HOUSING AUTHORITY
of the County of Los Angeles
Administrative Office
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Gloria Molina
Yvonne Brathwaite Burke
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Michael D. Antonovich
Commissioners

Carlos Jackson
Executive Director

May 6, 2008

Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Commissioners:

RESOLUTION AUTHORIZING THE ISSUANCE OF MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS FOR THE SIERRA BONITA APARTMENTS IN THE CITY OF WEST HOLLYWOOD (3) (3 Vote)

SUBJECT:

This letter requests that your Board authorize the issuance, sale and delivery of Multifamily Housing Mortgage Revenue Bonds to finance the site acquisition and construction of the 42-unit Sierra Bonita Apartments, to be located at 7530 Santa Monica Boulevard in the City of West Hollywood.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that the approval of a resolution authorizing the issuance of Multifamily Housing Mortgage Revenue Bonds by the Housing Authority of the County of Los Angeles to finance the site acquisition and construction of the 42-unit Sierra Bonita Apartments is not subject to the California Environmental Quality Act (CEQA) because the proposed action will not have the potential for causing a significant effect on the environment.

2. Adopt a resolution, as required under Section 147(f) of the Internal Revenue Code of 1986, authorizing the issuance of Multifamily Housing Mortgage Revenue Bonds by the Housing Authority of the County of Los Angeles, in an aggregate amount not exceeding $11,000,000, to assist 7530 Santa Monica L.P. (Developer) in financing the site acquisition and construction of the 42-unit Sierra Bonita Apartments (Project), to be located at 7530 Santa Monica Boulevard in the City of West Hollywood.

3. Authorize the Executive Director to execute all related documents and take all necessary actions for the Developer to finance the site acquisition and construction of the Project.

4. Instruct the Chair to sign the attached resolution for the purposes described above.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of this action is to authorize the issuance, sale and delivery of Multifamily Housing Mortgage Revenue Bonds, in an aggregate amount not to exceed $11,000,000, to assist the Developer in financing the site acquisition and construction of the Project. This action will also allow the bonds to qualify for a tax exemption under Section 103 of the Internal Revenue Code of 1986.

FISCAL IMPACT/FINANCING:

No County costs will be incurred. The bonds will repaid solely through rent revenues collected by the Developer. The Developer will pay all fees and related costs.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The Housing Authority issues Multifamily Housing Mortgage Revenue Bonds on an ongoing basis to provide financing to increase the supply of multifamily housing for very low-, low-, and moderate-income families throughout Los Angeles County.

On December 18, 2007, the Housing Authority conducted a public hearing regarding the issuance of bonds to finance the project, as authorized by Section 147(f) of the Internal Revenue Code of 1986, at its office located at 2 Coral Circle in the City of Monterey Park. No comments were received at the public hearing concerning the issuance of the bonds or the nature and location of the project.

On January 8, 2008, the Housing Authority adopted an Inducement Resolution declaring the intent of the Housing Authority to undertake the financing of a Multifamily Housing Mortgage Revenue Bond project in accordance with United States Treasury Department Regulations. This action established a base date after which costs incurred by the Developer for the project could be included in the acquisition, construction and permanent financing obtained pursuant to the issuance of tax-exempt bonds.

The Project will consist of 42 multifamily rental units, including one manager's unit, at 7530 Santa Monica Boulevard in the City of West Hollywood. Thirteen of the units will be reserved for households with incomes that do not exceed 30% of the Area Median Income (AMI) for the Los Angeles-Long Beach Metropolitan Statistical Area (MSA), adjusted for household size, as determined by the U.S. Department of Housing and

Urban Development (HUD). Twenty-eight of the units will be reserved for households with incomes that do not exceed 50% of the AMI. The manager's unit will have no affordability requirements. These requirements will remain in effect for 55 years.

The attached resolution has been prepared by Orrick, Herrington & Sutcliffe, Bond Counsel to the Housing Authority, and has been approved as to form by County Counsel. All other related documents, in substantially final form, are on file with the Executive Office of the Board of Commissioners. They will be approved as to form by County Counsel prior to execution by the authorized parties. The Housing Commission will consider this item for concurrence with your approval at its May meeting.

ENVIRONMENTAL DOCUMENTATION:

The proposed actions are not subject to the provisions of CEQA pursuant to State CEQA Guidelines 15060(c)(3) and 15378, because they are not defined as a project under CEQA and do not have the potential for causing a significant effect on the environment.

An Environmental Assessment was prepared for the Sierra Bonita construction project pursuant to the requirements of the National Environmental Policy Act of 1969 (NEPA). Based on the conclusions and findings of the Environmental Assessment, a Finding of No Significant Impact was approved by the Commission on July 26, 2007. Following the required public and agency comment period, HUD issued a Release of Funds for the project on August 11, 2007.

As a Responsible Agency, and in accordance with the requirements of California Environmental Quality Act (CEQA) Guidelines, the Commission reviewed the IS/ND prepared by the City of West Hollywood for the construction project and determined that the project will not have significant adverse impact on the environment. The Commission's consideration and approval of the IS/ND on September 11, 2007, and filing of the Notice of Determination, satisfies CEQA Guidelines as stated in Article 7, Section 15096.

IMPACT ON CURRENT PROJECT:

The proposed action will increase the supply of affordable housing in the County.

Respectfully submitted,

for CARLOS JACKSON
Executive Director

Attachments: 4

RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $11,000,000 FOR THE PURPOSE OF MAKING A LOAN TO PROVIDE FINANCING FOR A MULTIFAMILY RENTAL HOUSING PROJECT KNOWN AS SIERRA BONITA APARTMENTS PROJECT, DETERMINING AND PRESCRIBING CERTAIN MATTERS RELATING THERETO, AND APPROVING AND AUTHORIZING THE EXECUTION OF RELATED DOCUMENTS, AGREEMENTS AND ACTIONS.

WHEREAS, the Housing Authority of the County of Los Angeles ("the Authority") is authorized and empowered by the provisions of Section 34312.3 of the Health and Safety Code of the State of California (the "Act") to issue and sell revenue bonds for the purpose of making loans or otherwise providing funds to finance the acquisition and construction of multifamily residential rental housing projects, including units for households meeting the income limits set forth in the Act; and

WHEREAS, there has been prepared and presented to this Board for consideration at this meeting the documentation required for the issuance of bonds for the financing of the Sierra Bonita Apartments Project (the "Project"); and

WHEREAS, it appears that each of the documents and instruments above referred to which are now before this meeting is in appropriate form and is an appropriate instrument to be executed and delivered for the purposes intended;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Commissioners of the Housing Authority of the County of Los Angeles, as follows:

1. It is hereby found and determined that it is necessary and desirable for the Authority to provide financing for the Project through the issuance and sale of the Bonds (as hereinafter defined) in order to assist in the acquisition and development of the type of dwelling units provided by the Project.

2. For the purpose of raising moneys with which to effectuate financing for the Project, the Authority hereby determines to issue its Multifamily Housing Revenue Bonds (Sierra Bonita Apartments Project), 2008 Series A, in one or more series, each with an appropriate series designation (the "Bonds"), in an aggregate principal amount not to exceed $11,000,000. The Bonds shall bear interest at the interest rates set forth in or determined in accordance with a master pledge and assignment (the "Master Pledge and Assignment"), maturing as provided in the Master Pledge and Assignment, but not later than 35 years from the date of issue. The Bonds shall be in substantially the form set forth in the Master Pledge and Assignment, with such appropriate variations, omissions, insertions and provisions as are permitted or required by the

Master Pledge and Assignment, which shall be appropriately completed when the Bonds are prepared.

The Bonds shall be limited obligations of the Authority payable solely from the revenues, receipts and other moneys pledged therefor under the Master Pledge and Assignment.

3. The Bonds shall be executed on behalf of the Authority by the manual or facsimile signature of the Chair of this Board and attested with the manual or facsimile signature of the Executive Officer of this Board.

4. The proposed form of Master Pledge and Assignment, in the form presented to this meeting, is hereby approved. The Chair of this Board and the Executive Director of the Authority are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Master Pledge and Assignment, in substantially said form, with such additions thereto or changes therein as such officer may approve or recommend upon consultation with counsel to the Authority and Bond Counsel to the Authority (provided that such additions or changes shall not authorize an aggregate principal amount of Bonds in excess of the amount stated above or result in an initial interest rate on the Bonds in excess of [9]%), the approval of such additions or changes to be evidenced conclusively by the execution and delivery of the Master Pledge and Assignment. The date, maturity dates, interest rate or rates, interest payment dates, denominations, form, registration privileges, manner of execution, place of payment, terms of redemption and other terms of the bonds shall be as provided in the Master Pledge and Assignment as finally executed.

5. The proposed form of Master Agency Agreement (the "Master Agency Agreement"), in the form presented to this meeting, is hereby approved. The Chair of this Board and the Executive Director of the Authority are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Master Agency Agreement, with such additions or changes in said document as such officer may recommend or approve upon consultation with counsel to the Authority and Bond Counsel to the Authority, the approval of such additions or changes to be evidenced conclusively by the execution and delivery of the Master Agency Agreement.

6. The proposed form of Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") in the form presented to this meeting, is hereby approved. The Chair of this Board and the Executive Director of the Authority are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Regulatory Agreement, with such additions or changes in said document as such officer may recommend or approve upon consultation with counsel to the Authority and Bond Counsel to the Authority, the approval of such additions or changes to be evidenced conclusively by the execution and delivery of the Regulatory Agreement.

7. This Board hereby appoints the Executive Director of the Authority or his or her Deputy or designee as administrator/manager with respect to the Project and other matters arising in connection with the Bonds (the "Administrator").

8. All consents, approvals, notices, orders, requests and other actions permitted or required by any of the documents authorized by this resolution, whether before or after the issuance of the Bonds, including without limitation any of the foregoing which may be necessary or desirable in connection with any default under or amendment of such documents, any transfer or other disposition of the Project or any redemption of the Bonds, may be given or taken by the Administrator without further authorization by this Board, and the Administrator is hereby authorized and directed to give any such consent, approval, notice, order or request and to take any such action which such officer may deem necessary or desirable to further the purposes of this resolution.

9. All actions heretofore taken by the officers and agents of the Authority with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the proper officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority 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 Indenture 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 Bonds and to effectuate the purposes thereof and of the documents herein approved in accordance with this resolution and resolutions heretofore adopted by the Authority.

10. All resolutions or parts thereto in conflict herewith are, to the extent of such conflict, hereby repealed.

11. This resolution shall take effect upon its adoption.

PASSED AND ADOPTED by the Board of Commissioners of the Housing Authority of the County of Los Angeles, State of California, this ___ day of _____, 2008, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

By: _____
Chair of the Board
of Commissioners

ATTEST:

Sachi A. Hamai
Executive Officer
of the Board of Commissioners

By: _____
Deputy

APPROVED AS TO FORM:

RAYMOND G. FORTNER, JR.
County Counsel

By: _____
Deputy

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Orrick, Herrington & Sutcliffe LLP
405 Howard Street
San Francisco, CA 94105
Attention: Amira Jackmon, Esq.

REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

By and Among

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Agent

and

7530 SANTA MONICA, L.P.,
A CALIFORNIA LIMITED PARTNERSHIP

Dated as of May 1, 2008

Relating to:

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
MULTIFAMILY HOUSING REVENUE BONDS
(SIERRA BONITA APARTMENTS PROJECT), 2008 SERIES A

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REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (as supplemented and amended from time to time, this "Regulatory Agreement") is made and entered into as of May 1, 2008, by and among THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES, a public body corporate and politic duly organized and existing under the laws of the State of California (together with any successor to its rights, duties and obligations, the "Issuer"), WELLS FARGO BANK, NATIONAL ASSOCIATION (together with any successor in such capacity, the "Agent"), in its capacity as agent under the Master Pledge and Assignment of even date herewith (as supplemented and amended from time to time, the "Pledge and Assignment"), by and among the Agent, the Issuer and Wells Fargo Bank, National Association (the "Holder"), in its capacity as the holder of the Bonds (defined below), and 7530 SANTA MONICA, L.P., A CALIFORNIA LIMITED PARTNERSHIP (together with any successor to its rights, duties and obligations hereunder and as owner of the Project identified herein, the "Borrower").

W I T N E S S E T H:

WHEREAS, pursuant to and in compliance with Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the "Act"), the Issuer proposes to issue its Multifamily Housing Revenue Bonds (Sierra Bonita Apartments Project), 2008 Series A (the "Bonds") the proceeds of which will be utilized to fund a loan to the Borrower pursuant to the Building Loan Agreement of even date herewith (as supplemented and amended from time to time, the "Loan Agreement"), between the Borrower and the Agent, in order to enable the Borrower to finance the acquisition and construction of a 42-unit multifamily rental housing project known as Sierra Bonita Apartments, located on the real property site, to be leased from the West Hollywood Community Development Commission, described in Exhibit A hereto (the "Project"); and

WHEREAS, in order to assure the Issuer and the owners of the Bonds that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), and to satisfy the public purposes for which the Bonds are authorized to be issued under the Act, and to satisfy the purposes of the Issuer in determining to issue the Bonds, certain limits on the occupancy of units in the Project need to be established and certain other requirements need to be met;

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

Section 1. Definitions and Interpretation. Unless the context otherwise requires, the capitalized terms used herein shall have the respective meanings assigned to them in the recitals hereto, in this Section 1 or in Section 1.01 of the Pledge and Assignment.

"Affordable Rents" means a monthly rent (excluding any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units) which does not exceed 30 percent of 50 percent of one-twelfth of the Area median income, adjusted for family size as established under Section 8 of the United States Housing Act of 1937, as amended, based upon the following household sizes for various types of residential units in the Project:

Type of Unit	Assumed Household Size
Studio	1 person
One bedroom	2 persons
Two bedrooms	3 persons
More than two bedrooms	4 persons

"Agent" means Wells Fargo Bank, National Association, a national banking association, in its capacity as agent for the Issuer under and pursuant to that certain Master Agency Agreement, dated as of May 1, 2008 (the "Agency Agreement"), between the Issuer and the Agent.

"Area" means the Los Angeles, California Primary Metropolitan Statistical Area.

"Available Units" means residential units in the Project that are actually occupied and residential units in the Project that are vacant and have been occupied at least once after becoming available for occupancy, provided that (a) a residential unit that is vacant on the later of (i) the date the Project is acquired or (ii) the issue date of the Bonds is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after such date, and (b) a residential unit that is not available for occupancy due to renovations is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after the renovations are completed.

"CDLAC" means the California Debt Limit Allocation Committee or its successors.

"Certificate of Continuing Program Compliance" means the Certificate to be filed by the Borrower with the Issuer, the Program Monitor, if applicable, and the Agent pursuant to Section 4(e) hereof, which shall be substantially in the form attached as Exhibit C hereto or in such other comparable form as may be provided by the Issuer to the Borrower.

"Closing Date" means the date of the issuance and delivery of the Bonds.

"Extremely Affordable Rents" means a monthly rent (excluding any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units) which does not exceed 30 percent of 30 percent of one-twelfth of the Area median income, adjusted for family size as established under Section 8 of the United States Housing Act of 1937, as amended, based upon the following household sizes for various types of residential units in the Project:

Type of Unit	Assumed Household Size
Studio	1 person

One bedroom	2 persons
Two bedrooms	3 persons
More than two bedrooms	4 persons

"Extremely Low Income Tenant" means a tenant occupying an Extremely Low Income Unit.

"Extremely Low Income Unit" means any Available Unit if the aggregate Gross Income of all tenants therein does not exceed limits determined in a manner consistent with determinations of "very low-income families" under Section 8 of the Housing Act, provided that the percentage of median gross income that qualifies as extremely low income hereunder shall be thirty percent (30%) of median gross income for the Area, with adjustments for family size. If all the occupants of an Available Unit are students (as defined under Section 151(c)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, the unit shall not constitute an Extremely Low Income Unit. The determination of an Available Unit's status as a Extremely Low Income Unit shall be made by the Borrower upon commencement of each lease term with respect to such unit, and annually thereafter, on the basis of an Income Certification executed by each tenant. In the event a new tenant occupies a unit during a particular lease term, the status of the unit as an Extremely Low Income Unit shall be re-determined at that time, based upon an Income Certification of the new tenant and, in the case of the holdover tenant(s), based upon the greater of (i) the Gross Income in a new Income Certification of the holdover tenant(s) and (ii) the Gross Income of the most recent prior Income Certification(s) for the holdover tenant(s).

"Gross Income" means the gross income of a person (together with the gross income of all persons who intend to reside with such person in one residential unit) as calculated in the manner prescribed under section 8 of the United States Housing Act of 1937 (or, if such program is terminated, under such program as in effect immediately before such termination).

"Housing Act" means the United States Housing Act of 1937, as amended, or its successor.

"Income Certification" means a Verification of Income and an Occupancy Certificate in the form attached as Exhibit B hereto or in such other comparable form as may be provided by the Issuer to the Borrower.

"Program Monitor" means any program monitor or program monitor appointed by the Issuer to administer this Regulatory Agreement, and any successor so appointed. The initial Program Monitor shall be the Issuer.

"Project" means the multifamily rental housing development known as Sierra Bonita Apartments, located on the real property site described in Exhibit A hereto, consisting of those facilities, including real property, structures, buildings, fixtures or equipment situated thereon, as it may at any time exist, the acquisition and construction of which facilities is to be financed, in whole or in part, from the proceeds of the sale of the Bonds or the proceeds of any payment by the Borrower pursuant to the Loan Agreement, and any real property, structures, buildings,

fixtures or equipment acquired in substitution for, as a renewal or replacement of, or a modification or improvement to, all or any part of such facilities.

