in an amount reasonably satisfactory to the Bank, (B) at the request of the Bank, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium unless required by law or (C) transfer the agreement, guarantee or insurance, as applicable, to a replacement provider, guarantor or insurer, as applicable, then meeting the requirements of a Qualified Financial Institution and whose unsecured long term obligations are then rated in the Highest Rating Category or Second Highest Rating Category. The agreement may provide that the downgraded provider may elect which of the remedies to the down grade (other than the remedy set out in (B)) to perform.

Notwithstanding anything else in this paragraph (g) to the contrary and with respect only to any agreement described in this paragraph (g) or any guarantee or insurance for any such agreement which is to be in effect for any period after the Conversion Date, any reference in this paragraph to the “Second Highest Rating Category” will be deemed deleted so that the only acceptable rating category for such an agreement, guarantee or insurance will be the Highest Rating Category.

(h) Subject to the ratings requirements set forth in this definition, shares in any money market mutual fund (including those of the Bank or the Fiscal Agent or any of its affiliates) registered under the Investment Company Act of 1940, as amended, that have been rated “AAAm G” or “AAAm” by S&P or “Aaa” by Moody’s so long as the portfolio of such money market mutual fund is limited to Government Obligations and agreements to repurchase Government Obligations. If approved in writing by the Bank, a money market mutual fund portfolio may also contain obligations and agreements to repurchase obligations described in paragraphs (b) or (c). The money market mutual fund must be rated “AAAm G” or “AAAm” by S&P, or “Aaa” by Moody’s. If at any time (i) both S&P and Moody’s rate a money market mutual fund and (ii) one of those ratings is below the level required by this paragraph, then such money market mutual fund will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency.

(i) Any other investment authorized by the laws of the State, if such investment is approved in writing by the Bank.

Permitted Investments shall not include any of the following:

(1) Except for any investment described in the next sentence, any investment with a final maturity or any agreement with a term greater than one year from the date of the investment. This exception (1) shall not apply to Permitted Investments listed in paragraphs (g) and (i).

(2) Except for any obligation described in paragraph (a) or (b), any obligation with a purchase price greater or less than the par value of such obligation.

(3) Any asset backed security, including mortgage backed securities, real estate mortgage investment conduits, collateralized mortgage obligations, credit card receivable asset backed securities and auto loan asset backed securities.

(4) Any interest only or principal only stripped security.

(5) Any obligation bearing interest at an inverse floating rate.

(6) Any investment which may be prepaid or called at a price less than its purchase price prior to stated maturity.

(7) Any investment the interest rate on which is variable and is established other than by reference to a single index plus a fixed spread, if any, and which interest rate moves proportionately with that index.

(8) Any investment described in paragraph (d) or (g) with, or guaranteed or insured by, a Qualified Financial Institution described in clause (iv) of the definition of Qualified Financial Institution if such institution does not agree to submit to jurisdiction, venue and service of process in the United States of America in the agreement relating to the investment.

(9) Any investment to which S&P has added an “r” or “t” highlighter.

“Person” shall mean an individual, a corporation, a partnership, a limited liability company, a limited liability partnership, a limited partnership, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

“Pledged Revenues” shall have the meaning given such term in Section 2.1(d) hereof.

“Project” means, the scattered site residential rental facility consisting of a total of 63 units (including two manager units) of multifamily rental housing development located at 4220 Montclair Street and 3317 West Washington Boulevard, in Los Angeles, California, known as “PATH Villas Montclair-Gramercy.”

“Qualified Project Period” has the meaning given to such term in the Regulatory Agreement.

“Rebate Fund” shall mean the fund by that name established pursuant to Section [_____] hereof.

“Regulations” means the income tax regulations promulgated by the United States Department of the Treasury from time to time pursuant to the Code.

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

“Required Transferee Representations” shall mean a letter executed and delivered to the Governmental Lender by an authorized representative of an Approved Institutional Buyer in the form set forth as Exhibit B hereto.

“Responsible Banking Ordinance” means Ordinance No. 182138 of the City of Los Angeles amending Chapter 5.1 of the Los Angeles Administrative Code.

“Security” shall mean the security for the Governmental Lender Note assigned to the Bank pursuant to the Assignment Agreement.

“State” means the State of California.

“Tax Certificate” shall mean the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-145 of the Internal Revenue Code of 1986, dated the Closing Date, executed and delivered by the Governmental Lender and the Borrower.

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

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

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

“Title Company” shall mean Commonwealth Land Title Company.

Section 1.2. Interpretation. Unless the context clearly requires otherwise, words of masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Bank Loan Agreement and all the terms and provisions hereof shall be construed to effectuate the purpose set forth herein and to sustain the validity hereof.

Section 1.3. Recitals, Titles and Headings. The terms and phrases used in the recitals of this Bank Loan Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all such terms and phrases for purposes of this Bank Loan Agreement shall be determined by references to Section 1.1 hereof. The titles and headings of the articles and sections of this Bank Loan Agreement have been inserted for convenience of reference only and are not to be considered a part hereof, and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Bank Loan Agreement or any provision hereof or in ascertaining intent, if any question of intent should arise.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of the Governmental Lender. The Governmental Lender makes the following representations as the basis for the undertakings on its part herein contained:

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

(b) The Governmental Lender is not in default under or in violation of, and the execution and delivery of the Bank Loan Documents to which it is a party and its compliance with the terms and conditions thereof will not conflict or constitute a default under or a violation of, (i) the Act, (ii) to its knowledge, any other existing laws, rules, regulations, judgments, decrees and orders applicable to it, or (iii) to its knowledge, the provisions of any agreements and instruments to which the Governmental Lender is a party, a default under or violation of which would prevent it from entering into the Bank Loan Agreement, executing and delivering the Governmental Lender Note, financing the Project, executing and delivering the other Bank Loan Documents to which it is a party or consummating the transactions contemplated thereby, and, to its knowledge, no event has occurred and is continuing under the provisions of any such agreement or instrument or otherwise that with the lapse of time or the giving of notice, or both, would constitute such a default or violation (it being understood, however, that the Governmental Lender is making no representations as to the necessity of registering the Governmental Lender Note or the Borrower Note pursuant to any securities laws or complying with any other requirements of securities laws).

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

(d) The revenues and receipts to be derived from the Borrower Loan Agreement, the Borrower Note and this Bank Loan Agreement (the "Pledged Revenues") have not been pledged previously by the Governmental Lender to secure any of its notes or bonds other than the Bank Loan as evidenced by the Governmental Lender Note.

THE GOVERNMENTAL LENDER MAKES NO REPRESENTATION, COVENANT OR AGREEMENT AS TO THE FINANCIAL POSITION OR BUSINESS CONDITION OF THE BORROWER OR THE PROJECT AND DOES NOT REPRESENT OR WARRANT AS

TO ANY STATEMENTS, MATERIALS, REPRESENTATIONS OR CERTIFICATIONS FURNISHED BY THE BORROWER IN CONNECTION WITH THE BANK LOAN OR THE BORROWER LOAN, OR AS TO THE CORRECTNESS, COMPLETENESS OR ACCURACY THEREOF.

Section 2.2. Representations, Warranties and Covenants of the Bank. The Bank as of the date hereof, represents, warrants and covenants that:

(a) The Bank is a banking corporation, organized and existing under the laws of the State, is in good standing in the State, and has full legal right, power and authority under the laws of the United States and the State (i) to enter into the Bank Loan Documents to which it is a party, (ii) to perform its obligations hereunder, and (iii) to consummate the transactions on its part contemplated by the Bank Loan Documents to which it is a party.

(b) The Bank Loan Documents to which it is a party have been duly executed and delivered by the Bank and, when duly authorized, executed and delivered by the other respective parties thereto, will constitute valid and binding obligations of the Bank, enforceable against the Bank in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws or judicial decisions affecting the rights of creditors generally.

(c) The execution and delivery of the Bank Loan Documents to which it is a party, the performance by the Bank of its obligations thereunder and the consummation of the transactions on its part contemplated thereby will not violate any law, regulation, rule or ordinance or any order, judgment or decree of any federal, state or local court and do not conflict with, or constitute a breach of, or a default under, any document, instrument or commitment to which the Bank is a party or by which the Bank or any of its property is bound.

(d) The Bank has not been served with and, to the knowledge of the Bank there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened against the Bank which (i) affects or seeks to prohibit, restrain or enjoin the Bank's loaning of the amounts set forth herein to the Governmental Lender or the Bank's execution and delivery of the Bank Loan Documents to which it is a party, (ii) affects or questions the validity or enforceability against the Bank of the Bank Loan Documents to which it is a party, or (iii) questions the power or authority of the Bank to carry out the transactions on its part contemplated by, or to perform its obligations under, the Bank Loan Documents to which it is a party.

(e) Any certificate signed by a representative of the Bank and delivered pursuant to this Bank Loan Agreement or any of the other Bank Loan Documents to which it is a party shall be deemed a representation and warranty by the Bank as to the statements made therein.

ARTICLE III

THE BANK LOAN

Section 3.1. Closing of the Bank Loan. The closing of the Bank Loan shall be conditioned upon satisfaction or waiver by the Bank and the Governmental Lender of the following conditions precedent to closing:

(a) receipt by the Fiscal Agent of the original executed Governmental Lender Note, to be authenticated by the Fiscal Agent simultaneously with the closing and delivered to the Bank;

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

(c) the Bank shall have received an original executed counterpart of this Bank Loan Agreement, the Disbursement Agreement, and the Continuing Covenant Agreement;

(d) receipt by the Bank of executed counterparts of the Assignment Agreement, the Regulatory Agreement, the Deed of Trust, the Borrower Assignments and the Subordination Agreement, together with satisfactory evidence to the Bank of recording or delivery to the Title Company for the recording of such documents in the official records of the County Recorder of the County, which may be by telephonic notice from the Title Company;

(e) no Event of Default nor any event which with the passage of time and/or the giving of notice would constitute an Event of Default under this Bank Loan Agreement shall have occurred as evidenced by a certificate received from the Governmental Lender;

(f) the conditions to the initial advance of the Bank Loan set forth in the Disbursement Agreement and the Continuing Covenant Agreement shall have been satisfied in full;

(g) counsel to the Borrower shall have delivered an opinion in form satisfactory to counsel to the Governmental Lender and counsel to the Bank regarding the enforceability against the Borrower of the Bank Loan Documents to which the Borrower is a party;

(h) the receipt by the Governmental Lender and the Fiscal Agent of Required Transferee Representations executed by the Bank;

(i) the Bank shall have received a copy of the resolution of the Governmental Lender authorizing the issuance of the Governmental Lender Note;

(j) delivery into escrow or to the Fiscal Agent, as appropriate, of all amounts required to be paid in connection with the origination of the Borrower Loan and the Bank Loan, including the Closing Costs;

(k) all legal matters incident to the transactions contemplated by this Bank Loan Agreement shall be concluded to the reasonable satisfaction of Tax Counsel to the Governmental Lender, the Governmental Lender's issuer's counsel and counsel to the Bank.

Section 3.2. Commitment to Execute the Governmental Lender Note. The Governmental Lender agrees to execute and deliver the Governmental Lender Note simultaneously with the execution of this Bank Loan Agreement, the Borrower Loan Agreement, the Borrower Note, the Tax Certificate and the Regulatory Agreement.

Section 3.3. Amount and Use of Bank Loan. The Bank hereby makes to the Governmental Lender and agrees to fund, and the Governmental Lender hereby accepts from the Bank, upon the terms and conditions set forth herein, the Bank Loan in an aggregate principal amount of \$[_____], and agrees to have the proceeds of the Bank Loan applied and disbursed in accordance with the provisions of this Bank Loan Agreement.

Section 3.4. Disbursement of Bank Loan Proceeds.

(a) The Bank Loan is to be funded on a draw-down basis. The proceeds of the Bank Loan shall be advanced by the Bank to the Fiscal Agent for deposit by the Fiscal Agent to the Project Fund for the account of the Governmental Lender as and when needed to make each advance in accordance with the disbursement provisions of the Borrower Loan Agreement and the Disbursement Agreement. Subject to the terms and conditions of the Borrower Loan Agreement, the Disbursement Agreement and the Continuing Covenant Agreement, the Bank agrees to advance, on behalf of the Governmental Lender, directly to the Title Company, which shall be deemed for the account of the Project Fund, at least \$55,000 on the Closing Date, and the Fiscal Agent will not receive any funds for deposit in any fund or account on the Closing Date. Notwithstanding anything in this Bank Loan Agreement to the contrary, no amount of the Bank Loan may be drawn down and funded hereunder after the date which is three years after the Closing Date.

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

(c) The outstanding principal amount of the Governmental Lender Note and of the Bank Loan as of any given date shall be the total amount advanced to the Fiscal Agent by the Bank to or for the account of the Governmental Lender to fund corresponding advances under the Borrower Loan Agreement and the Disbursement Agreement as proceeds of the Borrower Loan, less any payments of principal of the Governmental Lender Note previously received upon payment of corresponding principal

amounts under the Borrower Note, including regularly scheduled principal payments and voluntary and mandatory prepayments. The principal amount of the Governmental Lender Note and interest thereon shall be payable on the basis specified in this paragraph (c) and in paragraphs (d) and (e) of this Section 3.4.

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

(d) Interest shall be paid on the outstanding principal amount of each Governmental Lender Note at the rate or rates set forth in such Governmental Lender Note.

(e) The payment or prepayment of principal, interest and premium, if any, due on the Bank Loan and each Governmental Lender Note shall be identical with and shall be made on the same dates, terms and conditions, as the principal, interest, premiums, late payment fees and other amounts due on the Borrower Note. The Governmental Lender Note shall be payable from payments on the corresponding Borrower Note. Any payment or prepayment made by the Borrower of principal, interest, premium, if any, due on the Borrower Note shall be deemed to be like payments or prepayments of principal, interest and premium, if any, due on the Bank Loan and the Governmental Lender Note.

(f) The Fiscal Agent shall disburse from the Project Fund to the registered owner of the Governmental Lender Note, the accrued interest on the Governmental Lender Note when due, upon the receipt of a written request from the Bank stating the amount of such interest, without the need for the consent of, but with delivery of a copy of such written request to, the Borrower and the Governmental Lender. Except as provided in the first sentence of this Section 3.4(f), the Governmental Lender's consent to each disbursement shall be required. The Governmental Lender agrees, however, that if the Governmental Lender has not objected in writing to any disbursement within five Business Days of receipt of a request for approval of such disbursement, the Governmental Lender shall be deemed to have approved such disbursement. Furthermore, if the Governmental Lender and the Bank disagree as to whether a particular disbursement shall be approved or disapproved, they shall meet and confer in good faith, upon the request of either of them in an effort to resolve the matter, which meeting may be by telephonic or electronic means, or may be at a personal meeting. If they fail to agree upon the approval or disapproval of a disbursement following such good faith efforts, the Bank can approve the disbursement and pay it from the proceeds of the Governmental Lender Note.

ARTICLE IV

LIMITED LIABILITY; NOTE REGISTER

Section 4.1. Limited Liability.

THE GOVERNMENTAL LENDER NOTE IS NOT AN OBLIGATION, EITHER GENERAL OR SPECIAL, AND DOES NOT CONSTITUTE A PLEDGE OF THE GENERAL CREDIT OR TAXING POWER, OF THE CITY OF LOS ANGELES (THE “CITY”), THE STATE OF CALIFORNIA (THE “STATE”) OR ANY POLITICAL SUBDIVISION THEREOF, BUT IS PAYABLE SOLELY FROM THE PROJECT REVENUES AND PROPERTY PLEDGED THEREFOR IN THIS BANK LOAN AGREEMENT AND NOT FROM ANY OTHER REVENUES, FUNDS OR ASSETS OF THE CITY. NEITHER THE CITY, THE STATE NOR ANY SUCH POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON. 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 CITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE GOVERNMENTAL LENDER NOTE OR OTHER COSTS INCIDENT THERETO. THE GOVERNMENTAL LENDER NOTE IS NOT A DEBT OF THE UNITED STATES OF AMERICA.

Notwithstanding anything contained in this Bank Loan Agreement, the Governmental Lender shall not be required to advance any moneys derived from the proceeds of taxes collected by the Governmental Lender, the State of California or by any political subdivision thereof or from any source of income of any of the foregoing other than the Pledged Revenues for any of the purposes mentioned in this Bank Loan Agreement, whether for the payment of the principal of or interest on the Governmental Lender Note or for any other purpose of this Bank Loan Agreement.

Section 4.2. Note Register. The Bank shall maintain records (the “Note Register”) as to the payee of the Governmental Lender Note. Any transfer by the Bank (or by any subsequent transferee) of the Governmental Lender Note shall be recorded by the Bank in the Note Register.

The Fiscal Agent acknowledges that the Bank is the initial registered owner of the Governmental Lender Note and shall remain the sole registered owner of the Governmental Lender Note except as provided herein. The Bank shall provide written notice to the Bank of any transfer by the Bank of the Governmental Lender Note or any interest of the Bank in the Governmental Lender Note.

Section 4.3. Transfer of Governmental Lender Note.

(a) The Governmental Lender Note may, in accordance with the terms of this Bank Loan Agreement but in any event subject to the provisions of Section 4.3(b) and (c) hereof, be transferred upon the Note Register required to be kept pursuant to the provisions of Section 4.2 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of the respective Governmental Lender Note for

cancellation at the office of the Fiscal Agent, accompanied by a written instrument of transfer in the form acceptable to the Fiscal Agent, duly executed. Whenever the Governmental Lender Note shall be surrendered for transfer, the Fiscal Agent shall authenticate and deliver to the Bank, and the Bank shall deliver to the transferee thereof, a new Governmental Lender Note in the name of the transferee as beneficiary thereof.

(b) Notwithstanding any other provision hereof, the Governmental Lender Note may not be registered in the name of, or transferred to, any person except with the prior written consent of the Governmental Lender, which shall not be unreasonably or arbitrarily withheld, and only to an Approved Institutional Buyer that executes and delivers to the Governmental Lender and the Fiscal Agent the Required Transferee Representations; provided, however, that no prior written consent of the Governmental Lender and no Required Transferee Representations are required to be executed by an Affiliate of the Bank.

Nothing contained in this Section 4.3(b) shall be deemed to limit or otherwise restrict the sale by any holder of the Governmental Lender Note of any participation interests in the Governmental Lender Note; provided that (i) such holder shall remain the owner of record of the respective Governmental Lender Note following the sale of any such participation interest; (ii) all purchasers of any participation interest are Approved Institutional Buyers; (iii) any such participation shall be in a principal amount of at least \$250,000, or, if less, the then outstanding principal amount of the Governmental Lender Note; and (iv) the purchaser of such participation interest shall provide the Required Transferee Representations.

(c) The Governmental Lender Note may only be transferred in whole.

(d) The Governmental Lender may require the payment by the entity requesting a transfer of the Governmental Lender Note of any tax, fee or other governmental charge required to be paid with respect to such transfer. The cost of printing any new Governmental Lender Note and any services rendered or any out-of-pocket expenses incurred by the Governmental Lender in connection therewith shall be paid by the transferor of the respective Governmental Lender Note.

(e) The Bank shall indemnify and defend the Governmental Lender and the officers, directors, employees, attorneys and agents of the Governmental Lender, past, present and future, against any claim against brought by any transferor or transferee of the Governmental Lender Note in respect of the Bank Loan Documents or the Project in the event that there occurs a transfer of the Governmental Lender Note that is not permitted pursuant to this Sections 4.3. Failure to comply with Section 4.3(b) shall cause any purported transfer to be null and void.

(f) The Governmental Lender Note shall be a physical certificated instrument and shall not be held in a book-entry system unless approved in advance in writing by the Governmental Lender in its sole discretion.

(g) If the transferee is a “Commercial Bank” as defined in the Responsible Banking Ordinance, upon delivery to the Governmental Lender of an executed Responsible Banking Ordinance Certificate in the form of Exhibit E hereto.

(h) The Fiscal Agent shall not authenticate or register a Governmental Lender Note unless the conditions of this Section 4.3 have been satisfied and the Fiscal Agent has received the written consent of the Governmental Lender to such transfer.

ARTICLE V

REPAYMENT OF THE BANK LOAN

Section 5.1. Bank Loan Repayment.

(a) The Bank Loan shall be evidenced by the Governmental Lender Note which shall be a physically certificated instrument executed by a Governmental Lender Representative in the form attached hereto as Exhibit A. The Governmental Lender Note may not be registered in the name of, or thereafter be transferred to, any person except as set forth in Section 4.3(b) hereof. The Governmental Lender agrees to pay to the Bank, but only from amounts received by the Governmental Lender (or by the Bank, in its capacity as agent for the Governmental Lender under the Assignment Agreement) from the Borrower pursuant to the Borrower Loan Agreement, the Borrower Note, the Borrower Assignments and the Deed of Trust; principal of and interest on the Bank Loan at the times, in the manner, in the amount and at the rates of interest provided in the Governmental Lender Note and this Bank Loan Agreement.

(b) The Governmental Lender further agrees to cause the Borrower to pay, solely by the execution of the Borrower Loan Agreement and the assignment thereof to the Bank and appointment of the Bank as agent for the Governmental Lender under the Assignment Agreement, all late charges and prepayment penalties as set forth in the Governmental Lender Note, all taxes and assessments, general or special, including, without limitation, all ad valorem taxes and any other governmental charges and impositions whatsoever concerning or in any way related to the Project, foreseen or unforeseen, and all utility and other charges and assessments concerning or in any way related to the Project; provided, however, that the Governmental Lender reserves the right to contest in good faith the legality of any tax or governmental charge concerning or in any way related to the Project and the Governmental Lender’s obligations hereunder will be limited as provided in Article IV hereof.

(c) The Governmental Lender further agrees, subject to Article IV hereof, to cause the Borrower to pay to the Bank, solely by the execution of the Borrower Loan Agreement and the assignment thereof to the Bank and appointment of the Bank as agent for the Governmental Lender under the Assignment Agreement, on the Closing Date a loan fee equal to \$[Loan Fee].

Section 5.2. Nature of the Governmental Lender’s Obligations. No recourse under or upon any obligation, covenant, warranty or agreement contained in this Bank Loan Agreement or

in the Governmental Lender Note, or under any judgment obtained against the Governmental Lender, or the enforcement of any assessment, or any legal or equitable proceedings by virtue of any constitution or statute or otherwise, or under any circumstances under or independent of this Bank Loan Agreement, shall be had against the Mayor, the City Council or any of the members, officers, agents or employees of the Governmental Lender, as such, past, present or future of the Governmental Lender, either directly or through the Governmental Lender or otherwise, for the payment for or to the Governmental Lender or any receiver of the Governmental Lender, or for or to the owner of the Governmental Lender Note, or otherwise, of any sum that may be due and unpaid by the Governmental Lender upon the Governmental Lender Note. Any and all personal liability of every nature whether at common law or in equity or by statute or by constitution or otherwise of the Mayor, the City Council or of any such member, officer, agent or employee, past, present or future, of the Governmental Lender, as such, by reason of any act of omission on his or her part or otherwise, for the payment for or to the owner of the Governmental Lender Note or otherwise of any sum that may remain due and unpaid upon the Governmental Lender Note secured by this Bank Loan Agreement or any of them is, by the acceptance of the Governmental Lender Note, expressly waived and released as a condition of and in consideration for the execution of this Bank Loan Agreement and the issuance of the Governmental Lender Note.

Anything in this Bank Loan Agreement to the contrary notwithstanding, it is expressly understood by the parties to this Bank Loan Agreement that (a) the Governmental Lender may rely exclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Governmental Lender by the Fiscal Agent, the Bank or the owner of the Governmental Lender Note as to the existence of any fact or state of affairs, (b) the Governmental Lender shall not be under any obligation under this Bank Loan Agreement to perform any record keeping or to provide any legal services, it being understood that such services shall be performed or caused to be performed by the Fiscal Agent or by the Bank and (c) none of the provisions of this Bank Loan Agreement shall require the Governmental Lender to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under this Bank Loan Agreement, unless it shall first have been adequately indemnified to its satisfaction against any costs, expenses and liability which it may incur as a result of taking such action.

No covenant, stipulation, obligation or agreement of the Governmental Lender contained in this Bank Loan Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Governmental Lender or the Mayor or the City Council in other than that person's official capacity. No member, officer, agent or employee of the Governmental Lender shall be individually or personally liable for the payment of the principal or redemption price of or interest on the Governmental Lender Note or be subject to any personal liability or accountability by reason of the issuance of the Governmental Lender Note.

It is recognized that notwithstanding any other provision of this Bank Loan Agreement, neither the Borrower, the Fiscal Agent, the Bank nor any owner of the Governmental Lender Note shall look to the Governmental Lender for damages suffered by the Borrower, the Fiscal Agent, the Bank or such owner of the Governmental Lender Note as a result of the failure of the Governmental Lender to perform any covenant, undertaking or obligation under this Bank Loan

Agreement, the Borrower Loan Agreement, the Governmental Lender Note or any of the other documents referred to herein, or as a result of the incorrectness of any representation made by the Governmental Lender in any of such documents, nor for any other reason. Although this Bank Loan Agreement recognizes that such documents shall not give rise to any pecuniary liability of the Governmental Lender, nothing contained in this Bank Loan Agreement shall be construed to preclude in any way any action or proceeding (other than that element of any action or proceeding involving a claim for monetary damages against the Governmental Lender) in any court or before any governmental body, agency or instrumentality or otherwise against the Governmental Lender or any of its officers or employees to enforce the provisions of any of such documents which the Governmental Lender is obligated to perform and the performance of which the Governmental Lender has not assigned to the Fiscal Agent or any other person; provided, however, that as a condition precedent to the Governmental Lender proceeding pursuant to this Section 5.2, the Governmental Lender shall have received satisfactory indemnification.

ARTICLE VI

FURTHER AGREEMENTS

Section 6.1. Successor to the Governmental Lender. The Governmental Lender will at all times use its best efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to law or assure the assumptions of its obligations hereunder by any public trust or political subdivision succeeding to its powers.

Section 6.2. Borrower Not to Dispose of Assets; Conditions Under Which Exceptions Permitted. In Section 6.2 of the Borrower Loan Agreement and subject to the terms thereof, the Governmental Lender has caused the Borrower to agree that during the term of the Borrower Loan Agreement the Borrower will not dispose of all or substantially all of its assets nor consolidate with nor merge into any entity unless (i) the acquirer of its assets or the entity with which it shall consolidate or into which it shall merge shall be an individual or a corporation, partnership or other legal entity organized and existing under the laws of the United States of America or one of the states of the United States of America and shall be qualified and admitted to do business in the State; and (ii) such acquiring or remaining entity shall assume in writing all of the obligations of the Borrower under the Borrower Loan Agreement, the Regulatory Agreement, the Borrower Note, the Disbursement Agreement, the Continuing Covenant Agreement, the Borrower Assignments and the Deed of Trust.

Section 6.3. Additional Instruments. The Governmental Lender hereby covenants to execute and deliver, or cause to be executed and delivered, at the expense of the Borrower, such additional instruments and to perform such additional acts, or cause the performance of such additional acts, as may be necessary, in the written opinion of the Bank, acting reasonably, to carry out the intent of the Bank Loan and the Governmental Lender Note or to perfect or give further assurances of any of the rights granted or provided for in the Bank Loan Documents.

Section 6.4. Books and Records. The Governmental Lender shall, solely by the execution of the Borrower Loan Agreement and the assignment thereof to the Bank, and subject to the provisions of Article IV hereof, cause the Borrower to permit the Bank or its duly

authorized representatives access during normal business hours to the books and records of the Borrower pertaining to the Borrower Loan and the Project, and to make such books and records available for audit and inspection, at reasonable times and under reasonable conditions to the Governmental Lender, the Bank and their duly authorized representatives, and at the sole expense of the Borrower.

Section 6.5. Notice of Certain Events. The Governmental Lender hereby covenants to advise the Bank promptly in writing of the occurrence of any Event of Default under and as defined in the Borrower Loan Agreement or any of the Regulatory Agreement of which it has received written notice, or any event which, with the passage of time or service of notice, or both, would constitute an Event of Default thereunder of which it has received written notice, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto. In Section 6.6 of the Borrower Loan Agreement, the Borrower has agreed to advise the Governmental Lender and the Bank promptly in writing of the occurrence of any default under the Borrower Loan or of the occurrence of an Act of Bankruptcy.

Section 6.6. Consent to Assignment. The Governmental Lender has made an assignment to the Bank of all rights and interest of the Governmental Lender in and to the Borrower Loan Agreement (except the Governmental Lender's rights under Section 6.7 of the Borrower Loan Agreement and its retained rights under Sections 2.3, 2.4, 5.1(b), 5.1(c), 5.1(d), 7.4, 8.7, 8.12 and 8.13 of the Borrower Loan Agreement, together with its rights to receive notice and consent to amendments pursuant to the Loan Documents), the Borrower Assignments and the Deed of Trust and the Borrower Note, upon the terms and as otherwise provided in the Assignment Agreement. The Bank hereby consents to all such assignments.

Section 6.7. Compliance with Usury Laws. Notwithstanding any other provision of this Bank Loan Agreement, it is agreed and understood that in no event shall this Bank Loan Agreement, with respect to the Governmental Lender Note, be construed as requiring the Governmental Lender 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 Bank 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 either of the Governmental Lender 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 Bank Loan Agreement or related documents shall be cancelled 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 Bank Loan Agreement.

Section 6.8. Title to the Project. The Borrower has agreed in Section 6.10 of the Borrower Loan Agreement that, concurrently with the closing of the Borrower Loan, it will have a fee interest in the site on which the Project is located free and clear of any lien or encumbrance except for (i) liens for nondelinquent assessments and taxes not yet due or which are being

contested in good faith by appropriate proceedings; (ii) the Deed of Trust and the Subordination Agreement, (iii) Permitted Encumbrances (as defined in the Disbursement Agreement), and (iv) any other encumbrances approved by the Bank. Concurrently with the closing of the Bank Loan, the Borrower is obligated under Section 6.10 of the Borrower Loan Agreement to deliver to the Bank one or more title policies, naming the Bank as the insured, as its interests may appear with endorsements specified in the Bank's escrow instructions, issued by a title company acceptable to the Bank. The Governmental Lender makes no representation as to the condition of title to the Project or as to the adequacy or enforceability of any title insurance referred to in the Borrower Loan Agreement or the Deed of Trust.

Section 6.9. Filing of Tax Returns. The Governmental Lender shall, solely by the execution of the Borrower Loan Agreement and the assignment thereof to the Bank, and subject to the provisions of Article IV hereof, cause the Borrower to file, or caused to be filed all federal, state and local tax returns or information returns which are required to be filed with respect to the Project and of which the Governmental Lender has knowledge.

Section 6.10. No Untrue Statements. Neither this Bank Loan Agreement nor any other document, certificate or statement furnished to the Bank by the Governmental Lender, contains to the best of its knowledge any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading or incomplete as of the date hereof. It is specifically understood by the Governmental Lender that all such statements, representations and warranties shall be deemed to have been relied upon by the Bank as an inducement to make the Bank Loan and that if any such statements, representations and warranties were materially incorrect at the time they were made, the Bank may consider any such misrepresentation or breach an Event of Default.

No document, certificate or statement furnished to the Governmental Lender by the Bank contains to the best of its knowledge any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein not misleading or incomplete as of the date hereof.

Section 6.11. Insurance. The Governmental Lender shall, solely by the execution of the Borrower Loan Agreement and the assignment thereof to the Bank, and subject to the provisions of Article IV hereof, cause the Borrower to provide policies of insurance with respect to the Project and the operation thereof issued by an insurer, and in forms and amounts, as required by the Continuing Covenant Agreement.

Section 6.12. Tax Covenants. The Governmental Lender covenants to and for the benefit of the Bank that, notwithstanding any other provisions of this Bank Loan Agreement or of any other instrument, it will:

- (a) Require the Borrower to execute the Regulatory Agreement as a condition of funding the Borrower Loan;
- (b) Not knowingly take or cause to be taken any other action or actions, or knowingly fail to take any action or actions, which would cause the interest payable on

the Governmental Lender Note to be includable in gross income for federal income tax purposes;

(c) Whenever and so often as requested by Bank, the Governmental Lender (at the sole cost and expense of the Borrower) shall do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Governmental Lender on the Governmental Lender Note will be excluded from the gross income of the holders of the Governmental Lender Note, for federal income tax purposes, pursuant to Section 103 of the Code, except in the event where any holder of the Bank Loan or a portion thereof is a “substantial user” of the facilities financed with the Bank Loan or a “related person” within the meaning of Section 147(a) of the Code;

(d) Not knowingly take any action nor, solely in reliance upon the covenants and representations of the Borrower in the Borrower Loan Agreement, in the Regulatory Agreement and in the Tax Certificate, knowingly permit or suffer any action to be taken if the result of the same would be to cause the Governmental Lender Note financed with the proceeds of the Bank Loan to be “federally guaranteed” within the meaning of Section 149(b) of the Code and the Regulations; and

(e) Require the Borrower to agree, solely by causing the Borrower to execute and deliver the Borrower Loan Agreement, not to commit any act and not to make any use of the proceeds of the Governmental Lender Note financed with the proceeds of the Bank Loan, or any other moneys which may be deemed to be proceeds of the Governmental Lender Note financed with the proceeds of the Bank Loan pursuant to the Code, which would cause the Governmental Lender Note financed with the proceeds of the Bank Loan to be an “arbitrage bond” within the meaning of Sections 103(b) and 148 the Code, and to comply with the requirements of the Code throughout the term of the Governmental Lender Note financed with the proceeds of the Bank Loan; and

(f) Require the Borrower, solely by causing the Borrower to execute and deliver the Borrower Loan Agreement, to take all steps necessary to compute and pay any rebatable arbitrage in accordance with Section 148(f) of the Code.

In furtherance of the covenants in this Section 6.12, the Governmental Lender and the Borrower shall execute, deliver and comply with the provisions of the Tax Certificate, which are by this reference incorporated into this Bank Loan Agreement and made a part of this Bank Loan Agreement as if set forth in this Bank Loan Agreement in full. To the extent of any conflict between the requirements of this Bank Loan Agreement and the Tax Certificate, the requirements of the Tax Certificate shall control.

For purposes of this Section 6.12 the Governmental Lender’s compliance shall be based solely on matters within the Governmental Lender’s knowledge and control and no acts, omissions or directions of the Borrower, the Bank or any other Persons shall be attributed to the Governmental Lender.

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

The covenants of the Governmental Lender in this Section 6.12 are made solely in reliance on the representations and covenants of the Borrower set forth in the Borrower Loan Agreement, the Tax Certificate and the Regulatory Agreement and a default by the Borrower with respect thereto shall not be considered a default of the Governmental Lender hereunder. The covenants of the Governmental Lender in this Section 6.12 are limited to those actions within its control, and further limited to the extent that the costs and expenses of taking such actions are borne by the Borrower or a third party.

Section 6.13. CDLAC Allocation. [The California Debt Limit Allocation Committee has provided an allocation of the State's 20[] private activity bond volume cap under section 146 of the Code to the Governmental Lender for the Governmental Lender Note. The Governmental Lender hereby elects to apply the alternative option under clause (2) of the first paragraph of Section 3.01 of IRS Notice 2011-63 with respect to the issue date of the Governmental Lender Note; and, in connection therewith, has directed Tax Counsel to include the information on Form 8038 filed for the Governmental Lender Note that is required by section 3.03 of said Notice.]

Section 6.14. Immunities and Limitations of Responsibility of Governmental Lender. The Governmental Lender shall be entitled to the advice of counsel, and the Governmental Lender shall be wholly protected as to action taken or omitted in reliance on such advice. The Governmental Lender may rely conclusively on any written notice or other document furnished to it hereunder or under the Borrower Loan Agreement and reasonably believed by it to be genuine. The Governmental Lender shall in no event be liable for the application or misapplication of funds or for other acts or defaults by any person, except its own officers and employees. When any payment or consent or other action by it is called for hereby, it may defer such action pending receipt of such evidence (if any) as it may require in support thereof. The Governmental Lender shall not be required to take any remedial action (other than the giving of notice) hereunder or under any of the other Bank Loan Documents unless indemnity in a form acceptable to the Governmental Lender is furnished for any expense or liability to be incurred in connection with such remedial action. The Governmental Lender shall be entitled to reimbursement from the Borrower for its expenses reasonably incurred or advances reasonably made, with interest at the maximum rate of interest permitted under applicable law, in the exercise of its rights or the performance of its obligations hereunder, to the extent that it acts without previously obtaining indemnity. No permissive right or power to act which the Governmental Lender may have shall be construed as a requirement to act, and no delay in the exercise of a right or power shall affect its subsequent exercise of the right or power.

A default by the Borrower in any of its covenants, representations and agreements in the Borrower Loan Agreement, the Regulatory Agreement or the Tax Certificate on which the Governmental Lender is relying in the various sections of this Article VI shall not be considered a default hereunder by the Governmental Lender.

The Borrower has indemnified the Governmental Lender against certain acts and events as set forth in Section 6.7 of the Borrower Loan Agreement and Section 9 of the Regulatory Agreement. Such indemnities shall survive payment of the Bank Loan and discharge of this Bank Loan Agreement.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.1. Default Under Borrower Loan Agreement; Acceleration. No default by the Borrower under the Borrower Loan Agreement shall constitute an event of default with respect to the Note or this Bank Loan Agreement. The Governmental Lender's, Fiscal Agent's, Borrower's and Bank's remedies with respect to a default under the other Bank Loan Documents shall be as set forth under the Bank Loan Documents. The Bank may, upon the acceleration of the Borrower's obligations under the Bank Loan Documents, accelerate the maturity of the Note and apply any funds available hereunder for such purpose as provided herein (after paying the fees and expenses of the Fiscal Agent and Governmental Lender). Any Note principal remaining outstanding shall be deemed paid upon transfer, to or at the direction of the Bank, of the Bank Loan Documents and all security therefor free and clear of the lien of this Bank Loan Agreement.

The Governmental Lender shall cooperate with the Bank and Fiscal Agent in exercising rights and remedies under the Bank Loan Documents, but only upon being satisfactorily indemnified by the Borrower for any fees or expenses relating thereto as provided in the Borrower Loan Agreement and Regulatory Agreement.

ARTICLE VIII

FUNDS AND ACCOUNTS

Section 8.1. Authorization to Create Funds and Accounts. Except as provided in Section 8.3 hereof, no funds or accounts shall be established in connection with the Bank Loan at the time of closing and origination of the Bank Loan. The Bank, the Fiscal Agent and any designee of the Bank, are authorized to establish and create from time to time such other funds and accounts or subaccounts as may be necessary for the deposit of moneys (including, without limitation, insurance proceeds and/or condemnation awards), if any, received by the Governmental Lender, the Fiscal Agent or the Bank pursuant to the terms hereof or any of the other Bank Loan Documents and not immediately transferred or disbursed pursuant to the terms of the Bank Loan Documents and/or the Borrower Loan Documents.

Section 8.2. Investment of Funds. Amounts held in any funds or accounts created under this Bank Loan Agreement shall be invested by the Fiscal Agent, the Bank or the designee of the Bank, in Permitted Investments at the written direction of the Borrower, subject in all cases to the restrictions of Section 6.12 hereof and of the Tax Certificate. The Borrower's instruction shall be sufficient evidence that the investment constitutes a Permitted Investment. In the absence of any such instruction, monies shall be held uninvested. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or

accounts established hereunder shall be deposited in such fund or account. For purposes of acquiring any investments hereunder, the Fiscal Agent may commingle funds held by it hereunder, except as provided in Section 8.8(h) hereof with respect to the Rebate Fund. The Fiscal Agent shall incur no liability for losses arising from any investments made pursuant to this Section.

The Fiscal Agent shall furnish the Borrower and Bank periodic cash transaction statements that include detail for all investment transactions effected by the Fiscal Agent or brokers selected by the Borrower. Upon the Borrower's or Bank's election, such statements will be delivered via the Fiscal Agent's online service, and upon electing such service, paper statements will be provided only upon request. The Borrower waives the right to receive brokerage confirmations of security transactions effected by the Fiscal Agent as they occur, to the extent permitted by law. The Borrower further understands that trade confirmations for securities transactions effected by the Fiscal Agent will be available upon request and at no additional cost, and other trade confirmations may be obtained from the applicable broker.

Section 8.3. Establishment of Funds. There are established with the Fiscal Agent the following funds and accounts:

- (a) The Bank Loan Payment Fund;
- (b) The Project Fund (consisting solely of a Note Proceeds Account and an Equity Account);
- (c) The Expense Fund;
- (d) The Closing Costs Fund; and
- (e) The Rebate Fund (to be established by the Fiscal Agent once the Fiscal Agent is required to deposit or transfer, as applicable, amounts to the Rebate Fund in accordance with Section 8.8(a)).

All money required to be deposited with or paid to the Fiscal Agent for the account of any of the funds or accounts created by this Bank Loan Agreement shall be held by the Fiscal Agent for the benefit of the Bank, and except for money held in the Expense Fund or the Rebate Fund, shall, while held by the Fiscal Agent, constitute part of the Pledged Revenues and be subject to the lien hereof. Notwithstanding the foregoing, the Fiscal Agent shall not be required to open the Closing Costs Fund or the Equity Account of the Project Fund unless and until a first deposit is required to be made therein.

Section 8.4. Bank Loan Payment Fund. The Governmental Lender and the Borrower shall have no interest in the Bank Loan Payment Fund or the moneys therein, which shall always be maintained by the Fiscal Agent completely separate and segregated from all other moneys held hereunder and from any other moneys of the Governmental Lender and the Borrower.

The Fiscal Agent shall deposit into the Bank Loan Payment Fund any amounts received from or on behalf of the Borrower as payments of principal of or premium and interest on the Borrower Loan and any other amounts received by the Fiscal Agent that are subject to the lien

and pledge of this Bank Loan Agreement, including any Pledged Revenues not required to be deposited to the Expense Fund or not otherwise specifically directed in writing to be deposited into other funds created by this Bank Loan Agreement.

