COMMUNITY DEVELOPMENT COMMISSION
of the County of Los Angeles
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Carlos Jackson
Executive Director

June 10, 2008

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

Dear Commissioners,

APPROVE A LOAN AGREEMENT WITH LA COUNTY HOUSING INNOVATION FUND, LLC FOR ADMINISTRATION OF THE REVOLVING LOAN FUND (ALL DISTRICTS) (3 Vote)

SUBJECT:

This letter requests approval of a Loan Agreement between the Community Development Commission and LA County Housing Innovation Fund, LLC, for the administration of a Revolving Loan Fund that will be utilized by affordable housing developers for predevelopment and acquisitions activities. Approval of these actions will increase the availability of funds for developers and the supply of affordable housing in Los Angeles County.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that entering into the Loan Agreement (Agreement) between the Community Development Commission (Commission) and LA County Housing Innovation Fund (LACHIF), a California limited liability company, for administration of the Revolving Loan Fund (RLF), is not subject to the provisions of the California Environmental Quality Act (CEQA), as described herein, because this action is not defined as a project under CEQA.

2. Approve and authorize the Executive Director to execute the Agreement, presented in substantially final form, between the Commission and LACHIF to administer the RLF, to be effective following approval as to form by County Counsel and execution by all parties.

3. Authorize the Executive Director to amend the Agreement to extend the term by a maximum of two additional three-year periods, to be effective following approval as to form by County Counsel and execution by all parties.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of this action is to authorize the Commission to enter into an Agreement with LACHIF for the administration of the RLF.

FISCAL IMPACT/FINANCING:

On April 4, 2006, your Board approved the Homeless Prevention Initiative (HPI), which allocated funding to address the critical shortage of permanent housing, shelter beds, and supportive services in Los Angeles County. Included in the HPI allocation was $80,000,000 for Homeless and Housing Program Funds and $20,000,000 for an RLF, with $19,830,000 available to intermediaries to lend out. The RLF will provide funds for predevelopment and acquisition costs and help developers of affordable housing to target homeless or at-risk individuals and households. An administrative fee of $170,000 has been reserved for the Commission.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

On April 4, 2006, your Board allocated $20,000,000 in County General Funds to create the RLF. On June 26, 2007, your Board approved the Request for Proposals (RFP) process for the RLF. On July 17, 2007, the Commission released the RLF RFP to solicit proposals from lenders interested in administering the RLF. A joint proposal from the Low Income Investment Fund, Century Housing Corporation, and the Corporation for Supportive Housing was received, reviewed, scored and recommended for administration of the RLF. On November 20, 2007, the joint proposers formed the LA County Housing Innovation Fund, LLC. On February 6, 2008, your Board authorized the Commission to enter into an Agreement with LACHIF to negotiate the terms of the RLF administration.

Negotiations have concluded, and we are now returning to your Board for approval to enter into an Agreement with LACHIF. The Loan Agreement calls for $19,830,000 to be loaned to Borrower in two installments. The first installment of $10,030,000 will be wired to LACHIF on or before June 30, 2008, and the second installment of $9,800,000 will be wired on or before June 30, 2009. The term of the Loan will begin upon execution of the Agreement and will end eight years thereafter. LACHIF will pay the Commission interest at a rate defined in the Loan Agreement.

LACHIF will utilize $11,800,000 to fund loans that will be used to develop housing for households at 60% of the area median income (AMI) or below, and $8,000,000 to fund loans that will serve households at 35% of AMI or below. A $30,000 loan loss reserve

will be established upon transfer of funds to offset any project loan losses. The loan loss reserve will also be funded periodically utilizing available income remaining after all LACHIF expenditures have been paid.

Any time that RLF funds are disbursed by LACHIF towards funding loans, simple interest will accrue on the RLF funds at 2.1% per year (Blended Rate). The Blended Rate was calculated by combining or "blending" two interest rates that were defined in the RFP approved by your Board on June 26, 2007: 2.5% for funds to be invested in projects serving 60% AMI households ($11,800,000) and 1.5% for funds to be invested in projects serving 35% AMI households ($8,000,000). For ease of administration, the Blended Rate will be used instead of the two separate rates, but the total interest accrued will not change. Interest will be paid annually in arrears on each anniversary date of the Effective Date of the Agreement.

During the first six months of the Loan Term, no interest will accrue on any undisbursed RLF Funds. After that, simple interest will accrue on the undisbursed RLF Funds at the lesser of either the Blended Rate or the rate that LACHIF is able to earn by investing undisbursed RLF funds in accordance with the Commission's Investment Policy.

LACHIF will combine the RLF Funds with its own funds to provide acquisition loans not to exceed $5,000,000 and predevelopment loans not to exceed $750,000 for developers of affordable housing. Developers may apply for acquisition and predevelopment financing, of which the aggregate loan will not exceed $5,000,000. All cities in Los Angles County will also be eligible to apply with LACHIF for RLF acquisition and predevelopment loans. The maximum loan term to be offered by LACHIF to developers will be three years. LACHIF will leverage the RLF funds to create an overall fund of $60,000,000.

Each RLF project loan will be funded utilizing 33% from the RLF, 13.5% from the originating member of the LA County Housing Innovation Fund, and 53.5% from the Low Income Investment Fund.

Developers of affordable housing in cities with an established RLF, such as the City of Los Angeles, will be directed to apply to their city's RLF. Projects which are not funded by that city's RLF will then be considered by the LACHIF for RLF funding.

The Commission will have a staff member present at loan committee meetings to provide oversight of projects being funded with the RLF. Additionally, LACHIF will provide quarterly and annual reports on RLF loan activity. No later than 18 months following the execution of the Agreement, the Commission and LACHIF will review the disbursement and utilization of RLF Funds designed to assist households with incomes up to 60% and 35% of AMI. This process will provide a mechanism to ensure the utilization of RLF Funds and to institute changes should they be deemed necessary.

ENVIRONMENTAL DOCUMENTATION:

This action is not subject to the provisions of CEQA pursuant to State CEQA Guidelines 15060(c)(3) and 15378 because it is not defined as a project under CEQA and does not have the potential for causing a significant effect on the environment.

Each project funded under the RLF will require environmental clearance on a project-by-project basis. Prior to funding any particular project, an Environmental Service Request (ESR) will be submitted to the Commission's Environmental Services Unit for review. Each project must receive an environmental clearance in accordance with CEQA Guidelines.

IMPACT ON CURRENT PROJECT:

This Agreement will allow the Commission to establish a RLF, to be administered by LACHIF, which will be utilized by affordable housing developers for predevelopment and acquisitions activities within the County of Los Angeles.

Respectfully submitted,

Robbette A. Glover
for CARLOS JACKSON
Executive Director

Attachment: 1

LOAN AGREEMENT
(Revolving Loan Fund)
$19,830,000

This Loan Agreement ("Agreement") is entered into and effective as of _____, 2008, by and between **COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES**, a public body, corporate and politic ("Commission"), and **LA COUNTY HOUSING INNOVATION FUND, LLC**, a California Limited Liability Company ("LACHIF"), and recites as set forth below.

The "Effective Date" of this Agreement shall be the later of (i) date that the last party executes this Agreement, or (ii) the date that Commission's Board of Commissioners approves this Agreement.

RECITALS

A. Pursuant to the County of Los Angeles's Homeless Prevention Initiative, the Commission has allocated approximately $20,000,000 for a Revolving Loan Fund (the "RLF") to enable the lenders to assist developers in the production of affordable housing for low-income households, including those who are homeless or at risk of homelessness. On or about July 17, 2007, the Commission issued a Request for Proposals (the "RFP") for the purpose soliciting proposals from lenders capable of administering the RLF and of leveraging the RLF with additional acquistion and predevelopment funds to be provided by such lenders. On or about December 6, 2007, the Commission selected the Low Income Investment Fund, Century Housing Corporation, and Corporation for Supportive Housing to administer the RLF. The aforesaid entities are collectively referred to as the "Approved Lenders" and individually as an "Approved Lender."

B. The Approved Lenders have formed LACHIF, a California limited liability company, for the sole purpose of acting as the administrator of the RLF and to serve as a conduit to leverage the RLF with the separate funds of the Approved Lenders and other funding sources.

C. On or about February 21, 2008, the Commission and LACHIF entered into an Agreement to Negotiate Exclusively (the "ANE") pursuant to which such parties agreed to negotiate in good faith to prepare the Agreement reflecting the establishment and operation of the RLF, which is to be submitted to, and approved by, the Board of Commissioners of the Commission.

D. The Commission and LACHIF desire to enter into this Agreement, as contemplated in the ANE, in order to effectuate the establishment and operation of the RLF within the structure of a revolving loan agreement, as more particularly set forth hereinbelow.

Accordingly, the parties agree as follows:

1. THE REVOLVING LOAN.

1.1 The Loan. Subject to the terms and conditions of this Agreement and in reliance on the representations and warranties herein contained, the Commission agrees to make a loan (the "Loan") in the amount of NINETEEN MILLION EIGHT HUNDRED THIRTY THOUSAND DOLLARS ($19,830,000) to LACHIF. Loan funds to be advanced by the Commission under this Agreement are referred to as "RLF Loan Funds" or the "RLF Funds."

1.2 Loan Term; Note. The term of the Loan (the "Loan Term") shall commence on the Effective Date and shall end on the date that is eight (8) years thereafter (the "Maturity Date"). The obligation of LACHIF to repay the RLF Loan Funds shall be evidenced by a Promissory Note made by LACHIF to the order of the Commission and executed concurrently herewith (the "Note"). Amounts outstanding under the Note shall bear interest in accordance with, and subject to, Section 1.3 below. The first five (5) years of the Loan Term shall comprise the Project Loan Origination Period, as defined in Section 1.4 below.

1.3 Interest.

a. Undisbursed RLF Funds. As to any RLF Funds that have been advanced by the Commission to LACHIF but have not been disbursed towards funding Project Loans in accordance with Section 3 below ("Undisbursed RLF Funds"), the following shall apply:

i. During the first six (6) months of the Loan Term, no interest shall accrue on any Undisbursed RLF Funds; and

ii. After the initial six (6) months of the Loan Term, simple interest shall accrue on the Undisbursed RLF Funds at the lesser of (a) the Blended Rate (as defined below), or (b) the rates of interest earned on the Complying Investment Accounts (as defined in Section 1.8 below) in which such Undisbursed RLF Funds have been deposited.

b. Disbursed RLF Funds. At any time RLF Funds are actually disbursed by LACHIF towards funding Project Loans in accordance with Section 3 below, simple interest shall accrue on the RLF Loan Funds so advanced at the rate of two and one one-hundredths percent (2.1%) per annum (the "Blended Rate"). The Blended Rate has been calculated by combining or "blending" into one interest rate 60% thereof at 2.5% and 40% thereof at 1.5%, which 60% and 40% factors are based upon the Set AMI Ratio established, and defined, in Section 3.1 below.

Accrued interest shall be paid annually in arrears on each anniversary date of the Effective Date of this Agreement.

1.4 Project Loan Origination Period; Revolving Feature. LACHIF will commit to Participations (as defined in Section 3.2 below) in Project Loans that are originated during a period commencing on the Effective Date and ending on the date that is five (5) years thereafter ("Project Loan Origination Period"). During the Project Loan Origination Period, any principal repayments received by LACHIF with respect to its Participations may be retained by LACHIF, without interest, for further disbursement towards Participations in accordance with this Agreement. Following the expiration of the Project Loan Origination Period, any principal repayments received by LACHIF will be paid to the Commission as principal pay-downs on the Loan. LACHIF will not acquire any more Participations in Project Loans, either from previously undisbursed proceeds of the RLF Loan Funds or from earlier repaid Project Loan disbursements, after the end of the Project Loan Origination Period.

1.5 Funding Dates. The RLF Loan Funds shall be funded by the Commission to LACHIF in installments pursuant to the following schedule ("Funding Schedule"):

a. TEN MILLION THIRTY THOUSAND DOLLARS ($10,030,000) on or before June 30, 2008; and

b. NINE MILLION EIGHT HUNDRED THOUSAND DOLLARS ($9,800,000) on or before June 30, 2009.

LACHIF shall initiate the Commission's funding of the RLF Loan Funds pursuant to the foregoing Funding Schedule by delivering to the Commission (i) a Funding Request in the form attached hereto as Exhibit A hereto and (ii) current wire transfer instructions (collectively referred to as the "Funding Documents"). LACHIF shall deliver the Funding Documents to the Commission at least five (5) days prior the date set forth in the Funding Schedule. The Commission will thereafter fund each installment of the Loan on the later of: (A) the date set forth in the Funding Schedule or (B) within 21 business days after receipt of the Funding Documents.