"Qualified Project Period" means the period beginning on the later of the Closing Date or the first day on which at least ten percent (10%) of the units in the Project are first occupied and ending on the later of the following:

(A) the date that is fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied (as specified pursuant to Section 3(h) of this Regulatory Agreement);

(B) the first date on which no Tax-Exempt private activity bonds with respect to the Project are Outstanding;

(C) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates; or

(D) the date that is fifty-five (55) years from the Closing Date, as required by the CDLAC Conditions, unless CDLAC waives its condition governing the length of the Qualified Project Period.

"Regulations" means the Income Tax Regulations of the Department of the Treasury applicable under the Code from time to time.

"Regulatory Agreement" means this Regulatory Agreement and Declaration of Restrictive Covenants, as it may be supplemented and amended from time to time.

"Tax-Exempt" means with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from gross income for federal income tax purposes; 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.

"Verification of Income" means a Verification of Income in the form attached as Exhibit B hereto or in such other comparable form as may be provided by the Issuer to the Borrower.

"Very Low Income Tenant" means a tenant occupying a Very Low Income Unit.

"Very Low Income Unit" means any Available Unit if the aggregate Gross Income of all tenants therein does not exceed limits determined in a manner consistent with determinations of "very low-income families" under Section 8 of the Housing Act, provided that the percentage of median gross income that qualifies as very low income hereunder shall be fifty percent (50%) of median gross income for the Area, with adjustments for family size. If all the occupants of an Available Unit are students (as defined under Section 151(c)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, the unit shall not constitute a Very Low Income Unit. The determination of an Available Unit's status as a Very Low Income Unit shall be made by the Borrower upon commencement of each lease term with respect to such unit,

and annually thereafter, on the basis of an Income Certification executed by each tenant. In the event a new tenant occupies a unit during a particular lease term, the status of the unit as a Very Low Income Unit shall be re-determined at that time, based upon an Income Certification of the new tenant and, in the case of the holdover tenant(s), based upon the greater of (i) the Gross Income in a new Income Certification of the holdover tenant(s) and (ii) the Gross Income of the most recent prior Income Certification(s) for the holdover tenant(s).

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of any gender shall be construed to include each other gender when appropriate and words of the singular number shall be construed to include the plural number, and vice versa, when appropriate. 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 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.

The parties to this Regulatory Agreement acknowledge that each party and their respective counsel have participated in the drafting and revision of this Regulatory Agreement. Accordingly, the parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Regulatory Agreement or any supplement or exhibit hereto.

Section 2. Representations, Covenants and Warranties of the Borrower.

(a) The Borrower hereby incorporates herein, as if set forth in full herein, each of the representations, covenants and warranties of the Borrower contained in the Tax Certificate and the Loan Agreement relating to the Project.

(b) The Borrower hereby represents and warrants that the Project is located entirely within the County of Los Angeles, California.

(c) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions contemplated by this Regulatory Agreement; that it is familiar with the provisions of all of the documents and instruments relating to the Bonds to which it is a party or of which it is a beneficiary; that it understands the financial and legal risks inherent in such transactions; and that it has not relied on the Issuer for any guidance or expertise in analyzing the financial or other consequences of such financing transactions or otherwise relied on the Issuer in any manner except to issue the Bonds in order to provide funds to assist the Borrower in acquiring and developing the Project.

Section 3. Qualified Residential Rental Project. The Borrower hereby acknowledges and agrees that the Project is to be owned, managed and operated in the same manner 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 term of this Regulatory Agreement, the Borrower hereby represents, covenants, warrants and agrees as follows:

(a) The Project will be acquired and operated for the purpose of providing multifamily residential rental property. The Borrower will own, manage and operate the Project as a project to provide multifamily residential rental property comprised of 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, Section 1.103-8(b) of the Regulations and the provisions of the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the dwelling units in the Project will be similarly constructed units, and each dwelling unit in the Project contains and 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, refrigerator and sink.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis or rented for a period of less than 30 consecutive days, 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; provided, that the use of certain units for tenant guests on an intermittent basis shall not be considered transient use for purposes of this Regulatory Agreement.

(d) No part of the Project will at any time during the Qualified Project Period be owned by a cooperative housing corporation, nor shall the Borrower take any steps in connection with a conversion to such ownership or use, and the Borrower will not take any steps in connection with a conversion of the Project to condominium ownership during the Qualified Project Period (except that the Borrower may obtain final map approval and the Final Subdivision Public Report from the California Department of Real Estate and may file a condominium plan with the applicable jurisdiction).

(e) All of the Available Units in the Project (except for not more than two units set aside for resident manager or other administrative use) will be available for rental during the period beginning on the date hereof and ending on the termination of the Qualified Project Period on a continuous basis to members of the general public, on a first-come, first-served basis, 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 that dwelling units are required to be leased or rented in such a manner that they constitute Very Low Income Units.

(f) The Project consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the facilities of the Project 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 provision shall not be construed to prohibit occupancy of not more than two dwelling units by a resident manager or maintenance personnel, any of whom may be the Borrower.

(h) Within 30 days after the date on which 10% of the dwelling units in the Project are occupied, the Borrower shall deliver to the Issuer and the Agent a written notice specifying such date, and within 30 days after the date on which 50% of the dwelling units in the Project are occupied. The Borrower shall cause a copy of such notice to be recorded in the Official Records of the County of Los Angeles, California.

Section 4. Very Low Income Tenants; Reporting Requirements. Pursuant to the requirements of the Code, the Borrower hereby represents, warrants and covenants as follows:

(a) During the Qualified Project Period no less than 20% of the total number of completed units in the Project (other than the two units set aside for manager or administrative use) shall at all times be Very Low Income Units; provided that the two units set aside for manager or administrative use shall at all times be used for such purposes or be a Very Low Income Unit. For the purposes of this paragraph (a), a vacant unit which was most recently a Very Low Income Unit is treated as a Very Low Income Unit 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.

(b) No tenant qualifying as a Very Low Income Tenant upon initial occupancy shall be denied continued occupancy of a unit in the Project because, after admission, the aggregate Gross Income of all tenants in the unit occupied by such Very Low Income Tenant increases to exceed the qualifying limit for a Very Low Income Unit. However, should the aggregate Gross Income of tenants in a Very Low Income Unit, as of the most recent determination thereof, exceed one hundred forty percent (140%) of the applicable income limit for a Very Low Income Unit occupied by the same number of tenants, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) Very Low Income Tenants. The unit occupied by such tenants whose aggregate Gross Income exceeds such applicable income limit shall continue to be treated as a Very Low Income Unit for purposes of the twenty percent (20%) requirement of Section 4(a) hereof unless and until an Available Unit of comparable or smaller size is rented to persons other than Very Low Income Tenants.

(c) For the Qualified Project Period, the Borrower will obtain, complete and maintain on file Income Certifications for each Very Low Income Tenant, including (i) an Income Certification dated immediately prior to the initial occupancy of such Very Low Income Tenant in the Very Low Income Unit, and (ii) thereafter, an annual Income Certification with respect to each Very Low Income Tenant within thirty days before or after the anniversary of such tenant's initial occupancy of a unit in the Project. The Borrower will provide such additional information as may be required in the future by the Code, the State or the Issuer, 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 Tax-Exempt obligations. A copy of the most recent Income Certifications for Very Low Income Tenants commencing or continuing occupation of a Very Low Income Unit shall be attached to each report to be filed with the Issuer pursuant to paragraph (e) of this Section 4.

The Borrower shall make a good faith effort to verify that the income information provided by an applicant in a Verification of Income is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain a pay stub for the most recent pay period, (2) obtain an income tax return for the most recent tax year, (3) obtain a credit report or conduct a similar type credit search, (4) obtain an income verification from the applicant's current employer, (5) obtain an income verification from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies, or (6) if the applicant is unemployed and does not have an income tax return, obtain another form of independent verification reasonably acceptable to the Issuer.

(d) The Borrower will maintain complete and accurate records pertaining to the Very Low Income Units, and will permit any duly authorized representative of the Issuer, the Agent, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Very Low Income Units.

(e) The Borrower will prepare and submit to the Issuer, the Program Monitor, if applicable, and the Agent, no later than the thirtieth day of each calendar quarter, 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 that were occupied or deemed occupied pursuant to subsection (a) hereof, by Very Low Income Tenants during the preceding calendar quarter; and (ii) that either (A) no unremedied default has occurred under this Regulatory Agreement, the Loan Agreement or the Mortgage, 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.

(f) For the Qualified Project Period, all tenant leases or rental agreements shall be subordinate to this Regulatory Agreement and the Mortgage. All leases pertaining to Very Low Income Units shall contain clauses, among others, wherein each tenant who occupies a Very Low Income Unit: (i) certifies the accuracy of the statements made in the Verification of Income; (ii) agrees that the family income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy of such tenant, that such tenant will comply promptly with all requests for information with respect thereto from the Borrower, the Agent, the Issuer or the Program Monitor on behalf of the Issuer, and that the failure to provide accurate information in the Verification of Income or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the tenancy of such tenant; (iii) acknowledges that the Borrower has relied on the Verification of Income and supporting information supplied by the Very Low Income Tenant in determining qualification for occupancy of the Very 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; and (iv) agrees that the tenant's income is subject to annual certification in accordance with Section 4(c) hereof and that if upon any such certification the aggregate Gross Income of tenants in such unit exceeds the applicable income limit under Section 4(b), the unit occupied by such tenant may cease to qualify as a Very Low Income Unit and such unit's rent may be subject to increase.

Section 5. Tax-Exempt Status of Bonds. The Borrower and the Issuer, as applicable, each hereby represents, warrants and agrees as follows:

(a) The Borrower and the Issuer will not knowingly take or permit, 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 Bonds and, if either of them 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.

(b) The Borrower and the Issuer will file of record such documents and take such other steps as are necessary, in the written opinion of Bond Counsel filed with the Issuer and the Agent, 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.

(c) The Borrower hereby covenants to include or reference the requirements and restrictions contained in this Regulatory Agreement in any documents transferring any interest in the Project 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.

Section 6. Additional Requirements of the Act. In addition to the requirements set forth above, the Borrower hereby agrees that it shall comply with each of the requirements of the Act applicable to the project. Without limiting the foregoing, the Borrower agrees as follows:

(a) Not less than 20% of the total number of units in the Project shall be Very Low Income Units. The units made available to meet this requirement shall be of comparable quality and offer a range of sizes and numbers of bedrooms comparable to the units that are available to other tenants in the Project.

(b) The rental payments for the Very Low Income Units paid by the tenants thereof (excluding any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units) shall not exceed Affordable Rents.

(c) The Borrower shall accept as tenants, on the same basis as all other prospective tenants, very low-income persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the Housing Act. The Borrower shall not permit any selection criteria to be applied to Section 8 certificate or voucher holders that is more burdensome than the criteria applied to all other prospective tenants.

(d) No tenant residing in a unit reserved as required by subsection (a) of this Section shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Gross Income increases to exceed the qualifying limit for low income tenants or Very Low Income Tenants. However, should the Gross Income of a tenant residing in a reserved unit increase to exceed the qualifying limit, the next available unit must be rented to (or held vacant and available for immediate occupancy by) a tenant whose income satisfies the requirement of Section 4(a) hereof. Until such next available unit is rented to a qualified tenant, the former low

income tenant or Very Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a low income tenant or Very Low Income Tenant for purposes of the requirement of Section 4(a) hereof.

(e) The units reserved for occupancy as required by subsection (a) of this Section shall remain available on a priority basis for occupancy at all times during the Qualified Project Period.

(f) Following the expiration or termination of the Qualified Project Period, except in the event of foreclosure and redemption of the Bonds, deed in lieu of foreclosure, eminent domain, or action of a federal agency preventing enforcement, units reserved for occupancy as required by subsection (a) of this Section shall remain available to any eligible tenant occupying a reserved unit at the date of such expiration or termination, at the rent determined by subsection (b) of this Section, until the earliest of (1) the household's income exceeds 140% of the maximum eligible income specified above, (2) the household voluntarily moves or is evicted for good cause, as defined in the Act, (3) 30 years after the date of the commencement of the Qualified Project Period, or (4) the Borrower pays the relocation assistance and benefits to households as provided in Section 7264(b) of the California Government Code.

(g) The covenants and conditions of this Regulatory Agreement shall be binding upon successors in interest of the Borrower.

(h) This Regulatory Agreement shall be recorded in the office of the county recorder of the County of Los Angeles and shall be recorded in the grantor-grantee index to the names of the Borrower as grantor and to the name of the Issuer as grantee.

Section 7. Additional Requirements of the Issuer. In addition to the requirements set forth above and to the extent not prohibited thereby, the Borrower hereby agrees to comply with each of the requirements of the Issuer set forth in this Section 7, as follows:

(a) Not less than 30% of the units in the Project shall be available on a priority basis for occupancy by Extremely Low Income Tenants paying rents not to exceed Extremely Affordable Rents. Additionally, the remaining units in the Project shall be available on a priority basis for occupancy by Very Low Income Tenants paying rents not to exceed Affordable Rents. The requirements of this Section and Sections 4(a) and 6(a) are not cumulative, but each must be satisfied.

(b) The Borrower will indemnify the Issuer and the Agent as provided in Section 16.1 of the Loan Agreement and Section 9 hereof.

(c) All tenant lists, applications and waiting lists relating to the Project shall at all times be kept separate and identifiable from any other business of the Borrower and shall be maintained as required by the Issuer, in a reasonable condition for proper audit and subject to examination during business hours by representatives of the Issuer.

(d) The Borrower shall submit to the Issuer, (i) not later than the thirtieth (30th) day after the close of each calendar year, a statistical report in the form set forth as Exhibit D hereto, or such other form as may be prescribed by the Issuer, setting forth the information called for

therein, and (ii) within fifteen (15) days after receipt of a written request, any other information or completed forms requested by the Issuer in order to comply with reporting requirements of the Internal Revenue Service or the State of California.

(e) The covenants and conditions of this Regulatory Agreement shall be binding upon successors in interest of the Borrower.

(f) Each of the requirements of Sections 3, 4 and 6 hereof is hereby incorporated as a specific requirement of the Issuer, whether or not required by California or federal law, and shall be in force for the Qualified Project Period.

(g) The Borrower acknowledges that the Issuer may appoint a Program Monitor other than the Issuer (at no additional cost to the Borrower) to administer this Regulatory Agreement and to monitor performance by the Borrower of the terms, provisions and requirements hereof. In such event, the Borrower shall comply with any request by the Issuer to deliver to any such Program Monitor, in addition to or instead of the Issuer, any reports, notices or other documents required to be delivered pursuant hereto, and to make the Project and the books and records with respect thereto available for inspection by the Program Monitor as an agent of the Issuer.

The Borrower shall pay to the Issuer an annual Issuer fee, in an amount equal to $6,500, which fee shall be payable by the Borrower to the Agent, for the account of the Issuer, in advance on each anniversary of the Closing Date (commencing October 1, 2010 and continuing through the termination of this Regulatory Agreement). The Borrower shall also pay to the Agent for the account of the Issuer, within thirty (30) days after receipt of request for payment thereof from the Agent or the Issuer, all reasonable out-of-pocket expenses of the Issuer (not including salaries and wages of Issuer employees) related to the Project and the financing thereof that are not otherwise required to be paid by the Borrower under the terms of this Regulatory Agreement or the Loan Agreement, including, without limitation, reasonable legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Project, the Loan or the Bonds. Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Bonds, the Borrower shall continue to pay (or, to the extent allowed under the Code, may prepay the present value at such time, computed based on the Bond yield) the Issuer's fees, unless such prepayment is made in connection with a refunding of the Bonds.

(h) The Borrower shall comply with the conditions set forth in Exhibit A of that certain CDLAC Resolution No. 08-049 relating to the Project and adopted on March 26, 2008 (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. The Borrower will prepare and submit to CDLAC, not later than each anniversary of the Closing Date, until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance, in substantially the form attached hereto as Exhibit E, executed by an authorized representative of the Borrower. The Issuer and the Program Monitor shall have no obligation, but may, at their sole discretion, choose to monitor the Borrower's compliance with the CDLAC Conditions

Any of the foregoing requirements of the Issuer (except subsection (i) above which may be expressly waived by CDLAC) may be expressly waived by the Issuer in writing, but (i) no

waiver by the Issuer of any requirement of this Section 7 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement except to the extent the Issuer has received an opinion of Bond Counsel that any such provision is not required by the Act and may be waived without adversely affecting the exclusion from gross income of interest on the Bonds for federal income tax purposes; and (ii) any requirement of this Section 7 shall be void and of no force and effect if the Issuer and the Borrower receive a written opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Bonds to cease to be Tax-Exempt or to the effect that compliance with such requirement would cause a violation of the Act or any other state or federal law.

Section 8. Modification of Covenants. The Borrower, the Agent and the Issuer hereby agree as follows:

(a) To the extent any amendments to the Act, the Regulations or the Code shall, in the written opinion of Bond Counsel filed with the Issuer, the Agent and the Borrower, retroactively impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement, and if such requirements are applicable to the Project, this Regulatory Agreement shall be deemed to be automatically amended to impose such additional or more restrictive requirements.

(b) To the extent that the Act, the Regulations or the Code, or any amendments thereto, shall, in the written opinion of Bond Counsel filed with the Issuer, the 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 Issuer, at its sole discretion, the Agent and the Borrower, and only upon receipt by the Issuer of the written opinion of Bond Counsel to the effect that such amendment will not affect the Tax-Exempt status of interest on the Bonds or violate the requirements of the Act, and otherwise in accordance with Section 22 hereof.