The Fiscal Agent shall apply all amounts on deposit in the Bank Loan Payment Fund in the following order of priority:

First, to pay or provide for the payment of the interest then due on the Bank Loan to the Bank or any transferee of the Bank with respect to the Bank Loan;

Second, to pay or provide for the payment or the prepayment (together with any Prepayment Premium payable in connection with such prepayment) of principal on the Bank Loan to the Bank or any transferee of the Bank with respect to the Bank Loan, provided moneys have been transferred or deposited into the Bank Loan Payment Fund for such purpose; and

Third, to pay or provide for the payment of the Bank Loan on the Maturity Date to the Bank or any transferee of the Bank with respect to the Bank Loan.

Section 8.5. Expense Fund. The Fiscal Agent shall deposit into the Expense Fund the amounts required by the Regulatory Agreement or the Borrower Loan Agreement to be paid by the Borrower to the Governmental Lender or the Fiscal Agent on behalf of the Borrower. Amounts on deposit in the Expense Fund shall be used to pay the fees and expenses of the Governmental Lender and the Fiscal Agent, as and when the same become due. In that regard, moneys in the Expense Fund shall be withdrawn or maintained, as appropriate, by the Fiscal Agent to pay (i) the Ongoing Governmental Lender Fee to the Governmental Lender as and when due, (ii) the Fiscal Agent's Fees to the Fiscal Agent when due, (iii) upon receipt, to the Fiscal Agent, any amounts due to the Fiscal Agent which have not been paid, other than amounts paid in accordance with clause (ii) hereof, and (iv) upon receipt, to, or at the direction of, the Governmental Lender, any amounts owing the Governmental Lender by the Borrower and then due and unpaid, other than amounts paid in accordance with clause (i) hereof. In the event that the amounts on deposit in the Expense Fund are not equal to the amounts payable from the Expense Fund as provided in the preceding paragraph on any date on which such amounts are due and payable, the Fiscal Agent shall give notice to the Borrower of such deficiency and of the amount of such deficiency and request payment within two Business Days to the Fiscal Agent of the amount of such deficiency.

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

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

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

of such the Ongoing Governmental Lender Fee, and shall remit moneys received by the Borrower to the Governmental Lender for payment of such fee.

Section 8.6. Closing Costs Fund. Amounts in the Closing Costs Fund shall be disbursed by the Fiscal Agent to pay Closing Costs on the Closing Date or as soon as practicable thereafter as follows: moneys on deposit in the Closing Costs Fund shall be applied to pay Closing Costs at the written direction of the Authorized Borrower Representative, consented to by the Bank and the Governmental Lender, in the form attached hereto as Exhibit D. Any interest earnings on amounts on deposit in the Closing Costs Fund shall remain in the Fund. Any moneys remaining in the Closing Costs Fund (including investment proceeds) after the earlier of (i) the payment of all costs of issuance as certified in writing to the Fiscal Agent by the Borrower or (ii) a period of six (6) months after the Closing Date, shall be paid to or at the direction of the Borrower and the Closing Costs Fund shall be closed.

Section 8.7. Project Fund.

(a) The proceeds of the Bank Loan shall be deposited by the Fiscal Agent to the Note Proceeds Account of the Project Fund, provided that the initial advance of proceeds of the Bank Loan on the Closing Date shall be deposited to the Title Company for disbursement in accordance with the written instructions of the Borrower and the Governmental Lender. Any additional amounts delivered from time to time to the Fiscal Agent by or on behalf of the Borrower (excluding any proceeds of the Bank Loan) shall be deposited to the Equity Account of the Project Fund. The Fiscal Agent shall disburse moneys in the Project Fund for the acquisition, rehabilitation, construction and equipping of the Project, to pay other Qualified Project Costs and to pay other costs related to the Project as provided herein.

Not less than 97% of the moneys deposited in and credited to the Note Proceeds Account of the Project Fund, and taking into account proceeds of the Bank Loan (if any) deposited in the Closing Costs Fund, representing the proceeds of the Bank Loan, including Investment Income thereon, will be expended for Qualified Project Costs (the “**97% Requirement**”). No more than 2% of the amounts deposited to the Note Proceeds Account of the Project Fund shall be applied to the payment of Closing Costs.

Before any payment shall be made from the Note Proceeds Account of the Project Fund, the Regulatory Agreement shall have been executed and submitted to the Title Company for recordation in the official records of the County.

Before any payment shall be made from the Note Proceeds Account of the Project Fund following the payment to be made on the Closing Date described above, there shall be filed with the Fiscal Agent a Written Requisition of the Borrower substantially in the form attached hereto as Exhibit C and consented to by the Bank, pursuant to the terms, conditions and provisions of the Construction Funding Agreement, and the Governmental Lender.

(b) Upon receipt of each Written Requisition submitted by the Borrower and approved in writing by the Bank and the Governmental Lender, the Fiscal Agent shall

promptly, but in any case within two Business Days, make payment from the appropriate account within the Project Fund in accordance with such Written Requisition. The Fiscal Agent shall have no duty to determine whether any requested disbursement from the Project Fund complies with the terms, conditions and provisions of the Bank Loan Documents, constitutes payment of Qualified Project Costs or complies with the 97% Requirement. The approval in writing of a Written Requisition by the Bank shall be deemed a certification and, insofar as the Fiscal Agent is concerned, shall constitute conclusive evidence that all of the terms, conditions and requirements of the Bank Loan Documents applicable to such disbursement have been fully satisfied or waived and the Written Requisition from the Borrower shall, insofar as the Fiscal Agent is concerned, constitute conclusive evidence that the costs described in the Written Requisition constitute Qualified Project Costs or other permitted Project costs. These documents shall be retained by the Fiscal Agent, subject at all reasonable times to examination by the Borrower, the Governmental Lender, the Bank and the agents and representatives thereof upon reasonable notice to the Fiscal Agent. The Fiscal Agent is not required to inspect the Project or the construction work or to make any independent investigation with respect to the matters set forth in any Written Requisition or other statements, orders, certifications and approvals received by the Fiscal Agent. The Fiscal Agent is not required to obtain completion bonds, lien releases or otherwise supervise the acquisition, construction, rehabilitation and equipping of the Project.

Notwithstanding anything to the contrary contained herein, only the signature of an authorized officer of the Bank and the Governmental Lender Representative shall be required on a Written Requisition during any period in which a default by the Borrower has occurred and is then continuing under the Borrower Loan (notice of which default has been given in writing by an authorized officer of the Bank to the Fiscal Agent and the Governmental Lender, and the Fiscal Agent shall be entitled to conclusively rely on any such Written Notice as to the occurrence and continuation of such a default). Furthermore, the Fiscal Agent shall disburse amounts in the Project Fund upon receipt of a Written Requisition signed only by the Bank and the Governmental Lender Representative (and without any need for any signature by an Authorized Borrower Representative) so long as the amount to be disbursed is to be used solely to make payments of principal, interest and/or fees due under the Bank Loan Documents.

The Fiscal Agent shall immediately provide Written Notice to the Borrower, the Bank and the Governmental Lender if there are not sufficient funds available to or on deposit with the Fiscal Agent to make the payments as and when required by this Section 8.7(b). Except as provided in the next sentence, all such payments shall be made by check or draft payable, or by wire transfer in accordance with the payment instructions set forth in the Written Requisition. The Fiscal Agent shall conclusively rely on the payment instructions provided in any Written Requisition or invoices provided in connection therewith, and the Fiscal Agent shall have no duty to authenticate or investigate such payment instructions or the authority under which they were given. Upon the occurrence of an Event of Default of the Borrower of which the Fiscal Agent has knowledge as provided herein, which is continuing under the Bank Loan Documents, with the Written Consent of the Bank, the Fiscal Agent may apply amounts on deposit in the Project Fund to the payment of principal of and interest on the Bank Loan.

(c) Immediately prior to any mandatory prepayment of the Bank Loan pursuant to hereto, any amounts then remaining in the Project Fund shall, at the written direction of the Bank, be transferred to the Bank Loan Payment Fund to be applied to the prepayment of the Bank Loan pursuant hereto.

(d) Amounts on deposit in the Project Fund, other than the deposit to the Note Proceeds Account on the Closing Date (which will be promptly disbursed therefrom pursuant to Section 8.7(a) above) which shall be held uninvested until disbursed, shall be invested in Permitted Investments directed in writing by the Borrower. Investment Income earned on amounts on deposit in each account of the Project Fund shall be retained in and credited to and become a part of the amounts on deposit in that account of the Project Fund. Upon final disbursement of all amounts on deposit in the Project Fund, the Fiscal Agent shall close the Project Fund.

Section 8.8. Rebate Fund.

(a) The Fiscal Agent shall deposit or transfer to the credit of the Rebate Fund each amount delivered to the Fiscal Agent by the Borrower for deposit thereto and each amount directed by the Borrower to be transferred thereto.

(b) Within 15 days after each receipt or transfer of funds to the Rebate Fund, the Fiscal Agent shall withdraw from the Rebate Fund and pay to the United States of America the entire balance of the Rebate Fund.

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

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

(e) The Fiscal Agent may conclusively rely on the instructions of the Borrower (based upon the report of the Rebate Analyst) with regard to any actions to be taken by it pursuant to this Section and shall have no liability for any consequences of any failure of the Borrower or the Rebate Analyst to perform its duties or obligations or to supply accurate or sufficient instructions. Except as specifically provided in Subsection (b) above, the Fiscal Agent shall have no duty or responsibility with respect to the Rebate Fund or the Borrower's duties and responsibilities with respect thereto except to follow the Borrower's specific written instruction related thereto.

(f) If at any time during the term of this Bank Loan Agreement the Governmental Lender, the Fiscal Agent or the Borrower desires to take any action that would otherwise be prohibited by the terms of this Section, such person shall be

permitted to take such action if it shall first obtain and provide to the other persons named herein, a Tax Counsel No Adverse Effect Opinion and an opinion of Tax Counsel that such action shall be in compliance with the laws of the State and the terms of this Bank Loan Agreement.

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

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

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

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

(k) Notwithstanding the foregoing, the computations and payments of rebate amounts referred to in this Section 7.8 need not be made to the extent that neither the Governmental Lender nor the Borrower will thereby fail to comply with any requirements of Section 148(f) of the Code based on a Tax Counsel No Adverse Effect Opinion, a copy of which shall be provided to the Fiscal Agent and the Governmental Lender.

ARTICLE IX

THE FISCAL AGENT

Section 9.1. Appointment of Fiscal Agent; Acceptance. The Governmental Lender hereby appoints Fiscal Agent as fiscal agent hereunder. The Fiscal Agent shall signify its

acceptance of the duties and obligations imposed upon it by this Bank Loan Agreement by executing this Bank Loan Agreement.

Section 9.2. Certain Duties and Responsibilities of Fiscal Agent.

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

(b) If an event of default exists hereunder or under any Borrower Loan Document, the Fiscal Agent shall exercise such of the rights and powers vested in it by this Bank Loan Agreement, and exercise any rights or duties or remedies solely at the written direction of the Bank.

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

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

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

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

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

(v) Subject to its rights to indemnification pursuant to Section 9.4 hereof, the Fiscal Agent is directed to enter into the Borrower Loan Documents to which it is a party and other related documents, solely in its capacity as Fiscal Agent.

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

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

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

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

Section 9.3. Notice of Defaults. Upon the occurrence of any default hereunder or under any Borrower Loan Document and provided that a Responsible Officer of the Fiscal Agent has actual knowledge or has received Written Notice of the existence of such default, promptly, and in any event within 15 days, the Fiscal Agent shall transmit to the Governmental Lender, the Borrower, the Equity Investor and the Bank, in the manner and at the addresses for notices set forth in Section 10.1 hereof, notice of such default hereunder known to the Fiscal Agent pursuant to Section 9.4(g) hereof, unless such default shall have been cured or waived.

Section 9.4. Certain Rights of Fiscal Agent. Except as otherwise provided in Section 9.1 hereof:

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

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

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

(d) The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Bank Loan Agreement or any Borrower Loan Document at the request or direction of the Bank, pursuant to this Bank Loan Agreement, unless the Bank shall have offered to the Fiscal Agent in writing security or indemnity reasonably

satisfactory to the Fiscal Agent against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction, except costs, expenses and liabilities which are adjudicated to have resulted from its own negligence or willful misconduct, provided, that nothing contained in this subparagraph (d) shall be construed to require such security or indemnity for the performance by the Fiscal Agent of its obligations under Article II hereof;

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

(f) The Fiscal Agent may execute any of its powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and pay reasonable compensation thereto and the Fiscal Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder. The Fiscal Agent may act upon the advice of counsel of its choice concerning all matters hereof and the Fiscal Agent shall not be responsible for any loss or damage resulting from any action or inaction taken in good faith reliance upon said advice; and

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

Section 9.5. Not Responsible for Recitals. The recitals contained herein and in the Governmental Lender Note shall be taken as the statements of the Governmental Lender, and the Fiscal Agent assumes no responsibility for their correctness. The Fiscal Agent makes no representations as to the value or condition of the Pledged Revenues, the Security or any part thereof, or as to the title of the Governmental Lender thereto or as to the security afforded thereby or hereby, or as to the validity or sufficiency of this Bank Loan Agreement or of the Bank Loan.

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

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

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

Section 9.6. May Hold Bank Loan. The Fiscal Agent in its individual or any other capacity may become the owner or pledgee of the Bank Loan and may otherwise deal with the Governmental Lender, the Bank and the Borrower with the same rights it would have if it were not Fiscal Agent.

Section 9.7. Moneys Held Hereunder. Moneys held by the Fiscal Agent hereunder need not be segregated from other funds except to the extent required by law. The Fiscal Agent shall be under no liability for interest on any moneys received by it hereunder except as otherwise provided herein.

Section 9.8. Compensation and Reimbursement. Under the Borrower Loan Agreement, the Borrower has agreed to, except as otherwise expressly provided herein, reimburse the Fiscal Agent as provided in this Bank Loan Agreement or the Borrower Loan Agreement, upon its request for all reasonable expenses, disbursements and advances incurred or made by the Fiscal Agent in accordance with any provision of this Bank Loan Agreement (including the reasonable fees, expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Fiscal Agent's negligence or willful misconduct, both as finally adjudicated by a court of law.

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

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

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

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

Section 9.9. Fiscal Agent Required; Eligibility. Any successor Fiscal Agent shall at all times be a trust company, a state banking corporation or a national banking association with the authority to accept trusts in the State approved in writing by the Governmental Lender and either (a) have a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition, (b) be a wholly owned subsidiary of a bank holding company, or a wholly owned subsidiary of a company that is a wholly owned subsidiary of a bank holding company, having a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition, have at least \$500,000,000 of trust assets under management and have a combined capital and surplus of at least \$2,000,000 as set forth in its most recent published annual report of condition, or (c) be otherwise acceptable to the Bank in its sole and absolute discretion.

Section 9.10. Resignation and Removal; Appointment of Successor.

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

(b) The Fiscal Agent may resign at any time by giving 60 days' Written Notice thereof to the Governmental Lender, the Borrower, the Servicer, if any, and the Bank. If an instrument of acceptance by a successor Fiscal Agent shall not have been delivered to the Fiscal Agent within 30 days after the giving of such notice of resignation, the resigning Fiscal Agent may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent.

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

(d) If the Fiscal Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the Office of the Fiscal Agent for any cause, the Governmental Lender shall promptly appoint a successor Fiscal Agent, with the consent of the Bank, which consent shall not be unreasonably withheld. In case all or substantially all of the Pledged Revenues and Security shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee may similarly appoint a successor to fill such vacancy until a new Fiscal Agent shall be so appointed by the Governmental Lender. If, within 60 days after such resignation, removal or incapability or the occurrence of such vacancy, the Governmental Lender has failed to so appoint a successor Fiscal Agent, then a successor Fiscal Agent shall be appointed by the Bank (from any of the institutions approved by the Governmental Lender to serve as a fiscal

agent or trustee) with Written Notice thereof delivered to the Governmental Lender, the Borrower, the Servicer, if any, and the retiring Fiscal Agent, and the successor Fiscal Agent so appointed shall, forthwith upon its acceptance of such appointment, become the successor Fiscal Agent and supersede the successor Fiscal Agent appointed by such receiver or Fiscal Agent. If no successor Fiscal Agent shall have been appointed by the Governmental Lender or the Bank and accepted appointment in the manner hereinafter provided, the Fiscal Agent may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent.

(e) The retiring Fiscal Agent shall cause Written Notice of each resignation and each removal of the Fiscal Agent and each appointment of a successor Fiscal Agent to be provided to the Bank. Each notice shall include the name of the successor Fiscal Agent and the address of the office of the successor Fiscal Agent.

Section 9.11. Acceptance of Appointment by Successor.

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

(b) No successor Fiscal Agent shall accept its appointment unless at the time of such acceptance such successor Fiscal Agent shall be qualified and eligible under this Article, to the extent operative.

Section 9.12. Merger, Conversion, Consolidation or Succession to Business. Any corporation into which the Fiscal Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Fiscal Agent shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Fiscal Agent, shall be the successor of the Fiscal Agent hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, to the extent operative, without the execution or filing of any paper or any further act on the part of any of the parties hereto. Notwithstanding the foregoing, any such successor Fiscal Agent shall cause Written Notice of such succession to be delivered to the Bank within 30 days of such succession.

Section 9.13. Appointment of Co-Fiscal Agent. It is recognized that in case of litigation under this Bank Loan Agreement, the Borrower Loan Agreement, any other Borrower Loan

Document or the Regulatory Agreement, and in particular in case of the enforcement of any of them on default, or in case the Fiscal Agent deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Fiscal Agent or hold title to the properties, as herein provided, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Fiscal Agent appoint an additional individual or institution as a separate or co-fiscal agent. The following provisions of this Section are adopted to these ends.

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

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

Section 9.14. Loan Servicing. The Governmental Lender and the Fiscal Agent acknowledge that the Bank Lender shall have the right to appoint a Servicer to service and administer the Bank Loan and the Borrower Loan as set forth in a Servicing Agreement. The Governmental Lender and the Fiscal Agent shall not be responsible for monitoring the performance of any Servicer or for any acts or omissions of such Servicer. The Bank Lender may, in its sole discretion, terminate or replace the Servicer.

Section 9.15. No Recourse against Officers or Employees of Fiscal Agent. No recourse with respect to any claim related to any obligation, duty or agreement contained in this Bank Loan Agreement or any other Bank Loan Document shall be had against any officer or employee, as such, of the Fiscal Agent, it being expressly understood that the obligations, duties and agreements of the Fiscal Agent contained in this Bank Loan Agreement and the other Bank Loan Documents are solely corporate in nature.

ARTICLE X

MISCELLANEOUS

Section 10.1. Entire Agreement. This Bank Loan Agreement, the Governmental Lender Note, the Assignment Agreement and the other Loan Documents to which the Governmental Lender is a party constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, between the Governmental Lender and the Bank with respect to the subject matter hereof.

Section 10.2. Notices. All notices, demands, requests and other communications required or permitted to be given by any provision of this Bank Loan Agreement shall be in writing and sent by first class, regular, registered or certified mail, commercial delivery service, overnight courier, telegraph, telex, telecopier or facsimile transmission, air or other courier, or hand delivery to the party to be notified addressed as follows:

If to the
Governmental Lender: City of Los Angeles
Housing and Community Investment Department
8th Floor
1200 West 7th Street
Los Angeles, CA 90017
HIMS # []
Attention: Supervisor, Affordable Housing Bond Program
Facsimile: (213) 808-8918

with a copy to: City of Los Angeles
Housing and Community Investment Department
P.O. Box 532729
Los Angeles, CA 90053-2729
HIMS # []
Attention: Supervisor, Affordable Housing Bond Program
Facsimile: (213) 808-8606

If to Borrower: Montclair LA LP
c/o PATH Ventures
340 North Madison Avenue
Los Angeles, CA 90004
Attention: Executive Director

with a copy to: Bocarsly, Emden, Cowan, Esmail & Arndt LLP
633 West Fifth Street, 64th Floor
Angeles, CA 90071
Attention: Lance Bocarsly
Facsimile: (213) 239-8088

If to the Equity Investor: [_____]
c/o [_____]
[_____]
[_____]
Attention: [_____]

with a copy to: [_____]
[_____]
[_____]
Attention: [_____]
Facsimile: [_____]

If to the Bank: Pacific Western Bank
1001 Marsh Street
San Luis Obispo, California 93401
Attention: [_____]
Email: [_____]

with a copy to: Pacific Western Bank
444 South Flower Street, 14th Floor
Los Angeles, California 90071
Attention: Holly A. Hayes
Telephone: (213) 330-2073
Email: hhayes@pacificwesternbank.com

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

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

Section 10.3. Assignments. Neither this Bank Loan Agreement nor the Borrower Loan Agreement may be assigned by any party hereto or thereto without the prior written consent of the other, which consent shall not be unreasonably withheld, except that the Governmental Lender shall assign to the Bank its rights under the Borrower Loan Agreement.

Section 10.4. Severability. If any provision of this Bank Loan Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions shall not in any way be affected or impaired. In case any covenant, stipulation, obligation or agreement contained in the Governmental Lender Note or in this Bank Loan Agreement shall for any reason be held to be usurious or in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Governmental Lender or the Bank only to the full extent permitted by law.

Section 10.5. Execution of Counterparts. This Bank Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10.6. Amendments, Changes and Modifications. Except as otherwise provided in this Bank Loan Agreement, this Bank Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the parties hereto.

No amendment to this Bank Loan Agreement or any other Bank Loan Document entered into under this Section 10.6 or any amendment, change or modification otherwise permitted under this Section 10.6 shall become effective unless and until (i) the Bank shall have approved the same in writing in its sole discretion and (ii) the Bank shall have received, at the expense of the Borrower, a Tax Counsel No Adverse Effect Opinion and an Opinion of Counsel to the effect that any such proposed amendment is authorized and complies with the provisions of this Bank Loan Agreement.

Section 10.7. Governing Law. This Bank Loan Agreement and the Governmental Lender Note are contracts made under the laws of the State of California and shall be governed by and construed in accordance with the Constitution and laws applicable to contracts made and performed in the State of California. This Bank Loan Agreement and the Governmental Lender Note shall be enforceable in the State of California, and any action arising out of this Bank Loan Agreement or the Governmental Lender Note shall be filed and maintained in Los Angeles, California, unless the Governmental Lender waives this requirement.

Section 10.8. Waiver of Jury Trial. TO THE MAXIMUM EXTENT PERMITTED UNDER APPLICABLE LAW, EACH OF BORROWER AND THE BANK (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS BANK LOAN AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES

ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, EXCEPT THE GOVERNMENTAL LENDER, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

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

Section 10.9. Term of Agreement. This Bank Loan Agreement shall be in full force and effect until all payment obligations of the Governmental Lender hereunder have been paid in full and the Bank Loan has been retired or the payment thereof has been provided for; except that on and after payment in full of the Governmental Lender Note, this Bank Loan Agreement shall be terminated, without further action by the parties hereto. Time is of the essence in this Bank Loan Agreement.

Section 10.10. Survival of Agreement. All agreements, representations and warranties made herein shall survive the making of the Bank Loan.

Section 10.11. Nondiscrimination and Affirmative Action. The Fiscal Agent shall comply with the applicable nondiscrimination and affirmative action provisions of the laws of the United States of America, the State of California, and the Governmental Lender. The Fiscal Agent shall not discriminate in its employment practices against any employee or applicant for employment or deny family and medical care leave, 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, transgender status, age, marital status, familial status, domestic partner status, physical handicap, mental disability, medical condition, political affiliation or belief. The Fiscal Agent shall comply with Executive Order 11246, entitled "Equal Employment Opportunity," as amended by Executive Order 11375, and as supplemented in Department of Labor regulations (41 C.F.R. Part 60). The Fiscal Agent shall comply with the provisions of the Los Angeles Administrative Code Sections 10.8 through 10.13, to the extent applicable hereto. The affirmative action program of the Fiscal Agent shall include the mandatory contract provisions set forth in the Los Angeles Administrative Code Section 10.8.4, and said provisions are incorporated herein by this reference. The Fiscal Agent shall also comply with all rules, regulations, and policies of the Governmental Lender's Board of Public Works, Office of Contract Compliance relating to nondiscrimination and affirmative action, including the filing of all forms required by the Governmental Lender. Any subcontract entered into by the Fiscal Agent relating to this Bank 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, transgender status, 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 Bank Loan Agreement. For purposes of this Section, Title 24 Code of Federal Regulations Part 107 and

Section 570.601(b) defines specific discriminatory actions that are prohibited and corrective action that shall be taken in a situation as defined therein.

Section 10.12. Business Tax Registration Certificate. Subject to any exemption available to it, the Fiscal Agent represents that it will obtain and hold the Business Tax Registration Certificate required by the Governmental Lender's Business Tax Ordinance (Article 1, Chapter 2, Section 21.00 and following, of the Los Angeles Municipal Code). For the term covered by this Bank Loan Agreement, the Fiscal Agent shall maintain, or obtain as necessary, all such Business Tax Registration Certificates required of it, subject to any exemption available to it, under said Ordinance and shall not allow any such Business Tax Registration Certificate to be revoked or suspended.

Section 10.13. Child Support Assignment Orders. This Bank Loan Agreement is subject to Section 10.10 of the Los Angeles Administrative Code, Child Support Assignment Orders Ordinance. Pursuant to this Ordinance, the Fiscal Agent certifies that: (1) it will fully comply with all State and Federal employment reporting requirements applicable to Child Support Assignment Orders; (2) the principal owner(s) of the Fiscal Agent are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally; (3) it will fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code Section 5230 et seq.; and (4) it will maintain such compliance throughout the term of this Bank Loan Agreement. Pursuant to Section 10.10.b of the Los Angeles Administrative Code, failure of the Fiscal Agent to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment Orders and Notices of Assignment or the failure of any principal owner(s) of the Fiscal Agent to comply with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally shall constitute a default by the Fiscal Agent under the terms of this Bank Loan Agreement, subjecting the Fiscal Agent to removal hereunder where such failure shall continue for more than 90 days after notice of such failure to the Fiscal Agent by the Governmental Lender. Any subcontract entered into by the Fiscal Agent relating to this Bank Loan Agreement, to the extent allowed hereunder, shall be subject to the provisions of this paragraph and shall incorporate the provisions of the Child Support Assignment Orders Ordinance. Failure of the Fiscal Agent to obtain compliance of its subcontractors shall constitute a default by the Fiscal Agent under the terms of this Bank Loan Agreement, subjecting the Fiscal Agent to removal hereunder where such failure shall continue for more than 90 days after notice of such failure to the Fiscal Agent by the Governmental Lender. The Fiscal Agent shall comply with the Child Support Compliance Act of 1998 of the State of California Employment Development Department. The Fiscal Agent hereby affirms that to the best of its knowledge it is fully complying with the earnings assignment orders of all employees, and is providing the names of all new employees to the New Hire Registry maintained by the Employment Development Department as set forth in subdivision (b) of the Public Contract Code Section 7110.

Section 10.14. Compliance with Americans with Disabilities Act. The Fiscal Agent shall be in full compliance with all federal and state laws, including those of 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"). Under the ADA, the Fiscal Agent shall provide for reasonable accommodations to

allow qualified individuals access to and participation in their programs, services and activities in accordance with the ADA. In addition, the Fiscal Agent 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 the Fiscal Agent, relating to this Bank Loan Agreement, to the extent allowed hereunder, shall be subject to the provisions of this Section.

Section 11.15 Disclosure of Border Wall Contracting Ordinance. Fiscal Agent shall comply with Los Angeles Administrative Code Section 10.50 et seq., “Disclosure of Border Wall Contracting”. Governmental Lender may declare a default under this Bank Loan Agreement if the Governmental Lender determines that Fiscal Agent failed to fully and accurately complete the required affidavit and disclose all Border Wall Bids and Border Wall Contracts, as defined in Los Angeles Administrative Code Section 10.50.1.

Section 11.16 Disclosure of Contracts and Sponsorship of The National Rifle Association. Fiscal Agent shall comply with Los Angeles Administrative Code Section 10.52 et seq., “Disclosure of Contracts and Sponsorship of the National Rifle Association Ordinance”. Governmental Lender may declare a default under this Bank Loan Agreement at any time if Governmental Lender determines that Fiscal Agent failed to fully and accurately complete the required affidavit and disclose all contracts and sponsorships with the National Rifle Association, as defined in Los Angeles Administrative Code Section 10.52.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, all as of the date first above written.

GOVERNMENTAL LENDER:

CITY OF LOS ANGELES, as the
Governmental Lender

By Los Angeles Housing and Community
Investment Department

By _____
Authorized Officer

Approved as to form:

MICHAEL N. FEUER, City Attorney:

By _____
Deputy/Assistant City Attorney

[_____] ,
as fiscal agent

By: _____
Authorized Signatory

[Signature Page to Bank Loan Agreement – PATH Villas Montclair-Gramercy]

PACIFIC WESTERN BANK, a California
state-chartered bank

By: _____
Authorized Signatory

[Signature Page to Bank Loan Agreement – PATH Villas Montclair-Gramercy]

EXHIBIT A

FORM OF GOVERNMENTAL LENDER NOTE

THIS GOVERNMENTAL LENDER NOTE MAY BE OWNED ONLY BY AN APPROVED INSTITUTIONAL BUYER IN ACCORDANCE WITH THE TERMS OF THE BANK LOAN AGREEMENT, AND THE HOLDER HEREOF, BY THE ACCEPTANCE OF THIS GOVERNMENTAL LENDER NOTE (A) REPRESENTS THAT IT IS AN APPROVED INSTITUTIONAL BUYER AND (B) ACKNOWLEDGES THAT IT CAN ONLY TRANSFER THIS GOVERNMENTAL LENDER NOTE OR ANY INTEREST HEREIN TO ANOTHER APPROVED INSTITUTIONAL BUYER IN ACCORDANCE WITH THE TERMS OF THE BANK LOAN AGREEMENT.

**CITY OF LOS ANGELES
MULTIFAMILY HOUSING REVENUE NOTE
(PATH VILLAS MONTCLAIR-GRAMERCY)
Series 2019P**

DATED [CLOSING DATE]

\$[_____]

FOR VALUE RECEIVED, the undersigned CITY OF LOS ANGELES (“Obligor”) promises to pay to the order of PACIFIC WESTERN BANK (“Holder”) the principal sum of [PAR AMOUNT SPELLED OUT] DOLLARS (\$[_____]), on [Maturity Date] (the “Maturity Date”), or earlier as provided herein, together with interest thereon at the rates, at the times and in the amounts provided below.

Obligor shall pay to the Holder on or before each date on which payment is due under that certain Loan Agreement, dated as of [_____] 1, 2019 (the “Bank Loan Agreement”), between Obligor, Holder and [_____] as fiscal agent (the “Fiscal Agent”), an amount in immediately available funds sufficient to pay the principal amount of and prepayment premium, if any, on this Governmental Lender Note then due and payable, whether by maturity, acceleration, prepayment or otherwise. In the event that amounts held derived from proceeds of this Governmental Lender Note, condemnation awards or insurance proceeds or investment earnings thereon are applied to the payment of principal due on this Governmental Lender Note in accordance with the Bank Loan Agreement, the principal amount due hereunder shall be reduced to the extent of the principal amount of this Governmental Lender Note so paid. Capitalized terms not otherwise defined herein shall have the meaning assigned in the Bank Loan Agreement.

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

This Governmental Lender Note is a pass-through obligation relating to a construction and permanent loan (the "Borrower Loan") made by Obligor from proceeds of the Bank Loan to Montclair LA LP, a California limited partnership, as borrower (the "Borrower"), under that certain Loan Agreement, dated as of [_____] 1, 2019 (as the same may be modified, amended or supplemented from time to time, the "Borrower Loan Agreement"), between the Obligor and the Borrower, evidenced by the Borrower Note (as defined in the Borrower Loan Agreement). Reference is made to the Borrower Loan Agreement and to the Borrower Note for complete payment and prepayment terms of the Borrower Note, payments on which are passed-through under this Governmental Lender Note.

THIS GOVERNMENTAL LENDER NOTE IS NOT AN OBLIGATION, EITHER GENERAL OR SPECIAL, AND DOES NOT CONSTITUTE A PLEDGE OF THE GENERAL CREDIT OR TAXING POWER, OF THE CITY OF LOS ANGELES (THE "CITY"), THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF, BUT IS PAYABLE SOLELY FROM THE PROJECT REVENUES AND PROPERTY PLEDGED THEREFOR IN THE BANK LOAN AGREEMENT AND NOT FROM ANY OTHER REVENUES, FUNDS OR ASSETS OF THE CITY. NEITHER THE CITY, THE STATE NOR ANY SUCH POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE HEREON. 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 CITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THIS GOVERNMENTAL LENDER NOTE OR OTHER COSTS INCIDENT THERETO. THE GOVERNMENTAL LENDER NOTE IS NOT A DEBT OF THE UNITED STATES OF AMERICA.

NO RECOURSE UNDER OR UPON ANY OBLIGATION, COVENANT, WARRANTY OR AGREEMENT CONTAINED IN THE BANK LOAN AGREEMENT OR IN THIS GOVERNMENTAL LENDER NOTE, OR UNDER ANY JUDGMENT OBTAINED AGAINST THE GOVERNMENTAL LENDER, OR THE ENFORCEMENT OF ANY ASSESSMENT, OR ANY LEGAL OR EQUITABLE PROCEEDINGS BY VIRTUE OF ANY CONSTITUTION OR STATUTE OR OTHERWISE, OR UNDER ANY CIRCUMSTANCES UNDER OR INDEPENDENT OF THE BANK LOAN AGREEMENT, SHALL BE HAD AGAINST THE MAYOR, THE CITY COUNCIL OR ANY OF THE MEMBERS, OFFICERS, AGENTS OR EMPLOYEES OF THE GOVERNMENTAL LENDER, AS SUCH, PAST, PRESENT OR FUTURE OF THE GOVERNMENTAL LENDER, EITHER DIRECTLY OR THROUGH THE GOVERNMENTAL LENDER OR OTHERWISE, FOR THE PAYMENT FOR OR TO THE GOVERNMENTAL LENDER OR ANY RECEIVER OF THE GOVERNMENTAL LENDER, OR FOR OR TO THE OWNER OF THIS GOVERNMENTAL LENDER NOTE, OR OTHERWISE, OF ANY SUM THAT MAY BE DUE AND UNPAID BY THE GOVERNMENTAL LENDER UPON THIS BOND. ANY AND ALL PERSONAL LIABILITY OF EVERY NATURE WHETHER AT COMMON LAW OR IN EQUITY OR BY STATUTE OR BY CONSTITUTION OR OTHERWISE OF THE MAYOR, THE CITY COUNCIL OR OF ANY SUCH MEMBER, OFFICER, AGENT OR EMPLOYEE, PAST, PRESENT OR FUTURE, OF THE GOVERNMENTAL LENDER, AS SUCH, BY REASON OF ANY ACT OF OMISSION ON HIS OR HER PART OR OTHERWISE,

FOR THE PAYMENT FOR OR TO THE OWNER OF THIS GOVERNMENTAL LENDER NOTE OR OTHERWISE OF ANY SUM THAT MAY REMAIN DUE AND UNPAID UPON THIS GOVERNMENTAL LENDER NOTE SECURED BY THE BANK LOAN AGREEMENT OR ANY OF THEM IS, BY THE ACCEPTANCE OF THIS GOVERNMENTAL LENDER NOTE, EXPRESSLY WAIVED AND RELEASED AS A CONDITION OF AND IN CONSIDERATION FOR THE EXECUTION OF THE BANK LOAN AGREEMENT AND THE ISSUANCE OF THIS GOVERNMENTAL LENDER NOTE.

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

The Governmental Lender shall not be liable for payment of the principal of, prepayment premium, if any, or interest on this Governmental Lender Note or any other costs, expenses, losses, damages, claims or actions of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Bank Loan Agreement, this Governmental Lender Note or any other documents, except only to the extent amounts are received for the payment thereof from the Borrower under the Borrower Loan Agreement.

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

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

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

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

If there is an Event of Default under the Bank Loan Documents, then in any such event and subject to the requirements set forth in the Bank Loan Agreement, the Holder may declare the entire unpaid principal balance of this Governmental Lender Note and accrued interest, if any, due and payable at once. All of the covenants, conditions and agreements contained in the Bank Loan Documents are hereby made part of this Governmental Lender Note.

No delay or omission on the part of the Holder in exercising any remedy, right or option under this Governmental Lender Note or the Bank Loan Documents shall operate as a waiver of

such remedy, right or option. In any event a waiver on any one occasion shall not be construed as a waiver or bar to any such remedy, right or option on a future occasion. The rights, remedies and options of the Holder under this Governmental Lender Note and the Bank Loan Documents are and shall be cumulative and are in addition to all of the rights, remedies and options of the Holder at law or in equity or under any other agreement.

Obligor shall pay all costs of collection on demand by the Holder, including without limitation, reasonable attorneys' fees and disbursements, which costs may be added to the indebtedness hereunder, together with interest thereon, to the extent allowed by law, as set forth in the Bank Loan Agreement.

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

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

IN WITNESS WHEREOF, the undersigned has caused this Governmental Lender Note to be executed in its name and on its behalf all as of the ____ day of _____, 2019.

(SEAL)

CITY OF LOS ANGELES

City Treasurer

By _____
Mayor

FORM OF CERTIFICATE OF AUTHENTICATION

This is the Funding Loan Note described in the within-mentioned Funding Loan Agreement and has been authenticated and registered on _____.

U.S. BANK NATIONAL ASSOCIATION, as
Fiscal Agent

By _____

EXHIBIT B

FORM OF REQUIRED TRANSFEREE REPRESENTATIONS

[_____,_____]

City of Los Angeles
Los Angeles, California

Kutak Rock LLP
Omaha, Nebraska

[Trustee]
Los Angeles, California

\$[_____]
City of Los Angeles
Multifamily Housing Revenue Note
(PATH Villas Montclair-Gramercy)
Series 2019P

Ladies and Gentlemen:

The undersigned (the “Investor”) hereby represents and warrants to you as follows:

1. The Investor proposes to purchase all of the aggregate principal amount of the above-captioned note (the “Note”) issued pursuant to that certain Loan Agreement dated as of [_____] 1, 2019 (the “Bank Loan Agreement”), by and among the City of Los Angeles, California (the “Governmental Lender”), Pacific Western Bank, and [_____] as Fiscal Agent (the “Fiscal Agent”). The Investor understands that the Note is not rated by any securities rating agency and is secured only by PATH Villas Montclair-Gramercy and the revenues therefrom, and will only be sold to the Investor with the above-addressed parties relying upon the representations and warranties of the Investor set forth herein. The Investor acknowledges that no offering document has been prepared in connection with the issuance and sale of the Note. The Investor has requested and received all materials which the Investor has deemed relevant in connection with its purchase of the Note (the “Offering Information”). The Investor has reviewed the documents executed in conjunction with the issuance of the Note, including, without limitation, the Bank Loan Agreement and the Borrower Loan Agreement. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Bank Loan Agreement.

2. The Investor hereby waives the requirement of any “due diligence investigation or inquiry” by the Governmental Lender, by each official of the Governmental Lender, by each employee of the Governmental Lender, by each member of the governing board of the Governmental Lender, and by counsel to the Governmental Lender, the Fiscal Agent, counsel to the Fiscal Agent, [the Bank, counsel to the Bank] and Bond Counsel in connection with the

authorization, execution and delivery of the Note and Investor's purchase of the Note. The Investor recognizes and agrees that the Governmental Lender, by each official of the Governmental Lender, each employee of the Governmental Lender, each member of the governing board of the Governmental Lender, counsel to the Governmental Lender, the Fiscal Agent, counsel to the Fiscal Agent, [the Bank, counsel to the Bank] and Bond Counsel have made no representations or statements (expressed or implied) with respect to the accuracy or completeness of any of the materials reviewed by the Investor in connection with the Investor's purchase of the Note. In making an investment decision, the Investor is relying upon its own examination of the Governmental Lender, the Borrower, the Project and the terms of the offering.

3. The Investor has been provided an opportunity to ask questions of, and the Investor has received answers from, representatives of the Governmental Lender and the Borrower regarding the terms and conditions of the Note, and the Investor has obtained all additional information requested by it in connection with the Note.

4. The Investor has sufficient knowledge and experience in business and financial matters in general, and investments such as the Note in particular, and is capable of evaluating the merits and risks involved in an investment in the Note. The Investor is able to bear the economic risk of, and an entire loss of, an investment in the Note.

5. The Investor is purchasing the Note solely for its own account for investment purposes and has no present intention to resell or distribute the Note, provided that the Investor reserves the right to transfer or dispose of the Note, at any time, and from time to time, in its complete and sole discretion, subject, however, to the restrictions described in paragraphs 6 through 8 of this Letter. The Investor hereby agrees that the Note may only be transferred in whole and in accordance with the Bank Loan Agreement, including Article II thereof, to a single investor, which must execute and deliver to the parties addressed above a form of this Investor's Letter.

6. The Investor agrees that it will only offer, sell, pledge, transfer or exchange the Note (or any legal or beneficial interest therein) (i) in accordance with an available exemption from the registration requirements of Section 5 of the Securities Act of 1933, as amended (the "1933 Act"), (ii) in accordance with any applicable state securities laws, and (iii) in accordance with the transfer restrictions set forth in the Note and the Bank Loan Agreement. The Investor acknowledges that written consent of the Governmental Lender is required in order to transfer the Note. The Investor further agrees that the Note will not be transferred to or held in a pool, trust or similar arrangement and that it will not sell any participating interest in the Note without the prior written consent of the Governmental Lender.

7. The Investor is an Approved Institutional Buyer as defined in the Bank Loan Agreement and understands that the Note may be offered, resold, pledged or transferred only in whole and only to an Approved Institutional Buyer.

8. If the Investor sells the Note (or any legal or beneficial interest therein), the Investor or its agent will obtain for the benefit of each of you from any subsequent purchaser Required Transferee Representations in the form of this Letter or such other materials as are

required by the Note and the Bank Loan Agreement to effect such sale and purchase. The Investor understands and agrees that the Fiscal Agent is not authorized to register any transfer of the Note prior to receipt of such Required Transferee Representations and the written consent of the Governmental Lender.