1.6 Payments.

1.6.1 Payment on Maturity Date. On the Maturity Date, the entire outstanding principal balance of the Loan, together with all accrued and unpaid interest, shall become immediately due and payable.

1.6.2 Voluntary Prepayment. LACHIF shall have the right at any time and from time to time to prepay, without premium or penalty, the outstanding principal balance of the Loan, in whole or in part. Each such prepayment shall be accompanied by the accrued but unpaid interest thereon.

1.6.3 Mandatory Project Payment. If, from time to time during the period commencing on the expiration of the Project Loan Origination Period and ending on the Maturity Date, LACHIF receives any principal repayment with respect to any Project Loan, then LACHIF shall pay to the Commission an amount equal to such principal repayment under the Loan.

1.6.4 Application of Payment. Any payments received by the Commission pursuant to this Section 1.6 shall be applied as more particularly set forth in the Note.

1.7 Funding Not a Waiver. Any language elsewhere in this Agreement to the contrary notwithstanding, the funding of the Loan by the Commission shall not be deemed to be a waiver by the Commission of any rights, conditions, agreements, warranties or representations in its favor or for its benefit.

1.8 Investment of Undisbursed RLF Funds. Upon receipt from the Commission and prior to disbursement towards a Project Loan, all RLF Loan Funds shall be invested by LACHIF in interest bearing accounts with one or more financial institutions selected by LACHIF and in compliance with the "Commission's Investment Policy" attached herewith as Exhibit F. For the purposes of applying the Commission's Investment Policy only, all Undisbursed RLF Funds shall be treated as "temporarily available excess funds of the Commission." Interest bearing accounts that comply with the Commission's Investment Policy are referred to as "Complying Investment Accounts." In addition, any principal repayments received by LACHIF within the Project Loan Origination Period with respect to any Project Loans that may be retained by LACHIF pursuant to Section 1.4 above shall also be invested by LACHIF in Complying Investment Accounts with one or more financial institutions selected by LACHIF. Subject to the Commission's Investment Policy, all Complying Investment Accounts shall be as determined by LACHIF and all interest earned thereon ("Complying Investment Account Interest Income"), together with the Undisbursed RLF Funds, shall be the property of LACHIF, subject to the Loan Loss Reserve provisions of Section 3.8 below.

2. CONDITIONS PRECEDENT TO LOAN CLOSING. The Commission's obligation to make the Loan shall be subject to the prior fulfillment (or waiver by the Commission) of the conditions stated in this Section 2 on or before June 30, 2008 (the "Closing Date").

2.1 Loan Documents. LACHIF shall have delivered or caused to be delivered to Commission the following documents (the "Loan Documents"), which shall be duly executed by LACHIF: (a) this Agreement and (b) the Note.

2.2 Nonrecourse Exceptions Guaranty. Each of the Approved Lenders have executed and delivered to the Commission a separate Nonrecourse Exceptions Guaranty (as defined in Section 7.4 below).

2.3 No Violation of Law or Regulation; No Liability or Penalty. The Loan, including the planned use of the proceeds therefrom by LACHIF, shall not violate any applicable law or governmental regulation or subject the Commission to any liability, penalty or onerous condition.

2.4 Satisfaction Required. The Commission shall have received from LACHIF evidence satisfactory to the Commission as to following:

a. The organization, existence and good standing of LACHIF to carry on its business in California;

b. The limited liability company power of LACHIF to carry on its business as then being conducted;

c. The due authorization, execution and delivery, and the validity and enforceability of the Loan Documents; and

d. Such other matters or things incident to the matters herein contemplated as the Commission may reasonably request.

2.5 Representations and Warranties True. The representations and warranties of LACHIF contained in this Agreement shall be true and correct when made, and shall continue to be true and correct as of the Closing Date with the same effect as though such representations and warranties had been made at and as of such time.

2.6 Documents and Certificates Delivered. LACHIF shall have delivered to the Commission all such certificates of good standing and certified copies of LACHIF's Articles of Organization and Operating Agreement (both as amended to date), documents evidencing all requisite limited liability company action has been taken by LACHIF to authorize the execution, delivery and performance of the Loan Documents, and such other documents and certificates, all in form and substance satisfactory to the Commission, as the Commission or its counsel may reasonably request. LACHIF shall have delivered to the Commission a certificate of incumbency of LACHIF's principal officers, and such evidence of the fulfillment of the conditions specified in this Section 2, as the Commission or its counsel may reasonably request.

2.7 No Change in Ability to Conduct Charitable Activities or Financial Condition. There shall have been no change in the business, property or financial condition of LACHIF since the Effective Date of this Agreement, which has had or will have an adverse effect on the ability of LACHIF to carry out its charitable activities of its members as heretofore conducted or to repay the Loan as contemplated herein.

3. PURPOSE OF LOAN AND USE OF RLF LOAN PROCEEDS; LOAN LOSS RESERVE.

3.1 Purpose of the Loan. The purpose of the Loan is to provide the means by which LACHIF will combine the RLF with the funds of the individual Approved Lenders and other parties to assist developers in the development of affordable housing projects ("Projects") for low-income households, including those who are homeless or at risk of homelessness.

LACHIF will utilize up to $11,800,000 of RLF Funds to acquire Participations (as more particularly set forth in this Section 3) in Project Loans that relate to Projects that will serve households with incomes at sixty percent ("60% Households") of the Area Median Income ("AMI") or below and up to $8,000,000 of RLF Funds for Projects that will serve households with median incomes at or below thirty-five percent ("35% Households") of the AMI. The aforesaid AMI shall be based upon the United States Department of Housing and Urban Development's ("HUD") determinations (and definition) of "Area Median Income" for the Los Angeles – Long Beach Metropolitan Statistical Area AMI. The ratio established between the aforesaid portion of RLF Funds to be invested in Projects serving 60% Households and the aforesaid portion of RLF Funds to be invested in Projects serving 35% Households is intended to approximate 60%/40% and is referred to as the "Set AMI Ratio."

No later than eighteen (18) months after the execution of this Agreement, the Commission and LACHIF shall review the actual utilization to-date of the RLF Funds towards investments in Project Loans serving 60% Households and in Project Loans serving 35% Households. Based upon such actual utilization to-date, market conditions and other factors, either party may propose a change in the Set AMI Ratio and/or in the targeted household income, with any such change being implemented only with the consent and approval of both parties hereto. If the parties agree to a change in the Set AMI Ratio, then the Blended Rate shall be recalculated utilizing the newly established respective percentages of RLF Funds to be invested in Projects serving 60% Households and in Projects serving 35% Households.

3.2 Achievement of Purposes Through Project Loans. As more particularly set forth in this Agreement, it is the intent of the parties hereto that LACHIF will achieve the aforesaid purposes of the Loan by utilizing the RLF Loan Funds to acquire separate investment or participation interests ("Participation(s)") in direct loans ("Project Loans") to be made to qualified affordable housing developers.

3.3 Origination of Project Loans; Origination and Participation Agreement. The Project Loans will be underwritten and originated by the Approved Lenders pursuant to the terms and provisions of that certain Origination and Participation Agreement of even date herewith ("Origination and Participation Agreement") entered into by and among LACHIF and each of the Approved Lenders (in their individual capacities and not as members of LACHIF), the Corporation for Supportive Housing and Century Housing Corporation as the "Subordinate Participants," and the Low Income Investment Fund, as the "Senior Participant." As more particularly provided in the Origination and Participation Agreement, each Project Loan will be originated by one of the Approved Lenders (in their individual capacities and not as members of LACHIF), which Approved Lender will act as the lead lender for such Project Loan (an "Originating Lender"). The Senior Participant will acquire a participation in such Project Loan concurrently with LACHIF's Participation therein.

3.4 Project Loan Sources. The principal amount of each Project Loan will be funded from the sources and in the percentages set forth as follows:

a. 33% from LACHIF utilizing RLF Loan Funds;

b. 13.5% from the Approved Member that is acting as the Originating Lender with respect to such Project Loan; and

c. 53.5% from the Senior Participant.

3.5 Project Loan Terms. The principal amount and other terms and provisions of each Project Loan shall be as determined by the Originating Lender and as approved by the Senior Participant and the applicable Subordinate Participants, subject to the following:

a. The maximum principal amount of any Project Loan shall be $5,000,000; provided, however, the maximum principal amount of any loan that may be utilized to fund predevelopment activities shall be $750,000;

b. The maturity date of each Project Loan shall not be later than the date that is three (3) years following the closing date of such Project Loan, which maturity date shall be subject to extension by the applicable Originating Lender; provided, however, ~~a~~ without the prior consent of the Commission, no Project Loan may allow for an extension of the maturity date thereof, nor may an Originating Lender otherwise agree to any extension thereof, if such extension would place such maturity date beyond the Maturity Date of the Loan;

c. Each Project Loan shall be secured by a deed of trust in favor of Originating Lender upon such real property;

d. Each Project Loan shall meet all of the "Standard Underwriting Criteria" set forth in Exhibit B attached hereto;

e. The documentation for each Project Loan shall incorporate the Special Commission Requirements (as defined in Section 6.7 below); and

f. Each Project Loan shall be pre-payable by Borrower in whole or part without additional charge.

3.6 Project Loan Review Committee. LACHIF will assure that the Commission will be entitled to have a Commission staff member attend loan committee meetings held among the parties to the Origination and Participation Agreement, which attendance will be for the purpose of providing Commission oversight of the Projects that are being considered and recommended for Project Loan origination.

3.7 Environmental Clearance. LACHIF will assure that all Projects proposed for a Project Loan will be submitted to the Commission for a preliminary environmental review to ascertain if California Environmental Quality Act (CEQA) clearance can be obtained within ninety-days (90) from the date of Environmental Service Request Form submittal to Commission. Projects with environmental issues that would cause the CEQA clearance to exceed the aforesaid ninety-day (90) threshold period will be ineligible to receive a Project Loan.

3.8 Loan Loss Reserve; Forgiveness of Excess Project Loan Loss.

3.8.1 Loan Loss Reserve. LACHIF shall establish a "Loan Loss Reserve" for the purposes of offsetting any Project Loan Losses (as defined below) upon and subject to the following:

a. The Loan Loss Reserve shall be comprised of an interest bearing account in the name of LACHIF with a financial institution selected by LACHIF (the "Loan Loss Account") and in compliance with the Commission's Investment Policy;

b. The Loan Loss Account shall be established immediately upon transfer of RLF Funds to LACHIF utilizing $30,000 to be provided by the Commission;

d. The Loan Loss Reserve and Account shall be funded with LACHIF Net Income (as defined below); and

e. Upon the occurrence of any Project Loan Loss, funds from the Loan Loss Account shall be paid by LACHIF to the Commission to offset any actual losses of interest and/or principal arising in connection with such Project Loan Loss.

Commission and LACHIF hereby agree and acknowledge that amounts held as part of the Loan Loss Reserve may not be sufficient to fully offset any Project Loan Losses actually experienced by the Commission.

3.8.2 Forgiveness of Excess Project Loan Losses. Any portion of the Loan that becomes attributable to an Excess Project Loan Loss shall become non-recourse and forgiven to LACHIF upon delivery to the Commission of the following:

a. a Forgiveness Notice in the form of Exhibit E hereto;

b. a written certification executed by the Originating Lender of the Project Loan to which the subject Excess Project Loan Loss is attributable certifying the following:

i. that such Originating Lender has declared such Project Loan to be in default (in accordance with its loan documents),

ii. that such Originating Lender has in good faith taken commercially reasonable steps to collect upon such Project Loan,

iii. that, following such steps, principal, accrued and unpaid interest, and/or out-of-pocket expenses with respect to such Project Loan remain unpaid after such Originating Lender's receipt of all payments on account of such Project Loan from the applicable borrower (after pursuit of appropriate collection and enforcement actions against such parties) and after the liquidation of the collateral held therefor; and.

c. a written certification executed by the Senior Participant of LACHIF certifying the amount of the Loan Loss Reserve, if any, that has been applied towards the applicable Project Loan Loss.

For the purposes of this Agreement, the following definitions shall apply:

"Excess Project Loan Loss(es)" means the amount of any Project Loan Loss remaining after applying thereto available funds from the Loan Loss Reserve.

"Net Income" means the income of LACHIF from all sources (including, without limitation, origination fees and interest from Participations in Project Loans and Complying Investment Account Income) less all LACHIF expenditures (including, without limitation, payment of interest on the Loan, management and operating expenses, and all legal and other third party costs).