(c) The Borrower, the Issuer and, if applicable, the Agent, shall execute, deliver and, if applicable, file of record any and all documents and instruments necessary to effectuate the intent of this Section 8, and each of the Borrower and the Issuer hereby appoints the Agent as its true and lawful attorney-in-fact to execute, deliver and, if applicable, file of record on behalf of the Borrower or the Issuer, as is applicable, any such document or instrument (in such form as may be approved in writing by Bond Counsel) if either the Borrower or the Issuer defaults in the performance of its obligations under this subsection (c); provided, however, that unless directed in writing by the Issuer or the Borrower, the Agent shall take no action under this subsection (c) without first notifying the Borrower or the Issuer, or both of them, as is applicable, and without first providing the Borrower or the Issuer, or both, as is applicable, an opportunity to comply with the requirements of this Section 8. Nothing in this subsection (c) shall be construed to allow the Agent to execute an amendment to this Regulatory Agreement on behalf of the Issuer.

Section 9. Indemnification; Other Payments. To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Issuer, its officers, governing members, directors, officials, employees, attorneys and agents (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of

any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) this Regulatory Agreement, the Master Pledge and Assignment, the Master Agency Agreement, the Loan Agreement and any of the other Loan Documents or the execution or amendment thereof or in connection with transactions contemplated thereby, including the issuance, sale, resale or transfer of the Bonds, subject to the limitations of Section 16.13 of the Loan Agreement;

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

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

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

(v) the defeasance and/or redemption, in whole or in part, of the Bonds;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact by the Borrower contained in any documents relating to the Bonds to which the Borrower is a party, or any omission from any such document of any material fact necessary to be stated therein in order to make the statements made therein by the Borrower, in the light of the circumstances under which they were made, not misleading; or

(vii) any declaration of taxability of interest on the Bonds, or allegations (or regulatory inquiry that interest on the Bonds is taxable, for federal tax purposes.

Except in the case of the foregoing indemnification of the Issuer or any of its officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate

in the investigation and defense thereof, and the Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Borrower if in the reasonable judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

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

Notwithstanding anything to the contrary contained elsewhere in this Regulatory Agreement, if the Agent, the Bondholders or any affiliate of any of them acquire title to the Project subject to the Regulatory Agreement, the party acquiring such title shall have no obligations or liabilities under this Section 9.

The provisions of this Section 9 shall survive the term of the Bonds and this Regulatory Agreement or the resignation of the Agent.

Section 10. Consideration. The Issuer has agreed to issue the Bonds to provide funds to lend to the Borrower to finance the Project, all for the purpose, among others, of inducing the Borrower to acquire and operate the Project. In consideration of the issuance of the Bonds by the Issuer, 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 Issuer 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 Bonds, in the exemption from California personal income taxation of interest on the Bonds and in the Tax-Exempt status of the interest on the Bonds. In performing their duties and obligations hereunder, the Issuer, the Program Monitor and the Agent may rely upon statements and certificates of the Very Low Income Tenants, and upon audits of the books and records of the Borrower pertaining to the Project. In addition, the Issuer and the Agent may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Issuer or the 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 Agent 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 Agent by the Borrower or the Issuer with respect to the occurrence or absence of a default unless it knows that the notice or certificate is erroneous or misleading.

Section 12. Sale or Transfer of the Project. For the Qualified Project Period, the Borrower shall not sell, transfer or otherwise dispose of the Project, in whole or in part, without the prior written consent of the Issuer, which consent shall not be unreasonably withheld, conditioned or delayed if the following conditions are satisfied: (A) the receipt by the Issuer of evidence acceptable to the Issuer that (1) the Borrower shall not be in default hereunder or under

the Loan Agreement or the purchaser or assignee undertakes to cure any defaults of the Borrower to the reasonable satisfaction of the Issuer; (2) the continued operation of the Project shall comply with the provisions of this Regulatory Agreement; (3) either (a) the purchaser or assignee or its property manager has at least three years' experience in the ownership, operation and management of similar size rental housing projects, and at least one year's experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects, or (b) the purchaser or assignee agrees to retain a property management firm with the experience and record described in subclause (a) above, or (c) the transferring Borrower or its management company will continue to manage the Project for at least one year following such transfer and during such period will provide training to the transferee and its manager in the responsibilities relating to the Very Low Income Units; and (4) the person or entity which is to acquire the Project does not have pending against it, and does not have a history of significant and material building code violations or complaints concerning the maintenance, upkeep, operation, and regulatory agreement compliance of any of its projects as identified by any local, state or federal regulatory agencies; (B) the execution by the purchaser or assignee of any document reasonably requested by the Issuer or the Agent with respect to the assumption of the Borrower's obligations under this Regulatory Agreement and, if the Bonds are outstanding at the time of transfer, the Loan Agreement, including without limitation an instrument of assumption hereof and thereof, and delivery to the Issuer of an opinion of such purchaser or assignee's counsel to the effect that each such document and this Regulatory Agreement are valid, binding and enforceable obligations of such purchaser or assignee, subject to bankruptcy and other standard limitations affecting creditor's rights; (C) receipt by the Issuer of an opinion of Bond Counsel addressed to the Issuer to the effect that any such sale, transfer or other disposition will not adversely affect the Tax-Exempt status of interest on the Bonds; (D) receipt by the Issuer and Agent of all fees and/or expenses then currently due and payable to the Issuer and Agent; and (E) satisfaction of such other conditions as the Issuer may reasonably impose. It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this Section 12 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. Nothing in this Section shall affect any provision of any other document or instrument between the Borrower and any other party which requires the Borrower to obtain the prior written consent of such other party in order to sell, transfer or otherwise dispose of the Project or any interest (direct or indirect) therein or in the Borrower, including, but not limited to, any consent of the Agent and/or the Holder required under the Loan Agreement, the Mortgage or any other Loan Document. Upon any sale or other transfer that complies with this Regulatory Agreement, the Borrower shall be fully released from its obligations hereunder to the extent such obligations have been fully assumed in writing by the transferee of the Project. Any transfer of the Project to any entity, whether or not affiliated with the Borrower, shall be subject to the provisions of this Section 12, provided that, the requirements of subsections (A)(3), (A)(4), (C) and (E) of this Section 12 need not be satisfied if such transfer of the Project is to the general partner of the Borrower in connection with the exercise of its purchase option and right of first refusal pursuant to the agreement of limited partnership of the Borrower. The Section 12 shall not apply to, or limit, any transfer of the Project to the Agent, the Holder or any Affiliate of the Agent or the Holder by foreclosure under the Mortgage or by deed in lieu of such foreclosure.

For the Qualified Project Period, the Borrower shall not: (1) encumber any of the Project or grant commercial leases of any part thereof, or permit the conveyance, transfer or encumbrance of any part of the Project, except as otherwise permitted by the Loan Agreement, the Mortgage and this Regulatory Agreement (and upon receipt by the Borrower of an opinion of Bond Counsel that such action will not adversely affect the Tax-Exempt status of interest on the Bonds; provided that such opinion will not be required with respect to any lease permitted under this Regulatory Agreement and the Mortgage relating to a commercial operation or ancillary facility that will be available for tenant use and is customary to the operation of multifamily housing developments similar to the Project); (2) demolish any part of the Project or substantially subtract from any real or personal property of the Project, except in accordance with the Loan Documents and except to the extent that what is removed is replaced with comparable property; or (3) permit the use of the dwelling accommodations of the Project for any purpose other than rental residences.

Section 13. Term. This Regulatory Agreement and all and several of the terms hereof shall become effective upon its execution and delivery, and shall remain in full force and effect for the period provided herein and shall terminate as to any provision not otherwise provided with a specific termination date and shall terminate in its entirety at the end of the Qualified Project Period, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Bonds and discharge of the Pledge and Assignment and the Loan Agreement.

The terms of this Regulatory Agreement to the contrary notwithstanding, the requirements hereof shall terminate and be of no further force and effect in the event of 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 Issuer and the Agent from enforcing such provisions, or condemnation or foreclosure, transfer of title by deed in lieu of foreclosure, or a similar event, but only if, within a reasonable period, either the Bonds are retired or amounts received as a consequence of such event are used to provide a project that meets the requirements hereof; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income 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 such related person as described above will obtain an ownership interest in the Project for federal tax purposes. Notwithstanding any other provision of this Regulatory Agreement, this Regulatory Agreement may be terminated upon agreement by the Issuer, the Agent and the Borrower upon receipt by the Issuer and the Agent of an opinion of Bond Counsel to the effect that such termination will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. Upon the termination of the terms 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 14. Covenants to Run With the Land. Notwithstanding Section 1461 of the California Civil Code, the Borrower hereby subjects the Project to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Issuer 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. 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 15. Burden and Benefit. The Issuer and the Borrower hereby declare their understanding and intent that the burdens 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 Issuer and the Borrower hereby further declare their understanding and intent that the benefits of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Very Low Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Bonds were issued.

Section 16. 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 of the site on which the Project is located.

Section 17. 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 Agent or the Issuer to the Borrower, or for a period of 60 days from the date the Borrower should, with reasonable diligence, have discovered such default, then the Issuer or the Agent (as directed by the Issuer, subject to the provisions of the Pledge and Assignment) acting on its own behalf or on behalf of the Issuer, shall declare an "Event of Default" to have occurred hereunder; provided, however, that if the default 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 Bonds; and provided further, that notice shall be given to the Borrower's Investor Limited Partner (as designated in Section 23 of this Regulatory Agreement), who shall be entitled to cure any such default under the conditions set forth herein. The Issuer and the Agent shall have the right to enforce the obligations of the Borrower under this Regulatory Agreement within shorter periods of time than are otherwise provided herein if necessary to insure compliance with the Act or the Code.

Following the declaration and during the continuance of an Event of Default hereunder, the Issuer or the Agent, at the direction of the Issuer, subject to the provisions of the Pledge and

Assignment, may take any one or more of the following steps, in addition to all other remedies provided by law or equity:

(i) 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 that may be unlawful or in violation of the rights of the Issuer or the Agent hereunder;

(ii) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Project;

(iii) require the Borrower to pay to the Issuer an amount equal to the rent or other amounts received by the Borrower for any units in the Project which were in violation of this Regulatory Agreement during the period such violation continued (which payment shall not reduce the amount nor affect any payment due under the Loan);

(iv) 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; and

(v) subject to the provisions of the Loan Agreement, declare a default thereunder and proceed with any remedies provided therein.

The Borrower hereby agrees that specific enforcement of the Borrower's agreements contained herein is the only means by which the Issuer may fully 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 Event of Default by the Borrower hereunder.

In addition, during the Qualified Project Period, the Borrower hereby grants to the Issuer the option, upon the expiration of 60 days after the giving of the notice to the Borrower referred to in the first paragraph of this Section 17 of the Borrower's default under this Regulatory Agreement, to lease up to 20% of the units in the Project for the purpose of subleasing such units to Very Low Income Tenants, but only to the extent necessary to comply with the provisions of Sections 3, 4, 6 and 7. The option granted in the preceding sentence shall be effective only if the Borrower has not instituted corrective action within such 60-day period. Such option shall be exercisable first with respect to units which are vacant at the time of exercise of this option and shall be exercised with respect to occupied units only to the extent that subleasing of additional units is necessary in order to bring the Project into compliance with the provisions of Sections 3, 4, 6 and 7, and any eviction carried out in connection with the exercise of such option shall be carried out in compliance with applicable laws. The option and any leases to the Issuer under this provision shall terminate with respect to each default upon the achievement, by the Borrower or the Issuer, of compliance with the requirements of Sections 3, 4, 6 and 7, and any subleases entered into pursuant to the Issuer's option shall be deemed to be leases from the Borrower. The Issuer shall make diligent efforts to rent Very Low Income Units to Very Low Income Tenants for monthly rental amounts equivalent to those collected from tenants of similar units in the Project, or such lesser maximum amounts as may be permitted by Section 6(b) hereof, but shall not be required to obtain such rental amounts. The Issuer shall seek to rent such units for the

highest possible rents that may be charged, consistent with the rent and occupancy restrictions of this Regulatory Agreement. Tenant selection shall be performed utilizing the Borrower's reasonable management and selection policies. The Issuer subleases to Very Low Income Tenants pursuant to this paragraph shall not exceed six months in term and shall expressly permit the Borrower to increase the rents to the maximum amounts as may be permitted by Section 6(b) hereof for the respective households at the time the Borrower assumes the Issuer's position hereunder. Any rental paid under any such sublease shall be paid to the Borrower after the Issuer has been reimbursed for any expenses incurred in connection with such sublease. All rents received by the Issuer from such subleases, less the Issuer's expenses incurred in connection with such subleases, shall be placed into an escrow reasonably approved by the Borrower. All funds in such escrow shall be continuously pledged by the Issuer for the benefit of the Borrower. The Issuer agrees to allow the Borrower access to the Issuer's books and records relating to the collection and disbursement of rents received pursuant to such subleases.

The Agent shall have the right, in accordance with this Section and the provisions of the Pledge and Assignment, without the consent or approval of the Issuer, to exercise any or all of the rights or remedies of the Issuer hereunder; provided that prior to taking any such action the Agent shall give the Issuer written notice of its intended action. After the Pledge and Assignment has been discharged, the Issuer 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 Agent.

All reasonable fees, costs and expenses (including reasonable attorneys' fees) of the Agent and the Issuer incurred in taking any action pursuant to this Section shall be the sole responsibility of the Borrower.

No breach or default under this Regulatory Agreement shall defeat or render invalid any deed of trust, mortgage or like encumbrance upon the Project or any portion thereof given in good faith and for value.

The Agent shall not be deemed to have knowledge of any default hereunder unless a responsible officer of the Agent shall have been specifically notified in writing of such default by the Issuer, the Program Monitor or by the registered owners of at least 25% of the aggregate principal amount of Bonds outstanding.

Section 18. The Agent. The Agent shall act as specifically provided herein and in the Pledge and Assignment and may exercise such additional powers as are reasonably incidental hereto and thereto. The Agent shall have no duty to act with respect to enforcement of the Borrower's performance hereunder as described in Section 17 unless it shall have actual knowledge of any such default as provided in Section 17. The Agent may act as the agent of and on behalf of the Issuer, and any act required to be performed by the Issuer as herein provided shall be deemed taken if such act is performed by the Agent. In connection with any such performance, the Agent is acting solely as Agent under the Pledge and Assignment and not in its individual capacity, and, except as expressly provided herein, all provisions of the Pledge and Assignment relating to the rights, privileges, powers and protections of the Agent, including without limitation those set forth in Section 10 thereof, shall apply with equal force and effect to all actions taken (or omitted to be taken) by the Agent in connection with this Regulatory

Agreement. Neither the Agent nor any of its officers, directors or employees shall be liable for any action taken or omitted to be taken by it hereunder or in connection herewith except for its or their own negligence or willful misconduct.

The Issuer shall be (or shall cause the Program Monitor to be) responsible for the monitoring of the Borrower's compliance with the terms of this Regulatory Agreement. The Agent shall not be responsible for such monitoring.

After the date on which no Bonds remain Outstanding, as provided in the Pledge and Assignment, the Agent shall no longer have any rights, duties or responsibilities under this Regulatory Agreement and all references to the Agent in this Regulatory Agreement shall be deemed references to the Issuer.

Section 19. Recording and Filing. (a) 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 Issuer or the Agent may reasonably request. The Borrower shall pay all fees and charges incurred in connection with any such recording.

(a) The Borrower and the Issuer will file of record such other documents and take such other steps as are reasonably necessary, in the opinion of Bond Counsel, in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project.

(b) The Borrower hereby covenants to include or reference the requirements and restrictions contained in this Regulatory Agreement in any documents, executed and delivered in connection with a voluntary transfer of any interest in the Project 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.

Section 20. Payment of Fees. Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Pledge and Assignment, the Borrower shall continue to pay to the Issuer and Agent all fees, losses and expenses required under the Loan Agreement and the Pledge and Assignment as provided therein.

Section 21. Governing Law. This Regulatory Agreement shall be governed by the laws of the State of California.

Section 22. Amendments; Waivers. (a) Except as provided in Section 8(a) hereof, this Regulatory Agreement may 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 Issuer of an opinion from Bond Counsel that such amendment will not adversely affect the Tax-Exempt status of interest on the Bonds and is not contrary to the provisions of the Act.

(b) Anything to the contrary contained herein notwithstanding, the Issuer, the Agent and the Borrower hereby agree to amend this Regulatory Agreement to the extent required, in the opinion of Bond Counsel, in order that interest on the Bonds remains Tax-Exempt. The parties

requesting such amendment shall notify the other parties to this Regulatory Agreement of the proposed amendment, with a copy of such proposed amendment to Bond Counsel and a request that such Bond Counsel render to the Issuer and the Agent an opinion as to the effect of such proposed amendment upon the Tax-Exempt status of interest on the Bonds. This provision shall not be subject to any provision of any other agreement requiring any party hereto to obtain the consent of any other person in order to amend this Regulatory Agreement.

(c) Any waiver of, or consent to, any condition under this Regulatory Agreement must be expressly made in writing.

Section 23. Notices. Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery, overnight delivery, certified or registered mail, postage prepaid, return receipt requested, or by telecopy, in each case at the respective addresses specified in the Pledge and Assignment, or at such other addresses as may be specified in writing by the parties hereto.