9. Neither [the Bank,] the Fiscal Agent, Bond Counsel, counsel to the Governmental Lender, the Governmental Lender, its governing body, or any of its employees or agents will have any responsibility to the Investor for the accuracy or completeness of information obtained by the Investor from any source regarding the Project, the Governmental Lender, the Borrower or their financial conditions or regarding the Note, the provisions for payment thereof, or the sufficiency of any security therefor, including, without limitation, any information specifically provided by any of such parties contained in the Offering Information. The Investor acknowledges that, as between Investor and all of such parties: (a) the Investor has assumed responsibility for obtaining such information and making such review as the Investor has deemed necessary or desirable in connection with its decision to purchase the Note and (b) the Offering Information and any additional information specifically requested from the Governmental Lender or the Borrower and provided to the Investor prior to closing constitute all the information and review, with the investigation made by Investor (including specifically the Investor's investigation of the Governmental Lender, the Project and the Borrower) prior to its purchase of the Note, that Investor has deemed necessary or desirable in connection with its decision to purchase the Note.

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

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

12. The Investor has the authority to purchase the Note and to execute this letter and other documents and instruments required to be executed by the Investor in connection with its purchase of the Note. The individual who is executing this letter on behalf of the undersigned is a duly appointed, qualified and acting officer of the Investor and authorized to cause the Investor to make the certifications, representations and warranties contained herein by the execution of this letter on behalf of the Investor.

13. The Investor agrees to indemnify and hold harmless the Governmental Lender, the Governmental Lender's officials, officers, directors, employees, agents, attorneys, accountants, advisors, consultants, servants and the members of the governing board of the Governmental Lender past, present and future with respect to any claim asserted against any of them that is based upon the Investor's sale, transfer or other disposition of its interests in the

Note in violation of the provisions hereof or of the Bank Loan Agreement or any inaccuracy in any statement made by the Investor in this letter.

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

[Signature Page to Required Transferee Representations]

_____, as Holder

By_____

Name_____

Its_____

EXHIBIT C

FORM OF WRITTEN REQUISITION OF THE BORROWER – PROJECT FUND

Draw # _____

To: [_____], as Fiscal Agent (the “Fiscal Agent”) under that certain Bank Loan Agreement, dated as of [July] 1, 2018, among Pacific Western Bank, as Bank, the City of Los Angeles, as Governmental Lender, and the Fiscal Agent (the “Bank Loan Agreement”), pursuant to which the City of Los Angeles Multifamily Housing Revenue Note (PATH Villas Montclair-Gramercy) Series 2019P (the “Governmental Lender Note”) was issued.

1. You are requested to disburse funds from the Project Fund pursuant to Section 8.7 of the Bank Loan Agreement in the amount(s), to the person(s) and for the purpose(s) set forth on Schedule I attached hereto and incorporated herein by reference. An invoice or other appropriate evidence of the obligations described on Schedule I is attached hereto.

2. The undersigned certifies that:

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

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

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

(iv) such requisition contains no items representing any Costs of Issuance or any other amount constituting an issuance cost under Section 147(g) of the Code, unless such item is being paid solely from the Equity Account of the Project Fund;

(v) not less than 97% of the sum of: (A) the amounts requisitioned by this Requisition to be funded with the proceeds of the Governmental Lender Note plus (B) all amounts allocated to the Governmental Lender Note previously disbursed from the Note Proceeds Account of the Project Fund, have been or will be applied by the Borrower to pay Qualified Project Costs;

(vi) to the undersigned's current, actual knowledge, as of the date hereof no event or condition has happened or is happening or exists that constitutes, or that with notice or lapse of time or both, would constitute, an Event of Default under the Bank Loan Agreement; and

(vii) attached as Schedule I to this Requisition is an exhibit that allocates the amount requested hereby from each account of the Project Fund among the sources for payment.

Dated: _____

Montclair LA LP,
a California limited partnership

By: PVH GP, LLC, a California limited liability company,
its Managing General Partner

By: PATH Ventures, a California nonprofit public benefit corporation, its sole member

By: _____
Amy Anderson
Executive Director

PACIFIC WESTERN BANK, a California
state-chartered bank

By: _____
Authorized Signatory

Schedule I

Payment Instructions

EXHIBIT D

FORM OF WRITTEN REQUISITION OF THE BORROWER – CLOSING COSTS FUND

To: [_____] , as Fiscal Agent (the “Fiscal Agent”) under that certain Bank Loan Agreement, dated as of [July] 1, 2018, among Pacific Western Bank, as Bank, City of Los Angeles, as Governmental Lender, and the Fiscal Agent (the “Bank Loan Agreement”).

1. You are requested to disburse funds from the Closing Costs Fund pursuant to Section 8.6 of the Bank Loan Agreement in the amount(s), to the person(s) and for the purpose(s) set forth on Schedule I attached hereto and incorporated herein by reference. An invoice or other appropriate evidence of the obligations described on Schedule I is attached hereto. All payments will be made by check or wire transfer in accordance with the payment instructions set forth on Schedule I (or on the attached invoice) and the Fiscal Agent shall have no obligation to authenticate such payment instructions or the authority under which they were given.

2. The undersigned certifies that as of the date hereof no event or condition has happened or is happening or exists that constitutes, or that with notice or lapse of time or both, would constitute, an Event of Default under the Bank Loan Agreement.

Dated: _____

BORROWER:

MONTCLAIR LA LP, a California limited partnership

By: Montclair GP, LLC, a California limited liability company, its Managing General Partner

By: PATH Ventures, a California nonprofit public benefit corporation, its sole member

By: _____
Amy Anderson
Executive Director

The foregoing Requisition is hereby
consented to:

BANK:

PACIFIC WESTERN BANK, a California state-chartered bank

By: _____
Jennifer D. Riddle,
Senior Vice President

Approved by the Governmental Lender:

For Governmental Lender consent requirements,
see Section 8.7 of the Funding Loan Agreement

CITY OF LOS ANGELES

By: _____
Name: Sean L. Spear
Title: Assistant General Manager

Date: _____

Schedule I

Payment Instructions

Payee	Purpose	Amount of Payment
-------	---------	----------------------

EXHIBIT E

FORM OF RESPONSIBLE BANKING ORDINANCE CERTIFICATE

**RESPONSIBLE BANKING ORDINANCE
REPRESENTATIONS AND COVENANTS OF BANK**

[_____, 20__]

City of Los Angeles
Los Angeles, California

\$(_____)]
City of Los Angeles
Multifamily Mortgage Revenue Note
(PATH Villas Montclair-Gramercy)
Series 2019P-1 and Series 2019P-2

Ladies and Gentlemen:

The undersigned, on behalf of [_____] (the “Bank”), does hereby certify to the following as of the date of this certificate, relating to the Bank’s purchase from the City of Los Angeles (the “City”) of the City’s \$(_____) initial aggregate principal amount of Multifamily Mortgage Revenue Note (PATH Villas Montclair-Gramercy) Series 2019P:

(a) The Bank shall file with the City Treasurer of the City by July 1 of each year an annual statement of community reinvestment activities as required of a commercial bank under the City’s Ordinance 182138 adopted May 25, 2012 (the “Responsible Banking Ordinance”); and

(b) The Bank represents that it has, prior to the date hereof, filed with the City Treasurer the report due by July 1, 20[___] under the Responsible Banking Ordinance for calendar year 20[___].

[Remainder of this page intentionally left blank.]

Very truly yours,

[BANK]

By: _____

Name: _____

Title: _____

Attachment C

Loan Agreement for PATH Villas Montclair/Gramercy Apartments on next page.

LOAN AGREEMENT

by and between the

**CITY OF LOS ANGELES,
as Governmental Lender**

and

**MONTCLAIR LA LP,
a California limited partnership,
as Borrower**

dated as of December 1, 2019

relating to:

**\$[_____]
City of Los Angeles
Multifamily Housing Revenue Note
(PATH Villas Montclair-Gramercy)
Series 2019P**

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EXHIBIT A FORM OF BORROWER NOTE

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of December 1, 2019 (this “Borrower Loan Agreement”), is by and between the City of Los Angeles, a charter city and a municipal corporation of the State of California (together with any successor to its rights, duties and obligations hereunder, the “City” or the “Governmental Lender”), and Montclair LA LP, a California limited partnership (the “Borrower”).

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

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

WHEREAS, the Borrower has applied to the Governmental Lender for a loan (the “Borrower Loan”), to pay the costs of the acquisition, rehabilitation, construction, development, equipping and/or operation of a scattered site 61-unit (plus two manager units) multifamily residential rental project located in the City of Los Angeles, Los Angeles County, California, at 4220 Montclair Street and 3317 W. Washington Boulevard, known or to be known as PATH Villas Montclair-Gramercy (the “Project”); and

WHEREAS, the Borrower’s repayment obligations under this Borrower Loan Agreement are evidenced by the Borrower Note, as defined herein; and

WHEREAS, the Borrower has requested the Governmental Lender to enter into that certain Loan Agreement, of even date herewith (the “Bank Loan Agreement”), among the Governmental Lender, [FISCAL AGENT], as fiscal agent (the “Fiscal Agent”) and Pacific Western Bank (the “Bank”), under which the Bank will make a loan (the “Bank Loan”) to the Governmental Lender, the proceeds of which will be loaned under this Borrower Loan Agreement to the Borrower to finance the acquisition, rehabilitation, construction, development, equipping and/or operation of the Project; and

WHEREAS, the Borrower Loan is secured by, among other things, that certain Deed of Trust, Security Agreement, Absolute Assignment of Leases and Rents and Fixture Filing, (as amended, restated and/or supplemented from time to time, the “Deed of Trust”), of even date

herewith for the benefit of the Governmental Lender and assigned to the Bank to secure the Bank Loan, encumbering the Project, and will be advanced to the Borrower pursuant to this Borrower Loan Agreement, the Bank Loan Agreement, the Construction Disbursement Agreement and the Continuing Covenant Agreement.

NOW, THEREFORE, and in consideration of the mutual agreements hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1. Definitions. The following words and terms as used in this Borrower Loan Agreement shall have the following meanings unless the context or use otherwise requires, or if not defined herein as defined in the Bank Loan Agreement:

“Act” shall mean Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented to apply to obligations incurred as of the Closing Date.

“Act of Bankruptcy” shall mean the filing of a petition in bankruptcy (or any other commencement of a bankruptcy or similar proceeding) by or against the Borrower, or any guarantor of the Borrower under any applicable bankruptcy, insolvency, reorganization, or similar law, now or hereafter in effect; provided that, in the case of an involuntary proceeding, such proceeding is not dismissed within ninety (90) days after the commencement thereof.

“ADA” shall have the meaning set forth in Section [____] hereof.

“Assignment Agreement” means that certain Assignment Agreement, dated as of December 1, 2019, by and between the Bank and the Governmental Lender, as referenced in Section 6.6 of the Bank Loan Agreement and Section 6.8 of this Borrower Loan Agreement.

“Bank” means Pacific Western Bank.

“Bank Loan” means the mortgage loan originated under the Bank Loan Agreement by the Bank to the Governmental Lender initially in a maximum principal amount of \$[____], evidenced by the Governmental Lender Note, for the purpose of enabling the Governmental Lender to make the Borrower Loan to the Borrower pursuant to the terms of this Borrower Loan Agreement.

“Bank Loan Agreement” means that certain Loan Agreement, dated as of December 1, 2019, by and among the Bank, the Governmental Lender and [FISCAL AGENT], as fiscal agent (the “Fiscal Agent”), as amended and supplemented from time to time, pursuant to which the Governmental Lender Loan is being made.

“Bank Loan Documents” shall have the meaning given to that term in the Bank Loan Agreement.

“Borrower” means Montclair LA LP, a California limited partnership, and its successors and assigns.

“Borrower Assignments” means, collectively, the Assignment of Development Agreement and Developer Fee Subordination Agreement, made effective as of December 1, 2019, by the Borrower for the benefit of the Bank; the Environmental Indemnity Agreement, the Guaranty; the Continuing Covenant Agreement; the Disbursement Agreement; the Assignment of Construction Contracts, made effective as of December 1, 2019, by the Borrower in favor of the Bank; and the Assignment of Management Contracts and Subordination of Management Fees, and made effective as of December 1, 2019, by the Borrower in favor of the Bank.

“Borrower Loan” means the mortgage loan originated by the Governmental Lender to the Borrower in a maximum principal amount of \$[____], evidenced by the Borrower Note, pursuant to the terms of this Borrower Loan Agreement.

“Borrower Loan Agreement” means this Loan Agreement, as amended and supplemented from time to time.

“Borrower Note” means the promissory note evidencing a portion of the Borrower Loan in the maximum principal amount of \$[____], executed by the Borrower, in the form attached hereto as Exhibit A.

“Borrower Representative” means the [____] of the [____] of the Borrower, or any other officer of the [____] of the Borrower designated by the [____] or the [____] of the Borrower to be a Borrower Representative for purposes of the Loan Documents.

“Business Day” means any day other than a Saturday, a Sunday, or a day on which the Bank is closed.

“City” means the City of Los Angeles, California a charter city and municipal corporation of the State of California.

“Closing Date” means [December __, 2019], being the date of issuance of Governmental Lender Note for purposes of the Code.

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

“Continuing Covenant Agreement” means the Continuing Covenant Agreement, dated as of December 1, 2019, between the Bank and the Borrower, as amended and supplemented from time to time in accordance with its terms.

“Costs of Issuance” means all fees, costs and expenses directly associated with the authorization, issuance, sale and delivery of the Governmental Lender Note, and the making of the Governmental Lender Loan and the Borrower Loan, including, but not limited to: (i) counsel fees

(including but not limited to Tax Counsel, counsel to the Governmental Lender, Borrower's counsel and Bank's counsel); (ii) financial advisor fees, incurred in connection with the closing of the Borrower Loan and the Bank Loan; (iii) certifying and authenticating agent fees and expenses related to funding of the Bank Loan; (iv) any recording fees; (v) any additional fees charged by the Governmental Lender or the Fiscal Agent, including the fees and expenses of the Governmental Lender's financial advisor; (vi) costs incurred in connection with the required public notices generally and costs of the public hearing; and (vii) fees paid to the Bank in connection with the origination of the Governmental Lender Loan.

"County" means the County of Los Angeles, California.

"Deed of Trust" means the Deed of Trust, Security Agreement, Absolute Assignment of Leases and Rents and Fixture Filing, dated as of [December 1], 2019, executed by the Borrower and granting a security interest in the Project, to [Title Company], as trustee, for the benefit of the Governmental Lender, in order to secure the Borrower's obligations under the Borrower Note to repay the Borrower Loan, and all obligations related thereto under this Borrower Loan Agreement.

"Disbursement Agreement" means the Construction Disbursement Agreement, dated as of December 1, 2019, between the Bank and the Borrower, as amended and supplemented from time to time in accordance with its terms.

"Equity Contributions" shall mean the equity to be contributed by the Equity Investor in accordance with and subject to the terms of the Partnership Agreement.

"Equity Investor" means [RBC Entity – to be confirmed], a [] [limited liability company], and its successors and assigns.

"Environmental Indemnity Agreement" means the Environmental Indemnity Agreement, dated as of December 1, 2019, by the Borrower and the Guarantor in favor of the Bank.

"Event of Default" means any of the events described as an event of default in Section 7.1 hereof.

"Fiscal Agent" shall mean the Fiscal Agent from time to time under and pursuant to the Bank Loan Agreement. Initially, the Fiscal Agent is [FISCAL AGENT].

"Force Majeure" shall mean without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of terrorism or of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornados; storms; droughts; floods; arrests; restraint of government and people; explosions; breakage, malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; shortages of labor, materials, supplies or transportation; or any cause, circumstance or event not reasonably within the control of the Borrower; provided Borrower shall notify the Bank of any such event within 10 calendar days after the occurrence thereof.

“General Partner” means [_____], a California [limited liability company].

“Good Costs” has the meaning given to such term in Section 3.2(a) of the Tax Certificate.

“Governmental Lender” the City of Los Angeles, a charter city and municipal corporation of the State of California, together with its successors and assigns.

“Governmental Lender Annual Fee” has the meaning given such term in the Regulatory Agreement.

“Governmental Lender Issuance Fee” has the meaning given such term in the Regulatory Agreement.

“Governmental Lender Loan” means the mortgage loan originated under the Bank Loan Agreement by the Bank to the Governmental Lender initially in a maximum principal amount of \$[_____], evidenced by the Governmental Lender Note, for the purpose of enabling the Governmental Lender to make the Borrower Loan to the Borrower pursuant to the terms of this Borrower Loan Agreement.

“Governmental Lender Note” means the promissory note evidencing the Governmental Lender Loan in the maximum principal amount of \$[_____], executed by the Governmental Lender, in the form attached to the Bank Loan Agreement as Exhibit A thereto.

“Gross Income” has the meaning ascribed to such term in the Regulatory Agreement.

“Guarantor” means [PATH, Inc.].

“Guaranty” means the Guaranty of Payment and Performance, dated as of December 1, 2019, by the Guarantor in favor of the Bank.

“Inducement Date” means March 4, 2019.

“Initial Disbursement” means the initial advance of the principal of the Borrower Loan on the Closing Date in the amount of the Initial Disbursement (as defined in the Bank Loan Agreement) of the Governmental Lender Loan.

“Loan Documents” means this Borrower Loan Agreement, the Bank Loan Agreement, the Regulatory Agreement, the Borrower Note, the Governmental Lender Note, the Borrower Assignments, the Deed of Trust, the Continuing Covenant Agreement and the Disbursement Agreement.

“Low Income Tenants” has the meaning ascribed to such term in the Regulatory Agreement.

“Partnership Agreement” means the [Amended and Restated Agreement of Limited Partnership] of Montclair LA LP, as executed by the parties thereto or as thereafter amended or restated in accordance with its terms.

“Project” shall mean the Property (as defined in the Deed of Trust) and Improvements thereon owned by the Borrower and encumbered by the Deed of Trust, together with all rights pertaining to such real property and Improvements, as more particularly described in the Granting Clauses of the Deed of Trust and referred to therein as the “Property”.

“Project Costs” means, to the extent authorized by the Act, any and all costs and expenses incurred by the Borrower with respect to the acquisition, financing, rehabilitation, construction and/or operation of the Project, whether paid or incurred prior to or after the Closing Date, including, without limitation, costs for the acquisition of property, the cost of consultant, accounting and legal services, appraisal costs, other expenses necessary or incident to the acquisition of the Project, and administrative expenses, and construction period interest on the Borrower Loan.

“Property” means, the site on which the Project is located.

“Purchase Option” means any option of a partner of the Borrower to purchase the Project and a fee interest, in the Property contemplated by the Partnership Agreement or documents related to the Partnership Agreement.

“Qualified Project Period” has the meaning given to such term in the Regulatory Agreement.

“Regulations” means the income tax regulations promulgated by the United States Department of the Treasury from time to time pursuant to the Code.

“Regulatory Agreement” shall mean that certain Regulatory Agreement and Declaration of Restrictive Covenants, dated as of December 1, 2019, among the Governmental Lender, the Fiscal Agent and the Borrower, as in effect on the Closing Date and as it may thereafter be amended or modified in accordance with its terms.

“State” means the State of California.

“Tax Certificate” shall mean the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, dated the Closing Date, executed and delivered by the Governmental Lender and the Borrower.

“Tax Counsel” shall have the meaning set forth in the Bank Loan Agreement.

“Taxes” shall mean all real estate and personal property taxes, assessments, water rates or sewer rents, now or hereafter levied or assessed or imposed against all or part of the Project.

Section 1.2. Interpretation. Unless the context clearly requires otherwise, words of masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Borrower Loan Agreement and all the terms and provisions hereof shall be construed to effectuate the purpose set forth herein and to sustain the validity hereof.

Section 1.3. Recitals, Titles and Headings. The terms and phrases used in the recitals of this Borrower Loan Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all such terms and phrases for purposes of this Borrower Loan Agreement shall be determined by references to Section 1.1 hereof. The titles and headings of the articles and sections of this Borrower Loan Agreement have been inserted for convenience of reference only and are not to be considered a part hereof, and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Borrower Loan Agreement or any provision hereof or in ascertaining intent, if any question of intent should arise.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of the Governmental Lender. The Governmental Lender represents, warrants and covenants that:

(i) The Governmental Lender is a charter city and municipal corporation duly organized and existing under the laws of the State and is duly authorized to execute and deliver the Governmental Lender Note and to perform its obligations under this Borrower Loan Agreement.

(ii) All requirements have been met and procedures have occurred in order to authorize the execution and delivery of this Borrower Loan Agreement. The Governmental Lender has taken all necessary action and has complied with all provisions of the law required to make this Borrower Loan Agreement a valid and binding limited obligation of the Governmental Lender, except to the extent limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity, or by public policy.

(iii) The Loan Documents to which the Governmental Lender is a party have been duly executed and delivered by the Governmental Lender, and the Governmental Lender has taken such actions as are necessary to cause the Loan Documents to which it is a party, when duly authorized, executed and delivered by the other respective parties thereto, to be valid and binding obligations of the Governmental Lender, enforceable against the Governmental Lender in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally.

(iv) To the best knowledge of the undersigned on behalf of the Governmental Lender, there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened against the Governmental Lender (i) affects or questions the existence or the territorial jurisdiction of the Governmental Lender or the title to office of any members of the Board of Directors of the Governmental Lender; (ii) affects or

questions the validity or enforceability of this Borrower Loan Agreement or the Regulatory Agreement; or (iv) questions the tax-exempt status of interest on the Governmental Lender Note.

The Governmental Lender makes no representation or warranty, either express or implied, that the Project will be adequate or sufficient for the purposes of the Borrower. Nothing in this Borrower Loan Agreement shall be construed as requiring the Governmental Lender to provide any financing for the Project other than the proceeds of the Borrower Loan, or to provide sufficient moneys for all of the costs of the Project.

Section 2.2. Representations, Warranties and Covenants of the Borrower. The Borrower represents, warrants and covenants that:

(i) The Borrower is a limited partnership, duly organized and in good standing under the laws of the State of California and has full legal right, power and authority (i) to enter into this Borrower Loan Agreement and the other Loan Documents to which it is a party; (ii) to perform its obligations hereunder and thereunder; and (iii) to consummate the transactions on its part contemplated by the Loan Documents.

(ii) The Loan Documents to which it is a party have been duly authorized, executed and delivered by the Borrower and, upon the execution thereof by the other respective parties thereto, constitute valid and binding obligations of the Borrower, enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws or judicial decisions affecting the rights of creditors generally.

(iii) The execution and delivery of the Loan Documents to which it is a party, the performance by the Borrower of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby do not require the consent or approval of any other person, regulatory agency or governmental body (other than the other parties to the Loan Documents) and will not violate the Partnership Agreement, or any law, regulation, rule or ordinance or any order, judgment or decree of any federal, state or local court and do not conflict with, or constitute a breach of, or a default under, any document, instrument or commitment to which the Borrower is a party or by which the Borrower or any of its property is bound.

(iv) The execution and delivery of this Borrower Loan Agreement and the Regulatory Agreement, the performance of by the Governmental Lender of its obligations hereunder and thereunder and the consummation of the transactions on its part contemplated hereby and thereby, including, without limitation, the loaning of the amounts herein set forth to the Borrower, do not violate any law, rule, regulation or ordinance or any order, judgement or decree of any federal, state or local court, and do not conflict with, or constitute a breach of, or a default under the terms and conditions of any agreement, instrument or commitment to which the

Governmental Lender is a party or by which the Governmental Lender or any of its property is bound.

(v) There is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened against the Borrower which (i) affects or seeks to prohibit, restrain or enjoin the loaning of the amounts set forth herein to the Borrower or the execution and delivery of this Borrower Loan Agreement or the other Loan Documents, (ii) affects or questions the validity or enforceability of this Borrower Loan Agreement or the other Loan Documents, or (iii) questions the power or authority of the Borrower to carry out the transactions contemplated by, or to perform its obligations under, this Borrower Loan Agreement or the other Loan Documents to which it is a party, or the powers of the Borrower to own, acquire, construct, rehabilitate or operate the Project; and no other event has occurred which may materially adversely affect the Borrower's financial condition or its properties.

(vi) The Borrower is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) under any document, instrument or commitment to which the Borrower is a party or to which it or any of its property is subject which default would or could affect the ability of the Borrower to carry out its obligations under this Borrower Loan Agreement or the other Loan Documents.

(vii) Any certificate signed by a Borrower Representative and delivered pursuant to this Borrower Loan Agreement or the other Loan Documents shall be deemed a representation and warranty by the Borrower as to the statements made therein.

(viii) The Project is located wholly within the City.

(ix) The Borrower will obtain all necessary certificates, approvals, permits and authorizations with respect to the acquisition, construction, rehabilitation and operation of the Project from applicable local governmental agencies and agencies of the State of California and the federal government.

(x) The Borrower shall make no changes to the Project or to the operation thereof which would affect the qualification of the Project under the Act or the Code, or impair the exclusion from gross income for federal income tax purposes of the interest on the Governmental Lender Note. The Borrower intends to utilize the Project as multifamily rental housing for a period ending on the later of the end of the Qualified Project Period or the expiration of the CDLAC Conditions (as defined in the [Regulatory Agreement]).

(xi) Not in excess of two percent (2.00%) of the proceeds of the Borrower Note will be used to pay Costs of Issuance.

(xii) The acquisition, construction, rehabilitation and operation of the Project in the manner presently contemplated and as described herein and in the

Regulatory Agreement will not conflict with any zoning, water or air pollution or other ordinance, order, law or regulation applicable thereto. The Borrower will cause the Project to be operated in all material respects in accordance with all applicable federal, state and local laws or ordinances (including rules and regulations) relating to zoning, building, safety and environmental quality.

(xiii) The 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 Governmental Lender is a party or of which it is a beneficiary; and 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 Governmental Lender for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by the Loan Documents or otherwise relied on the Governmental Lender for advice.

(xiv) The Borrower intends to hold the Project for its own account, has no current plans to sell and has not entered into any agreement to sell the Project, except in accordance with the terms of the Regulatory Agreement, the Deed of Trust, the Continuing Covenant Agreement, and a possible sale to the general partner of the Borrower or an affiliate thereof as reflected in the Borrower's partnership agreement or the exhibits thereto.

(xv) Neither the Borrower nor any related person thereto will purchase the Governmental Lender Note in an amount related to the amount of the Borrower Loan.

(xvi) In the event the Governmental Lender Loan proceeds are not sufficient to complete the acquisition, construction and rehabilitation of the Project, the Borrower will furnish any additional moneys necessary to complete the acquisition, construction and rehabilitation of the Project.

(xvii) All of the proceeds from the Governmental Lender Note plus the income from the investment of the proceeds of the Governmental Lender Note will be used to pay or reimburse the Borrower for Project Costs, and at least 97% of the proceeds of the Governmental Lender Note will be used to pay or reimburse the Borrower for capitalizable costs and less than 25% of the proceeds of the Governmental Lender Note will be used to pay or reimburse the Borrower for the cost of land or any interest therein. The Borrower shall assure that the proceeds of the Governmental Lender Note are expended so as to cause the Governmental Lender Note to constitute a "qualified residential rental bond" within the meaning of Section 142(d) of the Code.

(xviii) The estimated total cost of the financing of the acquisition, construction and rehabilitation of the Project is equal to or in excess of the maximum principal amount of the Governmental Lender Loan.

(xix) The Borrower has not knowingly taken or permitted to be taken and will not knowingly take or permit to be taken any action which would have the effect, directly or indirectly, of causing interest on the Governmental Lender Note to be included in the gross income of the owner thereof for purposes of federal income taxation.

(xx) The Borrower covenants that it shall not take, or permit or suffer to be taken by the Bank or otherwise, any action with respect to the proceeds of the Governmental Lender Note which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken on the Closing Date, would have caused the Governmental Lender Note to be an “arbitrage bond” within the meaning of Section 148(a) of the Code.

(xxi) The Borrower has examined and is familiar with all the easements, covenants, conditions, restrictions, reservations, building laws, regulations, zoning ordinances, and federal, state, and local requirements affecting the Project. The Project will at all times and in all respects conform to and comply with the requirements of such easements, covenants, conditions, restrictions and reservations.

(xxii) Each financial statement of Borrower supplied to the Governmental Lender or the Bank truly and completely disclosed Borrower’s financial condition as of the date of the statement, and there has been no material adverse change in Borrower’s financial condition subsequent to the date of the most recent financial statement supplied to the Governmental Lender or the Bank except as disclosed on a subsequent financial statement. Borrower has no material contingent obligations except as disclosed in such financial statements.

(xxiii) The Project Costs as set forth by the Borrower to the Governmental Lender, the Fiscal Agent and the Bank in writing prior to the date of the first disbursement of the Borrower Loan truly and accurately reflect the Borrower’s reasonable estimate of the costs necessary to complete the acquisition, construction and rehabilitation of the Project.

(xxiv) All utility services appropriate to the use of the Project are being provided to the Project.

(xxv) Each parcel constituting the Project is contiguous to publicly dedicated streets, roads, or highways providing access to the Project.

(xxvi) The Borrower shall take all actions required under the Partnership Agreement to cause the funding of all capital contributions to the Borrower at the times and in the amounts set forth in the Partnership Agreement.

Section 2.3. Hazardous Waste Covenant. In addition to and without limitation of any other representations, warranties and covenants made by the Borrower under this Borrower Loan Agreement and under the Regulatory Agreement, the Continuing Covenant Agreement and the Deed of Trust, the Borrower further represents, warrants and covenants that (a) the Borrower will

not use Hazardous Materials (as defined hereinafter) on, from, or affecting the Project (i) in any manner which violates federal, state or local laws, ordinances, rules, or regulations governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials, or (ii) in a manner that would create a material adverse effect on the Project, and that, (b) to the best of the Borrower's knowledge, no prior owner of the Project or any tenant, subtenant, prior tenant or prior subtenant has used Hazardous Materials on, from, or affecting the Project (i) in any manner which violates Federal, state or local laws, ordinances, rules, or regulations governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials, or (ii) in a manner that would create a material adverse effect on the Project. Without limiting the foregoing, the Borrower shall not cause or knowingly permit the Project or any part thereof to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Materials, except in compliance with all applicable Federal, state and local laws or regulations, nor shall the Borrower cause or knowingly permit, as a result of any intentional or unintentional act or omission on the part of the Borrower or any tenant or subtenant, a release of Hazardous Materials on to the Project or on to any other property in a manner which violates Federal, State, or local laws, ordinances, rules or regulations or in a manner that would create a material adverse effect on the Project. The Borrower shall comply with and require compliance by all tenants and subtenants with all applicable Federal, state and local laws, ordinances, rules and regulations, and shall obtain and comply with, and require that all tenants and subtenants obtain and comply with, any and all approvals, registrations or permits required thereunder. The Borrower shall conduct and complete all investigations, studies, sampling, and testing, and all remedial, removal, and other action required by a governmental authority under an applicable statute or regulation to clean up and remove all Hazardous Materials, on, from, or affecting the Project in accordance with all applicable Federal, state, and local laws, ordinances, rules, and regulations. The Borrower shall defend, indemnify, and hold harmless the Governmental Lender from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs, or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to, (a) the presence, disposal, release, or threatened release of any Hazardous Materials which are on or from the Project which affect, the soil, water, vegetation, buildings, personal property, persons, animals, or otherwise; (b) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials on or from the Project, and/or (c) any violation of laws, orders, regulations, requirements or demands of government authorities, or written requirements of the Governmental Lender, which are based upon or in any way related to such Hazardous Materials including, without limitation, reasonable attorney and consultant fees, investigation and laboratory fees, court costs, and litigation expenses. In the event the Project is foreclosed upon, or a deed in lieu of foreclosure is tendered, or this Borrower Loan Agreement is terminated, the Borrower shall deliver the Project in a manner and condition that shall conform with all applicable Federal, state and local laws, ordinances, rules or regulations affecting the Project. For the purposes of this paragraph, "Hazardous Materials" includes, without limit, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801 et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 9601 et seq.), and in the regulations promulgated pursuant thereto, or any other federal, state or local environmental

laws, ordinance, rule, or regulation. Notwithstanding the foregoing, “Hazardous Materials” shall not include substances typically used in the ordinary course of developing, operating and maintaining apartment complexes, provided that such substances are used in accordance with applicable laws and regulations. The provisions of this paragraph: (a) shall be in addition to any and all other obligations and liabilities the Borrower may have to the Governmental Lender at common law, and (b) with respect to any liability or cost arising as a result of acts or omissions of the Borrower during the term of this Borrower Loan Agreement, shall survive the termination of this Borrower Loan Agreement. This paragraph shall not obligate the Borrower in any way with respect to any acts or omissions of any entity to which the Project is sold or transferred in accordance with the provisions of Sections 12 of the Regulatory Agreement or which are attributable solely to the willful misconduct of the Governmental Lender or the Bank or their agents or assigns.

The indemnifications and protections set forth in this Section 2.3 (i) shall be extended, with respect to the Governmental Lender, to its members, officers, employees, and agents, past, present or future, and (ii) shall be for the full and equal benefit of the Bank, as assignee of the Governmental Lender under the Assignment Agreement.

Anything to the contrary in this Borrower Loan Agreement notwithstanding, the covenants of the Borrower contained in this Section 2.3 shall remain in full force and effect after the termination of this Borrower Loan Agreement until the later of (i) the expiration of the period stated in the applicable statute of limitations during which a claim or cause of action may be brought and (ii) payment in full or the satisfaction of such claim or cause of action and of all expenses and charges incurred by the Governmental Lender relating to the enforcement of the provisions herein specified.

For the purposes of this Section 2.3, the Borrower shall not be deemed an employee, agent or servant of the Governmental Lender or person under Authority’s control or supervision.

Section 2.4. Additional Environmental Matters.

(a) The Borrower shall require in any management agreement for the Project that the management company shall operate and maintain the Project in material compliance with all applicable federal, state, regional, county or local laws, statutes, rules, regulations or ordinances, concerning the environment, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. Section 9601 et seq., the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. Section 6901 et seq., the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. Section 11001 et seq., and the Clean Air Act of 1975, 42 U.S.C. Section 4321, and all rules, regulations and guidance documents promulgated or published thereunder, and any state, regional, county or local statute, law, rule, regulation or ordinance relating (i) to releases, discharges, emissions or disposal to air, water, land or ground water, (ii) to the withdrawal or use of ground water, (iii) to the use, handling or disposal of polychlorinated biphenyls (“PCBs”), asbestos or urea formaldehyde, (iv) to the treatment, storage, disposal or management of hazardous

substances (including, without limitation, petroleum, its derivatives, crude oil or any fraction thereof) and any other solid, liquid or gaseous substance, exposure to which is prohibited, limited or regulated, or may or could pose a hazard to the health and safety of the occupants of the Project or the property adjacent to or surrounding the Project, (v) to the exposure of persons to toxic, hazardous or other controlled, prohibited or regulated substances or (vi) to the transportation, storage, disposal, management or release of gaseous or liquid substances and any regulation, order, injunction, judgment, declaration, notice or demand issued thereunder.

(b) The Borrower shall make best efforts to prevent the imposition of any liens or encumbrances against the Project for the costs of any response, removal or remedial action or cleanup of Hazardous Materials.

(c) The Borrower covenants and agrees that it will not knowingly conduct or allow to be conducted any business, operations or activity on the Project, or employ or use the Project to manufacture, treat, store (except with respect to storage in the ordinary operation of the Project), or dispose of any Hazardous Materials (including, without limitation, petroleum, its derivatives, crude oil or any fraction thereof), or any other substance the disposal of which is prohibited, controlled or regulated under applicable law, or which poses a threat or nuisance to safety, health or the environment, including, without limitation, any business, operation or activity which would bring the Project within the ambit of, or otherwise violate, the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. Section 6901 et seq., or cause or knowingly allow to be caused, a release or threat of release, of a nondiminimis quantity of hazardous substances on the Project as defined by, and within the ambit of, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. Section 9601 et seq., or any similar state, county, regional or local statute providing for financial responsibility for cleanup for the release or threatened release of substances provided for thereunder.

(d) The Borrower covenants and agrees that it shall take all appropriate response action, including any removal and remedial action, in the event of a release, emission, discharge or disposal of Hazardous Materials in, on, under or about the Project for which the Borrower is liable under state, federal or local environmental rules or regulations.

(e) The Borrower shall, as soon as practical and in any event within 15 days, notify the Governmental Lender and the Bank of any notice, letter, citation, order, warning, complaint, claim or demand that (i) the Borrower or any tenant has violated, or is about to violate, any federal, state, regional, county or local environmental, health or safety statute, law, rule, regulation, ordinance, judgment or order; (ii) there has been a release, or there is a threat of release, of Hazardous Materials (including, without limitation, petroleum, its derivatives, crude oil or any fraction thereof) from the Project; (iii) the Borrower or any tenant may be or is liable, in whole or in part, for the costs of cleaning up, remediating, removing or responding to a release of Hazardous Materials (including, without limitation, petroleum, its derivatives, crude oil or any fraction thereof); or (iv) the Project is subject to

a lien in favor of any governmental entity in respect of any environmental law, rule or regulation arising from or costs incurred by such governmental entity in response to a release of Hazardous Materials (including, without limitation, petroleum, its derivatives, crude oil or any fraction thereof).

(f) During the period in which the Borrower Loan Agreement is in effect, the Borrower hereby grants, and will cause any tenants to grant, to the Governmental Lender and the Bank, their respective agents, attorneys, employees, consultants and contractors an irrevocable license and authorization upon reasonable notice of not less than 24 hours and at all reasonable times to enter upon and inspect the Project and perform such tests, including, without limitation, subsurface testing, soils and ground water testing, and other tests which may physically invade the Project, as the Governmental Lender or the Bank, in its respective reasonable discretion, determines are necessary to protect the lien created by the Deed of Trust. The Governmental Lender and the Bank and their officers, employees and agents shall indemnify and hold harmless the Borrower, its partners, employees and agents from any and all claims for damages to persons or property arising from any activity of the Governmental Lender, the Bank, their employees, officers, agents, representatives, contractors, subcontractors or consultants on the Property. The provisions of this Section 2.4 shall be for the full and equal benefit of the Governmental Lender, and of the Bank as assignee of the Governmental Lender under the Assignment Agreement.

(g) The Borrower agrees to protect, defend, hold harmless and indemnify the Governmental Lender and the Bank for, from, against and in respect of any and all claims, losses, liabilities, damages (whether special, consequential or otherwise), settlements, penalties, interest and expenses (including any professional fees and expenses) which may be suffered or incurred by it relating to, arising out of or resulting from or by reason of any and all present or future liabilities or obligations under any current federal, state or local law (including common law), and regulations, orders and decrees relating to pollution control, environmental protection, health, welfare, public safety, personal injury, property damage or any other type of claim relating to the Project, with respect to: (i) the handling, storage, use, transportation or disposal of any Hazardous Materials by the Borrower in or from the Project; (ii) the handling, storage, use, transportation or disposal (whether or not known to the Borrower) of any Hazardous Materials, which Hazardous Materials were products, byproducts or otherwise resulted from operations conducted on the Project; or (iii) any intentional or unintentional emission, discharge or release (whether or not known to the Borrower) of any Hazardous Materials into or upon the air, surface water, ground water or land or any manufacturing, processing, distribution, use, treatment, disposal, transport or handling of such Hazardous Materials. This paragraph shall not obligate the Borrower with respect to any acts or omissions of any entity to whom the Project or any portion thereof is sold or transferred in accordance with the provisions of Section 13 of the Regulatory Agreement, or which are attributable to the active negligence or willful misconduct of the Governmental Lender or the willful misconduct of the Bank or their agents or assigns.

ARTICLE III

THE BORROWER LOAN

Section 3.1. Closing of the Borrower Loan. The closing of the Borrower Loan shall not occur until the following conditions are met:

(i) the Governmental Lender shall have received an original executed counterpart of this Borrower Loan Agreement, the Regulatory Agreement, the Borrower Assignments, the Disbursement Agreement, the Continuing Covenant Agreement and the Deed of Trust, and a copy of the Borrower Note (the original of Borrower Note to be endorsed by the Governmental Lender to the Bank without recourse, and is to be delivered to the Bank), as well as evidence satisfactory to the Governmental Lender and the Bank of (i) the recordation of the Regulatory Agreement, the Subordination Agreement and the Deed of Trust (the "Recording Documents") in the official records of the County Recorder of the County, which may be by telephonic notice from a title company, or (ii) an insured lien in the form of gap coverage from a title company, together with escrow instructions providing for the recording of the Recording Documents in the official records of the County Recorder of the County after the Closing Date;

(ii) no Event of Default nor any event which with the passage of time and/or the giving of notice would constitute an Event of Default under this Borrower Loan Agreement shall have occurred as evidenced by a certificate received from the Borrower;

(iii) the conditions to the initial advance set forth in the Disbursement Agreement and the Continuing Covenant Agreement have been satisfied in full;

(iv) the Bank shall have received the original Governmental Lender Note, executed by the Governmental Lender;

(v) the Bank shall have received a certified copy of the resolution of the Governmental Lender authorizing the issuance of the Governmental Lender Note;

(vi) the Bank shall have received an opinion of bond counsel in a form reasonably acceptable to the Bank with respect to the enforceability against the Governmental Lender of the Loan Documents to which the Governmental Lender is a party and as to the tax-exempt nature of the interest on the Governmental Lender Note;

(vii) the delivery to the Fiscal Agent or into escrow of all amounts required to be paid in connection with the Governmental Lender Loan and the Borrower Loan on the Closing Date, including amounts related to the underlying real estate transaction to be paid on the Closing Date;

(viii) the receipt by the Governmental Lender of the Required Transferee Representations executed by the Bank in the form set forth in Exhibit B to the Bank Loan Agreement;

(ix) all legal matters incident to the transactions contemplated by this Borrower Loan Agreement shall be concluded to the reasonable satisfaction of the counsel to the Governmental Lender and counsel to the Bank;

(x) the Governmental Lender and the Bank shall have received an opinion of counsel to the Borrower addressed to the Governmental Lender and the Bank to the effect that the Loan Documents to which the Borrower is a party are valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their terms, subject to such exceptions and qualifications as are acceptable to the Governmental Lender and the Bank; and

(xi) the Bank and the Governmental Lender shall have received such other documents or opinions as the Bank or the Governmental Lender may reasonably require.

