



**HOUSING AUTHORITY
of the County of Los Angeles**

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Commissioners

Sean Rogan
Executive Director

December 1, 2009

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

ADOPTED

BOARD OF COMMISSIONERS
HOUSING AUTHORITY

1-H DECEMBER 1, 2009

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

Dear Commissioners:

**ADOPT RESOLUTION AUTHORIZING ISSUANCE OF MULTIFAMILY HOUSING
MORTGAGE REVENUE BONDS FOR 105TH STREET & NORMANDIE SENIOR
HOUSING DEVELOPMENT IN UNINCORPORATED WEST ATHENS/WESTMONT
(DISTRICT 2) (3 VOTE)**

SUBJECT

This letter requests that your Board authorize the issuance, sale and delivery of Multifamily Housing Mortgage Revenue Bonds to finance the site acquisition and construction of 105th Street & Normandie Senior Housing, a proposed 62-unit multifamily rental housing development to be located in unincorporated West Athens/Westmont.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Adopt and instruct the Chairman to sign a resolution authorizing the issuance of Multifamily Housing Mortgage Revenue Bonds by the Housing Authority, in an aggregate amount not exceeding \$8,000,000, to help Normandie Senior Housing Partners L.P. (Developer) to finance the site acquisition and construction of 105th & Normandie Senior Housing, a proposed 62-unit multifamily rental housing project to be located at 10402, 10408, 10410 and 10426 South Normandie Avenue, 1344 West 104th Street and 1335 West 105th Street in unincorporated West Athens/Westmont.



2. Authorize the Executive Director to execute all related documents and take all necessary actions for the issuance, sale, and delivery of the bonds.
3. Find that adoption of a resolution authorizing the issuance of Multifamily Housing Mortgage Revenue Bonds is not subject to the California Environmental Quality Act because the proposed activity will not have the potential for causing a significant effect on the environment.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of this action is to authorize the issuance, sale and delivery of Multifamily Housing Mortgage Revenue Bonds, in an aggregate amount not to exceed \$8,000,000 to finance the site acquisition and construction of 105th & Normandie Senior Housing (Project). This action will also allow the bonds to qualify for a tax exemption under Section 103 of the Internal Revenue Code of 1986.

FISCAL IMPACT/FINANCING

There is no impact on the County general fund.

The Developer will repay the bonds solely through rent revenues, and will pay all fees and related costs.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

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

The proposed 105th Street & Normandie Senior Housing development will be located at 10402, 10408, 10410 and 10426 South Normandie Avenue, 1344 West 104th Street and 1335 West 105th Street in unincorporated West Athens/Westmont. The development will be a three-story apartment building, comprised of 55 one-bedroom units and seven two-bedroom units. Six of the one-bedroom units will be reserved for households with incomes that do not exceed 25% of the area median income (AMI) for the Los Angeles-Long Beach Metropolitan Statistical Area, adjusted for household size, as determined by the U.S. Department of Housing and Urban Development. Twenty-three of the one-bedroom units will be reserved for households at 45% AMI or below, and the remaining 26 one-bedroom units will be reserved for households at 50% AMI or below. Of the seven two-bedroom units, six will be reserved for households at 45% of AMI or below, and one will be a manager's unit with no affordability requirements. The affordability

requirements will remain in effect for 55 years. Six of the affordable units will be occupied by special needs households.

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

On July 8, 2008, the Board of Supervisors adopted a resolution approving issuance of the bonds, as authorized by Section 147(f) of the Internal Revenue Code of 1986, and the Housing Authority conducted a public hearing regarding the issuance of bonds. Due to delays in funding, the issuance of the bonds was postponed. Under Internal Revenue Code regulations, the resolution approving bond issuance is valid for 12 months, and the bonds must be issued by the end of that period.

In anticipation of the bond issuance deadline, the Housing Authority conducted a second public hearing regarding issuance of the bonds on July 10, 2009. No comments were received at either public hearing concerning the nature and location of the project or bond issuance.

On September 15, 2009 the Board of Supervisors adopted a second resolution approving issuance of the bonds, which extended the deadline.

The attached resolution has been prepared by Orrick, Herrington & Sutcliffe, Housing Authority Bond Counsel, and has been approved as to form by County Counsel. All related documents are on file with the Executive Office of the Board of Commissioners. They will be approved as to form by County Counsel prior to execution by the authorized parties.

The Tax Credit Investor is requiring bond issuance to occur no later than December 31, 2009 in order to solidify tax credit pricing. Therefore, we recommend adoption of the attached resolution to authorize the issuance, sale and delivery of bonds prior to the California Debt Allocation Committee meeting on December 16, 2009. On November 18, 2009, the Housing Commission recommended adoption of the resolution.

ENVIRONMENTAL DOCUMENTATION

This action is exempt from the provisions of the National Environmental Policy Act pursuant to 24 Code of Federal Regulations, Part 58, Section 58.34 (a)(3) because it involves administrative activities that will not have a physical impact on or result in any physical changes to the environment. These activities are not subject to the provisions of the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines

Honorable Board of Commissioners

December 1, 2009

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15060(c)(3) and 15378 because they are not defined as a project under CEQA and do not have the potential for causing a significant effect on the environment.

The Environmental Assessment/Mitigated Negative Declaration (EA/MND) was prepared for the project pursuant to the requirements of the National Environmental Policy Act. Based on the conclusions and findings of the EA/MND, a Finding of No Significant Impact was approved by the Certifying Official of the Community Development Commission on February 7, 2007. Following the required public and agency comment period, HUD issued a Release of Funds for the project on February 21, 2007.

In accordance with the requirements of CEQA, the Board of Commissioners of the Community Development Commission approved the EA/MND for this project on November 6, 2007. The Board of Supervisors, acting as a Responsible Agency, approved the EA/MND for this project on July 8, 2008.

The environmental review record for this Project is available for public viewing during regular business hours at the Commission's main office located at 2 Coral Circle in Monterey Park.

IMPACT ON CURRENT PROJECT

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

Respectfully submitted,


for SEAN ROGAN
Executive Director

Attachments: 4

RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$8,000,000 FOR THE PURPOSE OF MAKING A LOAN TO PROVIDE FINANCING FOR A MULTIFAMILY RENTAL HOUSING PROJECT KNOWN AS 105TH & NORMANDIE APARTMENTS PROJECT, DETERMINING AND PRESCRIBING CERTAIN MATTERS RELATING THERETO, AND APPROVING AND AUTHORIZING THE EXECUTION OF RELATED DOCUMENTS, AGREEMENTS AND ACTIONS.

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

WHEREAS, there has been prepared and presented to this Board for consideration at this meeting the documentation required for the issuance of bonds for the financing of the 105th & Normandie Apartments Project (the “Project”); and

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

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

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

2. For the purpose of raising moneys with which to effectuate financing for the Project, the Authority hereby determines to issue its Multifamily Housing Revenue Bonds (105th & Normandie Apartments Project), 2009 Series A, in one or more series, each with an appropriate series designation (the “Bonds”), in an aggregate principal amount not to exceed \$8,000,000. The Bonds shall bear interest at the interest rates set forth in or determined in accordance with a trust indenture (the “Indenture”), maturing as provided in the Indenture, but not later than 35 years from the date of issue. The Bonds shall be in substantially the form set forth in the Indenture, with such appropriate variations, omissions, insertions and provisions as are permitted or required by the Indenture, which shall be appropriately completed when the Bonds are prepared.

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

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

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

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

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

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

8. All consents, approvals, notices, orders, requests and other actions permitted or required by any of the documents authorized by this resolution, whether before or after the issuance of the Bonds, including without limitation any of the foregoing which may be necessary

or desirable in connection with any default under or amendment of such documents, any transfer or other disposition of the Project or any redemption of the Bonds, may be given or taken by the Administrator without further authorization by this Board, and the Administrator is hereby authorized and directed to give any such consent, approval, notice, order or request and to take any such action which such officer may deem necessary or desirable to further the purposes of this resolution.

9. All actions heretofore taken by the officers and agents of the Authority with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the proper officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including but not limited to those described in the Indenture and the other documents herein approved, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds and to effectuate the purposes thereof and of the documents herein approved in accordance with this resolution and resolutions heretofore adopted by the Authority.

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

11. This resolution shall take effect upon its adoption.

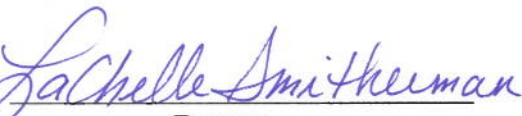
PASSED AND ADOPTED by the Board of Commissioners of the Housing Authority of the County of Los Angeles, State of California, this 1st day of December, 2009, by the following vote:

AYES: Supervisors Molina, Ridley-Thomas, Yaroslavsky, Antonovich, and Knabe
NOES: None
ABSENT: None
ABSTAIN: None

By: 
Chairman of the Board
of Commissioners

ATTEST:

Sachi A. Hamai
Executive Officer
of the Board of Commissioners

By: 
Deputy



APPROVED AS TO FORM:

ROBERT E. KALUNIAN
Acting County Counsel

By: 
Deputy

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

and

**BANC OF AMERICA PUBLIC CAPITAL CORP,
as Bondowner Representative**

BOND ISSUANCE AND PLEDGE AGREEMENT

Dated as of December 1, 2009

Relating to

[\$8,000,000]

**THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
MULTIFAMILY HOUSING REVENUE BONDS
(105TH & NORMANDIE APARTMENTS PROJECT),
2009 SERIES A**

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EXHIBIT A FORM OF BOND

EXHIBIT B FORM OF INVESTOR LETTER

EXHIBIT C FORM OF REDEMPTION SCHEDULE

EXHIBIT D FORM OF REQUISITION

BOND ISSUANCE AND PLEDGE AGREEMENT

This BOND ISSUANCE AND PLEDGE AGREEMENT dated as of December 1, 2009 (this “**Pledge Agreement**”), by and between THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES, a public body corporate and politic of the State of California (together with its permitted successors and assigns, (the “**Issuer**”), and Banc of America Public Capital Corp, a Kansas corporation duly qualified to accept and administer the collateral pledged hereunder, as bondowner representative (the “**Bondowner Representative**”),

WITNESSETH:

WHEREAS, the Issuer is authorized under the provisions of Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California, as amended (the “**Act**”), to finance multifamily rental housing by issuing its revenue bonds to provide funds for the cost of the permanent financing thereof; and

WHEREAS, Normandie Senior Housing Partners, L.P., a California limited partnership (the “**Borrower**”), has applied to the Issuer for financial assistance for the purpose of providing all or part of the funds with which to pay the cost of the construction and development of a 62-unit multifamily rental housing project in an unincorporated area of Los Angeles County, California to be known as 105th & Normandie Apartments (the “**Project**”); and

WHEREAS, the provision of the Loan (as hereinafter defined), is authorized by the Act and will accomplish a valid public purpose of the Issuer, and the Issuer has determined that it is in the public interest to issue its Multifamily Housing Revenue Bonds (105th & Normandie Apartments Project), 2009 Series A in the aggregate principal amount of \$[8,000,000] (the “**Bonds**”) for the purpose of providing funding necessary for the construction and development of the Project; and

WHEREAS, pursuant to a Loan Agreement dated as of even date herewith (the “**Loan Agreement**”) among the Issuer, the Bondowner Representative and the Borrower, the Issuer has agreed to issue the Bonds and lend the proceeds thereof to the Borrower (the “**Loan**”) and the Borrower has agreed to (i) apply the proceeds of the Loan to pay a portion of the costs of constructing and developing the Project, (ii) make payments sufficient to pay the principal of and interest on the Bonds when due (whether at maturity, by redemption, acceleration or otherwise), and (iii) observe the other covenants and agreements and make the other payments set forth therein; and

WHEREAS, the Borrower has delivered to the Issuer the Borrower’s promissory note dated the date of issuance of the Bonds in an original principal amount equal to the aggregate original principal amount of the Bonds (as amended, modified or supplemented from time to time, the “**Note**”) evidencing its obligation to repay the Loan, and the Issuer has made the Loan to the Borrower, subject to the terms and conditions of the Loan Agreement and this Pledge Agreement; and

WHEREAS, to secure its obligations under the Loan Agreement and the Note, the Borrower has executed, among other documents, (i) a Construction and Permanent Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing (as amended, modified or

supplemented from time to time, the “**Mortgage**”), (ii) an Assignment of Contracts, Plans and Specifications (as amended, modified or supplemented from time to time, the “**Assignment of Project Documents**”) and (iii) a Security Agreement (Assignment of Partnership Interest and Capital Obligations) (as amended, modified or supplemented from time to time, the “**Security Agreement**”), each dated as of even date with this Pledge Agreement, for the benefit of the Issuer, as secured party;

NOW, THEREFORE, in consideration of the mutual promises, representations and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

GRANTING CLAUSES

The Issuer, in consideration of the acceptance by the Bondowner Representative of the collateral pledged hereunder, the purchase and acceptance of the Bonds by the Owners thereof, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to secure the payment of the principal of and interest on the Bonds according to their tenor and effect, and to secure the performance and observance by the Issuer of all the covenants, agreements and conditions herein and in the Bonds contained, does hereby transfer, pledge and assign, without recourse, to the Bondowner Representative and its successors and assigns forever, and does hereby grant a security interest unto the Bondowner Representative and its successors and its assigns, as agent for, and for the benefit of, the Owners, in and to all and singular the property described in paragraphs (a), (b) and (c) below (said property being herein referred to as the “**Collateral**”), to wit:

(a) All right, title and interest of the Issuer in and to the Note, the Mortgage, the Assignment of Project Documents, the Security Agreement and the other Loan Documents (as that term is defined below), and all moneys from time to time paid by the Borrower pursuant to the terms of the Loan Documents and all right, title and interest of the Issuer (including, but not limited to, the right to enforce any of the terms thereof) under and pursuant to and subject to the provisions of the Loan Agreement and the Loan Documents (but excluding the Reserved Rights as defined in the Loan Agreement); and

(b) All other moneys and securities from time to time held by the Bondowner Representative under the terms of this Pledge Agreement, excluding amounts required to be rebated to the United States Treasury under Section 148(f) of the Code, whether or not held in the Rebate Fund; and

(c) Any and all property (real, personal or mixed) of every kind and nature from time to time hereafter, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security hereunder to the Bondowner Representative, which the Bondowner Representative is hereby authorized to receive at any and all times and to hold and apply the same subject to the terms of this Pledge Agreement.

TO HAVE AND TO HOLD, all and singular, the Collateral with all rights and privileges hereby transferred, pledged, assigned and/or granted or agreed or intended so to be, to the Bondowner Representative and its successors and assigns forever;

NEVERTHELESS, upon the terms and conditions herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of the Bonds Outstanding, without preference, priority or distinction as to participation in the lien, benefit and protection of this Pledge Agreement of one Bond over or from the others, except as herein otherwise expressly provided;

PROVIDED, NEVERTHELESS, and these presents are upon the express condition, that if the Issuer or its successors or assigns shall well and truly pay or cause to be paid the principal of such Bonds with interest, according to the provisions set forth in the Bonds, or shall provide for the payment or redemption of such Bonds by depositing or causing to be deposited with the Bondowner Representative the entire amount of funds or securities requisite for payment or redemption thereof when and as authorized by the provisions of Article IX (it being understood that any payment with respect to the principal of or interest on Bonds made by the Borrower shall not be deemed payment or provision for the payment of the principal of or interest on Bonds, except Bonds purchased and canceled by the Bondowner Representative, all such uncanceled Bonds to remain Outstanding and the principal of and interest thereon payable to the Owners thereof), and shall also pay or cause to be paid all other sums payable hereunder by the Issuer, then these presents and the estate and rights hereby granted shall cease, terminate and become void, and thereupon the Bondowner Representative, on payment of its lawful charges and disbursements then unpaid, on demand of the Issuer and upon the payment by the Issuer of the cost and expenses thereof, shall duly execute, acknowledge and deliver to the Issuer such instruments of satisfaction or release as may be necessary or proper to discharge this Pledge Agreement of record, and if necessary shall grant, reassign and deliver to the Issuer all and singular the property, rights, privileges and interests by it hereby granted, conveyed and assigned, and all substitutes therefor, or any part thereof, not previously disposed of or released as herein provided; otherwise this Pledge Agreement shall be and remain in full force;

THIS PLEDGE AGREEMENT FURTHER WITNESSETH, and it is hereby expressly declared, covenanted and agreed by and between the parties hereto, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered, and that all the Collateral is to be held and applied, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, uses and purposes as hereinafter expressed, and the Issuer does hereby agree and covenant with the Bondowner Representative, for the benefit of the respective Owners from time to time of the Bonds as follows:

ARTICLE I

DEFINITIONS AND CONSTRUCTION

Section 1.01 Definitions. The following capitalized terms, as used in this Pledge Agreement, shall have the meanings specified below unless the context otherwise shall require. All other capitalized terms which are defined in the Loan Agreement and not defined herein shall have the respective meanings ascribed to them in the Loan Agreement.

“**Accounts**” means the accounts established pursuant to Section 5.01 hereof.

“**Act**” has the meaning set forth for that term in the Recitals above.

“**Affiliates**” or “**Affiliate**” means, if with respect to an entity, (i) any manager, member, officer or director thereof and any Person who or which is, directly or indirectly, the beneficial owner of more than 10% of any class of shares or other equity security, or (ii) any Person which, directly or indirectly, controls or is controlled by or is under common control with such entity. Control (including the correlative meanings of “controlled by” and “under common control with”) means effective power, directly or indirectly, to direct or cause the direction of the management and policies of such Person. With respect to a partnership or venture, “Affiliate” shall include, without limitation, any (i) general partner, (ii) general partner of a general partner, or (iii) partnership with a common general partner, and if any general partner is a corporation, any Person which is an “Affiliate” (as defined above) of such corporation. With respect to a limited liability company, “Affiliate” shall include, without limitation, any member.

“**Assignment of Project Documents**” has the meaning set forth for that term in the Recitals above.

“**Authorized Denomination**” means \$250,000, and any amount in excess of \$250,000, but not in excess of the aggregate principal amount of Bonds then Outstanding; provided that for the purposes of redemption of, or payments on, the Bonds, “Authorized Denomination” shall mean any amount in excess of \$1.00.

“**Authorized Representative**” means, (i) with respect to the Issuer, the Chair of the Board of the Issuer or the Executive Director of the Issuer, or any person or persons designated to act on behalf of the Issuer by a certificate filed with the Borrower, the Trustee and the Servicer containing the specimen signatures of such person or persons and signed on behalf of the Issuer by its Chair or Executive Director; (ii) with respect to the Borrower, any person or persons designated to act on behalf of the Borrower by a certificate filed with the Issuer, the Bondowner Representative and the Servicer containing the specimen signatures of such person or persons and signed by an authorized representative of the Borrower and (iii) with respect to the Servicer, any person or persons designated to act on behalf of the Servicer by a certificate filed with the Borrower, the Issuer and the Bondowner Representative, containing the specimen signatures of such person or persons and signed on behalf of the Servicer by its President, Vice President or Secretary. Each such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties and exercise all powers of an Authorized Representative.

“**Bank**” means Banc of America Public Capital Corp, a Kansas corporation, its successors and assigns.

“**Bond Purchase Agreement**” means the Bond Purchase Agreement, dated as of December 1, 2009, by and among the Borrower, CCRC, and the Bank.

“**Bondowner Representative**” means (a) initially, Banc of America Public Capital Corp, a Kansas Corporation, and on and after the Conversion Date, CCRC; (b) any successor bondowner representative appointed pursuant to Section 7.08 hereof; and (c) any Trustee appointed pursuant to Section 10.14 hereof.

“**Bondowner Representative Expenses**” means the fees and expenses of the Bondowner Representative set forth in Section 7.04 of this Pledge Agreement.

“**Bond**” or “**Bonds**” has the meaning set forth for that term in the Recitals above.

“**Bond Counsel**” means Orrick, Herrington & Sutcliffe LLP, or any other attorney or firm of attorneys of nationally recognized standing in the field of municipal finance law whose opinions are generally accepted by purchasers of tax-exempt obligations and who is acceptable to the Issuer and the Servicer.

“**Bond Payment Date**” means each date on which principal or redemption price or interest shall be payable on any of the Bonds according to their respective terms.

“**Borrower**” has the meaning set forth for that term in the Recitals above.

“**Business Day**” means a day of the year which is not a Saturday or Sunday or any other day on which banks located in the city of New York, New York and banks located in the city in which the Principal Office of the Bondowner Representative is located are required or authorized by law to remain closed and on which The New York Stock Exchange is not closed.

“**CCRC**” means the California Community Reinvestment Corporation, a California nonprofit public benefit corporation, and its successors.

“**Closing Date**” means the date of issuance of the Bonds.

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

“**Collateral**” has the meaning described in the Granting Clauses of this Pledge Agreement.

“**Completion**” shall have the meaning ascribed to such term in the Construction Disbursement Agreement.

“Condemnation Award” means the total condemnation proceeds actually paid by the condemnor as a result of the condemnation of all or any part of the property subject to the Mortgage less the actual costs incurred, including attorneys’ fees, in obtaining such award.

“Conditions to Conversion” has the meaning set forth for that term in the Bond Purchase Agreement.