To the Issuer:

Housing Authority of the County of Los Angeles
2 Coral Circle
Monterey Park, CA 91755
Attention: Gregg Kawczynski, Manager, Housing Development and Preservation Division
Facsimile: (323) 890-9715
Telephone: (323) 890-7269

and

Attention: Jewel Warren-Reed,
Principal Bond Administrator
Facsimile: (323) 890-9715
Telephone: (323) 838-7768

To the Borrower:

7530 Santa Monica, L.P.
West Hollywood Community Housing Corporation, GP
8300 Sunset Boulevard, Suite 3
West Hollywood, CA 90046
Attn: Robin Conerly
Facsimile: (323) 650-8771
Telephone: (323) 650-4745

To the Agent:

Wells Fargo Bank, National Association
707 Wilshire Boulevard, 18th Floor, MAC E2818-181
Los Angeles, CA 90017
Attention: Loan Administration Manager
Facsimile: (213) 614-2265
Telephone: (213) 614-2265

To the Investor Limited Partner:

c/o National Equity Fund, Inc.
1055 Wilshire Boulevard, #1600
Los Angeles, CA 90017
Attention: James Barrios
Telephone: (213) 240-3123
Facsimile No.: (213) 250-0014

The Issuer, the Program Monitor, the Agent and the Borrower may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Notice shall be deemed given on the date received, as evidenced by written confirmation of receipt by the addressee of such notice. The Agent shall receive a copy of all notices sent to the Issuer.

Section 24. Severability. If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, 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. Limitation on Liability. Notwithstanding the foregoing or any other provision or obligation to the contrary contained in this Regulatory Agreement, (i) the liability of the Borrower under this Regulatory Agreement to any person or entity, including, but not limited to, the Agent or the Issuer and their successors and assigns, is limited to the Borrower's interest in the Project, the Revenues, including the amounts held in the funds and accounts created under the Pledge and Assignment, or any rights of the Borrower under any guarantees relating to the Project, and such persons and entities shall look exclusively thereto, or to such other security as may from time to time be given for the payment of obligations arising out of this Regulatory Agreement or any other agreement securing the obligations of the Borrower under this Regulatory Agreement; and (ii) from and after the date of this Regulatory Agreement, no deficiency or other personal judgment, nor any order or decree of specific performance (other than pertaining to this Regulatory Agreement, any agreement pertaining to any Project or any other agreement securing the Borrower's obligations under this Regulatory Agreement), shall be rendered against the Borrower, the assets of the Borrower (other than the Borrower's interest in the Project, this Regulatory Agreement, amounts held in the funds and accounts created under the Pledge and Assignment, any rights of the Borrower under the Pledge and Assignment or any other documents relating to the Bonds or any rights of the Borrower under any guarantees relating to the Project), its partners, members, successors, transferees or assigns and each their respective officers, directors, employees, partners, agents, heirs and personal representatives, as the case may be, in any action or proceeding arising out of this Regulatory Agreement and the Pledge and Assignment or any agreement securing the obligations of the Borrower under this Regulatory Agreement, or any judgment, order or decree rendered pursuant to any such action or proceeding; provided, however, that the Borrower's liability shall not be so limited in the case of the following:

(i) a willful breach by the Borrower of the provisions of the Loan Documents limiting payments or distributions to members of the Borrower to the extent the Borrower receives such payments or distributions;

(ii) any liability, damage, cost or expense incurred by the Issuer or the Agent as a result of fraud, waste, willful misconduct or bad faith by the Borrower; and

(iii) any failure by the Borrower to comply with Sections 7(h) or Section 9 of this Regulatory Agreement.

In addition, each individual, other than any representative of the Issuer, signing this Agreement, or any other Loan Document, in a representative capacity, shall be personally liable for (a) the warranty and representation hereby or thereby made that such person has legal capacity and is authorized to sign this Regulatory Agreement or such Loan Document, as the case may be, and (b) intentional fraud by such person in connection therewith.

Section 27. Third-Party Beneficiary. CDLAC is intended to be and shall be a third-party beneficiary of this Regulatory Agreement. CDLAC shall have the right (but not the obligation) to enforce the CDLAC Conditions and to pursue an action for specific performance or other available remedy at law or in equity in accordance with Section 17 hereof, provided that any such action or remedy shall not materially adversely affect the interests and rights of the holders of the Bonds.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Issuer, the Agent and the Borrower have executed this Regulatory Agreement by duly authorized representatives, all as of the date first above written.

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES

By _____
Executive Director

APPROVED AS TO FORM:

RAYMOND G. FORTNER, JR.
County Counsel

By_____
Deputy

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Agent

By _____
Authorized Officer

7530 SANTA MONICA, L.P., a California limited partnership

By: WEST HOLLYWOOD COMMUNITY HOUSING CORPORATION, a California nonprofit public benefit corporation, its general partner

By:_____
Name:_____
Its:_____

[Signature Page to the Regulatory Agreement]

[Attach Notary Acknowledgements]

EXHIBIT A

DESCRIPTION OF REAL PROPERTY
RELATING TO THE PROJECT

EXHIBIT B

[FORM OF INCOME CERTIFICATION]

[TO COME FROM ISSUER]

EXHIBIT C

[FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE]

[TO COME FROM ISSUER]

EXHIBIT D
[TO COME FROM ISSUER]

EXHIBIT E

The following certification must be submitted to the California Debt Limit Allocation Committee annually on the anniversary of the Board closing date (or at such other time as requested by the Committee) on Project Sponsor letterhead.

CERTIFICATION OF COMPLIANCE

Project Name: Sierra Bonita Apartments

CDLAC Application No. 08-___

Pursuant to Section 13 of Resolution No. 08-___ (the "Resolution"), adopted by the California Debt Limit Allocation Committee (the "Committee") on _____, 2008, I, _____, an Officer of the Project Sponsor, hereby certify under penalty of perjury that, as of the date of this Certification, the above-mentioned Project is in compliance with all of the terms and conditions set forth in the Resolution.

I further certify that I have read and understand Section 3 of the Resolution, which specifies that once the Bonds are issued, the terms and conditions set forth in the Resolution shall be enforceable by the Committee through an action for specific performance or any other available remedy (as further explained in Section 12 of the Resolution).

_____ _____

Signature of Officer Date

_____

Printed Name of Officer

_____

Title of Officer

MASTER PLEDGE AND ASSIGNMENT

among

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES,
as Issuer

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Agent

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Holder

Dated as of May 1, 2008

Relating to

$11,000,000
THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
MULTIFAMILY HOUSING REVENUE BONDS
(SIERRA BONITA APARTMENTS PROJECT),
2008 SERIES A

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EXHIBIT A FORM OF BOND
EXHIBIT B PURCHASER'S LETTER

MASTER PLEDGE AND ASSIGNMENT

THIS MASTER PLEDGE AND ASSIGNMENT, dated as of May 1, 2008 (this "Pledge and Assignment"), from THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES, a public body corporate and politic of the State of California (the "Issuer"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association (the "Agent"), as agent under and pursuant to that certain Master Agency Agreement, dated as of May 1, 2008 (the "Agency Agreement") between the Issuer and the Agent, to WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as initial holder of the Bonds described herein, and any successors and assigns (the "Holder").

WITNESSETH:

WHEREAS, the Issuer is, concurrently herewith, issuing its Multifamily Housing Revenue Bonds (Sierra Bonita Apartments Project), 2008 Series A, in the aggregate face amount (maximum principal amount) of $11,000,000 (the "Bonds"), to evidence the obligation to repay the advances to be made hereunder by the Holder to the Agent for the account of the Issuer;

WHEREAS, the proceeds of the Bonds will be advanced by the Agent for the account of the Issuer to 7530 Santa Monica L.P., a California limited partnership (the "Borrower"), for the purpose of funding a loan (the "Loan") in the maximum aggregate principal amount of $11,000,000 to the Borrower to finance the Borrower's acquisition, construction and development of a 42-unit multifamily rental housing project to be located at 7530 Santa Monica Boulevard in the City of West Hollywood, California, to be known as the "Sierra Bonita Apartments" (the "Project");

WHEREAS, the Loan will be made to the Borrower by the Agent for the account of the Issuer pursuant to that certain Building Loan Agreement (the "Loan Agreement"), of even date herewith, by and between the Agent (for the account of the Issuer), as lender, and the Borrower, as borrower;

WHEREAS, the Borrower's obligation to repay the Loan will be evidenced by that certain Promissory Note (the "Note") made by Borrower to the order of the Agent for the account of the Issuer, as further described herein, and secured by that certain Construction Leasehold Deed of Trust With Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing (the "Mortgage") of even date herewith, executed by the Borrower, as trustor, for the benefit of the Agent, in its capacity as agent for the Issuer, as beneficiary;

WHEREAS, the Holder, as a condition to its purchase of the Bonds, has required that the Issuer and the Agent execute and deliver this Pledge and Assignment;

NOW, THEREFORE, as an inducement to the Holder to purchase the Bonds, as provided herein, and as an inducement to the Agent, as agent for the Issuer and for the account of the Issuer, to make and disburse the proceeds of the Bonds to make the Loan as provided herein, and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Issuer and the Agent, in order to secure the due and punctual payment of the Bonds and other sums due the Holder hereunder or thereunder,

do hereby pledge, grant, bargain, sell, convey, assign, mortgage and transfer, and grant a security interest in, all of the Issuer's and the Agent's right, title and interest in and to the following described property, whether real or personal (the "Collateral"), to the Holder; provided, however, that this Pledge and Assignment and the agreements and covenants made hereunder shall not be construed to constitute a general obligation of the Issuer or the Agent, and any obligations hereunder are limited obligations of the Issuer and the Agent to be paid and satisfied solely from the following described Collateral:

(i) the Loan, including without limitation, the Note, the Mortgage and all other Loan Documents (as hereinafter defined) to which either the Issuer or the Agent now is, or hereafter may be, a party or a direct beneficiary, together with all rights, powers, privileges and other benefits of the Agent and the Issuer under the Loan Documents, including the right to make all waivers and agreements, to give and receive duplicate copies of all notices and other instruments or communications, to take such action upon the occurrence of any default under the Loan Documents, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Loan Documents or by law, and to do any and all other things whatsoever which the Issuer or the Agent is or may be entitled to do under the Loan Documents;

(ii) any and all payments of principal, interest, premiums and late payment fees made on the Loan at any time hereafter by the Borrower;

(iii) the proceeds of the sale of the Bonds to the extent they have not been applied to fund the Loan;

(iv) all tax, insurance, operating, replacement or other similar reserves or escrows now or hereafter held with respect to the Loan; and

(v) any and all proceeds received under any policy of title insurance, hazard insurance, or other such insurance with respect to the Project, proceeds received from Condemnation (as that term is defined below), and revenues, proceeds and other payments and tenders received from any foreclosure (or payments in lieu of foreclosure) of the Mortgage or from enforcement of the Mortgage or any other Loan Documents, and any and all proceeds from the conversion, voluntary or involuntary, of any of the foregoing into cash or other liquidated claims;

SUBJECT, HOWEVER, to (a) the interest of the Borrower, to the extent provided in the Loan Documents, with respect to the tax, insurance or other similar reserve and escrows and with respect to any property insurance proceeds or Condemnation awards or proceeds of foreclosure, (b) the right of the Agent and the Issuer to exercise, without the consent of the Holder until an Event of Default shall have occurred and be continuing, all rights, powers, privileges and other benefits under the Loan Documents, including the right to make all waivers and agreements, to give and receive duplicate copies of all notices and other instruments or communications, to take such action upon the occurrence of any default under the Loan Documents, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Loan Documents or by law, but subject to, and only upon, the terms and conditions of Article 5 hereof, and (c) any of the rights of the Issuer and the Agent and their

respective directors, officers, elected officials, attorneys, accountants, employees, agents and consultants to be held harmless and indemnified thereunder, to be paid fees as described therein, to be reimbursed for attorneys' fees and expenses thereunder and to give or withhold consent to amendments, changes, modifications and alterations to and to enforce the provisions of the Regulatory Agreement (as that term is hereinafter defined); provided that payment of the fees, expenses and indemnification amount under this subpart (c) shall be subordinate and junior in right of payment to the right of the Holder to be paid in full all amounts owing to it under the Bonds and other expenses as set forth in Section 5.01 hereof.

IT IS HEREBY COVENANTED by the parties hereto that the Collateral is to be held and applied subject to the further covenants, conditions, uses and trusts herein set forth; and the Issuer and the Agent, for themselves and their respective successors and assigns, hereby covenant and agree with the Holder as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. The following terms shall, for all purposes of this Pledge and Assignment, have the following respective meanings:

"Act" means Chapter 1 of Part 2 of Division 24 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.

"Affiliate" means any entity of which the ultimate parent corporation is the same as that of Wells Fargo Bank, National Association (or any successor to Wells Fargo Bank, National Association, as the Holder), including such parent corporation.

"Authorized Denomination" shall mean the outstanding principal amount of Bonds.

"Bond Counsel" means an attorney or a firm of attorneys of nationally recognized standing in matters pertaining to the tax status of interest on bonds issued by states and their political subdivisions, who is or are selected by the Issuer 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.

"Bonds" means The Housing Authority of the County of Los Angeles Multifamily Housing Revenue Bonds (Sierra Bonita Apartments Project), 2008 Series A, issued and delivered in the aggregate principal amount of $11,000,000.

"Borrower" means 7530 Santa Monica L.P., a California limited partnership, and its successors and assigns.

"Closing Date" means the date of original issuance of the Bonds hereunder.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to

obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Collateral" shall have the meaning assigned to such term in the sixth paragraph under the heading "WITNESSETH" above.

"Condemnation" means a taking of all or any part of the Project or any real property on which the Project is situated or any interest therein or right accruing thereto as a result of or in lieu of or in anticipation of the exercise of the right of condemnation, eminent domain, change of grade, appropriation or confiscation.

"Conversion Date" shall have the meaning assigned to such term in the Loan Agreement.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security -- State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Issuer and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

"Guaranty" shall have the meaning ascribed to it in the Loan Agreement.

"Interest Payment Date" shall mean the first day of each month for so long as the Bonds are outstanding, commencing [June] 1, 2008.

"Investor Limited Partner" means [National Equity Fund, Inc.] and its successors and assigns.

"Loan" means the mortgage loan made by the Agent for the account of the Issuer to the Borrower with respect to the Project, from the proceeds of the Bonds, pursuant to the Loan Agreement.

"Loan Agreement" means that certain Building Loan Agreement, dated as of May 1, 2008, by and between the Agent, in its capacity as agent for the Issuer, as lender and the Borrower with respect to the Project.

"Loan Documents" means all of the following documents or instruments entered into with respect to the Loan and the Project: the Note, the Mortgage, the Loan Agreement, the

Guaranty, the Regulatory Agreement and all other documents evidencing, securing or otherwise pertaining to the Loan.

"Mortgage" means the Construction Leasehold Deed of Trust With Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing of even date herewith by the Borrower, as trustor, for the benefit of the Agent, for the account of the Issuer, as beneficiary, encumbering (among other things) the Project, securing the Loan and recorded in the official records of the County of Los Angeles, State of California.

"Note" means that certain Promissory Note Secured by Deed of Trust relating to the Bonds, in the maximum principal amount of $11,000,000, executed by the Borrower to the order of the Agent, as agent for the Issuer, evidencing the obligation to repay the Loan.

"Permitted Investments" means, to the extent permitted by applicable law, any of the following:

(1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, including instruments evidencing an ownership interest in securities described in this clause (1);

(2) obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Bank, Federal Land Banks, Government National Mortgage Association, Federal Home Loan Mortgage Corporation or Federal Housing Administration;

(3) repurchase agreements (including those of the Agent) fully secured by collateral security described in clause (1) or (2) of this definition, which collateral (a) is held by the Agent or a third party agent approved by the Holder during the term of such repurchase agreement, (b) is not subject to liens or claims of third parties and (c) has a market value (determined at least once every fourteen (14) days) at least equal to the amount so invested;

(4) certificates of deposit of, or time deposits or deposit accounts in, any bank (including the Agent) or savings and loan association (a) the debt obligations of which (or in the case of the principal bank of a holding company, the debt obligations of the bank holding company of which) have been rated "A" or better by S&P, or (b) which are fully insured by the Federal Deposit Insurance Corporation, or (c) which are secured at all times, in the manner and to the extent provided by law, by collateral security (described in clause (1) or (2) of this definition) of a market value (valued at least quarterly) of no less than the amount of money so invested;

(5) investment agreements of financial institutions or insurance companies, in each case having uninsured, unsecured and unguaranteed obligations rated "AA-" or better by S&P, provided, however, that any such investment may be provided by a financial institution or insurance company having uninsured, unsecured and unguaranteed obligations not rated "AA-" or better by S&P, if such investment is unconditionally insured, guaranteed or enhanced by an

entity whose uninsured, unsecured and unguaranteed obligations are rated "AA-" or better by S&P;

(6) shares in any investment company registered under the federal Investment Company Act of 1940 whose shares are registered under the federal Securities Act of 1933 and whose only investments are government securities described in clause (1) or (2) of this definition and repurchase agreements fully secured by government securities described in clause (1) or (2) of this definition and/or other obligations rated AAA by S&P, including investment companies and master repurchase agreements from which the Agent or an affiliate derives a fee for investment advising or other service;

(7) tax-exempt obligations of any state of the United States, or political subdivision thereof, which are rated A or better by S&P or mutual funds invested only in such obligations;

(8) units of a taxable or nontaxable government money-market portfolio composed of U.S. Government obligations and repurchase agreements collateralized by such obligations;

(9) commercial paper rated A or better by S&P;

(10) corporate notes or bonds with one year or less to maturity rated A or better by S&P; or

(11) U.S. Bank Commercial Money Market Fund.