Section 3.2. Commitment to Execute the Borrower Note. The Borrower agrees to execute and deliver the Borrower Note and the Deed of Trust simultaneously with the execution of this Borrower Loan Agreement.

Section 3.3. Amount and Source of Loan. The Governmental Lender hereby makes to the Borrower and agrees to fund, and the Borrower hereby accepts from the Governmental Lender, upon the terms and conditions set forth herein, the Borrower Loan and agrees to have the proceeds of the Borrower Loan applied and disbursed in accordance with the provisions of this Borrower Loan Agreement.

Section 3.4. Disbursement of Borrower Loan Proceeds.

(a) The Borrower Loan shall be disbursed by the Bank, on behalf of the Governmental Lender, pursuant to the conditions set forth in the Disbursement Agreement and the Continuing Covenant Agreement, by depositing Bank Loan proceeds with the Fiscal Agent under the Bank Loan Agreement. Amounts held by the Fiscal Agent shall be disbursed to or for the benefit of the Borrower as provided in the Bank Loan Agreement. The Borrower has advised the Governmental Lender of the Borrower's intent that the proceeds of the Governmental Lender Note be used exclusively to pay the Project Costs which are includable in the aggregate basis of the buildings and related land constituting the Project (the "Allowable Costs"), in order to comply with Section 42(h)(4)(B) of the Code. The Borrower, in submitting requests for disbursement of the Borrower Loan under the Disbursement Agreement, shall maintain such accounting and other records as shall be necessary to carry out the Borrower's intent with respect to tracing the use of the Governmental Lender Loan proceeds, and the Governmental Lender shall have no responsibility whatsoever with respect thereto. The Borrower hereby covenants that each request for a disbursement of the Borrower Loan will identify the respective amounts of proceeds of the Governmental Lender Loan and the other sources of

funds comprising each respective disbursement, and shall represent that proceeds of the amount requested will only be expended for Allowable Costs or will be deposited in a specially designated account which can be used only to pay Allowable Costs, and that the proceeds of any other sources of funds will be deposited into another, separate account.

ARTICLE IV

LIMITED LIABILITY

Section 4.1. Limited Liability. No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future director, officer, employee, attorney or agent of the Governmental Lender in his or her individual capacity, and neither any employee, attorney, director or officer of the Governmental Lender nor any officer thereof executing the Governmental Lender Note shall be liable personally on the Governmental Lender Note or be subject to any personal liability or accountability by reason of the issuance thereof. No director, officer, employee, attorney or agent of the Governmental Lender shall incur any personal liability with respect to any other action taken by him or her pursuant to this Borrower Loan Agreement, the Act or the Law, provided such director, officer, employee, attorney or agent acts in good faith. No agreements or provisions contained in this Borrower Loan Agreement nor any agreement, covenant or undertaking by the Governmental Lender contained in any document executed by Governmental Lender in connection with the Project or the issuance, sale and delivery of the Governmental Lender Note shall give rise to any pecuniary liability of the Governmental Lender or a charge against its general credit or taxing powers, or shall obligate the Governmental Lender financially in any way.

THE GOVERNMENTAL LENDER NOTE IS NOT AN OBLIGATION, EITHER GENERAL OR SPECIAL, AND DOES NOT CONSTITUTE A PLEDGE OF THE GENERAL CREDIT OR TAXING POWER, OF THE CITY OF LOS ANGELES (THE "CITY"), THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF, BUT IS PAYABLE SOLELY FROM THE PROJECT REVENUES AND PROPERTY PLEDGED THEREFOR IN THE BANK LOAN AGREEMENT AND NOT FROM ANY OTHER REVENUES, FUNDS OR ASSETS OF THE CITY. NEITHER THE CITY, THE STATE NOR ANY SUCH POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON. 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 CITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE GOVERNMENTAL LENDER NOTE OR OTHER COSTS INCIDENT THERETO. THE GOVERNMENTAL LENDER NOTE IS NOT A DEBT OF THE UNITED STATES OF AMERICA.

No recourse shall be had for the payment of the principal of or interest on the Governmental Lender Note, or for any claim based thereon or on this Borrower Loan Agreement or any other Loan Document, any Governmental Lender Document or any instrument or document executed and delivered by or on behalf of the Governmental Lender in connection with the transactions contemplated hereby, against the Governmental Lender or any officer, board member, employee or agent, past, present or future, of the Governmental Lender or any successor body, as such, either directly or through the Governmental Lender or any such successor body, under any constitutional

provision, statute or rule of law, or by the enforcement of any assessment or penalty or by any legal or equitable proceeding or otherwise and all such liability of the Governmental Lender or any such officer, board member, employee or agent, past, present or future as such is hereby expressly waived and released as a condition of and consideration for the adoption of the resolution authorizing the execution of the Governmental Lender Documents and issuance of the Governmental Lender Note and the delivery of other documents in connection herewith. No officer, board member, employee or agent, past, present or future, of the Governmental Lender or any successor body shall be personally liable on the Governmental Lender Documents, the Governmental Lender Note or any other documents in connection herewith, nor shall the issuance of the Governmental Lender Note be considered as misfeasance or malfeasance in office. The Governmental Lender Note and the undertakings of the Governmental Lender under the Governmental Lender Documents do not constitute a pledge of the general credit or taxing power of the Governmental Lender, the State, or any political subdivision thereof, do not evidence and shall never constitute a debt of the State or any political subdivision thereof and shall never constitute nor give rise to a pecuniary liability of the State or any political subdivision thereof.

ARTICLE V

REPAYMENT OF THE BORROWER LOAN

Section 5.1. Borrower Loan Repayment.

(i) The Borrower Loan shall be evidenced by the Borrower Note which shall be executed by the Borrower in the form attached hereto as Exhibit A. The Borrower agrees to pay to the Fiscal Agent, as assignee of the Governmental Lender under the Assignment Agreement, principal of and interest on the Borrower Loan at the times, in the manner, in the amount and at the rate of interest provided in the Borrower Note and this Borrower Loan Agreement.

(ii) The Borrower further agrees to pay all taxes and assessments, general or special, including, without limitation, all ad valorem taxes, concerning or in any way related to the Project, or any part thereof, and any other governmental charges and impositions whatsoever, foreseen or unforeseen, and all utility and other charges and assessments with respect thereto; provided, however, that the Borrower reserves the right to contest in good faith the legality of any tax or governmental charge concerning or in any way related to the Project. In addition, the Borrower agrees to pay any loan fee, processing fee and all title, escrow, recording and closing costs and expenses (including legal fees), any appraisal costs and all other reasonable fees and costs associated with or required in connection with the Governmental Lender Note, the Regulatory Agreement and Bank Loan Agreement; including but not limited to any such amounts described in Section 5.1(c) of the Bank Loan Agreement.

(iii) The Borrower hereby acknowledges and consents to the assignment by the Governmental Lender to the Bank of its rights under this Borrower Loan Agreement (excepting only the Governmental Lender's rights under Section 6.7 hereof; and its retained rights under Sections 2.3, 2.4, 5.1(b), 5.1(d), 7.4, 8.7, 8.12

and 8.13 hereunder, together with its rights to receive notice and consent to amendments pursuant to the Loan Documents to which it is a party), and the assignment to the Bank of the Governmental Lender's right to collect the payments on the Borrower Loan, all as set forth in the Assignment Agreement.

(iv) In addition to such payments as provided in this Section 5.1, the Borrower shall also pay to the Governmental Lender, as the case may be, "Additional Payments," as follows:

(A) All taxes and assessments of any type or character charged to the Governmental Lender or the Bank affecting the amount available to the Governmental Lender or the Bank 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 Bank and taxes based upon or measured by the net income of the Bank; provided, however, that the Borrower shall have the right to protest any such taxes or assessments and to require the Governmental Lender or the Bank, 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 Governmental Lender or the Bank;

(B) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Governmental Lender to prepare audits, financial statements, reports, opinions or provide such other services required under the Bank Loan Documents; and

(C) The Governmental Lender Issuance Fee, the Governmental Lender Annual Fee and the reasonable fees and expenses of the Governmental Lender or any agent or attorney selected by the Governmental Lender to act on its behalf in connection with the Bank Loan Documents, the Governmental Lender Note or the Bank Loan Agreement, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of any such Governmental Lender Note or in connection with any litigation, investigation or other proceeding which may at any time be instituted involving this Borrower Loan Agreement or the Bank Loan Documents 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 Bank Loan Documents.

(D) Any amounts due and payable by the Borrower as arbitrage rebate under Section 148 of the Code, pursuant to Borrower's covenants and agreements with respect thereto in this Borrower Loan Agreement and the Tax Certificate.

(E) To the Fiscal Agent, all fees, charges, costs, advances, indemnities and expenses including agent and counsel fees, of Fiscal Agent incurred under the Borrower Loan Documents or the Funding Loan Documents as and when the same become due.

Such Additional Payments shall be billed to the Borrower by the Governmental Lender from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Governmental Lender for one or more of the above items. After such a demand, amounts so billed shall be paid by the Borrower within thirty (30) days after the date of invoice. Notwithstanding the foregoing, the Governmental Lender shall not be required to submit a bill to the Borrower for payment of the Governmental Lender Annual Fee or any amounts due with respect to arbitrage rebate under Section 148 of the Code, the calculation and payment for which is the responsibility of the Borrower.

The Governmental Lender Issuance Fee shall be paid to the Governmental Lender by the Borrower on the Closing Date. Thereafter, the Governmental Lender Annual Fee shall be due and payable by the Borrower in arrears on [December] 1 of each year commencing with the first such date following the Closing Date. The Borrower's obligation to pay the Governmental Lender Issuance Fee and the Governmental Lender Annual Fee shall in no way limit amounts payable by the Borrower to the Governmental Lender under the Bank Loan Documents, including for the enforcement thereof.

These obligations in this Section 5.1(d) and those in Section 6.7 shall remain valid and in effect notwithstanding repayment of the loan hereunder or termination of this Borrower Loan Agreement or the Bank Loan Agreement.

Section 5.2. Nature of the Borrower's Obligations. The Borrower shall repay the Borrower Loan pursuant to the terms of the Borrower Note irrespective of any rights of set-off, recoupment or counterclaim the Borrower might otherwise have against the Governmental Lender, the Fiscal Agent, the Bank or any other person. The Borrower will not suspend, discontinue or reduce any such payment or (except as expressly provided herein) terminate this Borrower Loan Agreement for any cause, including, without limiting the generality of the foregoing, (i) any delay or interruption in the operation of the Project; (ii) the failure to obtain any permit, order or action of any kind from any governmental agency relating to the Borrower Loan or the Project; (iii) any event constituting Force Majeure; (iv) any acts or circumstances that may constitute commercial frustration of purpose; (v) any change in the laws of the United States of America, the State or any political subdivision thereof; or (vi) any failure of the Governmental Lender or the Borrower to perform or observe any covenant, whether expressed or implied, or to discharge any duty, liability or obligation arising out of or connected with the Borrower Note; it being the intention of the parties that, as long as the Borrower Note or any portion thereof remain outstanding and unpaid, the obligation of the Borrower to repay the Borrower Loan and provide such moneys shall continue in all events. This Section 5.2 shall not be construed to release the Borrower from any of its

obligations hereunder, or, except as provided in this Section 5.2, to prevent or restrict the Borrower from asserting any rights which it may have against the Governmental Lender under the Borrower Note or the Deed of Trust or under any provision of law or to prevent or restrict the Borrower, at its own cost and expense, from prosecuting or defending any action or proceeding by or against the Governmental Lender or the Bank or taking any other action to protect or secure its rights.

Notwithstanding the foregoing, except for obligations under the Guaranty and the Environmental Indemnity Agreement, neither the general partner nor any limited partner of the Borrower shall be personally liable for the amounts owing under this Borrower Loan Agreement, the Borrower Note or the Deed of Trust; and the Governmental Lender's remedies in the event of a default under the Borrower Loan shall be limited to those remedies set forth in Section 7.3 hereof and the commencement of foreclosure under the Deed of Trust and the exercise of the power of sale or other rights granted thereunder. Notwithstanding the Assignment Agreement, no assignment by the Governmental Lender of its rights hereunder shall preclude the Governmental Lender from proceeding directly against the Borrower in connection with the obligation of the Borrower to indemnify the Governmental Lender under Section 6.7 hereof or Section 9 of the Regulatory Agreement or to make any payment to the Governmental Lender required to be paid by the Borrower pursuant to the provisions of Sections 2.3, 2.4, 5.1(b), 5.1(d), 7.4 or 8.12 hereof. Nothing in this Section 5.2 shall prohibit the Borrower from contesting in good faith any lien (other than the liens of the Deed of Trust).

Section 5.3. No Encumbrances. The Borrower shall not create, permit, file or record against the Project without the prior written consent of the Bank and the Governmental Lender any deed of trust lien or other lien, inferior or superior to the lien of the Deed of Trust, other than (i) the Permitted Encumbrances, as defined in the Disbursement Agreement, and grants and loans which are being subordinated concurrently with the making of the Borrower Loan; (ii) the [Purchase Option]; and (iii) liens for taxes not yet due and payable.

Section 5.4. Exceptions to Non-Recourse Liability. Notwithstanding Section 5.2 or any other provision of this Borrower Loan Agreement, the Governmental Lender (and the Bank, as assignee of the Governmental Lender) shall have the right to recover from the Borrower the following:

(a) any loss, damage or cost (including, but not limited to, attorney's fees) resulting from fraud or intentional misrepresentation by the Borrower or the Borrower's agents or employees in connection with obtaining the Borrower Loan or in complying with any of Borrower's obligations under the Loan Documents;

(b) insurance proceeds, condemnation awards, security deposits from tenants or other sums or payments received by or on behalf of Borrower in its capacity as owner of the Project and not applied in accordance with the provisions of the Deed of Trust;

(c) all rents not applied, first, to the payment of the reasonable operating expenses as such operating expenses become due and payable, and then, to the payment of principal and interest then due and payable under this Borrower Loan Agreement, the Borrower Note and any other sums due under the Deed of Trust and all other Loan Documents (including but not limited to deposits or reserves payable under any Loan

Document);

- (d) transfer fees and charges due under the Deed of Trust;
- (e) all rents and profits, and security deposits received by the Borrower after an Event of Default under this Borrower Loan Agreement;
- (f) any loss, damage or cost (including but not limited to attorney's fees) resulting from the commission of material waste by the Borrower (or any officer, director or agent of the Borrower or any guarantor or owner of any collateral) or failure by the Borrower to perform its obligations to maintain the Project;
- (g) any loss, damage or cost (including but not limited to attorney's fees) resulting from the presence or release of any "Hazardous Materials" (as defined in Section 2.3) on, in or under the Project;
- (h) all sums owing by the Borrower under all indemnities contained in this Borrower Loan Agreement or the Regulatory Agreement; and
- (i) any loss, damage or cost (including but not limited to attorneys' fees) resulting from failure by the Borrower to pay taxes and charges that may become a lien on the Project, to maintain and pay premiums for insurance required pursuant to this Borrower Loan Agreement or the Deed of Trust, or to repay any sums advanced by the Governmental Lender or the Bank for any such purpose.

The exceptions to non-recourse liability contained in this Section 5.4 shall not limit the rights of the Governmental Lender (or the Bank, as assignee of the Governmental Lender) to:

- (i) name the Borrower as a party defendant in any action, proceeding or arbitration, subject to the limitations of this Section as to personal liability; or
- (ii) assert any unpaid amounts on the Borrower Loan as a defense or offset to or against any claim or cause of action made or alleged against the Governmental Lender or the Bank by the Borrower or any indemnitor with respect to the Borrower Loan; or
- (iii) exercise self-help remedies such as set-off or nonjudicial foreclosure against, or sale of, any real or personal property collateral security.

No provision of this Section shall (i) affect any guaranty or similar agreement executed in connection with the debt evidenced by the Borrower Note or this Borrower Loan Agreement, (ii) release or reduce the debt evidenced by the Borrower Note or this Borrower Loan Agreement, (iii) impair the right of the Bank to enforce any provisions of the Deed of Trust or any other collateral security for the repayment of the Borrower Loan, (iv) impair the lien of the Deed of Trust or any other collateral security for the repayment of the Borrower Loan, or (v) impair the right of the Bank to enforce the provisions of any Loan Document other than by collection of amounts owed on the Borrower Note. Nothing herein shall directly or indirectly limit the right of the Bank to collect or recover any collateral from Borrower or any person holding or receiving the same

without the written consent of the Bank, including any affiliate who receives the rents and profits assigned to the Bank after the same become payable to the Bank or under circumstances where the same are recoverable by the Bank under applicable law or by contract. Furthermore, nothing in any other provision of the Borrower Note, this Borrower Loan Agreement or the other Loan Documents shall be deemed to limit the Bank's right to enforce collection from Borrower (or any other person liable therefor) of all reasonable attorneys' fees, costs, expenses, indemnity liabilities and other amounts payable to the Bank apart from principal or interest owing under the Borrower Note.

Nothing in this Section 5.4 shall be interpreted to subordinate any obligation or liability of Borrower to the Bank to any operating expenses, and upon an Event of Default the Bank may apply revenues derived from the Project to any secured or unsecured obligation owing to the Bank, in any order.

ARTICLE VI

FURTHER AGREEMENTS

Section 6.1. Successor to the Governmental Lender. The Governmental Lender will at all times use its best efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to law or assure the assumptions of its obligations hereunder by any public trust or political subdivision succeeding to its powers.

Section 6.2. Borrower Not to Dispose of Assets; Conditions Under Which Exceptions Permitted. The Borrower agrees that during the term of this Borrower Loan Agreement it will not dispose of all or substantially all of its assets nor consolidate with nor merge into any entity unless (i) the Governmental Lender and the Bank shall consent to the disposition, consolidation or merger, (ii) the acquirer of its assets or the entity with which it shall consolidate or into which it shall merge shall be an individual or a corporation, partnership or other legal entity organized and existing under the laws of the United States of America or one of the states of the United States of America and shall be qualified and admitted to do business in the State; and (iii) such acquiring or remaining entity shall assume in writing all of the obligations of the Borrower under the Loan Documents. The consent of Bank and the Governmental Lender shall not be required for any transfers pursuant to the Partnership Agreement provided that the Borrower and any transferee comply with the requirements set forth in Section 13 of the Regulatory Agreement (other than any requirement in said Section 13 for the consent of the Governmental Lender or the Bank) and that they comply with any applicable requirements of the Continuing Covenant Agreement.

Section 6.3. Cooperation in Enforcement of Regulatory Agreement. The Borrower hereby covenants and agrees as follows:

- (i) to comply with all provisions of the Regulatory Agreement;
- (ii) to advise the Governmental Lender in writing promptly upon learning of any default with respect to the covenants, obligations and agreements of the Borrower set forth in the Regulatory Agreement;

(iii) upon written direction by the Governmental Lender, to cooperate fully and promptly with the Governmental Lender in enforcing the terms and provisions of the Regulatory Agreement; and

(iv) to file in accordance with the time limits established by the Regulatory Agreement all reports and certificates required thereunder, and the Certification to the Secretary of the Treasury required by [Section 4(f)] of the Regulatory Agreement.

The Governmental Lender shall not incur any liability in the event of any breach or violation of the Regulatory Agreement by the Borrower, and the Borrower agrees to indemnify the Governmental Lender from any claim or liability for such breach pursuant to Section 6.7 hereof.

Section 6.4. Additional Instruments. The Borrower hereby covenants to execute and deliver such additional instruments and to perform such additional acts as may be necessary, in the opinion of the Governmental Lender, to carry out the intent of the Loan Documents or to perfect or give further assurances of any of the rights granted or provided for in the Borrower Loan, the Deed of Trust and the Borrower Note, provided, however, that no such additional instruments or acts shall change the economic terms of the transactions described herein or expand the liability of the parties hereunder.

Section 6.5. Books and Records. The Borrower hereby covenants to permit the Governmental Lender, the Fiscal Agent and the Bank or their duly authorized representatives access during normal business hours and upon reasonable notice to the books and records of the Borrower pertaining to the Borrower Loan and the Project, and to make such books and records available for audit and inspection, at reasonable times and under reasonable conditions to the Governmental Lender, the Fiscal Agent, the Bank and their duly authorized representatives and at the sole expense of the Borrower.

Section 6.6. Notice of Certain Events. The Borrower hereby covenants to advise the Governmental Lender, the Fiscal Agent and the Bank promptly in writing of the occurrence of any Event of Default hereunder or any event which, with the passage of time or service of notice, or both, would constitute an Event of Default hereunder, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto. In addition, the Borrower hereby covenants to advise the Governmental Lender, the Fiscal Agent and the Bank promptly in writing of the occurrence of any Act of Bankruptcy.

Section 6.7. Indemnification of the Governmental Lender and Bank.

(a) The Borrower releases the Governmental Lender, the Fiscal Agent and their respective officers, directors, agents, officials, employees, counsel, attorneys and agents, past, present and future (and as to Governmental Lender, members of its governing body) and any person who controls the Governmental Lender or the Fiscal Agent within the meaning of the Securities Act, from, and covenants and agrees, without limiting the indemnity provided in the Regulatory Agreement, to indemnify, hold harmless and defend the Governmental Lender, the Fiscal Agent and their respective officers, members, supervisors, directors, officials and employees, counsel, attorneys and agents, past present

and future of each of them and any person who controls such party within the meaning of the Securities Act and employees, the Bank and each of them (collectively, the “Indemnified Parties”), from and against, any and all losses, claims, damages, demands, liabilities and expenses (including reasonable attorney’s fees and expenses), taxes (other than income taxes payable by any party as a result of any fees payable to such parties in connection with the transaction contemplated hereby), causes of action, suits, claims, demands and judgments of any nature, joint or several, by or on behalf of any person arising out of:

(A) the transactions provided for in the Loan Documents or the Bank Loan Agreement or otherwise in connection with the Project, the Governmental Lender Note, the Borrower Loan or the execution and delivery or amendment of any other document entered into in connection with the transactions provided for in the Bank Loan Agreement or the Loan Documents (however in no case shall payment of the Borrower Note be a recourse obligation);

(B) the approval of the financing for the Project or the making of the Borrower Loan;

(C) the issuance and sale of the Governmental Lender Note or any certifications or representations made by any person other than the party seeking indemnification;

(D) any and all claims arising in connection with the interpretation, performance, enforcement, breach, default or amendment of the Bank Loan Agreement, the Loan Documents or any other documents relating to the Project or the Governmental Lender Note or in connection with any federal or state tax audit or any questions or other matters arising under such documents (however in no case shall payment of the Borrower Note be a recourse obligation);

(E) the carrying out by Borrower of any of the transactions provided for in the Bank Loan Agreement or the Loan Documents;

(F) the Fiscal Agent’s acceptance or administration of the trusts created by the Bank Loan Agreement or the exercise of its powers or duties under the Bank Loan Agreement or under this Borrower Loan Agreement, the Regulatory Agreement or any other agreements to which it is a party or otherwise in connection with the transactions provided for in the Bank Loan Agreement or the Loan Documents except for claims arising from the Fiscal Agent’s administration where such is a result of actions contrary to the Fiscal Agent’s duties and obligations;

(G) any and all claims arising in connection with the issuance and sale of the Governmental Lender Note or any certifications or representations made by any person other than the Indemnified Party

seeking indemnification, including, without limitation, any statement or information made by the Borrower with respect to the Borrower or the Project in any offering document or materials regarding the initial offering of the Governmental Lender Note (in connection with their issuance under the Bank Loan Agreement), the Project or Borrower or the Tax Certificate executed by the Borrower or any other certificate executed by the Borrower which, at the time made, is misleading, untrue or incorrect in any material respect and any untrue statement or alleged untrue statement of a material fact by the Borrower relating to the Borrower or the Project contained in any offering material relating to the initial offering of the Governmental Lender Note, as from time to time amended or supplemented with information provided by the Borrower, or arising out of or based upon the omission or alleged omission to state in such offering material a material fact relating to the Borrower or the Project required to be stated in such offering material or necessary in order to make the statements in such offering material not misleading, or failure to properly register or otherwise qualify the sale of the Governmental Lender Note or failure to comply with any licensing or other law or regulation which would affect the manner in which or to whom the Governmental Lender Note could be sold and the carrying out by the Borrower of any of the transactions contemplated by the Bank Loan Agreement or the Loan Documents;

(H) the Borrower's failure to comply with any requirement of this Borrower Loan Agreement or the Regulatory Agreement (however in no case shall payment of the Borrower Note be a recourse obligation);

(I) any act or omission of the Borrower or any of its agents, servants, employees or licensees in connection with the Borrower Loan or the Project, including violation of any law, ordinance, court order or regulation affecting the Project or any part of it or the ownership, occupancy or use of it (however in no case shall payment of the Borrower Note be a recourse obligation);

(J) any damage or injury, actual or claimed, of whatsoever kind, cause or character, to property (including loss of use of property) or persons, occurring or allegedly occurring in, on or about the Project or arising out of any action or inaction of Borrower, whether or not related to the Project, or resulting from or in any way connected with the acquisition and construction or management of the Project, the issuance of the Governmental Lender Note or otherwise in connection with the transactions contemplated or otherwise in connection with the Project, the Governmental Lender Note or the execution or amendment of any document relating to the Project or the Governmental Lender Note;

(K) any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from, the Project;

(L) any and all claims arising in connection with the operation of the Project, or the conditions, environmental or otherwise, occupancy, use, possession, conduct or supervision of work done in or about, or from the planning, design, acquisition, rehabilitation, construction, repair or equipping of, the Project or any part of it, including, but not limited to, the Americans with Disabilities Act, if applicable (as evidenced by an architect's certificate to such effect);

(M) any lien or charge upon payments by the Borrower to the Governmental Lender and/or the Bank hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Governmental Lender or the Bank in respect of any portion of the Project;

(N) the payment or prepayment, in whole or in part, of the Borrower Note;

(O) any declaration of taxability of interest on the Governmental Lender Note, or allegations (or regulatory inquiry) that interest on the Governmental Lender Note is taxable, for State or federal tax purposes; and

(P) the Bank's acceptance of the assignment under the Assignment Agreement or administration of any of the Loan Documents, or the exercise or performance of any of its powers or duties thereunder or under any of the Loan Documents to which it is a party.

This indemnification shall extend to and include, without limitation, all reasonable costs, counsel fees, expenses or liabilities incurred in connection with any such claim or proceeding brought with respect to such claim, except:

(i) in the case of the foregoing indemnification of the Fiscal Agent or the Bank or any of its related Indemnified Parties to the extent such damages are caused by the negligence or willful misconduct of such Person; and

(ii) in the case of the foregoing indemnification of the Governmental Lender or any of its related Indemnified Parties, to the extent such damages are caused by the active negligence or willful misconduct of the Governmental Lender.

In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought under this Borrower Loan Agreement, the Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense of the action or proceeding, including the employment of counsel selected by the Borrower, subject to the approval of the Indemnified Party, which approval shall not be unreasonably withheld, conditioned or delayed, and shall assume the payment of all expenses related to the action or proceeding, with full power to litigate, compromise or settle the same in its sole discretion, provided that the Bank, the Governmental Lender, and the Fiscal Agent, as appropriate, 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 of the action or proceeding, and the Borrower shall be obligated to pay the reasonable fees and expenses of such separate counsel if (A) the Indemnified Party, upon the advice of counsel, determines that a conflict of interest exists between the interests of the Indemnified Party and the interests of the Borrower or (B) such separate counsel is employed with the approval of the Borrower, which approval shall not be unreasonably withheld, conditioned or delayed.

The Borrower understands and agrees that the foregoing release includes all claims of every nature and kind whatsoever, whether known or unknown, suspected or unsuspected, and the Borrower has read and understands, and hereby waives the benefits of, Section 1542 of the California Civil Code which provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.”

The Borrower acknowledges that it may hereafter discover facts different from or in addition to those which it now knows or believes to be true with respect to the foregoing release by the Borrower and agree that the foregoing release shall be and remain effective in all respects notwithstanding such different or additional facts or the discovery thereof.

(b) The rights of any persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses pursuant to Sections 5.1 and 7.4 hereof shall survive the final payment or defeasance of the Governmental Lender Note and the Borrower Note. The provisions of this Section shall survive the termination of this Borrower Loan Agreement.

(c) In the event of any conflict between the provisions of this Section 6.7 and the provisions of Section 9 of the Regulatory Agreement, the provisions providing the most benefit and protection to the Indemnified Parties shall prevail. The provisions of this Section 6.7 shall in no way limit the indemnities set forth in the Deed of Trust and the Continuing Covenant Agreement.

Section 6.8. Consent to Assignment. The Governmental Lender has made an assignment to the Bank of all rights and interest of the Governmental Lender in and to this Borrower Loan Agreement (except the Governmental Lender's rights under Section 6.7 hereof and its retained rights under Sections 2.3, 2.4, 5.1(b), 5.1(d), 7.4, 8.7, 8.12 and 8.13 hereof, together with its rights to receive notice and consent to amendments pursuant to the Loan Documents), the Borrower Note and the Deed of Trust and its right to collect the payments by the Borrower on the Borrower Loan; and the Borrower hereby consents to all such assignments.

Section 6.9. Compliance with Usury Laws. Notwithstanding any other provision of this Borrower Loan Agreement, it is agreed and understood that in no event shall this Borrower Loan Agreement, with respect to the Borrower Note or other instrument of indebtedness, be construed as requiring the 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 Borrower Loan Agreement in an amount in excess of the Maximum Legal Rate as defined in the Bank Loan Agreement.

In the event of any acceleration of the payment of the principal amount of the Borrower 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 Borrower Loan Agreement or related documents shall be cancelled 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 Borrower Loan Agreement.

Section 6.10. Title to the Project. The Borrower shall concurrently with the closing of the Borrower Loan have a fee interest in the site on which the Project is located free and clear of any lien or encumbrance except for (i) liens for nondelinquent assessments and taxes not yet due or which are being contested in good faith by appropriate proceedings; (ii) the Deed of Trust; (iii) Permitted Encumbrances (as defined in the Disbursement Agreement); and (iv) any other encumbrances approved by the Bank. Concurrently with the closing of the Borrower Loan, the Borrower shall cause to be delivered to the Bank one or more title policies, naming the Bank as the insured, as its interests may appear with endorsements specified in the Bank's escrow instructions, as required by the Bank.

Section 6.11. Payment of Taxes. The Borrower has filed or caused to be filed all federal, state and local tax returns or information returns which are required to be filed with respect to the Project and of which Borrower has knowledge, and has paid or caused to be paid all taxes as shown on said returns or on any assessment received by it, to the extent that such taxes have become due and payable other than those payable without penalty or interest.

Section 6.12. No Untrue Statements. Neither this Borrower Loan Agreement nor any other document, certificate or statement furnished to the Governmental Lender or the Bank by or on behalf of the Borrower, contains to the best of the Borrower's knowledge any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading or incomplete as of the date hereof. It is specifically understood by Borrower that all such statements, representations and warranties shall be deemed to have been relied upon by the Governmental Lender as an inducement to make the Borrower Loan, and by the Bank as an inducement to make the Governmental Lender Loan, and that if any such statements, representations and warranties were materially incorrect at the time they were made, the Governmental Lender may consider any such misrepresentation or breach an Event of Default.

Section 6.13. Insurance. The Borrower shall provide policies of property damage (fire, extended coverage, vandalism and malicious mischief), loss of rent, public liability and worker's compensation insurance with respect to the Project and the operation thereof as more fully described in the Continuing Covenant Agreement and the Deed of Trust.

Section 6.14. Tax Exempt Status of the Governmental Lender Note.

(i) It is the intention of the Governmental Lender and the Borrower that interest on the Governmental Lender Note shall be and remain excludable from the gross income of the owner of the Governmental Lender Note for federal income taxation purposes, and to that end the covenants and agreements of the Borrower in this Section 6.14 are for the benefit of the Bank and the Governmental Lender.

(ii) The Borrower covenants and agrees that it will not knowingly and willingly use or permit the use of any of the funds provided by the Governmental Lender hereunder or any other funds of the Borrower, directly or indirectly, in such manner as would, or enter into, or allow any “related person” (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of the Governmental Lender Note that would, or take or omit to take any other action that would cause the Governmental Lender Note to be an “arbitrage bond” within the meaning of Section 148 of the Code or “federally guaranteed” within the meaning of Section 149(b) of the Code and applicable regulations promulgated from time to time thereunder.

(iii) In the event that at any time the Borrower is of the opinion or becomes otherwise aware that for purposes of this Section 6.14 it is necessary to restrict or to limit the yield on the investment of any moneys held by the Bank, the Borrower shall determine the limitations and so instruct the Bank in writing and cause the Bank to comply with those limitations.

(iv) The Borrower will take such action or actions as may be reasonably necessary in the opinion of Tax Counsel, or of which it otherwise becomes aware, to fully comply 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 Section 142 or Section 148 of the Code which are applicable to the Governmental Lender Note.

(v) [Reserved].

(vi) The Borrower further warrants and covenants that it has not executed and will not execute any other agreement, or any amendment or supplement to any other agreement, with provisions contradictory to, or in opposition to, the provisions of this Borrower Loan Agreement and of the Regulatory Agreement, and that in any event, the requirements of this Borrower Loan Agreement and the Regulatory Agreement are paramount and controlling as to the rights and obligations herein set forth and supersede any other requirements in conflict herewith and therewith.

(vii) The Borrower shall not purchase, and shall use its best efforts to prevent any Guarantor from purchasing, pursuant to an arrangement, formal or informal, the Governmental Lender Note or any interest therein.

(viii) The Borrower will use due diligence to complete the construction and rehabilitation of the Project and reasonably expects to fully expend the full authorized principal of the Borrower Loan within three years of the date of execution of this Borrower Loan Agreement.

(ix) The Borrower will take such action or actions as necessary to ensure compliance with the Tax Certificate and Sections 2.2(j), (n), (p), (r) and (s) hereof.

(x) The Borrower will make timely payment of any rebate amount due to the federal government by reason of any investment of the proceeds of the Borrower Note or any moneys pledged to the repayment of the Borrower Note or the Governmental Lender Note, at a yield in excess of the yield on the Governmental Lender Note, or otherwise as required under the Code.

(xi) The Borrower has retained or shall retain the services of a qualified rebate analyst to perform any and all calculations required to demonstrate compliance with its covenants herein with respect to the requirements of Section 148 of the Code as applicable to the Governmental Lender Note.

(xii) In furtherance of the covenants in this Section 6.14, the Borrower shall execute, deliver and comply with the provisions of the Tax Certificate, which are by this reference incorporated into this Borrower Loan Agreement and made a part of this Borrower Loan Agreement as if set forth in this Borrower Loan Agreement in full. In the event of conflict between the terms of this Borrower Loan Agreement and the Tax Certificate, the terms of the Tax Certificate shall control.

Section 6.15. Regulatory Agreement. In order to maintain the exclusion from gross income under federal tax law of interest on the Governmental Lender Note and to assure compliance with the laws of the State and the Act, the Borrower hereby agrees that it shall, concurrently with or before the execution and delivery of the Governmental Lender Note, execute and deliver and cause to be recorded the Regulatory Agreement.

The Borrower shall comply with every term of the Regulatory Agreement, subject to all applicable notice and cure periods, and the Borrower hereby acknowledges that in the event of a default under the Regulatory Agreement the Borrower Loan may be accelerated. The Borrower agrees to cause any amendments to the Regulatory Agreement to be recorded in the appropriate official public records. The books and records of the Borrower pertaining to the incomes of Low-Income Tenants residing in the Project shall be open to inspection by any authorized representative of the Governmental Lender and the Bank.

Section 6.16. Useful Life. The Borrower hereby represents and warrants that, within the meaning of Section 147(a)(14) of the Code, the average maturity of the Governmental Lender Note does not exceed 120 percent of the average reasonably expected remaining economic life of the facilities being financed with the proceeds of the Governmental Lender Note.

Section 6.17. Federal Guarantee Prohibition. The Borrower shall take no action, nor permit nor suffer any action to be taken if the result of the same would be to cause the

Governmental Lender Note to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

Section 6.18. Prohibited Facilities. The Borrower represents and warrants that no portion of the proceeds of the Borrower 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 Borrower 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 minimus amount of the functions to be performed at such office is not related to the day-to-day operations of the Project.

Section 6.19. Election of Applicable Income Limit. The Governmental Lender hereby elects to have the Project meet the requirements of Section 142(d)(1)[(B)] of the Code in that [forty percent (40%)] or more of the residential units in each building constituting the Project shall be occupied by persons or families whose Gross Income is [sixty percent (60%)] or less of median income for the Area, adjusted for household size.

Section 6.20. Continuing Covenant Agreement. The Borrower agrees to comply with all of the covenants and agreements set forth in the Continuing Covenant Agreement.

Section 6.21. Removal of General Partner. Notwithstanding anything to the contrary contained in the Loan Documents, removal, or withdrawal in lieu of removal, of the Borrower’s general partner(s) for cause in accordance with the Borrower’s Partnership Agreement as in effect from time to time, and which comply with the applicable requirements of the Continuing Covenant Agreement, shall not constitute a default under this Borrower Loan Agreement or accelerate the maturity of the Borrower Loan. However, any such removal shall be subject to the requirements of Section 13 of the Regulatory Agreement. If a general partner is removed, or withdraws in lieu of removal, the Bank shall not unreasonably withhold its consent to the admission of a substitute general partner; provided that if the Equity Investor designates itself, or an affiliate of the Equity, as the substitute general partner, the Bank’s consent to the admission of such substitute general partner shall not be required. Any amendment to the Partnership Agreement to effectuate such removal and/or withdrawal and such admission of the substitute general partner shall not require consent of the Bank, but shall be subject to the requirements of Section 13 of the Regulatory Agreement.

Section 6.22. Assignment of Equity Investor Interests. Notwithstanding anything to the contrary contained in the Loan Documents, the respective interests of any Equity Investor of the Borrower shall be freely transferable and any amendment to the Partnership Agreement to effectuate such transfers shall not require consent of the Fiscal Agent or the Bank.

Section 6.23. Insurance and Condemnation Proceeds. Notwithstanding anything to the contrary contained in the Loan Documents, in the event of any fire or other casualty to the Project or any portion thereof or eminent domain proceedings resulting in condemnation of the Project or any portion thereof, the Borrower shall have the right to rebuild the respective portion of the Project, and to use all available insurance or condemnation proceeds therefor, provided that (a) such proceeds are sufficient to keep the Borrower Loan in balance and rebuild the respective

portion of the Project in a manner that provides adequate security to the Governmental Lender (as determined by the Bank) for repayment of the Borrower Loan, or if such proceeds are insufficient, then the Borrower shall have funded any deficiency, (b) the Bank shall have the right to approve plans and specifications for any major rebuilding and the right to approve disbursements of insurance or condemnation proceeds for rebuilding under a construction escrow or similar arrangement, and (c) no continuing material default then exists by the Borrower under the Loan Documents. If the casualty or condemnation affects only part of the Project and total rebuilding is infeasible, then proceeds may be used for partial rebuilding and partial repayment of the Borrower Loan in a manner that provides adequate security to the Governmental Lender (as determined by the Bank) for repayment of the remaining balance of the Borrower Loan.

Section 6.24. Purchase Option/First Refusal Right. Notwithstanding anything to the contrary contained in the Loan Documents, the exercise of the Purchase Option or any right of first refusal provided for in the [Partnership Agreement] (a “First Refusal Right”) effected in compliance with the terms of Section 13 of the Regulatory Agreement, shall not constitute a default under the Loan Documents or accelerate the maturity of the Borrower Loan thereunder. The exercise of the Purchase Option or First Refusal Right and any rights related to either thereof shall not constitute a default or accelerate the maturity of the Borrower Loan.

Section 6.25. Nondiscrimination 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 Governmental Lender. The Borrower shall not discriminate in its employment practices against any employee or applicant for employment or deny family and medical care leave, 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, transgender status, 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 C.F.R. 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 Governmental Lender’s Board of Public Works, Office of Contract Compliance relating to nondiscrimination and affirmative action, including the filing of all forms required by the Governmental Lender. Any subcontract entered into by the Borrower relating to this Borrower Loan Agreement, to the extent allowed hereunder, shall be subject to the provisions of this Section. No person shall on the grounds of race, ancestry, color, citizenship, national origin, religion, sex, sexual orientation, gender identity/expression, transgender status, age, marital status, familial status, domestic partner status, physical handicap, mental disability, medical condition, political affiliation or belief be excluded from participation in, be denied the benefit of, or be subjected to discrimination under this Borrower Loan Agreement. For purposes of this Section, Title 24 Code of Federal Regulations Part 107 and Section 570.601(b) defines specific discriminatory actions that are prohibited and corrective action that shall be taken in a situation as defined therein.

Section 6.26. Business Tax Registration Certificate. Subject to any exemption available to it, Borrower represents that it has obtained or will obtain the Business Tax Registration Certificate required by the City of Los Angeles' Business Tax Ordinance (Article 1, Chapter 2, Section 21.00 and following, of the Los Angeles Municipal Code). For the term covered by this Borrower Loan Agreement, Borrower shall maintain, or obtain as necessary, any such Business Tax Registration Certificate required of it under said Ordinance and shall not allow any such Business Tax Registration Certificate to be revoked or suspended.