“Construction Disbursement Agreement” means the Construction Disbursement Agreement dated as of even date with this Pledge Agreement, between the Borrower and Bank, as the same may be supplemented, amended or modified.

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

“Conversion Date” has the meaning set forth for that term in the Bond Purchase Agreement.

“Counsel” means an attorney or firm of attorneys acceptable to the Bondowner Representative and the Servicer, and may, but need not, be Bond Counsel, counsel to the Issuer, the Servicer or the Borrower.

“Determination of Taxability” means (i) a determination by the Commissioner or any District Director of the Internal Revenue Service, (ii) a private ruling or Technical Advice Memorandum issued by the National Office of the Internal Revenue Service, (iii) a determination by any court of competent jurisdiction, or (iv) receipt by the Bondowner Representative, at the request of the Servicer, of an opinion of Bond Counsel to the effect that the interest on the Bonds is includable in gross income for federal income tax purposes of the Owners thereof or any former Owner thereof, other than an Owner who is a “substantial user” (within the meaning of Section 147(a) of the Code) of the Project or a “related person” (as defined in Section 147(a) of the Code); provided that no such Determination of Taxability under clause (i), (ii) or (iii) shall be deemed to have occurred if (a) the Borrower and the Servicer have been afforded the opportunity to contest such determination, and (b) if the Borrower or the Servicer has elected to contest such determination in good faith and is proceeding with all applicable dispatch to prosecute such contest until the earliest of (A) a final determination from which no appeal may be taken with respect to such determination, or (B) abandonment of such appeal by the Borrower or the Servicer.

“Environmental Indemnity” means collectively, the Indemnity Agreement (Borrower) dated as of even date herewith, from the Borrower for the benefit of the Issuer, the Bondowner Representative, and the Majority Owner, as the same may be modified, supplemented or amended from time to time, and the Third Party Indemnity Agreement dated as of even date herewith from the Guarantors for the benefit of the Issuer, the Bondowner Representative, and the Majority Owner, as the same may be modified, supplemented or amended from time to time.

“Equity Account” means the account of that name established within the Project Fund pursuant to Section 5.01 of this Pledge Agreement.

“Event of Default” means any of those events defined as Events of Default by Section 6.01 of this Pledge Agreement.

“Fixed Rate Period” means the period commencing on the Conversion Date and ending on and including the Maturity Date.

“Funds” means the funds established pursuant to Section 5.01 hereof.

“Government Obligations” means direct obligations of, or obligations guaranteed by, the United States of America.

“Guarantor” means [_____].

“Guaranty” means that certain Payment Guaranty executed by Guarantor and dated as of even date with this Pledge Agreement.

“Initial Notification of Taxability” means the receipt by Bondowner Representative or any Owner of a communication from the Internal Revenue Service or any court of competent jurisdiction to the effect that the exclusion of interest on the Bonds from the gross income of the Owners, for federal income tax purposes, will not continue in effect.

“Insurance and Condemnation Proceeds Account” means the account of that name established within the Project Fund pursuant to Section 5.01 of this Pledge Agreement.

“Insurance Proceeds” means the total proceeds of insurance actually paid or payable by an insurance company in respect of the required insurance on the Project, less the actual costs incurred, including attorneys’ fees, in the collection of such proceeds.

“Interest Payment Date” means the first day of each month commencing on [January 1, 2010].

“Investment Securities” means any one or more of the following investments, if and to the extent the same are then legal investments under the applicable laws of the State for moneys proposed to be invested therein:

(a) Bonds or other obligations of the State or bonds or other obligations, the principal of and interest on which are guaranteed by the full faith and credit of the State;

(b) Bonds or other obligations of the United States or of subsidiary corporations of the United States Government which are fully guaranteed by such government;

(c) Obligations of agencies of the United States Government issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, and the Central Bank for Cooperatives;

(d) Bonds or other obligations issued by any public housing agency or municipality in the United States, which bonds or obligations are fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States government, or project notes issued by any public housing agency, urban renewal agency, or municipality in the United States and fully secured as to payment of both principal and interest by a requisition, loan, or payment agreement with the United States government;

(e) Certificates of deposit of national or state banks which have deposits insured by the Federal Deposit Insurance Corporation and certificates of deposit of federal savings and loan associations and state building and loan associations which have deposits insured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation, including the certificates of deposit of any bank, savings and loan association, or building and loan association acting as depository, custodian, or trustee for any such bond proceeds. The portion of such certificates of deposit in excess of the amount insured by the Federal Deposit Insurance Corporation or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation, if any, shall be secured by deposit, with the Federal Reserve Bank of San Francisco, California, or with any national or state bank or federal savings and loan association or state building and loan or savings and loan association, of one or more the following securities in an aggregate principal amount equal at least to the amount of such excess: direct and general obligations of the State or of any county or municipal corporation in the State, obligations of the United States or subsidiary corporations included in paragraph (ii) hereof, obligations of the agencies of the United States Government included in paragraph (iii) hereof, or bonds, obligations, or project notes of public housing agencies, urban renewal agencies, or municipalities included in paragraph (iv) hereof;

(f) Interest-bearing time deposits, repurchase agreements, reverse repurchase agreements, rate guarantee agreements, or other similar banking arrangements with a bank or trust company having capital and surplus aggregating at least \$50 million or with any government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York having capital aggregating at least \$50 million or with any corporation which is subject to registration with the Board of Governors of the Federal Reserve System pursuant to the requirements of the Bank Holding Company Act of 1956 and whose unsecured or uncollateralized long-term debt obligations of which are rated in the one of the two highest letter rating categories of S&P or Moody's or whose unsecured and uncollateralized short-term debt obligations are rated in one of the two highest letter rating categories of S&P or Moody's at the time of purchase, provided that each such interest-bearing deposit, repurchase agreement, reverse repurchase agreement, guarantee agreement, or other similar banking arrangement shall permit the moneys so placed to be available for use at the time provided with respect to the investment or reinvestment of such moneys;

(g) Any and all other obligations of investment grade and having a nationally recognized market, including, but not limited to, rate guarantee agreements, guaranteed investment contracts, or other similar arrangements offered by any firm, agency, business, governmental unit, bank, insurance company or other entity; provided, that each such obligation shall permit moneys so placed to be available for use at the time provided with respect to the investment or reinvestment of such moneys;

(h) Shares of a money market mutual fund or other collective investment fund registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, having assets of at least \$100,000,000 and rated in the one of the two highest letter rating categories of S&P or Moody's; and

(i) Any other investment approved in writing by the Servicer.

"Investor Limited Partner" means [____], a [____], together with its permitted successors and assigns, as limited partner in the Borrower.

"Issuer" has the meaning set forth for that term in the Recitals above.

"Issuer Documents" means, collectively, this Pledge Agreement, the Loan Agreement, the Regulatory Agreement and the Tax Certificate.

"Legal Requirements" means any legal requirements, including any local, state or federal statute, law, ordinance, code, rule or regulation, now or hereinafter in effect (including environmental laws) or order, judgment, decree, injunction, permit, license, authorization, certificate, franchise, approval, notice, demand, direction or determination, of any Governmental Authority and all legal requirements imposed upon the Land, or upon the owner(s) of the Land from time to time, pursuant to any applicable covenants, conditions, easements, servitudes and restrictions and any applicable ground lease.

"Loan" has the meaning set forth for that term in the Recitals above.

"Loan Account" means the account of that name established within the Project Fund pursuant to Section 5.01 of this Pledge Agreement.

"Loan Agreement" means the Loan Agreement dated as of even date herewith, among the Issuer, the Bondowner Representative and the Borrower, as the same may be supplemented, amended or modified, including by the Supplemental Agreement.

"Loan Documents" means, collectively, the Loan Agreement, the Supplemental Agreement, the Note, the Regulatory Agreement, the Construction Disbursement Agreement, the Mortgage, the Assignment of Project Documents, the Security Agreement, the Borrower Environmental Indemnity and the Third Party Environmental Indemnity, the Guaranty, the Tax Certificate and, upon delivery thereof, the Servicing Agreement, together with all other documents or instruments executed by the Borrower which evidence or secure the Borrower's indebtedness under such documents and all other documents and instruments delivered simultaneously herewith or required under the Loan Documents to be delivered during the term of the Loan.

"Majority Owner" means the Person who owns at least fifty-one percent (51%) in aggregate principal amount of Outstanding Bonds, or, if no single person owns at least fifty-one percent (51%) in aggregate principal amount of Outstanding Bonds, the person who is designated in writing to exercise the powers of "Servicer" and "Majority Owner" hereunder by persons who collectively own at least fifty-one percent (51%) in aggregate principal amount of Outstanding Bonds.

“Mandatory Redemption Event” shall have the meaning ascribed to it in Section 6.01.

“Maturity Date” means [Maturity Date].

“Moody’s” means Moody’s Investors Service, Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer, with the consent of the Borrower and the Servicer.

“Mortgage” has the meaning set forth for that term in the Recitals above.

“Note” has the meaning set forth for that term in the Recitals above.

“Notice Address” means, with respect to the Issuer, 2 Coral Circle, Monterey Park, California 91755, Attention: Manager, Housing Development and Preservation; with respect to the Borrower, in care of National Community Renaissance of California, 9065 Haven Ave. Ste. 100 Rancho Cucamonga, California 91730 Attention: CFO, with a copy to Homes for Life Foundation, 8939 S. Sepulveda Blvd., Ste. 460, Los Angeles, California 90045, Attention: [____], and a copy to the Law Offices of Edward A. Hopson, 655A North Mountain Ave., Upland, California, Attention: Edward A. Hopson; with respect to the Investor Limited Partner, 630 Fifth Ave., Ste. 2850 New York, New York 10111 Attention: [____]; with respect to the Bondowner Representative, prior to the Conversion Date: Banc of America Public Capital Corp, 333 South Hope Street, 11th Floor Los Angeles, California 90071 Attention: Loan Administration, and on and after the Conversion Date, California Community Reinvestment Corporation, 225 West Broadway, Suite 120, Glendale, California 91204; with respect to the initial Servicer and Majority Owner: Bank of America, N.A., 333 South Hope Street, 11th Floor Los Angeles, California 90071 Attention: Loan Administration, with a copy to Bank of America, N.A., 450 B Street, Ste 450, San Diego, California 92101 Attention: Loan Administration; with respect to any future Servicer or Majority Owner, such address as may be shown in the records of the Bondowner Representative.

“Outstanding” means, when used with respect to Bonds, as of any date, all Bonds theretofore authenticated and delivered under this Pledge Agreement except:

- (a) any Bond canceled or delivered to the registrar for cancellation on or before such date;
- (b) specified as not Outstanding in paragraph (c) of Section 4.05 hereof;
- (c) any Bond in lieu of or in exchange for which another Bond shall have been authenticated and delivered pursuant to Article II of this Pledge Agreement;
- (d) any Bond deemed to have been paid as provided in Article IX of this Pledge Agreement;
- (e) any Bond owned or held by or for the account of the Issuer or the Borrower, as provided in Section 10.11 of this Pledge Agreement, for the purpose of

consent or other action or any calculation of outstanding Bonds provided for in this Pledge Agreement, and

(f) any undelivered Bond (except for purposes of receiving the purchase price thereof upon surrender in accordance with this Pledge Agreement).

“**Owner**” or “**Owners**” means the registered owner, or owners, of the Bonds.

“**Person**” means any natural individual, corporation, partnership, trust, unincorporated association, business or other legal entity, and any government or governmental agency or political subdivision thereof.

“**Pledge Agreement**” has the meaning set forth for that term in the Recitals above.

“**Prepayment Equalization Payment**” means “Prepayment Fee” as defined in the Note.

“**Principal Office**” means, with respect to any party, the office designated as such in, or as designated by the respective party in writing pursuant to, this Pledge Agreement.

“**Project**” has the meaning set forth for that term in the Recitals above.

“**Project Fund**” means the fund of that name established pursuant to Section 5.01 of this Pledge Agreement.

“**Property**” has the meaning ascribed to such term in the Mortgage.

“**Qualified Costs of the Project**” means “Good Costs” as defined in the Tax Certificate.

“**Rebate Analyst**” means any Person, chosen by the Borrower and at the expense of the Borrower, qualified and experienced in the calculation of rebate payments under Section 148 of the Code and compliance with the arbitrage rebate regulations promulgated under the Code, which is engaged for the purpose of determining the amount of required deposits to the Rebate Fund, if any, pursuant to the Tax Certificate.

“**Rebate Fund**” means the fund of that name established pursuant to Section 5.01 of this Pledge Agreement.

“**Record Date**” means, with respect to each Bond Payment Date, the close of business on the day preceding such Bond Payment Date, whether or not such day is a Business Day.

“**Regulatory Agreement**” means the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of December 1, 2009, by and between the Issuer and the Borrower, as the same may be amended, modified or supplemented from time to time.

“**Representation Letter**” means, when the Bonds are Book-Entry Bonds, the Letter of Representations executed by the Issuer and delivered to the Securities Depository, as amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“Required Equity Funds” means the amounts required to be deposited in the Borrower’s Funds Account or in the Equity Account of the Project Fund, in each case pursuant to Section 1.2 of the Construction Disbursement Agreement and Section 5.9 of the Loan Agreement.

“Requisition” means a requisition in the form of Exhibit D attached hereto, together with all invoices, bills of sale, schedules and other submissions required for the making of an advance of Loan funds or Required Equity Funds.

“Resolution” means the resolution of the Issuer adopted on December 1, 2009, authorizing, among other things, the execution and delivery by the Issuer of the Issuer Documents and the Bonds and the performance of its obligations thereunder.

“Revenue Fund” means the fund of that name established pursuant to Section 5.01 of this Pledge Agreement.

“S&P” means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer, with the consent of the Borrower and the Servicer.

“Security Agreement” has the meaning set forth for that term in the Recitals above.

“Servicer” means the servicer of the Loan appointed pursuant to Section 7.11 hereof. Prior to the Conversion Date and during any other times as no servicer has been appointed pursuant to Section 7.11 hereof, all references herein and in the Loan Documents to the Servicer shall be deemed to refer to the Majority Owner.

“Servicing Agreement” means any servicing agreement entered into among the Majority Owner, the Bondowner Representative and the Servicer, as the same may be amended, modified or supplemented from time to time.

“State” means the State of California.

“Supplemental Agreement” means the Supplemental Agreement dated as of even date herewith, by and between Borrower and CCRC.

“Supplemental Pledge Agreement” means any pledge agreement hereafter duly authorized and entered into between the Issuer and the Bondowner Representative in accordance with Article VIII hereof, amending, modifying or supplementing this Pledge Agreement.

“Tax Certificate” means the Tax Certificate and Agreement, dated the Closing Date, executed and delivered by the Issuer and the Borrower, as amended, supplemented or restated from time to time.

“Termination Date” has the meaning set forth for that term in the Bond Purchase Agreement.

“**Trustee**” has the meaning set forth in Section 10.14 hereof.

“**Trustee Fee**” means, upon the appointment of a Trustee pursuant to Section 10.14 of this Pledge Agreement, the annual administration fee for the Trustee’s ordinary fees and expenses in rendering its services under as Trustee thereto.

“**Variable Rate Period**” means the period commencing on the Closing Date and ending on (and including) the day before the Conversion Date.

Section 1.02 Construction. In this Pledge Agreement, unless the context otherwise requires:

(a) Articles and Sections referred to by number shall mean the corresponding Articles and Sections of this Pledge Agreement.

(b) The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms refer to this Pledge Agreement, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before, the date of adoption of this Pledge Agreement.

(c) Words of the masculine gender shall mean and include correlative words of the female and neuter genders, and words importing the singular number shall mean and include the plural number and vice versa.

(d) Words importing the redemption of a Bond or the calling of a Bond for redemption do not include or connote the payment of such Bond at its stated maturity or the purchase of such Bond.

(e) References in this Pledge Agreement to particular sections of the Code, the Act or any other legislation shall be deemed to refer also to any successor sections thereto or other redesignation for codification purposes.

(f) The terms “receipt”, “received”, “recovery”, “recovered” and any similar terms, when used in this Pledge Agreement with respect to moneys or payments due the Issuer, shall be deemed to refer to the passage of physical possession and control of such moneys and payments to the Issuer, the Owners of the Bonds or the Bondowner Representative on its behalf.

ARTICLE II

REPRESENTATIONS AND COVENANTS OF THE ISSUER

Section 2.01 Representations by the Issuer. The Issuer represents and warrants to the Bondowner Representative and the Owners of the Bonds that:

(a) The Issuer is a public body corporate and politic of the State, duly organized, validly existing and in good standing under the Act and the laws of the State.

(b) The Issuer has power and lawful authority to adopt the Resolution, to execute and deliver the Issuer Documents, to issue the Bonds and receive the proceeds of the Bonds, to apply the proceeds of the Bonds to make the Loan, to assign the revenues derived and to be derived by the Issuer from the Loan to the Bondowner Representative, and to perform and observe the provisions of the Issuer Documents and the Bonds on its part to be performed and observed.

(c) The Issuer has duly authorized the execution and delivery of each of the Issuer Documents, the issuance, execution, sale and delivery of the Bonds, and the performance of the obligations of the Issuer thereunder.

(d) The Issuer makes no representation or warranty, express or implied, that the proceeds of the Bonds will be sufficient to finance the construction and development of the Project or that the Project will be adequate or sufficient for the Borrower's intended purposes.

(e) The Issuer is not in violation of any Legal Requirements which would affect its existence or its ability to issue, execute, sell or deliver the Bonds, to enter into any of the Issuer Documents or to perform any of its obligations thereunder.

Section 2.02 Covenants of the Issuer. The Issuer hereby agrees with the Owners from time to time of the Bonds that, so long as the Bonds remain unpaid:

(a) The Issuer will pay or cause to be paid the principal of and the interest on the Bonds as the same become due, but solely to the extent provided in Section 10.02 hereof.

(b) The Issuer will do, execute, acknowledge, when appropriate, and deliver from time to time at the request of the Owners of the Bonds or the Bondowner Representative such further acts, instruments, financing statements and other documents as are necessary or desirable to better assure, transfer, pledge or assign to the Bondowner Representative, and grant a security interest unto the Bondowner Representative in and to the Collateral and the other properties and revenues herein described and otherwise to carry out the intent and purpose of the Issuer Documents and the Bonds.

Section 2.03 Tax Covenants. (a) it shall neither make nor direct the Bondowner Representative to make any investment or other use of the proceeds of the Bonds that would cause the Bonds to be "arbitrage bonds" as that term is defined in Section 148(a) of the Code and that it shall comply with the requirements of the Code throughout the term of the Bonds.

(b) it (i) shall take, or use its best efforts to require to be taken, all actions that may be

required of the Issuer for the interest on the Bonds to be and remain not included in gross income for federal income tax purposes and (ii) shall not take or authorize to be taken any actions within its control that would adversely affect that status under the provisions of the Code.

(c) it shall enforce or cause to be enforced all obligations of the Borrower under the Regulatory Agreement in accordance with its terms and seek to cause the Borrower to correct any violation of the Regulatory Agreement within a reasonable period after any such violation is first discovered.

In furtherance of the covenants in this Section, the Issuer and the Borrower shall execute, deliver and comply with the provisions of the Tax Certificate, which is by this reference incorporated into this Indenture and made a part of this Indenture, and by its acceptance of this Indenture the Bondowner Representative acknowledges receipt of the Tax Certificate and acknowledges its incorporation into this Indenture by this reference. The Bondowner Representative agrees that in those instances where it exercises discretion over the investment of funds, it shall not knowingly make any investment inconsistent with subsection (a).

ARTICLE III

AUTHORIZATION AND ISSUANCE OF BONDS

Section 3.01 Authorization of Bonds.

(a) There is hereby authorized, established and created an issue of Bonds of the Issuer to be known and designated as “The Housing Authority of the County of Los Angeles Multifamily Housing Revenue Bonds (105th & Normandie Apartments Project), 2009 Series A” in the original aggregate principal amount of \$[8,000,000]. No additional bonds shall be authorized or issued under this Pledge Agreement. The Bonds shall be issued for the purpose of making the Loan to the Borrower pursuant to the terms of the Loan Agreement.