Project Loan Loss(es) means the actual amount of principal, accrued and unpaid interest, and out-of-pocket expenses that remain unpaid with respect to any Project Loan that has either matured, or has been accelerated in connection with any event of default thereunder, after the applicable Originating Lender's receipt of all payments on account of such Project Loan from the applicable borrower (after pursuit of appropriate collection and enforcement actions against such parties) and after the liquidation of the collateral held therefor.

4. LACHIF'S REPRESENTATIONS AND WARRANTIES. As of the date hereof, LACHIF represents and warrants as follows:

4.1 LLC Organization. LACHIF is a limited liability company duly organized, validly existing and in good standing under the laws of California.

4.2 Due Authorization; Binding Obligation. The execution, delivery and performance by LACHIF of the Loan Documents, and the contemplated use of the proceeds of the Loan, have been duly authorized by all requisite corporate action. Upon execution and delivery by LACHIF, the Loan Documents will constitute the legal, valid and binding obligations of LACHIF under applicable law, enforceable in accordance with their respective terms, subject only to bankruptcy, insolvency, reorganization, moratorium or similar laws at the time in effect affecting the enforceability of the rights of creditors generally and to the discretion of courts of applicable jurisdiction to enforce equitable remedies including, without limitation, specific performance and injunctive relief.

4.3 No Actions, Proceedings or Judgments. There is no action, suit, investigation or proceeding pending or, to the knowledge of LACHIF, threatened, by or before any court or governmental or administrative body or agency which may reasonably be expected to result in a material adverse change in the activities, operations, assets or properties of LACHIF, or in the condition, financial or otherwise, of LACHIF, or to impair the ability of LACHIF to perform its obligations under the Loan Documents, or prevent LACHIF's use of the proceeds of the Loan contemplated hereunder.

4.4 No Violation of Existing Agreement. The execution, delivery and performance by LACHIF of the Loan Documents, and LACHIF's use of proceeds of the Loan contemplated hereunder, will not violate any provision of law, any order, rule or regulation of any court or governmental or regulatory body, the Articles of Organization or Operating Agreement of LACHIF, or any indenture, agreement or instrument to which LACHIF is a party or by which LACHIF or its assets or properties are bound, or conflict with, result in a breach of or constitute (with notice or lapse of time, or both) a default under any such indenture, agreement or instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the assets or properties of LACHIF, except as stated in this Agreement. LACHIF is not a party to any indenture, agreement or instrument or subject to any restriction which prohibits LACHIF from performing, or, assuming there is no default under any indenture, agreement or instrument for borrowed money or under any indenture, agreement or instrument which, if in default, might reasonably be expected to result in a material adverse change in the activities, operations, assets or properties or in the condition, financial or otherwise, of LACHIF, or to impair the ability of LACHIF to perform its obligations under the Loan Documents.

4.5 Tax Matters. LACHIF has either filed all tax returns required to be filed in any jurisdiction, or timely secured appropriate extensions of time in which to so file, and has paid all taxes, assessments, fees or other governmental charges which have become due and payable, except for any taxes which are being contested in good faith by appropriate proceedings and for which adequate reserves have been established. There are no tax audits of LACHIF presently being conducted or threatened.

4.6 No Other Consent Required. No consent, approval or authorization of, nor any notice or declaration to or filing with, any governmental or administrative body or agency by or on the part of LACHIF is required for the valid execution, delivery and performance by LACHIF of the Loan Documents, or for compliance with the terms and provisions hereof or thereof, including, but not limited to, the use of the proceeds of the Loan as contemplated hereunder.

4.7 Compliance with Laws and Regulations. To its knowledge, LACHIF is in compliance with any Federal, state and local laws, rules, regulations, orders, writs or decrees, violation of which would have a material adverse effect on LACHIF's tax status, activities, operations, assets, properties or condition, financial or otherwise.

4.8 Disclosures of Material Changes in Assets or Business. LACHIF has not:

a. Mortgaged, pledged, or subjected to lien, charge, security interest or to any other encumbrance any of its assets or properties, except for a fair consideration or in the ordinary course of business;

b. Sold, assigned, transferred, leased or otherwise disposed of any of its assets or properties, or acquired any assets or properties, except for a fair consideration or in the ordinary course of business; or

c. Suffered any material adverse change in its financial condition or results of operations or in its assets, properties, operations or prospects.

4.9 No Misstatement of Material Fact. To its knowledge, none of the information and documents furnished or to be furnished by LACHIF to the Commission in connection with the execution and delivery of this Agreement and consummation of the transaction contemplated hereby, contained or will contain any misstatement of material fact or omitted or will omit to state any material fact required to be stated to make the statements therein not misleading.

4.10 No Rights or Privileges Granted Third Parties. LACHIF's execution and delivery of this Agreement will not confer any rights or privileges upon any person or entity not a party to this Agreement.

4.11 LACHIF's Unimpaired Right to Receive Loan Proceeds. LACHIF has the absolute right to receive, and will receive, the entire proceeds of this Loan free and clear of any prior liens, charges, encumbrances, or security interests whatsoever, and none of the proceeds of this Loan, or any interest or earnings on it, have been or will be pledged, assigned, hypothecated, or otherwise posted or stand as security or collateral for or in connection with any loan, borrowing, note, obligation, guaranty, purchase, sale, or other transaction whatsoever.

5. REPRESENTATIONS AND WARRANTIES BY THE COMMISSION. The Commission represents and warrants that the Commission is a public body, corporate and politic. The execution, delivery and performance by the Commission of this Agreement has been duly authorized by all requisite agency action. Upon execution and delivery by the Commission, this Agreement will constitute the legal, valid and binding obligation of the Commission enforceable in accordance with its terms subject only to bankruptcy, insolvency, reorganization, moratorium or similar laws at the time in effect affecting the enforceability of rights of creditors generally and to the discretion of courts of applicable jurisdiction to enforce equitable remedies including, without limitation, specific performance and injunctive relief.

6. COVENANTS OF LACHIF. LACHIF covenants and agrees that so long as the Commission holds the Note and any portion thereof remains unpaid:

6.1 Use of Loan Proceeds. LACHIF shall use the proceeds of the Loan and any interest or earnings thereon solely for the purposes described in Section 3.1 above and for no other purposes.

6.2 Reports. LACHIF shall provide to the Commission in accordance with the notice provisions set forth in Section 8.7 of this Agreement, the following reports:

a. Within thirty (30) days after each quarterly period ending on June 30, September 30, December 31, and March 31 during the term of the Loan (beginning with the first of such quarterly periods ending after the first installment funding of the Loan, a narrative and financial report (i) detailing the use (if any) of the proceeds of the Loan, (ii) interest income received, (iii) the status of the progress toward funding Project Loans, and (iv) any other information relevant to the satisfaction of the repayment terms of the Loan in accordance with the terms of the Note;

b. Beginning with the fiscal year ending _____, 2009, annually during the term of this Loan, within one hundred twenty (120) days after the end of each fiscal year of LACHIF, a certificate that it has complied with the terms of this Agreement and that no Event of Default (as that term is defined in Section 7.1), nor any event which upon notice or lapse of time, or both, would constitute and Event of Default, has occurred, or, if any Event of Default or other such event has occurred, specifying the Event of Default or such other event;

c. Within one hundred twenty (120) days after completion of each fiscal year of LACHIF or as soon thereafter as is available, LACHIF's audited financial statements, and the report of its auditors thereon;

d. Such other information respecting LACHIF's compliance with the terms and conditions of this Agreement as the Commission may from time to time reasonably request, including site visits or meetings concerning information provided; and

e. Within thirty (30) days after each quarterly period ending on June 30, September 30, December 31, and March 31 during the term of the Loan (beginning with the first of such quarterly periods

ending after the first installment funding of the Loan), the loan activity report in the format attached hereto as Exhibit D attached hereto.

6.3 Status Preservation. LACHIF shall do all things necessary to:

a. Preserve, renew and keep in full force and effect its limited liability company existence, and all material rights, licenses, permits, franchises and qualifications;

b. Comply with all laws and regulations applicable to LACHIF, the violation of which would have a material adverse effect on LACHIF's ability to perform its obligations under this Agreement or the Note; and

c. Obtain and maintain in full force and effect all authorizations, qualifications, consents, approvals, exemptions, permits and licenses of, and filings with, governments or governmental or administrative bodies or agencies necessary for the carrying on of any material activity of LACHIF's business.

6.4 Notice of Changes in Status or Condition. LACHIF shall promptly advise the Commission in reasonable detail of the occurrence of any of the following events:

a. Any of the following changes with respect to any Approved Lender: a change in president, executive director, board members, members, major partners, joint venture partners, or key managerial employees (collectively, "Approved Lender Principals");

b. Any changes in material information concerning the establishment and operation of the RLF;

c. Any proceeding instituted or commenced against LACHIF in, by or before any court, governmental or administrative body, department or agency, which proceeding could have a material adverse effect upon the operations, assets or properties of LACHIF; or

d. Any change in LACHIF's condition, financial or otherwise, which would negatively impact the administration of the RLF;

6.5 Maintenance of Records. LACHIF shall:

a. Maintain books and records adequate to provide the information ordinarily required by commercial lenders under similar circumstances;

b. Make such books and records available for inspection and copying by the Commission and its agents and representatives at reasonable times and on reasonable notice; and

c. Retain such books and records and make them available for inspection and copying under this Section for a period of at least two (2) years after the Note has been fully paid and satisfied.

6.6 Pledging of Loan Proceeds. LACHIF will not pledge, assign, hypothecate or otherwise post or place any of the RLF Loan Proceeds, nor any interest or earnings thereon, as security or collateral for or in connection with any prior loan, borrowing, note, obligation, guaranty, purchase, sale or other transaction whatsoever.

6.7 Special Commission Requirements. LACHIF hereby agrees to comply with the Commission requirements set forth in Exhibit C attached hereto (the "Special Commission Requirements"), to the extent such requirements are applicable to LACHIF's activities.

7. DEFAULT AND REMEDIES.

7.1 Events of Default. LACHIF shall be deemed to be in default under this Agreement if anyone or more of the following events (each of which is herein sometimes called an "Event of Default") occurs and is continuing:

a. LACHIF fails to make any principal payment under the Note when due and payable, whether at the stated maturity therefor, the occurrence of any event requiring payment, by declaration of acceleration or otherwise, and such default continues unremedied for fifteen (15) days after written demand;

b. LACHIF fails to make any payment of interest on the Note on or before the date such payment is due and such default continues unremedied for fifteen (15) days after written demand;

c. LACHIF uses any portion of the proceeds of the Loan, or any interest or earnings thereon, other than for the specific purpose described in Section 3.1 of this Agreement;

d. Any representation or warranty made by LACHIF in this Agreement, or in any report, certificate, financial statement or instrument furnished by LACHIF in connection with this Agreement or the Loan proves to have been false or misleading when made, in any material respect;

e. Any default or failure to perform any covenant in any material respect in the Note which default or failure continues beyond any applicable notice and cure period;

f. LACHIF violates or fails to observe or perform any other covenant contained in this Agreement in any material respect (other than those referred to above in clauses (a) through (e) of this Section 7.1) and such default continues unremedied for forty-five (45) days after receipt of written notice of such default from the Commission; or

g. LACHIF is adjudicated a bankrupt or insolvent, and such adjudication continues undischarged or unstayed for a period of ninety (90) days; or LACHIF admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors, or LACHIF applies for or consents to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; or such receiver, trustee or similar officer is appointed without the application or consent of LACHIF, as the case may be, and such appointment continues undischarged for a period of thirty days; or LACHIF institutes or consents to (by petition, application, answer or otherwise) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it; or any such proceeding is instituted (by petition, application or otherwise) against LACHIF and remains undismissed or unstayed for a period of ninety (90) days.

7.2 Commission's Options upon LACHIF's Default. If an Event of Default exists:

a. At the option of the Commission, the Commission may, by written notice to LACHIF, accelerate and declare the Note, and all unpaid principal and accrued interest thereunder, immediately due and payable, whether or not the Note is otherwise due and payable and whether or not the Commission shall have initiated any other action for the collection of the Note, whereupon the Note shall become immediately due and payable as to principal, interest and any other amounts payable thereunder, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by LACHIF, anything contained herein or in the Note to the contrary notwithstanding; or

b. The Commission may pursue, in any order or sequence, jointly or singly, in any combination or simultaneously, any and all remedies available at law or in equity, or both, for the collection of the Note and enforcement of the provisions hereof. No course of dealing on the part of the Commission or any delay or failure on the part of the Commission to exercise any right under this Agreement, the Note, or both, shall operate as a waiver of such right or otherwise prejudice the Commission's rights, powers and remedies under this Agreement or under the Note.

