

Loan No. _____

LOAN AGREEMENT

Among

CITY OF LOS ANGELES

as Issuer

WELLS FARGO BANK, NATIONAL ASSOCIATION

as Bondowner Representative

and

BERENDOS, L.P.

a California limited partnership

as Borrower

Relating to

\$ _____

City of Los Angeles

Multifamily Housing Revenue Bond

(The Berendos Apartments Project)

Series 2014I

Dated as of August 1, 2014

The interests of the Issuer in this Loan Agreement and the Note, excluding the Reserved Rights, have been assigned to _____, as Bond Trustee, pursuant to an Indenture of Trust dated as of August 1, 2014 among the Issuer, _____, as Bond Trustee and Wells Fargo Bank, National Association, as Initial Bondowner Representative.

LOAN AGREEMENT

THIS LOAN AGREEMENT (as amended and supplemented from time to time, this "**Loan Agreement**") is made and entered into as of August 1, 2014, by and among CITY OF LOS ANGELES (the "**Issuer**"), WELLS FARGO BANK, NATIONAL ASSOCIATION, and its successors and assigns ("**Bondowner Representative**"), and BERENDOS, L.P., a California limited partnership (the "**Borrower**").

WITNESSETH:

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

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

WHEREAS, Borrower has requested the Issuer to issue its Multifamily Housing Revenue Bond (The Berendos Apartments Project) Series 2014I, in the original principal amount of \$_____ (the "**Bond**") for the purpose of making a loan (the "**Loan**") to finance, in part, the acquisition and rehabilitation of a scattered site multifamily rental housing project known as Berendos Apartments Project, located at 226 South Berendo Street ("**226 South Berendo Street Property**") and 235 South Berendo Street ("**235 South Berendo Street Property**"), each located in Los Angeles, California, which, collectively, is more particularly described on Exhibit A (the "**Property**") (the "**Improvements**" or the "**Project**"). The Bond shall be issued pursuant to an Indenture of Trust of even date herewith by and among the Issuer, Bondowner Representative and _____ as Bond Trustee (the "**Bond Trustee**") (as amended and supplemented from time to time, the "**Indenture**"); and

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

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

WHEREAS, in order to secure additional financing for the Project, Borrower is assuming loans made by the predecessors of the Housing and Community Investment Department of the City of Los Angeles ("**HCID**"), to Borrower in the amounts of \$1,788,214 and \$1,399,671 (collectively, the "**Original HCID Loans**"). Concurrently with the assumption by Borrower of the Original HCID Loans, the Original HCID Loans shall be combined into one loan in the amount of \$_____ (the "**HCID Loan**"). The HCID Loan is evidenced by that certain amended and restated loan agreement dated as of _____ ("**HCID Loan Agreement**"), by and between Borrower and HCID and an amended and restate promissory note dated as of _____ ("**HCID Note**"), made by Borrower to the to the order of HCID and secured by that certain [Amended and Restated Deed of Trust, Assignment of Leases

and Rents, Security Agreement and Fixture Filing] dated as of _____ (the "**HCID Deed of Trust**"), made by Borrower for the benefit of HCID, recorded in the Official Records concurrently with the Deed of Trust; and

WHEREAS, ACOF has previously obtained a loan made by the Department of Housing and Community Development of the State of California ("**HCD**"), in the original principal amount of \$1,681,983 (the "**HCD Loan**"). Substantially concurrently herewith, [ACOF] is assigning and Borrower is assuming all of [ACOF]'s right title and interest in and to the HCD Loan pursuant to that certain Assignment and Assumption Agreement dated as of _____, by and among Borrower, [ACOF] and HCD (the "**HCD Assignment**"). The HCD Loan is evidenced by that certain promissory note dated as of _____, made by [ACOF] to the order of HCD ("**HCD Note**") and secured by that certain [Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing] dated as of _____ (the "**HCD Deed of Trust**"), made by Borrower for the benefit of HCD, recorded in the Official Records on _____ as Instrument No. _____. The HCD Note and HCD Deed of Trust are being amended concurrently herewith by that certain Modification Agreement between ACOF and HCD dated as of _____, 2014 (the "**HCD Modification**"); and