(b) The Bonds are hereby authorized to be issued as drawdown Bonds. The Owners of the Bonds shall fund the purchase price of the Bonds to the Bondowner Representative in installments as and when needed to fund an advance of Loan proceeds approved by the Servicer or directed by Bondowner Representative. The initial installment for the purchase of the Bonds shall be in the amount of \$[55,000]. The initial installment so funded by the Owners shall, upon receipt by the Bondowner Representative, be advanced by Bondowner Representative either directly to the Borrower (or to the Borrower through the closing title escrow) on the Closing Date (or, if the Bondowner Representative has elected to establish or create Funds and Accounts under this Pledge, to the Project Fund for application on the Closing Date as provided in Section 5.02 hereof). If the conditions precedent to subsequent advances of Loan proceeds contained in the Construction Disbursement Agreement are either timely satisfied or waived by the Servicer, the balance of the purchase price of the Bonds shall be funded in subsequent installments by the Owners (if more than one Owner for a series of Bonds, pro rata based on the respective maximum face principal amounts of such Bonds) to the Bondowner Representative as required to permit the Bondowner Representative to make such subsequent advances of Loan proceeds to or for the account of the Borrower. If the Bonds are owned by a single Owner affiliated with the Bondowner Representative, upon Bondowner Representative’s receipt of a Requisition approved in writing by the Servicer, the Bondowner Representative shall cause the Owner to promptly fund to Bondowner Representative an installment of the purchase price of the Bonds in the amount or amounts required to permit Bondowner Representative to make the corresponding approved advance of Loan proceeds to or for the account of the Borrower. If, however, the Bonds are not owned by a single Owner affiliated with the Bondowner Representative, then the Owners shall be required to fund subsequent installments of the purchase price of the Bonds only if the Servicer, upon its approval in writing of a Requisition, delivers to Bondowner Representative a written funding notice (each, a “**Funding Notice**”) describing the Requisition approved by Servicer and the aggregate amount required to be funded by the Owners to permit Bondowner Representative to make the corresponding advance of Loan proceeds reflected in the Requisition so approved by the Servicer and the date scheduled by the Servicer for the funding of such Loan advance and if the Bondowner Representative gives the Owners a copy of such Funding Notice not less than three (3) Business Days prior to such scheduled advance date. Upon the payment of any portion of the purchase price of the Bonds by the Owners to the Bondowner Representative in accordance with the terms of this Section 3.01(b), such payment shall be advanced by the Bondowner Representative, as an advance of Loan proceeds, to or for the account of the Borrower as provided in the Construction

Disbursement Agreement (or, if the Bondowner Representative has elected to establish and create Funds and Accounts under this Pledge, such payment shall be deposited by the Bondowner Representative in the Project Fund and thereafter immediately disbursed from the Project Fund, as an advance of Loan proceeds, in accordance with the corresponding Requisition pursuant to Section 5.02 hereof). The Bondowner Representative shall maintain in its books a log which shall reflect from time to time the payment of the purchase price of the Bonds by the Owners in accordance with the provisions of this Section 3.01(b). If presented to the Bondowner Representative by any Owner, amounts funded by the Owners in accordance with the provisions of this Section 3.01(b) shall be noted on Schedule A attached to the applicable Bond so presented to the Bondowner Representative. The Bonds shall bear interest as provided in Section 3.05(c) hereof upon the deposit with Bondowner Representative by the Owners of the amount of purchase price of the Bonds so paid in accordance with the provisions of this Section 3.01(b).

(c) Prior to the Conversion Date, the Bondowner Representative may, but is not required, to cause the Owners to fund to Bondowner Representative one or more installments of the purchase price of the Bonds as needed to permit Bondowner Representative to make, for the account of Borrower, all or a portion of any interest payment coming due on the Bonds, whether or not Bondowner Representative has received a fully signed Requisition or Funding Notice meeting the requirements of this Section 3.01 (and Borrower hereby approves the same). All such amounts funded by the Owners and applied to pay interest due on the Bonds shall be deemed to have been advanced, as an advance of Loan proceeds, to or for the account of Borrower, and such amounts shall be added to the outstanding principal balance of the Bonds and the Loan.

Section 3.02 Conditions Precedent to Authentication and Delivery of Bonds. Prior to the initial authentication and delivery of the Bonds, the Bondowner Representative shall have received each of the following:

(a) the original executed Note, and executed original counterparts of this Pledge Agreement, the other Issuer Documents and the Loan Documents;

(b) confirmation from the Servicer or its counsel that the conditions to initial purchase of Bonds contained in the Construction Disbursement Agreement have been satisfied or waived by Servicer;

(c) a certified copy of the Resolution;

(d) evidence of the payment of the initial installment of the purchase price of the Bonds;

(e) an opinion of Bond Counsel substantially to the effect that the Bonds constitute legal, valid and binding obligations of the Issuer and that under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is not includable in gross income of the Owners (other than an Owner who is a “substantial user” of the Project or a “related person” to a “substantial user,” as defined in Section 147(a) of the Code) for federal income tax purposes; and

(f) an original investor letter executed by the initial purchaser(s) of the Bonds, in substantially the applicable form set forth in Exhibit B hereto.

Section 3.03 Registered Bonds. The Bonds shall be in fully registered form and shall be payable in accordance with the provisions hereof and of the Bonds to the Owner thereof as shown on the records maintained by the Bondowner Representative.

Section 3.04 Loss, Theft, Destruction or Mutilation of Bonds. In the event a Bond is mutilated, lost, stolen or destroyed, the Issuer may execute and the Bondowner Representative may authenticate and deliver a new Bond bearing a notation indicating the principal amount outstanding, in exchange for the mutilated Bond, or in substitution for a Bond so destroyed, lost or stolen. In every case of exchange or substitution, the applicant shall furnish to the Issuer and the Bondowner Representative (i) such security or indemnity as may be required by them to save them harmless from all risks, however remote, and (ii) evidence to their satisfaction of the mutilation, destruction, loss or theft of a Bond and of the ownership thereof. Upon the issuance of a Bond upon such exchange or substitution, the Bondowner Representative may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses, including counsel fees, of the Issuer and the Bondowner Representative. In case a Bond shall become mutilated or be destroyed, lost or stolen, the Bondowner Representative may, instead of authenticating a Bond in exchange or substitution therefor, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Bond) if the applicant for such payment shall furnish to the Issuer and the Bondowner Representative such security or indemnity as they may require to save them harmless and evidence satisfactory to them of the mutilation, destruction, loss or theft of the Bond and of the ownership thereof.

Section 3.05 Terms of Bonds.

(a) Registration; Denomination. The Bonds shall be issuable initially in Authorized Denominations as specified by the initial Owner. Thereafter, the Bonds shall be issuable in any Authorized Denomination required to effect transfers, exchanges or redemptions permitted or required by this Pledge Agreement. The Bonds shall be substantially in the form of Exhibit A hereto, with such amendments and changes as the officer executing the same shall deem appropriate.

(b) Date and Maturity. All Bonds shall be dated the Closing Date. The Bonds shall bear interest from the Closing Date until paid in full, payable for the periods, in the amounts, at the rates, and as provided in Section 3.05(c) hereof. The Bonds shall mature on the Maturity Date, unless sooner redeemed or accelerated.

(c) Interest on the Bonds; Principal Payments. Interest shall be due and payable on the outstanding principal amount of the Bonds, from the Closing Date until all Bonds have been paid in full, on the first day of each calendar month, at the rate or rates set forth in the Note, calculated as set forth in the Note. The principal of the Bonds shall be due and payable on the same dates and in the same amounts as the principal payments due and payable under the Note.

(d) Corresponding Payments. The payment or prepayment of principal, interest and premium, if any, due on the Bonds shall be identical with and shall be made on the same dates, terms and conditions, as the principal, interest, premiums, late payment fees and other amounts due on the Note. Any payment or prepayment made by the Borrower of principal, interest,

premium, if any, due on the Note shall be deemed to be like payments or prepayments of principal, interest and premium, if any, due on the Bonds. Payments or prepayments by the Borrower under the Note of principal, interest and premium, if any, shall be deemed to have been constructively received by the Owners as payments or prepayments on the Bonds on the date of receipt of such payments by the Bondowner Representative, and interest with respect to each principal payment or prepayment shall cease to accrue upon receipt thereof by the Bondowner Representative. Payments or prepayments of principal, interest and premium, if any, shall be remitted immediately by the Bondowner Representative to the Owners. Late payment fees payable on the Note and other amounts, if any, payable on the Note other than principal, interest and premium shall be retained by the Bondowner Representative as additional compensation. If more than one Bond is outstanding on the date of any payment on the Note, such payment shall be paid to the Owners of the Bonds on a pro rata basis (based on the respective outstanding principal balances of such Bonds).

Section 3.06 Reserved.

Section 3.07 Reserved.

Section 3.08 Execution and Authentication of Bonds.

(a) The Bonds shall be executed, either manually or by facsimile, by the Chair of the Issuer and attested by the Executive Officer of the Issuer.

(b) In case any officer of the Issuer whose signature or facsimile signature shall appear on any of the Bonds shall cease to be such officer before the Bonds so signed shall have been actually delivered, such Bonds may, nevertheless, be delivered as herein provided, and may be issued as if the persons who signed such Bonds had not ceased to hold such offices or be so employed. Any Bond may be signed on behalf of the Issuer by such persons as, at the actual time of the execution of such Bond, shall be duly authorized or hold the proper office in or employment by the Issuer, although at the date of the Bonds such persons may not have been so authorized nor have held such office or employment.

(c) No Bond shall be valid or obligatory for any purpose or shall be entitled to any right or benefit under this Pledge Agreement unless there shall be endorsed on such Bond a certificate of authentication in the form set forth in such Bond duly executed by the Bondowner Representative, by the manual signature of an authorized signatory thereof, and such certificate of the Bondowner Representative upon any Bond executed on behalf of the Issuer shall be conclusive evidence that the Bond so authenticated has been duly issued under this Pledge Agreement and that the Owner thereof is entitled to the benefits of this Pledge Agreement.

Section 3.09 Negotiability, Transfer and Registry of Bonds; Transfer Restrictions.

(a) All the Bonds issued under this Pledge Agreement shall be negotiable, subject to the provisions for registration and transfer contained in this Pledge Agreement and in the Bonds. So long as this Pledge Agreement remains in force, the Bondowner Representative, as registrar, shall maintain and keep books for the recordation of the taxpayer identification number of each of the Owners of the Bonds and the registration, transfer and exchange of Bonds. Each Bond shall be transferable only upon the books of registration. The Bondowner Representative is

hereby appointed registrar, to act as agent of the Issuer for the registration and transfer of Bonds and the maintenance of the books of registration. The Majority Owner may appoint a successor registrar upon notice by mail to the Issuer, the Bondowner Representative and the other Owners of the Bonds.

(b) Upon a partial redemption of the Bonds, the Issuer shall execute and the Bondowner Representative shall authenticate and deliver new certificates representing the unredeemed portion of the Bonds to be so tendered or redeemed in part, in exchange for the certificates representing the Bonds to be so tendered or redeemed in part. Surrender of Bonds for execution, authentication and delivery of new certificates shall not be a precondition to the redemption of Bonds pursuant to Section 4.01(f) hereof. If a Bond shall be transferred in part, such Bond shall be delivered to the registrar, and the Bondowner Representative shall, on behalf of the Issuer, deliver two Bonds in replacement therefor, having the same maturity and interest provisions and in the same aggregate principal amount as the Bond so delivered.

(c) Upon surrender of the Bonds at the Principal Office of the Bondowner Representative with a written instrument of transfer satisfactory to the Bondowner Representative, duly executed by the Owner or his attorney duly authorized in writing, such Bonds may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of Bonds in Authorized Denominations.

(d) The Borrower shall bear all costs in connection with any transfer or exchange of Bonds, including the reasonable fees and expenses of the Issuer, Bond Counsel and the Bondowner Representative and of any required indemnity for the Issuer and the Bondowner Representative; provided that the costs of any tax or other governmental charge imposed upon such transfer or exchange shall be borne by the Owner of the Bond.

(e) Bonds shall be transferred upon presentation and surrender thereof at the Principal Office of the Bondowner Representative by the Owner thereof or his attorney duly authorized in writing with due endorsement for transfer or accompanied by a written instrument of transfer in form satisfactory to the Bondowner Representative. All Bonds surrendered in any exchanges or transfers shall forthwith be canceled. For every such exchange or transfer of Bonds, there shall be made a charge sufficient to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the Owner requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The Bondowner Representative shall not be obligated to (i) authenticate, exchange or transfer any Bond during a period beginning at the opening of business on any Record Date and ending at the close of business on the next succeeding Interest Payment Date, (ii) authenticate, exchange or transfer any Bond during a period beginning at the opening of business 15 days next preceding any selection of Bonds to be redeemed and ending at the close of business on the date of the first giving of notice of such redemption, or (iii) transfer or exchange any Bonds called or being called for redemption in whole or in part.

(f) The Bonds may be transferred in whole or in part by any Owner only as follows:

(1) to the Borrower, any subsidiary of the initial Owner, any Affiliate of the Owner, any entity arising out of any merger or consolidation of the Owner, or a trustee in bankruptcy of the Owner;

(2) to any “qualified institutional buyer” (as defined in Rule 144A promulgated under the Securities Act of 1933, as amended);

(3) to any bank, savings institution or insurance company (whether acting in a trustee or custodial capacity for any “qualified institutional buyer” as defined in clause (2) above or on its own behalf);

(4) to any trust or custodial arrangement each of the beneficial owners of which is required to be a “qualified institutional buyer” as defined in clause (2) above; or

(5) to CCRC.

Any transfer of Bonds described in clauses (2), (3) or (4) of this Section 3.09(f) shall be conditioned upon delivery by the proposed transferee to the Bondowner Representative of an investor letter in substantially the form set forth in Exhibit B hereto.

(g) In addition to any transfer permitted by Section 3.09(f), the Bonds may be transferred, in whole or in part:

(1) to one or more Owners upon receipt by the Issuer, each Owner making such transfer, and the Bondowner Representative of (i) any disclosure document which is prepared in connection with such transfer of any Bond, (ii) evidence that each such Bond is rated “A” or better by one of S&P or Moody’s, and (iii) an opinion of Counsel to the effect that (A) the exemption of the Bonds or any securities evidenced thereby from the registration requirements of the Securities Act of 1933, as amended, and the exemption of this Pledge Agreement from qualification under the Trust Indenture Act of 1939, as amended, will not be impaired as a result of such transfer, and (B) such transfer will not adversely affect the exclusion of interest accrued on the Bonds from gross income of the Owners thereof (other than an Owner who is a “substantial user” of the Project or a “related person” to a “substantial user,” as defined in Section 147(a) of the Code) for federal income tax purposes; or

(2) to any trust, custodial or similar arrangement the ownership interests in which are to be distributed through the issuance of (A) securities that are registered under the Securities Act of 1933, as amended, and/or are exempt from the registration requirements of the Securities Act of 1933, as amended, and are rated “A” or “A2” by S&P or Moody’s, respectively, (or an equivalent rating by another nationally recognized rating agency) or better, without respect to modifier, or securities the pass-through payments on which are guaranteed by an insurer or guarantor, the unsecured long-term obligations of which are rated “A” or “A2” by S&P or Moody’s, respectively, (or an equivalent rating by another nationally recognized rating agency) or better, without respect to modifier, or (B) non-investment-grade securities representing a residual interest in such trust, custodial or similar arrangement that may only be transferred in

transactions that are exempt from the registration requirements of the Securities Act of 1933, as amended.

Section 3.10 Ownership of Bonds. The Issuer, the Bondowner Representative and any other Person may treat the registered owner of any Bond as the absolute owner thereof, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or redemption price of and interest on such Bond and for all other purposes whatsoever, and payment of the principal or redemption price, if any, of and interest on any such Bond shall be made only to, or upon the order of, such registered owner. All such payments to such registered owner shall be valid and effectual to satisfy and discharge the liability of the Issuer upon such Bond to the extent of the sum or sums so paid, and neither the Issuer nor any Bondowner Representative shall be affected by any notice to the contrary.

Section 3.11 Reserved.

Section 3.12 Registration of Bonds in the Book-Entry Only System

(a) Notwithstanding any provision herein to the contrary, the provisions of this Section 3.12 and the Representation Letter shall apply with respect to any Bond registered to Cede & Co. or any other nominee of The Depository Trust Company (“DTC”) while the Book-Entry Only System (meaning the system of registration described in paragraph (b) of this Section 3.12) is in effect. The Book-Entry Only System shall become effective thirty (30) days after the Owners of all the Bonds provide notice in writing to the Bondowner Representative, the Borrower, and the Issuer, subject to the provisions below concerning termination of the Book-Entry Only System. Until all of the Owners of the Bonds provide such notice, the Book-Entry Only System shall not be in effect.

(b) Upon the effectiveness of the Book-Entry Only System, the Issuer shall execute and deliver, and the Bondowner Representative shall transfer and exchange Bond certificates for a separate single authenticated fully registered Bond for each stated maturity in substantially the form provided for in Exhibit A hereto. Any legend required to be on the Bonds by DTC may be added by the Bondowner Representative. On the date of delivery thereof, the Bonds shall be registered in the registry books of the Bondowner Representative in the name of Cede & Co., as nominee of DTC as agent for the Issuer in maintaining the Book-Entry Only System. With respect to Bonds registered in the registry books kept by the Bondowner Representative in the name of Cede & Co., as nominee of DTC, the Issuer, the Borrower, and the Bondowner Representative shall have no responsibility or obligation to any Participant (which means securities brokers and dealers, banks, trust companies, clearing corporations and various other entities, some of whom or their representatives own DTC) or to any Beneficial Owner (which means, when used with reference to the Book-Entry Only System, the Person who is considered the Beneficial Owner of the Bonds pursuant to the arrangements for book entry determination of ownership applicable to DTC) with respect to the following: (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to or from any Participant, any Beneficial Owner or any other Person, other than DTC, of any notice with respect to the Bonds, including any notice of redemption or tender (whether mandatory or optional), or (iii) the payment to any Participant, any Beneficial Owner or any other Person, other than DTC, of any amount with respect to the principal or premium, if any, or

interest on the Bonds. The Bondowner Representative shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of DTC, and all such payments shall be valid and effective fully to satisfy and discharge the Issuer's obligations with respect to the principal of any premium, if any, and interest on Bonds to the extent of the sum or sums so paid. No Person other than DTC or its agent shall be entitled to receive an authenticated Bond evidencing the obligation of the Issuer to make payments of principal and premium, if any, and interest pursuant to this Pledge Agreement. Upon delivery by DTC to the Bondowner Representative of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the words "Cede & Co." in this Pledge Agreement shall refer to such new nominee of DTC.

(c) Upon receipt by the Bondowner Representative of written notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities, the Issuer shall issue and the Bondowner Representative shall transfer and exchange Bonds as requested by DTC in appropriate amounts and in authorized denominations, and whenever DTC requests the Issuer and the Bondowner Representative to do so, the Bondowner Representative and the Issuer will, at the expense of the Borrower, cooperate with DTC in taking appropriate action after reasonable notice (i) to arrange for a substitute bond depository willing and able upon reasonable and customary terms to maintain custody of the Bonds or (ii) to make available for transfer and exchange Bonds registered in whatever name or names and in whatever authorized denominations as DTC shall designate.

(d) In the event the Beneficial Owners subsequently determine that the Beneficial Owners should be able to obtain Bond certificates, the Beneficial Owners may so notify DTC and the Bondowner Representative, whereupon DTC will notify the Participants of the availability through DTC of Bond certificates. In such event, the Issuer shall issue and the Bondowner Representative shall, at the expense of the Beneficial Owners, transfer and exchange Bond certificates as requested by DTC in appropriate amounts and in authorized denominations. Whenever DTC requests the Bondowner Representative to do so, the Bondowner Representative will, at the expense of the Beneficial Owners, cooperate with DTC in taking appropriate action after reasonable notice to make available for transfer and exchange Bonds registered in whatever name or names and in whatever authorized denominations as DTC shall designate.

(e) Notwithstanding any other provision of this Pledge Agreement to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(f) Notwithstanding any provision herein to the contrary, so long as the Bonds outstanding are held in the Book-Entry Only System, if less than all of such Bonds of a maturity are to be redeemed upon any redemption of Bonds hereunder, the particular Bonds or portions of Bonds to be redeemed shall be selected by DTC in such manner as DTC may determine.

(g) So long as the Book-Entry Only System is in effect, a Beneficial Owner who elects to have its Bonds purchased pursuant to this Pledge Agreement shall effect delivery by causing a Participant to transfer the Beneficial Owner's interest in the Bonds pursuant to the

Book-Entry Only System. The requirement for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred in accordance with the Book-Entry Only System.

ARTICLE IV

REDEMPTION OF BONDS

Except upon written direction of the Bondholder Representative that the terms of this Article IV shall apply, the Bonds shall be subject to redemption in whole or in part on any date at a price equal to the outstanding principal amount of Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, together with any applicable premium, upon optional or mandatory prepayment, including upon acceleration, of the Loan under the terms of the Note, in whole or in part. Notice of prepayment shall be given as set forth in the Note and the Loan Agreement and no separate notice of redemption shall be required.