Section 6.27. Americans With Disabilities Act. The Borrower hereby certifies that it and any contractor and subcontractor will comply with the Accessibility Laws (as defined in Exhibit I of the Regulatory Agreement). The Borrower and any contractor and subcontractor 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 applicable provisions of: (i) 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; (ii) Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. §794, the implementing regulations at 24 C.F.R. Part 8, as well as the requirements of Uniform Federal Accessibility Standards 24 C.F.R §40, Appendix A; (iii) the Fair Housing Act, 42 U.S.C. §§3601-3620; 24 C.F.R. Parts 100, 103, and 104, and its implementing regulations; and (iv) applicable California building codes. The Borrower and any contractor and subcontractor will not discriminate against persons with disabilities or against persons due to their relationship to or association with a person with a disability. Any contract and subcontract entered into by the Borrower, relating to this Borrower Loan Agreement and the Project, to the extent allowed hereunder, shall be subject to the provisions of this Section.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.1. Events of Default. Each of the following shall be an "Event of Default":

(i) The Borrower shall fail to pay when due the amounts required to be paid under this Borrower Loan Agreement, the Continuing Covenant Agreement, the Deed of Trust, the Borrower Assignments or the Borrower Note when the same shall become due and payable in accordance with the terms of this Borrower Loan Agreement or the Borrower Note, including a failure to repay any amounts which have been previously paid but are recovered, attached or enjoined pursuant to any insolvency, receivership, liquidation or similar proceedings; or

(ii) The Borrower shall fail to perform or observe any of its covenants or agreements contained in this Borrower Loan Agreement, the Regulatory Agreement, the Borrower Note, the Disbursement Agreement, the Continuing Covenant Agreement or the Deed of Trust, other than as specified in paragraph (a) above, and such failure shall continue during and after the period specified in Section 7.2; or

(iii) Any representation or warranty of the Borrower hereunder shall be determined by the Bank or the Governmental Lender to have been false or misleading in any material respect when made; or

(iv) If there is, in the reasonable determination of the Bank, any material or adverse change in the financial condition of the Borrower affecting the Borrower's ability to repay the Borrower Loan or a filing of a complaint for receivership against the Borrower, or a filing of a voluntary or involuntary petition for bankruptcy or for a reorganization and, as to any involuntary petition, such proceeding is not terminated or dismissed within ninety (90) days of its commencement, or if the Borrower becomes insolvent or makes a general assignment for the benefit of creditors or consents to the appointment of a receiver of all or any of its assets, or voluntarily suspends its usual business; or

(v) [Reserved;]

(vi) this Borrower Loan Agreement or any of the other Loan Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason; or

(vii) any of the preceding events occurs with respect to any general partner of the Borrower unless the general partner is replaced in accordance with the Partnership Agreement and the Continuing Covenant Agreement within the period provided in Section 7.2(b) below; or

(viii) [the resignation or expulsion of the general partner of the Borrower, unless the general partner is replaced in accordance with the Partnership Agreement within the period provided in Section 7.2(b) below]; or

(ix) prior to the completion of construction and rehabilitation of the Project, the construction or rehabilitation of the Project is abandoned or work thereon ceases for a period of more than 15 Business Days for any reason except delays caused by Force Majeure, or the construction or rehabilitation of the Project is not completed prior to the completion date represented by the Borrower to the Bank unless such date has been extended with the written approval of the Bank, regardless of the reason for the delay except delays caused by Force Majeure; or

(x) other than as permitted by the Loan Documents, any sale, transfer, hypothecation, assignment or conveyance of the Project or any portion thereof or interest therein by the Borrower except in accordance with the requirements set forth in the Regulatory Agreement; or

(xi) all or any material portion of the Project is condemned, seized, or appropriated without compensation, and the Borrower does not within thirty (30) days after such condemnation, seizure, or appropriation, initiate and diligently prosecute appropriate action to contest in good faith the validity of such condemnation, seizure, or appropriation; or

(xii) the commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the Borrower Loan, including a garnishment of any of the Borrower's accounts, including deposit accounts, with the Bank; however, this Event of Default shall not apply if there is a good faith dispute by the Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if the Borrower gives the Bank written notice of the creditor or forfeiture proceeding and deposits with the Bank monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by the Bank, in its sole discretion, as being an adequate reserve or bond for the dispute; or

(xiii) a material adverse change occurs in the Borrower's financial condition, or the Bank believes the prospect of payment or performance of the Borrower Loan is impaired.

Section 7.2. Notice of Default; Opportunity to Cure. If the Borrower has not been given notice of a similar default within the past twelve (12) months, default under Section 7.1(b), (c), (e), (g), (h), (i), (j), (k), (l) or (m) hereof shall not constitute an Event of Default until:

(i) The Governmental Lender or the Bank, by registered or certified mail, shall give notice to the Borrower of such default specifying the same and stating that such notice is a "Notice of Default"; and

(ii) The Borrower shall have had 30 days after receipt of such notice to correct the default and shall not have corrected it; provided, however, that if the default stated in the notice is of such a nature that it cannot be corrected within 30 days, such default shall not constitute an Event of Default hereunder so long as (i) the Borrower institutes corrective action within said 30 days and diligently pursues such action until the default is corrected, but in no event later than 60 days after the occurrence of such Event of Default, and (ii) in the opinion of Tax Counsel to the Governmental Lender, the failure to cure said default within 30 days will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Governmental Lender Note.

Notwithstanding anything to the contrary contained in the Loan Documents, if a monetary default or event of default occurs under the terms of any of the Loan Documents, prior to exercising any remedies thereunder, the Governmental Lender or the Bank shall give the Borrower and the Equity Investor of the Borrower under its Partnership Agreement simultaneous written notice of such default. The Borrower shall have a period of ten (10) days after receipt of such notice, or such longer period of time as may be set forth in the applicable Loan Documents, to cure the default prior to exercise of remedies by the Governmental Lender under the Loan Documents.

Notwithstanding anything to the contrary contained in the Loan Documents, the Governmental Lender, the Fiscal Agent and the Bank hereby agree that any cure of any default made or tendered by the one or more of the Borrower's limited partners shall be deemed to be a

cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower.

Section 7.3. Remedies. Whenever any Event of Default under Section 7.1 hereof shall have happened and be continuing, the Governmental Lender, the Fiscal Agent and the Bank may take whatever remedial steps as may be allowed under the law, this Borrower Loan Agreement and the other Loan Documents.

Section 7.4. Attorneys' Fees and Expenses. If an Event of Default occurs and if the Governmental Lender or the Bank should employ attorneys or incur expenses for the enforcement of any obligation or agreement of the Borrower contained herein, the Borrower on demand will pay to the Governmental Lender and/or the Bank the fees of such attorneys and the expenses so incurred, including court appeals.

Section 7.5. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Governmental Lender or the Bank is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Borrower Loan Agreement or now or hereafter existing at law or in equity or by statute; provided, that the remedies are subject to the provisions of Section 5.2 of this Borrower Loan Agreement. 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 the Governmental Lender or the Bank to exercise any remedy reserved to either of them in this Article VII, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given the Governmental Lender hereunder shall also extend to the Bank, as assignee of the Governmental Lender's interests in the Borrower Note, the Deed of Trust and this Borrower Loan Agreement, and the Bank, as assignee of the Governmental Lender's interests in the Borrower Note, the Deed of Trust and this Borrower Loan Agreement shall be deemed a third party beneficiary of all covenants and agreements herein contained.

Section 7.6. No Additional Waiver Implied by One Waiver. In the event any agreement or covenant contained in this Borrower Loan Agreement should be breached by the Borrower and thereafter waived by the Governmental Lender, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder including any other breach of the same agreement or covenant.

ARTICLE VIII

MISCELLANEOUS

Section 8.1. Entire Agreement. This Borrower Loan Agreement, the Borrower Note, the Regulatory Agreement, the Deed of Trust and the other Loan Documents to which the Borrower is a party constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, between the Governmental Lender and the Borrower with respect to the subject matter hereof.

Section 8.2. Notices. All notices, consents, approvals and requests required or permitted hereunder or under any other Borrower Loan Document or Bank Loan Document (a “notice”) shall be deemed to be given and made when delivered by hand, by recognized overnight delivery service, confirmed facsimile transmission (provided any telecopy or other electronic transmission received by any party after 4:00 p.m., local time, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day), or five (5) calendar days after deposited in the United States mail, registered or certified, postage prepaid, with return receipt requested, addressed as follows:

If to the Borrower:

Montclair LA LP
c/o PATH Ventures
340 North Madison Avenue
Los Angeles, CA 90004
Attention: Executive Director

with a copy to:

Bocarsly, Emden, Cowan, Esmail & Arndt LLP
633 West Fifth Street, 64th Floor
Los Angeles, CA 90071
Attention: Lance Bocarsly
Facsimile: (213) 239-8088

If to the Governmental Lender:

City of Los Angeles
Housing and Community Investment Department
8th Floor
1200 West 7th Street
Los Angeles, CA 90017
HIMS # [_____]
Attention: Supervisor, Affordable Housing Bond
Program
Facsimile: (213) 808-8918

with a copy to:

City of Los Angeles
Housing and Community Investment Department
P.O. Box 532729
Los Angeles, CA 90053-2729
HIMS # [_____]
Attention: Supervisor, Affordable Housing Bond
Program
Facsimile: (213) 808-8606

If to the Bank:

Pacific Western Bank
[1001 Marsh Street
San Luis Obispo, California 93401]
Attention: [_____]
Email: [_____]

with a copy to:

Pacific Western Bank
818 West 7th Street, Suite 450
Los Angeles, California 90071
Attention: Holly A. Hayes
Telephone: (213) 330-2073
Email: hhayes@pacwest.com

If to the Fiscal Agent:

[To come.]

with a copy to:

[To come.]

Any party may change such party's address for the notice or demands required under this Borrower Loan Agreement by providing written notice of such change of address to the other parties by written notice as provided herein.

Section 8.3. Assignments. This Borrower Loan Agreement may not be assigned by any party without the prior written consent of the other, except that the Governmental Lender shall assign to the Bank its rights under this Borrower Loan Agreement, the Bank may assign its rights hereunder to any transferee of the Governmental Lender Note subject to the requirements of the Bank Loan Agreement, and except also that the Borrower may assign to any transferee its rights under this Borrower Loan Agreement as provided by Section 6.2.

Section 8.4. Severability. If any provision of this Borrower Loan Agreement shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative, or unenforceable to any extent whatever.

Section 8.5. Execution of Counterparts. This Borrower Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 8.6. Amendments, Changes and Modifications. Except as otherwise provided in this Borrower Loan Agreement, subsequent to the issuance of the Borrower Note and prior to

their payment in full, this Borrower Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the parties hereto and the Bank.

Section 8.7. Governing Law and Venue. This Borrower Loan Agreement and the Governmental Lender Note are contracts made under the laws of the State of California and shall be governed by and construed in accordance with the Constitution and laws applicable to contracts made and performed in the State of California. This Borrower Loan Agreement and the Governmental Lender Note shall be enforceable in the State of California, and any action arising out of this Borrower Loan Agreement or the Governmental Lender Note shall be filed and maintained in Los Angeles County, California.

Section 8.8. Waiver of Jury Trial. TO THE MAXIMUM EXTENT PERMITTED UNDER APPLICABLE LAW, THE BORROWER (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS AUTHORITY LOAN AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES THAT IS TRIABLE OF RIGHT BY A JURY, AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY THE BORROWER, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL. IF, FOR ANY REASON, THIS PROVISION IS DETERMINED TO BE UNENFORCEABLE, ALL MATTERS OTHERWISE SUBJECT TO JURY TRIAL SHALL BE SUBJECT TO THE JUDICIAL REFERENCE PROCEDURES SET FORTH IN THE FOLLOWING SECTION 8.9 OF THIS BORROWER LOAN AGREEMENT.

Section 8.9. [Reserved].

Section 8.10. Term of Agreement. This Borrower Loan Agreement shall be in full force and effect from the date hereof until such time as the Borrower Note shall have been fully paid or provision made for such payment. Time is of the essence in this Borrower Loan Agreement.

Section 8.11. Survival of Agreement. All agreements, representations and warranties made herein shall survive the making of the Borrower Loan.

Section 8.12. Expenses. The Borrower shall pay and indemnify the Governmental Lender, the Fiscal Agent and the Bank against all fees, costs and charges, including fees and expenses of attorneys, accountants, consultants and other experts, incurred in good faith (and with respect to the Bank, without gross negligence) and arising out of or in connection with the Loan Documents. These obligations and those in Section 6.7 shall remain valid and in effect notwithstanding repayment of the loan hereunder or the Governmental Lender Note or termination of this Borrower Loan Agreement or the Bank Loan Agreement.

Section 8.13. Waiver of Personal Liability. No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future director, officer, employee, attorney or agent of the Governmental Lender in his or her individual capacity, and neither any employee, attorney or officer of the Governmental Lender nor any officer thereof executing the Governmental Lender Note shall be liable personally on the Governmental

Lender Note or be subject to any personal liability or accountability by reason of the issuance thereof. No director, officer, employee, attorney or agent of Governmental Lender shall incur any personal liability with respect to any other action taken by him or her pursuant to this Loan Agreement, the Law or the Act, provided such director, officer, employee, attorney or agent acts in good faith. No agreements or provisions contained in this Loan Agreement nor any agreement, covenant or undertaking by Governmental Lender contained in any document executed by Governmental Lender in connection with the Project or the issuance, sale and delivery of the Governmental Lender Note shall give rise to any pecuniary liability of Governmental Lender or a charge against its general credit or taxing powers, or shall obligate Governmental Lender financially in any way.

Section 8.14. Binding Effect; Third Party Beneficiary. This Borrower Loan Agreement shall inure to the benefit of and shall be binding upon the Governmental Lender, the Borrower and their respective successors and assigns. The Bank is intended to be a third party beneficiary of this Borrower Loan Agreement.

Section 8.15. Reliance by Governmental Lender. Anything in the Bank Loan Agreement to the contrary notwithstanding, it is expressly understood by the parties to this Borrower Loan Agreement that (a) the Governmental Lender may rely exclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Governmental Lender by the Fiscal Agent, the Borrower, the Bank or any holder of the Governmental Lender Note as to the existence of any fact or state of affairs, (b) the Governmental Lender shall not be under any obligation under the Indenture or this Borrower Loan Agreement to perform any record keeping or to provide any legal services, it being understood that such services shall be performed or caused to be performed by the Fiscal Agent, the Bank, or by any holder of the Governmental Lender Note and (c) none of the provisions of the Bank Loan Agreement, this Borrower Loan Agreement, the Regulatory Agreement or any Loan Document shall require the Governmental Lender to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under the Indenture, this Borrower Loan Agreement, the Regulatory Agreement and any Loan Document unless it shall first have been adequately indemnified to its satisfaction against any costs, expenses and liability which it may incur as a result of taking such action. It is recognized that notwithstanding any other provision of this Borrower Loan Agreement, neither the Borrower nor any holder of the Governmental Lender Note shall look to the Governmental Lender or the members of its City Council, officers, program participants, attorneys, accountants, financial advisors, agents or staff for damages suffered by the Borrower or such holder as a result of the failure of the Governmental Lender to perform any covenant, undertaking or obligation under this Borrower Loan Agreement, the Governmental Lender Note, the Regulatory Agreement, any of the Loan Documents or any of the other documents referred to herein, or as a result of the incorrectness of any representation made by the Governmental Lender in any of such documents, nor for any other reason except for representations made by the Governmental Lender in any certificate of the Governmental Lender and the opinion of counsel to the Governmental Lender delivered on the Closing Date.

Section 8.16. Child Support Assignment Orders. This Borrower Loan Agreement is subject to Section 10.10 of the Los Angeles Administrative Code, Child Support Assignment Orders Ordinance. Pursuant to this Ordinance, the Borrower certifies that (a) it will fully comply with all State and Federal employment reporting requirements applicable to Child Support

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

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

Section 8.16 Disclosure of Border Wall Contracting Ordinance. Borrower shall comply with Los Angeles Administrative Code Section 10.50 et seq., “Disclosure of Border Wall Contracting”. Governmental Lender may declare a default under this Bank Loan Agreement if the Issuer determines that Borrower failed to fully and accurately complete the required affidavit and disclose all Border Wall Bids and Border Wall Contracts, as defined in Los Angeles Administrative Code Section 10.50.1.

Section 8.17 Disclosure of Contracts and Sponsorship of The National Rifle Association. Borrower shall comply with Los Angeles Administrative Code Section 10.52 et seq., “Disclosure of Contracts and Sponsorship of the National Rifle Association Ordinance”. Governmental Lender may declare a default under this Borrower Loan Agreement at any time if Governmental Lender determines that Borrower failed to fully and accurately complete the required affidavit and disclose all contracts and sponsorships with the National Rifle Association, as defined in Los Angeles Administrative Code Section 10.52.

Section 8.18 Pet Ownership In Publicly-Financed Housing Developments. Borrower shall comply with the Pet Ownership in Publicly-Financed Housing Developments Ordinance, Los Angeles Municipal Code Sections 51.20., et seq., as amended from time to time.

IN WITNESS WHEREOF, the parties hereto have executed this Borrower Loan Agreement, all as of the date first above written.

CITY OF LOS ANGELES, as Governmental
Lender

By Los Angeles Housing and Community
Investment Department

By: _____
Name: Sean L. Spear
Title: Assistant General Manager

Approved as to form:

MICHAEL N. FEUER, City Attorney:

By: _____
Deputy/Assistant City Attorney

[Governmental Lender Signature Page to *PATH Villas Montclair-Gramercy*
Borrower Loan Agreement]

MONTCLAIR LA LP, a California limited partnership

By: PVH GP, LLC, a California limited liability company, its Managing General Partner

By: PATH Ventures, a California nonprofit public benefit corporation, its sole member

By: _____
Amy Anderson
Executive Director

[Signature Page to Borrower Loan Agreement – PATH Villas Montclair-Gramercy]

EXHIBIT A

BORROWER NOTE

[December __, 2019]

Montclair LA LP, a California limited partnership (the “Borrower”), for value received hereby promises to pay to the order of the City of Los Angeles (the “Governmental Lender”), or its successors and assigns, the sum of [PAR SPELLED OUT] (\$[____]), or so much thereof as may be advanced from time to time, together with interest on the advanced and unpaid amount of this Borrower Note at the applicable interest rate referred to below from [December __, 2019] (the “Closing Date”) until the Borrower’s obligation to pay the Outstanding Balance (as hereinafter defined) shall be discharged. The Outstanding Balance shall mean the principal balance of the portion of the Borrower Loan evidenced by this Borrower Note which has been advanced by or on behalf of the Governmental Lender under Section 3.4 of the Borrower Loan Agreement described below, and has not been repaid by the Borrower to the Governmental Lender as of the date of calculation of the Outstanding Balance.

This Borrower Note is issued to evidence the Borrower Loan by the Governmental Lender to the Borrower and the obligation of the Borrower to repay the same and shall be governed by and be payable in accordance with the terms and conditions (including the provisions of Section 5.2) of a Loan Agreement (the “Borrower Loan Agreement”), dated as of December 1, 2019, between the Governmental Lender and the Borrower pursuant to which Authority has made the Borrower Loan. This Borrower Note, together with the Borrower Loan Agreement, have been assigned to Pacific Western Bank (the “Bank”) pursuant to an Assignment Agreement, dated as of December 1, 2019, by and between the Governmental Lender and the Bank. All payments on this Borrower Note shall be made by the Borrower to the Bank, as assignee of the Governmental Lender under said Assignment Agreement.

The Outstanding Balance of this Borrower Note shall be due and payable in its entirety [Maturity Date].

Interest on this Borrower Note shall be payable to the Bank, as assignee of the Governmental Lender, in immediately available funds on the first day of each month, commencing December 1, 2019. This Borrower Note shall bear interest at a rate of [PERCENTAGE SPELLED OUT] PERCENT ([RATE]%) per annum from the Closing Date to (but not including) [____], and at a rate of [PERCENTAGE SPELLED OUT] PERCENT ([RATE]%) per annum on and after [____]. Interest on this Borrower Note shall be computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Borrower Note shall be computed using this method. Principal of this Borrower Note shall be paid in part on the Conversion Date, as required by Section 2.01(e)(i) of the Continuing Covenant Agreement, and thereafter on the first day of the month based upon a schedule provided by the Bank computed upon a [thirty-five] year amortization schedule.

On and after a Determination of Taxability (as defined in the Continuing Covenant Agreement), this Borrower Note shall bear interest at the Taxable Interest Rate (as defined in the Continuing Covenant Agreement).

In the event the Borrower fails to make the timely payment of any monthly payment, and such payment remains unpaid for a period of ten (10) days subsequent to the established payment date, the Borrower shall pay to the Bank a late charge in the amount of five percent (5.0%) of the monthly payment so due and payable. Upon the occurrence and during the continuance of an Event of Default (as defined in the Borrower Loan Agreement), the interest rate on this Borrower Note shall immediately increase to an interest rate equal to the interest rate that would otherwise be in effect plus five percent (5.0%) (the "Default Rate") but not exceeding the Maximum Legal Rate (as defined in the Bank Loan Agreement).

The Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the Borrower Loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law.

The principal of the portion of the Borrower Loan evidenced by this Borrower Note may be prepaid on any date, in whole or in part, upon 15 days prior written notice to the Bank.

THIS BORROWER NOTE SHALL BE SECURED BY THE DEED OF TRUST, SECURITY AGREEMENT, ABSOLUTE ASSIGNMENT OF RENTS AND FIXTURE FILING (THE "DEED OF TRUST") MADE BY THE BORROWER, AS TRUSTOR, FOR THE BENEFIT OF THE GOVERNMENTAL LENDER, AS BENEFICIARY, NAMING [TITLE COMPANY] AS TRUSTEE THEREUNDER, AND DATED AS OF DECEMBER 1, 2019. THE GOVERNMENTAL LENDER HAS ASSIGNED ITS INTERESTS UNDER SAID DEED OF TRUST TO THE BANK.

Upon the occurrence of an Event of Default under and as defined in the Borrower Loan Agreement and the decision by the Bank to accelerate the Borrower Loan, then all obligations secured by this Borrower Note may be declared due and payable, as provided in the Borrower Loan Agreement.

All sums due hereunder shall be paid in lawful money of the United States of America. All payments made hereunder shall be credited first against accrued and previously unpaid interest, against principal, with the balance applied against unpaid late charges.

The Borrower, for itself and its legal representatives, successors, and assigns expressly waives demand, notice of nonpayment, presentment for demand, presentment for the purpose of accelerating maturity, dishonor, notice of dishonor, protest, notice of protest, notice, notice of maturity, and diligence in collection. The Borrower agrees to pay all court costs and reasonable attorneys' fees if counsel is engaged to assist in the collection of this Borrower Note after an Event of Default hereunder if any action is commenced to construe or enforce the terms of this Borrower Note.

From and after the Conversion Date, this Borrower Note and the Borrower Loan shall be nonrecourse obligations of the Borrower. From and after the Conversion Date, neither the Borrower or its partners, nor any director or employee of the Borrower or its partners, shall have

any personal liability for repaying the principal of or interest on the Borrower Loan. From and after the Conversion Date, the sole recourse of the Governmental Lender or its assignee for repayment of the principal of and interest on the Borrower Loan shall be the exercise of rights under the Loan Documents (as defined in the Borrower Loan Agreement) and against such other property pledged or held thereunder for the benefit of the Governmental Lender or its assignee.

This Borrower Note is a contract made under the laws of the State of California and shall be governed by and construed in accordance with the Constitution and laws applicable to contracts made and performed in the State of California. This Borrower Note shall be enforceable in the State of California, and any action arising out of this Borrower Note shall be filed and maintained in Los Angeles County, California, unless the Governmental Lender waives this requirement.

IN WITNESS WHEREOF, Montclair LA LP, a California limited partnership, has caused this Borrower Note to be executed in its name and on its behalf all as of the date set forth above.

MONTCLAIR LA LP, a California limited partnership

By: Montclair GP, LLC, a California limited liability company, its Managing General Partner

By: PATH Ventures, a California nonprofit public benefit corporation, its sole member

By: _____
Amy Anderson
Executive Director

[Signature Page to Borrower Note – PATH Villas Montclair-Gramercy]

Endorsement to Bank

Pay to the order of Pacific Western Bank, without recourse or warranty.

Dated: [December __, 2019]

CITY OF LOS ANGELES

By: _____
Authorized Signatory

[Signature Page to Endorsement to Bank for
Borrower Note – PATH Villas Montclair-Gramercy]

Attachment D

Bond Regulatory Agreement for PATH Villas Montclair/Gramercy Apartments on next page.

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

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

**REGULATORY AGREEMENT
AND DECLARATION OF RESTRICTIVE COVENANTS**

by and among

CITY OF LOS ANGELES,
as City

and

[FISCAL AGENT],
as Fiscal Agent

and

MONTCLAIR LA LP,
as Borrower

relating to

\$23,415,000
City of Los Angeles
Multifamily Mortgage Revenue Note
(PATH Villas Montclair-Gramercy)
Series 2019P

Dated as of [_____] 1, 2019

Montclair Project (Site 1)

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**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (this “Agreement” or this “Regulatory Agreement”) is made and entered into and dated as of [_____] 1, 2019 by and among the **CITY OF LOS ANGELES**, a charter city and municipal corporation in the State of California (together with any successor to its rights, duties and obligations, the “City”), **[FISCAL AGENT]**, a national banking association in its capacity as Fiscal Agent (the “Fiscal Agent”) under the Loan Agreement dated as of [_____] 1, 2019 (the “Bank Loan Agreement”) by and among the City, Pacific Western Bank and the Fiscal Agent, with an office in Los Angeles, California, and **MONTCLAIR LA LP**, a California limited partnership (the “Borrower”).

W I T N E S S E T H :

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

WHEREAS, on March 4, 2019, the City indicated its intent to provide for the issuance of a revenue bond or note to finance a portion of the acquisition, construction, rehabilitation and equipping of PATH Villas Montclair-Gramercy, a scattered-site multifamily residential rental housing project located in part in the City of Los Angeles at 4220 Montclair Street on the site more particularly described in Exhibit A hereto (the “Project”) and the City Council of the City subsequently adopted a resolution (the “Resolution”) authorizing the issuance of a note for such purpose; and

WHEREAS, in furtherance of the purposes of the Law, the Act and the Resolution, and as a part of the City’s program of financing housing, the City has issued \$23,415,000 maximum aggregate principal amount of its Multifamily Mortgage Revenue Note (PATH Villas Montclair-Gramercy) Series 2019P (the “Note”) the proceeds of which will be used to fund a loan (the “Loan”) to the Borrower to finance a portion of the acquisition, construction and equipping of the Project and the acquisition, rehabilitation and equipping of that companion multifamily housing project located at 3317 West Washington Boulevard (the “Companion Project”); and

WHEREAS, in order for interest on the Note to be excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the “Code”), and the below-defined Regulations and rulings with respect to the Code, and in order to comply with the Law, the Act and the policies with respect to the City’s housing program, the use and operation of the Project must be restricted in certain respects; and

WHEREAS, the City, the Fiscal Agent and the Borrower have determined to enter into this Regulatory Agreement in order to set forth certain terms and conditions relating to the acquisition, construction and equipping of the Project and in order to ensure that the Project will be used and

operated in accordance with the Code, the Law, the Act and the additional requirements of the City and the California Debt Limit Allocation Committee (“CDLAC”);

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

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

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

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

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

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

“*Area*” means the Los Angeles Primary Metropolitan Statistical Area.

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

“*Bank Loan Agreement*” means the Loan Agreement dated as of [_____] 1, 2019 by and among the City, the Funding Lender and the Fiscal Agent relating to the issuance of the Note, as amended, modified, supplemented or restated from time to time.

“*Bond Counsel*” means an attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the validity of, and the Tax-exempt nature of interest on, obligations issued by states and their political subdivisions, selected by the City and duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia but shall not include counsel for the Borrower or the Fiscal Agent.

“*Borrower*” means Montclair LA LP, a California limited partnership, and its successors and assigns.

“*CDLAC*” means the California Debt Limit Allocation Committee or its successors.

“*CDLAC Conditions*” has the meaning given such term in Section 33 hereof.

“*CDLAC Resolution*” means, CDLAC Resolution No. 19-104, adopted on July 17, 2019 attached to this Regulatory Agreement as Exhibit G and relating to the Project, as such resolution may be modified or amended from time to time.

“*Certificate of CDLAC Program Compliance*” means the Certification of Compliance II for Qualified Residential Rental Projects, or equivalent form, to be filed with the City at the times specified in Section 33(a) of this Regulatory Agreement, such report to contain the information set forth in and to be in substantially the form attached hereto as Exhibit E or such other form required or otherwise provided by CDLAC from time to time.

“*Certificate of Continuing Program Compliance*” means the Certificate of Continuing Program Compliance and Statistical Report to be filed by the Borrower with the City and the Fiscal Agent at the times specified in Sections 4(d) and (f) of this Regulatory Agreement, such report to contain the information set forth in and to be in substantially the form attached hereto as Exhibit B or such other form as may from time to time be prescribed by the City.

“*Certificate of Qualified Project Period*” means a certificate to be filed by the Borrower upon commencement of the Qualified Project Period in substantially the form attached hereto as Exhibit J.

“*City*” means the City of Los Angeles, a charter city and municipal corporation of the State of California.

“*Closing Date*” or “*Note Closing Date*” means the date upon which the Note is initially funded in an amount equal to at least \$50,001.

“*Code*” means the Internal Revenue Code of 1986; each reference to the Code shall be deemed to include (a) any successor internal revenue law and (b) the applicable regulations whether final, temporary or proposed under the Code or such successor law.

“Companion Project” means the parcel or parcels of real property located at 3317 West Washington Boulevard in the City of Los Angeles, California, and all rights and appurtenances thereunto appertaining, as more particularly described in Exhibit A to the Companion Project Regulatory Agreement.

“Companion Project Regulatory Agreement” means that certain Regulatory Agreement and Declaration of Restrictive Covenants of even date herewith, by and among the City, the Fiscal Agent and the Borrower executed in connection with the issuance of the Note and restricting the real property comprising the Companion Project.

“Completion Date” means the date of the completion of the acquisition, construction and equipping of the Project, as that date shall be as specified in the Construction Completion Certificate.

“Compliance Period” means the period beginning on the first day of the Qualified Project Period and ending on the later of the end of the Qualified Project Period or such later date as set forth in Section 33 of this Regulatory Agreement.

“Construction Completion Certificate” means a written certification signed by an Authorized Borrower Representative certifying among other things to the substantial completion of the Project and delivered to the City, the Fiscal Agent and CDLAC not more than 30 months after the Note Closing Date, in substantially the form of Exhibit F hereto or such other form required or otherwise provided by CDLAC from time to time.

“Costs of Issuance” means costs of issuing the Note defined in the Bank Loan Agreement as “Closing Costs.”

“Determination of Taxability” means either (a) refusal by the Borrower to consent to any amendment or supplement hereto or to the Bank Loan Agreement which, in the written opinion of Bond Counsel delivered to the City, the Fiscal Agent, the Funding Lender and the Borrower, is necessary or advisable to maintain the exclusion of interest on the Note from gross income for federal income tax purposes; or (b) any of (i) the enactment of applicable legislation of which the Fiscal Agent has actual knowledge, (ii) a final judgment or order of a court of original or appellate jurisdiction of which the Fiscal Agent has actual knowledge, (iii) a final ruling or decision of the Internal Revenue Service of which the Fiscal Agent has actual knowledge or (iv) the filing with the Fiscal Agent of an opinion of Bond Counsel, in each case to the effect that the interest on the Note (other than interest on the Note for any period during which such Note is held by a “substantial user” of any facility financed with the proceeds of the Note or a “related person,” as such terms are used in Section 147(a) of the Code) is includable in the gross incomes of all recipients thereof for federal income tax purposes. With respect to the foregoing, a judgment or order of a court or a ruling or decision of the Internal Revenue Service shall be considered final only if no appeal or action for judicial review has been filed and the time for filing such appeal has expired.

“Equity Investor” shall mean [] and its permitted successors and assigns.

“Fiscal Agent” means [FISCAL AGENT] in its capacity as fiscal agent under the Bank Loan Agreement, together with its successors and assigns.

“Hazardous Materials” means petroleum and petroleum products and compounds containing them, including gasoline, diesel fuel and oil; explosives; flammable materials; radioactive materials; polychlorinated biphenyls (“PCBs”) and compounds containing them; lead and lead-based paint; asbestos or asbestos-containing materials in any form that is or could become friable; underground or above-ground storage tanks, whether empty or containing any substance; any substance the presence of which on the Project is prohibited by any federal, state or local authority; any substance that requires special handling and any other material or substance now or in the future that (i) is defined as a “hazardous substance,” “hazardous material,” “hazardous waste,” “toxic substance,” “toxic pollutant,” “contaminant,” or “pollutant” by or within the meaning of any Hazardous Materials Law, or (ii) is regulated in any way by or within the meaning of any Hazardous Materials Law.

“Hazardous Materials Laws” means all federal, state, and local laws, ordinances and regulations and standards, rules, policies and other governmental requirements, administrative rulings and court judgments and decrees in effect now or in the future and including all amendments, that relate to Hazardous Materials or the protection of human health or the environment and apply to the Borrower or to the Project. Hazardous Materials Laws include, but are not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901, et seq., the Toxic Substance Control Act, 15 U.S.C. Section 2601, et seq., the Clean Water Act, 33 U.S.C. Section 1251, et seq., and the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101 et seq., and their state analogs.

“Housing Act” means the United States Housing Act of 1937, as amended, or its successor.

“HUD” means the U.S. Department of Housing and Urban Development and any successor agency.

“Income Certification” means, initially, an Income Certification in the form attached hereto as Exhibit C or in such other form as may from time to time be provided by the City to the Borrower and, with respect to recertifications, the Annual Tenant Income Recertification attached hereto as Exhibit D, or in the alternative, the California Tax Credit Allocation Committee Tenant Income Certification Form, or HUD Form 50059, or such other form as may, from time to time, be provided by the City to the Borrower.

“Inducement Date” means March 4, 2019.

“Loan” means the loan of the sale proceeds of the Note by the City to the Borrower pursuant to the Loan Agreement for the purpose of providing funds for the acquisition, construction or rehabilitation and equipping of the Project and the Companion Project.

“Loan Agreement” means the Borrower Loan Agreement dated as of [_____] 1, 2019 by and between the City and the Borrower, as amended or supplemented from time to time.

“Low Income Tenant” means a tenant whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of lower-income families under Section 8 of the Housing Act, except that the percentage of median gross income that qualifies as lower income shall be [60%] or less of median gross income for the Area with adjustments for family

size. Except as otherwise provided herein, the occupants of a unit in the Project shall not be considered to be Low Income Tenants if all the occupants of a unit are students (as defined in Section 152(f)(2) of the Code) and any one of those students is not (1) a single parent living with his/her children; (2) a student receiving assistance under Title IV of the Social Security Act (Temporary Assistance for Needy Families); (3) a student enrolled in a job training program receiving assistance under the Job Training Partnership Act or under other similar federal, State, or local laws; (4) a student who was previously under the care and placement responsibility of a foster care program (under part B or E of Title IV of the Social Security Act) or (5) a student who is married and files a joint return. Single parents described in (1) above may not be dependents of another individual and their children may not be dependents of another individual other than their parents. The determination of a tenant's status as a Low Income Tenant shall be made by the Borrower upon initial occupancy of a unit in the Project by such Tenant and annually thereafter and at any time the Borrower has knowledge that the number of occupants in that unit has increased, on the basis of an Income Certification executed by the tenant.

"Low Income Units" means the units in the Project required to be rented to, or held available for occupancy by, Low Income Tenants pursuant to Sections 4(a), 4(b) and 6(a) hereof.

"Net Proceeds" means the total proceeds derived from the issuance, sale and delivery of the Note, representing the total purchase price of the Note, including any premium paid as part of the purchase price of the Note, but excluding the accrued interest, if any, on the Note paid by the initial purchaser of the Note.

"Note" means the note authorized, authenticated and delivered under the Bank Loan Agreement, as defined in the recitals hereto.

"Note Documents" means the Bank Loan Agreement, the Loan Agreement, this Regulatory Agreement, the Companion Project Regulatory Agreement, the Tax Certificate and any other document now or hereafter executed by the Borrower, City, Fiscal Agent or Noteholder in connection with the Note.

"Noteholder" or *"Owner"* or *"Holder"* means the party identified as the owner of the Note on the registration books maintained by the Fiscal Agent on behalf of the Governmental Lender.

"Project" means the Project Facilities and the Project Site.

"Project Costs" means, to the extent authorized by the Code, the Regulations, the Law and the Act, any and all costs incurred by the Borrower with respect to the acquisition and construction and equipping, the credit enhancement fees, if any, attributable to the period of, the construction, of the Project, whether paid or incurred prior to or after the Inducement Date, including, without limitation, costs for site preparation, the planning of housing, related facilities and improvements, the acquisition of property, the removal or demolition of existing structures, the construction of housing and related facilities and improvements, and all other work in connection therewith, including Qualified Project Costs, and all costs of financing, including, without limitation, the cost of consultant, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Project, contractors' and developer's overhead and supervisors' fees and costs directly allocable to the Project, administrative and other expenses

necessary or incident to the Project and the financing thereof (including reimbursement to any municipality, county or other entity or person for expenditures made, for the Project).

“Project Facilities” means the buildings, structures and other improvements on the Project Site to be acquired, constructed or improved by the Borrower, and all fixtures and other property owned by the Borrower and located on, or used in connection with, such buildings, structures and other improvements constituting the Project. Project Facilities do not include retail sales facilities, leased office space, commercial facilities or recreational, fitness, parking or business facilities available to members of the general public.

“Project Site” means the parcel of real property having the street address of 4220 Montclair Street in the City of Los Angeles, California and all rights and appurtenances thereunto appertaining, as more particularly described in Exhibit A hereto.

“Qualified Project Costs” means the Project Costs (excluding issuance costs) incurred not earlier than the date 60 days prior to the Inducement Date which either constitute land or property of a character subject to the allowance for depreciation under Section 167 of the Code, or are chargeable to a capital account with respect to the Project for federal income tax and financial accounting purposes, or would be so chargeable either with a proper election by the Borrower or but for the proper election by the Borrower to deduct those amounts; provided, however, that only such portion of the interest accrued on the Note during the construction of the Project shall constitute Qualified Project Costs as bear the same ratio to all such interest or fees, as applicable, as the Qualified Project Costs bear to all Project Costs; and provided further that interest accruing on or after the Completion Date shall not be Qualified Project Costs; and provided finally that if any portion of the Project is being constructed by the Borrower or an Affiliated Party (whether as a general contractor or a subcontractor), “Qualified Project Costs” shall include only (a) the actual out-of-pocket costs incurred by the Borrower or such Affiliated Party in constructing the Project (or any portion thereof), (b) any reasonable fees for supervisory services actually rendered by the Borrower or such Affiliated Party (but excluding any profit component) and (c) any overhead expenses incurred by the Borrower or such Affiliated Party which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the construction of the Project or payments received by such Affiliated Party due to early completion of the Project (or any portion thereof). Qualified Project Costs do not include Costs of Issuance. Notwithstanding anything herein to the contrary, no Project Costs relating to the acquisition of the Project or any assets relating thereto (including, without limitation, rights and interests with respect to development of the Project) shall constitute “Qualified Project Costs” unless, at the time Note proceeds are expended to pay such costs, the Borrower and the seller of such assets are not “related parties” as such term is defined in Section 1.150-1(b) of the Regulations.

“Qualified Project Period” means the period beginning on the first day on which 10% of the dwelling units in the Project are first occupied and ending on the latest of (a) the date which is 15 years after the date on which 50% of the dwelling units in the Project are first occupied, (b) the first date on which no Tax-exempt private activity bond (as that phrase is used in Section 142(d)(2) of the Code) issued with respect to the Project is outstanding or (c) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates. The CDLAC Conditions apply for a period which, in some cases, exceeds the Qualified Project Period.

“*Regulations*” means the Income Tax Regulations promulgated or proposed (if deemed appropriate in the opinion of Bond Counsel) by the Department of the Treasury pursuant to the Code from time to time.

“*Tax Certificate*” means the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 dated the Closing Date, executed and delivered by the City and the Borrower, as amended, modified, supplemented or restated from time to time.

“*Tax-exempt*” means, with respect to interest on any obligations of a state or local government, including the Note, that such interest is excluded from gross income for federal income tax purposes (other than interest on the Note for any period during which the Note is held by a “substantial user” of any facility financed with the proceeds of the Note or a “related person,” as such terms are used in Section 147(a) of the Code); provided, however, that such interest may be includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of the masculine, feminine or neuter gender shall be construed to include each other gender and words of the singular number shall be construed to include the plural number, and vice versa. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The defined terms used in the preamble and recitals of this Regulatory Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all defined terms shall be determined by reference to this Section 1, notwithstanding any contrary definition in the preamble or recitals hereof. The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

In the event of any conflict between this Regulatory Agreement and the CDLAC Conditions, the most restrictive requirement shall govern.

Section 2. Acquisition, Construction and Equipping of the Project. The Borrower hereby represents as of the date hereof, covenants and agrees with the City and the Fiscal Agent as follows:

(a) The Borrower has incurred, or will incur within six months after the Closing Date, a substantial binding obligation to commence the acquisition and construction of the Project, pursuant to which the Borrower is or will be obligated to expend at least 5% of the proceeds of the Loan financed from proceeds of the Note.

(b) The Borrower’s reasonable expectations respecting the total cost of the acquisition and construction of the Project are accurately set forth in the Borrower Cost Certificate (the “Borrower Cost Certificate”) submitted to the City on the Closing Date.

(c) The Borrower has acquired the Project Site and will, within six months following the Note Closing Date, commence the construction of the Project and will proceed with due diligence to complete the same. Notwithstanding anything herein to the contrary, no Project Costs relating to the acquisition of the Project or any assets relating thereto (including, without limitation, rights and interests with respect to development of the Project) shall constitute “Qualified Project Costs” unless, at the time Note proceeds are expended to pay such costs, the Borrower and the seller of such assets are not “related parties” as such term is defined in Section 1.150-1(b) of the Regulations. The Borrower reasonably expects to complete the acquisition and construction of the Project and to expend the full amount of the proceeds of the Loan for Project Costs prior to the date which is 30 months after the Closing Date.