7.3 General Limitation of Liability. Neither party shall be liable to the other for any incidental, special, indirect, or consequential damages arising out of or in any way connected with the performance of the obligations under this Agreement by either party.

7.4 Limited Recourse; Several Nonrecourse Exceptions Guaranty. The Commission and LACHIF agree and acknowledge that, notwithstanding any other provisions of this Agreement, the Note, or any other document or instrument to the contrary, LACHIF's obligations to the Commission do not include any guaranty or indemnity in favor of the Commission or any other party against any RLF losses that result from Project Loan Losses. In this regard, in no event shall LACHIF (or any Approved Members) have any liability to the Commission or any other party if any portion of the RLF Loan Funds, and/or any interest thereon, is not repaid to the Commission (after the application of the Loan Loss Reserve) as a result of any Project Loan Losses; provided, however, this limitation on LACHIF's liability shall not apply to any losses resulting from (a) LACHIF's intentional breach of the terms and provisions of this Agreement, including, without limitation, the provisions of Section 3 relating to the origination and closing of Project Loans and to the establishment and funding of the Loan Loss Reserve or (b) fraud or misrepresentation or the part of LACHIF (the exceptions in (a) and (b) are referred to as the "Nonrecourse Exceptions"). Each of the Approved Lenders shall provide to the Commission a separate written guaranty (the "Nonrecourse Exception Guaranty") with respect to any losses incurred by the Commission in connection with any of the Nonrecourse Exceptions; provided, however, the liabilities and obligations of each Approved Lender under their respective Nonrecourse Exception Guaranty shall be limited only to the direct acts or omissions of such Approved Lender and in no event shall any Approved Lender be liable for the acts or omissions of any other Approved Lender or other party.

8. MISCELLANEOUS

8.1 Survival of Representations, Warranties, Covenants and Obligations. The respective representations, warranties, obligations and agreements contained herein shall survive the Closing Date.

8.2 Additional Actions and Documents. The parties shall execute and deliver such further documents and instruments and shall take such other further actions as may be required or appropriate to carry out the intent and purposes of this Agreement.

8.3 Successors and Assigns. This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns. None of LACHIF's rights, privileges, duties, obligations or liabilities hereunder shall be assignable by LACHIF without the prior written consent of the Commission.

8.4 No Third-Party Beneficiaries. Nothing in this Agreement shall (a) confer any rights or remedies on any persons other than the parties and their respective successors and assigns, (b) relieve or discharge the obligation of any third person to any party, or (c) give any third person any right of subrogation or action against any party.

8.5 Amendments, Waivers, and Consents. This Agreement shall not be amended except in a writing signed by the parties. No waiver or consent shall be binding except in a writing signed by the party making the waiver or giving the consent. No waiver of any provision or consent to any action shall constitute a waiver of any other provision or consent to any other action, whether or not similar. No waiver or consent shall constitute a continuing waiver or consent except to the extent specifically set forth in writing.

8.6 Extend Performance; Waive Conditions; Reduce Performance. Either party hereto may, by providing a thirty (30) calendar day written notice to the other, (a) extend the time for the performance of any of the obligations or other actions of the other party under this Agreement; (b) waive compliance with any of the conditions or covenants of the other party contained in this Agreement; or (c) waive or reduce the required performance of any of the obligations of the other party under this Agreement. Except as provided in the preceding sentence, no action taken pursuant to this Agreement, including without limitation any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance by the other party with any representations, warranties, covenants, conditions or agreements contained in this Agreement. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

8.7 Notices. All notices, requests, demands, consents, waivers and other communications required or desired to be given under any of the provisions of this Agreement shall be in writing and shall e (i) served in person, (ii) sent by special courier (e.g., Federal Express), fully prepaid or billed to sender, or (iii) mailed by U.S. registered or certified mail, fully postage prepaid, return receipt requested, addressed as follows:

If to LACHIF: LA County Housing Innovation Fund, LLC
c/o Low Income Investment Fund
ATTENTION: Chief Executive Officer
100 Pine Street, Suite 1800
San Francisco, CA 94111

If to the Commission: Community Development Commission of the
County of Los Angeles
2 Coral Circle
Monterey Park, CA 91755
ATTENTION: William K. Huang, Director
Housing Development and Preservation Division

or to such other address as the addressee may have specified in a written notice duly given to the sender in the manner above provided. Any notice, request, demand, consent, waiver or other communication given in accordance with the provisions of this shall be presumed to have been given or received on the earlier to occur of (1) the date of actual receipt thereof, (2) the third business day following the date of mailing same by U.S. registered or certified mail, or (3) the third business day following the delivery thereof to the special courier, as shown on the courier's records, as appropriate. The delivery to or receipt of copies of any such notice, request, demand, consent, waiver or other communication by any persons other than and in addition to Commission or LACHIF, is merely an accommodation and is not necessary or required to make effective the giving or receipt thereof by or to Commission or LACHIF.

8.8 Jurisdiction and Venue. The parties hereto consent to the personal jurisdiction of all federal and state courts in California, and agree that venue shall lie exclusively in Los Angeles County, California.

8.9 Entire Agreement. This Agreement and the documents and agreements contemplated in this Agreement constitute the entire agreement between the parties with regard to the subject matter hereof and thereof. This Agreement supersedes any and all previous agreements between or among the parties. There are now no agreements, representations, or warranties between or among the parties other than those set forth in this Agreement or the documents and agreements contemplated in this Agreement.

8.10 Severability. If any provision of this Agreement, or the application of such provision to any person or circumstances, is held invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall continue in full force without being impaired or invalidated.

8.11 No Partnership, Etc. This Agreement does not make the parties partners or joint venturers with each other, nor does it create any principal and agent or trustee and beneficiary relationship or other association between any of the parties, except as expressly stated otherwise. No action taken by any party pursuant to this Agreement shall create any such relationship in the absence of express language in this Agreement to the contrary. The relationship of the parties to each other is that of independent contractors.

8.12 Construction of Agreement. The terms of this Agreement have been negotiated by the parties hereto, and no provision of this Agreement shall be construed against either party as the drafter thereof.

8.13 Authority of Executing Parties. The undersigned represent that they are authorized to execute and deliver this Agreement on behalf of the respective parties hereto. Each party has relied upon the authority of the other in executing and delivering this Agreement.

8.14 Titles, Captions, and Recitals. Article, Section, and subsection titles and captions contained in this Agreement are inserted as a matter of convenience and for reference and in no way define, limit, extend,

or describe the scope of this Agreement or the intent of any of its provisions. If there is any conflict between the Recitals at the beginning of this Agreement and the substantive provisions of this Agreement, the substantive provisions shall control.

8.15 Exhibits. All Exhibits hereto shall be deemed to be a part of this Agreement and are fully incorporated in this Agreement by this reference.

8.16 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

[End of text--signatures on following pages]

IN WITNESS WHEREOF, the undersigned have executed this LOAN AGREEMENT as of the date first referenced above.

Commission:

COMMUNITY DEVELOPMENT COMMISSION
OF THE COUNTY OF LOS ANGELES,

By: _____
Carlos Jackson
Its Executive Director

APPROVED AS TO FORM:

Raymond G. Fortner, Jr.
County Counsel

By: _____
Deputy

LACHIF:

LA HOUSING INNOVATION FUND, LLC,
A California limited liability company

By: _____

List of Exhibits

Exhibit A	Funding Request Form
Exhibit B	Standard Underwriting Criteria for Project Loans
Exhibit C	Special Commission Requirements
Exhibit D	Form of Project Loan Activity Report
Exhibit E	Form of Forgiveness Notice
Exhibit F	Commission's Investment Policy
Exhibit G	Promissory Note
Exhibit H	Non-Recourse Exceptions Guaranty

Exhibit A
Form of Funding Request

DATE:_____

Community Development Commission of the
County of Los Angeles
2 Coral Circle
Monterey Park, CA 91755

ATTENTION: William K. Huang, Director
Housing Development and Preservation Division

RE: Los Angeles's Homeless Prevention Initiative Revolving Loan Fund: Loan Agreement by and between **COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES**, a public body, corporate and politic ("Commission"), and **LA COUNTY HOUSING INNOVATION FUND, LLC**, a California Limited Liability Company ("LACHIF") dated ____, 2008 (the "Loan Agreement"). Capitalized terms herein shall have the defined meanings set forth in the Loan Agreement, unless otherwise provided.

Dear Mr. Huang:

In accordance with Section 5 of the Loan Agreement, LACHIF is hereby requesting a funding of RLF Funds in the amount of $_____, which funding is scheduled to occur on June 30, 200__.

Funding pursuant to this Request is to be wired to LACHIF as follows:

[add wire instructions]

Sincerely,

L.A. HOUSING INNOVATION FUND, LLC,
A California limited liability company

By: Low Income Investment Fund, LLC,
a California nonprofit public benefit corporation,
its managing member

By: _____
Name: _____
Its: _____

EXHIBIT B: UNDERWRITING STANDARDS

General Underwriting Criteria

Project Type/ Uses of Funds	The L.A. County Housing Innovation Fund provides financing for the acquisition and predevelopment of multi-family affordable rental housing located anywhere in Los Angeles County, including incorporated cities. Projects serving households with incomes at or below 35% of Area Median Income may include shelters, group homes, safe havens, and other homeless residential facilities.
Affordability	All units must be affordable to households with incomes at or below 60% of Area Median Income. Furthermore, approximately 40% of the Housing Innovation Fund is targeted to units serving households with incomes at or below 35% of Area Median Income.
Borrowers	Project Loan Borrowers can be nonprofit community-based organizations, for-profit corporations, cities and redevelopment agencies within Los Angeles County, and joint ventures comprised of these entities, with a track record of developing affordable housing ("Project Sponsors"). Borrowers may be limited partnerships or limited liability companies if affiliated with the Project Sponsor. Joint ventures will be treated in accordance with the majority equity interest in the Project Loan Borrower entity.
Payment Guarantees	If the Borrower entity is a special-purpose, single asset entity, a full payment guaranty from the sponsor shall be required. In other instances, a payment guaranty may be required in accordance with Underwriting Lenders loan policies.
Collateral	First deed of trust and assignments of rents. Other secured loans will be subject to subordination and standstill requirements.

Sponsor Standards	1. 3 years minimum development experience 2. Good standing with County of Los Angeles, and appropriate state and local agencies. 3. Successful track record of obtaining financing resources (public and private) proposed for the subject loan request. 4. No material defaults on development financing within the past seven (7) years 5. Evidence of successful completion of at least two (2) projects similar in scope 6. Financial Covenants (as required appropriate by Underwriting Lender)
Financial Reporting	**For-profit Borrowers:** must provide current accountant-reviewed or compiled financial statements for two full reporting years certified financial statements for two full reporting years for principals, and year-to-date and operating statements. Underwriting Lenders will obtain a credit score for the sponsor and each principal. **Nonprofit Borrowers:** to provide audited financial statements for three full years, and year-to-date and operating statements for the current year. Updated financial statements to be provided at least annually for Borrowers, Sponsors, and Principals. More frequent reporting may be required at the Lender's discretion. All Borrowers and Guarantor shall be required to provide detail regarding any unsecured debt and contingent liabilities, as requested by the Underwriting Lender.
Loan Amount	Up to $5 million, including a maximum of $750,000 for predevelopment costs.
Sponsor Concentration	Maximum of 25% aggregate Project Loans outstanding plus Project Loan Commitments may be loaned to single Sponsor. The Sponsor Concentration Covenant will be effective after the following two conditions have been met: 1. Project Loan Portfolio is greater than $20 million. 2. 18 months after initial availability of funds from LACCDC.