Section 4.01 Mandatory Redemption. The Bonds shall be subject to mandatory redemption, and shall be redeemed prior to maturity, as follows:

(a) in whole or in part on the first Interest Payment Date for which notice can be given in accordance with this Pledge Agreement after the Completion Date to the extent of excess funds on deposit on such date in the Loan Account of the Project Fund, determined as provided in Section 5.02(d) of this Pledge Agreement; or

(b) in whole or in part on the first Interest Payment Date for which adequate notice can be given in accordance with this Pledge Agreement after and to the extent that Insurance Proceeds or a Condemnation Award in connection with the Project are deposited in the Insurance and Condemnation Account of the Project Fund and are not to be used to repair or restore the Project (which unused Condemnation Award or Insurance Proceeds shall be applied to the redemption of Bonds, unless all of the Owners shall have approved a proposed alternative application of such funds and the Bondowner Representative and the Servicer shall have received an opinion of Bond Counsel to the effect that such proposed alternative application of such funds will not adversely affect the exclusion from gross income of Owners (other than an Owner who is a “substantial user” of the Project or a “related person” to a “substantial user,” as defined in Section 147(a) of the Code); or

(c) in whole on the first Interest Payment Date for which notice can be given to the Owners in accordance with this Pledge Agreement following receipt by the Bondowner Representative of notice from the Servicer demanding such redemption, following a Determination of Taxability; or

(d) on the Conversion Date, in an amount sufficient to reduce the aggregate principal amount of Outstanding Bonds to \$[_____]; or

(e) on the Conversion Date, in the amount (if any), in excess of the amount required pursuant to Section 4.01(d), that is necessary in order to achieve compliance with the debt service coverage condition set forth as one of the Conditions to Conversion; or

(f) in whole on the seventeenth anniversary of the Conversion Date, unless the Owners of all of the Bonds elect to waive redemption by giving not less than 30 days’ prior written notice thereof to the Bondowner Representative and the Borrower; or

(g) in part on the first day of each calendar month as set forth in Section 3.3 of the Note or in any schedule delivered by the Bondowner Representative and attached as Exhibit C to this Pledge Agreement; or

(h) in whole, following receipt by the Bondowner Representative of notice from the Servicer stating that an Event of Default has occurred under the Loan Agreement or the Construction Disbursement Agreement and demanding redemption of the Bonds, on any date selected by the Servicer, specified in a notice in writing delivered to the Borrower at least ten (10) days prior to such date; or

(i) in whole, on the Termination Date if the Bondowner Representative has not previously delivered to the Issuer written notice that the Conversion Date has occurred; or

(j) in whole, on any date at a price equal to the principal amount of the Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, plus a premium equal in amount to any premium payable pursuant to the Note and the Loan Agreement, upon the occurrence of a Mandatory Redemption Event; provided that the Issuer's obligation upon the occurrence of a Mandatory Redemption Event shall be discharged as provided in Section 6.03.

Section 4.02 Redemption Price of Bonds Redeemed Pursuant to Mandatory Redemption. Any Bonds being redeemed before maturity in accordance with Section 4.01 of this Pledge Agreement shall be redeemed at a redemption price equal to the principal amount of the Bonds being redeemed, together with accrued interest to the date of redemption, plus any prepayment premium or other premium due under the Note.

Section 4.03 Optional Redemption. The Bonds shall be subject to redemption from the proceeds of an optional prepayment of the Loan by the Borrower, in whole or in part, on any Interest Payment Date during the Variable Rate Period, at a redemption price equal to the principal amount thereof, together with accrued interest to the date of redemption, plus any Prepayment Equalization Payment. No optional redemption is permitted during the Fixed Rate Period.

Section 4.04 Purchase in Lieu of Redemption. At the election of the Borrower upon a redemption in whole of the Bonds, by written notice to the Bondowner Representative and the Servicer given not less than five (5) Business Days in advance of such redemption date, the Bonds will be deemed tendered for purchase in lieu of the redemption on such date. The purchase price of Bonds so purchased in lieu of redemption shall be the principal amount thereof together with all accrued and unpaid interest to the date of redemption and shall be payable on the date of redemption thereof. Bonds so purchased in lieu of redemption shall remain Outstanding and shall be registered to or upon the direction of the Borrower.

Section 4.05 Notice of Redemption.

(a) Notice of redemption shall be given by the Bondowner Representative to the Owners and Borrower by facsimile transmission or other similar electronic means of communication, promptly confirmed in writing, not less than ten (10) Business Days prior to the date fixed for redemption; provided, however, that no notice of redemption shall be required to be given to the Owners for a redemption pursuant to Section 4.01 (d), (e), (g), (h) or (i) of this

Pledge Agreement during such time as there is a single Owner of all the Bonds, and no notice of redemption shall be required to be given to the Owners in any event for a redemption pursuant to Section 4.01(f) of this Pledge Agreement. Receipt of such notice of redemption shall not be a condition precedent to such redemption, and failure to so notify any of such registered Owners shall not affect the validity of the proceedings for the redemption of the Bonds.

(b) Notice of redemption having been given as provided in subsection (a) of this Section 4.05 and all conditions precedent, if any, specified in such notice having been satisfied, the Bonds or portions thereof so to be redeemed shall become due and payable on the date fixed for redemption at the redemption price specified therein plus any accrued interest to the redemption date, and upon presentation and surrender thereof at the place specified in such notice, such Bonds or portions thereof shall be paid at the redemption price, plus any accrued interest to the redemption date. On and after the redemption date (unless funds for the payment of the redemption price and accrued interest shall not have been provided to the Bondowner Representative), (i) such Bonds shall cease to bear interest and (ii) such Bonds shall no longer be considered as Outstanding under this Pledge Agreement.

Section 4.06 Selection of Bonds To Be Redeemed.

(a) Except as otherwise expressly set forth herein, if less than all the Bonds are to be redeemed, the particular Bonds or portions of Bonds to be redeemed shall be selected by the Bondowner Representative, in such manner as the Bondowner Representative in its sole discretion may deem fair and appropriate so that Bonds are redeemed, as nearly as practicable, from each Owner, if there is more than one Owner, on a pro rata basis according to the principal amount of Bonds represented by each Bond Outstanding.

(b) In making such selection, the Bondowner Representative may treat each Bond to be redeemed as representing that number of Bonds of the lowest Authorized Denomination as is obtained by dividing the principal amount of such Bond by such Authorized Denomination.

Section 4.07 Partial Redemption of Registered Bonds.

(a) In case part but not all of a Bond shall be selected for redemption, upon presentation and surrender at the Principal Office of the Bondowner Representative of such Bond by the Owner thereof or his attorney duly authorized in writing (with due endorsement for transfer or accompanied by a written instrument of transfer in form satisfactory to the Bondowner Representative), the Issuer shall execute and the Bondowner Representative shall authenticate and deliver to or upon the order of such Owner, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered, a Bond or Bonds, at the option of such Owner, of any Authorized Denomination of like tenor, or if less than the minimum Authorized Denomination, an amount necessary to equal the unredeemed portion of the principal amount of the Bond; provided, however, that such surrender of Bonds shall not be required for (A) payment of the redemption price pursuant to Sections 4.01(e) or 4.01(f) hereof, or (B) for payment of the redemption price if the redemption occurs at a time when all of the Bonds are owned by a single Owner. For all purposes of this Pledge Agreement (including exchange and transfer), the Bond so issued in less than a minimum Authorized Denomination

shall be deemed to have been issued in an Authorized Denomination. Bonds so presented and surrendered shall be canceled in accordance with this Pledge Agreement.

(b) In the event of a partial redemption of Bonds other than pursuant to Section 4.01(e) of this Pledge Agreement or any failure of all of the Bonds authorized hereunder to be purchased through the “drawdown” mechanism pursuant to Section 3.01(b) through the Conversion Date, the mandatory sinking fund schedule set forth in the Note or in any schedule delivered by the Bondowner Representative and attached as Exhibit C to this Pledge Agreement shall be adjusted to provide for approximately equal monthly payments of principal and interest at the applicable rate or rates established under the Note (taking into account minimum denominations of the Bonds) on the Bonds remaining Outstanding after taking into account such partial redemption. The Servicer shall provide the Bondowner Representative with a new schedule reflecting such adjustment.

ARTICLE V

ESTABLISHMENT OF CERTAIN FUNDS AND ACCOUNTS, APPLICATION THEREOF AND SECURITY THEREFOR

Section 5.01 Establishment of Funds and Accounts; Application of Proceeds of the Bonds; and Other Amounts.

(a) The Bondowner Representative may, but shall not be obligated, to establish the Funds and Accounts described in subsection (b) of this Section 5.01.

(b) The following Funds and Accounts may be created and established by the Bondowner Representative as special funds:

(i) the Project Fund, consisting of:

(A) the Loan Account;

(B) the Insurance and Condemnation Proceeds Account; and

(C) the Equity Account;

(ii) the Revenue Fund; and

(iii) the Rebate Fund.

(c) If and when created, all the Funds and Accounts created by subsection (b) of this Section 5.01 shall be held by the Bondowner Representative for application only in accordance with the provisions of this Pledge Agreement.

Section 5.02 Project Fund. If the Bondowner Representative elects to create and establish a Project Fund, the following provisions of this Section 5.02 shall govern such fund:

(a) Deposit of Moneys. The Loan Account of the Project Fund shall be funded from time to time as and when installments of the purchase price of the Bonds are paid by the Owners pursuant to Section 3.01(b) hereof. Any amounts received by the Bondowner Representative from the Guarantor, and any amounts received by the Bondowner Representative from the Borrower in response to demands by the Bondowner Representative or the Servicer for deposits of Borrower's funds shall be deposited in the Equity Account of the Project Fund. All Condemnation Awards and Insurance Proceeds shall be deposited in the Insurance and Condemnation Proceeds Account of the Project Fund. Any other funds directed by the Issuer, the Servicer or the Borrower to be deposited in the Project Fund which are not required to be otherwise deposited or disbursed shall be so deposited by the Bondowner Representative upon receipt of funds and such direction.

(b) Use of Moneys.

(i) Loan Account and Equity Account. The Bondowner Representative shall make payments from the Loan Account for the purpose of paying the Qualified Costs of the Project. The Bondowner Representative shall make payments from the Equity Account to pay (A) all costs of constructing and equipping the Project other than Qualified Costs of the Project and (B) to the extent amounts on deposit in the Loan Account are insufficient for such purposes, all Qualified Costs of the Project. Disbursements from the Loan Account and the Equity Account shall be made by the Bondowner Representative upon receipt of a Requisition, executed by an Authorized Representative of the Borrower and approved by an Authorized Representative of the Servicer.

(ii) Reserved.

(iii) Reserved.

(iv) Insurance and Condemnation Proceeds Account. The Bondowner Representative shall make all disbursements from the Insurance and Condemnation Proceeds Account only upon the receipt by the Bondowner Representative of the written request of the Borrower accompanied by the written approval of the Servicer and in accordance with the provisions of Section 5.02(e) hereof.

(v) Acceleration. Upon the occurrence and continuation of a Mandatory Redemption Event hereunder and a redemption of the Bonds pursuant thereto, all moneys and investments in the Project Fund shall be transferred to the Revenue Fund and applied to the payment of the Bonds.

(c) Requisitions. The Bondowner Representative may rely fully on the representations of the Borrower contained in any Requisition, and upon the written approval of the Servicer set forth on any Requisition, delivered pursuant to the Loan Agreement, this Pledge Agreement and the Construction Disbursement Agreement, and shall not be required to make any investigation or inspection of the Project in connection therewith.

(d) Use of Moneys Following Completion and the Satisfaction of the Conditions to Conversion. Moneys (including investment proceeds but net of amounts that the Bondowner Representative is directed by a written instruction from the Servicer to retain to pay Qualified Costs of the Project (i) incurred but not then due and payable or (ii) allocated to construction contingency, marketing or operating expenses after the Completion Date) held in the Loan Account shall be transferred immediately after the Completion Date to the Revenue Fund for application to the redemption of Bonds pursuant to Section 4.01(a) of this Pledge Agreement. Moneys held in the Equity Account shall be released to or upon the order of the Borrower, when the Servicer has notified the Bondowner Representative that all of the following conditions have been satisfied or waived by the Servicer: (i) the Borrower has obtained, and applied to costs of the Project in accordance with the requirements of the Construction Disbursement Agreement, all funds required to be paid by the Borrower pursuant to the Construction Disbursement Agreement; and (ii) the Conditions to Conversion have been satisfied and the Conversion Date has occurred.

(e) Condemnation Awards and Insurance Proceeds.

(i) Moneys representing a Condemnation Award or Insurance Proceeds shall be deposited into the Insurance and Condemnation Proceeds Account of the Project Fund, and notice of such deposit thereof shall be given by the Bondowner Representative to the Servicer.

(ii) To the extent there has been a determination pursuant to the Loan Documents to restore the Project, such Condemnation Award or Insurance Proceeds as have been approved for disbursement by the Servicer shall be disbursed by the Bondowner Representative to or for the account of the Borrower, in accordance with terms, conditions and procedures specified by the Servicer, for application by the Borrower for such purposes in accordance with the provisions of the Loan Documents.

(iii) In the event there is a determination pursuant to the Loan Documents not to restore the Project, such Condemnation Award or Insurance Proceeds shall be either (i) transferred to the Revenue Fund and applied to the redemption of Bonds in accordance with Section 4.01(c) hereof, or (ii) released to the Borrower if the Borrower obtains an opinion of Bond Counsel that such release will not affect the excludability of the interest on the Bonds from gross income of Owners (other than an Owner who is a “substantial user” of the Project or a “related person” to a “substantial user,” as defined in Section 147(a) of the Code) for federal income tax purposes, all in accordance with written direction of the Servicer to the Bondowner Representative and subject to the provisions of the Loan Documents.

Section 5.03 Reserved.

Section 5.04 Reserved.

Section 5.05 Reserve Funds.

The Bondowner Representative may at its own discretion establish such additional Funds and Accounts, and subaccounts within any of the Accounts, as the Bondowner Representative may deem necessary or useful for the purposes of holding funds for reserves, including but not limited to, a replacement reserve fund, operating reserve fund, and tax and insurance reserve fund, but the establishment of any such Funds or Accounts shall not alter or modify any of the requirements of this Pledge Agreement with respect to a deposit or use of money in the Funds established hereunder, or result in commingling of Funds not permitted hereunder.

Section 5.06 Reserved.

Section 5.07 Revenue Fund. If the Bondowner Representative elects to create and establish a Revenue Fund, the following provisions of this Section 5.07 shall govern such fund:

(a) There shall be deposited in the Revenue Fund all amounts transferred from the Project Fund or received from the Borrower pursuant to Section 3.2 of the Loan Agreement with respect to the Loan Documents or from the Guarantor under the Guaranty, including payments of interest and principal and voluntary and involuntary prepayments of the Loan and investment earnings on investments held in the Funds and Accounts created by this Pledge Agreement (except as otherwise provided in Section 5.08 and Section 5.10).

(b) Amounts in the Revenue Fund shall be applied to the following items in the following order of priority:

(i) on each Interest Payment Date, to the payment of interest on the Bonds;

(ii) on each Bond Payment Date, to the payment of the principal of or redemption price (or purchase price in the event of an election of Borrower under Section 4.04) of, interest on, and any Prepayment Equalization Payment due with respect to, the Bonds;

(iii) on the first day of each month, to the payment of the fees of the Issuer, the Bondowner Representative, the Majority Owner and the Servicer, if any, due and owing under the Loan Documents and this Pledge Agreement;

(iv) on the first day of each month, to the payment of any other amounts then due and owing under the Loan Documents; and

(v) on the first day of each month, to the Borrower or such other party as may be legally entitled thereto.

(c) Upon the payment in full of the Bonds and the fees and expenses of the Issuer and the Bondowner Representative and the payment of amounts payable to the United States pursuant to Section 5.08 hereof, any amounts remaining in the Revenue Fund (except amounts held for future payment to the United States pursuant to Section 5.08 hereof) shall be paid to the Borrower.

Section 5.08 Rebate Fund. If the Bondowner Representative elects to create and establish a Rebate Fund, the following provisions of this Section 5.08 shall govern such fund:

(a) The Rebate Fund shall be held and applied as provided in this Section 5.08. All money at any time deposited in the Rebate Fund shall be held by the Bondowner Representative for payment, to the extent required under the Code and as calculated by the Rebate Analyst, for payment to the United States Government. None of the Issuer, the Borrower or the Owners shall have any rights in or claim to such moneys. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section and by the Tax Certificate.

(b) The Bondowner Representative shall make information regarding the Bonds and the investments hereunder available to the Borrower promptly upon written request, shall make deposits to and disbursements from the Rebate Fund in accordance with the directions received from the Authorized Representative of the Borrower, shall invest moneys in the Rebate Fund pursuant to said directions and shall deposit income from such investments pursuant to said directions, and shall make payments to the United States of America in accordance with written directions received from the Borrower.

(c) Notwithstanding any provision of this Pledge Agreement to the contrary, the Bondowner Representative shall not be liable or responsible for any calculation or determination which may be required in connection with or for the purpose of complying with Section 148 of the Code or any applicable Treasury regulation (the “**Arbitrage Rules**”), including, without

limitation, the calculation of amounts required to be paid to the United States under the provisions of the Arbitrage Rules and the fair market value of any investment made hereunder, it being understood and agreed that the sole obligation of the Bondowner Representative with respect to investments of funds hereunder shall be to invest the moneys received by the Bondowner Representative pursuant to the written instructions of the Authorized Representative of the Borrower given in accordance with Section 5.09 hereof. The Bondowner Representative shall have no responsibility for determining whether or not the investments made pursuant to the direction of the Borrower or any of the instructions received by the Bondowner Representative under this Section comply with the requirements of the Arbitrage Rules and shall have no responsibility for monitoring the obligations of the Borrower or the Issuer for compliance with the provisions of the Pledge Agreement with respect to the Arbitrage Rules.

(d) Notwithstanding any provision of this Pledge Agreement to the contrary, the obligation to remit payment of the rebate amount to the United States and to comply with all other requirements of this Section 5.08 shall survive the defeasance or payment in full of the Bonds.

(e) Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Bondowner Representative, shall be withdrawn and remitted to the Borrower.

(f) The Bondowner Representative shall obtain and keep such records of the computations made pursuant to this Section 5.08 as are required under Section 148(f) of the Code. The Bondowner Representative shall keep and make available to the Borrower such records concerning the investments of the gross proceeds of the Bonds and the investments of earnings from those investments as may be requested by the Borrower in order to enable the Borrower to cause the Rebate Analyst to make the aforesaid computations as are required under Section 148(f) of the Code.

(g) Notwithstanding the foregoing, the computations and payments of rebate amounts referred to in this Section 5.08 need not be made if there shall have been delivered to the Bondowner Representative, the Issuer and the Servicer an opinion of Bond Counsel to the effect that such withdrawal and payment are not necessary in order to establish or maintain the exclusion from gross income of Owners (other than an Owner who is a “substantial user” of the Project or a “related person” to a “substantial user,” as defined in Section 147(a) of the Code) of interest on the Bonds. In the event Bond Counsel so opines, the moneys on deposit in the Rebate Fund shall be applied to such purpose as the Borrower shall direct provided that the Borrower shall deliver to the Issuer, the Bondowner Representative and the Servicer an opinion of Bond Counsel to the effect that such application will not adversely affect the exclusion from gross income of Owners (other than an Owner who is a “substantial user” of the Project or a “related person” to a “substantial user,” as defined in Section 147(a) of the Code) of interest on the Bonds for purposes of federal income taxation.

Section 5.09 Moneys Held; Investment of Moneys.

(a) All moneys from time to time received by the Bondowner Representative and held in the Funds and Accounts created by Section 5.01 of this Pledge Agreement (other than the

Rebate Fund) shall be held as security for the benefit of the Owners of the Bonds. All such moneys, including the moneys held in the Rebate Fund, shall be invested as provided in this Pledge Agreement.

(b) Any such investments of moneys within the Funds and Accounts shall be held by or under the control of the Bondowner Representative. A sufficient amount of such investments shall be liquidated whenever the cash balance in any Fund or Account is insufficient to pay an approved Requisition when presented. Any moneys held as a part of the Funds and Accounts shall be invested or reinvested, to the extent permitted by law, in Investment Securities at the request of and as directed in writing by an Authorized Representative of the Borrower.

Section 5.10 Investment Earnings. Earnings on investments held in the Loan Account, the Equity Account and the Insurance and Condemnation Proceeds Account shall be retained in the Loan Account, the Equity Account and the Insurance and Condemnation Proceeds Account, respectively, for application pursuant to Sections 5.02, 5.03 and 5.04 hereof. Earnings on all investments held in the Revenue Fund shall be retained in the Revenue Fund for application pursuant to Section 5.07 hereof. Earnings on investments held in the Rebate Fund shall be retained therein and applied in the manner prescribed by Section 5.08 hereof.

Section 5.11 Covenants Respecting Arbitrage and Rebate. If the Bondowner Representative elects to establish and create Funds and Accounts, the Bondowner Representative shall keep and make available to the Borrower such records concerning the investment of the gross proceeds of the Bonds and the investments of earnings from those investments as may be requested by the Borrower in order to enable the Borrower to fulfill the requirements of Section 148(f) of the Code.

Section 5.12 Records. The Bondowner Representative shall keep and maintain adequate records pertaining to the Funds and Accounts established hereunder, including all deposits to and disbursements from said funds and accounts. The Bondowner Representative shall retain in its possession all such records and all records of principal and interest paid on the Bonds, subject to the inspection of the Borrower, the Issuer, the Bondowner Representative and the Owners of the Bonds and their representatives at all reasonable times and upon reasonable prior notice.

Section 5.13 Reports From the Trustee or the Bondowner Representative. Upon the appointment of a Trustee pursuant to Section 10.14 hereof, the Trustee shall, on or before the tenth (10th) day of each month and annually, file with the Bondowner Representative, the Servicer, the Borrower and the Issuer a statement setting forth in respect to the preceding calendar month or year:

(a) the amount withdrawn or transferred by it and the amount deposited within or on account of each Fund and Account held by it under the provisions of this Pledge Agreement, including the amount of investment income on each Fund and Account;

(b) the amount on deposit with it at the end of such month to the credit of each Fund and Account;

(c) a brief description of all obligations held by it as an investment of moneys in each such Fund and Account;

(d) the amount applied to the purchase or redemption of Bonds and a description of the Bonds or portions of Bonds so purchased or redeemed; and

(e) any other information which the Borrower, the Servicer or the Issuer may reasonably request and to which the Trustee has access in the ordinary course of its operations.