(d) The Borrower agrees that the full amount of each disbursement of Note proceeds pursuant to the Bank Loan Agreement and the Loan Agreement will be applied to pay or to reimburse the Borrower for the payment of Project Costs as set forth in the Borrower Cost Certificate and that, after taking into account each such disbursement, (i) the aggregate disbursements of Note proceeds will have been applied to pay or to reimburse the Borrower for the payment of Qualified Project Costs in an aggregate amount equal to 97% or more of the aggregate disbursements of the Loan; provided, however, that if the Borrower provides the Fiscal Agent with an opinion of Bond Counsel to the effect that the Tax-exempt status of interest on the Note will not be adversely affected if less than the aforesaid percentage, but not less than 95%, is disbursed for such purpose, then the certificate may refer to such lesser percentage as may be specified by Bond Counsel; and (ii) less than 25% of the proceeds of the Loan expended relative to the Project Site will be disbursed to pay or to reimburse the Borrower for the cost of acquiring land or rights with respect to land relative to the Project Site (exclusive of the cost of acquiring improvements on such land).

(e) [Reserved].

(f) No proceeds of the Note will be used to pay or reimburse any cost (i) incurred more than 60 days prior to the Inducement Date, or (ii) incurred more than three years prior to such payment or reimbursement. Any allocation of Note proceeds to the reimbursement of previously incurred costs shall be made not later than 18 months after the later of (i) the date the original expenditure was paid or (ii) the date the Project is placed in service or abandoned. The acquisition, construction and equipping of the Project by the Borrower commenced less than 60 days prior to the Inducement Date, and as of 60 days prior to the Inducement Date (A) neither the Borrower nor any “related person” (as such phrase is used in Section 147(a)(2) of the Code) has made any expenditure in connection with the acquisition, construction or equipping of the Project, (B) no on-site work has been commenced by the Borrower or any related person in connection with the construction of the Project, and (C) no off-site fabrication of any portion of the Project has been commenced by the Borrower or any related person. The Project consists, and shall at all times consist, of property which is land or is subject to the allowance for depreciation provided in Section 167 of the Code.

(g) [Reserved].

(h) The Borrower (and any Affiliated Party) will not take or omit to take, as is applicable, any action if such action or omission would in any way cause the proceeds from the Loan to be applied in a manner contrary to the requirements of this Regulatory Agreement, nor will it take or omit to take any such action if the Borrower (or any Affiliated Party) knows that such action or omission may cause the proceeds from the sale of the Note to be applied in a manner contrary to the Bank Loan Agreement, the Loan Agreement, the Law, the Act or the Code.

(i) The Borrower shall, on the Completion Date, evidence the Completion Date by providing a Construction Completion Certificate to CDLAC, the Fiscal Agent and the City, signed by the Authorized Borrower Representative. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights of the Borrower against third parties for the payment of any amount not then due and payable which exist at the date of such certificate or which may subsequently exist. The Construction Completion Certificate shall be delivered to the Fiscal Agent no later than the date 30 months from the Closing Date unless the Borrower delivers to the Fiscal Agent a certificate of the City consenting to an extension of such date, accompanied by an opinion of Bond Counsel to the effect that such extension will not result in interest on the Note being included in gross income for federal income tax purposes.

(j) The foregoing certificate evidencing the Completion Date shall be delivered to the Fiscal Agent no later than the date 31 months from the Closing Date unless the Borrower delivers to the Fiscal Agent a certificate of the City consenting to an extension of such date, accompanied by an opinion of Bond Counsel to the effect that such extension will not result in interest on the Note being included in gross income for federal income tax purposes. The Borrower agrees to spend additional moneys for payment of any costs of the Project sufficient to reduce the portion of Note proceeds (A) spent on land by the Borrower relative to the Project Site to an amount that is less than 25% of the amount of Note proceeds spent by the Borrower relative to the Project Site for all purposes and (B) spent on costs of the Project paid or incurred by or on account of the Borrower or any “related person” (as such term is used in Section 147(a)(2) of the Code) on or after the date 60 days prior to the Inducement Date and chargeable to the capital account of the Project (or so chargeable either with a proper election by the Borrower to deduct such amounts, within the meaning of Treasury Regulation 1.103-8(a)(1)) so that the amount of Note proceeds expended on such Qualified Project Costs are at least 97% of the amount of Note proceeds spent for all purposes related to the Project, except that, upon receipt by the Borrower, the Fiscal Agent and the City of an approving opinion of Bond Counsel, the percentage of such amounts so used may be 95%.

(k) No Note proceeds shall be expended to acquire any structures other than buildings within the meaning of Section 147(d) of the Code.

Section 3. Residential Rental Property. The Borrower hereby acknowledges and agrees that the Project is to be owned, managed and operated as a “qualified residential rental project” (within the meaning of Section 142(d) of the Code) for a term equal to the Qualified Project Period. To that end, and for the Qualified Project Period, the Borrower hereby represents, covenants, warrants and agrees as follows:

(a) The Project Facilities will be developed for the purpose of providing multifamily residential rental property, and the Borrower will own, manage and operate the Project Facilities as a project to provide multifamily residential rental property comprising a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities in accordance with Section 142(d) of the Code and Section 1.103-8(b) of the Regulations, the Law and the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time. For purposes of this Subsection 3(a), the term “functionally related and subordinate facilities” includes facilities for use by the tenants (for example, swimming pools, other recreational facilities and parking areas) and other facilities which are reasonably required for the Project, for example, heating and cooling equipment, trash disposal equipment and units for resident managers and maintenance personnel. Substantially all of the Project will contain such units and functionally related and subordinate facilities.

(b) All of the dwelling units in the Project will be similarly constructed units, and each Low Income Unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range and oven, a sink and a refrigerator. Each of the Accessible Housing Units (as defined in Exhibit I hereto) shall also comply with the requirements of Exhibit I. Notwithstanding the foregoing, a unit shall not fail to be treated as a residential unit merely because such unit is a single room occupancy unit within the meaning of Section 42(i)(3)(B)(iv) of the Code even though such housing may provide eating, cooking and sanitation facilities on a shared basis.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park. Notwithstanding the foregoing, single-room occupancy units provided under Section 42(i)(3)(B)(iv) of the Code shall not be considered to be utilized on a transient basis.

(d) No part of the Project will at any time be owned by a cooperative housing corporation, nor shall the Borrower take any steps in connection with a conversion to such ownership or uses. Other than filing a condominium map and a final subdivision map on the Project and obtaining a Final Subdivision Public Report from the California Department of Real Estate, the Borrower shall not take any steps in connection with a conversion of the Project to condominium ownership during the Qualified Project Period.

(e) All of the dwelling units (which shall not include any manager units) in the Project will be available for rental on a continuous basis to members of the general public, and the Borrower will not give preference to any particular class or group in renting the dwelling units in the Project, except to the extent of the following: (1) any dwelling units that are required to be leased or rented to Low Income Tenants, (2) to the extent not otherwise inconsistent with the requirements of Section 3(e), the requirements of any regulatory agreement executed between the Borrower and HUD or between the Borrower

and a subordinate lender (including the City), (3) the requirements of any Section 8 Housing Assistance Payments Contract with respect to the Project, (4) any preference Borrower gives to a class of persons permitted to be given preference pursuant to the Code, State law and other applicable federal law, and (5) Accessible Housing Units shall be made available to persons with disabilities as provided in Exhibit I.

(f) The Project Site consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the Project Facilities comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) No dwelling unit in the Project shall be occupied by the Borrower; provided, however, that if the Project contains five or more dwelling units, this subsection shall not be construed to prohibit occupancy of not more than one dwelling unit by one or more resident managers or maintenance personnel any of whom may be the Borrower.

(h) The Project shall be maintained in conformity with the habitability and fire codes of the City of Los Angeles.

(i) The Project shall be managed in a manner consistent with prudent property management standards and in compliance with all state and local laws, ordinances and regulations relating thereto.

(j) Should involuntary noncompliance with the provisions of Regulations Section 1.103-8(b) be caused by fire, seizure, requisition, change in a federal law or an action of a federal agency after the Closing Date which prevents the City from enforcing the requirements of the Regulations or foreclosure, transfer of title by deed in lieu of foreclosure or condemnation or similar event, the Borrower covenants that, within a “reasonable period” determined in accordance with the Regulations, and subject to the provisions of the Bank Loan Agreement and the Loan Agreement, it will either prepay the Loan or apply any proceeds received as a result of any of the preceding events to reconstruct the Project to meet the requirements of Section 142(d) of the Code and the Regulations.

Section 4. Low Income Tenants; Records and Reports. Pursuant to the requirements of the Code and the City, the Borrower hereby represents, warrants and covenants as follows:

(a) The Project will be developed for the purpose of providing multifamily residential rental property, and the Borrower will own, manage and operate the Project as a project to provide multifamily residential rental property comprising a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities in accordance with the Law and the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time. Within 30 days after the date on which 50% of the dwelling units in the Project are occupied by tenants providing an Income Certification, the Borrower shall execute and deliver to the City (with a copy to the Los Angeles Housing and Community Investment Department, Occupancy Monitoring Section, 1200 West 7th

Street, 8th Floor, Los Angeles, CA 90017) and a copy to the Fiscal Agent, and to CDLAC a Certificate of Qualified Project Period.

(b) Commencing on the first day of the Qualified Project Period, Low Income Tenants shall occupy at least [40%] of all completed and occupied units in the Project (excluding units occupied by property managers) before any additional units are occupied by persons who are not Low Income Tenants; and for the Qualified Project Period no less than [40%] of the total number of completed units of the Project (excluding units occupied by property managers) shall at all times be rented to and occupied by Low Income Tenants. For the purposes of this subsection (b), a vacant unit which was most recently occupied by a Low Income Tenant is treated as rented and occupied by a Low Income Tenant until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such unit shall be redetermined. In determining whether the requirements of this subsection (b) have been met, fractions of units shall be treated as entire units.

(c) No tenant qualifying as a Low Income Tenant shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Adjusted Income increases to exceed the qualifying limit for Low Income Tenants; provided, however, that should a Low Income Tenant's Adjusted Income, as of the most recent determination thereof, exceed 140% of the then applicable income limit for a Low Income Tenant of the same family size, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) a Low Income Tenant; and provided further that, until such next available unit is rented to a tenant who is not a Low Income Tenant, the former Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Low Income Tenant for purposes of the [40%] requirement of subsection (b) of this Section 4 (if applicable). If the Project consists of more than one building, this requirement shall apply on a building-by-building basis.

(d) The Borrower will obtain, complete and maintain on file Income Certifications from each Low Income Tenant, including (i) an Income Certification dated no later than the day prior to the initial occupancy of such Low Income Tenant in the Project and (ii) thereafter, annual Income Certifications dated as of the anniversary date of each initial Income Certification. The Borrower will obtain such additional information as may be required in the future by the State of California, by the City and by Section 142(d) of the Code, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to obligations which are Tax-exempt under Section 142(d) of the Code. A copy of the most recent Income Certification for Low Income Tenants commencing or continuing occupation of a Low Income Unit (and not previously filed with the City) shall be attached to the Certificate of Continuing Program Compliance which is to be filed with the City no later than the fifteenth day of each month until such report indicates compliance with Section 4(b) and thereafter on the fifteenth day of each [] and [] until the end of the Qualified Project Period. The Borrower shall make a good-faith effort to verify that the income information provided by an applicant in an Income Certification is accurate by obtaining the acceptable forms of verification enumerated in Chapter 3 of the most current, amended

edition of HUD Handbook 4350.3, or such instruction by HUD that may supersede this handbook, and any additional documentation that the City shall deem relevant, such as the two most recent years' tax returns or other forms of independent verification satisfactory to the City.

(e) The Borrower will use its best efforts to maintain complete and accurate records pertaining to the Low Income Units, and will with reasonable notice permit any duly authorized representative of the City, the Fiscal Agent, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project during regular business hours, including those records pertaining to the occupancy of the Low Income Units.

(f) The Borrower will prepare and submit to the City and the Fiscal Agent, no later than the fifteenth day of each month following the receipt by the Fiscal Agent of the Construction Completion Certificate to and including the month in which such report indicates that [40%] of the occupied units (excluding units occupied by property managers) are occupied by Low Income Tenants, and thereafter no later than the fifteenth day of each [] and [] until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance executed by the Borrower stating (i) the percentage of the dwelling units of the Project which were occupied or deemed occupied, pursuant to subsection (b) of this Section 4, by Low Income Tenants during such period; (ii) that either (A) no unremedied default has occurred under this Regulatory Agreement, or (B) a default has occurred, in which event the certificate shall describe the nature of the default in detail and set forth the measures being taken by the Borrower to remedy such default; and (iii) that, to the knowledge of the Borrower, no Determination of Taxability has occurred, or if a Determination of Taxability has occurred, setting forth all material facts relating thereto.

(g) On or before each February 15 during the Qualified Project Period, the Borrower will submit to the City a draft of the completed Internal Revenue Service Form 8703 or such other annual certification required by the Code to be submitted to the Secretary of the Treasury as to whether the Project continues to meet the requirements of Section 142(d) of the Code. On or before each March 31 during the Qualified Project Period the Borrower will submit such completed form to the Secretary of the Treasury, regardless of whether or not the City has responded to such draft.

(h) Subject to the requirements of any Section 8 Housing Assistance Payments Contract with respect to the Project, each lease or rental agreement pertaining to a Low Income Unit shall contain a provision to the effect that the Borrower has relied on the Income Certification and supporting information supplied by the Low Income Tenant in determining qualification for occupancy of the Low Income Unit and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement. Each such lease or rental agreement shall also provide that the tenant's income is subject to annual certification in accordance with Section 4(c) hereof and to recertification if the number of occupants in the units changes for any reason (other than the birth of a child to an occupant of such unit) and that if upon any such certification such tenant's Adjusted Income exceeds 140% of the then applicable

income limit for a Low Income Tenant of the same family size, such tenant may cease to qualify as a Low Income Tenant, and such tenant's rent is subject to increase. Notwithstanding anything in this Section 4(h) to the contrary, such tenant's rent may be increased only pursuant to Section 7(l) hereof.

(i) Pursuant to the CDLAC Conditions attached hereto and for the entire term of the Regulatory Agreement, the Project shall consist of 45 units plus 1 manager unit of which at least [] qualified residential units shall be rented or held vacant for rental for persons or families whose income is at or below 30% and 50% of the area median income as shown in the chart below:

Unit Type	Units at or below 30% AMI	Units at or below 50% AMI	Market Rate (Manager Unit)	Total
Studio			0	
1 Bedroom			0	
2 Bedroom			1	
Total			1	46

Section 5. Tax-exempt Status of the Note. The Borrower and the City make the following representations, warranties and agreements for the benefit of the holder of the Note from time to time:

(a) The Borrower and the City will not knowingly take or permit actions within their control, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the Tax-exempt nature of the interest on the Note and, if either should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof, provided that the Borrower shall not have violated these covenants if the interest on the Note becomes taxable to a person solely because such person is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code.

(b) The Borrower and the City will take such action or actions as may be necessary, in the written opinion of Bond Counsel filed with the City and the Fiscal Agent, with a copy to the Borrower, to comply fully with all applicable rules, rulings, policies, procedures, Regulations or other official statements promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service pertaining to obligations the interest on which is Tax-exempt under Section 142(d) of the Code.

(c) The Borrower and the City will file or record such documents and take such other steps as are necessary, in the written opinion of Bond Counsel filed with the City and the Fiscal Agent, with a copy to the Borrower, in order to insure that the requirements and

restrictions of this Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of this Regulatory Agreement in the real property records of the County of Los Angeles.

(d) The Borrower will not knowingly enter into any agreements which would result in the payment of principal or interest on the Note being “federally guaranteed” within the meaning of Section 149(b) of the Code.

(e) Subject to Section 14 hereof, the Borrower hereby covenants to include the requirements and restrictions contained in this Regulatory Agreement in any documents transferring any interest in the Project prior to the expiration of the Qualified Project Period to another person to the end that such transferee has notice of, and is bound by, such restrictions, and to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement; provided, however, that so long as any former Borrower has no remaining interest in the Project, such former Borrower shall have no obligation to monitor such transferee’s compliance with such restrictions, and such former Borrower shall incur liability if such transferee fails to comply with such restrictions only in proportion to its then remaining interest.

(f) The Borrower and any related party (as defined in Section 1.150-1(b) of the Regulations) thereto shall not acquire the Note in an amount related to the amount of the Loan.

Section 6. Additional Requirements of the Act. In addition to the requirements set forth in Sections 2 through 5, and without limiting any additional requirements in Section 7, during the Qualified Project Period, the Borrower and the City hereby agree to comply with each of the requirements of the Act, and, without limiting the foregoing, the Borrower hereby specifically agrees to comply with each of the requirements set forth in this Section 6, as follows:

(a) As provided in Section 52097.5 of the Act, not less than [40]% of the total number of units in the Project (excluding units occupied by property managers) shall be reserved for occupancy by tenants whose adjusted gross income does not exceed [60]% of the median gross income for the Area, adjusted for family size, as determined pursuant to Section 8 of the Housing Act.

(b) The rents paid by the tenant for the units reserved pursuant to paragraph (a) of this Section (excluding any supplemental rental assistance from the State, the federal government, or any other public agency to those occupants or on behalf of those units) shall not exceed the amount derived by multiplying 30% times [60]% of the median gross income for the Area, adjusted for family size, as determined pursuant to Section 8 of the Housing Act.

(c) During the Qualified Project Period the Borrower shall file Certificates of Continuing Program Compliance in the form and at the time required by Sections 4(d) and (f) hereof that shall contain sufficient information to allow the City to file any annual report required by the Act or pursuant to California Government Code Section 8855.5 and the Borrower shall provide to the California Debt and Investment Advisory Commission any

annual report information required by California Government Code Section 8855(k)(1) until the later of the date the Note is no longer outstanding or the proceeds of the Note have been fully spent.

(d) No portion of the Note shall be used to finance the acquisition, construction, rehabilitation, refinancing or development of commercial property for lease.

(e) The Borrower shall not apply selection criteria to certificate holders under Section 8 of the Housing Act that are more burdensome than the criteria applied to all other prospective tenants.

(f) Following the expiration or termination of the Qualified Project Period with respect to the Project, except in the event of foreclosure and redemption of the Note, deed in lieu of foreclosure, eminent domain or action of a federal agency preventing enforcement, units required to be reserved for occupancy pursuant hereto shall remain available to any eligible household occupying a reserved unit at the date of expiration or termination, at a rent not greater than the amount set forth in (b) above, until the earliest of any of the following occur:

(i) The household's income exceeds 140% of the maximum eligible income specified herein;

(ii) The household voluntarily moves or is evicted for "good cause." "Good cause" for the purposes of this Section, means the nonpayment of rent or allegation of facts necessary to prove major, or repeated minor, violations of material provisions of the occupancy agreement which detrimentally affect the health and safety of other persons or the structure, the fiscal integrity of the Project, or the purposes or special programs of the Project;

(iii) Thirty years after the date of the commencement of the Qualified Project Period relative to the Project; and

(iv) The Borrower pays the relocation assistance and benefits to tenants as provided in subdivision (b) of Section 7264 of the California Government Code.

(g) During the three years prior to expiration of the Qualified Project Period, the Borrower shall continue to make available to Low Income Tenants reserved units that have been vacated to the same extent that nonreserved units are made available to tenants other than Low Income Tenants.

Notwithstanding Section 1461 of the California Civil Code, the provisions hereof shall run with the land and may be enforced either in law or in equity by any resident, local agency, entity or any other person adversely affected by the Borrower's failure to comply with this Regulatory Agreement.

Section 7. Additional Requirements of the City. In addition to, and not in derogation of, the requirements set forth in the preceding and following sections of this Regulatory Agreement, each of which is hereby incorporated in this Section as a specific requirement of the

City, whether or not required by California or federal law, the Borrower represents, warrants, covenants and agrees as follows:

(a) The Borrower shall promptly provide to the City such information with respect to the Project or the Note as the City shall from time to time request. The Borrower shall provide written notice to the City of receipt of a certificate of occupancy or other official authorization to occupy the Project immediately upon receipt.

(b) The Low Income Units shall be of comparable quality to all other units in the Project, shall be dispersed throughout the Project, and shall offer a range of size and number of bedrooms comparable to those units which are available to other tenants; and Low Income Tenants shall have access to and enjoyment of all common areas and facilities of the Project on the same basis as tenants of other units.

(c) The Borrower agrees that it will not discriminate in the rental of units or in its employment practices against any employee or applicant for employment because of the applicant's race, religion, national origin, ancestry, sex, age, sexual orientation, gender identity/expression, transgender status, disability (except to give priority to persons with disabilities for the occupancy of Accessible Housing Units), marital status, domestic partner status or medical condition. All contracts entered into by the Borrower which relate to the Project shall contain a like provision. The Borrower shall comply with the provisions of Sections 10.8.2 and 10.8.4 of the Administrative Code of the City, the provisions of which are hereby incorporated by reference.

(d) [Reserved].

(e) For the Qualified Project Period, the Borrower will comply with the provisions of the Unruh Civil Rights Act, including, without limitation, Sections 51.2 and as applicable, 51.3 of the California Civil Code, as amended, and Sections 45.50 et seq. of the Los Angeles Municipal Code, as amended.

(f) The lease to be utilized by the Borrower in renting any residential units in the Project to Low Income Tenants shall provide for termination of the lease and consent by such person to immediate eviction, subject to applicable provisions of California law, for any tenant who fails to qualify as a Low Income Tenant and who has made a material misrepresentation on the Income Certification as to such tenant's qualification as a Low Income Tenant. All such leases shall contain clauses, among others, wherein each individual lessee (i) certifies the accuracy of the statements made in the Income Certification and (ii) agrees that the family income, family composition and other eligibility requirements shall be deemed substantial and material obligations of the lessee's tenancy; that the lessee will comply promptly with all requests for information with respect thereto from the Borrower or the City; and that the lessee's failure to provide accurate information in the Income Certification or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the lessee's tenancy and shall be a default thereunder. Additionally, such lease shall contain provisions informing any tenant of the possibility of rental payment increases in accordance with the terms of this Regulatory Agreement.

(g) All Income Certifications will be maintained on file at the Project or, with the prior written consent of the City, at the principal place of business of the Borrower or the property manager of the Project, so long as this Regulatory Agreement is in effect and for five years thereafter with respect to each Low Income Tenant who occupied a residential unit in the Project during the Qualified Project Period.

(h) The Borrower will accept as tenants, on the same basis as all other prospective tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing program under Section 8 of the Housing Act, or its successor. The Borrower shall not apply selection criteria to Section 8 certificate or voucher holders that are more burdensome than criteria applied to all other prospective tenants.

(i) The Borrower shall submit to the City (i) at the times specified in Sections 4(d) and (f) herein, a Certificate of Continuing Program Compliance, which shall include the information called for therein, including occupancy records for all units in the Project, and (ii) within 15 days after receipt of a written request, any other information or completed forms requested by the City, in each case, in order to comply with reporting requirements of the Internal Revenue Service or the State of California, including, without limitation, information necessary for the City to file any periodic report, or any other information concerning the Project as the City may reasonably request.

(j) All workers performing construction or rehabilitation work for the Project employed by the Borrower or by any contractor or subcontractor shall be compensated in an amount no less than the greater of (i) the general prevailing rate of per diem wages (“Prevailing Wages”) as determined pursuant to Labor Code Sections 1770-1781 and implementing regulations of the Department of Industrial Relations, (ii) the general prevailing rate of per diem wages as determined by the U.S. Labor Department pursuant to the Davis-Bacon Act under 40 U.S.C.S. 3141-3148 and implementing regulations (“Davis-Bacon Wages”), if applicable; and (iii) the “Living Wage” as determined by the policies and procedures of the City of Los Angeles. The Borrower shall comply with all reporting and recordkeeping requirements of the City’s prevailing wage policy. The Borrower shall, and shall cause the contractors and subcontractors to, submit data and documents related to Prevailing Wages or Davis-Bacon Wages, if applicable, using the LCP Tracker or comparable HCIDLA-approved program. The fee for the LCP Tracker, or comparable HCIDLA-approved program, will be in the amount equal to three one-hundredths percent (0.03%) of the total rehabilitation and construction cost, which fee shall be paid in full to the City within 30 days of execution of this Agreement.

(k) The City may, at its option and at its expense, at any time appoint an administrator to administer this Regulatory Agreement and to monitor performance by the Borrower of the terms, provisions and requirements hereof. Following any such appointment, the Borrower shall comply with any request by the City to deliver to such administrator, in addition to or instead of the City, any reports, notices or other documents required to be delivered pursuant hereto, and upon reasonable notice to the Borrower to make the Project and the books and records with respect thereto available for inspection during regular business hours by such administrator as an agent of the City.

(l) If upon the annual certification or recertification required in Section 4(d) a tenant's Adjusted Income exceeds 140% of the then applicable income limit for a Low Income Tenant of the same family size, all rental limits herein previously applicable to the unit occupied for such tenant shall continue to apply until the next available unit is rented to a tenant who is a Low Income Tenant.

(m) The Borrower shall give written notice to Low Income Tenants at the following five points in time:

(i) Upon initial move-in/lease execution, Borrower shall give written notice to all tenants of Low Income Units, of the duration of the rent restrictions under this Regulatory Agreement. Borrower must maintain, in its files, a copy of each notice containing each tenant's signed acknowledgement of the notice required hereunder. The notice shall, at the least, contain language that the rent restrictions under this Regulatory Agreement shall be for a term equal to the later of the expiration of: (a) the Qualified Project Period; or (b) the CDLAC Conditions. Upon termination of the rent restriction period under this Regulatory Agreement, rents may be set at a market rates unless otherwise restricted by some other legal, regulatory, or contractual requirement.

(ii) Thirty-six months prior to the termination of the rent restriction period under this Regulatory Agreement, the Borrower must give written notice to its tenants of the termination of the restrictions on the Low Income Units before their rents may be raised to market-rent levels. The Borrower must also give written notice, pursuant to California Government Code Section 65863.10, to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, the California Department of Housing and Community Development, and the Los Angeles Housing and Community Investment Department. In addition, the Borrower, within 36 months of a scheduled expiration of rental restrictions, shall also provide notice of the scheduled expiration of rent restrictions to any prospective tenant at the time he or she is interviewed for eligibility.

(iii) Twelve months prior to the termination of the rent restriction period under this Regulatory Agreement, Borrower must give written notice to its tenants of the termination of the restrictions on the Low Income Units before their rents may be raised to market rent levels. The Borrower must also give written notice, pursuant to California Government Code Section 65863.10, to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, the California Department of Housing and Community Development and the Los Angeles Housing and Community Investment Department.

(iv) Six months prior to the termination of the rent restriction period under this Regulatory Agreement, Borrower must give written notice to its tenants of the termination of the restrictions on the Low Income Units before their rents may be raised to market rent levels. Borrower must also give written notice, pursuant to California Government Code Section 65863.10, to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, the

California Department of Housing and Community Development and the Los Angeles Housing and Community Investment Department.

(v) Ninety days prior to the termination of the rent restriction period under this Regulatory Agreement, Borrower must again give written notice to its tenants of the termination of the restrictions on the Low Income Units before their rents may be raised to market rent levels.

Unless Borrower meets the requirements of California Government Code 65863.13, pursuant to California Government Code Section 65863.11, prior or concurrent with the twelve month notice referenced above in (iii), the Borrower must provide notice of the opportunity to offer to purchase the assisted housing development to all qualified entities on the list maintained by the California Department of Housing and Community Development as well as to those qualified entities that contact the Borrower directly. The notice shall conform to the requirements of California Government Code Section 65863.11(h) and shall be sent to the entities by registered or certified mail, return receipt requested. The Borrower shall also post a copy of the notice in a conspicuous place in the common area of the Project.

(n) The Borrower shall, on the Note Closing Date, pay to the City its initial fee and thereafter pay to the City its ongoing fees with respect to the issuance of the Note as follows. The Borrower shall pay the City an initial fee immediately upon issuance of the Note equal to \$[] (.25% of the aggregate maximum principal amount of the Note issuable under the Bank Loan Agreement (\$[23,415,000])). In addition, the Borrower shall, as compensation for the City's monitoring of the provisions of this Regulatory Agreement, pay to the City, semiannually in arrears, prorated for the initial payment, on the first day of each [] and [] commencing [] 1, 2020 for the period from the date of issuance of the Note through the later of: (i) the end of the Qualified Project Period; or (ii) termination of the CDLAC Conditions, prorated for the initial and any subsequent partial period, a semiannual amount equal to the greater of: (A) during the period from the Closing Date to the Conversion Date [as defined in the _____], \$1,250 or one-half of 0.125% of the maximum principal amount of Note issuable under the Bank Loan Agreement (\$[23,415,000]) and (B) from and after the Conversion Date \$1,250 or one half of 0.125% of the outstanding principal amount of the Note outstanding under the Bank Loan Agreement immediately after the Conversion Date; or in either case, such lesser amount as shall be necessary in the opinion of Bond Counsel to preserve the exemption of interest on the Note from gross income for federal income tax purposes. Throughout the term of this Agreement, the Fiscal Agent, or the City, as applicable, shall provide an invoice to the Borrower at least 30 days prior to the due date of each such payment (and if applicable, a copy of which shall be provided to the City) and shall collect such payments from the Borrower and immediately remit such funds to the City. In the event of any prepayment of the Note in whole, prior to the later of: (i) the end of the Qualified Project Period or (ii) the termination of the CDLAC Conditions, the Borrower, at its election, shall either: (A) pay to the City, on or before such payment, an amount equal to the present value of the remaining City fees payable hereunder, as calculated by the City, using a discount rate equal to the yield on the date of prepayment on the United States treasury security maturing on the date nearest the later of (1) the end of the Qualified Project Period or (2) the

termination of the CDLAC Conditions, or such lesser amount as shall be necessary in the opinion of Bond Counsel to preserve the exemption of interest on the Note from gross income for federal income tax purposes; or (B) enter into a fiscal agent agreement with a corporate trustee acceptable to the City requiring the fiscal agent appointed thereunder to bill and collect from the Borrower and to pay the City on an annual basis, in arrears on or before each [_____] 1, the annual fee described above. The Borrower shall bear the cost of such fiscal agent through the term of this Regulatory Agreement. The Borrower shall not be required to pay the fee described in the preceding sentence if the Note is prepaid in whole under circumstances which permit termination of this Regulatory Agreement pursuant to Section 14 hereof. Provisions identical to the foregoing appear in Section 7(n) of the Companion Project Regulatory Agreement. Such fees are calculated and due in connection with the Project and Companion Projects as a whole. To the extent that the foregoing fees are paid in full pursuant to this Regulatory Agreement, no additional fees shall be due under the Companion Project Regulatory Agreement.

(o) The Borrower shall pay to the City a processing fee equal to: (i) prior to the Conversion Date, the greater of \$5,000 or 0.125% of the maximum principal amount of the Note issuable under the Bank Loan Agreement and (ii) following the Conversion Date, the greater of \$5,000 or 0.125% of the principal amount of the Note outstanding under the Bank Loan Agreement immediately after the Conversion Date; plus any expenses incurred by the City, including, without limitation, Bond Counsel, City attorney and financial advisor fees, as a condition to the consideration and receipt of any consent, approval, amendment, transfer or waiver requested of the City with respect to the Project, the Project Site or the Note. The City shall provide an invoice directly to the Borrower for such amounts. Provisions identical to the foregoing appear in Section 7(o) of the Companion Project Regulatory Agreement. Such fees are calculated and due in connection with the Project and Companion Projects as a whole. To the extent that the foregoing fees are paid in full pursuant to this Regulatory Agreement, no additional fees shall be due under the Companion Project Regulatory Agreement.

(q) The Borrower shall pay the City its then-current fees in connection with any consent, approval, transfer, amendment or waiver requested of the City, together with any expenses incurred by the City in connection therewith.

(r) The Fiscal Agent shall report to the City in writing semiannually, within 10 days of each June 30 and December 31, the principal amount of the Note outstanding as of such June 30 or December 31, as appropriate.

(s) [Reserved].

(t) The Borrower shall include the City as an additional insured on all liability insurance policies relating to the Borrower or the Project.

(u) The Borrower shall not rent any Low Income Unit to: (i) any individual who (A) holds an ownership interest in the Borrower, any general partner or member (or owner of such general partner or member) of the Borrower, (B) is an officer, board member, employee or agent of, or consultant to, the Borrower or any general partner or member

thereof or owner of such general partner or member or (C) is a developer of the Project (collectively, an “Owner/Developer”); (ii) any Immediate Family Member of an Owner/Developer (“Immediate Family Members” consists of: (A) spouses; (B) children, (C) parents and grandparents, (D) siblings, (E) in-laws, including brother/sister-in-law and mother/father-in-law and son/daughter-in-law or (F) significant other or domestic partner); or (iii) any elected official or his or her spouse/partner, who participated in the deliberative process, vote or consideration of legislative action regarding the issuance of the Note or other loan in support of the Project.

The Borrower shall include a certification in each tenant application that the applicant is not an Owner/Developer, an elected official who participated in the issuance of the Note or an Immediate Family Member thereof. The Borrower recognizes and agrees that the penalty for violation of the above covenant shall be a fine of \$5,000 per violation/per unit.

(v) Neither the Borrower nor any general partner thereof shall issue any publicity release or other communication to any print, broadcast or online media, post any sign or in any other way identify the City as the source of the financing provided for the Project, without the prior written approval of the City (provided that nothing herein shall prevent the Borrower or any general partner thereof from identifying the City as the source of such financing to the extent that the Borrower or any general partner thereof is required to do so by disclosure requirements applicable to publicly held companies).

Any of the foregoing requirements of the City may be expressly waived by the City in writing in the City’s sole discretion, but (i) no waiver by the City of any requirement of this Section 7 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement, including particularly but without limitation the provisions of Sections 2 through 6 hereof, except to the extent the City has received an opinion of Bond Counsel that any such provision is not required by the Act or the Law and may be waived without adversely affecting the exclusion from gross income of interest on the Note for federal income tax purposes; and (ii) any requirement of this Section 7 shall be void and of no force and effect if the City and the Borrower receive a written opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Note to become includable in gross income for federal income tax purposes, if such opinion is accompanied by a copy of a ruling from the Internal Revenue Service to the same effect, or to the effect that compliance with such requirement would be in conflict with the Act or the Law.

Section 8. Modification of Covenants. The Borrower, the Fiscal Agent and the City hereby agree as follows:

(a) To the extent any amendments to the Law, the Act, the Regulations or the Code shall, in the written opinion of Bond Counsel filed with the City, the Fiscal Agent and the Borrower, impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement in order to maintain the Tax-exempt status of interest on the Note, this Regulatory Agreement shall be deemed to be automatically amended, without the consent or approval of any other person, to impose such additional or more restrictive requirements. The parties hereto hereby agree to

execute such amendment hereto as shall be necessary to document such automatic amendment hereof.

(b) To the extent that the Law, the Act, the Regulations or the Code, or any amendments thereto, shall, in the written opinion of Bond Counsel filed with the City, the Fiscal Agent and the Borrower, impose requirements upon the ownership or operation of the Project less restrictive than imposed by this Regulatory Agreement, this Regulatory Agreement may be amended or modified to provide such less restrictive requirements but only by written amendment signed by the City, the Fiscal Agent and the Borrower and approved by the written opinion of Bond Counsel to the effect that such amendment is permitted by the Law and the Act and will not affect the Tax-exempt status of interest on the Note. The City shall be under no obligation to agree to any such amendment, it being understood that each of the requirements of this Regulatory Agreement is a specific requirement of the City, whether or not required by California or federal law.

(c) The Borrower, the City and, if applicable, the Fiscal Agent shall execute, deliver and, if applicable, file or record any and all documents and instruments necessary to effectuate the intent of this Section 8, and the City hereby appoints the Fiscal Agent as its true and lawful attorney-in-fact to execute, deliver and, if applicable, file or record on behalf of the City, as is applicable, any such document or instrument (in such form as may be approved in writing by Bond Counsel) if the City defaults in the performance of its obligations under this subsection (c); provided, however, that unless directed in writing by the City, the Fiscal Agent shall take no action under this subsection (c) without first notifying the City and without first providing the City an opportunity to comply with the requirements of this Section 8. Nothing in this Section 8(c) shall be construed to allow the Fiscal Agent to execute an amendment to this Regulatory Agreement on behalf of the City.

Section 9. Indemnification. The Borrower shall defend, indemnify and hold harmless the City and the Fiscal Agent and the respective officers, members, supervisors, directors, officials and employees, counsel, attorneys and agents, past present and future of each of them (collectively, the “Indemnified Parties”) against all loss, costs, damages, expenses, suits, judgments, actions and liabilities of whatever nature (including, without limitation, reasonable attorneys’ fees, litigation and court costs, amounts paid in settlement, and amounts paid to discharge judgments) directly or indirectly resulting from or arising out of or related to (a) the design, construction, installation, operation, use, occupancy, maintenance, financing or ownership of the Project (including compliance with laws, ordinances and rules and regulations of public authorities relating thereto), (b) any written statements or representations with respect to the Borrower, the Project or the Note made or given to the City or the Fiscal Agent, or any underwriters or purchaser of the Note, or any tenants or applicants for tenancy in the Project or any other person, by the Borrower, or any Authorized Borrower Representative, including, but not limited to, statements or representations of facts, financial information or limited partnership affairs, (c) the Note or the Tax-exempt status of interest on the Note or (d) the failure or alleged failure of any person or entity (including Borrower, its contractor or subcontractors) to pay the general prevailing rate of per diem wages as determined pursuant to Labor Code Sections 1770-1781 and implementing regulations of the Department of Industrial Relations in connection with the construction of the improvements or any other work undertaken or in connection with the Project; or (e) any actual or alleged violation of any Hazardous Materials Law or with respect to the presence of Hazardous Materials on or under

the Project or in any of improvements or on or under any property of the Borrower that is adjacent to the Project (whether before or after the date of this Agreement and whether or not Borrower knew of the same); provided, however, that this provision shall not require the Borrower to indemnify the Indemnified Parties from any claims, costs, fees, expenses or liabilities arising from its active negligence or willful misconduct or, in the case of the Fiscal Agent, its negligence, fraud or willful misconduct. The Borrower also shall pay and discharge and shall indemnify and hold harmless the City and the Fiscal Agent from (i) any lien or charge upon payments by the Borrower to the City and the Fiscal Agent hereunder or under the Note Documents and (ii) any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges in respect of any portion of the Project. If any such claim is asserted, or any such lien or charge upon payments, or any such taxes, assessments, impositions or other charges are sought to be imposed, the City or the Fiscal Agent shall give prompt notice to the Borrower and the Borrower shall, as provided in the following paragraph, have the right to assume the defense thereof, with full power to litigate, compromise or settle the same in its sole discretion, provided that the City and the Fiscal Agent shall have the right to review and approve or disapprove any such compromise or settlement. In addition thereto, the Borrower will pay upon demand all of the reasonable fees and expenses paid or incurred by the Fiscal Agent and/or the City in enforcing the provisions hereof against the Borrower. The Borrower shall also pay the City its standard fees and reimburse the City for its expenses in connection with any consent, approval, amendment, waiver or other action taken at the request or for the benefit of the Borrower in connection with this Regulatory Agreement, the Note or any other document or agreement relating thereto. In the event of any audit or inquiry regarding the Note or the Project from any governmental entity, the Borrower shall, at the election of the City, be responsible for responding to and resolving such audit or inquiry at the expense of the Borrower.

Promptly after receipt by any party entitled to indemnification under this Section 9 of notice of the commencement of any suit, action or proceeding, such Indemnified Party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 9, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve the indemnifying party from any liability which it may have to any Indemnified Party otherwise than under this Section 9 or from any liability under this Section 9 unless the failure to provide notice prejudices the defense of such suit, action or proceeding. In case any such action is brought against any Indemnified Party, and it notifies the indemnifying party, the indemnifying party shall be entitled to participate in, and to the extent that it may elect by written notice delivered to the Indemnified Party within five Business Days after receiving the aforesaid notice from such Indemnified Party (but shall not be required) to assume, the defense thereof, with counsel reasonably satisfactory to such Indemnified Party; provided, however, if the defendants in any such action include both the Indemnified Party and the indemnifying party and the Indemnified Party shall have reasonably concluded that there are legal defenses available to it and/or other Indemnified Parties which are different from or additional to those available to the indemnifying party, the Indemnified Party or parties shall have the right to select separate counsel to assert such legal defenses and otherwise to participate in the defense of such action on behalf of such Indemnified Party or parties. Upon the indemnifying party's receipt of notice from the Indemnified Party of such Indemnified Party's election so to assume the defense of such action and selection by the Indemnified Party of counsel, the indemnifying party shall not be liable to such Indemnified Party under this Section 9 for any attorneys' fees or expenses subsequently incurred by such Indemnified Party for the engagement of separate counsel in

connection with defense thereof unless (i) the Indemnified Party shall have employed separate counsel in connection with the assertion of legal defenses in accordance with the proviso to the next preceding sentence, or (ii) the indemnifying party shall not have employed counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party or shall not have employed such counsel within a reasonable time after notice of commencement of the action or (iii) the indemnifying party has authorized the employment of separate counsel to represent the Indemnified Party at the expense of the indemnifying party. Notwithstanding the foregoing, the Fiscal Agent shall not be indemnified for income tax, franchise tax or similar tax liability relating to the Fiscal Agent's own income and operations.

Section 10. Consideration. The City has issued the Note to provide funds to finance the acquisition, construction and equipping of the Project, all for the purpose, among others, of inducing the Borrower to acquire and construct the Project. In consideration of the issuance of the Note by the City, the Borrower has entered into this Regulatory Agreement and has agreed to restrict the uses to which this Project can be put on the terms and conditions set forth herein.

Section 11. Reliance. The City and the Borrower hereby recognize and agree that the representations and covenants set forth herein may be relied upon by all persons interested in the legality and validity of the Note and in the exemption from federal income taxation and California personal income taxation of the interest on the Note. In performing their duties and obligations hereunder, the City and the Fiscal Agent may rely upon statements and certificates of the Low Income Tenants and upon audits of the books and records of the Borrower pertaining to the Project. In addition, the City and the Fiscal Agent may consult with counsel, and the written opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the City or the Fiscal Agent hereunder in good faith and in conformity with such opinion. In determining whether any default or lack of compliance by the Borrower exists under this Regulatory Agreement, the Fiscal Agent may, but shall not be required to, conduct any investigation into or review of the operations or records of the Borrower and may rely solely on any written notice or certificate delivered to the Fiscal Agent by the Borrower or the City with respect to the occurrence or absence of a default unless it knows that the notice or certificate is erroneous or misleading.