"Project" means the acquisition and construction of a 42-unit multifamily rental housing project to be known as "Sierra Bonita Apartments" and to be located in the City of West Hollywood, State of California.

"Purchaser's Letter" means the Investor's Letter in the form attached hereto as Exhibit B.

"Qualified Institutional Buyer" has the meaning set forth in Rule 144A of the Securities Act of 1933, as amended.

"Regulatory Agreement" means that certain Regulatory Agreement and Declaration of Restrictive Covenants relating to the Project, dated as of May 1, 2008, by and among the Issuer, the Agent and the Borrower.

"S&P" means Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies.

"State" means the State of California.

"Tax Certificate" means the Tax Certificate and Agreement, dated the Closing Date, executed and delivered by the Issuer and the Borrower, including all exhibits thereto, as amended in accordance with its terms.

ARTICLE II

BONDS

Section 2.01. Issuance of Bonds to Fund Loan; Loan Fees. This Pledge and Assignment is entered into by the Issuer to assist in the acquisition, construction and development of the Project by providing financing for the Project through the issuance of the Bonds, the proceeds of which shall be advanced by the Holder directly to the Agent for the account of the Issuer as and when needed by the Agent to make each advance of principal under the Loan Agreement and shall be applied by the Agent for the account of the Issuer to the funding of the Loan pursuant to the terms of the Loan Agreement. As consideration for the issuance and delivery of the Bonds, the Holder agrees to purchase, at par, the Bonds in a principal amount of up to $11,000,000. Concurrently with each advance of principal by the Agent, for the account of the Issuer, to the Borrower under the Loan Agreement of the proceeds of the Loan, the Holder shall deliver to the Agent, for the account of the Issuer, and on account of the Holder's purchase of a corresponding principal amount of the Bonds, an amount equal to the amount so advanced by the Agent, on account of the Issuer, to the Borrower under the Loan Agreement.

Section 2.02. Form, Face Amount and Delivery of Bonds. The Bonds secured hereby are designated "The Housing Authority of the County of Los Angeles Multifamily Housing Revenue Bonds (Sierra Bonita Apartments Project), 2008 Series A," are to be issued substantially in the form attached hereto as Exhibit A, are being issued in the face amount (maximum principal amount) of $11,000,000, and will be payable and mature as provided therein. The Bonds shall be executed, either manually or by facsimile, by the Chair of the Issuer and attested by the Executive Officer of the Issuer and shall be delivered to the Holder in certificate form upon the Holder's execution of the Purchaser's Letter.

Section 2.03. Principal. The outstanding principal amount of the Bonds as of any given date shall be the total amount advanced by the Holder to the Agent on account of the Holder's purchase of the Bonds and advanced or constructively advanced by the Agent to the Borrower as proceeds of the Loan, less any payments of principal previously received by such Holder on the Bonds. The principal amount of the Bonds and interest thereon shall be payable on the basis specified in Sections 2.04 and 2.06. The Bonds shall be subject to redemption as provided in Sections 2.09 and shall mature, and become due and payable in full, together with all accrued and unpaid interest thereon, on June 1, 2011.

Section 2.04. Interest. Interest shall be paid on the outstanding principal amount of the Bonds, from and after the Closing Date, at the rate or rates equal to the interest rate in effect from time to time on the Note as provided in the Loan Agreement, payable on each Interest Payment Date. Interest on the Bonds during such period shall be calculated as provided in the Loan Agreement.

The Bonds shall bear interest from the date to which interest has been paid on the Bonds next preceding the date of its authentication, unless it is authenticated as of an Interest Payment Date for which interest has been paid, in which event it shall bear interest from such Interest

Payment Date, or unless it is authenticated on or before the first Interest Payment Date, in which event it shall bear interest from its Closing Date.

Section 2.05. Limited Obligation of Issuer and Agent to Make Payments. The payments of principal, interest, premiums, late payment fees and all other amounts to be made on the Bonds to the Holder thereof shall be made in accordance with the terms of the Bonds. In no event, however, shall the Issuer or the Agent have any obligation to make or remit such payments to the Holder unless and until moneys are received therefore by the Issuer or the Agent, as the case may be, from or with respect to the Loan.

Section 2.06. Corresponding Payments. The payment or prepayment of principal, interest, premium, late payment fees and other amounts due on the Bonds shall be identical with and shall be made on the same dates, terms and conditions as the principal, interest, premium, late payment fees and other amounts due on the Note as provided in the Loan Agreement. Any payment or prepayment made by the Borrower of principal, interest, premium, late payment fees and other amounts due on the Note shall be deemed to be like payments or prepayments of principal, interest, premium, late payment fees and other amounts due on the Bonds. Payments or prepayments by the Borrower under the Note shall be deemed to have been constructively received by the Holder as payments or prepayments on the Bonds on the date of receipt of such payments by the Agent, and interest with respect to each principal payment or prepayment shall cease to accrue upon receipt thereof by the Agent. Payments or prepayments of principal, interest, premium, late payment fees and other amounts due shall be remitted immediately by the Agent to the Holder. Late payment fees payable on the Note as provided in the Loan Agreement and other amounts, if any, payable on the Note as provided in the Loan Agreement, other than principal, interest and premium shall be retained by the Agent as additional compensation.

Section 2.07. Replacement of Bonds. Upon receipt of evidence reasonably satisfactory to the Issuer of the loss, theft, destruction or mutilation of the Bonds, or any replacement Bonds, and, in the case of any such loss, theft, or destruction, upon the delivery of an indemnity agreement reasonably satisfactory to the Issuer or, in the case of any mutilation, upon the surrender and cancellation of such mutilated Bond, the Issuer, at the expense of the Holder of such Bond, will issue a new Bond, of like tenor, in lieu of such lost, destroyed or mutilated Bond.

Section 2.08. Registration and Transferability. The Bonds shall be in fully registered form, registered in the name of the Holder upon registration books of the Issuer at the office of the Agent, such registration to be noted on the Bonds, after which no transfer shall be valid unless made in compliance with the provisions of Section 4.04 hereof and this Section 2.08.

The Bonds shall be sold, assigned, transferred or otherwise disposed of only in the Authorized Denomination. The Bonds shall be transferable upon said registration books by the Holder in person or by its attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Agent, duly executed by the registered Holder or its duly authorized attorney. Upon such transfer, the Agent will note the date of registration and the name and address of the newly registered Holder on the books of the Issuer and on the Bonds. The Issuer and the Agent may deem and treat the person in whose name the Bond is last registered upon the books of the Issuer, with such registration noted on the Bond, as

the absolute owner thereof for the purpose of receiving payment of or on account of the principal, or interest, premium and late payment fees and for all other purposes; all such payments so made to the registered Holder or upon its order shall be valid and effectual to satisfy and discharge the liability upon the Bond to the extent of the sum or sums so paid, and the Issuer shall not be affected by any notice to the contrary.

Section 2.09. Circumstances of Redemption of the Bonds. The Bonds are subject to redemption upon the circumstances, on the dates and at the prices set forth as follows:

(a) The Bonds shall be subject to redemption in whole or in part on any Interest Payment Date, at a redemption price equal to the outstanding principal amount of the Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, together with any applicable premium, upon prepayment of the Loan under the terms of the Loan Agreement in whole or in part.

(b) The Bonds shall be subject to redemption in whole on any date at a redemption price equal to the outstanding principal amount of the Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, together with any applicable premium, upon acceleration of the Loan in whole following an Event of Default (as defined in the Loan Agreement).

(c) The Bonds shall be subject to redemption in whole or in part on any date at a price equal to the outstanding principal amount thereof to be redeemed plus accrued interest to the redemption date, together with any applicable premium, from the proceeds of any mandatory payment of principal on the Note, including mandatory prepayment of all or part of the principal of the Note on the Conversion Date, under the terms of the Note or the Loan Agreement.

(d) The Bonds shall be subject to redemption in whole or in part on any date at a redemption price equal to the outstanding principal amount of the Bonds to be redeemed plus accrued interest to the redemption date, together with any applicable premium, from the proceeds of any mandatory prepayment of the Loan under the terms of the Note or the Loan Agreement.

(e) The Bonds shall be subject to mandatory redemption in whole on any date at a price equal to the principal amount of the Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, plus a premium equal in amount to any premium payable pursuant to the Note and the Loan Agreement, upon the occurrence of a Mandatory Redemption Event; provided that the Issuer's obligation upon the occurrence of a Mandatory Redemption Event shall be discharged as provided in Section 9.03.

The premium due in connection with any of the foregoing redemption provisions shall be an amount equal to the amount paid on the applicable Note and/or the Loan in connection with such redemption that is in excess of the principal and interest on the Bonds otherwise due on the redemption date.

The Holder is hereby authorized and directed, and hereby agrees, to fix the date for any such redemption, and, if moneys provided from the sources contemplated by this Pledge and Assignment and the Loan Agreement are available, to redeem the Bonds so called on the date so fixed by the Holder. The Holder shall give written notice of such redemption to the Issuer.

Section 2.10. No Notice of Redemption. No notice of redemption of the Bonds need be given to the Holder or other owners of the Bonds.

Section 2.11. Effect of Redemption. Bonds so called for redemption shall, on the redemption date selected by the Holder become due and payable at the redemption price specified herein, and if moneys provided from the sources contemplated by this Pledge and Assignment and the Loan Agreement for payment of the redemption price are then held by the Agent, interest on the Bonds so called for redemption shall cease to accrue, said Bonds shall cease to be entitled to any lien, benefit or security under this Pledge and Assignment, and the holders of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds fully redeemed pursuant to the provisions of Section 2.09 shall be destroyed by the Agent, which shall thereupon note such destruction in the registration books maintained by the Agent pursuant to Section 2.08 of this Pledge and Assignment.

ARTICLE III

SECURITY FOR THE BONDS

Section 3.01. Delivery of Collateral. To provide security for the payment of the Bonds, the Agent and the Issuer have pledged, assigned, transferred, conveyed and granted their respective right, title and interest in the Loan and other security constituting the Collateral to the Holder. In connection with such pledge, assignment, transfer, conveyance and grant, the Agent shall deliver to the Holder the following documents or instruments promptly following their execution:

(i) The Note endorsed without recourse by the Agent;

(ii) An originally executed Loan Agreement and Regulatory Agreement;

(iii) An originally executed Mortgage and all other Loan Documents constituting the Collateral existing at the time of delivery of the Note and a collateral assignment of the Mortgage from Agent to Holder, in recordable form;

(iv) Uniform Commercial Code financing statements or other chattel security documents giving notice of the Holder's status as an assignee of the Agent's security interest in any personal property forming part of the Project, in form suitable for filing; and

(v) Uniform Commercial Code financing statements giving notice of the pledge by the Issuer and the Agent of the Collateral pledged under this Pledge and Assignment.

The Agent and the Issuer shall deliver and deposit with the Holder such additional documents, financing statements, and instruments as the Holder may reasonably require from time to time for the better perfecting and assuring to the Holder of its lien and security interest in and to the Collateral.

Section 3.02. Agent the Mortgagee of Record. Notwithstanding the pledge, transfer and conveyance hereunder of the Loan and the other Collateral to the Holder, the Agent shall, except as otherwise provided in Section 9.02 of this Pledge and Assignment upon the occurrence of an Event of Default, be and remain the mortgagee of record for the Loan, and is fully authorized and empowered to service and administer the Loan as provided in Section 4.01 hereof.

ARTICLE IV

SERVICING THE LOANS AND THE BONDS

Section 4.01. Servicing the Loan. The Agent shall take all steps necessary to maintain its qualifications to act hereunder as mortgagee, and shall service and administer the Loan in accordance with standard mortgage banking practices, taking all steps and exercising the same degree of care and skill with respect to the Loan, the Project and the Loan Documents that it would take or exercise under the circumstances in protecting its own interests as a mortgage lender or investor therein. Except as specifically noted below, the Agent shall have full power and authority, acting alone, to do any and all things in connection with such servicing and administration of the Loan that it may deem necessary or desirable, including, without limitation, the following:

(i) The making of advances on the Loan directly to or for the account of the Borrower, pursuant to the Loan Agreement and other Loan Documents, in accordance with law and the Agent's usual practices and procedures in administering similar projects and mortgage loans.

(ii) Recording and filing of documents and statements to create, preserve and release the lien of the Mortgage on the Project and the site on which it is located, site inspections, obtaining title updates and endorsements, processing change orders, and maintaining required insurance and escrow funds.

(iii) The collection, holding and disbursement in accordance with the requirements of the Loan Documents and any applicable laws, of all payments of principal and interest due under the Loan, and any other payments or sums due under or with respect to the Loan, the Mortgage or other Loan Documents, including, without limitation, all payments for taxes, assessments, hazard insurance premiums, service charges and late payment fees, all proceeds of title and hazard insurance policies, letters of credit, and all condemnation awards.

(iv) The preservation, administration and enforcement of the Loan and the Loan Documents, and in this connection the Agent may do, or refrain from doing, all acts which are permitted under the terms of the Loan or the Loan Documents and which in its sole judgment may be appropriate; provided, however, that, except as otherwise permitted in accordance with Section 5.02 hereof upon the happening of a default by the Borrower under the Loan Agreement, the Note or the Mortgage, the Agent may not take any action that would cause interest on the Bonds to be included in the gross income of the owners thereof for purposes of federal income taxation without the prior written consent of the Issuer and the Holder or do any of the following without the prior written consent of the Holder:

(a) consent to or permit modification of the maximum principal amount of the Loan, reduce the interest rate thereon, or extend the maturity date thereof or the due date of any principal payment thereof or the date for commencement of amortization (except as provided therein), or

(b) make or consent to any release of the Borrower from any liability under the Loan or any of the Loan Documents except as otherwise expressly contemplated under the Loan Documents.

(v) The preservation and administration of all reserve funds and escrow funds required by any of the Loan Documents, in accordance with the requirements of the Loan Documents.

Section 4.02. Paying Agent for the Bonds; Investments. The Agent shall serve as paying agent for the Bonds and on behalf of the Issuer, and shall remit, directly to the Holder, the payments of principal, interest, premium, late payment fees and all other amounts due on the Bonds required by, and in accordance with, Sections 2.03, 2.04, 2.05, 2.06 and 2.09 hereof. The Agent shall invest any undisbursed Bond proceeds received by the Agent (if any) in Permitted Investments, as directed by the Borrower and as approved by the Holder.

Permitted Investments may be purchased at such prices as the Agent may in its discretion determine or as may be directed by written request of the Borrower, approved by the Holder, provided that, except as hereinafter provided in the next sentence, all Permitted Investments acquired with the proceeds of the Bonds (within the meaning of Section 148 of the Code) shall be acquired, disposed of and valued (as of the date that valuation is required by the Code) at Fair Market Value. Investments of such proceeds that are subject to a yield restriction under applicable provisions of the Code shall be valued at their present value (within the meaning of Section 148 of the Code). All Permitted Investments relating to the Bonds shall be acquired subject to any additional limitations set forth in the Tax Certificate, dated the Closing Date and executed by the Issuer and the Borrower.

Section 4.03. Standard of Care. In servicing and administering the Loan and acting as a paying agent for the Bonds pursuant to Sections 4.01 and 4.02 hereof, the Agent shall act in the best interests of the Holder, but neither the Issuer nor the Agent shall be liable to the Holder or to any other person or entity if, in so servicing and administering the Loan and the Bonds, the Agent exercises that degree of ordinary prudence and skill that it would exercise under the circumstances in protecting its own interests as if it were the Holder, and further, neither the Issuer nor the Agent shall have any liability when the Agent acts, or refrains from acting, pursuant to the specific written instructions of the Holder. The Issuer shall have no liability to the Holder for actions taken by the Agent in servicing and administering the Loan or acting as paying agent for the Bonds, including, but not limited to, liability for the errors or omissions, willful misconduct or negligence of the Agent.

Section 4.04. Sale of Bonds and this Pledge and Assignment. With the exception of a transfer to an Affiliate of the Holder, the Bonds shall only be sold, assigned, transferred or otherwise disposed of by the Holder or any Affiliate of the Holder under the conditions set forth below.

The Holder shall have the right to sell the Bonds and interests therein in whole to a Qualified Institutional Buyer without the consent of the Issuer, so long as the purchaser provides a Purchaser's Letter substantially in the form attached hereto as Exhibit C and so long as the purchaser acknowledges in writing that it shall have no right to pursue any action or claim against the Issuer (other than as provided in, and as limited by, this Pledge and Assignment); provided that the Holder agrees to and shall indemnify, hold harmless and defend the Issuer, any past, present or future member of its governing body, its supervisors, officers, officials, agents and employees, and each of them, against all loss, costs, damages, expenses, suits, judgments, actions and liabilities of whatever nature (including, without limitation, 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 any such sale or transfer. The Holder shall provide written notice to the Issuer identifying any person or entity acquiring the Bonds or interests therein. The Holder may disclose to any purchaser or prospective purchaser any information or other data or material in the Holder's possession relating to the Issuer, the Bonds and the Project, without the consent of or notice to the Issuer.

Nothing contained in this Section 4.04 shall be deemed to limit or otherwise restrict the sale by any Holder of any participation interest in any Bond (in which event such Holder shall remain Holder for all purposes of this Pledge and Assignment); provided any such participation shall be sold to a Qualified Institutional Buyer in a principal amount of at least $250,000.

Section 4.05. Indemnification of Issuer by Agent. The Holder acknowledges that notwithstanding any other provision of this Pledge and Assignment, Agent is acting as an independent contractor and not as the agent of Issuer in servicing and administering the Loan. Agent agrees to indemnify, hold harmless and defend Issuer and its respective supervisors, commissioners, officers, members, program participants, directors, officials, attorneys, agents and employees and each of them against all loss, costs, damages, expenses, suits, judgments, actions and liabilities of whatever nature (including, without limitation, 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 any act or omission on the part of Agent with respect to the servicing and administration of the Loan under this Pledge and Assignment.