The Issuer acknowledges that, to the extent that regulations of the Comptroller of the Currency or any other applicable regulatory agency grant the Issuer the right to receive brokerage confirmations of securities transactions as they occur, the Issuer specifically waives the right to receive such confirmations. Upon the written request of any Owner or Owners of twenty-five percent (25%) or more in aggregate principal amount of Bonds then Outstanding, the Trustee, at the cost of the Borrower, shall provide a copy of such statement to the Owners of the Bonds. All records and files pertaining to the Collateral shall be open at all reasonable times to the inspection of the Servicer and its agents and representatives upon reasonable prior notice.

Upon 15 Business Days notice by the Servicer or the Issuer, the Bondowner Representative or the Trustee, as applicable, shall provide a statement to the Servicer and the Issuer setting forth the current amount of Bonds Outstanding.

ARTICLE VI

MANDATORY REDEMPTION EVENTS AND EVENTS OF DEFAULT; REMEDIES

Section 6.01 Mandatory Redemption Event. Each of the following events is hereby declared a mandatory redemption event (“Mandatory Redemption Event”) under this Pledge Agreement:

(a) The failure to pay any installment of principal or the redemption price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(b) During the Variable Rate Period, the failure to pay any installment of interest on any Bond payable hereunder within five (5) calendar days after the Borrower’s receipt of notice of the amount due and payable;

(c) During the Fixed Rate Period, the failure to pay any installment of interest on any Bond when and as the same shall become due and payable; or

(d) The Bondowner Representative shall have received written notice from the Issuer that a default under the Regulatory Agreement has occurred and is continuing past any applicable notice and cure periods.

Section 6.02 Remedies. If any Mandatory Redemption Event shall have occurred and be continuing without redemption as provided in Section 4.1(i) of this Pledge Agreement, the Bondowner Representative shall promptly give notice to the Issuer and shall have all rights, powers, and remedies with respect to the Collateral as are available under the Uniform Commercial Code applicable thereto or as are available under any other applicable law at the time in effect and, without limiting the generality of the foregoing, the Bondowner Representative may, upon written direction by the Servicer, proceed at law or in equity or otherwise, to the extent permitted by applicable law:

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

(b) to take such actions as it may deem appropriate to enforce the Note and the Loan Agreement, including, without limitation, foreclosure (by judicial action or by trustee’s sale) of the Mortgage and any other collateral security for Borrower’s obligations under the Note and the Loan Agreement;

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

(d) to take such steps to protect and enforce its rights whether by action, suit or proceeding in equity or at law for the specific performance of any covenant, condition or agreement in the Bonds, this Pledge Agreement or the Loan Agreement, or in and of the

execution of any power herein granted, or for enforcement of any other appropriate legal or equitable remedy or otherwise as the Bondowner Representative may elect.

Section 6.03 In Lieu of Acceleration. Notwithstanding any provision of this Pledge Agreement, no Mandatory Redemption Event shall constitute an Event of Default hereunder. If there is an Event of Default under and as defined in the Loan Agreement of which the Bondowner Representative has actual knowledge or otherwise a failure of the Borrower to make payments on the Loan sufficient to provide funds to make all payments due on the Bonds and all other amounts payable hereunder, which would result in a Mandatory Redemption Event, the Bonds shall be subject to mandatory redemption pursuant to Section 4.01(i) hereof. Upon any such mandatory redemption of the Bonds, the Outstanding Bonds shall be redeemed as of the date of mandatory redemption as set forth in this section. Upon such redemption date, the Bonds shall cease to bear interest, the Issuer shall transfer and assign all funds and assets pledged to secure the Bonds (being any Collateral then held by the Bondowner Representative or the Issuer, including, without limitation, the Note, the Loan Agreement, all other Loan Documents and the Mortgage) to the Bondowner Representative for distribution to the Owners as payment of the redemption price of the Bonds, the Owners shall have no further rights against the Issuer hereunder, and such redemption shall constitute payment in full and cause the cancellation of the Bonds, notwithstanding that amounts so distributed may be insufficient to pay the outstanding principal amount of the Bonds, any premium, and accrued interest thereon. The Bondowner Representative shall liquidate, distribute, assign and transfer such funds and assets in accordance with the written direction of the Servicer.

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

Section 6.04 Event of Default. An event of default (an “Event of Default”) shall have occurred hereunder if the Issuer shall fail to perform or observe any other covenant, agreement or condition on its part contained in this Pledge Agreement or in the Bonds, and such failure shall continue for a period of sixty (60) days after written notice thereof to the Issuer and the Borrower by the Bondowner Representative or by the Owners of not less than twenty-five percent (25%) in principal amount of the Bonds Outstanding.

Section 6.05 Continuance of Obligations Upon Event of Default Notwithstanding any other provision of this Pledge Agreement, upon the occurrence and continuance of any Event of Default caused by or resulting from action, inaction or other condition on the part of the Issuer, then, unless otherwise specified to the contrary by the Majority Owner (a) the Bonds shall, to the extent possible under the law and in the best interests of the Owner of the Bonds, for all purposes remain outstanding and shall continue in full force and effect, (b) the Bondowner Representative shall not take possession of the Collateral, become mortgagee of record for the Loan or otherwise exercise its remedies hereunder or at law, (c) the Servicer shall, to the extent possible under the law and in the best interests of the Owner of the Bonds, continue to service the Loan as mortgagee of record, and (d) the Bondowner Representative shall continue to service and administer the Bonds in accordance herewith until retirement of the Bonds.

Section 6.06 Additional Remedies and Enforcement of Remedies. Upon the occurrence and continuation of any Mandatory Redemption Event or Event of Default, the Bondowner Representative, if and to the extent directed by the Servicer, may proceed forthwith to protect and enforce its rights and the rights of the Owners under the Act, the Bonds and this Pledge Agreement by such suits, actions or proceedings as the Servicer, in its sole discretion, shall deem expedient.

Section 6.07 Remedies Not Exclusive. No remedy by the terms of this Pledge Agreement conferred upon or reserved to the Bondowner Representative or the Owners of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Pledge Agreement or existing at law or in equity or by statute (including the Act) on or after the date of adoption of this Pledge Agreement.

Section 6.08 Remedies Vested in Bondowner Representative and Servicer. All rights of action (including the right to file proof of claims) under this Pledge Agreement or under any of the Bonds may be enforced by the Bondowner Representative and the Servicer without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Subject to the rights of the Servicer to direct proceedings hereunder, any such suit or proceeding instituted by the Bondowner Representative shall be brought in its name under the authority herein granted without the necessity of joining as plaintiffs or defendants any Owners of the Bonds. Any recovery of judgment shall be for the equal benefit of the Owners of the Outstanding Bonds.

Section 6.09 Individual Bond Owners Action Restricted.

(a) No Owner of any Bond other than the Servicer (if it is the Owner of any Bond) or the Majority Owner shall have any right to institute any suit, action or proceeding in equity or at

law for the enforcement of this Pledge Agreement or for any remedy under this Pledge Agreement.

(b) Nothing contained in this Pledge Agreement shall affect or impair, or be construed to affect or impair, the right of the Owner of any Bond (i) to receive payment of the principal of or interest on such Bond on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Owner of any Bond may institute or prosecute any such suit or enter judgment therein, if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein, under applicable law, would result in the surrender, impairment, waiver or loss of the lien of this Pledge Agreement on the moneys, funds and properties pledged under this Pledge Agreement for the equal and ratable benefit of all Owners of the Bonds appertaining thereto.

Section 6.10 Termination of Proceedings. In case any proceeding taken by the Servicer or by the Bondowner Representative at the direction of the Servicer on account of any Mandatory Redemption Event or Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Owners of the Bonds, the Issuer, the Bondowner Representative, the Borrower and the Owners of the Bonds shall be restored to their former positions and rights under this Pledge Agreement, and all rights, remedies and powers of the such parties shall continue as if no such proceeding had been taken.

Section 6.11 Waiver and Non-Waiver of Mandatory Redemption Event or Event of Default .

(a) No delay or omission of the Bondowner Representative, the Servicer or the Owners of the Bonds to exercise any right or power accruing upon any Mandatory Redemption Event or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Mandatory Redemption Event or Event of Default or an acquiescence therein. Every power and remedy given by this Article VI to any party may be exercised from time to time and as often as may be deemed expedient.

(b) In case of any waiver by the Bondowner Representative, acting upon the direction of the Servicer, of a Mandatory Redemption Event or Event of Default under this Pledge Agreement, the Issuer, the Bondowner Representative and the Owners of the Bonds shall be restored to their former positions and rights under this Pledge Agreement, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Section 6.12 Servicer Controls Proceedings. If a Mandatory Redemption Event or Event of Default shall have occurred and be continuing, notwithstanding anything in this Pledge Agreement to the contrary, the Servicer shall have the right, at any time, by an instrument in writing executed and delivered to the Bondowner Representative, to direct the method and place of conducting any proceedings to be taken in connection with the enforcement of the terms and conditions of this Pledge Agreement or any other proceedings under this Pledge Agreement and subject to Section 7.02 of this Pledge Agreement; provided, however, that such direction is in accordance with law and the provisions of this Pledge Agreement; provided that nothing in this Section 6.12 shall impair the right of the Bondowner Representative in its discretion to take any

other action under this Pledge Agreement which it may deem proper and which is not inconsistent with such direction by the Servicer, nor shall it impair the Issuer's right to direct the Bondowner Representative to the extent permitted by Section 6.02.

ARTICLE VII

CONCERNING THE BONDOWNER REPRESENTATIVE

Section 7.01 Bondowner Representative; Appointment and Acceptance of Duties.

(a) There shall at all times be a Bondowner Representative hereunder which shall be (a) Banc of America Public Capital Corp, prior to the Conversion Date, (b) CCRC, on and after the Conversion Date, unless a Trustee is appointed pursuant to Section 10.14 hereof, (c) or any Trustee appointed to Section 10.14 hereof.

(b) Unless otherwise provided, the offices of the Bondowner Representative are designated as the respective offices or agencies of the Bondowner Representative for the authentication and delivery of Bonds.

Section 7.02 Responsibilities of Bondowner Representative.

(a) The recitals of fact herein and in the Bonds contained (other than the certificate of authentication) shall be taken as the statements of the Issuer and the Bondowner Representative assumes no responsibility for the correctness of the same. The Bondowner Representative makes no representations as to the validity or sufficiency of this Pledge Agreement or of any Bonds issued hereunder or as to the security afforded by this Pledge Agreement, and the Bondowner Representative shall incur no liability in respect thereof. The Bondowner Representative shall be under no responsibility or duty with respect to the application of any moneys properly paid to it except as provided herein or as otherwise expressly agreed by the Bondowner Representative. Except for the redemption of the Bonds under Section 4.01(j) hereof or the payment of principal and interest on the Bonds, the Bondowner Representative shall be under no obligation or duty to perform any act that would involve it in expense or liability or to institute or defend any suit in respect of this Pledge Agreement or to advance any of its own moneys, unless indemnified to its reasonable satisfaction. Subject to the provisions of subsection (b) of this Section 7.02, the Bondowner Representative shall not be liable in connection with the performance of its duties under this Pledge Agreement except for its own negligence or willful misconduct.

(b) The Bondowner Representative, prior to the occurrence of an Event of Default and after the curing of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Pledge Agreement. In case an Event of Default has occurred (and has not been cured within any applicable grace period) and subject to the rights of the Servicer with respect to control of remedies following an Event of Default hereunder, the Bondowner Representative shall exercise such of the rights and powers vested in it by this Pledge Agreement and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. Any provisions of this Pledge Agreement relating to action taken or to be taken by the Bondowner Representative or to evidence upon which the Bondowner Representative may rely shall be subject to the provisions of this Section 7.02.

(c) The Bondowner Representative shall cooperate fully with the Servicer in the enforcement and protection of the rights of the Owners of the Bonds to the fullest extent possible

under this Pledge Agreement, the Loan Documents and applicable law. Toward this end, the Bondowner Representative shall take such action as directed by the Servicer, including foreclosure of the Property under the Mortgage, suit for specific performance of the Loan Documents or for damages for nonperformance thereof and assignment of the Loan Documents to the Owners of the Bonds for purposes of enforcing the rights of the Owners of the Bonds; provided, that without the prior written consent of the Issuer, the Servicer shall give the Bondowner Representative no direction as to the enforcement of the Reserved Rights, which shall, except with the prior written consent of the Issuer, be enforceable only by the Issuer.

(d) The Bondowner Representative shall not take any discretionary action under the Loan Documents (although approval or disapproval of disbursement of Loan proceeds and investment earnings thereon under the Loan Agreement shall be made in accordance with the terms of Article V hereof) without the written approval of the Servicer and shall, subject to the proviso of paragraph (c) of this section, take such discretionary action permitted or required under the Loan Documents, as may be directed in writing by the Servicer.

(e) The Bondowner Representative shall notify the Servicer of any notification received by the Bondowner Representative under or pursuant to the Loan Documents promptly after receipt of said notice.

(f) If a Mandatory Redemption Event or an Event of Default occurs and is continuing hereunder and if the Bondowner Representative has received written notice thereof or is deemed to have notice pursuant to this Pledge Agreement, the Bondowner Representative shall give to all Owners, the Issuer and the Borrower written notice of such default or Event of Default within thirty (30) days after receipt of such information. For the purpose of this Section 7.02 only, the term “**default**” means any event which is, or after notice or lapse of time or both would become, a Mandatory Redemption Event under Section 6.01 hereof or an Event of Default under Section 6.04.

(g) Promptly upon receipt of notice of the occurrence of a Determination of Taxability, the Bondowner Representative shall give immediate telephonic notice, promptly confirmed in writing, to the Borrower, the Issuer, the Owners and former Owners (provided that the Bondowner Representative shall not be obligated to maintain records of such former Owners or to retain records relating to such former Owners for more than six years).

(h) The Bondowner Representative shall not be required to take notice or be deemed to have notice of any Mandatory Redemption Event or Event of Default hereunder or under the Loan Agreement except for the Mandatory Redemption Event referred to in Section 6.01(a) or (b) hereof, unless the Bondowner Representative shall have received written notice of such Mandatory Redemption Event or Event of Default by the Issuer, the Borrower, the Servicer or by the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

Section 7.03 Evidence on Which Bondowner Representative May Act.

(a) The Bondowner Representative, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of this Pledge Agreement, shall examine such instrument to determine

whether it conforms to the requirements of this Pledge Agreement and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Bondowner Representative may consult with counsel selected by it in respect of any action taken or suffered by the Bondowner Representative under this Pledge Agreement.

(b) Except as otherwise expressly provided in this Pledge Agreement, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision of this Pledge Agreement by the Issuer to any Bondowner Representative shall be sufficiently executed if executed in the name of the Issuer by an Authorized Representative of the Issuer.

Section 7.04 Compensation; No Bondowner Representative Liens. The Borrower shall pay to the Bondowner Representative, as provided in the Loan Agreement, from time to time reasonable compensation for all services rendered under this Pledge Agreement and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under this Pledge Agreement, provided that the Bondowner Representative shall not have a lien therefor on any moneys or Investment Securities at any time held or received by it under this Pledge Agreement.

Section 7.05 Certain Permitted Acts. The Bondowner Representative may become the owner of any Bonds with the same rights it would have if it were not the Bondowner Representative. To the extent permitted by law, the Bondowner Representative may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of the Bonds or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Pledge Agreement, whether or not any such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

Section 7.06 Resignation of Bondowner Representative. The Bondowner Representative may resign at any time and be discharged of the duties and obligations created by this Pledge Agreement by giving not less than sixty (60) days' written notice to the Issuer, the Borrower and the Owners of the Bonds, provided that no resignation shall become effective until the acceptance of appointment by a successor Bondowner Representative as provided in Section 7.08 of this Pledge Agreement. If an instrument of acceptance by a successor Bondowner Representative shall not have been delivered to the Bondowner Representative within 60 days after the giving of such notice of resignation, the retiring Bondowner Representative may petition any court of competent jurisdiction for the appointment of a successor Bondowner Representative.

Section 7.07 Removal of Bondowner Representative or Trustee. The Bondowner Representative may be removed at any time by an instrument or concurrent instruments in writing, signed by all of the Owners and filed with the Issuer, the Bondowner Representative and the Borrower; provided that no removal shall become effective until the acceptance of appointment by a successor Bondowner Representative as provided in Section 7.08 of this Pledge Agreement. If a Trustee is appointed pursuant to Section 10.14 hereof, such Trustee may be removed at any time by an instrument or concurrent instruments in writing, signed by the

Issuer or by the Servicer (subject to the prior written consent of the Issuer, which consent shall not otherwise be unreasonably withheld or delayed, if such removal is not for cause) and filed with the Trustee, the Bondowner Representative and the Borrower; provided that no removal shall become effective until the acceptance of appointment by a successor Trustee as provided in Section 7.08 of this Pledge Agreement

Section 7.08 Appointment of Successor Bondowner Representative; Temporary Bondowner Representative. In case at any time the Bondowner Representative shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Bondowner Representative, or of its property, shall be appointed, or if any public officer shall take charge or control of the Bondowner Representative, or of its property or affairs, the Servicer shall appoint a successor Bondowner Representative, subject to the prior written consent of the Issuer (which consent shall not (A) be required if the appointed Bondowner Representative is the Majority Owner or its Affiliate and (B) be unreasonably withheld or delayed); provided that in the case of a Trustee, the Issuer shall appoint the successor Trustee, subject to the prior written consent of the Servicer (which consent shall not be unreasonably withheld or delayed).

Section 7.09 Transfer of Rights and Property to Successor Bondowner Representative. Any successor Bondowner Representative appointed under this Pledge Agreement shall execute, acknowledge and deliver to its predecessor, and also to the Issuer, the Servicer and to any Owner which shall request the same, an instrument accepting such appointment and thereupon such successor Bondowner Representative, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Bondowner Representative, with like effect as if originally named; but the Bondowner Representative ceasing to act nevertheless, shall execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as reasonably may be required for more fully and certainly vesting and confirming in such successor all the right, title and interest of the predecessor Bondowner Representative in and to any property held by it under this Pledge Agreement, and shall pay over, assign and deliver to the successor Bondowner Representative any money or other property subject to the conditions set forth in or pursuant to this Pledge Agreement. Should any deed, conveyance or instrument in writing from the Issuer be required by such successor Bondowner Representative for more fully and certainly vesting in and confirming any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing, on request and so far as may be authorized by law, shall be executed, acknowledged and delivered by the Issuer.

Section 7.10 Merger or Consolidation of Bondowner Representative. Any company into which the Bondowner Representative may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it may be party or any company to which the Bondowner Representative may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, and shall be authorized by law to perform all the duties imposed upon it by this Pledge Agreement, shall be the successor to the Bondowner Representative without the execution or filing of any paper or the performance of any further act.

Section 7.11 Servicer. The Majority Owner may (but shall not be obligated to) appoint (with prompt notice thereof to the Issuer and the Borrower) a mortgage servicer to service the Loan for all or a portion of the term of the Loan. The Servicer shall signify its acceptance of the duties and obligations imposed upon it by this Pledge Agreement by executing the Servicing Agreement. Any Servicer appointed hereunder may be removed at any time, with or without cause, by the Majority Owner, by written notice to the Issuer, the Bondowner Representative, the Borrower and the Servicer. At any time when a Servicer has not been appointed or when a Servicer has been removed without appointment of a successor Servicer, pursuant to this Section 7.11, all references in this Pledge Agreement and in the Loan Documents to the Servicer shall be deemed to refer to the Majority Owner. The Servicer may, with the prior written consent of the Majority Owner, appoint an agent as subservicer to perform the duties of the Servicer under the Servicing Agreement.

Section 7.12 Regulatory Agreement Fees. The Bondowner Representative acknowledges the terms and conditions set forth in Section 7(h) of the Regulatory Agreement, and covenants to give written notification to the Borrower of fees due to the Issuer from the Borrower pursuant to said Section 7(h) not less than 15 days prior to the due dates thereof. Upon receipt of such fees from the Borrower, the Bondowner Representative shall transfer such payments to the Issuer. In the event that said fees are not paid by the Borrower to the Bondowner Representative as required by Section 7(h) of the Regulatory Agreement, the Bondowner Representative shall promptly notify the Borrower, with a copy of such notification given to the Issuer, of the Borrower's failure to pay said fees and demand immediate payment of said fees to the Bondowner Representative. In no event shall the Bondowner Representative be liable to the Issuer for the failure of the Borrower to make the payments described in this Section 7.12. The Bondowner Representative further acknowledges that in order to preserve the tax-exempt status of the Bonds, the Borrower must comply with requirements for rebate of excess investment earnings to the federal government to the extent applicable. The Bondowner Representative agrees to use commercially reasonable efforts to send the Borrower a notification or reminder of its obligation to rebate excess earnings by December 1 of each fifth year, commencing December 1, 2014. However, in no event shall the Bondowner Representative be liable to the Issuer or the Borrower for the failure to so notify or remind the Borrower.