WHEREAS, in order to secure additional financing for the Project, Borrower has obtained a loan made by the Housing Authority of the County of Los Angeles ("**HACOLA**"), to Borrower in the amount of \$3,300,000 (the "**HACOLA Loan**"). The HACOLA Loan is evidenced by that certain loan agreement dated as of _____, by and between Borrower and HACOLA (the "**HACOLA Loan Agreement**") and that certain promissory note dated as of _____, made by Borrower to the order of HACOLA ("**HACOLA Note**") and secured by that certain [Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing] dated as of _____ (the "**HACOLA Deed of Trust**"), made by Borrower for the benefit of HACOLA, recorded in the Official Records concurrently with the Deed of Trust; and

WHEREAS, in order to secure additional financing for the Project, Borrower has obtained a loan made by [ACOF] ("**Sponsor**"), to Borrower in the amount of \$_____ (the "**Sponsor Loan**"). The Sponsor Loan is evidenced by that certain promissory note dated as of _____ (the "**Sponsor Note**"), made by Borrower to the order of Sponsor [and secured by that certain [Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing] dated as of _____ (the "**Sponsor Deed of Trust**"), made by Borrower for the benefit of Sponsor, recorded in the Official Records concurrently with the Deed of Trust; and

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

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

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

ARTICLE 1. DEFINITIONS

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

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

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

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

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

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

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

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

“Architect” means Egan-Simon Architects, or another architect approved in writing by Bondowner Representative.

“Architectural Contract” means that certain Standard Form of Agreement Between Owner and Architect dated as of April 24, 2014 between Borrower and Architect, and as amended or replaced from time to time.

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

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

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

“Bondholder” has the meaning ascribed to such term in the Indenture.

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

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

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

“Bond Trustee” means [_____], and its successors and assigns under the Indenture.

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

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

“Borrower” means Berendos, L.P., a California limited partnership, and its permitted successors and assigns.

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

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

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

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

| Payment | Amount | % of Total Investment | Required Date |
|---------|----------|-----------------------|--|
| 1 | \$ _____ | __% | Concurrently with the issuance of the Bonds (the "Initial Capital Contribution") |
| 2 | \$ _____ | __% | On or before the Completion Date (the "Second Capital Contribution") |
| 3 | \$ _____ | __% | On or before the Maturity Date (the "Third Capital Contribution") |
| 4 | \$ _____ | __% | Payable upon the satisfaction of the conditions set forth in Section 3.02 and Exhibit A-1 of the Partnership Agreement |
| TOTAL | \$ _____ | 100.0% | Total Capital Contributions |

The Initial Capital Contribution shall be deposited with Bondowner Representative and shall be placed in the Borrower's Funds Account with, and controlled by, Bondowner Representative under this Agreement (other than any portion of the Initial Capital Contribution which is disbursed directly by the Title Company to pay Project Costs shown on the Financial Requirement Analysis attached hereto as Exhibit C. The Second Capital Contribution and the Third Capital Contribution shall be each disbursed directly to Bondowner Representative to be applied to reduce the outstanding principal balance of the Loan.

"Closing Date" means the date upon which the Loan closes.

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

"Completion Date" means _____, the date by which rehabilitation of the Improvements must be completed.

"Construction Agreement" means the construction contract for the rehabilitation of the Improvements by and between Borrower and Contractor.

“Contractor” means Walton Construction Services.

“County” means the County of Los Angeles.

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

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

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

“Developer” means ACOF.

“Development Agreement” means that certain Development Services Agreement executed by and between Borrower and Developer, to be in a form and substance acceptable to Lender.

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

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

“Engineer” means _____ [NOTE: Please forward copy of civil engineering contract so we can determine if a collateral assignment is needed].

“Engineering Agreement” means that certain _____ dated as of _____ by and between Borrower and Engineer, and as it may be amended or replaced from time to time pursuant to the terms and conditions of this Agreement.

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

“Event of Default” means Default.

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

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

“First Extended Maturity Date” means [May 1, 2016].

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

“General Partner” means [A Community of Friends, a California nonprofit, public benefit corporation].

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, any central bank, (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial or regulatory functions of or pertaining to government, and any