ARTICLE V

DEFAULTS ON LOAN

Section 5.01. Defaults on Loan. Except as provided in Section 5.02 hereof, upon the happening of any default by the Borrower under the Loan Agreement, the Note or Mortgage, or any other Loan Document, after expiration of any applicable cure periods, the Agent shall (a) promptly notify the Holder of the default, (b) take such action as it is directed to take by the Holder to enforce the Loan Documents, and (c) promptly apply all proceeds realized upon enforcement of the Loan Documents, if any, in the following order of priority:

(i) To reimburse the Agent for its losses and expenses (including reasonable attorneys' fees) incurred in taking such action to enforce the Loan Documents or as a result of an alternate cause or causes of action described in Section 5.02;

(ii) To pay to the Holder any interest accrued on the Bonds, without preference or priority of any installment of such interest over any other installment of such interest;

(iii) To pay to the Holder all principal outstanding on the Bonds[and any corresponding unpaid premium and late payment fees], without preference or priority of any installment or amount of such principal, premium [or fees] over any other installment of principal, premium[or fees];

(iv) To reimburse the Holder for any losses or expenses incurred by it in connection with such default on the Bonds; and

(v) To pay to the Issuer any fees and expenses due and payable in connection with the Bonds, the Loan or the Project.

The balance, if any, of such proceeds shall be applied in accordance with the Loan Documents, if applicable, and otherwise in accordance with the applicable law or as determined by the Agent and the Issuer.

In the event that Agent or Holder accepts a deed in lieu of a foreclosure or credit bids at the foreclosure sale and subsequently takes title to the Project, Holder may request that the Issuer effect a termination of the Regulatory Agreement, but only in accordance with the terms of the Regulatory Agreement. In the event that the Agent accepts a deed in lieu of foreclosure or makes a credit bid at a foreclosure sale and subsequently takes title to the Project, the Agent shall take appropriate action to cause such deed to be delivered to the Holder.

The Issuer shall have no obligation to take any action or to incur any expense with respect to any default by the Borrower and shall have no liability to the Holder, the Agent or any other person for any losses or expenses incurred as a result of such a default.

Section 5.02. Action After Consultation with Holder. Upon the happening of any default by the Borrower under the Loan Agreement, the Note or the Mortgage, or if in the judgment of the Agent such default is imminent, the Agent shall notify the Holder of such circumstance. Upon the happening of any Event of Default under the Loan Documents premised upon Borrower's failure to pay principal and/or interest, the Agent shall notify the Issuer of such circumstances; provided, however, that the Agent shall have no liability to Issuer for failing to do so. The Agent may request consent of the Holder, with a written copy of such request being delivered to the Issuer, to a course of action which is other than the enforcement of the Loan Documents but which is considered reasonable or appropriate by the Agent. Such course of action may include, but shall not be limited to, waiver of payments to any escrow under the Mortgage, deferral of payment of principal of or interest on the Loan, entering into a forbearance agreement with the Borrower, and any similar work-out arrangement; provided, however, that no such course of action shall be pursued which, in the opinion of Bond Counsel, would cause interest on the Bonds to be included in gross income for purposes of federal income taxation without the prior written consent of Issuer. In the event the Holder shall approve in writing any such course of action, the Agent shall take such course of action.

Section 5.03. Losses and Expenses Upon Exercise of Rights. Any and all losses or expenses incurred in enforcing the Loan Documents, or as a result of an alternate course or

courses of action approved by the Holder shall be borne by the Borrower. Such losses or expenses may include, but shall not be limited to:

(i) Subject to the non-recourse provisions set forth in the Loan Agreement, loss resulting from nonpayment of interest on or principal of the Loan or from receipt of interest at a rate other than the rate specified in the Loan Agreement.

(ii) Reimbursement of Agent for expenditures made voluntarily by it for taxes, assessments, water rates, hazard insurance and similar items with respect to the Project or the Loan, or for the completion and preservation of the Project.

(iii) Expenses of foreclosure (including reasonable attorney's fees and court costs) in the event the Agent forecloses the Mortgage.

(iv) Loss resulting from interest on the Bonds becoming includable in gross income for purposes of federal income taxation.

Section 5.04. Notice to Issuer. The Agent shall provide the Issuer a copy of any notices given by it or delivered to it regarding the acceleration of the Loan or the foreclosure of the Mortgage.

ARTICLE VI

REPRESENTATIONS AND COVENANTS BY AGENT AND ISSUER

Section 6.01. Representations by Agent. The Agent hereby represents and warrants to the Holder that as of the date of execution of this Pledge and Assignment, the Agent is a national banking association duly organized, validly existing and in good standing under the laws of the United States, and has all requisite power and authority to enter into this Pledge and Assignment and to carry out its obligations hereunder.

Section 6.02. Representations by Issuer. The Issuer hereby represents and warrants to the Holder, that as of the date of execution of this Pledge and Assignment:

(i) The Issuer is a public body corporate and politic, duly organized and existing under the laws of the State of California.

(ii) The Bonds have been duly authorized and issued in accordance with the Act and other applicable laws of the State of California and constitute valid and binding limited obligations of the Issuer payable solely from the Collateral, to the extent provided herein.

(iii) The Issuer has all requisite power and authority to enter into this Pledge and Assignment and to carry out its obligations hereunder.

(iv) The Issuer will not take any action or permit any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(v) The Issuer will take any and all actions within its power to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

(vi) The Issuer will not take, or permit to be taken, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(vii) The Issuer will take all actions within its power to assure the exclusion of interest on the Bonds from the gross income of the owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

(viii) Except as otherwise provided in the following sentence, the Agent and the Issuer covenant that all investments of amounts deposited in any fund or account created by or pursuant to this Pledge and Assignment, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Pledge and Assignment or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in any reserve fund shall be valued at their present value (within the meaning of section 148 of the Code).

ARTICLE VII

BOOKS AND RECORDS; REPORTS

Section 7.01. Books and Records. The Agent shall at all times keep proper books, accounts and records relating to the Loan, the Project, the Loan Documents and the Bonds in a manner conforming to normal banking practices and in accordance with generally accepted accounting principles. All such books, accounts and records shall be accessible for inspection or duplication by the Holder or the Issuer, or their respective representatives during normal business hours or at any other reasonable times.

Section 7.02. Reports. The Agent shall issue a written report to the Holder of any material adverse condition known to the Agent which, in its reasonable judgment, could result in an Event of Default hereunder or a default under the Loan or the Loan Documents promptly upon learning of such condition. Upon written request, the Agent shall furnish to the Holder and the Issuer a statement of the principal balance outstanding on the Bonds.

ARTICLE VIII

NONRECOURSE; OBLIGATIONS NOT DEBT OF ISSUER, AGENT OR STATE

Section 8.01. Limited Obligations. The Bonds and the interest thereon are limited obligations of the Issuer, payable solely from the Collateral, which is hereby specifically assigned and pledged to such purposes in the manner and to the extent provided herein. Neither

the County of Los Angeles, the State of California (the "State"), nor any political subdivision thereof (except the Issuer, to the limited extent set forth herein) nor any public agency shall in any event be liable for the payment of the principal of, premium (if any) or interest on the Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever except as set forth herein, and none of the Bonds or any of the Issuer's agreements or obligations shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of or a moral obligation of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever.

The Bonds, together with the interest and premium, if any, thereon and the purchase price thereof, shall not be deemed to constitute a debt or liability of the Issuer, the County of Los Angeles, the State or of any public agency or a pledge of the faith and credit of the Issuer, the County of Los Angeles, the State or any political subdivision or public agency thereof, but shall be payable solely from the funds provided therefor pursuant to this Pledge and Assignment. The Bonds are only a limited obligation of the Issuer as provided by the Act, and neither the Issuer nor the County of Los Angeles nor any public agency shall under any circumstances be obligated to pay the Bonds except from the Collateral.

Neither the faith and credit nor the taxing power of the State, any public agency or any political subdivision of the State is pledged to the payment of the principal of, premium, if any, purchase price of or interest on the Bonds, nor is the State, any public agency or any political subdivision of the State, in any manner obligated to make any appropriation for such payment.

No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon or upon any obligation, covenant or agreement in this Pledge and Assignment contained (except from the Collateral), against the Issuer, any past, present or future member of its governing body, its officers, attorneys, accountants, financial advisors, agents or staff, or the officers, attorneys, accountants, financial advisors, agents or staff of any successor public entity, as such, either directly or through the Issuer or any successor public entity, under any rule of law or penalty or otherwise, and all such liability of the Issuer, any member of its governing bodies and its officers, attorneys, accountants, financial advisors, agents and staff is hereby, and by the acceptance of the Bonds, expressly waived and released as a condition of, and in consideration for, the execution of this Pledge and Assignment and the issuance of the Bonds.

It is recognized that notwithstanding any other provision of this Pledge and Assignment, neither the Agent nor any Holder shall look to the Issuer, or its commissioners, directors, officers, attorneys, accountants, financial advisors, agents or staff or any successor or public entity for monetary damages suffered by the Agent or such Holder as a result of the failure of the Issuer to perform any covenant, undertaking or obligation under this Pledge and Assignment, the Agency Agreement, the Bonds, the Regulatory Agreement or any of the other documents referred to herein, or as a result of the incorrectness of any representation made by the Issuer in any of such documents, nor for any other reason. Although this Pledge and Assignment recognizes that such documents shall not give rise to any pecuniary liability of the Issuer, nothing contained in this Pledge and Assignment shall be construed to preclude in any way any action or proceeding (other than that element of any action or proceeding involving a claim for monetary damages against the Issuer) in any court or before any governmental body, agency or

instrumentality or otherwise against the Issuer or any of its officers or employees to enforce the provisions of any of such documents that the Issuer is obligated to perform and the performance of which the Issuer has not assigned to the Agent or any other person.

ARTICLE IX

MANDATORY REDEMPTION EVENTS AND EVENTS OF DEFAULT

Section 9.01. Mandatory Redemption Event. Each of the following events shall constitute a mandatory redemption event ("Mandatory Redemption Event") under this Pledge and Assignment:

(i) Any failure by the Agent to remit to the Holder any payment to be made on the Bonds in accordance with the provisions of this Pledge and Assignment or the Bonds on the due date thereof;

(ii) If the Agent shall fail to conform or comply with any other terms or provisions of this Pledge and Assignment or the Bonds and such failure shall continue for more than thirty (30) days after notice thereof to the Agent from the Holder or, where such default is not subject to cure within such thirty (30) day period, if the Agent within such period shall not have commenced with due diligence and dispatch the curing of such default or thereafter shall fail to prosecute and complete with due diligence and dispatch and within a reasonable time the curing of such default;

(iii) If any representation or warranty made by the Agent or by the Issuer contained in this Pledge and Assignment shall prove to have been false or incorrect in any material respect on the date as of which made;

(iv) If an action or proceeding shall be brought, or judgment rendered, against or relating to the Agent or the Issuer which has the effect of substantially impairing the rights and obligations of the Agent or the Issuer hereunder or under the Bonds or with respect to the Loan;

(v) If either the Agent (during the term of its agency) or the Issuer shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts as they become due, or shall file a voluntary petition in bankruptcy, or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking, consenting to, or acquiescing in reorganization, arrangement, adjustment, composition, liquidation, dissolution, or similar relief under any present or future statute, law or regulation, or shall file an answer admitting or shall fail to deny or contest the material allegations of a petition against it for any such relief, but only if any such event adversely impacts the payment of debt service on the Bonds; or

(vi) If, with respect to either the Agent (during the term of its agency) or the Issuer, a trustee, receiver or liquidator of any material part of its properties or assets shall be appointed with its consent or acquiescence, or if any such appointment, if not so consented to or acquiesced in, shall remain unvacated or unstayed for sixty (60) days, but only if any such event adversely impacts the payment of debt service on the Bonds.

Section 9.02. Remedies. If any Mandatory Redemption Event shall have occurred and be continuing without redemption as provided in Section 2.09(d) of this Pledge and Assignment, the Holder shall promptly give notice to the Issuer and shall have all rights, powers, and remedies with respect to the Collateral as are available under the Uniform Commercial Code applicable thereto or as are available under any other applicable law at the time in effect and, without limiting the generality of the foregoing, the Holder may proceed at law or in equity or otherwise, to the extent permitted by applicable law:

(i) to take possession of the Collateral or any part thereof, with or without legal process, and to hold, service, administer and enforce any rights thereunder or thereto, and otherwise exercise all rights of ownership thereof, including (but not limited to) the sale of all or part of the Collateral;

(ii) to become mortgagee of record for the Loan and to service and administer the same with the same power, authority and standard of care as had been provided for the Agent under Sections 4.01 and 4.03 hereof;

(iii) to service and administer the Loan and to take such actions as it may deem necessary to enforce the Note and the Loan Documents, and to take alternative courses of action, with the same power, authority and standard of care as had been provided for the Agent under Sections 4.01, 4.03, 5.01, 5.02 and 5.03 hereof;

(iv) to take such action as it may deem appropriate to enforce the Guaranty; or

(v) to take such steps to protect and enforce its rights whether by action, suit or proceeding in equity or at law for the specific performance of any covenant, condition or agreement in the Bonds, this Pledge and Assignment, or the Loan Documents, or in and of the execution of any power herein granted, or for foreclosure hereunder, or for enforcement of any other appropriate legal or equitable remedy or otherwise as the Holder may elect.

Section 9.03. In Lieu of Acceleration. Notwithstanding any provision of this Pledge and Assignment, no Mandatory Redemption Event shall constitute an Event of Default hereunder. If there is an Event of Default under and as defined in the Loan Agreement of which the Agent has actual knowledge or otherwise a failure of the Borrower to make full payments on the Loan sufficient to provide funds to make all payments due on the Bonds and all other amounts payable hereunder, which would result in a Mandatory Redemption Event, the Bonds shall be subject to mandatory redemption pursuant to Section 2.09(d) hereof. Upon any such mandatory redemption of the Bonds, the Outstanding Bonds shall be redeemed as of the date of mandatory redemption as set forth in this Section. Upon such redemption date, the Bonds shall cease to bear interest, the Agent and the Issuer shall transfer and assign all funds and assets pledged to secure the Bonds (being any Collateral then held by the Agent or the Issuer, including, without limitation, the Loan Agreement, all other Loan Documents and the Mortgage) to the Holder as payment of the redemption price thereof, the Holder shall have no further rights hereunder, and such redemption shall constitute payment in full of the Bonds, notwithstanding that amounts so distributed may be insufficient to pay the outstanding principal amount of the Bonds, any premium, and accrued interest thereon. The Agent shall liquidate, distribute, assign and transfer such funds and assets in accordance with the written direction of the Holder.

By its acceptance of the Bonds, the Holder hereby agrees that upon such redemption the then Holder shall no longer look to the Issuer to receive payment of the principal and interest and all other sums, if any, which are due under the Bonds, but shall look solely to the funds and other assets transferred to the Holder hereunder.

Section 9.04. Events of Default. An event of default (an "Event of Default") shall occur hereunder if the Issuer shall fail or refuse to, or be unable after thirty (30) days' notice from the Agent or the Holder to, perform or comply with any term or provision of this Pledge and Assignment to be performed or complied with by the Issuer.

Section 9.05. Continuance of Obligations and Servicing by Agent Upon Default by Issuer. Notwithstanding any other provision of this Pledge and Assignment, upon the occurrence and continuance of any Event of Default caused by or resulting from action, inaction or other condition on the part of the Issuer, and not caused by action, inaction or other condition on the part of the Agent, then, unless otherwise specified to the contrary by the Holder (a) the Bonds shall, to the extent possible under the law and in the best interests of the Holder, for all purposes remain outstanding and shall continue in full force and effect, (b) the Holder shall not take possession of the Collateral, become mortgagee of record for the Loan or otherwise exercise its remedies hereunder or at law, and (c) the Agent shall, to the extent possible under the law and in the best interests of the Holder, continue to service the Loan as mortgagee of record and continue to service and administer the Bonds as agent and on behalf of the Issuer in accordance herewith until retirement of the Bonds.

Section 9.06. Holder Authorized to Execute Assignments, Etc. Subject to Section 4.04 hereof, the Issuer and the Agent each hereby irrevocably appoints the Holder the true and lawful attorney of such party, in its name and stead and on its behalf, for the purpose of effectuating any sale, assignment, transfer or other disposition of the Bonds for the enforcement of this Pledge and Assignment and the Bonds, to execute and deliver all assignments and other instruments as the Holder may consider necessary or appropriate, with full power of substitution, the Issuer and the Agent each hereby ratifying and confirming all that its said attorney or any substitute shall lawfully do by virtue hereof. If so requested thereafter by the Holder, the Issuer or the Agent shall ratify and confirm any such sale, assignment, transfer or other disposition by executing and delivering to the Holder all proper assignments, releases and other instruments as may be designated in any such request. Notwithstanding the foregoing, the Holder shall not have the right to delegate the Holder's obligation to make advances to the Agent for the account of the Issuer.

Section 9.07. Waiver of Appraisal, Evaluation, Etc. The Issuer and the Agent each hereby waives, to the full extent it may lawfully do so, the benefit of all appraisal, evaluation, stay, extension and redemption laws now or hereafter in force and all rights of marshaling in the event of any sale hereunder or any taking of possession by the Holder, of the Collateral or any part thereof or any interest therein.