ARTICLE VIII

AMENDMENTS AND SUPPLEMENTAL PLEDGE AGREEMENTS; AMENDMENTS OF ISSUER DOCUMENTS

Section 8.01 Supplemental Pledge Agreements Not Requiring Consent of Owners of Bonds. The Issuer and the Bondowner Representative may, without the consent of, or notice to, the Owners of any Bonds (but only with the prior written consent of the Servicer, if any one person or entity owns at least fifty-one percent (51%) in aggregate principal amount of the Outstanding Bonds, and with notice to the Servicer and the Borrower), enter into one or more Supplemental Pledge Agreements for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Pledge Agreement;
- (b) to grant to or confer any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Owners of the Bonds or the Bondowner Representative, or to make any change which, in the judgment of the Bondowner Representative and the Servicer, is not to the prejudice of the Owners of the Bonds;
- (c) to subject to the pledge and lien of this Pledge Agreement additional revenues, properties and collateral;
- (d) to evidence the appointment of a separate Bondowner Representative or co-Bondowner Representative or the succession of a new Bondowner Representative; or
- (e) to modify, amend or supplement the provisions of this Pledge Agreement or any Supplemental Pledge Agreement relating to the holding or investing by the Bondowner Representative of moneys hereunder or thereunder in such manner as the Issuer may deem necessary or desirable to maintain the exclusion from gross income of Owners (other than an Owner who is a "substantial user" of the Project or a "related person" to a "substantial user," as defined in Section 147(a) of the Code) for purposes of federal income taxation of interest on the Bonds.

Section 8.02 Supplemental Pledge Agreements Requiring Consent of Owners of Bonds.

(a) Exclusive of Supplemental Pledge Agreements covered by Section 8.01 of this Pledge Agreement and subject to the terms and provisions contained in this Section 8.02, and not otherwise, neither the Issuer nor the Bondowner Representative shall enter into any amendment, change or modification of this Pledge Agreement without the prior written consent of the Owners of not less than two-thirds in aggregate principal amount of the Bonds then Outstanding; provided, however, that nothing in this Section 8.02 contained shall permit, or be construed as permitting, without the consent of the Owners of all of the Bonds, (i) an extension of the maturity date of the principal of or the interest on any Bond, (ii) a reduction in the principal amount of any Bond or the rate of interest thereon, (iii) change in a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the percentages of the Owners of the Outstanding Bonds required for consent to such Supplemental Pledge Agreement, (v) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding or

(vi) any reduction of the powers, rights, obligations, duties, remedies, immunities and privileges of the Bondowner Representative.

(b) If at any time the Issuer and the Bondowner Representative shall desire to execute and deliver a Supplemental Pledge Agreement for any of the purposes of this Section 8.02, the Bondowner Representative shall, upon being provided with reasonably satisfactory arrangements for payment of its fees and expenses, cause notice of the proposed execution of such Supplemental Pledge Agreement to be mailed by registered or certified mail to each Owner of the Bonds. Such notice shall briefly set forth the nature of the proposed Supplemental Pledge Agreement and shall state that copies thereof are on file at the Principal Office of the Bondowner Representative for inspection by all Owners of the Bonds. If within 60 days or such longer period as shall be prescribed by the Issuer following the giving of such notice, the Owners of not less than two-thirds in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Pledge Agreement shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Issuer from adopting the same or from taking any action pursuant to the provisions thereof. Subject to Section 8.04 hereof, upon the execution of any such Supplemental Pledge Agreement as in this Section 8.02 permitted and provided, this Pledge Agreement shall be and be deemed to be modified and amended in accordance therewith.

Section 8.03 Reliance on Opinion of Counsel. The Bondowner Representative and the Issuer shall be entitled to rely upon an opinion of Counsel stating that a Supplemental Pledge Agreement is authorized or permitted by this Pledge Agreement, and prior to the execution and delivery of any Supplemental Pledge Agreement, the Bondowner Representative, the Issuer, the Servicer shall be furnished with an opinion of Bond Counsel stating that the provisions of such Supplemental Pledge Agreement will not cause the interest on the Bonds to be includable in gross income of Owners (other than an Owner who is a “substantial user” of the Project or a “related person” to a “substantial user,” as defined in Section 147(a) of the Code) for purposes of federal income taxation.

Section 8.04 Consents Required. Anything herein to the contrary notwithstanding, a Supplemental Pledge Agreement described in Section 8.02 hereof which adversely affects any rights of the Borrower, the Servicer or the Bondowner Representative shall not become effective unless and until the affected party shall have consented in writing to the execution and delivery of such Supplemental Pledge Agreement. In this regard, the Bondowner Representative shall cause notice of the proposed execution and delivery of any Supplemental Pledge Agreement together with a copy of the proposed Supplemental Pledge Agreement to be mailed as provided in Section 4.05 with respect to the redemption of Bonds to the Borrower and the Servicer at least ten (10) days before the date of its proposed execution and delivery.

Section 8.05 Amendments of Loan Documents Not Requiring Consent of Owners of Bonds. The Issuer, the Bondowner Representative and the Borrower may, without the consent of or notice to any of the Owners of Bonds (but only with the consent of the Servicer) enter into any amendment, change or modification of any of the Loan Documents as may be required (a) by the provisions of the Loan Agreement or this Pledge Agreement, (b) for the purpose of curing any

ambiguity or formal defect or omission therein, (c) so as to add additional rights and remedies for the benefit of Owners of the Bonds, or (d) in connection with any other change therein which, in the judgment of the Bondowner Representative and the Servicer, is not to the prejudice of the Bondowner Representative or the Owners of the Bonds.

Section 8.06 Amendments of Loan Documents Requiring Consent of Owners of Bonds. Except for the amendments, changes or modifications as provided in Section 8.05 hereof, none of the Issuer, the Bondowner Representative or the Borrower shall enter into any other amendment, change or modification of the Loan Documents without the mailing of notice and the written approval or consent of the Owners of not less than 66-2/3% in aggregate principal amount of the Outstanding Bonds; provided, however, that nothing in this Section or Section 8.05 hereof shall permit or be construed as permitting without the consent of the Owners of all of the Bonds (a) an extension of the time of the payment of any amounts payable under the Loan Documents, or (b) a reduction in the amount of any payment or in the total amount due under the Loan Documents. If at any time the Issuer, the Bondowner Representative or the Borrower shall desire the consent to any such proposed amendment, change or modification, the Bondowner Representative shall, upon being satisfactorily indemnified with respect to fees and expenses, cause notice of such proposed amendment, change or modification to be mailed in the same manner as provided herein with respect to redemption of Bonds. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the Principal Office of the Bondowner Representative for inspection by all Owners of Bonds. If, within sixty (60) days, or such longer period as shall be prescribed by the Bondowner Representative as the case may be, following the mailing of such notice, the Owners of 66-2/3% in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such amendment, change or modification shall have consented to and approved the execution thereof as hereto provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Borrower or the Issuer or the Bondowner Representative as the case may be, from executing the same or from taking any action pursuant to the provisions thereof. The Issuer, or the Bondowner Representative as the case may be, shall have the right to extend from time to time the period within which such consent and approval may be obtained from Owners of the Bonds. Upon the execution of any such amendment, change or modification as in this Section permitted and provided, the Issuer Documents shall be and be deemed to be modified, changed and amended in accordance therewith.

ARTICLE IX

DISCHARGE

Section 9.01 Discharge of Pledge Agreement. If the Issuer shall pay, or there shall otherwise be paid, to the Owners of all Bonds the principal or redemption price, if applicable, and interest due thereon, at the times and in the manner stipulated therein and in this Pledge Agreement and if all Bondowner Representative Expenses and all amounts payable to the Issuer for its own account (including expenses and indemnification) shall be paid in full, then the pledge of revenues, other moneys and securities under this Pledge Agreement, and all covenants, agreements and other obligations of the Issuer to the Owners of Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Bondowner Representative shall cause an accounting for such period or periods as shall be requested by the Issuer to be prepared and filed with the Issuer and, upon the request of the Issuer, shall execute and deliver to the Issuer and the Borrower all such instruments as may be desirable to evidence such discharge and satisfaction, and the Bondowner Representative shall pay over or deliver as provided in Article V hereof all moneys or securities held by them pursuant to this Pledge Agreement (except as otherwise specified in Section 5.08) after the payment of principal or redemption price, if applicable, of or interest on Bonds. Notwithstanding the foregoing, upon such discharge the provisions of this Pledge Agreement relating to the Rebate Fund and Section 5.18(c) of the Loan Agreement shall continue in effect.

Section 9.02 Discharge by Delivery. The obligation to pay the principal of and interest on all or any portion of the Bonds (the “**Bond Obligations**”) may be discharged by the delivery of the Bonds to the Bondowner Representative accompanied by written direction from the Owner(s) thereof to cancel such Bonds without payment (except as provided hereafter in this Section 9.02), and upon such delivery, such Bond Obligations shall be canceled and deemed paid. In the event only a portion of the Bond Obligations shall be canceled and deemed paid pursuant to the terms of this Section 9.02, those Bond Obligations which are not so canceled and deemed paid shall remain Outstanding for all purposes of this Pledge Agreement; provided that if all Outstanding Bonds shall be delivered to the Bondowner Representative in accordance with the terms of this Section 9.02 and all of the requirements for the discharge of this Pledge Agreement (other than the payment of Bond Obligations) shall be paid and satisfied in full, then the Bondowner Representative shall discharge and release the lien of this Pledge Agreement, assign to the Owner(s) of the Bonds all right, title and interest of the Bondowner Representative in and to the Note, the Loan Agreement and the other Loan Documents, deliver to the Owner(s) of the Bonds all moneys and securities held by the Bondowner Representative pursuant to this Pledge Agreement (except as otherwise specified in Section 5.08) up to an amount necessary to pay in full all of the principal of and interest on the Bonds through such cancellation and any other amounts due under the Loan Documents, and execute and deliver such releases or other instruments requisite to release the lien hereof.

Section 9.03 Discharge by Deposit. The obligation to pay the principal of and interest on all or a portion of the Bonds may be discharged, with the prior written consent of the Majority Owner in its sole and absolute discretion, if the Issuer or the Borrower has deposited or caused to be deposited with the Bondowner Representative cash and/or Government Obligations which do not permit the redemption thereof at the option of the issuer thereof, the principal of and interest

on which when due (or upon the redemption thereof at the option of the Owner), will, without reinvestment, provide cash which together with the cash, if any, on deposit with the Bondowner Representative at the same time, shall be sufficient, to pay and discharge the entire indebtedness on Bonds not theretofore canceled by the Bondowner Representative or delivered to the Bondowner Representative for cancellation by the payment of interest on and principal of the Bonds which have become due and payable or which shall become due at their stated maturity or redemption date, as the case may be (the “**Defeasance Collateral**”), and which are to be discharged under the provisions hereof, and has made arrangements satisfactory to the Bondowner Representative for the giving of notice of redemption, if any, by the Bondowner Representative in the name, and at the expense, of the Borrower. If the period over which payments will be made from the Defeasance Collateral is greater than ninety (90) days, the Borrower must also deliver to the Bondowner Representative a verification report prepared by a certified public accountant, with respect to the sufficiency of the Defeasance Collateral to make such payments. In addition, to discharge the obligation to pay the principal and interest on the Bonds pursuant to this Section 9.03, the Issuer or the Borrower must (i) obtain an opinion of Bond Counsel addressed to the Issuer and the Bondowner Representative to the effect that all actions have been taken to cause the defeasance of this Pledge Agreement and such actions will not adversely affect the excludability of interest on the Bonds for federal income tax purposes under existing law, (ii) provide written notice to the Servicer of such discharge at least thirty (30) days in advance, and (iii) the prior written consent of the Majority Owner.

ARTICLE X

MISCELLANEOUS

Section 10.01 Evidence of Signatures of Bond Owners and Ownership of Bonds.

(a) Any request, consent, revocation of consent or other instrument that this Pledge Agreement may require or permit to be signed and executed by the Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner of the Bonds or his attorney of such instruments may be proved by a guaranty of the signature thereon by a bank, trust company or national banking association or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature guaranty, certificate or affidavit also shall constitute sufficient proof of his authority.

(b) The ownership of Bonds and the amount, numbers and other identification, and date of holding the same, shall be proved by the registry books maintained by the Bondowner Representative.

(c) Any request or consent by the Owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Issuer or any Bondowner Representative in accordance therewith.

Section 10.02 Bonds Not an Obligation of the State or Any Political Subdivision.

(a) The Bonds and the interest thereon are limited obligations of the Issuer, payable solely from the Collateral, which is hereby specifically assigned and pledged to such purposes in the manner and to the extent provided herein. Neither the County of Los Angeles, the State, nor any political subdivision thereof (except the Issuer, to the limited extent set forth herein) nor any public agency shall in any event be liable for the payment of the principal of, premium (if any) or interest on the Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever except as set forth herein, and none of the Bonds or any of the Issuer's agreements or obligations shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of or a moral obligation of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever.

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

circumstances be obligated to pay the Bonds except from the Collateral.

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

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

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

(f) Anything in this Pledge Agreement to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that (i) the Issuer may rely conclusively on the truth and accuracy of any certificate, opinion, notice, or other instrument furnished to the Issuer by the Bondowner Representative or the Borrower as to the existence of any fact or state of affairs required hereunder to be noticed by the Issuer; (ii) the Issuer shall not be under any obligation hereunder to perform any record keeping or to provide any legal services; and (iii) none of the provisions of this Pledge Agreement shall require the Issuer to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers hereunder, unless it shall first have been adequately indemnified to its satisfaction against the cost, expenses, and liability which may be incurred thereby.

Section 10.03 Preservation and Inspection of Documents. All documents received by any Bondowner Representative under the provisions of this Pledge Agreement shall be retained in its possession and shall be subject at all reasonable times and upon reasonable prior notice to the inspection of the Issuer, any other Bondowner Representative, and any Owner of the Bonds and their agents and their representatives, any of whom may make copies thereof.

Section 10.04 Parties Interested Herein. Nothing in this Pledge Agreement expressed or implied is intended or shall be construed to confer upon, or to give to, any Person, other than the Issuer, the Bondowner Representative, the Servicer, the Borrower and the Owners of the Bonds, any right, remedy or claim under or by reason of this Pledge Agreement or any covenant, condition or stipulation of this Pledge Agreement; and all the covenants, stipulations, promises and agreements in this Pledge Agreement shall be for the sole and exclusive benefit of the Issuer, the Bondowner Representative, the Servicer, the Borrower and the Owners of the Bonds.

Section 10.05 No Recourse on the Bonds. No recourse shall be had for the payment of the principal or redemption price or purchase price of or interest on the Bonds or for any claim based thereon or on this Pledge Agreement or any other Issuer Document or the Loan Documents against any officer, employee or agent of the Issuer or any person executing the Bonds.

Section 10.06 Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in this Pledge Agreement on the part of the Issuer or any Bondowner Representative to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and in no way shall affect the validity of the other provisions of this Pledge Agreement.

Section 10.07 Successors. Whenever in this Pledge Agreement the Issuer is named or referred to, it shall be deemed to include any entity that may succeed to the principal functions and powers of the Issuer under the Act, and all the covenants and agreements contained in this Pledge Agreement by or on behalf of the Issuer shall bind and inure to the benefit of said successor whether so expressed or not.

Section 10.08 Notices, Demands and Requests. Except as otherwise provided in Section 4.05, all notices, demands and requests to be given or made under this Pledge Agreement to or by the Issuer or the Bondowner Representative shall be in writing and shall be sufficiently given and shall be deemed given (a) three days after mailing by certified mail, first-class, postage prepaid; (b) the Business Day after sending by expedited overnight delivery service; (c) the date of receipt if delivered by personal delivery; (d) if sent by facsimile transmission, the date of transmission, if receipt of such transmission is telephonically confirmed on such day and addressed to the Notice Address of the respective addressee. Either the Issuer or the Bondowner Representative may change the Notice Address listed for it at any time upon written notice of such change sent by United States mail, postage prepaid, to the other party, which change shall be effective upon receipt.

Section 10.09 Applicable Law. This Pledge Agreement shall be governed exclusively by the applicable laws of the State.

Section 10.10 Table of Contents and Section Headings Not Controlling. The Table of Contents and the headings of the several Articles and Sections of this Pledge Agreement have been prepared for convenience of reference only and shall not control, affect the meaning of, or be taken as an interpretation of any provision of this Pledge Agreement.

Section 10.11 Exclusion of Bonds. Bonds owned or held by or for the account of the Issuer or the Borrower shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Pledge Agreement, and the Issuer and the Borrower shall not be entitled with respect to such Bonds to give any consent or take any other action provided for herein, unless all of the Outstanding Bonds are then owned by such Person.

Section 10.12 Tax Certificate Controls. In any matter relating to the exclusion of interest on the Bonds from gross income for federal income tax purposes, the terms and provisions of the Tax Certificate shall control in the event of any conflict between this Pledge Agreement and the Tax Certificate.

Section 10.13 Exemption from Liability No covenant, condition or agreement contained herein shall be deemed to be a covenant, agreement or obligation of any present or future officer, director, employee or agent of the Issuer or the Bondowner Representative in his individual capacity, and neither the officers, directors, employees or agents of the Issuer or the Bondowner Representative executing the Bonds or this Pledge Agreement shall be liable personally on the Bonds or under this Pledge Agreement or be subject to any personal liability or accountability by reason of the issuance of the Bonds or the execution of this Pledge Agreement.

Section 10.14 Appointment of a Trustee. At the written direction of the Bondowner Representative, the parties hereto may deliver a Supplemental Pledge Agreement appointing a trustee qualified to accept and administer the trusts created thereby (the "Trustee"). Prior to the execution and delivery of any Supplemental Pledge Agreement appointing a Trustee, the Bondowner Representative, the Issuer and the Servicer shall be furnished with an opinion of Bond Counsel stating that the provisions of such Supplemental Pledge Agreement will not cause the interest on the Bonds to be includable in gross income of the Owners (other than an Owner who is a "substantial user" of the Project or a "related person" to a "substantial user," as defined in Section 147(a) of the Code) for purposes of federal income taxation. Upon the appointment of a Trustee, this Pledge Agreement shall be deemed to be converted into a Trust Indenture, and all references to the Bondowner Representative in the Issuer Documents and the Loan Documents shall be deemed to refer to the Trustee. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Pledge Agreement by executing the Supplemental Pledge Agreement thereto. Until the execution of a Supplemental Pledge Agreement appointing a Trustee, the parties hereto agree that there is no trustee appointed under this Pledge Agreement. In the event that there is ever deemed to be a Trustee by a court or otherwise, the Bondowner Representative shall be deemed the Trustee. In no event shall the Issuer ever be deemed to be the Trustee.

Section 10.15 Effective Date. This Pledge Agreement shall take effect immediately upon the execution and delivery by all of the parties hereto.

IN WITNESS WHEREOF, the Issuer has caused these presents to be executed in its name by its duly authorized official; and in token of its acceptance of the duties of the Bondowner Representative hereunder, the Bondowner Representative has caused these presents to be executed in its corporate name and with its corporate seal hereunto affixed and attested by its duly authorized representative, as of the date first above written.

ISSUER

THE HOUSING AUTHORITY OF THE
COUNTY OF LOS ANGELES

By: _____

Executive Director

APPROVED AS TO FORM:

ROBERT E. KALUNIAN

Acting County Counsel

By: _____

Deputy

[Signature Page – Bond Issuance and Pledge Agreement]

BONDOWNER REPRESENTATIVE:

BANC OF AMERICA PUBLIC CAPITAL CORP

By: _____
Authorized Signatory

[Signature Page – Bond Issuance and Pledge Agreement]

EXHIBIT A
FORM OF BOND

SUBJECT TO THE EXCEPTIONS SET FORTH IN SECTION 3.09 OF THE PLEDGE AGREEMENT (HEREINAFTER DEFINED), THE PURCHASER OF THIS BOND MUST BE A “QUALIFIED INSTITUTIONAL BUYER” WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND WILL BE REQUIRED TO EXECUTE AND DELIVER AN INVESTMENT LETTER AGREEMENT THAT WILL, AMONG OTHER THINGS RESTRICT TRANSFER OF THIS BOND.

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
MULTIFAMILY HOUSING REVENUE BONDS
(105TH & NORMANDIE APARTMENTS PROJECT),
2009 SERIES A

No. _____ \$[8,000,000]

Dated Date: [December __, 2009]

Registered Owner: Banc of America Public Capital Corp

Maturity Date: [Maturity Date]

Interest Rate: As stated below

The Housing Authority of the County of Los Angeles (hereinafter called the “**Issuer**”), a public body corporate and politic of the State of California (the “**State**”), for value received hereby promises to pay (but only from the sources and as hereinafter provided) to the Registered Owner specified above, or registered assigns, the principal amount set forth above, or so much of such maximum authorized principal amount as may have been purchased by the Owner of this Bond from time to time in accordance with the terms of this Bonds and Section 3.01(b) of the Pledge Agreement (described below) on the Maturity Date specified above, and to pay (but only from the sources and as hereinafter provided) interest on said principal amount at the interest rate set forth above, from and including the dated date hereof until the principal amount shall have been paid in accordance with the terms of this Bond and the Pledge Agreement, as and when set forth below, but only from the sources and in the manner and as hereinafter provided.