Section 12. Project in the City of Los Angeles. The Borrower hereby represents and warrants that the Project will be located entirely within the City.

Section 13. Sale or Transfer of the Project; Equity Interests. The Borrower hereby covenants and agrees not to voluntarily (which term shall not be interpreted to include a foreclosure of any security for the Loan, the granting by the Borrower of a deed-in-lieu of foreclosure, or any other comparable conversion of the Loan) sell, transfer or otherwise dispose of the Project, or any portion thereof (other than for individual tenant use as contemplated hereunder), equity interests in the Borrower aggregating more than 50% of the equity interest in the Borrower, or any general partner interests in the Borrower, without obtaining the prior written consent of the City, which consent shall not be unreasonably withheld by the City and shall be given by the City if (a) the Borrower is not in default hereunder or under the Loan Agreement; (b) the purchaser or assignee is not in default under any obligations it may have to the City and is not the subject of any legal or enforcement actions by the City, and the purchaser or assignee certifies that the continued operation of the Project will comply with the provisions of this Regulatory Agreement;

(c) evidence reasonably satisfactory to the City is presented to establish that the purchaser or assignee is willing to comply and capable of complying with the terms and conditions of this Regulatory Agreement; (d) either (i) evidence satisfactory to the City is presented to establish that the purchaser or assignee has at least three years' experience in the ownership, operation and management of rental housing projects, without any record of material violations of discrimination restrictions or other state or federal laws or regulations applicable to such projects, (ii) the purchaser or assignee agrees to retain a property management firm which the City determines has the experience and record described in subclause (i) above or (iii) the City determines that it has no reason to believe that the purchaser or assignee is incapable, financially or otherwise, of complying with, or may be unwilling to comply with, the terms of all agreements binding on such purchaser or assignee and relating to the Project; (e) the City and the Fiscal Agent shall have received (i) with respect to any transfer of the Project, reasonable evidence satisfactory to the City that the Borrower's purchaser or transferee has assumed in writing and in full, the Borrower's duties and obligations under this Regulatory Agreement and the Loan Agreement, (ii) with respect to any transfer of the Project to a new Borrower, an opinion of counsel to the transferee that the transferee has duly assumed the obligations of the Borrower under this Regulatory Agreement and that such obligations and this Regulatory Agreement are binding on the transferee, (iii) unless waived by the City, an opinion of Bond Counsel that such transfer will not adversely affect the Tax-exempt nature of the interest on the Note, (iv) from the Borrower, a Certificate of Continuing Program Compliance (and a "bring-down" certificate, if necessary) current as of the date of transfer and (v) evidence satisfactory to the City that the purchaser or assignee does not have pending against it, nor does it have a history of, building or fire code violations as identified by City, the State of California or federal regulatory agencies; (f) the purchaser or assignee complies with the provisions of the Los Angeles Administrative Code Section 10.8.4 Affirmative Action Program Provisions; (g) the Borrower or transferee pays all costs of the transfer of title, including, but not limited to, the cost of meeting the conditions specified in this Section 13; and (h) such other conditions are met as the City may reasonably impose to assure compliance by the Project with the requirements of this Regulatory Agreement. It is hereby expressly stipulated and agreed that, except for any such sale, transfer or disposition agreed to by the City in a separate writing, any sale, transfer or other disposition of the Project in violation of this Section 13 shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under this Regulatory Agreement. Upon any sale or other transfer which complies with this Regulatory Agreement, the Borrower shall be fully released from its obligations hereunder, but only to the extent such obligations have been assumed by the transferee of the Project, without the necessity of further documentation. Any transfer of the Project to any entity, whether or not affiliated with the Borrower, shall be subject to the provisions of this Section 13.

Notwithstanding the foregoing, if the Fiscal Agent acquires title to the Project by foreclosure or deed in lieu of foreclosure, no consent of the City shall be required to such transfer under this Regulatory Agreement and no other conditions shall be required to be satisfied. However, if the Fiscal Agent acquires title to the Project by foreclosure or deed in lieu of foreclosure and this Regulatory Agreement has not been terminated pursuant to Section 14 below, consent of the City and delivery of items (a) through (h) above shall be required for any transfer of the Project subsequent to the Fiscal Agent's acquisition of the Project by foreclosure or deed in lieu of foreclosure.

Notwithstanding anything to the contrary contained herein, the interest of Borrower's Equity Investor shall, with prior written notice to the City, be transferable under this Regulatory Agreement to any affiliate of the Equity Investor, without the consent of the City and/or Fiscal Agent but with prior written notice thereto.

The Borrower acknowledges and recognizes that in addition to the above requirements the consent of CDLAC, in the manner and to the extent as may at the time be required by CDLAC, among other parties, may be required in connection with any transfer of the Project.

Section 14. Term. This Regulatory Agreement and all and each of the provisions hereof shall become effective upon its execution and delivery, and shall remain in full force and effect for the periods provided herein and, except as otherwise provided in this Section 14, shall terminate in its entirety at the end of the Qualified Project Period (or such later date provided in Section 33 hereof pursuant to the CDLAC Resolution, which imposes restrictions for a term of at least 55 years), it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Note, discharge of the Loan and termination of the Bank Loan Agreement and the Loan Agreement.

Notwithstanding the foregoing, the provisions of Section 9 hereof shall, in the case of the Fiscal Agent, survive the term of this Regulatory Agreement or the replacement of the Fiscal Agent, but only as to claims arising from events occurring during the term of this Regulatory Agreement or the Fiscal Agent's tenure as Fiscal Agent under the Bank Loan Agreement, and shall, in the case of the City, survive the term of this Regulatory Agreement, but only as to claims arising from events occurring during the term of this Regulatory Agreement.

The terms of this Regulatory Agreement notwithstanding, this Regulatory Agreement and all the requirements set forth herein (except Section 9 as aforesaid) shall terminate and be of no further force and effect in the event of (a) involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire, seizure, requisition, change in a federal law or an action of a federal agency after the Closing Date which prevents the City or the Fiscal Agent from enforcing the provisions hereof, or (b) condemnation, foreclosure, delivery of a deed in lieu of foreclosure or a similar event, but only if, within a reasonable period thereafter, either the portion of the Note attributable to the affected portion of the Project is retired or amounts received as a consequence of such event are used to provide a project which meets the requirements of the Code set forth in Sections 2 through 6 of this Regulatory Agreement and provided that, in either case, an opinion of Bond Counsel (unless waived by the City) is delivered to the Fiscal Agent to the effect that the exclusion from gross income for federal income tax purposes of interest on the Note will not be adversely affected thereby. The provisions of the preceding sentence shall cease to apply and the requirements referred to therein shall be reinstated if, at any time during the Qualified Project Period after the termination of such requirements as a result of involuntary noncompliance due to foreclosure, transfer of title by deed in lieu of foreclosure or similar event, the Borrower or any "related party" (within the meaning of Section 1.150-1(b) of the Regulations) or "related person" (defined in Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for tax purposes. The Borrower hereby agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Borrower nor any related party as described above will obtain an ownership interest in the Project for tax purposes.

Upon the termination of this Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms.

Section 15. Covenants To Run With the Land. The Borrower hereby subjects the Project (including the Project Site) to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The City and the Borrower hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Borrower's successors in title to the Project; provided, however, that on the termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire. The City and, if necessary, the Fiscal Agent, agree to execute a quitclaim deed or other documents required to remove this Regulatory Agreement from title after the covenants, agreements and restrictions herein have expired. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

No breach of any of the provisions of this Regulatory Agreement shall impair, defeat or render invalid the lien of any security instrument, deed of trust or like encumbrance made in good faith and for value encumbering the Project or any portion thereof.

Section 16. Burden and Benefit. The City and the Borrower hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Borrower's legal interest in the Project is rendered less valuable thereby. The City and the Borrower hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Low Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Note was issued. Notwithstanding the foregoing or any other provision of this Regulatory Agreement, no person, other than the parties hereto, shall have any rights of enforcement of this Regulatory Agreement.

Section 17. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use, development and improvement of the Project Site.

Section 18. Default; Enforcement. If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in this Regulatory Agreement, and if such default remains uncured for a period of 60 days after notice thereof shall have been given by the City to the Borrower, then the City shall declare an "Event of Default" to have occurred hereunder; provided, however, that if the default stated in the notice is of such a nature that it cannot be corrected within 60 days, such default shall not constitute an Event of Default hereunder so long as (i) the Borrower institutes corrective action within said 60 days and diligently pursues such action until the default is corrected and (ii) in the opinion of Bond Counsel, the failure to cure said default within 60 days will not adversely affect the Tax-exempt status of interest on the Note. The Fiscal Agent hereby consents to any correction of the default by the City

on behalf of the Borrower. The City hereby consents to any correction of a default on the part of the Borrower hereunder made by the Borrower's limited partners on behalf of the Borrower within the time periods provided in this Section. Copies of any notices sent to the Borrower hereunder shall simultaneously be sent to the Equity Investor at the address set forth in Section 23 and the Equity Investor shall have the right to cure any Borrower default hereunder to the same extent and with the same cure periods afforded the Borrower and such cure shall be accepted or denied on the same basis as if made or tendered by the Borrower.

Following the declaration of an Event of Default hereunder, the Fiscal Agent, as directed by the City and subject to the provisions of the Bank Loan Agreement relative to the Fiscal Agent's duty to exercise remedies generally, or the City may, at its option, take any one or more of the following steps:

- (a) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the City or the Fiscal Agent hereunder;
- (b) have access to and inspect, examine and make copies of all or a portion of the books and records of the Borrower pertaining to the Project; and
- (c) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower hereunder.

During the Qualified Project Period, the Borrower hereby grants to the City the option, upon either (a) the expiration of 60 days after the giving of the notice to the Borrower referred to in the first paragraph of this Section 18 of the Borrower's default under this Regulatory Agreement or (b) the vacancy of a Low Income Unit for more than six months and the submission by the City to the Borrower during such six-month or longer period of at least five proposed tenants which meet the qualifications of Low Income Tenants and the qualifications of a reasonable landlord, to lease up to [40]% of the units in the Project for a rental of \$1.00 per unit per year for the sole purpose of subleasing such units to Low Income Tenants for a period of not less than six months, but only to the extent necessary to comply with the provisions of Sections 2 through 7 of this Regulatory Agreement and to insure full occupancy of the Low Income Units. The option granted in the preceding sentence shall be effective only if the Borrower or the Fiscal Agent has not instituted corrective action before the end of such 60-day period referenced in (a) above, or the Borrower has not rented the unit during the six-month or longer period referenced in (b) above, to a qualified Low Income Tenant. The option and any leases to the City under this provision shall terminate with respect to each default upon the achievement, by the Borrower, the Fiscal Agent or the City, of compliance with the requirements of Section 2 through 7 hereof, and any subleases entered into pursuant to the City's option shall be deemed to be leases from the Borrower. The City shall make diligent effort, but shall not be required, to rent Low Income Units to Low Income Tenants at the highest rents practicable, subject to the limits of Sections 5, 6 and 7 hereof. Any rental paid under any such sublease shall be paid to the Borrower after the City has been reimbursed for any reasonable expenses incurred in connection with such sublease, provided that, if the Borrower is in default under the Loan Agreement, such rental shall be paid to the Fiscal Agent for credit against payments due under the Loan Agreement. The Fiscal Agent shall have

the right, as directed by the City, in accordance with this Section 18 and the provisions of the Bank Loan Agreement, to exercise any or all of the rights or remedies of the City hereunder, provided that prior to taking any such action the Fiscal Agent shall give the City written notice of its intended action. All reasonable fees, costs and expenses of the City and the Fiscal Agent incurred in taking any action pursuant to this Section 18 shall be the sole responsibility of the Borrower.

After the Bank Loan Agreement has been discharged, the City may act on its own behalf to declare an “Event of Default” to have occurred and to take any one or more of the steps specified hereinabove to the same extent and with the same effect as if taken by the Fiscal Agent.

The obligations of the Borrower hereunder are not secured by a lien on the Project and the Loan shall not be accelerated as a result of any default hereunder. The Borrower hereby agrees that specific enforcement of the Borrower’s agreements contained herein is the only means by which the City may obtain the benefits of such agreements made by the Borrower herein and the Borrower therefore agrees to the imposition of the remedy of specific performance against it in the case of any default by the Borrower hereunder.

The occurrence of a Determination of Taxability shall not, in and of itself, constitute a default hereunder.

Section 19. The Fiscal Agent. The Fiscal Agent shall act as specifically provided herein and in the Bank Loan Agreement. The Fiscal Agent is entering into this Regulatory Agreement solely in its capacity as fiscal agent under the Bank Loan Agreement, and the duties, powers, rights and liabilities of the Fiscal Agent in acting hereunder shall be subject to the provisions of the Bank Loan Agreement.

The City shall be responsible for the monitoring and verifying of compliance by the Borrower with the terms of this Regulatory Agreement. The Fiscal Agent may at all times assume compliance with this Regulatory Agreement unless otherwise notified in writing by the City, or unless it has actual knowledge of noncompliance.

After the date on which no principal of the Note remains outstanding as provided in the Bank Loan Agreement, the Fiscal Agent shall no longer have any duties or responsibilities under this Regulatory Agreement and all references to the Fiscal Agent in this Regulatory Agreement shall be deemed references to the City.

Section 20. Recording and Filing. The Borrower shall cause this Regulatory Agreement, and all amendments and supplements hereto and thereto, to be recorded and filed in the real property records of the County of Los Angeles and in such other places as the City or the Fiscal Agent may reasonably request. The Borrower shall pay all fees and charges incurred in connection with any such recording. This Regulatory Agreement shall be recorded in the grantor-grantee index to the name of the Borrower as grantor and the City as grantee.

Section 21. Governing Law. This Regulatory Agreement shall be governed by the laws of the State of California. The Fiscal Agent’s rights, duties and obligations hereunder are governed in their entirety by the terms and provisions of the Bank Loan Agreement.

Section 22. Amendments. Except as provided in Section 33(e), this Regulatory Agreement shall be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County of Los Angeles, California, and only upon receipt by the City of an opinion from Bond Counsel that such amendment will not adversely affect the Tax-exempt status of interest on the Note and is not contrary to the provisions of the Law or the Act and with the written consent of the Fiscal Agent.

The City, the Fiscal Agent and the Borrower hereby agree to amend this Regulatory Agreement to the extent required, in the opinion of Bond Counsel (subject to the approval of the City Attorney of the City), in order that interest on the Note remains Tax-exempt. The party or parties requesting such amendment shall notify the other parties to this Regulatory Agreement of the proposed amendment, with a copy of such requested amendment to Bond Counsel and the City Attorney of the City and a request that such Bond Counsel render to the City an opinion as to the effect of such proposed amendment upon the Tax-exempt status of interest on the Note.

Section 23. Notices. Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery, certified or registered mail, postage prepaid, return receipt requested, at the addresses specified below, or at such other addresses as may be specified in writing by the parties hereto:

If to City: City of Los Angeles
c/o Los Angeles Housing and Community Investment
Department
8th Floor
1200 West 7th Street
Los Angeles, CA 90017
Attention: Supervisor, Affordable Housing Bond
Program
HIMS# 19-[]
Facsimile: (213) 808-8918

with a copy to: Los Angeles Housing and Community Investment
Department
P.O. Box 532729
Los Angeles, CA 90053-2729
HIMS# 19-[]
Attention: Supervisor, Affordable Housing Bond
Program

If to Borrower: Montclair LA LP
c/o PATH Ventures
340 North Madison Avenue
Los Angeles, CA 90004
Attention: Executive Director

and(which shall not
constitute notice to

Borrower)	Bocarsly, Emden, Cowan, Esmail & Arndt LLP 633 West Fifth Street, 64 th Floor Los Angeles, CA 90071 Attention: Lance Bocarsly Facsimile: (213) 239-8088
with a copy to Equity Investor:	[Equity Investor] [ADDRESS]
	Attention: [_____]
with a copy to:	[Equity Investor Counsel] [Address]
	Attention: Facsimile: ()
If to the Fiscal Agent:	[FISCAL AGENT] [ADDRESS]
	Attention: Ref: LA MF (PATH Villas Montclair-Gramercy 2019P) Facsimile: () __-__
If to CDLAC:	California Debt Limit Allocation Committee Room 311 915 Capitol Mall Sacramento, CA 95814 Attention: Executive Director

Notice shall be deemed given three Business Days after the date of mailing.

A duplicate copy of each notice, certificate or other communication given hereunder by any party hereto to another party hereto shall also be given to all of the parties specified above. Failure to provide any such duplicate notice pursuant to the foregoing sentence, or any defect in any such duplicate notice so provided shall not constitute a default hereunder. All other documents required to be submitted to any of the foregoing parties shall also be submitted to such party at its address set forth above. Any of the foregoing parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, documents or other communications shall be sent.

Section 24. Severability. If any provision of this Regulatory Agreement or if the applicability of any such provision shall be invalid, illegal or unenforceable, the validity, legality,

enforceability, or the applicability with respect to the validity, legality and enforceability, of the remaining portions hereof shall not in any way be affected or impaired thereby.

Section 25. Multiple Counterparts. This Regulatory Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Section 26. Nondiscrimination and Affirmative Action. The Fiscal Agent and the Borrower shall comply with the applicable nondiscrimination and affirmative action provisions of the laws of the United States of America, the State of California, and the City. The Fiscal Agent and the Borrower shall not discriminate in its employment practices against any employee or applicant for employment; denial of family and medical care leave; denial of pregnancy disability leave or reasonable accommodations against any employee or applicant for employment because of such person's race, ancestry, color, citizenship, national origin, religion, sex, sexual orientation, gender identity/expression, transgender status, age, marital status, familial status, domestic partner status, physical handicap, mental disability, medical condition, political affiliation or belief. The Fiscal Agent and the Borrower shall comply with Executive Order 11246, entitled "Equal Employment Opportunity," as amended by Executive Order 11375, and as supplemented in Department of Labor regulations (41 C.F.R. Part 60). The Fiscal Agent and the Borrower shall comply with the provisions of the Los Angeles Administrative Code Sections 10.8 through 10.13, to the extent applicable hereto. The affirmative action program of the Fiscal Agent and the Borrower shall include the mandatory contract provisions set forth in the Los Angeles Administrative Code Section 10.8.4, and said provisions are incorporated herein by this reference. The Borrower and the Fiscal Agent shall also comply with all rules, regulations, and policies of the City of Los Angeles' Board of Public Works, Office of Contract Compliance relating to nondiscrimination and affirmative action, including the filing of all forms required by the City. Any subcontract entered into by the Borrower or Fiscal Agent relating to this Regulatory Agreement, to the extent allowed hereunder, shall be subject to the provisions of this Section. No person shall on the grounds of race, ancestry, color, citizenship, national origin, religion, sex, sexual orientation, gender identity/expression, transgender status, age, marital status, familial status, domestic partner status, physical handicap, mental disability, medical condition, political affiliation or belief be excluded from participation in, be denied the benefit of, or be subjected to discrimination under this Regulatory Agreement. For purposes of this Section, Title 24 Code of Federal Regulations Part 107 and Section 570.601(b) define specific discriminatory actions that are prohibited and corrective action that shall be taken in a situation as defined therein.

Section 27. Business Tax Registration Certificate. Subject to any exemption available to it, the Fiscal Agent and the Borrower each represent that it will obtain and hold 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). For the term covered by this Regulatory Agreement, each of the Fiscal Agent and the Borrower shall maintain, or obtain as necessary, all such Business Tax Registration Certificates required of it under said Ordinance and shall not allow any such Business Tax Registration Certificate to be revoked or suspended.

Section 28. Financial Obligations Personal to Borrower. The City acknowledges that the Project shall be encumbered by the Note Documents. Notwithstanding any provisions of this

Regulatory Agreement to the contrary, all obligations of the Borrower under this Regulatory Agreement for the payment of money and all claims for damages against the Borrower occasioned by breach or alleged breach by the Borrower of its obligations under this Regulatory Agreement, including indemnification obligations, shall not be a lien on the Project and no Person shall have the right to enforce such obligations other than directly against the Borrower as provided in Section 18 of this Regulatory Agreement, except that the City shall have the right at all times to enforce the rights contained in the third paragraph of Section 18 hereof. No subsequent owner of the Project shall be liable or obligated for the breach or default of any obligations of the Borrower under this Regulatory Agreement on the part of any prior Borrower, including, but not limited to, any payment or indemnification obligation. Such obligations are personal to the Person who was the Borrower at the time the default or breach was alleged to have occurred and such Person shall remain liable for any and all damages occasioned thereby even after such Person ceases to be the Borrower. Each Borrower shall comply with and be fully liable for all obligations of an “owner” hereunder during its period of ownership.

Section 29. [Reserved].

Section 30. Child Support Assignment Orders. This Regulatory Agreement is subject to Section 10.10 of the Los Angeles Administrative Code, Child Support Assignment Orders Ordinance. Pursuant to this Ordinance, each of the Borrower and the Fiscal Agent certifies that (a) it will fully comply with all State and federal employment reporting requirements applicable to Child Support Assignment Orders; (b) the principal owner(s) of the Borrower are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally; (c) it will fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code Section 5230 et seq.; and (d) it will maintain such compliance throughout the term of this Regulatory Agreement. Pursuant to Section 10.10.b of the Los Angeles Administrative Code, failure of the Borrower or the Fiscal Agent to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment Orders and Notices of Assignment or the failure of any principal owner(s) of the Borrower or the Fiscal Agent to comply with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally shall constitute a default by the Borrower or the Fiscal Agent, as appropriate, under the terms of this Regulatory Agreement, subjecting (i) the Borrower to the remedies provided herein and (ii) the Fiscal Agent to termination under the Bank Loan Agreement where, in either case, such failure shall continue for more than 90 days after notice of such failure to the Borrower or the Fiscal Agent by the City. Any subcontract entered into by the Borrower or the Fiscal Agent relating to this Regulatory Agreement, to the extent allowed hereunder, shall be subject to the provisions of this paragraph and shall incorporate the provisions of the Child Support Assignment Orders Ordinance. Failure of the Borrower or the Fiscal Agent to obtain compliance of its subcontractors shall constitute a default by the Borrower or the Fiscal Agent, as appropriate, under the terms of this Regulatory Agreement, subjecting (A) the Borrower to the remedies provided herein and (B) the Fiscal Agent to termination under the Bank Loan Agreement where such failure shall continue for more than 90 days after notice of such failure to the Borrower or the Fiscal Agent by the City.

The Borrower and the Fiscal Agent shall comply with the Child Support Compliance Act of 1998 of the State of California Employment Development Department. The Borrower and the Fiscal Agent each assures that to the best of its knowledge it is fully complying with the earnings

assignment orders of all employees, and is providing the names of all new employees to the New Hire Registry maintained by the Employment Development Department as set forth in subdivision (b) of Section 7110 of the Public Contract Code.

Section 31. Americans with Disabilities Act. Each of the Borrower and the Fiscal Agent hereby certifies that it and any contractor and subcontractor will comply with the Accessibility Laws (as defined in Exhibit I). The Borrower and any contractor and subcontractor 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 applicable provisions of the ADA, the ADAAG, Section 504, the UFAS, the FHA (each as defined in Exhibit I) and all subsequent amendments. The Borrower, the Fiscal Agent and each and any contractor and subcontractor will not discriminate against persons with disabilities or against persons due to their relationship to or association with a person with a disability. Any contract and subcontract entered into by the Borrower or the Fiscal Agent, relating to this Regulatory Agreement and the Project, to the extent allowed hereunder, shall be subject to the provisions of this paragraph. The Borrower hereby agrees to observe all of the covenants contained in Exhibit I to this Regulatory Agreement as if contained herein.

Section 32. Slavery Disclosure Ordinance. This Regulatory Agreement is subject to the Slavery Disclosure Ordinance, Section 10.41 of the Los Angeles Administrative Code, as it may be amended from time to time. The Borrower hereby agrees to execute and deliver a certificate in the form attached hereto as Exhibit H (or such other form as is required by the City) certifying that it has complied with the applicable provisions of this Ordinance. The Borrower acknowledges that failure to fully and accurately complete the affidavit may result in a default under this Regulatory Agreement.

Section 33. Requirements of CDLAC. In addition to other requirements set forth herein and to the extent not prohibited by the requirements set forth in Sections 2 through 6 hereof, the Borrower hereby agrees to comply with each of the requirements of CDLAC set forth in this Section 33, as follows:

(a) The Borrower shall comply with the conditions set forth in Exhibit A to the CDLAC Resolution (the “CDLAC Conditions”), as they may be modified or amended from time to time, which conditions are incorporated herein by reference and made a part hereof and is attached hereto as Exhibit G. Notwithstanding anything to the contrary herein, the provisions of this Section 33 shall remain effective for the period specified in the CDLAC Conditions, unless this Regulatory Agreement shall terminate as otherwise provided in Section 14 hereof.

(b) The Borrower acknowledges that the City shall monitor the Borrower’s compliance with the terms of the CDLAC Conditions. The Borrower will cooperate fully with the City in connection with such monitoring and reporting requirements as provided herein. Compliance with the terms of the CDLAC Conditions not contained within this Regulatory Agreement, but referred to in the CDLAC Conditions is the responsibility of the Borrower to report to the City.

(i) The Borrower shall prepare and deliver a Certificate of CDLAC Program Compliance pursuant to the terms of the CDLAC Conditions. The Borrower acknowledges that the Borrower will prepare and submit to the City not later than January 15 of each year, and the City will submit to CDLAC not later than March 1 of each year, until the Borrower has submitted to the City and CDLAC a Construction Completion Certificate, and on March 1 every three years thereafter (such that the next succeeding year shall be the beginning of each such three-year period) until the end of the term of the CDLAC Conditions, a Certificate of CDLAC Program Compliance, executed by an Authorized Borrower Representative.

(ii) The Borrower shall prepare and deliver a Self-Certification Certificate pursuant to the terms of the CDLAC Conditions. The Borrower acknowledges that the Borrower will prepare and submit to the City, not later than January 15 of each year, and the City will submit to CDLAC, not later than March 1 of each year, until the Borrower has submitted to the City and CDLAC a Construction Completion Certificate, and on March 1 every three years thereafter (such that the next succeeding year shall be the beginning of each such three-year period) until the end of the term of the CDLAC Conditions, a Self-Certification Certificate in the form provided by CDLAC.

(iii) Within 30 days following the completion of the Project, the Borrower will prepare and submit to the City, Fiscal Agent and CDLAC, a Construction Completion Certificate. Following the submission of the Construction Completion Certificate, the Borrower will prepare and submit to the City, not later than January 15 every three years thereafter until the end of the Compliance Period, a California Tax Credit Allocation Committee Project Status Report or equivalent documentation in substantially the form required or otherwise provided by CDLAC from time to time.

(c) Except as otherwise provided in Section 14 of this Regulatory Agreement, this Regulatory Agreement shall terminate on the date 55 years after the date on which at least 50% of the units in the Project are first occupied or such later date as the Qualified Project Period shall begin, as required by the CDLAC Conditions.

(d) The Borrower shall notify CDLAC in writing of: (i) any change in ownership of the Project, (ii) any change in the issuer of the Note, (iii) any change in the name of the Project or the Project manager; (iv) any default under the Bank Loan Agreement, the Loan Agreement or this Regulatory Agreement; or (v) termination of this Regulatory Agreement.

(e) Any of the foregoing requirements of CDLAC contained in this Section 33 may be expressly waived by CDLAC, in its sole discretion, in writing, but (i) no waiver by CDLAC of any requirement of this Section 33 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement except to the extent the City has received an opinion of Bond Counsel that any such provision is not required by the Code, the Act and the Law and may be waived without adversely affecting the exclusion from

gross income of interest on the Note for federal income tax purposes; and (ii) any requirement of this Section 33 shall be void and of no force and effect if the City and the Borrower receive a written opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Note to cease to be Tax-exempt or to the effect that compliance with such requirement would be in conflict with the Code, the Act, the Law or any other state or federal law.

(f) CDLAC is intended to be and is a third-party beneficiary of this Regulatory Agreement, and CDLAC shall have the right (but not the obligation) to enforce, separately or jointly with the City and/or the Fiscal Agent or to cause the City or the Fiscal Agent to enforce, the provisions of Section 33 of this Regulatory Agreement and to pursue an action for specific performance of such provisions or other available remedy at law or in equity in accordance with Section 18 hereof, provided that any such action or remedy shall not materially adversely affect the interests and rights of the Noteholder and shall otherwise be subject to the terms, conditions and limitations applicable to the enforcement of remedies under this Regulatory Agreement.

(g) CDLAC shall have the right, but not the obligation, to deliver revised CDLAC Conditions to the Borrower after the Closing Date, at any time, that are not more restrictive than the original CDLAC Conditions; provided however, that, with the prior written consent of the Funding Lender, which will not be unreasonably withheld: (i) any changes in the terms and conditions of the CDLAC Conditions prior to the recordation against the Project in the real property records of Los Angeles County, California, of a regulatory agreement between the Borrower and the California Tax Credit Allocation Committee ("TCAC Regulatory Agreement") shall be limited to such changes as are necessary to correct any factual errors or to otherwise conform the CDLAC Conditions to any change in facts or circumstances applicable to the Borrower or the Project; and (ii) after recordation of the TCAC Regulatory Agreement, any changes in the terms and conditions of the CDLAC Conditions shall be limited to such changes as are necessary to conform Items 1, 6, 7, 10, 11, 12, 14, 15, 16, 18, 19, 20, 21, 22, 23, 24, 25, 26, and/or 37 of Exhibit A to the CDLAC Conditions to any change in terms and conditions requested by the Borrower and approved by CDLAC. The City may, in its sole and absolute discretion, require the Borrower to enter into an amendment to this Regulatory Agreement reflecting the revised CDLAC Conditions, which amendment shall be executed by the parties hereto or their successor in title and duly recorded in the real property records of the County of Los Angeles. The Borrower shall pay any costs and expenses in connection therewith and provide CDLAC with a copy of that recorded amendment reflecting the revised CDLAC Conditions.

Section 34. Pet Ownership In Publicly-Financed Housing Developments. The Borrower shall comply with the Pet Ownership in Publicly-Financed Housing Developments Ordinance, Los Angeles Municipal Code Sections 51.20., et seq., as amended from time to time.

Section 35. Disclosure of Border Wall Contracting Ordinance. The Borrower and the Fiscal Agent shall comply with Los Angeles Administrative Code Section 10.50 et seq., "Disclosure of Border Wall Contracting". The City may declare a default under this Regulatory Agreement if the City determines that Fiscal Agent or the Borrower failed to fully and accurately

complete the required affidavit and disclose all Border Wall Bids and Border Wall Contracts, as defined in Los Angeles Administrative Code Section 10.50.1.

Section 36. Disclosure of Contracts and Sponsorship of The National Rifle Association. The Borrower and Fiscal Agent shall comply with Los Angeles Administrative Code Section 10.52 et seq., “Disclosure of Contracts and Sponsorship of the National Rifle Association Ordinance”. The City may declare a default under this Regulatory Agreement at any time if the City determines that the Fiscal Agent or the Borrower failed to fully and accurately complete the required affidavit and disclose all contracts and sponsorships with the National Rifle Association, as defined in Los Angeles Administrative Code Section 10.52.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the City, the Fiscal Agent and the Borrower have executed this Regulatory Agreement by duly authorized representatives, all as of the date first above written.

CITY OF LOS ANGELES, as City

By Los Angeles Housing and Community
Investment Department

By _____
Sean L. Spear
Assistant General Manager

Approved as to form:

CITY OF LOS ANGELES
MICHAEL N. FEUER, City Attorney

Deputy/Assistant City Attorney

[FISCAL AGENT], as Fiscal Agent

By _____
[]
Vice President

[Signature Page to *PATH Villas Montclair-Gramercy* Regulatory Agreement]

MONTCLAIR LA LP, a California limited partnership

By: Montclair GP, LLC, a California limited liability company, its Managing General Partner

By: PATH Ventures, a California nonprofit public benefit corporation, its sole member

By: _____
Amy Anderson
Executive Director

NOTARY ACKNOWLEDGMENT STATEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California _____)

County of _____)

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

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

WITNESS my hand and official seal.

Signature _____

[SEAL]

NOTARY ACKNOWLEDGMENT STATEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California _____)

County of _____)

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

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

WITNESS my hand and official seal.

Signature _____

[SEAL]

NOTARY ACKNOWLEDGMENT STATEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California _____)

County of _____)

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

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

WITNESS my hand and official seal.

Signature _____

[SEAL]

NOTARY ACKNOWLEDGMENT STATEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California _____)

County of _____)

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

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

WITNESS my hand and official seal.

Signature _____

[SEAL]

EXHIBIT A

DESCRIPTION OF PROJECT SITE

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

[TO BE PROVIDED]

APN: [_____]

EXHIBIT B

FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

FOR THE [MONTH/QUARTER] ENDING _____

City of Los Angeles
Multifamily Mortgage Revenue Note
(PATH Villas Montclair-Gramercy)
Series 2019P

The undersigned, being the Authorized Borrower Representative of MONTCLAIR LA LP, a California limited partnership (the "Borrower"), has read and is thoroughly familiar with the provisions of the various loan documents associated with the Borrower's participation in the multifamily housing program of the City of Los Angeles (the "City"), including, without limitation, the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of [_____] 1, 2019 (the "Regulatory Agreement"), among the Borrower, the City and [FISCAL AGENT], as Fiscal Agent relative to the property located at 4220 Montclair Street, Los Angeles, California.

As of the date of this Certificate, the following percentages of completed residential units in the Project (as such term is defined in the Regulatory Agreement) (i) are occupied by Low Income Tenants (as such term is defined in the Regulatory Agreement) or (ii) are currently vacant and being held available for such occupancy and have been so held continuously since the date a Low Income Tenant vacated such unit, as indicated:

Occupied by Low Income Tenants: _____%
Unit Nos. _____ and
size

Held vacant for occupancy continuously
since last occupied by Low Income Tenant: _____%
Unit Nos. _____ and
size

Vacant Units: _____%

Low Income Tenants who commenced
Occupancy of units during the
Preceding [month/quarter]: Unit Nos. ____

Attached is a separate sheet (the "Occupancy Summary") listing, among other items, the following information for each unit in the Project: the number of each unit, the occupants of each unit and the size, in square feet, of each unit. It also indicates which units are occupied by Low

Income Tenants and which units became Low Income Units during the preceding [month/quarter]. The information contained thereon is true and accurate.

The undersigned hereby certifies that: (1) a review of the activities of the Borrower during such [month/quarter] and of the Borrower's performance under the Loan Agreement has been made under the supervision of the undersigned; (2) to the best of the knowledge of the undersigned, based on the review described in clause (1) hereof, the Borrower is not in default under any of the terms and provisions of the above documents [OR DESCRIBE THE NATURE OF ANY DEFAULT IN DETAIL AND SET FORTH THE MEASURES BEING TAKEN TO REMEDY SUCH DEFAULT]; and (3) to the knowledge of the Borrower, no Determination of Taxability (as such term is defined in the Regulatory Agreement) has occurred [OR, IF A DETERMINATION OF TAXABILITY HAS OCCURRED, SET FORTH ALL MATERIAL FACTS RELATING THERETO].

MONTCLAIR LA LP, a California limited partnership

By: **PVH GP, LLC**, a California limited liability company, its Managing General Partner

By: **PATH Ventures**, a California nonprofit public benefit corporation, its sole member

By: _____
Amy Anderson
Executive Director

[Signature Page to *PATH Villas Montclair-Gramercy* Certificate of Program Compliance]

EXHIBIT C

FORM OF INCOME CERTIFICATION

NOTE TO APARTMENT OWNER: This form is designed to assist you in computing Annual Income in accordance with the method set forth in the Department of Housing and Urban Development ("HUD") Regulations (24 C.F.R. Part 5 Subpart F). You should make certain that this form is at all times up to date with the HUD Regulations.

Re: PATH Villas Montclair-Gramercy, 4220 Montclair Street, Los Angeles, California

The undersigned hereby (certify) (certifies) that:

1. This Income Certification is being delivered in connection with the undersigned's application for occupancy of Apartment #_____ in the PATH Villas Montclair-Gramercy located at 4220 Montclair Street, in Los Angeles, California.

2. List all the occupants of the apartment, the relationship (if any) of the various occupants, their ages, and indicate whether they are students (for this purpose, a student is any individual who has been, or will be, a full-time student at an educational institution during five months (whether consecutive or not) of the year in which this application is submitted, other than a correspondence school, with regular facilities and students).

	Occupant	Relationship	Age	Student (Yes or No)	Social Security Number
(a)	_____	_____	_____	_____	_____
(b)	_____	_____	_____	_____	_____
(c)	_____	_____	_____	_____	_____
(d)	_____	_____	_____	_____	_____
(e)	_____	_____	_____	_____	_____
(f)	_____	_____	_____	_____	_____

3. If all of the occupants are students, answer the following questions for each occupant

(a) Is any student listed in paragraph 2 above married and files a joint return for federal income tax purposes? List any such students.

Name(s)

No

Not Applicable

(b) Is any student listed in paragraph 2 above (i) a single parent living with his/her children, (ii) not a dependent of another individual and (iii) whose children are not dependents of an individual other than their parents? List any such students.

Yes	Name(s)	No	Not Applicable
-----	---------	----	----------------

(c) Is any student listed in paragraph 2 above a student receiving assistance under Title IV of the Social Security Act (Temporary Assistance for Needy Families)? List any such students.

Yes	Name(s)	No	Not Applicable
-----	---------	----	----------------

(d) Is any student listed in paragraph 2 above a student enrolled in a job-training program receiving assistance under the Job Training Partnership Act or under other similar federal, State or local laws? List any such students.

Yes	Name(s)	No	Not Applicable
-----	---------	----	----------------

(e) Is any student listed in paragraph 2 a student who was previously under the care and placement responsibility of a foster care program (under part B or E of Title IV of the Social Security Act)? List any such students.

Yes	Name(s)	No	Not Applicable
-----	---------	----	----------------

4. The total anticipated income for each person listed in paragraph 2 above during the 12-month period commencing with the date occupancy will begin including:

full amount, before any payroll deductions, of wages, salaries, overtime, commissions, fees, tips, and bonuses; net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness or any allowance for depreciation of capital assets); interest and dividends (including income from assets excluded below); the full amount of periodic payments from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic payments including any lump sum payment for the delayed start of a periodic payment; payments in lieu of earnings, such as unemployment and disability compensation, workers' compensation and severance pay; all public assistance income; periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; all regular and special pay and allowances of members of the Armed Forces (whether or not living in the dwelling) who are the head of the family or spouse; and any earned income tax credit to the extent that it exceeds income tax liability;

but excluding:

income from employment of children (including foster children) under the age of 18 years; payments received for the care of foster children or foster adults (usually individuals with disabilities, unrelated to the tenant family, who are unable to live alone); lump sum additions to family assets, such as inheritances, insurance payments (including payments

under health and accident insurance and workers' compensation), capital gains and settlement for personal or property losses; amounts which are specifically for reimbursement of medical expenses; amounts of educational scholarships paid directly to the student or the educational institution, and amounts paid to a veteran for use in meeting the costs of tuition, fees, books and equipment, but in either case only to the extent used for such purposes; special pay to a serviceman head of a family who is away from home and exposed to hostile fire; amounts received under training programs funded by HUD; amounts received under Plan to Attain Self-Sufficiency; amounts for out-of-pocket expenditures incurred in connection with other public assistance programs; resident service stipend (not in excess of \$200 per month); amounts from state or local employment training programs; temporary, nonrecurring or sporadic income (including gifts); reparation payments paid by a foreign government to persons who were persecuted during the Nazi era; earnings in excess of \$480 for each full-time student 18 years old or older (excluding head of family and spouse); adoption assistance payments in excess of \$480 per adopted child; deferred periodic payments of supplemental social security income and benefits received in a lump sum; refunds or rebates of property taxes paid on the unit; payments from state agency to allow developmentally disabled family member to stay home; relocation payments under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970; foster child care payments; the value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charged for the allotments; and payments to volunteers under the Domestic Volunteer Service Act of 1973; is as follows:

Occupant	Anticipated Annual Income	Source of Income or Employer
(a) _____ _____	\$ _____	_____
(b) _____ _____	\$ _____	_____
(c) _____ _____	\$ _____	_____
(d) _____ _____	\$ _____	_____
(e) _____ _____	\$ _____	_____
(f) _____ _____	\$ _____	_____
TOTAL	\$ _____	

5.(a) Do the persons whose income or contributions are included in Item 4 above have savings, stocks, bonds, equity in real property or other form of capital investment (excluding the values of necessary items of personal property such as furniture and automobiles and interest in Indian trust land)?

_____ Yes _____ No

(b) Have the persons whose income or contributions are included in Item 4 above disposed of any assets (other than at a foreclosure or bankruptcy sale) during the last two years at less than fair market value?

_____ Yes _____ No

(c) If the answer to (a) or (b) above is yes, does the combined total value of all such assets owned or disposed of by all such persons total more than \$5,000?

_____ Yes _____ No

(d) If the answer to (c) above is yes,

(i) insert the total value of all such assets owned or disposed of
\$ _____; and

(ii) state:

(A) the amount of income expected to be derived from such
assets in the 12-month period beginning on the date of initial occupancy in
the unit that you propose to rent:

\$ _____

(B) the amount of such income, if any, that was included in Item
4 above:

\$ _____

6. Neither myself nor any other occupant of the unit I/we propose to rent is the owner of the rental housing project in which the unit is located (hereinafter, the "Borrower"), has any family relationship to the Borrower or owns directly or indirectly any interest in the Borrower. For purposes of this paragraph, indirect ownership by an individual shall mean ownership by a family member, ownership by a corporation, partnership, estate or trust in proportion to the ownership or beneficial interest in such corporation, partnership, estate or trust held by the individual or a family member and ownership, direct or indirect, by a partner of the individual.

7. This Income Certification is made with the knowledge that it will be relied upon by the Borrower to determine maximum income for eligibility to occupy the unit, and I/we declare that all information set forth herein is true, correct and complete and based upon information I/we deem reliable and that the statement of total anticipated income contained in paragraph 4 is reasonable and based upon such investigation as the undersigned deemed necessary.