Section 9.08. Application of Proceeds of Sale. The proceeds of any sale hereunder of the Collateral or any part thereof or any interest therein shall be applied in the order of priorities set forth in Section 5.01 hereof.

Section 9.09. Right of Holder to Perform Covenants of the Issuer and the Agent. If the Issuer or the Agent shall fail to take any action or to perform any obligation required of it hereunder following written notice from the Holder of not less than five (5) business days, the Holder, without further notice to or demand upon the Issuer or the Agent and without waiving or releasing of any obligation or default, may (but shall be under no obligation to) at any time thereafter take such action or perform such obligation for the account of the Issuer or the Agent and, in the case of the Agent, at the Agent's expense. All sums paid by the Holder or costs incurred (including, without limitation, reasonable attorneys' fees and expenses) together with interest thereon at the maximum legal rate from the date of payment by the Holder, shall be paid by the Agent.

Section 9.10. No Waiver, Etc. No failure by the Holder to insist upon the strict performance of any term hereof or of the Bonds or the Loan Documents or to exercise any right, power or remedy consequent upon a breach thereof, shall constitute a waiver of any such term or of any such breach. No waiver of any breach shall affect or alter this Pledge and Assignment, which shall continue in full force and effect, or the rights of the Holder with respect to any other then existing or subsequent breach.

Section 9.11. Remedies Cumulative, Etc. Each right, power and remedy of the Holder provided for in this Pledge and Assignment or now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Pledge and Assignment or now or hereafter existing at law or in equity or by statute or otherwise; each such right, power or remedy may be exercised by any such person in any order or sequence; and the exercise or beginning of the exercise by any such person of any one or more of such rights, powers and remedies shall not preclude the simultaneous or later exercise of any or all such rights, powers or remedies. No failure or delay on the part of the Holder to exercise any such right, power or remedy shall operate as a waiver thereof. Any rights, powers and remedies of the Holder set forth herein shall be exercised by the owners of not less than 66 2/3% of the outstanding principal amount of the Bonds. The Issuer and the Agent are hereby authorized by the Holder as a result of their possession thereof to rely and act upon any direction provided by the owners of not less than 66 2/3% of the outstanding principal amount of the Bonds.

ARTICLE X

MISCELLANEOUS

Section 10.01. Provisions Subject to Applicable Law. All rights, powers and remedies provided herein may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and are intended to be limited to the extent necessary so that they will not render this Pledge and Assignment invalid, unenforceable or not entitled to be rendered, registered or filed under the provisions of any applicable law. If any term of this Pledge and Assignment or any application thereof shall be invalid or unenforceable, the remainder of this Pledge and Assignment and any other application of such term shall not be affected thereby.

Section 10.02. Applicable Law. This Pledge and Assignment, the Bonds and the Loan Documents shall be interpreted in accordance with and governed by the laws of the State of California.

Section 10.03. Compromise of Action, Etc. Any action, suit or proceeding brought by the Holder pursuant to any of the terms of this Pledge and Assignment or the Bonds or otherwise, and any claim made by the Holder hereunder or under the Bonds, may be compromised, withdrawn or otherwise dealt with by the Holder following reasonable written notice to the Issuer and the Agent and without the approval of such parties.

Section 10.04. Notices, Etc. All notices, demands, requests, consents, approvals and other instruments under this Pledge and Assignment shall be in writing and shall be deemed to have been properly given if mailed by first class registered or certified mail, postage prepaid, addressed as follows:

If to the Issuer:
The Housing Authority of the County of Los Angeles
2 Coral Circle
Monterey Park , CA 91755
Attention: Manager, Housing Development and Preservation
Facsimile: (323) 890-9715
Telephone: (323) 890-7269

If to the Agent:
Wells Fargo Bank, National Association
707 Wilshire Boulevard, 18th Floor, MAC E2818-181
Los Angeles, CA 90017
Attention: Loan Administration Manager
Facsimile: (213) 614-2265
Telephone: (213) 614-2265

If to the Holder:
Wells Fargo Bank, National Association
707 Wilshire Boulevard, 18th Floor, MAC E2818-181
Los Angeles, CA 90017
Attention: Loan Administration Manager
Facsimile: (213) 614-2265
Telephone: (213) 614-2265

or at such other address as any of them may designate by notice duly given in accordance with this Section 10.04 to the others.

Section 10.05. Termination. This Pledge and Assignment shall cease and terminate when the Bonds have been surrendered and finally paid and all obligations secured hereby shall have been observed.

Section 10.06. Duty of Issuer. Except for the actions set forth herein, the Issuer shall not be required hereby to take any action or incur any expense not expressly provided for herein. The Issuer shall not be obligated to take any action which might in its reasonable judgment

involve it in any expense or liability unless it shall have been furnished with reasonable indemnity for the Issuer, its officers, directors and employees.

Section 10.07. Consent to Assignment. The Issuer agrees that Wells Fargo Bank, National Association shall have the right to assign all of the rights that it holds under this Pledge and Assignment, either as "Agent" or as "Holder," to any Affiliate. The Issuer will execute and deliver to Agent any documents necessary to effectuate such assignment, and will not take any action to impair Agent's right to assign pursuant to this Section 10.07.

Section 10.08. Amendments, Successors and Assigns, Headings and Counterparts. Any of the terms of this Pledge and Assignment and the Bonds may be amended or waived only by an instrument signed by the Issuer, the Agent and the Holder. All of the terms of this Pledge and Assignment shall be binding upon the successors and assigns of and all persons claiming under or through the Issuer and the Agent or any such successor or assign, and shall inure to the benefit of and be enforceable by the successors and assigns of the Holder. The headings of this Pledge and Assignment are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Pledge and Assignment may be executed in several counterparts, each of which shall be an original, and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Issuer, the Agent and the Holder have each caused this Pledge and Assignment to be executed in their respective names as of the date first above written.

Issuer

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES

By:_____
Executive Director

APPROVED AS TO FORM:

RAYMOND G. FORTNER, JR.
County Counsel

By:_____
Deputy

Agent

WELLS FARGO BANK, NATIONAL ASSOCIATION

By:_____
Authorized Officer

Holder

WELLS FARGO BANK, NATIONAL ASSOCIATION

By:_____
Authorized Officer

EXHIBIT A

FORM OF BOND

THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THE TRANSFERABILITY HEREOF IS RESTRICTED BY THE TERMS OF THE PLEDGE AND ASSIGNMENT DESCRIBED HEREIN, INCLUDING THE PROVISION THEREOF LIMITING OWNERSHIP OF THIS BOND TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN THE PLEDGE AND ASSIGNMENT), SUBJECT TO CERTAIN EXCEPTIONS.

No. R-__

$11,000,000
(Face Amount)

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
MULTIFAMILY HOUSING REVENUE BONDS
(SIERRA BONITA APARTMENTS PROJECT)
2008 SERIES A

Interest Rate	Maturity Date	Dated Date
As determined in the below-defined Note	June1, 2011	May __, 2008

HOLDER: Wells Fargo Bank, National Association

FACE AMOUNT (MAXIMUM PRINCIPAL AMOUNT): Eleven Million and 00/100 Dollars

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES, a public body corporate and politic of the State of California, duly organized and existing under the laws of the State of California (the "Issuer"), for value received, hereby promises to pay (but only from the Collateral or the proceeds thereof as that term is defined in the Master Pledge and Assignment hereinafter described) to the order of the Holder specified above (the "Holder"), at such place as the Holder may designate in writing, from the source and in the manner hereinafter provided, the principal amount hereof, with interest on the unpaid balance of this Bond from the date hereof until this Bond is fully paid, at the rate computed as specified below, in any coin or currency which at the time or times of payment is legal tender for the payment of public or private debts in the United States of America. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Pledge and Assignment hereinafter mentioned.

This Bond constitutes one of duly authorized issue of bonds in the total authorized face amount of $11,000,000, issued by the Issuer in order to provide moneys to fund a loan (the "Loan") to be made for the account of the Issuer to 7530 Santa Monica L.P., a California limited partnership (the "Borrower"), for the purpose of financing the acquisition and construction of an

42-unit multifamily rental housing project located at 7530 Santa Monica Boulevard in the City of West Hollywood, State of California, to be known as "Sierra Bonita Apartments" (the "Project").

The obligations of the Borrower under the Loan will be evidenced by that certain Promissory Note Secured by Deed of Trust in the original principal amount of $11,000,000 (the "Note") made by the Borrower to the order of Wells Fargo Bank, National Association (the "Agent"), as agent for the Issuer pursuant to a Master Agency Agreement, dated as of May 1, 2008, between the Issuer and the Agent. This Bond is secured by a Master Pledge and Assignment (the "Pledge and Assignment"), dated as of May 1, 2008, by and among the Issuer, the Agent and the Holder.

This Bond shall mature on June 1, 2011 (the "Maturity Date"), and the entire unpaid principal balance of and any accrued interest on this Bond shall be paid in full on or before such date.

This Bond shall bear interest as provided in the Loan Agreement.

This Bond shall bear interest from the date to which interest has been paid on the Bonds next preceding the date of its authentication, unless it is authenticated as of an Interest Payment Date for which interest has been paid, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the first Interest Payment Date, in which event it shall bear interest from its Closing Date.

The payment or prepayment of the principal, interest, premium, late payment fees and other amounts due on this Bond shall be identical with and shall be made on the same terms and conditions as the payments or prepayments of principal, interest, premium, late payment fees and other amounts due on the Note. Any payments or prepayments made by the Borrower of principal, interest, premium, late payment fees and other amounts due on the Note shall be deemed to be like and corresponding payments or prepayments of principal, interest, premium late payment fees and all other amounts due on this Bond. Said payments or prepayments by the Borrower shall be deemed to have been constructively received by the Holder as payments or prepayments on this Bond on the date of receipt by the Agent under the Note, and interest on this Bond with respect to each principal payment or prepayment shall cease to accrue upon receipt thereof by the Agent. Payments or prepayments of principal, interest, premium, late payment fees and other amounts due shall be remitted to the Holder by the Agent immediately.

This Bond shall be subject to redemption as provided in the Pledge and Assignment.

This Bond may not be sold, assigned, transferred, participated or otherwise disposed of, in whole or in part, except upon satisfaction of the requirements of the Pledge and Assignment.

Subject to the foregoing, this Bond is transferable upon the books of the Issuer at the office of the Agent, by the registered Holder hereof in person or by its attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Agent, duly executed by the registered Holder or its duly authorized attorney. Upon such transfer, the Agent will note the date of registration and the name and address of the newly registered Holder on the books of the Issuer and in the registration blank appearing below. The Issuer may deem and treat the person in whose name this Bond is last registered upon the books

of the Issuer, with such registration noted on this Bond, as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or interest and for all other purposes; all such payments so made to the registered Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid, and the Issuer shall not be affected by any notice to the contrary.

All of the agreements, covenants, conditions, limitations, provisions and stipulations contained in the Pledge and Assignment are hereby made a part of this Bond to the same extent and with the same effect as if they were fully set forth herein. If any payment of the principal of, premium, if any or interest hereon is not made when due in accordance with the terms and conditions of this Bond, then the Holder may at its right and option declare immediately due and payable the principal of this Bond and interest accrued hereon to the date of declaration of such default, together with any attorneys' fees incurred by the Holder in collecting or enforcing payment hereof, whether suit be brought or not, and all other sums due hereunder or under the Pledge and Assignment, notwithstanding anything to the contrary therein and payment thereof may be enforced and recovered in whole or in part, at any time, by one or more of the remedies provided in this Bond or the Pledge and Assignment.

The remedies of the Holder, as provided herein and in the Pledge and Assignment, may be pursued at the sole discretion of the Holder and may be exercised as often as occasion therefor shall occur. The failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof.

The Holder shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the Holder and then only to the extent specifically set forth in the writing. A waiver with reference to one event shall not be construed as a continuing waiver or as a bar to or waiver of any right or remedy as to a subsequent event.

This Bond may not be amended without the prior written consent of the Issuer and the Holder and the Agent.

This Bond and the interest hereon is a limited obligation of the Issuer, payable solely from the Collateral, which is hereby specifically assigned and pledged to such purposes in the manner and to the extent provided herein. Neither the Issuer, the State of California (the "State"), the County of Los Angeles nor any other political subdivision of the State is obligated to pay this Bond or the interest hereon except from such Collateral. The faith and credit of the Issuer is not pledged to the payment of principal of or interest on the Bonds. Neither the faith and credit nor the taxing power of the State, the County of Los Angeles, nor of any other political subdivision of the State, is pledged to the payment of the principal of, premium, if any, or the interest on the Bonds, nor is the Issuer, the County of Los Angeles, the State or any public agency or any political subdivision of the State, in any manner obligated to make any appropriation for such payment.

No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon or upon any obligation, covenant or agreement in the Pledge and Assignment contained, against the Issuer, the County of Los Angeles, or any past,

present or future member of its governing body, its officers, attorneys, accountants, financial advisors, agents or staff, or the officers, attorneys, accountants, financial advisors, agents or staff of any successor public entity, as such, either directly or through the Issuer or any successor public entity, under any rule of law or penalty or otherwise, and all such liability of the Issuer, any member of its governing bodies and its officers, attorneys, accountants, financial advisors, agents and staff is hereby, and by the acceptance of the Bonds, expressly waived and released as a condition of, and in consideration for, the execution of the Pledge and Assignment and the issuance of the Bonds.

Neither the Borrower, the Agent nor any Holder shall look to the Issuer, the County of Los Angeles, or any past, present or future member of its governing body, its officers, attorneys, accountants, financial advisors, agents or staff or any successor or public entity for monetary damages suffered by the Borrower, the Agent or such Holder as a result of the failure of the Issuer to perform any covenant, undertaking or obligation under the Pledge and Assignment, the Master Agency Agreement, this Bond, the Regulatory Agreement or any of the other documents referred to herein, or as a result of the incorrectness of any representation made by the Issuer in any of such documents, nor for any other reason. Although the Pledge and Assignment recognizes that such documents shall not give rise to any pecuniary liability of the Issuer, nothing contained in the Pledge and Assignment or this Bond shall be construed to preclude in any way any action or proceeding (other than that element of any action or proceeding involving a claim for monetary damages against the Issuer) in any court or before any governmental body, agency or instrumentality or otherwise against the Issuer or any of its officers or employees to enforce the provisions of any of such documents which the Issuer is obligated to perform and the performance of which the Issuer has not assigned to the Agent or any other person.

It is intended that this Bond is made with reference to and shall be construed as a contract governed by the laws of the State of California.

In the event of any inconsistency between the provisions of this Bond and the provisions of the Pledge and Assignment, the provisions of the Pledge and Assignment shall be controlling.

IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts and things required to exist, happen and be performed precedent to or in the issuance of this Bond do exist, have happened and have been performed in regular and due form as required by law.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed and attested to on its behalf by the manual or facsimile signatures of its duly authorized officers all as of the date first set forth above.

THE HOUSING AUTHORITY OF THE
COUNTY OF LOS ANGELES

By:_____
Yvonne Brathwaite Burke
Chair, Los Angeles County

ATTEST:
Sachi A. Hamai
Executive Officer
of the Board of Commissioners

_____
Deputy

PROVISIONS AS TO REGISTRATION

The ownership of the unpaid principal balance of this Bond and the interest accruing thereon is registered on the books of the Agent in the name of the registered Holder last noted below.

Date of Registration	Name of Registered Holder	Signature of Agent

PRINCIPAL SCHEDULE

Date	Amount Advanced on the Loan	Principal Paid on the Bond	Current Principal of the Bond	Signature of Agent

EXHIBIT B

FORM OF INVESTOR'S LETTER

[DATE]

The Housing Authority of the
County of Los Angeles
Monterey Park, California

Wells Fargo Bank, National Association,
as Agent
Los Angeles, California

Re: The Housing Authority of the County of Los Angeles
Multifamily Housing Revenue Bonds
(Sierra Bonita Apartments Project), 2008 Series A

Ladies and Gentlemen:

The undersigned (the "Investor") hereby acknowledges receipt of the above-referenced bonds (the "Bonds"), dated May __, 2008, and bearing interest from the date of issuance thereof, in fully registered form and in the aggregate principal amount of $11,000,000, constituting all of the Bonds currently outstanding. The Bonds have been checked, inspected and approved by the Investor.

The undersigned acknowledges that the Bonds have been issued for the purpose of making a mortgage loan to assist in the financing of the acquisition and construction of a certain multifamily rental housing development located in the County of Los Angeles, State of California (the "Project"), as more particularly described in that certain Loan Agreement, dated of as May 1, 2008 (the "Loan Agreement"), by and between Wells Fargo Bank, National Association, as Agent (the "Agent"), and 7530 Santa Monica L.P., a California limited partnership (the "Borrower"). The undersigned further acknowledges that the Bonds are secured by a certain Master Pledge and Assignment dated as of May 1, 2008 (the "Pledge and Assignment"), among the Issuer, the Agent and the undersigned as Holder, which among other things, creates a security interest in loan repayments made pursuant to the Loan Agreement for the benefit of the holders and owners of the Bonds, and by a Construction Leasehold Deed of Trust With Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing with respect to the Project (the "Mortgage"), which creates a security interest in the Project, subject to permitted encumbrances, as provided therein. Terms not otherwise defined herein shall have the meanings assigned thereto in the Pledge and Assignment.

In connection with the sale of the Bonds to the Investor, the Investor hereby makes the following representations upon which you may rely:

1. The Investor hereby certifies that it is a "qualified institutional buyer" as defined in Rule 144A of the Securities Act of 1933, as amended.