This Bond is one of an authorized series of Bonds of the Issuer designated The Housing Authority of the County of Los Angeles Multifamily Housing Revenue Bonds (105th & Normandie Apartments Project), 2009 Series A and issued in the aggregate face amount (maximum principal amount) of \$[8,000,000] (collectively, the “**Bonds**”). The Bonds are issued for the purpose of funding a loan to Normandie Senior Housing Partners, L.P., a California limited partnership (the “**Borrower**”), in order to finance a portion of the costs of the

construction and equipping of a 62-unit multifamily residential housing project in an unincorporated area of Los Angeles County, California (the “**Project**”).

THIS BOND IS BEING ISSUED AS A DRAW-DOWN BOND, IN THAT THE HOLDERS OF THE BONDS WILL PURCHASE THE PRINCIPAL AMOUNT OF THE BONDS IN INSTALLMENTS, AT PAR, IN ACCORDANCE WITH THE TERMS OF AND AS REQUIRED BY SECTION 3.01(b) OF THE PLEDGE AGREEMENT. ACCORDINGLY, THE PRINCIPAL AMOUNT OF THE BONDS WHICH HAVE BEEN PURCHASED BY THE HOLDERS AND ARE OUTSTANDING AT ANY GIVEN TIME MAY BE LESS THAN THE MAXIMUM PRINCIPAL AMOUNT OF THE BONDS AS SET FORTH ON THE FACE OF THIS BOND. UPON EACH PURCHASE OF A PORTION OF THE PRINCIPAL AMOUNT OF THE BONDS IN ACCORDANCE WITH THE TERMS OF SECTION 3.01(b) OF THE PLEDGE AGREEMENT, THE BONDOWNER REPRESENTATIVE (AS HEREINAFTER DEFINED) WILL NOTE ON A LOG MAINTAINED BY THE BONDOWNER REPRESENTATIVE FOR SUCH PURPOSE THE PRINCIPAL AMOUNT OF THE BONDS SO PURCHASED, THE DATE OF SUCH PURPOSE AND THE IDENTITY OF SUCH PURCHASER. THE RECORDS MAINTAINED BY THE BONDOWNER REPRESENTATIVE IN SUCH REGARD WILL BE CONCLUSIVE EVIDENCE OF THE PRINCIPAL AMOUNT OF THE BONDS WHICH HAVE BEEN PURCHASED AND ARE OUTSTANDING. IF PRESENTED TO THE BONDOWNER REPRESENTATIVE BY THE HOLDER OF THIS BOND, THE PRINCIPAL AMOUNT OF THE BONDS PURCHASED BY THE HOLDER OF THIS BOND WILL BE NOTED BY THE BONDOWNER REPRESENTATIVE ON SCHEDULE A ATTACHED TO THIS BOND.

PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THIS BOND IS REQUIRED TO BE MADE DIRECTLY TO THE REGISTERED OWNER HEREOF WITHOUT NOTATION HEREON. IT CANNOT BE DETERMINED FROM THE FACE OF THIS BOND WHETHER ALL OR ANY PART OF THE PRINCIPAL OF OR INTEREST ON THIS BOND HAS BEEN PAID.

This Bond is issued under and pursuant to the Bond Issuance and Pledge Agreement, dated as of December 1, 2009, between the Issuer and Banc of America Public Capital Corp (the “**Bondowner Representative**”) (as amended and supplemented from time to time, the “**Pledge Agreement**”), and the Act (as that term is defined in the Pledge Agreement). Reference is made to the Pledge Agreement and the Act for a full statement of their respective terms. Capitalized terms used herein and not otherwise defined herein have the respective meanings accorded such terms in the Pledge Agreement, which is hereby incorporated herein by reference. The Bonds issued under the Pledge Agreement are expressly limited to \$[8,000,000] in aggregate principal amount at any time Outstanding and are all of like tenor, except as to numbers and denominations. Pursuant to a Loan Agreement (the “**Loan Agreement**”) and a Promissory Note Secured by Deed of Trust (Construction Loan Converting to Term Loan) (the “**Note**”) dated as of December 1, 2009, the Borrower has agreed to make payments to the Bondowner Representative in amounts equal to amounts of principal of and interest on the Bonds.

THIS BOND AND THE INTEREST HEREON IS A LIMITED OBLIGATION OF THE ISSUER, PAYABLE SOLELY FROM THE COLLATERAL, WHICH IS HEREBY SPECIFICALLY ASSIGNED AND PLEDGED TO SUCH PURPOSES IN THE MANNER AND TO THE EXTENT PROVIDED HEREIN. NEITHER THE ISSUER, THE STATE, THE COUNTY OF LOS ANGELES NOR ANY OTHER POLITICAL SUBDIVISION OF THE STATE IS OBLIGATED TO PAY THIS BOND OR THE INTEREST HEREON EXCEPT FROM SUCH COLLATERAL. THE FAITH AND CREDIT OF THE ISSUER IS NOT PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE COUNTY OF LOS ANGELES, NOR OF ANY OTHER POLITICAL SUBDIVISION OF THE STATE, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR THE INTEREST ON THE BONDS, NOR IS THE ISSUER, THE COUNTY OF LOS ANGELES, THE STATE OR ANY PUBLIC AGENCY OR ANY POLITICAL SUBDIVISION OF THE STATE, IN ANY MANNER OBLIGATED TO MAKE ANY APPROPRIATION FOR SUCH PAYMENT.

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

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

Interest Rate. Interest shall be payable on the unpaid principal amount of this Bond, at the rate or rates set forth in the Note, in each case as calculated as set forth therein, on the first day of each month, commencing on [January 1, 2010].

Principal Payments. The principal of the Bonds shall be due and payable on the same dates and in the same amounts as the principal payments due and payable under the Note.

Corresponding Payments. All payments received by the Bondowner Representative under the Note shall be deemed due and owing on the Bonds to the same extent due and owing on the Note and, subject to the provisions of the Pledge Agreement, the payments or prepayments of principal, interest, shall be identical under the Bonds with and shall be made on the same terms and conditions as such payments made on the Note. Said payments by the Borrower under the Note shall be deemed to have been constructively received by the Owners as payments on the Bonds on the date of receipt by the Bondowner Representative under the Note. Payments shall be remitted to the Owner by the Bondowner Representative immediately.

Registration and Transfer. THIS BOND IS SUBJECT TO THE TRANSFER RESTRICTIONS SET FORTH IN SECTION 3.09 OF THE PLEDGE AGREEMENT. This Bond is transferable by the registered owner hereof in person or by his attorney duly authorized in writing at the office of the Bondowner Representative as registrar, but only in the manner, subject to the limitations and upon payment of the charges provided in the Pledge Agreement, and upon surrender and cancellation of this Bond. Upon such transfer a new registered Bond or Bonds, of any authorized denomination or denominations, of the same maturity and for the same aggregate principal amount will be issued to the transferee in exchange herefor. The Bonds are issuable as fully registered Bonds in Authorized Denominations as provided in the Pledge Agreement. The Issuer, the Bondowner Representative, and any other person may treat the person in whose name this Bond is registered on the books of registry as the Owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Bond be overdue, and no person shall be affected by notice to the contrary.

Redemption of Bonds. This Bond is subject to optional and mandatory redemption (and purchase in lieu of redemption by the Borrower) prior to maturity as a whole or in part at such time or times, under such circumstances, at such redemption prices and in such manner as is set forth in the Pledge Agreement.

Enforcement. Only the Servicer shall have the right to direct the Bondowner Representative to enforce the provisions of this Bond or the Pledge Agreement or to institute any action to enforce the covenants herein or therein, or to take any action with respect to any Mandatory Redemption Event or Event of Default under the Pledge Agreement, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Pledge Agreement. If a Mandatory Redemption Event or an Event of Default occurs and is continuing, the principal of all Bonds then outstanding may be declared due and payable by the Servicer upon the conditions and in the manner and with the effect provided in the Pledge Agreement. As provided in the Pledge Agreement, and to the extent permitted by law, interest and a penalty rate of interest shall be payable on unpaid amounts due hereon.

Discharge. The Pledge Agreement prescribes the manner in which it may be discharged and after which the Bonds shall be deemed to be paid and no longer be secured by or entitled to the benefits of the Pledge Agreement, except for the purposes of registration and exchange of Bonds and of such payment.

Modifications. Modifications or alterations of the Pledge Agreement, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Pledge Agreement.

This Bond shall not be valid or obligatory for any purpose until it shall have been signed on behalf of the Issuer and such signature attested, by the officer, and in the manner, provided in the Pledge Agreement, and authenticated by a duly authorized officer of the Bondowner Representative, as Authenticating Agent.

It is hereby certified and recited that all conditions, acts and things required by the statutes of the State or by the Act or the Pledge Agreement to exist, to have happened or to have been performed precedent to or in the issuance of this Bond exist, have happened and have been performed and that the issue of the Bonds, together with all other indebtedness of the Issuer, is within every debt and other limit prescribed by said statutes.

In the event of any inconsistency between the provisions of this Bond and the provisions of the Pledge Agreement, the provisions of the Pledge Agreement shall control.

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

THE HOUSING AUTHORITY OF THE
COUNTY OF LOS ANGELES

By: _____
Don Knabe
Chair, Los Angeles County

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

Deputy

FORM OF CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within mentioned Pledge Agreement and issued under the provisions of the within mentioned Pledge Agreement.

Banc of America Public Capital Corp

By _____
Signature

Printed Name

Title

Date of Authentication: _____

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within and hereby authorizes the transfer of this Bond on the registration books of the Bondowner Representative.

Dated: _____

Authorized Signature

Name of Transferee

Signature Guaranteed by

Name of Bank

By: _____

Title: _____

SCHEDULE A

[\$8,000,000]

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
MULTIFAMILY HOUSING REVENUE BONDS
(105TH & NORMANDIE APARTMENTS PROJECT),
2009 SERIES A

SCHEDULE OF DRAWINGS

Date	Draw Amount	Outstanding Principal Amount	Signature of Bondowner Representative

EXHIBIT B

FORM OF INVESTOR LETTER

_____, 20____

The Housing Authority of the County of Los Angeles
2 Coral Circle
Monterey Park, CA 91755
Attention: Manager, Housing Development and Preservation

Banc of America Public Capital Corp
333 South Hope Street, 11th Floor
Los Angeles, California 90071

Re: The Housing Authority of the County of Los Angeles Multifamily Housing Revenue Bonds (105th & Normandie Apartments Project), 2009 Series A

Ladies and Gentlemen:

The undersigned (the “**Investor**”) [as [custodian] [trustee] pursuant to a [custody agreement] [trust agreement] between [an affiliate of] the transferor of the Bonds, as [depositor] [trustor/grantor] and the Investor, as [custodian] [trustee] (the “**Custody Agreement**”)] hereby acknowledges receipt of \$_____ in aggregate principal amount of the above-referenced bonds (the “**Bonds**”).

The undersigned acknowledges that the Bonds were issued for the purpose of making a mortgage loan to assist in the financing of the construction and development of a certain 62-unit multifamily residential rental housing project located in an unincorporated area of Los Angeles County, California (the “**Project**”), as more particularly described in that certain Loan Agreement dated as of December 1, 2009 (the “**Loan Agreement**”), among The Housing Authority of the County of Los Angeles (the “**Issuer**”), Banc of America Public Capital Corp, as Bondowner Representative (the “**Bondowner Representative**”), and Normandie Senior Housing Partners, L.P., a California limited partnership (the “**Borrower**”). The undersigned further acknowledges that the Bonds are secured by a Bond Issuance and Pledge Agreement dated as of December 1, 2009 (the “**Pledge Agreement**”), between the Issuer and the Bondowner Representative, which creates a security interest in the collateral described therein (the “**Collateral**”) for the benefit of the Owners of the Bonds.

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

1. The Investor has authority to purchase the Bonds [as [custodian] [trustee] under the Custody Agreement] and to execute this letter and any other instruments and documents required to be executed by the Investor in connection with the purchase of the Bonds.

Exhibit B

2. [The Investor is the custodian/trustee under a custody agreement/trust agreement, which provides each beneficial owner of interests in the Bonds must be] [The Investor is] (i) a “qualified institutional buyer” (as defined in Rule 144A promulgated under the Securities Act of 1933, as amended), or (ii) a trust or custodial arrangement each of the beneficial owners of which is required to be a qualified institutional buyer.

3. The Bonds are being acquired [as custodian/trustee under the custody agreement/trust agreement described above] [by the Investor for investment] and not with a view to, or for resale in connection with, any distribution of the Bonds, and the Investor intends to hold the Bonds for its own account and for an indefinite period of time. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

4. The Investor understands that the Bonds are not registered under the Securities Act of 1933 and that such registration is not legally required as of the date hereof; and further understands that the Bonds (a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating service and (d) will be delivered in a form which is not be readily marketable.

5. The Investor understands that (a) the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the County of Los Angeles, the State of California or any political subdivision thereof and that the Issuer has no taxing power, (b) the Bonds do not and will not represent or constitute a general obligation or a pledge of the faith and credit of the Issuer, the County of Los Angeles, the State of California or any political subdivision thereof; and (c) the liability of the Issuer with respect to the Bonds is limited to the Collateral as set forth in the Pledge Agreement.

6. [The transferor of the Bonds (the “**Transferor**”) has represented to the Investor that it] [The Investor] has either been supplied with or been given access to information, including financial statements and other financial information, [which it considers necessary to make an informed decision to act as custodian/trustee in connection with the purchase of the Bonds] [to which a reasonable investor would attach significance in making investment decisions, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Borrower, the Project and the Bonds]. [The Transferor has represented to the Investor that it] [The Investor] has not relied upon the Issuer for any information in connection with its purchase of the Bonds.

7. The Investor acknowledges that neither the Issuer nor the Borrower has prepared an offering document with respect to the Bonds.

8. [The Transferor has represented to the investor that it][The Investor] has made its own inquiry and analysis with respect to the Bonds and the security therefor, and other material factors affecting the security and payment of the Bonds. [The Transferor has represented to the Investor that it] [The Investor] is aware that the business of the Borrower involves certain economic variables and risks that could adversely affect the security for the Bonds.

Exhibit B

9. Subject to the exceptions set forth in Section 3.09 of the Pledge Agreement, the Investor acknowledges that it has the right to sell and transfer the Bonds, in accordance with the terms of the Pledge Agreement, subject to the delivery to the Bondowner Representative of an investor's letter from the transferee in substantially the form attached to the Pledge Agreement as Exhibit B, with no revisions except as may be approved in writing by the Issuer.

10. The Investor has received from the Issuer no formal or informal offering or disclosure document relating to the Bonds and has concluded that the receipt of one prior to the purchase of the Bonds is not required. It is acknowledged that no written information has been provided by the Issuer and that any written information furnished by any party to the transaction does not purport to fully disclose all information pertinent to the Bonds.

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

Very truly yours,

[INVESTOR]

By: _____
Signature

Printed Name

Title

EXHIBIT C

[\$8,000,000]

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
MULTIFAMILY HOUSING REVENUE BONDS
(105TH & NORMANDIE APARTMENTS PROJECT),
2009 SERIES A

REDEMPTION SCHEDULE

DATE OF REDEMPTION

AMOUNT OF REDEMPTION

EXHIBIT D

FORM OF WRITTEN REQUISITION

Banc of America Public Capital Corp
333 South Hope Street, 11th Floor
Los Angeles, CA 90071

Re: The Housing Authority of the County of Los Angeles
Multifamily Housing Revenue Bonds
(105th & Normandie Apartments Project) 2009 Series A

To whom it may concern:

Pursuant to Section 5.02(b) of the Pledge Agreement referenced below, you are requested to disburse funds from the Project Fund in the amount(s), to the person(s) and for the purpose(s) set forth in this Requisition and the Pledge Agreement. The terms used in this Requisition shall have the meanings given to those terms in the Bond Issuance and Pledge Agreement (the "Pledge Agreement") dated as of December 1, 2009, by and between The Housing Authority of the County of Los Angeles, as Issuer, and Banc of America Public Capital Corp, as Bondowner Representative, securing the above-referenced Bonds.

1. REQUISITION NO.:
2. PAYMENT DUE TO:
3. [AMOUNT TO BE DISBURSED: \$_____]
[TRANSFER TO CAPITALIZED INTEREST ACCOUNT \$:_____]
4. ACCOUNT: [Loan Account] [Equity]

5. The amount requested to be disbursed pursuant to this Requisition will be used to pay construction costs of the Project detailed in Section I attached to this Requisition.

6. With respect to a disbursement from the Project Fund, the undersigned certifies that:

(i) the amounts included in 3 above were made or incurred or financed and were necessary for the Project;

(ii) the amount paid or to be paid, as set forth in this Requisition, represents a part of the funds due and payable for construction costs of the Project, such funds were not paid in advance of the time, if any, fixed for payment and such funds are due in accordance with the terms of any contracts applicable to the Project and in accordance with usual and customary practice under existing conditions;

(iii) the expenditures for which amounts are requisitioned represent proper charges against the Project Fund, have not been included in any previous requisition, have been properly recorded on the Borrower's books and are set forth in Schedule I, with paid invoices attached for any sums for which reimbursement is requested;

(iv) the moneys requisitioned are not greater than those necessary to meet obligations due and payable or to reimburse the Borrower for its funds actually advanced for construction costs of the Project and do not represent a reimbursement to the Borrower for working capital;

(v) all of the funds being requisitioned are being used in compliance with all tax covenants set forth in the Pledge Agreement, the Loan Agreement and the Regulatory Agreement;

(vi) not less than 97% of the sum of:

(A) the amounts requisitioned by this Requisition; plus

(B) all amounts previously requisitioned and disbursed from the Loan Account of the Project Fund;

have been or will be applied by the Borrower to pay qualified costs of the project (in accordance with the Tax Certificate);

(viii) the Borrower is not in default under the Loan Agreement, the Regulatory Agreement or any other loan documents and nothing has occurred to the knowledge of the Borrower that would prevent the performance of its obligations under the Loan Agreement, the Regulatory Agreement or any other loan documents;

(ix) except for amounts disbursed from the Equity Account, no amounts being requisitioned by this Requisition will be used to pay, or reimburse, any costs of issuance incurred in connection with the issuance of the Bonds.

7. With respect to the disbursement from the Project Fund, attached to this Requisition is Schedule I, together with copies of invoices or bills of sale covering all items for which payment is being requested.

Date of Requisition: _____

[BORROWER'S SIGNATURE BLOCK]

CONSENTED TO BY BANC OF AMERICA PUBLIC CAPITAL CORP

By: _____

Title: _____

Date: _____

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

**BANC OF AMERICA PUBLIC CAPITAL CORP,
as Bondowner Representative**

and

**NORMANDIE SENIOR HOUSING PARTNERS, L.P.,
A CALIFORNIA LIMITED PARTNERSHIP
as Borrower**

LOAN AGREEMENT

Dated as of December 1, 2009

Relating to

[\$8,000,000]

**THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
MULTIFAMILY HOUSING REVENUE BONDS
(105TH & NORMANDIE APARTMENTS PROJECT),
2009 SERIES A**

The interest of The Housing Authority of the County of Los Angeles (the “**Issuer**”) in this Loan Agreement has been assigned (except for certain “**Reserved Rights**” as defined in this Loan Agreement) pursuant to the Bond Issuance and Pledge Agreement dated as of the date hereof from the Issuer to Banc of America Public Capital Corp, as bondowner representative (the “**Bondowner Representative**”), and is subject to the security interest of the Bondowner Representative thereunder.

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LOAN AGREEMENT

THIS LOAN AGREEMENT dated as of December 1, 2009 (together with all supplements, modifications and amendments thereto, this “**Loan Agreement**”), among THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES, a public body corporate and politic of the State of California (together with its permitted successors and assigns, (the “**Issuer**”), Banc of America Public Capital Corp, a Kansas corporation, as bondowner representative under the herein defined Pledge Agreement (together with any successor bondowner representative hereunder and their respective successors and assigns, the “**Bondowner Representative**”), and Normandie Senior Housing Partners, L.P., a California limited partnership (together with its successors and assigns, the “**Borrower**”).

WITNESSETH:

WHEREAS, the Issuer is authorized under the laws of the State of California (the “State”) to finance multifamily rental housing by issuing its revenue bonds; and

WHEREAS, the Issuer has determined to issue its Multifamily Housing Revenue Bonds (105th & Normandie Apartments Project), 2009 Series A in the aggregate principal amount of \$[8,000,000] (the “**Bonds**”) pursuant to the Bond Issuance and Pledge Agreement dated as of December 1, 2009 (the “**Pledge Agreement**”), executed by the Issuer and Banc of America Public Capital Corp, as bondowner representative (the “**Bondowner Representative**”), for the purpose of providing funding necessary for the construction and development by the Borrower of a 62-unit multifamily rental housing project in an unincorporated area of Los Angeles County, California, to be known as 105th & Normandie Apartments (the “**Project**”); and

WHEREAS, pursuant to this Loan Agreement, the Issuer has agreed to issue the Bonds and to use proceeds of the Bonds to fund a loan to the Borrower (the “**Loan**”), and the Borrower has agreed to (i) apply the proceeds of the Loan to pay a portion of the costs of constructing and developing the Project, (ii) make payments sufficient to pay the principal of, premium, if any, and interest on the Bonds when due (whether at maturity, by redemption, acceleration or otherwise), and (iii) observe the other covenants and agreements and make the other payments set forth herein; and

WHEREAS, the Borrower has delivered to the Bondowner Representative, on behalf of the Issuer, its promissory note dated as of even date herewith in an original principal amount equal to the aggregate original principal amount of the Bonds (as the same may be amended, modified or supplemented from time to time, the “**Note**”) evidencing its obligation to repay the Loan; and

WHEREAS, to secure its obligations under this Loan Agreement and the Note, the Borrower has executed (i) a Construction and Permanent Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing (as amended, modified or supplemented from time to time, the “**Mortgage**”), (ii) an Assignment of Contracts, Plans and Specifications (as the same may be amended, modified or supplemented from time to time, the “**Assignment of Project Documents**”) and (iii) a Security Agreement (Assignment of Partnership Interest and Capital

Obligations (as amended, modified or supplemented from time to time, the “**Partnership Assignment**”) each dated as of even date with this Loan Agreement, for the benefit of the Issuer as secured party;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. The following capitalized terms shall have the meanings specified in this Article unless the context requires otherwise. All other capitalized terms used herein which are defined in the Pledge Agreement and not defined herein shall have the respective meanings ascribed thereto in the Pledge Agreement unless otherwise expressly provided or unless the context otherwise requires. The singular shall include the plural and the masculine shall include the feminine and neuter shall include the masculine or feminine.