Origination Fee	The Borrower shall pay a loan origination fee of 2% of the Project Loan, due upon loan closing. The Underwriting Lender may charge an application and/or commitment fee, which shall be credited against the Origination Fee.
Project Loan Interest rate	Loan pricing will be fixed rate, based on the current yield-to-maturity of like-termed US Treasury Securities.
Loan Interest Reserve	100% of the projected loan interest for the term of the loan will be capitalized at closing in an interest reserve.
Loan Term	Up to three years, including extensions
Loan to Value	**For-Profit Borrowers:** Eligible for a loan-to-value of up to 95% of the lower of the Initial Appraised Value or purchase price of the property. **Non-Profit Borrowers:** Projects with demonstrable charitable purpose are eligible for a loan-to-value of up to 125% of the lower of the Initial Appraised Value or purchase price of the property, which may be approved to include an allowance for predevelopment expenses.
Maturity Extensions	Up to one year under conditions including no defaults, payment of prorated extension fee (50 bps for one year), sufficient capitalized interest reserve, satisfactory progress toward project milestones and underwriting of future project. Additional extensions, in excess of one year are available subject to Credit Committee approval.
Eligible Uses	Land acquisition, exercise of purchase option, capitalized interest, predevelopment costs such as costs related to appraisal, architectural & engineering fees, attorney, title and zoning, environmental assessment, marketing feasibility study, loan fees, tax credit application, holding/ carrying costs, and the costs of obtaining take-out financing (construction or permanent).

Project Milestones	Budget for predevelopment costs must be prepared and approved by Underwriting Lender prior to final approval of loan. All loans to include conditions and milestones to be met by specific dates with regard to: ▪ architectural work and filing plans with the appropriate municipal building department ▪ filing entitlement requests and environmental remediation plans ▪ applying for loans and grants, tax credits, equity, and other items required to bring the housing project to a construction loan closing
Good Faith Deposit	To be provided to the Underwriting Lender by applicant prior to any third party reports being ordered. Third party reports may include appraisal, Phase I environmental assessment, property condition report, plan and cost review for proposed scope of work to be done during the term of the loan. The required third party reports will be determined based upon the scope of the project. Amount of the deposit will be at the discretion of the Underwriting Lender.
Appraisal Requirement	A current FIRREA-compliant appraisal of the applicable property, which shall be ordered by Underwriting Lender and shall provide "as is" value (and "as proposed" value, if required) for the Property. "As is" value to reflect actual property conditions and any "as proposed" zoning, deed or other applicable usage or operating restrictions.
Equity	There is no fixed equity requirement; however, Borrowers must demonstrate that all funds needed to cover all costs throughout the acquisition/predevelopment period are secured and available, to the satisfaction of the Underwriting Lender.
Future Development Plans	Development budget, proforma projections of income and expenses, project description and letters of interest from other funding sources that can be reasonably obtained during the underwriting period – including market-rate and subsidized debt and equity providers – must be reviewed and accepted by Underwriting Lender.
Evidence of Permissive Zoning	Evidence that the project, as proposed, is permissible under applicable zoning ordinances or regulations; alternatively, a statement of the proposed action required to make the proposed project permissible and the basis for the belief that the proposed action will be completed successfully.

Insurance Requirements	Liability & hazard insurance required from an insurance company with an acceptable rating (minimum AM Best A VIII)

Environmental Requirements	Phase I environmental report to be ordered by the Underwriting Lender or Project Loan Borrower. If necessary, a Phase II environmental review must be ordered and reviewed by a third party environmental consultant. The Underwriting Lender will be required to complete and submit to the Commission an Environmental Service Request ("ESR") form and any project environmental reports available. A preliminary review, to be conducted within fifteen (15) business days by Commission, will determine if projects whose environmental clearance can be obtained within ninety (90) days shall be considered for funding with the RLF. Underwriting Lenders should be cognizant that some projects may require additional studies, reports, etc. that will increase costs charged by Commission. Underwriting Lenders should select projects carefully and consult with Commission staff prior to submitting projects for environmental review. Projects requiring Mitigated Negative Declarations or Environmental Impact Reports will not be eligible for RLF Financing.

Exhibit C
Special Commission Requirements

LACHIF agrees to comply with the following Commission requirements:

1. Termination for Improper Consideration. Commission may, by written notice to LACHIF, immediately terminate the right of LACHIF to proceed under this Agreement if it is found that consideration, in any form, was offered or given by LACHIF, either directly or through an intermediary, to any Commission officer, employee or agent with the intent of securing this Agreement or securing favorable treatment with respect to the award, amendment or extension of this Agreement or the making of any determinations with respect to LACHIF's performance pursuant to this Agreement. In the event of such termination, Commission shall be entitled to pursue the same remedies against LACHIF as it could pursue in the event of default by LACHIF.

   LACHIF shall immediately report any attempt by a Commission officer or employee to solicit such improper consideration. The report shall be made either to Commission's Executive Director or his designee.

   Among other items, such improper consideration may take the form of cash, discounts, service, the provision of travel or entertainment, or tangible gifts.

2. Confidentiality of Reports. LACHIF shall keep confidential all reports, information and data received, prepared or assembled pursuant to performance hereunder. Such information shall not be made available to any person, firm, corporation or entity without the prior written consent of Commission.

3. Commission's Quality Assurance Plan. Commission will evaluate LACHIF's performance under this Agreement on not less than an annual basis. Such evaluation will include assessing LACHIF's compliance with all contract terms and performance standards. LACHIF deficiencies which Commission determines are severe or continuing and that may place performance of the Agreement in jeopardy, if not corrected, will be reported to the Board of Commissioners. The report will include improvement/corrective action measures taken by Commission and LACHIF. If improvement does not occur consistent with the corrective measure, Commission may terminate this Agreement or seek other remedies as specified in this Agreement.

4. LACHIF's Warranty of Adherence to Commission's Child Support Compliance Program.. LACHIF acknowledges that the Commission has established a goal of ensuring that all individuals who benefit financially from the Commission through contract are in compliance with their court-ordered child, family and spousal support obligations, in order to mitigate the economic burden otherwise imposed upon the taxpayers of the County of Los Angeles County.

   As required by the Commission's Child Support Compliance Program and without limiting LACHIF's duty under this Agreement to comply with all applicable provisions of law, LACHIF warrants that it is now in compliance and shall during the term of this Agreement maintain compliance with employment and wage reporting requirements as required by the Federal Social Security Act (42 USC Section 653a) and California Unemployment Insurance Code Section 1088.5, and shall implement all lawfully served Wage and Earnings Withholding Orders or District Attorney Notices of Wage and Earnings Assignment for Child or Spousal Support, pursuant to Code of Civil Procedure Section 706.031 and Family Code Section 5246(b).

5. Termination For Breach of Warranty to Maintain Compliance With Commission's Child Support Compliance Program. Failure of LACHIF to maintain compliance with the requirements set forth in Paragraph 4, "LACHIF's Warranty of Adherence to Commission's Child Support Compliance Program" shall constitute a default by LACHIF under this Agreement. Without limiting the rights and remedies available to the Commission under any other provision of this Agreement, failure to cure such default within 90 calendar days of written notice shall be grounds upon which the Commission may terminate this Agreement pursuant to said paragraph 4 and pursue debarment of LACHIF, pursuant to Commission policy.

6. Post Most Wanted Delinquent Parents List. LACHIF acknowledges that the County places a high priority on the enforcement of child support laws and the apprehension of child support evaders. LACHIF understands that it is County's and Commission's policy to strongly encourage all borrowers to voluntarily post an entitled "L.A.'s Most Wanted: Delinquent Parents" poster in a prominent position at Contractor's place of business. The Child Support Services Department (CSSD) will supply LACHIF with the poster to be used.

7. Independent Contractor. This Agreement does not, is not intended to, nor shall it be construed to create the relationship of agent, employee or joint venture between the Commission and LACHIF.

8. Drug-Free Workplace Act of the State of California. LACHIF certifies under penalty of perjury under the laws of the State of California that LACHIF will comply with the requirements of the Drug-Free Workplace Act of 1990.

9. Compliance with Laws. LACHIF agrees to be bound by applicable federal, state and local laws, regulations, and directives as they pertain to the performance of this Agreement. If the compensation under this Agreement is in excess of $100,000 then LACHIF shall comply with applicable standards, orders, or requirements issued under section 306 of the Clean Air Act (42 U.S.C. 18579h), section 508 of the Clean Water Act (33 U.S.C. 1368), Executive Order 11738, and Environmental Protection Agency Regulations (40 CFR part 15).

   LACHIF must obtain and present all relevant state and local insurance, training and licensing pursuant to services required within this Agreement.

LACHIF shall comply with the following laws:

10. Civil Rights Act of 1964, Title VI (Non-discrimination in Federally Assisted Programs). LACHIF shall comply with the Civil Rights Act of 1964 Title VI which provides that no person shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

11. Section 109 of the Housing and Community Development Act of 1974. LACHIF shall comply with Section 109 of the Housing and Community Development Act of 1974 which states that no person in the United States shall, on the grounds of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this title.

12. Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973. LACHIF shall comply with the Age Discrimination Act of 1975 and section 504 of the Rehabilitation Act of 1973, which require that no person in the United States shall be excluded from participating in, denied the benefits of, or subject to discrimination under this Agreement on the basis of age or with respect to an otherwise qualified disabled individual.

13. Executive Order 11246 and 11375, Equal Opportunity in Employment (Non-discrimination in Employment by Government Contractors and Subcontractors). LACHIF shall comply with Executive Order 11246 and 11375, Equal Opportunity in Employment which requires that during the performance of this Agreement, LACHIF will not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, age, ancestry, marital status, or disability. LACHIF will take affirmative action to ensure that applicants are employed, and that employees are treated fairly during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. LACHIF agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the non-discrimination clause.

    LACHIF will, in all solicitations or advertisements for employees placed by or on behalf of LACHIF, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

    LACHIF will send to each labor union or representative of workers with which he has a collective bargaining Agreement or other contract or understanding, a notice to be provided by the agency of LACHIF's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment. LACHIF will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.

    LACHIF will furnish all information and reports required by the Executive Order and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by

Commission and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

In the event of LACHIF's noncompliance with the non-discrimination clauses of this Agreement or with any of such rules, regulations or orders, this Agreement may be canceled, terminated or suspended in whole or in part and LACHIF may be declared ineligible for further Government contracts in accordance with procedures authorized in the Executive Orders and such other sanctions may be imposed and remedies invoked as provided in the Executive Order or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.

LACHIF will include the provisions of these paragraphs in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of the Executive Order No. 11246 of September 24, 1965, that such provisions will be binding upon each subcontractor or vendor. LACHIF will take such actions with respect to any subcontract or purchase order as Commission may direct as a means of enforcing such provisions including sanctions for noncompliance, provided however, that in the event LACHIF becomes involved in, or is threatened with litigation by a subcontractor or vendor as a result of such direction by Commission, LACHIF may request the United States to enter into such litigation to protect the interests of the United States.

14. Notice to Employees Regarding the Federal Earned Income Credit. LACHIF shall notify its employees, and shall require each subcontractor to notify its employees, that they may be eligible for the Federal Earned Income Credit under the federal income tax laws. Such notice shall be provided in accordance with the requirements set forth in Internal Revenue Service Notice 1015.

15. Use of Recycled-Content Paper Products. LACHIF agrees to use recycled-content paper to the maximum extent possible on the Project in order to reduce the amount of solid waste deposited at the County landfills.

16. LACHIF Responsibility and Debarment.

A. A responsible borrower is a borrower who has demonstrated the attribute of trustworthiness, as well as quality, fitness, capacity and experience to satisfactorily perform the contract. It is the policy of the Commission to conduct business only with responsible borrowers.

B. LACHIF is hereby notified that if the Commission acquires information concerning the performance of LACHIF on this or other contracts which indicates that LACHIF is not responsible, the Commission may, in addition to other remedies provided in the contract, debar LACHIF from bidding on Commission contracts for a specified period of time not to exceed 3 years, and terminate any or all existing contracts LACHIF may have with the Commission.

C. Commission may debar a borrower if the Board of Commissioners finds, in its discretion, that LACHIF has done any of the following: (1) violated any term of a contract with the County, the Commission or the Housing Authority of the County of Los Angeles (HACOLA), (2) committed any act or omission which negatively reflects on LACHIF's quality, fitness or capacity to perform a contract with the County, the Commission or HACOLA or any other public entity, or engaged in a pattern or practice which negatively reflects on same, (3) committed an act or offense which indicates a lack of business integrity or business honesty, or (4) made or submitted a false claim against the County, the Commission or HACOLA or any other public entity.

D. If there is evidence that LACHIF may be subject to debarment, Commission will notify LACHIF in writing of the evidence which is the basis for the proposed debarment and will advise LACHIF of the scheduled date for a debarment hearing before the Contractor Hearing Board.

E. The Contractor Hearing Board will conduct a hearing where evidence on the proposed debarment is presented. LACHIF and/or LACHIF's representative shall be given an opportunity to submit evidence at that hearing. After the hearing, the Contractor Hearing Board shall prepare a proposed decision, which shall contain a recommendation regarding whether LACHIF should be debarred, and, if so, the appropriate length of time of the debarment. If LACHIF fails to avail itself of the opportunity to submit evidence to the Contractor Hearing Board, LACHIF may be deemed to have waived all rights of appeal.