2. The Bonds are being acquired by the Investor for investment and not with a view to, or for resale in connection with, any distribution of the Bonds or any beneficial interest therein, and the Investor intends to hold the Bonds for its own account, for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Bonds or any beneficial interest therein, except to an Affiliate. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible due to unmarketability of the Bonds. The Investor understands that the Bonds may not be transferred except in whole to a qualified institutional buyer.

3. The Investor understands that the Bonds have not been registered under the Securities Act of 1933, as amended (the "Act"). The Investor acknowledges that the Issuer requires that, if the Bonds are disposed of by it to anyone other than an Affiliate, current information, including all current financial statements with respect to the Project, which meets the disclosure requirements of any applicable state and federal securities laws then in effect, concerning the Bonds and the Project must be furnished to any prospective purchaser (other than an Affiliate), and that any disclosure document must be delivered to the Issuer before the Bonds are offered for sale to any prospective Investor, and further acknowledges that any current exemption from registration of the Bonds does not affect or diminish such requirements.

4. The Investor acknowledges that it is familiar with the conditions, financial and otherwise, of the Borrower and understands that the Borrower may have no significant assets other than the Project. To the extent deemed appropriate in making its investment decision, the Investor has discussed the Borrower's financial condition and the Borrower's current and proposed business activities with the Borrower. The Investor further acknowledges that it has such knowledge and experience in business matters that it is fully capable of evaluating the merits and risks of this investment and it is able to bear the economic risk of this investment. The Bonds are a security of the kind the Investor wishes to purchase and hold for investment, and the nature and amount of the Bonds are consistent with the Investor's investment program. The Investor has been furnished such information and such documents as the Investor deems necessary to make a decision to purchase the Bonds, including copies or forms of the Pledge and Assignment, the Building Loan Agreement, the Mortgage and the Regulatory Agreement, dated as of May 1, 2008, by and among the Issuer, the Borrower and the Agent, and certain other documents relating to the Bonds and the Project, all of which documents the Investor has reviewed, including provisions relating to defaults, default remedies and mandatory redemptions. Specifically, but without limitation, the Investor has reviewed information about the Project, the concept for the Project, and the property manager for the Project, as well as information about the investment risks relating to the Bonds, and the Investor understands that the Bonds involve a high degree of risk. Specifically, and without in any manner limiting the foregoing, the Investor understands and acknowledges that, among other risks, the Bonds are payable solely from revenues and related collateral pledged under the Pledge and Assignment. The Investor has made such inquiry with respect to all of the foregoing as it believed to be desirable for its purposes.

5. The Investor has received from the Issuer no formal or informal offering or disclosure document relating to the Bonds and has concluded that the receipt of one prior to the purchase of the Bonds is not required. It is acknowledged that no written information has been

provided by the Issuer and that any written information furnished by any party to the transaction does not purport to fully disclose all information pertinent to the Bonds.

6. Except as disclosed to the Issuer, the Investor is not now and has never been controlled by, or under common control with, the Borrower. Except as disclosed to the Issuer, the Borrower has never been and is not now controlled by the Investor. THE PURCHASER HAS ENTERED INTO NO ARRANGEMENTS WITH THE BORROWER OR WITH ANY AFFILIATE OF THE BORROWER IN CONNECTION WITH THE BONDS, OTHER THAN AS DISCLOSED TO THE ISSUER. The Investor hereby agrees to deliver to the Issuer a copy of any agreement between the Investor and the Borrower or any affiliate of the Borrower relating to the Bonds.

7. The Investor has authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Investor in connection with the purchase of the Bonds.

8. In entering into this transaction the Investor has not relied upon any representations or opinions made by the Issuer relating to the legal consequences or other aspects of the transactions, nor has it looked to, nor expected, the Issuer to undertake or require any credit investigation or due diligence reviews relating to the Borrower, its financial condition or business operations, the Project (including the financing, acquisition, construction operation or management thereof), or any other matter pertaining to the merits or risks of the transaction, or the adequacy of any collateral pledged by the Borrower to the Agent to secure repayment of the Bonds. The Investor understands and acknowledges that the obligations of the Borrower under the Building Loan Agreement are not recourse obligations against the general assets of the Borrower, but are secured only by the Project and certain other collateral to the extent provided in the Mortgage and the other Loan Documents.

9. The Investor understands that the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the State of California or any political subdivision or taxing district thereof, including, without limitation, the Issuer; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the Issuer, the State of California or any political subdivision thereof; that no right will exist to have taxes levied by the Issuer, the State of California or any political subdivision thereof for the payment of principal and interest on the Bonds; and that the liability of the Issuer with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Pledge and Assignment.

10. The Investor has been informed that the Bonds (i) have not been and will not be registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any jurisdiction, (ii) will not be listed on any stock or other securities exchange, (iii) will carry no rating from any rating service and (iv) are exempt from the requirements of Rule 15c2-12 under the Securities Exchange Act of 1934.

11. The Investor has obtained, from representatives of the Borrower and others, all information regarding the Bonds that it has deemed relevant. The Investor has asked of the Borrower and all other relevant parties all the questions to which the Investor desired answers, and has had those questions satisfactorily answered. Neither the Borrower nor the Issuer nor any

other relevant party has refused to disclose any information that Investor deems necessary or appropriate to its decision to purchase the Bonds.

12. Although the Investor does not intend at this time to dispose of all or any part of the Bonds or any beneficial interest therein (other than to an Affiliate), the Investor acknowledges that it has the right to sell and transfer the Bonds and participations in the Bonds, subject to the requirements of Section 4.04 of the Pledge and Assignment.

13. The Investor hereby certifies that it has read and understands the Pledge and Assignment and the Loan Agreement, and agrees to being the Holder.

Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Pledge and Assignment.

[PURCHASER]

By: _____

MASTER AGENCY AGREEMENT

between

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES,
as Issuer

and

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Agent

Dated as of May 1, 2008

Relating to

$11,000,000
THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
MULTIFAMILY HOUSING REVENUE BONDS
(SIERRA BONITA APARTMENTS PROJECT)
2008 SERIES A

MASTER AGENCY AGREEMENT

THIS MASTER AGENCY AGREEMENT, dated as of May 1, 2008 (this "Agreement"), between THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES, a public body corporate and politic of the State of California (the "Issuer") and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association organized and existing under and by virtue of the laws of the United States of America (the "Agent"):

WITNESSETH:

WHEREAS, Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the "Act") authorizes the Issuer to issue revenue bonds to finance the acquisition, construction and development of multifamily rental housing projects to be occupied in whole or in part by persons of low income and to dedicate the revenue from such projects to the repayment of such bonds and to take such action and do all things that may be necessary or appropriate to carry out the powers and duties specifically granted to the Issuer by the Act;

WHEREAS, the Issuer is authorized by the Act to make loans to any person, firm, partnership or corporation licensed to do business in the State of California in furtherance of the purposes and activities stated in the Act;

WHEREAS, the Issuer has determined to engage in a program of financing the acquisition, construction and development of multifamily rental housing projects pursuant to the Act to benefit persons of low income, and has determined to borrow funds for such purpose by the issuance of revenue bonds authorized by the Act and to dedicate the revenue from said program to the repayment of said bonds;

WHEREAS, in order to raise money to provide financing to 7530 Santa Monica, L.P., a California limited partnership (the "Borrower"), for the acquisition, construction and development of a 42-unit multifamily rental housing project located at 7530 Santa Monica Boulevard in the City of West Hollywood in the County of Los Angeles, California, and known as the "Sierra Bonita Apartments" (the "Project"), the Issuer has determined to issue its Multifamily Housing Revenue Bonds (Sierra Bonita Apartments Project), 2008 Series A, in the aggregate principal amount of $11,000,000 (the "Bonds"), secured by a Master Pledge and Assignment, dated the date hereof (the "Pledge and Assignment") among the Issuer, the Agent and Wells Fargo Bank, National Association and its successors in interest, as holder of the Bonds (the "Holder"); and

WHEREAS, under the Pledge and Assignment the proceeds of the Bonds will be advanced by the Holder on the same basis upon which advances are made to the Borrower by the Agent to acquire and construct the Project; and

WHEREAS, all conditions, things and acts required by the Act, and by all other laws of the State of California to exist, to have happened and to have been performed as a condition precedent to and in connection with the issuance of the Bonds exist, have happened, and have been performed in due time, form and manner as required by law, and the Issuer is now duly

authorized and empowered, pursuant to each and every requirement of law, to issue the Bonds for the purpose, in the manner and upon the terms therein provided; and

WHEREAS, it is necessary and desirable for the Issuer and the Agent to enter into this Agreement to provide for the appointment and duties of the Agent;

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

Section 1. **Appointment of Agent**. The Issuer hereby irrevocably appoints the Agent as its agent with full authority and power to act on its behalf for the purposes set forth herein and to do all other acts necessary or incidental to the performance and execution thereof.

Section 2. **Representations of the Issuer and the Agent**.

(i) The Issuer represents and warrants to the Agent that the Issuer is a public body corporate and politic duly organized and validly existing under the constitution and laws of the State of California, with full power and authority to enter into the transactions contemplated by this Agreement, the Bonds and the Pledge and Assignment.

(ii) The Agent represents and warrants to the Issuer that the Agent is a national banking association organized and existing under and by virtue of the laws of the United States of America with full power and authority to enter into the transactions contemplated by this Agreement and the Pledge and Assignment and to serve as the agent of the Issuer for the purpose of making the Loan (as that term is defined in the Pledge and Assignment) to the Borrower as provided in the Loan Documents (as that term is defined in the Pledge and Assignment).

Section 3. **Authority and Agreements of the Agent**. The Agent is authorized and agrees to enter into, execute and deliver the Pledge and Assignment, on its own behalf, and the Loan Documents, as agent for the Issuer, and, pursuant to the terms thereof, advance the proceeds of the Bonds on behalf of the Issuer to fund the Loan upon satisfaction of the conditions set forth therein and otherwise to act on behalf of the Issuer as provided therein. The Agent is hereby authorized, directed and empowered to exercise all of the rights, powers and remedies of the Issuer under the Loan Agreement (as that term is defined in the Pledge and Assignment) and the other Loan Documents, and to make all determinations and exercise all options and elections thereunder, without the necessity of further advice to or consultation with, or consent or authorization by, the Issuer, and all actions taken by the Agent under the Loan Agreement or any of the other Loan Documents shall be as valid, and shall have the same force and effect, as if taken by the Issuer. The Agent agrees to provide the Issuer, from time to time upon the Issuer's request, with copies of any policies of insurance provided by the Borrower under the Loan Documents which are required to name the Issuer as an additional insured, and shall also provide, without any request of the Issuer, any notices given by it or delivered to it pursuant to the Loan Agreement regarding the acceleration of the Loan or the foreclosure of the Mortgage (as that term is defined in the Pledge and Assignment).

Section 4. **Agent as Independent Contractor**. Except as otherwise expressly set forth herein, in the performance of its duties as Agent hereunder, the Agent is an independent contractor acting in its own behalf and for its own account and without authority, express or

implied, to act for or on behalf of the Issuer in any capacity other than that of an independent contractor and in no other respect.

Section 5. **Standard of Performance**. The Agent will perform its duties hereunder in accordance with sound commercial banking practice, and in accordance with the Pledge and Assignment.

Section 6. **Successor Agent**. Anything herein to the contrary notwithstanding, any corporation or association into which the Agent may be converted or merged or with which it may be consolidated or to which it may sell or transfer its business and assets as a whole or substantially as a whole or any corporation or association resulting from any conversion, sale, merger, consolidation or transfer to which it is a party will, ipso facto, be and become successor Agent hereunder and vested with all of the title to the whole property and all the powers, discretion, immunities, privileges, obligations and all other matters as was its predecessor, without the execution or filing of any instruments or any further act, deed or conveyance on the part of the parties hereto.

Section 7. **Termination by Agent**. Neither the Issuer nor the Agent may terminate this agreement so long as Agent or any Affiliate (as that term is defined in the Pledge and Assignment) of the Agent is the Holder of the Bonds. In the event the Bonds are sold, assigned, transferred or otherwise disposed of in accordance with the provisions of Sections 2.8 and 9.5 of the Pledge and Assignment, other than to an Affiliate of the Agent, either the Issuer or the Agent may terminate this Agreement upon the terms hereinafter provided in this Section 7 by giving thirty (30) days' written notice to the other party, the Borrower and the Holder. Such termination shall take effect, except as to the duties of the Agent under Section 8 below, upon the appointment of a successor agent by the Issuer, as directed by the Holder or other owners of the Bonds with the consent, which shall not be unreasonably withheld, of the Issuer (such consent not being required if such Agent is the subsequent Holder of all of the Bonds or an Affiliate thereof) and the execution, acknowledgment and delivery by the successor Agent of an instrument in substantially the form of this Agreement.

Section 8. **Obligations of Agent in the Event of Termination**. From and after the effective date of termination of this Agreement pursuant to Section 7 above, the Agent will be relieved of further responsibility in connection with the Pledge and Assignment and the Loan Documents. In the event of such termination, the Agent will pay over to the Issuer or, if the Issuer shall so direct, to any successor agent appointed by the Issuer, all moneys collected and held by it pursuant to this Agreement and/or pursuant to any other agreement, letter or arrangement relative to the Pledge and Assignment and the Loan Documents simultaneously with such termination, and turn over to the successor agent appointed by the Issuer, as provided above, all documents and records in connection with the Pledge and Assignment and the Loan Documents simultaneously with such termination. The Agent will deliver to the successor agent a full accounting, including a statement showing the monthly payments collected by it and a statement of moneys held in escrow by it for the payment of taxes, maintenance or other charges in respect of the Pledge and Assignment and the Loan Documents simultaneously with such termination. The Agent will execute and deliver to its successor, without recourse, representation or warranty of any kind, such instruments as are required to assign to the successor all its right, title and interest in all property of whatever nature which it holds as Agent

of the Issuer. Where necessary, all such instruments must be filed and/or recorded in each office where such instruments are required to be filed and/or recorded. In addition, Agent shall provide to the Issuer an opinion of counsel to the Agent to the effect that all instruments necessary to transfer to the successor agent all property held by the Agent as Agent hereunder have been duly executed and delivered.

Section 9. **Term of Agreement**. Unless sooner terminated as herein provided, this Agreement will continue from the date hereof until payment in full of the Bonds.

Section 10. **Governing Law; Severability; Captions; Definitions**. This Agreement will be construed in accordance with the laws of the State of California. In the event any provision of this Agreement is held invalid by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof. Any headings of divisions of this Agreement are solely for convenience of reference and will neither constitute a part of this Agreement nor affect its meaning, construction or effect. All capitalized terms used but not defined herein shall have the meanings given in the Pledge and Assignment.

Section 11. **Regulatory Agreement Fees**. The Agent acknowledges the terms and conditions set forth in Section 7(h) of the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of May 1, 2008, by and among the Issuer, the Agent and the Borrower, and covenants to give written notification to the Borrower of fees due to the Issuer from the Borrower pursuant to said Section 7(h) not less than 15 days prior to the due dates thereof. Upon receipt of such fees from the Borrower, the Agent shall transfer such payments to the Issuer. In the event that said fees are not paid by the Borrower to the Agent as required by Section 7(h) of the Regulatory Agreement, the Agent shall promptly notify the Borrower, with a copy of such notification given to the Issuer, of the Borrower's failure to pay said fees and demand immediate payment of said fees to the Agent. In no event shall the Agent be liable to the Issuer for the failure of the Borrower to make the payments described in this Section 11. The Agent further acknowledges that in order to preserve the tax-exempt status of the Bonds, the Borrower must comply with requirements for rebate of excess investment earnings to the federal government to the extent applicable. The Agent agrees to use commercially reasonable efforts to send the Borrower a notification or reminder of its obligation to rebate excess earnings by May 1 of each fifth year, commencing May 1, 2013. However, in no event shall the Agent be liable to the Issuer or the Borrower for the failure to so notify or remind the Borrower.

Section 12. **Notices**. Any notice provided for herein must be in writing and shall be deemed to have been given when delivered personally or when deposited in the United States mail, registered and postage prepaid, addressed as follows:

If to the Issuer: The Housing Authority of the County of Los Angeles
1100 K Street
Sacramento, CA 95814
Attention: Treasurer

If to the Agent: Wells Fargo Bank, National Association
707 Wilshire Boulevard, 18th Floor
Mac E2818-181
Los Angeles, CA 90017
Attention: Loan Administration Manager

If to the Holder: Wells Fargo Bank, National Association
707 Wilshire Boulevard, 18th Floor
Mac E2818-181
Los Angeles, CA 90017
Attention: Loan Administration Manager

or at such other address as any of them may designate by notice duly given in accordance with this Section 12 to the others.

Section 13. **Consent to Assignment**. The Issuer agrees that Agent shall have the right to assign all of its rights under this Agreement, and under all instruments and documents executed by it as Agent of the Issuer pursuant to this Agreement, to an Affiliate of Agent, or to a subsequent Holder of all of the Bonds or an Affiliate thereof. The Issuer will execute and deliver to Agent any documents necessary to effectuate such assignment, and will not take any action to impair Agent's right to assign such rights pursuant to this Section 13.

Section 14. **Execution Counterparts**. This Agreement may be executed, acknowledged and delivered in any number of counterparts. Each such counterpart will constitute an original but all of such counterparts taken together will constitute one agreement.

IN WITNESS WHEREOF, the Issuer and the Agent have each caused this Agreement to be executed in their respective names as of the date first above written.

Issuer

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES

By:_____
Executive Director

APPROVED AS TO FORM:

RAYMOND G. FORTNER, JR.
County Counsel

By:_____
Deputy

WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association

By:_____
Authorized Officer