8. I/we will assist the Borrower in obtaining any information or documents required to verify the statements made therein, including either an income verification from my/our present employer(s) or copies of federal tax returns for the immediately preceding calendar year.

9. I/we acknowledge that I/we have been advised that the making of any misrepresentation or misstatement (whether or not intentional) in this Income Certification will constitute a material breach of my/our agreement with the Borrower to lease the unit and will entitle the Borrower to prevent my/our occupancy of the unit and will be cause for immediate termination of such lease.

10. The undersigned hereby acknowledge and agree that on or before January 1 (or upon Lease renewal) of each year the undersigned and any other current residents of such apartment will complete and deliver a new Income Certification, in the form then in use, to the Borrower and that the undersigned's rent is subject to increase 30 days after written notice is given to the undersigned stating that the undersigned no longer qualifies as a Lower Income Tenant under the Tax Regulatory Agreement.

11. RESIDENT(S) STATEMENT: I/We certify that the statements are true and complete to the best of my/our knowledge and belief and are given under penalty of perjury. In the event this Income Certification is executed more than five days prior to the date I/we intend to occupy the unit, I/we hereby agree to update and recertify the accuracy of the information herein provided as of the date I/we first occupy the unit:

- (a) _____ Date: _____
- (b) _____ Date: _____
- (c) _____ Date: _____
- (d) _____ Date: _____
- (e) _____ Date: _____
- (f) _____ Date: _____

[The signatures of all persons over the age of 18 years listed in Number 2 above are required]

12. Calculation of Eligible Income:

- (a) Enter the amount entered for entire household in 4 above: \$ _____
- (b) Enter income derived from assets (line 5(d)(2)(A)): \$ _____
- (c) Subtract (b) from (a) \$ _____
- (d) Multiply the amount entered in 5(d)(1) by the current passbook savings rate to determine the total annual earnings on assets [5(d)(1)] if invested in passbook savings.

Passbook rate _____ % X _____ = \$ _____

(e) Enter the greater of (b) or (d) \$ _____

(f) TOTAL ELIGIBLE INCOME (Line (e) + (c)) \$ _____

13. The amount entered in 12(f):

(a) _____ Qualifies the applicant(s) as a Lower Income Tenant(s).

(b) _____ Does not qualify the applicant(s) as Lower Income Tenant(s).

14. Number of apartment unit assigned: _____

Bedroom size: _____ Rent: \$ _____

Tenant-paid Utilities:

Water _____ Gas _____ Electric _____

Trash _____ Other (list type) _____

15. Was this apartment unit last occupied for a period of 31 consecutive days by persons whose aggregate anticipated annual income as certified in the above manner upon their initial occupancy of the apartment unit qualified them as Lower Income Tenants?

_____ Yes _____ No

16. Method used to verify applicant(s) income:

_____ Employer income verification

_____ Social Security Administration verification

_____ Department of Social Services verification

_____ Copies of tax returns

_____ Other (_____)

17. Method used to verify responses, if any, in paragraph 3 of this Income Certification:

_____ Copies of Tax Returns

_____ Evidence of participation in an enumerated program

18. BORROWER'S STATEMENT: Based on the representations herein and upon the proofs and documentation submitted pursuant to paragraph 8 hereof, the family or individual(s)

named in paragraph 2 of this Income Certification is/are eligible under the provisions of the Regulatory Agreement and Declaration of Restrictive Covenants to live in a unit in the Project.

Date _____

Signature of Authorized Borrower
Representative:

By _____

Name _____

Title _____

EXECUTION OF ITEMS 19 AND 20

_____ IS _____ IS NOT NECESSARY.

Initials: _____.

19. If this Income Certification was executed by me/us more than five days prior to my/our occupancy of the unit, I/we hereby update and recertify the accuracy of the information herein provided as of _____, 20____ and state:

_____ (a) No additional information is required to be provided to make this Income Certification true and correct on the date of this certification.

_____ (b) The following information is provided to update the information previously provided in the Income Certification:

[Remainder of page intentionally left blank]

- (a) _____ Date: _____
- (b) _____ Date: _____
- (c) _____ Date: _____
- (d) _____ Date: _____
- (e) _____ Date: _____
- (f) _____ Date: _____

20. **BORROWER'S STATEMENT:** The family or individual(s) named in paragraph 2 of this Income Certification have, pursuant to paragraph 19 hereof, updated and recertified the information heretofore provided as specifically set forth in paragraph 19 hereof.

Date _____

Signature of Authorized Borrower
Representative

By _____
Name _____
Title _____

[Remainder of page intentionally left blank]

INCOME VERIFICATION
(for employed persons)

The undersigned employee has applied for a rental unit located in a project financed by the issuance of a note by the City of Los Angeles for persons of low or moderate income. Every income statement of a prospective tenant must be stringently verified. Please indicate below the employee's current annual income from wages, overtime, bonuses, commissions or any other form of compensation received on a regular basis.

Annual Wages _____

Overtime _____

Bonuses _____

Commissions _____

Total Current Income _____

I hereby certify that the statements above are true and complete to the best of my knowledge.

Date

By _____
Name _____
Title _____

I hereby grant you permission to disclose my income to _____,
in order that they may determine my income eligibility for rental of an apartment located in their
project which has been financed by an issuance of a note by the City of Los Angeles.

Date _____

Signature _____

Please send form to: _____

[Income Verification Signature Page]

INCOME VERIFICATION
(for self-employed persons)

I hereby attach copies of my individual federal and state (if applicable) income tax returns for the immediately preceding calendar year and certify that the information shown in such income tax returns is true and complete to the best of my knowledge.

Date _____

Signature _____

EXHIBIT D

FORM OF ANNUAL TENANT INCOME RECERTIFICATION

CITY OF LOS ANGELES ANNUAL TENANT INCOME RECERTIFICATION

Project name_____

Apartment #_____ Date of Original Certification_____

Resident name_____

TO THE RESIDENT:

This form is a continuation of the City of Los Angeles (the "City") Affordable Housing Program (the "Program") which was previously discussed with you. In order to keep you on the qualifying list, you will need to update the following information each year when you renew your lease. The Borrower is required by the Internal Revenue Code of 1986 and the City to maintain this information in order to maintain the Program.

Household Composition:

- 1) Please list all of those individuals residing in your apartment.
- 2) Please list the anticipated annual income of all occupants of your household who are 18 years of age or older (if housemaker, or unemployed, etc.—please list as such).
- 3) If college or technical school student, please list if full-time or part-time student.

	NAME	SS#	AGE	ANTICIPATED ANNUAL INCOME*	OCCUPATION/STUDENT
1)					
2)					
3)					
4)					
5)					
6)					
7)					

*SEE INCOME DEFINITION ATTACHED TO THIS FORM.

DO YOU OWN OR HAVE YOU ACQUIRED OR HAVE YOU DISPOSED OF ANY ASSETS OVER \$5,000.00 IN THE PAST YEAR?_____

If so, please describe and list amount and annual income expected to be derived from such assets._____

If all persons residing in your apartment are full-time students, please indicate for each such person whether they are: (1) a single parent living with his/her children; (2) a student receiving assistance under Title IV of the Social Security Act (Temporary Assistance for Needy Families); (3) a student enrolled in a job-training program receiving assistance under the Job Training Partnership Act or under other similar federal, state or local laws; (4) a student who was previously under the care and placement responsibility of a foster care program (under part B or E of Title IV of the Social Security Act); or (5) a student who is married and files a joint return. Single parents described in (1) above may not be dependents of another individual and their children may not be dependents of another individual other than their parents.

Please have all occupants over the age of 18 sign this certification.

I/we acknowledge that I/we have been advised that the making of any misrepresentation or misstatement in this declaration will constitute a material breach of my/our agreement with the Borrower to lease the unit and will entitle the Borrower to prevent or terminate my/our occupancy of the unit by institution of an action for ejection or other appropriate proceedings.

I/we declare under penalty of perjury that the foregoing is true and correct.

SIGNATURES:

DATE:

- | | |
|----------|-------|
| 1) _____ | _____ |
| 2) _____ | _____ |
| 3) _____ | _____ |
| 4) _____ | _____ |

MANAGER'S SIGNATURE:

DEFINITION OF INCOME

The full amount, before any payroll deductions, of wages, salaries, overtime, commissions, fees, tips, and bonuses; net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness or any allowance for depreciation of capital assets); interest and dividends (including income from assets excluded below); the full amount of periodic payments from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic payments including any lump sum payment for the delayed start of a periodic payment; payments in lieu of earnings, such as unemployment and disability compensation, workers' compensation and severance pay; all public assistance income; periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; all regular and special pay and allowances of members of the Armed Forces (whether or not living in the dwelling) who are the head of the family or spouse; and any earned income tax credit to the extent that it exceeds income tax liability;

but excluding:

income from employment of children (including foster children) under the age of 18 years; payments received for the care of foster children or foster adults (usually individuals with disabilities, unrelated to the tenant family, who are unable to live alone); lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workers' compensation), capital gains and settlement for personal or property losses; amounts which are specifically for reimbursement of medical expenses; amounts of educational scholarships paid directly to the student or the educational institution, and amounts paid to a veteran for use in meeting the costs of tuition, fees, books and equipment, but in either case only to the extent used for such purposes; special pay to a serviceman head of a family who is away from home and exposed to hostile fire; amounts received under training programs funded by HUD; amounts received under Plan to Attain Self-Sufficiency; amounts for out-of-pocket expenditures incurred in connection with other public assistance programs; resident service stipend (not in excess of \$200 per month); amounts from state or local employment training programs; temporary, nonrecurring or sporadic income (including gifts); reparation payments paid by a foreign government to persons who were persecuted during the Nazi era; earnings in excess of \$480 for each full-time student 18 years old or older (excluding head of family and spouse); adoption assistance payments in excess of \$480 per adopted child; deferred periodic payments of supplemental social security income and benefits received in a lump sum; refunds or rebates of property taxes paid on the unit; payments from state agency to allow developmentally disabled family member to stay home; relocation payments under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970; foster child care payments; the value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charges for the allotments; and payments to volunteers under the Domestic Volunteer Service Act of 1973.

EXHIBIT E

FORM OF CERTIFICATE OF CDLAC PROGRAM COMPLIANCE

1. Project Name Change: No _____ Yes _____

(If project name has changed since the award of allocation, please note the new project name as well as the original project name.)

New: _____ Original: _____

2. CDLAC Application No.: 19-507

3. Bond Issuer Change: No _____ Yes _____

(If Bond Issuer has changed since the award as a result of refinancing or refunding of an allocation, please note the new Issuer as well as the original Issuer.)

New: _____ Original: _____
Address: _____
Phone #: _____
Email: _____

4. Has a termination of the Regulatory Agreement occurred or is a termination planned in the next year?
Has proper noticing occurred?

No _____ Yes _____ *If yes, please describe and explain.*

If your answer is Yes, there is no need to complete the rest of the form. Please submit the form completed through question #4.

5. Change in Borrower: No _____ Yes _____

(If Borrower has changed since the award affecting the CDLAC resolution, please note the new Borrower as well as the original Borrower.)

New: _____ Original: _____
Address: _____
Phone #: _____
Email: _____

6. Change in Management Company: No _____ Yes _____ *(If yes, please provide the following information for the New Management Company.)*

New: _____
Address: _____
Phone #: _____
Email: _____

7. Has the Qualified Project Period commenced? No _____ Yes _____
(If yes, please submit the Certificate of Completion (one time only.))

☐ Already Submitted Certification

8. Has the project been completed and placed in service? No _____ Yes _____
(If yes, please submit the Certificate of Completion (one time only.))

☐ Already Submitted Certification

9. Has any of the following events occurred associated with the bond allocation:
 notices of defaults associated with rents and income requirements, Bond Default or a Qualified Bond Default.

No _____ Yes _____ *If yes, please describe and explain.*

10.

Federally Bond Restricted Units (Reflected in PSR)	Other Restrictions (Reflected in PSR)	Total (Reported in CDLAC Resolution)
_____ at 50% AMI	_____ at 50% AMI	_____ at 50% AMI
_____ at 60% AMI	_____ at 60% AMI	_____ at 60% AMI

Please attach a copy of the project's TCAC Project Status Report (PSR) or equivalent documentation.

11. Please indicate the distribution of the CDLAC restricted 10% of the 50% AMI units.

Bedroom Type	# of Units in PSR	# of Units in CDLAC Resolution
1 Bedroom	_____	_____
2 Bedroom	_____	_____
3 Bedroom	_____	_____

12. If the Project has committed to and is currently providing the service amenities for a term as specified in the CDLAC resolution, please verify the services are being provided: on a regular and ongoing basis, which are provided free of charge and all hour requirements are being met:

- _____ After-school Programs
- _____ Educational, Health and Wellness or skill development classes
- _____ Health and Wellness services and programs (not group classes)
- _____ Licensed Childcare provided for a minimum of 20 hours per week (Monday-Friday)
- _____ Bona-Fide Service Coordinator/Social Worker

Is the service being offered on an ongoing basis and provided free of charge (childcare excluded)?
 No _____ Yes _____

Are all hour requirements being met? No _____ Yes _____

Attach evidence demonstrating that the above listed services are being provided and have met the requirements in the CDLAC Resolution. Including but not limited to MOUs and/or contracts associated with the services rendered, a 12-month schedule (current reporting year) of the services offered, flyers, sign-up sheets, etc.

Pursuant to Section 13 of Resolution No. 19-104 (the “Resolution”), adopted by the California Debt Limit Allocation Committee (the “Committee”) on July 17, 2019, I, _____, an Officer of the Borrower, hereby certify under penalty of perjury that, as of the date of this Certification, the above-mentioned Project is in compliance with the terms and conditions set forth in the Resolution as outlined above. I further certify that I have read and understand the Resolution, which specifies that once the Note is issued, the terms and conditions set forth in the Resolution Exhibit A, shall be enforceable by the Committee through an action for specific performance, negative points, withholding future allocation or any other available remedy.

Signature of Officer

Date

Printed Name of Officer

Phone Number

Title of Officer

EXHIBIT F

FORM OF CONSTRUCTION COMPLETION CERTIFICATE

1) Project Name: PATH Villas Montclair-Gramercy

(If project name has changed since the award of allocation, please note the original project name as well as the new project name and request a change in the CDLAC Resolution.)

Original: _____

2) CDLAC Application No.: 19-507

3) Name of Bond Issuer: City of Los Angeles

4) Name of Borrower: MONTCLAIR LA LP

(If Borrower has changed name since the award, please note the original Borrower as well as the new Borrower and request a change in the CDLAC Resolution.)

Original: _____

5) The undersigned hereby certifies that all work on the Project was substantially completed as of _____, 20____.

The undersigned hereby further certifies that:

(a) the aggregate amount disbursed on the Loan to date is \$[_____]

(b) all amounts disbursed from proceeds of the Note have been applied to pay or reimburse the undersigned for the payment of Project Costs (as that term is used in the Regulatory Agreement) and none of the amounts disbursed from the proceeds of the Note have been applied to pay or reimburse any party for the payment of costs or expenses other than Project Costs; and

(c) at least 95 percent of the amounts disbursed from the proceeds of the Note have been applied to pay or reimburse the Borrower for the payment of Qualified Project Costs (as that term is used in the Regulatory Agreement) and less than 25% of the amounts disbursed from the proceeds of the Note, exclusive of amounts applied to pay the costs of issuing the Note, have been applied to pay or reimburse the Borrower for the cost of acquiring land.

6) The undersigned hereby certifies the Project meets the general federal rule for a Qualified Project Period.

No _____ Yes _____

(a) 10% of the dwelling units in the Project financed in part from the proceeds of the Note were first occupied on _____, 20____ and

(b) 50% of the dwelling units in the Project financed in part from the proceeds of the Note were first occupied on _____, 20____.

7) If no to (6), the undersigned hereby certifies the Project meets the special federal rule for a Qualified Project Period.

No _____ Yes _____

(Project qualifies if it is an acquisition/rehabilitation where no more than 90% of the units were not available for occupancy within 60 days of the earlier of the Project acquisition or the Note issuance date.)

(a) Note was issued on _____, 20____

(b) Property was acquired on _____, 20____

(c) The date 10% of the units were available to occupy (within 60 days of the earlier of the acquisition or bond issuance) is _____, 20____

Signature of Officer

Date

Printed Name of Officer

Title of Officer

Phone Number

EXHIBIT G
CDLAC RESOLUTION

EXHIBIT H

FORM OF SLAVERY DISCLOSURE ORDINANCE CERTIFICATE

EXHIBIT I

ACCESSIBILITY COVENANTS

The Accessibility Covenants (the “Covenants”) herein are attached to the Regulatory Agreement as an exhibit and the Borrower hereby agrees to comply with each of the requirements of the City of Los Angeles (“City”) set forth as follows:

Section 1. Definitions. Terms not otherwise defined herein shall have the meanings assigned thereto in the Regulatory Agreement as applicable, provided they do not conflict with the terms defined or referenced herein. The definitions contained in the implementing regulations for Section 504 of the Fair Housing Act (“Section 504”) and the ADA are incorporated by reference. *See* 24 C.F.R. §§ 8.3, 100.20; 28 C.F.R. § 35.104. The following terms shall have the respective meanings assigned to them in this Section unless the context in which they are used clearly requires otherwise:

“Accessible,” when used with respect to a Housing Unit or a Housing Development, means and refers to full compliance with the requirements of the Accessibility Standards.

“Accessible Housing Development” means a Housing Development that is Accessible, including Accessible public and common use areas, as well as the number and type of Accessible Housing Units that are required to be Accessible by the Covenants.

“Accessible Housing Units” or “Accessible Unit” refers collectively to Housing Units with Mobility Features and Housing Units with Hearing/Vision Features that are Accessible, on an Accessible Route, and in an Accessible Housing Development.

“Accessibility Laws” means Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. § 794 et seq.; the Americans with Disabilities Act (“ADA”), 42 U.S.C. § 12131, et seq.; California Government Code Section 11135 et seq.; the federal Fair Housing Act of 1968, as amended (“Fair Housing Act”), 42 U.S.C. §§ 3601-3620; implementing regulations and design standards for each of the preceding statutes; and the California Building Code. In all instances, the requirements of the federal Accessibility Laws shall supersede any state or local requirements, unless the state or local requirements are stricter than the federal requirements.

“Accessibility Standards” means the following compliance standards:

For purposes of Section 504 and the ADA:

- a. For Housing Developments constructed or substantially altered before March 15, 2012:
 - i. The new construction requirements of 24 C.F.R. pt. 8, including 24 C.F.R. §§ 8.4(d), 8.22, 8.26, and 8.32 as well as the new construction requirements of UFAS, or their successor standards.
- b. For Housing Developments constructed or substantially altered on or after March 15, 2012:

- i. The Alternative Accessibility Standard; or
- ii. Any future accessibility standard and other regulatory requirements applicable to newly constructed facilities in federally-assisted programs that may be adopted in a final rule issued by the U.S. Department of Housing and Urban Development (“HUD”) pursuant to notice and comment rulemaking under Section 504 so long as such accessibility standard and regulatory requirements do not provide for less accessibility for persons with disabilities than either Subsections (a) or (b)(i);

For purposes of the Fair Housing Act:

- a. Compliance with the standards set forth in 24 C.F.R. § 100.205, including: the requirements in ANSI A117.1-1998 and the Fair Housing Accessibility Act Design Manual, Revised April 1998.

For purposes of state law:

- a. The accessibility provisions of the California Building Code Chapters 11A and 11B, or any future accessibility standard and other regulatory requirements applicable to newly constructed facilities adopted as part of the California Building Code; and
- b. All applicable building codes in effect for the City of Los Angeles Building and Safety Department.

“Accessible Route” means and refers to a continuous, unobstructed UFAS-compliant path as prescribed in 24 C.F.R. §§ 8.3 and 8.32 and UFAS § 4.3. As used for purposes of the ADA, an Accessible Route is as described in Chapter 4 of the 2010 Standards for Accessible Design, 28 C.F.R. §§ 35.104, as applied to public entities, except that elevator exceptions do not apply.

“Alternative Accessibility Standard” means and refers to the alternative accessibility standard for new construction set out in HUD’s notice at 79 Fed. Reg. 29,671 (May 23, 2014), when used in conjunction with the new construction requirements of HUD’s regulations at 24 C.F.R. pt. 8, 24 C.F.R. § 8.22, and the new construction requirements of 28 C.F.R. pt. 35, including the 2010 Standards for Accessible Design as defined in 28 C.F.R. § 35.104 and as applied to public entities (excluding any elevator exceptions).

“Assistance Animals” means and refers to animals that work, provide assistance, or perform tasks for the benefit of a person with a disability as well as animals that provide emotional support that alleviates one or more identified symptoms or effects of a person’s disability. Assistance Animals are not pets and are not subject to a housing provider’s pet policies. Service animals are one type of Assistance Animal. Assistance Animals include animals that are trained and untrained and include dogs and other animals.

“Fair Housing Policy Related to Disability” means the documents containing the policies

of the City, as amended periodically, that ensure all Housing Developments be constructed and operated in accordance with all applicable Accessibility Laws, including federal accessibility requirements. The current policies can be accessed on the City's Accessible Housing Program Website.

“Housing Development” or “Development” means the whole of one or more residential structures and appurtenant structures, equipment, roads, walks, and parking lots that (1) received or will receive any federal financial assistance from or through the City and/or (2) were, are, or will be designed, constructed, altered, operated, administered, or financed in connection with a program administered by the City or by its subrecipients.

“Housing Unit” means a single unit of residence in the Housing Development that provides spaces for living, bathing, and sleeping, provided such definition shall not be construed to exclude Single Room Occupancy Units. A Housing Unit includes a dwelling unit as that term is used in 24 C.F.R. § 8.22.

“Housing Unit with Hearing/Vision Features” means a Housing Unit that complies with 24 C.F.R. §§ 8.22 and 8.23 and all applicable provisions of UFAS, or the comparable provisions of the Alternative Accessibility Standard including but not limited to § 809 and specifically subsection § 809.5 of the 2010 ADA Standards for Accessible Design, and with the California Building Code Chapters 11A & 11B. Hearing/Vision Features include but are not limited to visual alarms (UFAS §§ 4.34.10, 4.28.3), auxiliary alarms (UFAS §§ 4.34.10, 4.28.4), telephone volume controls and hearing aid compatibility (UFAS § 4.31.5), protections against protruding objects (UFAS § 4.4), stairway requirements (UFAS §§ 4.9, 4.26.4), protections against exposed pipes and surfaces (UFAS §§ 4.19.4, 4.24.6, 4.34.6.5(8)), audible alarms (UFAS § 4.28.2), signage (UFAS § 4.30), push button controls for telephones (UFAS § 4.31.6), consumer information (UFAS § 4.34.4), and range, cooktop, and oven controls (UFAS §§ 4.34.6.6, 4.34.6.7).

“Housing Unit with Mobility Features” means a Housing Unit that is located on an Accessible Route and complies with 24 C.F.R. §§ 8.22 and 8.23 and all applicable provisions of UFAS, or the comparable provisions of the Alternative Accessibility Standard including but not limited to § 809 and specifically subsections §§ 809.2 through 809.4 of the 2010 ADA Standards, and with the California Building Code Chapter 11 B. A Housing Unit with Mobility Features can be approached, entered and used by persons with mobility disabilities, including people who use wheelchairs.

“Reasonable Accommodation” means changes, modifications, exceptions, alterations, or adaptations in rules, policies, practices, programs, activities that may be necessary to (1) provide a person with a disability an equal opportunity to use and enjoy a dwelling, including public and common use areas of a development, (2) participate in, or benefit from, a program (housing or non-housing), service or activity; or (3) avoid discrimination against a person with a disability.

“Reasonable Modification” means physical or structural changes to the unit, building, or premises that are needed for a person with a disability to have equal opportunity to use and enjoy a dwelling.

“Subrecipient” means and refers to any public or private agency, institution, organization,

or other entity or person to which federal financial assistance or financial assistance from or through the City is extended. A Subrecipient also means and refers to a non-federal entity that receives a sub-award from a pass-through entity to carry out part of a federal program, but does not include an individual who is a beneficiary of such program. A Subrecipient may also be a recipient of other federal awards from a federal awarding agency. 2 C.F.R. § 200.93. A Subrecipient may also be the Borrower.

“UFAS” means the Uniform Federal Accessibility Standards and refers to a set of scoping requirements and standards for the design and construction of buildings and facilities to ensure that they are readily accessible to and usable by persons with disabilities. See Appendix A to 24 C.F.R. subpart 40 for residential structures and Appendix A to 41 C.F.R. subpart 101-19.6 for general-type buildings (UFAS is also available online at <http://www.access-board.gov>).

Section 2. Borrower Obligations. The Borrower represents, warrants, covenants and agrees as follows:

- a. A State of California Certified Access Specialist (“CASp”) who is a licensed architect or engineer must be identified as part of the development team. A list of CASps can be found at the following link: https://www.apps2.dgs.ca.gov/DSA/casp/casp_certified_list.aspx. The CASp cannot be the architect of record for the project. The cost of CASp activities and certifications should be included in the application’s project budget.
- b. The Housing Development shall be constructed in accordance with the Accessibility Standards in Section 1 above to ensure accessibility for persons with disabilities. The Borrower must work with their CASp to ensure that the Housing Development complies with those Accessibility Standards.
- c. An accessibility report by a CASp inspector certifying that the Housing Development is in compliance with all applicable Accessibility Standards, as defined in Section 1, above, must be submitted to and approved by the Los Angeles Housing and Community Investment Department (“HCIDLA”) at the following phases of the project development:
 1. Accessibility Design Review Report and a pdf copy of the plans are due for review by HCIDLA when construction documents have been developed, and prior to the submission of plans to the Los Angeles Building and Safety Department;
 2. The Accessibility Design Review Report must be approved by HCIDLA before building permits can be issued;
 3. Accessibility Progress Inspection Reports conducted after all rough inspections have been signed off by the Los Angeles Building and Safety Department and prior to closing of walls; and

4. The Final Accessibility Report at completion of construction must be approved by HCIDLA before: (a) final retention payment; (b) certificate of occupancy; and (c) final building permit can be signed off by the Los Angeles Building and Safety Department.
- d. Applicants/developers/Borrowers must list all applicable accessibility standards on title page of plans, including the designated Fair Housing Act safe harbor for the Project, and include the following note: *“This is a publicly funded housing project and must comply with federal accessibility standards and California Building Code Chapters 11A & 11B.”*
- e. If the Development is to be rehabilitated, accessibility retrofits of the Housing Development shall take place concurrently with any project rehabilitation in compliance with the Accessibility Standards, including federal accessibility standards.
- f. The Accessible Units shall be prioritized for persons with disabilities who have a disability-related need for the accessibility features of the Accessible Unit.
- g. At least eleven percent (11%) of the total Housing Units in the Housing Development shall be constructed and maintained by the Borrower as Housing Units with Mobility Features.
- h. At least four percent (4%) of the total Housing Units in the Housing Development shall be constructed and maintained by the Borrower as Housing Units with Hearing/Vision Features.
- i. The 4% and 11% calculations shall each be based on the total number of Housing Units in the Housing Development. In determining the number of Accessible Units required, any fractions of units shall be rounded up to the next whole number. Required Accessible Units shall, to the maximum extent feasible and subject to reasonable health and safety requirements, be distributed throughout projects and sites, and shall be available in a sufficient range of sizes and amenities so that a qualified individual with a disability has a choice of living arrangements that is, as a whole, comparable to that of other persons eligible for housing assistance under the same program.
- j. The Accessible Units shall be affordable for households pursuant to the terms of the Loan Agreement and the Regulatory Agreement, including any and all amendments, revisions, or modifications.
- k. The Housing Development shall comply with the City’s Accessibility Regulations Matrix & Overview, Accessible Design/Construction Compliance Requirements, and the Accessibility Report Requirements, which may be amended from time-to-time.

- l. The Borrower shall adopt and comply with the City's Fair Housing Policy Related to Disability, which may be amended from time to time.
- m. The Borrower and property managers (including resident managers and on-site managers) of the Housing Development shall attend the City's Fair Housing for People with Disabilities workshops.
- n. The Borrower shall register the Housing Development on the City's Online Accessible Housing Registry, provide and update required information about the Housing Development and the Accessible Units, allow people with disabilities to apply for the Accessible Units when they become available and to place themselves on the waiting list for the Accessible Units, and comply with all other requirements of the Online Accessible Housing Registry.
- o. Following reasonable notice to the Borrower, Borrower shall allow the City to conduct periodic on-site inspections of the Housing Development in order to verify compliance with the Accessibility Standards and the City's Fair Housing Policy Related to Disability.
- p. The Housing Development as a whole and all Housing Units shall meet the requirements of the Accessibility Standards as defined in Section 1, above, and any requirements of the City, provided such requirements minimally meet and do not diminish the requirements of the Accessibility Standards.
- q. The Borrower shall provide a list to the City of all Accessible Units with unit number, bedroom size and type of Accessible Unit ("Housing Unit with Hearing/Vision Features" or "Housing Unit with Mobility Features").

Section 3. Occupancy of Accessible Housing Units. The Borrower shall follow the requirements of Section 504 and its implementing regulations at 24 C.F.R. Part 8, as well as the City's Fair Housing Policy Related to Disability to assure that information regarding the availability of Accessible Units reaches eligible individuals with disabilities. The Borrower will take reasonable, nondiscriminatory steps to maximize the utilization of such units by eligible individuals who require the accessibility features of the particular unit. To this end, the Borrower will take the following steps when an Accessible Unit becomes vacant:

- a. First, the Borrower will offer the Accessible Unit to a current occupant of the Housing Development who has requested and needs the features of an Accessible Unit;
- b. Second, the Borrower will offer the Accessible Unit to a current occupant of a Housing Development under common control who has requested and needs the features of an Accessible Unit;
- c. Third, the Borrower will offer the Accessible Unit to an eligible, qualified applicant on the waiting list for Accessible Housing Units who needs the

features of an Accessible Unit;

- d. Fourth, the Borrower will make reasonable efforts to advertise the Accessible Unit to qualified individuals who need the accessible features, including listing it as available to individuals who need the accessible features at <http://www.Housing.LACity.org>, distributing the information about the accessible vacancy in accord with the Borrower's City approved Property Management Plan, distributing it to the most recent list from the City of organizations that serve people with disabilities, and sending an e-blast to parties on the Housing.LACity.org website Outreach List. All such communications shall take appropriate steps to ensure effective communication with individuals with disabilities by utilizing appropriate auxiliary aids and services, such as the use of accessible websites and emails. Outreach efforts to the disability community shall include, but not be limited to, notices and other communications describing the availability of such Accessible Units, specific information regarding the features of Accessible Units, eligibility criteria, and application procedures. These, and additional procedures, are incorporated into the City's Fair Housing Policy Related to Disability, which may be amended from time to time.

In the event more than one household has requested an Accessible Unit, the Borrower shall offer the Accessible Unit to households in order on the appropriate waiting list within each category.

If, after using the process identified above, there are no households who need the features of that Accessible Unit, then the Borrower may offer the Accessible Unit to the next household on the conventional waiting list. Should that household choose not to occupy the Accessible Unit, they will remain at the same position on the conventional waiting list. If the household chooses to occupy the Accessible Unit, the tenant must sign a lease addendum in the form approved by the City. The lease addendum requires the household to move to the next available, comparable, conventional unit, when given appropriate notice by the Housing Development that there is an eligible applicant or existing resident with a disability who requires the accessibility features of that Accessible Unit.

For individuals who are required to vacate an Accessible Unit because it is needed by an individual with a disability, the Borrower will pay the costs of the transfer to a comparable conventional unit, including new utility deposit(s), if required, and reasonable moving expenses.

Section 4. Rental Policies. The Borrower shall adopt rental policies that meet the requirements of Section 504, the ADA, the Fair Housing Act, FEHA, and other federal and state laws and regulations as applicable, and of the Fair Housing Policy Related to Disability of the City, as amended from time to time. The Borrower shall develop and utilize a Property Management Plan ("PMP"), approved by the City, which describes affirmative marketing, tenanting, and other procedures to ensure that the Housing Development meets all of the civil rights requirements for individuals with disabilities.

Rental applications will include a section to be filled out by applicants to identify whether

they are requesting an accommodation or modification. Applicants will not be required to disclose a disability under any circumstances, and the Borrower shall seek information to be disclosed limited to only what is necessary to establish the disability-related need for the requested accommodation or modification.

Section 5. Residential Rental Property. The Borrower hereby represents, covenants, warrants and agrees as follows:

- a. All of the Housing Units in the Housing Development will be similarly constructed units, and each income restricted unit in the Housing Development will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities, equipped with a cooking range and oven, a sink and a refrigerator. Each of the Accessible Units shall also comply with these requirements. Notwithstanding the foregoing, a unit shall not fail to be treated as a residential unit merely because such unit is a single room occupancy unit within the meaning of Section 42(i)(3)(B)(iv) of the Code even though such housing may provide eating, cooking and sanitation facilities on a shared basis.
- b. All of the Housing Units (which shall not include any manager units) will be available for rental on a continuous basis to members of the general public, and the Borrower will not give preference to any particular class or group in renting the housing units in the Housing Development, except to the extent that: (1) Accessible Housing Units shall be made available on a priority basis to persons who need the accessible features, as described in Section 3 above; (2) any Housing Units are required to be leased or rented to low income tenants or persons [62] years of age and older, (3) the requirements of any regulatory agreement executed between the Borrower and HUD or between the Borrower and a subordinate lender (including the City), (4) the requirements of any Section 8 Housing Assistance Payments Contract with respect to the Project, and (5) any preference the Borrower may legally provide pursuant to applicable federal and state law.

Section 6. Monitoring Requirements. The City will monitor the initial production and ongoing occupancy of the Accessible Units and the Housing Development to ensure full compliance with the Accessibility Standards, the Fair Housing Policy Related to Disability and the policies in Sections 1 - 4, above. In order to determine compliance with the Accessibility Standards, the Borrower shall submit and the City shall review and approve a CASp Inspection Report of the Housing Development that identifies the necessary and required design elements to make the Housing Units and site accessible for individuals with disabilities. The City shall inspect the construction and/or rehabilitation to verify that the legally required number of Accessible Units have been produced and that the necessary and required design elements have been constructed to make the Housing Units and site accessible for individuals with disabilities and supported by an independent CASp consultant's report.

The City will utilize the Housing Development's City approved PMP and Fair Housing Policy Related to Disability to monitor ongoing occupancy compliance of the Accessible Units and nondiscrimination of individuals with disabilities. Compliance with the policies shall include, but not be limited to, target marketing, establishing and monitoring a waiting list specific to the Accessible Units, appropriately responding to reasonable accommodation and modification requests, implementation of the assistance animal policies, implementation of the policies for re-leasing vacant Accessible Housing Units, and all elements contained in the Fair Housing Policy Related to Disability, which may be amended from time to time.

Section 7. Maintenance of Records. With respect to the Covenants, the Borrower agrees to keep and maintain books, accounts, reports, files, records, and other documents pursuant to the terms of the Note Documents and Regulatory Agreement, including any and all amendments, revisions, or modifications.

Section 8. Notices, Demands, Payments and Communication. Formal notices, demands, payments and communications between the City and the Borrower shall be sufficiently given and shall not be given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally pursuant to the Notice provisions in the Loan Agreement.

Section 9. Term of the Covenants. The Covenants shall be recorded with the Regulatory Agreement upon its execution but shall only become effective upon the issuance of the Note (the "Effective Date") and shall terminate at the later of the end of the (a) Qualified Project Period or (b) time set forth in the CDLAC Resolution for the Project, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Note.

Section 10. Covenant to Run with the Land. The Borrower hereby subjects the Project to the covenants, reservations, and restrictions set forth in the Covenants. The City and the Borrower hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Borrower's successors in title to the Project. Each and every contract, deed, or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations, and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

Section 11. Default; Enforcement. As part of ensuring compliance with the Accessibility Covenants, the Accessibility Standards, and the Fair Housing Policy Related to Disability, the City or its agent, will conduct periodic on-site visits inspecting the Housing Development, which inspections may include inspecting the Housing Units and common areas, tenant files, logs and other records. Should the Borrower fail to comply, the City will first issue an Order to Comply ("Order") stating the element of the Housing Development that is out of compliance, and providing a date by which the Borrower must comply. The Order shall give the Borrower not more than 30 days to correct the violation, or such additional time as the City may grant if the Borrower is taking steps to correct the violation ("Compliance Date"), and diligently pursues such action until the default is corrected, which extension is in the City's sole discretion. The City shall re-inspect the Housing Development within 10 days of the Compliance Date specified in the Order of any

extension, however failure to inspect or re-inspect within the time frame does not remove the obligation of the Borrower to comply with the Order.

If the Order is issued and the violation continues to exist after the Compliance Date, then the City shall declare an “Event of Default” and may take any one or more of the following steps:

- a. **Inspection Fee for Non-Compliance.** In the event the Borrower fails to comply with the Order within the Compliance Date, the Borrower shall be liable for subsequent inspection fees in the amount approved by the Los Angeles City Council until compliance has been achieved. Failure to pay the assessed inspection fee within 30 days of the date of invoice, will result in a late charge equal to or two times the fees and a collection fee equal to 50 percent of the original fee shall be imposed if any fee imposed is not paid within 30 days of service of notice of the imposition of the fee.

The late fee may be imposed without a hearing but may be appealed to the General Manager of HCIDLA. The appeal shall be made in writing, and shall specify the grounds for the appeal. The appeal shall be filed with HCIDLA within ten calendar days of the issuance of the imposition of the late fees and costs. The General Manager or his designee shall issue a decision within ten calendar days of the filing of the appeal. A copy of the decision shall be served on the person or entity subject to the Order or fee by first class United States mail, postage prepaid, or in person. The City shall have the right to bring legal action in any court to enforce the Order and collect the amount of outstanding fees and penalties. City may waive the penalty imposed pursuant to this Section if the City determines that good causes exist for the Borrower’s failure to pay in a timely manner.

- b. By mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the City hereunder;
- c. Filing of a complaint or referral to HUD or other appropriate agencies for further enforcement actions;
- d. Have access to and inspect, examine and make copies of all or a portion of the books and records of the Borrower pertaining to the Project, in order to ensure compliance with all provisions of the Covenants, including records relating to the accessibility of the Accessible Units; and
- e. Take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower hereunder.

Section 12. Compliance with Accessibility Requirements. The Borrower hereby certifies that it and its property manager and any agent, contractor and subcontractor will comply with the Accessibility Standards as defined, and the policies described in Sections 2-5. The

Borrower and any contractor and subcontractor will provide reasonable accommodations and modifications to allow qualified individuals with disabilities to have access to and to participate in its programs, services, and activities in accordance with each of the applicable and stricter of the requirements of the ADA, the 2010 ADA Standards for Accessible Design, the ADAAG, Section 504, UFAS, the Fair Housing Act, the Fair Housing Act Design and Construction Requirements, federal regulations implementing the ADA, Section 504, and the Fair Housing Act, California Government Code 11135 *et seq.*, the California Building Code Chapters 11A and 11B, and all subsequent amendments to those laws. The Borrower and any contractor and subcontractor will not discriminate against persons with disabilities or against persons due to their relationship or association with a person with a disability. Any contract and subcontract entered into by the Borrower, relating to the Regulatory Agreement, Covenants and the Project, to the extent allowed hereunder, shall be subject to the provisions of this paragraph.

Section 13. Governing Law. The Covenants shall be governed by the laws of the State of California.

Section 14. Parties Bound. The provisions of the Covenants shall be binding upon and inure to the benefit of the City and the Borrower and their respective successors and assigns.

Section 15. Severability. Every provision of the Covenants is intended to be severable. If any provision of the Covenants shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

Section 16. Waiver. Any waiver by the City of any obligation in the Covenants shall be in writing. No waiver will be implied from any delay or failure by the City to take action on any breach or default of the Borrower or to pursue any remedy allowed under the Covenants or applicable law. Any extension of time granted to the Borrower to perform any obligation under the Covenants shall not operate as a waiver or release from any of its obligations under the Covenants. Consent by the City to any act or omission by the Borrower shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for the City's written consent to future waivers.

Section 17. Modifications. There shall be no amendment or modification of the Covenants without the prior written approval of the City. Any amendment or modification of the Covenants shall be by a written instrument executed by the City and the parties to the Covenants and the Regulatory Agreement or their successors in title, and duly recorded in the real property records of the County of Los Angeles, California. Modifications or amendments to the Covenants may occur by operation of law or other agreements binding the City and the parties to the Covenants and the Regulatory Agreement.

Section 18. Conflicts. If the provisions of the Covenants are inconsistent with the provisions of the Regulatory Agreement, the Funding Loan Documents, or any other documents which affect the Project, the more restrictive covenants or restrictions shall control.

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EXHIBIT J

FORM OF CERTIFICATE OF QUALIFIED PROJECT PERIOD

Project Name: PATH Villas Montclair-Gramercy

(If project name has changed since the award of allocation please note the original project name as well as the new project name and request a change in the CDLAC resolution.)

CDLAC Application No.: 19-507

Name of Note Issuer: City of Los Angeles

Name of Borrower MONTCLAIR LA LP

(If Borrower has changed since the award please note the original Borrower as well as the new Borrower and request a change in the CDLAC resolution.)

Project meets the general federal rule for a Qualified Project Period

Yes_____ No_____

(a) 10% of the dwelling units in the project financed in part from the proceeds of the captioned Notes were first occupied on _____, 20__; and

(b) 50% of the dwelling units in the project financed in part from the proceeds of the captioned Notes were first occupied on _____, 20__.

Project meets the special federal rule for a Qualified Project Period.

Yes_____ No_____

(Project qualifies if it is an acquisition/rehabilitation where more than 90% of the units were not available for occupancy within 60 days of the earlier of the project acquisition or the Note Issuance Date.)

(a) Notes were issued on _____, 20__

(b) Date 12 months after the Note Issuance date _____, 20__

Signature of Officer

Printed Name of Officer

Title of Officer

Phone Number