F. After consideration of any objections, or if no objections are submitted, a record of the hearing, the

proposed decision and any other recommendation of the Contract Hearing Board shall be presented to the Board of Commissioners. The Board of Commissioners shall have the right to modify, deny or adopt the proposed decision and recommendation of the Hearing Board.

G. If a borrower has been debarred for a period longer than five years, that LACHIF may, after the debarment has been in effect for at least five years, submit a written request for review of the debarment determination to reduce the period of debarment or terminate the debarment. The Commission may, in its discretion, reduce the period of debarment or terminate the debarment if it finds that LACHIF has adequately demonstrated one or more of the following: (1) elimination of the grounds for which the debarment was imposed; (2) a bona fide change in ownership or management; (3) material evidence discovered after debarment was imposed; or (4) any other reason that is in the best interests of the Commission.

H. The Contractor Hearing Board will consider a request for review of the debarment determination only where (1) LACHIF has been debarred for a period longer than five years; (2) the debarment has been in effect for at least five years; and (3) the request is in writing, states one or more of the ground for reduction of the debarment period or termination of the debarment, and includes supporting documentation. Upon receiving an appropriate request, the Contractor Hearing Board will provide notice of the hearing on the request. At the hearing, the Contractor Hearing Board shall conduct a hearing where evidence on the proposed reduction of debarment period or termination of debarment is presented. This hearing shall be conducted and the request for review decided by the Contractor Hearing Board pursuant to the same procedures as for a debarment Hearing.

The Contractor Hearing Board's proposed decision shall contain a recommendation on the request to reduce the period of debarment or terminate the debarment. The Contractor Hearing Board shall present its proposed decision and recommendation to the Board of Commissioners.. The Board of Commissioners shall have the right to modify, deny or adopt the proposed decision and recommendation of the Contractor Hearing Board.

I. These terms shall also apply to subcontractors and subconsultants of County, HACOLA, or Commission contractors, consultants, vendors and agencies.

17. Section 3 of the Housing and Community Development Act of 1968, as Amended.

A. The work to be performed under this Agreement is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (Section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low-and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

B. The parties to this Agreement agree to comply with HUD's regulations in 24 CFR Part 135, which implement Section 3. As evidenced by their execution of this Agreement, the parties to this Agreement certify that they are under no contractual or other impediment that would prevent them from complying with the Part 135 regulations.

C. LACHIF agrees to send to each labor organization or representative of workers with which LACHIF has a collective bargaining Agreement or other understanding, if any, a notice advising the labor organization or workers' representative of LACHIF's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

D. LACHIF agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR Part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR Part 135. LACHIF will not subcontract with any subcontractor where LACHIF has notice or knowledge that the subcontractor has been found in violation of the

regulations in 24 CFR Part 135.

E. LACHIF will certify that any vacant employment positions, including training positions, that are filled (1) after LACHIF is selected but before the Agreement is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent LACHIF's obligations under 24 CFR Part 135.

F. Noncompliance with HUD's regulations in 24 CFR Part 135 may result in sanctions, termination of this Agreement for default, and debarment or suspension from future HUD assisted contracts.

G. With respect to work performed in connection with Section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this Agreement. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this Agreement that are subject to the provisions of Section 3 and section 7(b) agree to comply with Section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

18. Barriers For the Disabled. The any project shall be developed to comply with all applicable federal, state and local requirements for access for disabled persons.

19. Lead-Based Paint. LACHIF and its contractors and subcontractors shall not use lead-based paint in construction or maintenance of the Project. LACHIF shall cause this provision to be incorporated in all contracts and subcontracts for work performed on the Site which involve the application of paint.

20. Notice To Employees Regarding The Safely Surrendered Baby Law. LACHIF shall notify and provide to its employees, and shall require each subcontractor to notify and provide to its employees, a fact sheet regarding the Safely Surrendered Baby Law, its implementation in Los Angeles County, and where and how to safely surrender a baby. The fact sheet is set forth in is available on the Internet at www.babysafela.org for printing purposes.

21. LACHIF's Acknowledgment of Commission's Commitment To The Safely Surrendered Baby Law. LACHIF acknowledges that the Commission places a high priority on the implementation of the Safely Surrendered Baby Law. LACHIF understands that it is the Commission's policy to encourage all Commission borrowers to voluntarily post the "Safely Surrendered Baby Law" poster in a prominent position at LACHIF's place of business. LACHIF will also encourage its Subcontractors, if any, to post this poster in a prominent position in the Subcontractor's place of business. The Department of Children and Family Services of the County of Los Angeles will supply LACHIF with the poster to be used.

22. Lobbyist Ordinances.

Federal Lobbyist Requirements: LACHIF is prohibited by the Department of Interior and Related Agencies Appropriations Act, known as the Byrd Amendments, and HUD's 24 CFR Part 87, from using federally appropriated funds for the purpose of influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, loan or cooperative Agreement, and any extension, continuation, renewal, amendment or modification of said documents.

LACHIF must certify in writing on the Federal Lobbyist Requirements Certification form that they are familiar with the Federal Lobbyist Requirements and that all persons and/or subcontractors acting on behalf of LACHIF will comply with the Lobbyist Requirements.

Failure on the part of LACHIF or persons/subcontractors acting on behalf of LACHIF to fully comply with the Federal Lobbyist Requirements may be subject to civil penalties.

23. Compliance With Jury Service Program.

A. Unless LACHIF has demonstrated to the Commission satisfaction either that LACHIF is not a "Contractor" as defined under the Jury Service Program or that LACHIF qualifies for an exception to the

Jury Service Program, LACHIF shall have and adhere to a written policy that provides that its Employees shall receive from LACHIF, on an annual basis, no less than five days of regular pay for actual jury service. The policy may provide that Employees deposit any fees received for such jury service with LACHIF or that LACHIF deduct from the Employee's regular pay the fees received for jury service.

B. For purposes of this Section, "Contractor" means a person, partnership, corporation or other entity which has a contract with the County or a subcontract with a County contractor and has received or will receive an aggregate sum of $50,000 or more in any 12-month period under one or more County contracts or subcontracts. "Employee" means any California resident who is a full time employee of LACHIF. "Full time" means 40 hours or more worked per week, or a lesser number of hours if: 1) the lesser number is a recognized industry standard as determined by the County, or 2) LACHIF has a long-standing practice that defines the lesser number of hours as full-time. Full-time employees providing short-term, temporary services of 90 days or less within a 12-month period are not considered full-time for purposes of the Jury Service Program. If LACHIF uses any subcontractor to perform services for the County under the Contract, the subcontractor shall also be subject to the provisions of this Section. The provisions of this Section shall be inserted into any such subcontract Contract and a copy of the Jury Service Program shall be attached to the Contract.

C. If LACHIF is not required to comply with the Jury Service Program when the Contract commences, LACHIF shall have a continuing obligation to review the applicability of its "exception status" from the Jury Service Program, and LACHIF shall immediately notify County if LACHIF at any time either comes within the Jury Service Program's definition of "Contractor" or if LACHIF no longer qualifies for an exception to the Program. In either event, LACHIF shall immediately implement a written policy consistent with the Jury Service Program. The County may also require, at any time during the Contract and at its sole discretion, that LACHIF demonstrate to the County's satisfaction that LACHIF either continues to remain outside of the Jury Service Program's definition of "Contractor" and/or that LACHIF continues to qualify for an exception to the Program.

D. LACHIF's violation of this Section of the contract may constitute a material breach of the Contract. In the event of such material breach, County may, in its sole discretion, terminate the Contract and/or bar LACHIF from the award of future County contracts for a period of time consistent with the seriousness of the breach.

24. LACHIF's Charitable Activities Compliance. The Supervision of Trustees and Fundraisers For Charitable Purposes Act regulates entities receiving or raising charitable contributions. The "Nonprofit Integrity Act of 2004" (SB 1262, Chapter 919) increased Charitable Purposes Act requirements. By requiring borrowers to complete the "Charitable Contributions Certificate" the Commission seeks to ensure that all Commission borrowers that receive or raise charitable contributions comply with California law in order to protect the Commission and its taxpayers. A borrower that received or raises charitable contributions without complying with its obligations under California law commits a material breach subjecting it to either contract termination or debarment proceedings, or both.

EXHIBIT D

LOAN ACTIVITY REPORT

LOS ANGELES COUNTY REVOLVING LOAN FUND

Reporting Period:_____ to _____

APPLICATIONS RECEIVED

Date Application Received	Borrower	Project Name	Project Address	Supervisorial District (to be provided by CDC)	Originating Lender	Requested Loan Amount	Loan Type**	Population Served*	Total Housing Units	Affordable Unit Breakdown	Loan Committee Date	ESR Submitted

APPROVED LOANS

Date Loan Approved	Borrower	Project Name	Project Address	Sup. District (to be provided by CDC)	Originating Lender	Final Loan Amount	Loan Type**	Loan Close Date	Loan Maturity Date	Population Served*	Total Housing Units	Affordable Unit Breakdown	Anticipated Construction Start and End Date

*Populations Served:

1. Persons with Mental Illness
2. Persons with HIV/AIDS
3. Victims of Domestic Violence
4. Transitional Age Youth
5. Developmental Disabilities
6. Families that are homeless or at risk of homelessness
7. Frequent users of Department of Health Services or Department of Mental Health emergency facilities

**Loan Type

1. Acquisition
2. Acquisition and Predevelopment

Revolving Loan Fund

The following table shows performance measures using the *Performance Counts!* framework. For each program activity, operational measures track inputs and processes, while indicators show outcomes. Program performance measures are developed as part of the Homeless Prevention Initiative (HPI)/Homeless and Housing Prevention Fund (HHPF).

Activity	Operational Measure	Indicator
1. Review loan applications for RLF.	• Number of applications received that are eligible for the RLF. • Number of projects with a complete environmental review within 90 days. • Average amount of time from receipt of application to loan approval.	• Number/percent of projects with environmental clearance. • Number/percent of loans approved (per fiscal year and on a quarterly basis).

2. Monitor loan administration by LLC.	• Dollar ($) amount of loans distributed by LLC (per fiscal year on a quarterly basis).
	• Average length of time from loan close to loan maturity date.
	• Average length of time from anticipated construction start to end date.
		• Number/percent of loans approved.
		  ○ Number of loans categorized as predevelopment.
		  ○ Number of loans categorized as land acquisition.
		  ○ Number of loans by Supervisorial District.
		  ○ Number of special needs households to be served by each loan.
		  ○ Number of low-income households to be served by each loan.
		• Number of proposed total and affordable housing units.
		  ○ Number of housing units to be developed at 60% or below AMI.
		  ○ Number of housing units to be developed at 35% or below AMI.

3. Collect and review reports from LLC. 1. Narrative and Financial Report 2. Certificate of Compliance 3. Audited Financial Statements 4. Site visits or meetings 5. Loan Activity Report	• Number of reports collected on time from LLC.	• Number/percent of lost loans (live to date).

Exhibit E
Form of Forgiveness Notice

DATE:_____

Community Development Commission of the
County of Los Angeles
2 Coral Circle
Monterey Park, CA 91755

ATTENTION: William K. Huang, Director
Housing Development and Preservation Division

RE: Forgiveness Notice: Los Angeles's Homeless Prevention Initiative Revolving Loan Fund: Loan Agreement by and between **COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES**, a public body, corporate and politic ("Commission"), and **LA COUNTY HOUSING INNOVATION FUND, LLC**, a California Limited Liability Company ("LACHIF") dated ____, 2008 (the "Loan Agreement"). Capitalized terms herein shall have the defined meanings set forth in the Loan Agreement, unless otherwise provided.

Dear Mr. Huang:

This notice is being provided pursuant to Section 3.8.2.a. of the Loan Agreement for the purpose of informing the Commission that an Excess Project Loan Loss has occurred as follows:

[insert description of the Project Loan, Originating Lender, loan amount, final payment recovery, and application of Loan Loss Reserve.]

Provided that you have received the written certification from the aforesaid Originating Lender as required in Section 3.8.2.b. of the Loan Agreement and the written certification from the Managing Member of LACHIF as required in Section 3.8.2.c. of the Loan Agreement, the outstanding principal balance of the Loan is deemed forgiven in the amount of $_____ as of _____, 20__. All interest provided for in the Loan Agreement and/or the Note shall cease to accrue on the aforesaid amount as of _____, 20__.

Sincerely,

L.A. HOUSING INNOVATION FUND, LLC,
A California limited liability company

By: Low Income Investment Fund, LLC,
a California nonprofit public benefit corporation,
its managing member

By: _____
Name: _____
Its: _____

Exhibit F
Commission's Investment Policy

Go To:
Table of Contents

6.1.0 INVESTMENT POLICY

6.1.1 PURPOSE

The purpose of this policy is to provide guidelines for the prudent investment of temporarily available excess funds of the Community Development Commission and the Housing Authority (collectively referred to as the "Commission").

The Financial Management Division is responsible for reviewing the policy, and for implementing any changes approved by the Board of Commissioners and authorized by the Executive Director.

6.1.2 INVESTMENT AUTHORITY

Pursuant to Section 53607 of the Government Code, the Board of Commissioners may authorize the Executive Director to undertake investment transactions on behalf of the Commission. The following policy sets forth investment guidelines and procedures to be followed by the Executive Director and other authorized personnel of the Commission.

6.1.3 INVESTMENT POLICY

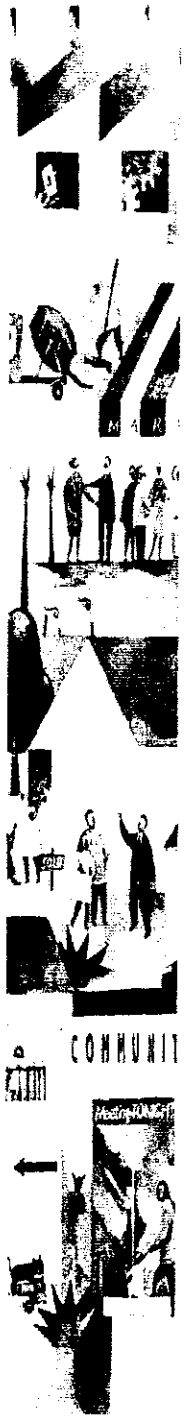
The Commission invests its temporarily surplus funds under the prudent investor rule authorized under Section 53600, et. seq., of the Government Code and in accordance with statutory limits imposed by the U.S. Department of Housing and Urban Development (HUD) for Public Housing Agencies (PHA) and Community Development Block Grant (CDBG) funds, as well as other federal agencies providing funds to the Commission. All investment decisions shall be made with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity would use with like aims.

6.1.4 INVESTMENT PORTFOLIO

The Commission shall establish an investment portfolio that safeguards the principal of funds, maintains a liquid position sufficient to meet current and anticipated cash needs, and achieves the highest yield possible without assuming unacceptable levels of risk.

The allowable investment instruments available to the Commission for investing its temporarily surplus funds are defined in the Government Code, relating to local agency funds. The investment instruments herein are also HUD-approved investments.

A. U.S Government Obligations



As authorized in the Government Code, and HUD Financial Handbook 7475.1, Chapter 4, this category includes a wide variety of government securities. There are no portfolio limitations on the dollar amount. The time to maturity period on such investments cannot exceed five years, unless the legislative body has granted express authority to make the investments either specifically or as part of an investment program approved by the Board of Commissioners no less than three months prior to the investment. The government agency issues in this category include the following:

1. Local government bonds or other indebtedness;
2. U.S. Treasury notes, bonds, bills or other indebtedness backed by the full faith and credit of the federal government;
3. State bonds or other indebtedness; and
4. Other federal agency securities such as obligations issued by the Federal Home Loan Bank Board, Federal Farm Credit Bank, Tennessee Valley Authority, Federal National Mortgage Association, Small Business Administration, Student Loan Marketing Association, etc.

B. Banker's Acceptances

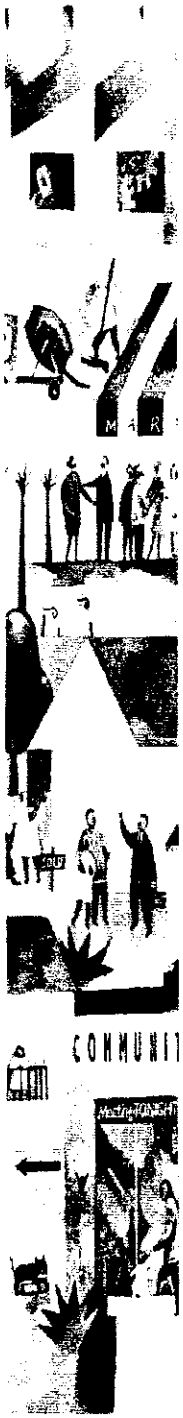
No more than 40% of the portfolio may be invested in banker's acceptances that are eligible for purchase by the Federal Reserve System. However, no more than 30% of the portfolio may be invested in banker's acceptances with any one commercial bank. In addition, the maturity period may not exceed 180 days.

C. Commercial Paper

No more than 15% of the portfolio may be invested in commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The issuing corporation must be organized and operating in the United States, have total assets in excess of $500 million and have an "A" or better rating by a NRSRO for any debt other than commercial paper. The Commission may not purchase more than 10% of the outstanding commercial paper of any issuing corporation, nor purchase commercial paper with a maturity exceeding 270 days.

D. Negotiable Certificates of Deposit

No more than 20% of the portfolio may be invested in negotiable certificates of deposit issued by a nationally or state-chartered bank, federal or state chartered savings and loan associations or a state licensed branch of a foreign bank. No more than 10% of the portfolio



shall be invested in any one institution. A maturity limitation of three years is applicable.

E. Time Certificates of Deposit

No more than 25% of the portfolio may be invested in non-negotiable time deposits. No more than 10% of the portfolio may be invested in any one institution. Collateral must be at least 102% of principal and accrued interest of each time deposit. Banks and savings and loan associations must meet the requirements for investment in negotiable certificates of deposits. A maturity limitation of three years is applicable.

F. Repurchase Agreements

Investments in repurchase agreements are subject to the provisions of Section 53601 (i) of the Government Code. No more than 30% of the portfolio may be invested in repurchase agreements. The maturity of the repurchase agreement shall not exceed 90 days. The market value of the securities used as collateral shall be monitored by staff and should not fall below 102% of the value of the repurchase agreement. For investing in repurchase agreements, a Master Repurchase Agreement, as recommended by the Bond Market Association and Government Finance Officers Association is required, and a third-party custodial agreement for safekeeping is recommended whenever possible.

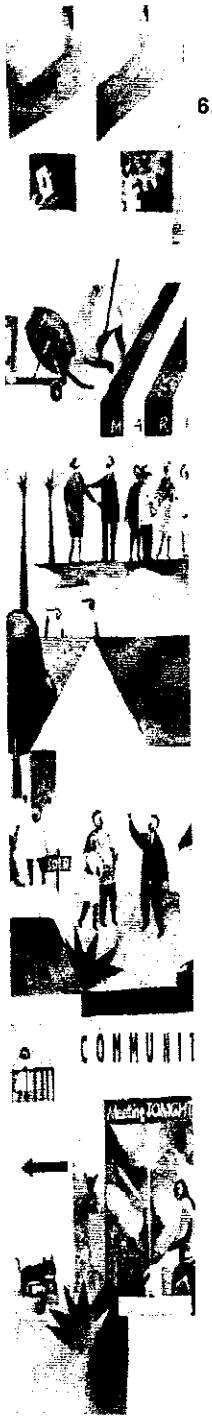
G. Medium-term Corporate Notes

Purchases of medium-term notes may not exceed 30% of the portfolio and no more than 15% of the portfolio may be invested in notes of any one issuer. Investments may be made in medium-term notes of a maximum of five years maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized statistical-rating organization.

H. Money Market Mutual Funds

Money market mutual funds must be registered with the Securities and Exchange Commission in accordance with Section 270.2a-7 of Title 17 of the Code of Federal Regulation. Funds must receive the highest ranking by not less than two of the three largest nationally recognized statistical-rating organizations. Purchase price of shares of beneficial interest shall not include any commission that the companies may charge and shall not exceed 20% of the portfolio. However, no more than 10% of the portfolio may be invested in shares of beneficial interest in any one mutual fund.

I. State and Municipal Agency Investment Pools



There is no maturity and amount limit in this category.

6.1.5 EXECUTION, DELIVERY, AND MONITORING OF INVESTMENTS

The Commission's Financial Management Division and designated staff are authorized to execute investment transactions.

A. SAFEKEEPING ARRANGEMENTS

All negotiable securities must have bank safekeeping arrangements. Purchases from brokers and other institutions must be delivered to the Commission's designated third party custodian in accordance with the established safekeeping instructions. Non-negotiable collateralized certificates of deposits and Federal Deposit Insurance Corporation (FDIC) insured certificates of deposits purchased directly from any approved banks and savings and loans are excluded from the safekeeping requirements for negotiable securities.

All applicable transactions shall be executed on a delivery versus payment basis.

Internal Control staff, to assure compliance with this policy, shall provide timely review of all investment deals made by the Commission. Additionally, investment transactions shall be conducted in accordance with the Commission's internal control procedures.

B. MITIGATING RISK IN PORTFOLIO LOSS

Cash Management staff shall adhere to the following guidelines for mitigating risk of portfolio loss:

1. **Diversification of Instruments** - The portfolio may consist of a mix of various types of securities, issuers and maturities within the limitations prescribed by State law.

2. **Staggering of Maturities** - Investment maturities shall be scheduled in such a manner so that adequate cash will be available to pay disbursement obligations as they become due and payable.

3. **Cash Flow Requirements Used to Establish Maturity** - Projected cash flow requirements shall be the primary factor to be used in determining investment maturity terms.

4. **Sales of Investments Before Maturity** -Investments may be sold prior to maturity for cash flow, risk diversification or appreciation purposes. However, no investment shall be made solely for the purpose of trading. Generally, losses are acceptable on a sale before maturity if the earnings from the reinvested proceeds will exceed the income that would have been generated by the old (replaced) investment, taking into account any capital loss or foregone interest on the original investment. Under such

circumstances, a "swap analysis" shall be performed and recorded with the transaction.

5. **Term of Investment** - Investments longer than one year may be made if consistent with the Commission's cash flow needs, exceeding minimum rate of return and its related intent of holding until maturity.

6. **Pooled Cash** - Cash from all funds, when applicable, shall be consolidated into one or a few general bank accounts and invested on a pooled concept basis.

7. **Competitive Bids** - Where applicable, the purchase and sale of securities shall be made on the basis of competitive offers and bids. For each investment transaction, a minimum of three bids shall be analyzed, and the purchase shall go to the highest or most responsible bidder.

8. **Security Marketability** - The financial capacity of a security shall be considered at the time of purchase. Where applicable, the Minimum Credit Rating Schedule *(Exhibit A)* shall be utilized as a means of determining such capacity, as the security may have to be sold prior to maturity in order to meet unanticipated cash demands.

9. **Qualified Dealers and Institutions** - Broker/Dealers shall be limited to primary government dealers as designated by the Federal Reserve Bank or institutions meeting the following criteria:

Broker/Dealers with minimum capitalization of $25 million and that meet the following requirements:

a. Must have a strong presence in Debt-U.S. Agency market sector, with a ranking in the top twenty-five;
b. Must be licensed by the State as a Broker/Dealer, as defined in Section 25004 of the Corporations Code, or a member of a federally regulated securities exchange;
c. Must be a member of the National Association of Securities Dealers;
d. Must be registered with the Securities Exchange Commission;
e. Must have been in operation more than five years;
f. Must have office(s) in California.

HUD-Sponsored Minority Banks - When dealing with HUD-sponsored Minority Banks for the purchase of certificates of deposits under the Minority Bank Deposit Program, the Commission must apply the following procedures:

a. Select five different local qualified Minority Banks from the most current Minority Bank listing;
b. Check the most recent risk rating for each institution.
c. Obtain investment rate offerings from each institution.
d. Select the investment that best fits the Commission's current and future objectives for Minority Banks outreach.

EXHIBIT G

PROMISSORY NOTE
(Revolving Loan Fund)

$19,830,000 June __, 2008

FOR VALUE RECEIVED, **LA COUNTY HOUSING INNOVATION FUND, LLC**, a California limited liability company (the "Borrower"), hereby promises to pay to the order of the **COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES**, a public body, corporate and politic ("Lender"), at 2 Coral Circle, Los Angeles, Monterey Park, CA 91755 or at such other place as Lender may direct, the principal amount of up to NINETEEN MILLION EIGHT HUNDRED THIRTY THOUSAND AND NO/100 DOLLARS ($19,830,000) or such lesser amount as may be advanced and outstanding under this Promissory Note (the "Note"). This Note evidences the obligation of Borrower to Lender for the repayment of that certain loan (the "Loan") made pursuant to that certain Loan Agreement of even date herewith between Borrower and Lender (the "Loan Agreement").

Unless otherwise provided, all capitalized terms herein shall have the defined meanings set forth in the Loan Agreement.

1. Interest.

a. Undisbursed RLF Funds. As to Undisbursed RLF Funds, the following shall apply:

i. During the first six (6) months of the Loan Term, no interest shall accrue on any Undisbursed RLF Funds; and

ii. For periods following the first six (6) months of the Loan Term, simple interest shall commence to accrue on the Undisbursed RLF Funds at the lesser of the rate of two and one one-hundredths percent (2.1%) per annum (the "Blended Rate") or the rates of interest earned on the Complying Investment Accounts in which such Undisbursed RLF Funds have been deposited.

b. Disbursed RLF Funds. Any time RLF Funds are actually disbursed by Borrower towards funding of Project Loans in accordance with Section 3 of the Loan Agreement, simple interest shall commence to accrue on the RLF Loan Funds so advanced at the Blended Rate.

c. No Other Interest. Notwithstanding any provision of this Note to the contrary, no interest shall accrue with respect to the amounts advanced by the Lender to Borrower pursuant to the Loan Agreement except for the interest that accrues pursuant to subsections a.i. and ii. of this Section 1.

2. Payments.

2.1 Interest Payments Prior To Maturity Date. Prior to the Maturity Date, accrued interest shall be paid annually in arrears on each anniversary date of the Effective Date of the Loan Agreement.

2.2 Principal Payments Prior to Maturity Date. If, from time to time during the period commencing on the expiration of the Project Loan Origination Period and ending on the

Maturity Date, Borrower receives any principal repayment with respect to any Project Loan, then Borrower shall pay to Lender the amount thereof. Any such payments by Borrower shall be applied to the outstanding principal balance under this Note.

2.3 Prepayment Of Loan. This Note may be prepaid by the Borrower, in whole or in part, without premium or penalty, at any time or times, upon three (3) business day's notice to the Lender, with accrued interest on the amount prepaid to the date of such prepayment.

2.4 Forgiveness of Excess Project Loan Losses. At such time as there is a forgiveness as approved by Lender, as to any Excess Project Loan Loss pursuant to Section 3.8.2 of the Loan Agreement, there shall be an automatic and corresponding reduction in the outstanding principal balance of this Note and, upon such reduction, interest shall cease to accrue upon the amount of principal so reduced.

2.5 Maturity Date. On the Maturity Date, the entire outstanding principal balance of this Note, together with all accrued and unpaid interest, shall become immediately due and payable. The "Maturity Date" shall be the date which is eight (8) years following the Effective Date of the Loan Agreement.

3. Place And Manner Of Payment. All amounts due and payable under this Note and the Loan Agreement are payable at the office of Lender as set forth above, or at such other place as Lender may designate to Borrower in writing from time to time, in United States currency.

4. Application Of Payments. All payments received on account of this Note shall be applied first to accrued and unpaid interest and second to the reduction of the outstanding principal amount hereunder.

5. Waivers. The Borrower hereby waives presentment, demand for payment, notice of dishonor, protest and notice of protest of this Note.

6. Default And Acceleration. Upon any Event of Default, the outstanding and unpaid balance of the principal of this Note, together with any and all accrued and unpaid interest, may, at the option of the holder hereof, be accelerated and declared immediately due and payable. The foregoing right to accelerate the amounts due under this Note shall be in addition to any other rights or remedies permitted to Lender under the Loan Agreement or by applicable law.

7. Binding Upon Successors. All provisions of this Note shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferees, and assigns of Borrower and Lender.

8. Governing Law. This Note shall be interpreted under and governed by the laws of the State of California.

9. Waivers. Any waiver by Lender of any obligation in this Note must be in writing. No waiver shall be implied from any failure of Borrower to take, or any delay or failure by Lender to take action on any breach or default by Borrower or to pursue any remedy allowed under this Note or applicable law. Any extension of time granted to Borrower to perform any obligation under this Note shall not operate as a waiver or release from any of its obligations under the Note. Consent by Lender to any act or omission by Borrower shall not be construed to be a consent to any other act or omission or to waive the requirement for Lender's written consent to future waivers.

10. Loan Agreement Controls. In the event that any provisions of this Note and the Loan Agreement conflict, the terms of the Loan Agreement shall control.

11. Severability. Every provision of this Note is intended to be severable. If any provision of this Note is held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not be affected or impaired.

12. Time. Time is of the essence in this Note.

13. Amendments And Modifications. Any amendments or modifications to this Note must be in writing, and shall be effective only if executed by both Borrower and Lender.

14. Limited Recourse. Notwithstanding any other provision of this Note or the Loan Agreement to the contrary, Borrower's obligations hereunder do not include any guaranty or indemnity in favor of the Lender or any other party against any RLF losses that result from Project Loan Losses. In this regard, in no event shall Borrower (or any Approved Members) have any liability to the Lender or any other party if any portion of the RLF Loan Funds, and/or any interest thereon, is not repaid to the Lender (after the application of the Loan Loss Reserve) as a result of any Project Loan Losses; provided, however, this limitation on Borrower's liability shall not apply to any losses resulting from (a) LACHIF's intentional breach of the terms and provisions of the Loan Agreement, including, without limitation, the provisions of Section 3 thereof relating to the origination and closing of Project Loans and to the establishment and funding of the Loan Loss Reserve or (b) fraud or misrepresentation or the part of Borrower.

[signature on following page]

***IN WITNESS WHEREOF**, Borrower has caused this Note to be duly executed as of the date and year first written above.*

BORROWER:

L.A. HOUSING INNOVATION FUND, LLC,
A California limited liability company

By: _____

EXHIBIT H

NON-RECOURSE EXCEPTIONS GUARANTY
(Revolving Loan Fund)

This Non-Recourse Exception Guaranty ("Guaranty") is made as of _____, 2008 by _____, ("Guarantor") in favor of **COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES**, a public body, corporate and politic ("Commission"). Unless otherwise provided herein, the capitalized terms herein shall have the defined meanings set forth or referenced in that certain Loan Agreement dated as of _____, 2008 (the "Loan Agreement") and executed by the Commission and **LA COUNTY HOUSING INNOVATION FUND, LLC**, a California Limited Liability Company ("Borrower"). This Guaranty is entered into with reference to the following:

A. The Loan Agreement provides that Lender will make a loan (the "Loan") to Borrower in the principal sum of $19,830,000, which Loan is for the purpose of effectuating the establishment and operation of the RLF within the structure of a revolving loan.

B. Guarantor is a member of Borrower and one of the Approved Lenders, as described in the Loan Agreement.

C. As provided in Section 7.4 of the Loan Agreement, the Loan is non recourse as against the Borrower except as to certain specified matters. As to these specified matters and as a condition to making the Loan, Lender has required that the Guarantor execute and deliver this Guaranty and, further, that the other members of Borrower (the "Other Guarantors") execute and deliver separate guaranties similar this Guaranty (the "Other Guaranties").

NOW, THEREFORE, Guarantor guarantees and agrees as follows:

1. Guaranty of Non-Recourse Matters. Guarantor hereby guarantees to Lender and its successors and assigns, and as the personal and direct obligations of Guarantor, the prompt and unconditional payment to the Lender and its successors and assigns of any and all actual losses and costs or damages incurred by the Lender in connection with any of the following (the "Non-Recourse Exception Matters"):

   a. Borrower's intentional breach of the terms and provisions of the Loan Agreement, but only to the extent that such breach is a direct result of an intentional act or omission on the part of Guarantor; and

   b. An fraud or misrepresentation on the part of LAHIF in connection with the Loan and/or any of the Loan Documents, but only to the extent that such fraud or misrepresentation is a direct result of the intentional tortuous acts or omissions on the party of Guarantor.

2. Guarantor's Waivers. Guarantor waives:

   a. Any right it may have to require Lender to proceed against Borrower, proceed against any of the Other Guarantors, proceed against or exhaust any security held from Borrower, or pursue any other remedy in Lender's power to pursue;

   b. Any defense based on any claim that Guarantor's obligations exceed or are more burdensome than those of Borrower;

c. Any defense based on: (i) any legal disability of Borrower, (ii) any release, discharge, modification, impairment or limitation of the liability of Borrower to Lender from any cause, whether consented to by Lender or arising by operation of law or from any bankruptcy, (iii) any voluntary or involuntary proceeding, in or out of court, for the adjustment of debtor-creditor relationships ("**Insolvency Proceeding**") and (iv) any rejection or disaffirmance of the Loan, or any part of it, or any security held for it, in any such Insolvency Proceeding;

d. Any defense based on any action taken or omitted by Lender in any Insolvency Proceeding involving Borrower, including any election to have Lender's claim allowed as being secured, partially secured or unsecured, any extension of credit by Lender to Borrower in any Insolvency Proceeding, and the taking and holding by Lender of any security for any such extension of credit;

e. All presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, notices of acceptance of this Guaranty and of the existence, creation, or incurring of new or additional indebtedness, and demands and notices of every kind except for any demand or notice by Lender to Guarantor for performance under this Guaranty;

f. Any defense based on or arising out of any defense that Borrower may have to the payment or performance of the Loan or any part of it;

g. Any defense based upon Lender's failure to disclose any information to Guarantor; and

h. Any defense based upon the application by Borrower of the proceeds of the Loan.

3. Modification of Loan Documents. At any time or from time to time and any number of times, without notice to Guarantor and without affecting the liability of Guarantor, Lender may:

a. extend the time for payment of the principal of or interest on the Loan or renew the Indebtedness in whole or in part;

b. extend the time for Borrower's performance of or compliance with any covenant or agreement contained in the Loan Agreement or the Note, or any other Loan Document, whether presently existing or hereinafter entered into, or waive such performance or compliance;

c. accelerate the Maturity Date of the Loan as provided in the Loan Agreement, Note or any other Loan Document;

d. with Borrower, modify or amend the Loan Agreement, the Note, or any other Loan Document in any respect, including, but not limited to, an increase in the principal amount; and/or

e. modify, exchange, surrender or otherwise deal with any security for the Loan or accept additional security that is pledged or mortgaged for the Loan.

4. Separate Guaranty; No Joint and Several Liability. Notwithstanding any other provision of this Agreement, or any provision of the Loan Agreement or any other Loan Document, to the contrary, the Guarantor's obligations and liabilities under this Guaranty with respect the Non-Recourse Exception Matters shall be limited to the actual intentional acts or omissions on the part of the Guarantor only, and in no event shall Lender have any rights or remedies against Guarantor, whether under this Guaranty or pursuant to any other document or agreement, in connection with, or as a result of, the acts or omissions, intentional or otherwise, of any other party (including, without limitation, any of the Other Guarantors). The liabilities and obligations of the Guarantor under this Guaranty are separate and several and are not in any way joint and several with the liabilities and obligations of the Other Guarantors under the Other Guaranties.

5. Governing Law. This Guaranty shall be governed by, and construed in accordance with, the laws of the State of California.

6. Costs and Expenses. If any lawsuit, reference or arbitration is commenced which arises out of, or which relates to this Guaranty, the prevailing party shall be entitled to recover from each other party such sums as the court, referee or arbitrator may adjudge to be reasonable attorneys' fees (including allocated costs for services of in-house counsel) in the action or proceeding, in addition to costs and expenses otherwise allowed by law.

7. Consideration. Guarantor acknowledges that they expect to benefit from Lender's extension of the Loan to Borrower because of its relationship to Borrower, and that it is executing this Guaranty in consideration of that anticipated benefit.

8. Integration; Modifications. This Guaranty (a) integrates all the terms and conditions mentioned in or incidental to this Guaranty, (b) supersedes all oral negotiations and prior writings with respect to its subject matter, and (c) is intended by Guarantor and Lender as the final expression of the agreement with respect to the terms and conditions set forth in this Guaranty and as the complete and exclusive statement of the terms agreed to by Guarantor and Lender. No representation, understanding, promise or condition shall be enforceable against any party hereto unless it is contained in this Guaranty. This Guaranty may not be modified except in a writing signed by both Lender and Guarantor. No course of prior dealing, usage of trade, parol or extrinsic evidence of any nature shall be used to supplement, modify or vary any of the terms hereof.

[signature on following pages]

IN WITNESS WHEREOF, the undersigned party has executed this Guaranty effective as of the date set forth above.

_____

a _____

By: _____

Name: _____

Its: _____