“**Accountant**” means Reznick or such other independent certified public accountant or firm of independent certified public accountants, selected by the Borrower and approved by the Servicer, such approval not to be unreasonably withheld or delayed.

“**Appraisal**” means an appraisal of the market value of the Project performed by a qualified independent appraiser approved by the Servicer.

“**Approved Budget**” means the Proposed Budget approved by the Servicer.

“**Architect**” means [_____].

“**Architect’s Contract**” means, the [_____], dated _____, 20__], between the Borrower and the Architect, providing for the design of the Improvements and the supervision of the construction and equipping thereof, including ongoing monthly inspection of the Improvements, certification of Requisitions and certification of Completion, among other things.

“**Bank**” means Banc of America Public Capital Corp, and its successors and assigns.

“**Bond Purchase Agreement**” shall mean that certain Bond Purchase Agreement dated as of even date herewith, by and among Permanent Lender, Bank and Borrower.

“**Borrower’s Funds Account**” shall have the meaning set forth in Section 5.9.

“**Capital Expenditures**” means capital expenditures determined in accordance with generally accepted accounting principles relating to the repair, renovation or replacement of the Project.

“**Change Order**” means a change made to the Plans and Specifications, as evidenced by a written change order request in accordance with the terms of the Construction Contract.

“**Completion Date**” means [____], as the same may be extended in accordance with Section 5.1(a) hereof and the Construction Disbursement Agreement.

“**Construction Contract**” means the contract, dated [____] between the Borrower and the Contractor, providing for the construction and equipping of the Improvements and certification of Requisitions, among other things.

“**Consulting Engineer**” shall have the meaning ascribed to that term in the Construction Disbursement Agreement.

[“**Construction Disbursement Account (Agency)**” means the “Construction Disbursement Account” established under the “Agreement for Disbursement of Agency Loan” (as defined in the Construction Disbursement Agreement).]

“**Contractor**” means [____].

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

“**Conversion Conditions**” shall have the meaning set forth in the Bond Purchase Agreement.

“**Conversion Date**” shall have the meaning set forth in the Bond Purchase Agreement.

“**Default**” or “**Event of Default**” means, when referring to (i) the Pledge Agreement, an event or condition specified or defined as such by Article VI of the Pledge Agreement and (ii) this Loan Agreement, an event or condition specified or defined as such by Section 7.1 hereof.

“**Development Budget**” means the budget for total estimated Project Costs and sources of payment attached to the Construction Disbursement Agreement, as the same may be amended, modified or supplemented from time to time in accordance with the terms hereof and the Construction Disbursement Agreement.

“**Direct Costs**” means the costs of the Land, the Improvements, the Personal Property, and all labor, materials, fixtures, machinery and equipment required to construct and equip the Improvements in accordance with the Plans and Specifications.

“**Financing Statements**” means Uniform Commercial Code Form 1 Financing Statement(s) from the Borrower and the General Partner in favor of the Bondowner Representative.

“General Partner” means Normandie Senior Housing Partners GP, LLC, a California limited liability company, together with any permitted successors and assigns as general partner of Borrower.

“General Partner Documents” means the Partnership Assignment and the Environmental Indemnity.

“Generally Accepted Accounting Principles” means the principles that are (i) consistent with the principles promulgated or adopted by the Financial Accounting Standards Board and its predecessors, as in effect from time to time, and (ii) consistently applied with past financial statements of the Borrower adopting the same principles; provided that a certified public accountant would, insofar as the use of such accounting principles is pertinent, be in a position to deliver an unqualified opinion (other than a qualification regarding changes in Generally Accepted Accounting Principles) as to financial statements in which such principles have been properly applied.

“Governmental Authority” means the United States, the State in which the Land is located and any political subdivision, agency, department, commission, board, bureau, authority or instrumentality of either of them, including any local authorities, or any other entity exercising executive, legislative, judicial, regulatory or administrative functions of government, which has jurisdiction over the Land or the construction, equipping and operation of the Project thereon.

“Guarantor” means National Community Renaissance of California.

“Guarantor Documents” means the Payment Guaranty and the Completion Agreement.

“Hazardous Substances” shall have the meaning ascribed to such term in the Environmental Indemnity.

“Improvements” means the 62-unit multifamily rental housing project with related site improvements and amenities located on the Land and constructed, equipped and furnished in accordance with the Plans and Specifications.

“Indebtedness” means all obligations, contingent and otherwise, that in accordance with Generally Accepted Accounting Principles should be classified upon the Obligor’s balance sheet as liabilities, or to which reference should be made by footnotes thereto, including in any event and whether or not so classified: (a) all debt and similar monetary obligations, whether direct or indirect; (b) all liabilities secured by any deed to secure debt, mortgage, deed of trust, pledge, security interest, lien, charge or other encumbrance existing on property owned or acquired subject thereto, whether or not the liability secured thereby shall have been assumed; (c) all liabilities under capitalized leases; and (d) all guaranties, endorsements and other contingent obligations whether direct or indirect in respect of indebtedness of others, including the obligations to reimburse the issuer of any letter of credit for amounts drawn on such letter of credit.

“Indirect Costs” means all title insurance premiums, survey charges, engineering fees, architectural fees, real estate taxes, appraisal costs, premiums for insurance, marketing, advertising and leasing costs, brokerage commissions, legal fees, accounting fees, overhead and

administrative costs, and all other expenses as shown on the Development Budget which are expenditures relating to the Project and are not Direct Costs.

“**Initial Notification of Taxability**” means the receipt by the Bondowner Representative or the Owner of a communication from the Internal Revenue Service or any court of competent jurisdiction to the effect that interest on the Bonds is not excluded, or will not in the future be excluded, from the gross income of the owners of the Bonds for federal income tax purposes.

“**Investor Limited Partner**” means [____], a [____], and its successors and assigns, together with its permitted successors and assigns as limited partner in Borrower.

“**Issuer’s Fee**” shall mean the annual fee payable to the Issuer pursuant to the Section 20 of the Regulatory Agreement.

“**Land**” means the real property described in Exhibit A attached hereto.

“**Lien**” means any interest in the Project or any part thereof or any right therein, including without limitation any rents, issues, profits, proceeds and revenues therefrom, securing an obligation owed to, or a claim by, any Person, whether such interest is based on the common law, statute or contract, and including but not limited to the lien and security interest arising from a deed to secure debt, mortgage, deed of trust, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term “Lien” shall also include any and all reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting the Project or any part thereof or any interest therein.

“**Loan Fee**” means an amount equal to [__] percent ([__]%) of the maximum principal amount of the Bonds, or [__] and [__] Dollars (\$[__]).

“**Majority Owner**” shall have the meaning set forth in the Pledge Agreement.

“**Management Agreement**” means the Property Management Agreement dated as of [____], as amended by an amendment dated as of [____], between the Borrower and the Manager, and any substitute agreement relating to the management of the Project.

“**Manager**” means National Community Renaissance of California, or any successor manager of the Project approved by the Servicer and the Issuer (which approval of the Issuer shall not be unreasonably withheld and shall be deemed granted if not rejected within ten (10) days of receipt of written request therefor).

“**Managing Member**” means The Southern California Housing Development Corporation of Los Angeles, a California nonprofit public benefit corporation, as sole member of the General Partner, together with any permitted successors and assigns.

“**Net Operating Income**” means, for any period, (A) the lesser of (i) actual Project Revenues for such period or (ii) Project Revenues as projected in the Appraisal dated [____] for such period, adjusted to reflect a five percent (5.0%) vacancy rate less (B) the greater of (i) Operating Expenses for such period or (ii) the allocable portion of Projected Operating Expenses.

“Obligor(s)” means the Borrower, the General Partner and each Guarantor.

“Operating Expenses” means, for any period, the aggregate amount of expenses incurred by the Borrower in connection with the Project pursuant to arm’s length transactions for ordinary and necessary expenses sufficient to provide the amenities and services associated with a multi-family residential facility as follows: labor costs; general maintenance; legal and accounting fees relating solely to the operation of the Project (and not partnership administration, other than audit and other expenses incurred by the Borrower relating solely to the operation of the Project); general and administrative costs of the Borrower directly attributable to the Project (and not partnership administration) and advertising and marketing costs; supplies for the Project; non-capital repairs and replacements; leasing and brokerage commissions; management fees payable pursuant to the management agreement approved by Bondowner Representative; costs of licenses, permits and similar fees relating to property operations; premiums for insurance required pursuant to the Loan Agreement; charges for electricity and other utilities; real estate taxes, water and sewer rents and assessments; payments made into the Replacement Reserve Fund, the Operating Reserve Fund (if any) and the Tax and Insurance Fund (if any); and all other expenses incurred in connection with the ordinary course of property operations and maintenance. The foregoing expenses and fees paid to Affiliates of the Borrower, with the Servicer’s consent, shall be included as Operating Expenses in an amount equal to the actual fees and expenses paid or payable to such Affiliate, but in no event greater than amount that customarily would be paid to an unaffiliated third party on an arm’s-length basis for such services. Without limiting the generality of those items which shall be excluded from the definition of Operating Expenses, the following shall be specifically excluded from such calculation: depreciation, amortization and other non-cash items; all partnership administrative expenses (including, without limitation, legal, accounting, and other professional expenses); prepaid expenses which are not customarily prepaid in the ordinary course of business; any termination or similar fee in connection with financing for the Project; expenditures funded by disbursements from the Replacement Reserve Fund and the Tax and Insurance Fund (if any); scheduled debt service and scheduled principal payments on Indebtedness related to the Project; penalties, late fees and similar charges arising from or on account of the Borrower’s failure to pay any monetary obligations; any costs, expenses or fees, including interest, payable by the Borrower on advances made by the Servicer, the Issuer or the Bondowner Representative after an Event of Default, and franchise and income taxes of the Borrower.

“Organizational Documents” means for any corporation, partnership, trust, limited liability company, limited liability partnership, unincorporated association, business or other legal entity, the documents pursuant to which such entity has been established or organized, as such documents may be amended from time to time in accordance with the terms of this Loan Agreement.

“Partnership Agreement” means the [Amended and Restated] Agreement of Limited Partnership of the Borrower dated as of December 1, 2009, among the General Partner, the Special Limited Partner and the Investor Limited Partner, as the same may be amended, modified or supplemented from time to time, subject to the terms hereof.

“Partnership Documents” means, collectively, the Partnership Agreement and any other documents that govern the formation, organization, management and funding of Borrower’s partnership.

“Permanent Lender” shall mean California Community Reinvestment Corporation, a California nonprofit public benefit corporation.

“Permitted Encumbrances” shall have the meaning ascribed to such term in the Mortgage.

“Personal Property” means all materials, furnishings, fixtures, furniture, machinery, equipment and all items of tangible or intangible personal property now or hereafter owned or acquired by the Borrower in which the Issuer has been or will be granted an interest to secure the obligations of the Borrower under the Loan Documents.

“Plans and Specifications” means the plans and specifications for the Project prepared by the Architect and more particularly described in the Construction Disbursement Agreement, as the same may be amended, modified or supplemented in accordance with the terms hereof and the Construction Disbursement Agreement.

“Project Approvals” means all approvals, consents, waivers, orders, agreements, authorization, permits and licenses required under applicable Legal Requirements or under the terms of any restriction, covenant or easement affecting the Project, or otherwise necessary or desirable for the ownership, acquisition, construction and equipping, use and operation of the Project and the Improvements, whether obtained from a Governmental Authority or any other Person.

“Project Costs” means the sum of all Direct Costs and Indirect Costs that will be incurred by the Borrower in connection with the acquisition of the Land and the Improvements, the construction and equipping of the Improvements, the marketing and leasing of leasable space in the Improvements, and the operation and carrying of the Project through the Conversion Date.

“Project Revenues” means, for any period, the revenues actually collected during such period (a) generated from all tenants and others occupying or having a right to occupy or use the Project or any portion thereof (other than revenue from Section 8 vouchers to the extent such revenue causes the rent on any unit to exceed the lower of (A) maximum allowable tax credit rent designated for that unit or (B) the average rent being achieved for similar non-Section 8 subsidized units within the Project for such period), adjusted to reflect rental concessions over the term of any applicable lease, and (b) from the use and occupancy of any amenities and services of the Project, including vending machine income, net cable TV revenues, laundry service and parking income, but exclusive of (i) capital contributions, (ii) net proceeds from the sale or refinancing of the Project, (iii) net proceeds of insurance (other than proceeds of loss of rent insurance to the extent paid for apartment units occupied at the time of the loss), and net condemnation awards, (iv) security deposits and prepaid rents to the extent not permitted to be released to the Borrower pursuant to the terms of leases, and (v) interest earnings.

“Projected Operating Expenses” means the projected operating expenses per annum set forth in the Appraisal dated [_____] approved by Bondowner Representative as a condition to

the issuance of the Bonds (increased on an annual basis beginning on the first anniversary of the Conversion Date, by [_____]%), plus actual costs of utilities, insurance and Impositions (provided Impositions constituting real property taxes are based on the full assessed value of the Project following completion of construction and equipping of the Improvements as contemplated by this Loan Agreement and provided further that if the actual amount of real property taxes reflects a full or partial abatement or exemption, such abatement or exemption shall have been approved by Servicer), plus all required deposits into the Replacement Reserve Fund and Operating Reserve Fund.

“**Property**” shall have the meaning ascribed to such term in the Mortgage.

“**Proposed Budget**” means the proposed capital and operating budget for the Project, submitted to the Servicer for approval.

“**Related Person**” means a “related person” as defined in Section 147(a) of the Code.

“**Required Equity Funds**” means contributions by Investor Limited Partner to the capital of the Borrower, for application to Project Costs in accordance with the Approved Budget, to be contributed and so applied in installments at times and in amounts approved by the Servicer, in the aggregate amount of [_____] and No/100th Dollars (\$[_____]).

“**Reserved Rights**” means, the rights of the Issuer hereunder pursuant to Sections 2.3(a), 2.3(b), 2.3(c), 2.3(d), 2.3(e), 2.3(l), 3.2(b), 3.2(d), 3.2(e), 5.3, 5.6, 5.13, 5.14, 5.19, 5.21(b), 6.3(a)(ii), 7.4 and 7.8 hereof, which are retained and not assigned to the Bondowner Representative pursuant to the Pledge Agreement.

“**Servicer**” shall have the meaning set forth in the Pledge Agreement.

“**Single Purpose Entity**” means an entity that (i) is formed solely for the purpose of owning and operating a single asset; (ii) does not engage in any business unrelated to such asset; (iii) keeps its own books and records and its own accounts, separate and apart from the books, records and accounts of any other Person; and (iv) holds itself out as being a legal entity, separate and apart from any other Person.

“**Special Limited Partner**” means [_____] , together with its permitted successors and assigns.

“**Subordinate Loan**” means [_____]

“**Supplemental Agreement**” means the Supplemental Agreement dated as of even date herewith, by and between Borrower and Permanent Lender.

“**Survey**” means an instrument survey of the Land and the Improvements prepared in accordance with the Servicer’s survey requirements, such survey to be reasonably satisfactory to the Servicer in form and substance.

“**Tax Credits**” means the federal low income housing credits available with respect to the Project.

“**Termination Date**” has the meaning set forth in the Bond Purchase Agreement.

“**Title Insurance Company**” means Fidelity National Title Insurance Company.

“**Title Policy**” means an ALTA standard form title insurance policy issued by the Title Insurance Company for the benefit of the Bondowner Representative and, its successors and assigns, as their interests may appear (with such reinsurance or co-insurance as the Servicer may require, any such reinsurance to be with direct access endorsements) insuring the priority of the Mortgage and that the Borrower holds marketable fee simple title to the Project, subject only to Permitted Encumbrances and such exceptions as the Servicer may approve, and containing such endorsements and affirmative insurance as the Servicer in its discretion may require.

“**Unit Reserve Amount**” means during the first twelve months following completion of construction and equipping of the Project, an amount equal to \$[___] times the number of apartment units at the Project, which amount shall be increased (i) as of the first day of the first full month of each succeeding twelve month period by the amount by which the cost of living (as reflected in the Consumer Price Index for the metropolitan area in which the Project is located, or any successor or substitute index) as of the last calendar month of the immediately preceding twelve month period exceeded such cost of living as of the last calendar month of the prior twelve month period and (ii) not more frequently than once every five years upon the written direction of the Servicer by an amount reasonably determined by the Servicer, based on a physical needs assessment in respect of the Project, as necessary to meet the upcoming capital needs of the Project.

Section 1.2 Construction. In this Loan Agreement, unless the context otherwise requires:

(a) Articles and Sections referred to by number shall mean the corresponding Articles and Sections of this Loan Agreement.

(b) The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms refer to this Loan Agreement, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before, the date of adoption of this Loan Agreement.

(c) Words of the masculine gender shall mean and include correlative words of the female and neuter genders, and words importing the singular number shall mean and include the plural number and vice versa.

(d) References in this Loan Agreement to particular sections of the Code, the Act or any other legislation shall be deemed to refer also to any successor sections thereto or other redesignation for codification purposes.

ARTICLE II

REPRESENTATIONS AND COVENANTS

Section 2.1 Representations by the Issuer. The Issuer makes the following representations as of the date of the execution and delivery of this Loan Agreement as the basis for the undertakings on its part herein contained:

(a) The Issuer is a public body corporate and politic of the State, duly organized, validly existing and in good standing under the Act and the laws of the State.

(b) The Issuer has the power and lawful authority to adopt the Resolution, to execute and deliver the Issuer Documents, to issue the Bonds and receive the proceeds of the Bonds, to apply the proceeds of the Bonds to make the Loan, to assign the revenues derived and to be derived by the Issuer from the Loan to the Bondowner Representative and to perform and observe the provisions of to enter into the transactions the Issuer Documents and the Bonds on its part to be performed and observed.

(c) The Issuer has duly authorized the execution and delivery of each of the Issuer Documents, the issuance, sale and delivery of the Bonds and the performance of the obligations of the Issuer thereunder.

(d) The Issuer Documents and the Bonds have been duly executed and delivered by the Issuer and constitute the legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, and except to the extent that availability of the remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought.

(e) Neither of the Issuer nor any director, member, officer or employee of the Issuer has any interest, financial, employment or other, in the Borrower, the Project or the transactions contemplated hereby.

(f) To the Issuer's knowledge, there is no action, suit, proceeding, inquiry or investigation pending or, to the knowledge of the Issuer, threatened against the Issuer by or before any court, governmental agency or public board or body, which (i) affects or questions the existence or the territorial jurisdiction of the Issuer or the title to office of any member of the Issuer; (ii) affects or seeks to prohibit, restrain or enjoin the execution and delivery of any of the Issuer Documents, or the issuance, execution or delivery of the Bonds; (iii) affects or questions the validity or enforceability of any of the Issuer Documents or the Bonds; (iv) questions the exclusion from gross income for federal income taxation of interest on the Bonds; or (v) questions the power or authority of the Issuer to perform its obligations under any of the Issuer Documents or the Bonds or to carry out the transactions contemplated by any of the Issuer Documents or the Bonds.

(g) The Issuer makes no representation or warranty, express or implied, that the proceeds of the Bonds will be sufficient to finance the acquisition, construction and equipping of the Project or that the Project will be adequate or sufficient for the Borrower's intended purposes.

Section 2.2 Representations by the Borrower. The Borrower makes the following representations and warranties, and covenants and agrees as follows, as of and from the date of the execution and delivery of this Loan Agreement as the basis for the undertakings on its part herein contained:

(a) The Borrower is, and at all times will be, a limited partnership duly organized, validly existing and in good standing under the laws of the State. The General Partner is, and at all times will be, a limited liability company, duly organized, validly existing and in good standing under the laws of the State. The Managing Member is, and at all times will be, a California nonprofit public benefit corporation, duly organized, validly existing and in good standing under the laws of the State. Each of the Borrower, the General Partner and the Managing Member has, and will at all times have, all requisite power to own its property and conduct its business as now conducted and as presently contemplated, to execute and deliver the Loan Documents and the General Partner Documents and to perform its duties and obligations hereunder and thereunder.

(b) The execution, delivery and performance of this Loan Agreement and the other Loan Documents and the transactions contemplated hereby and thereby (i) are within the authority of the Borrower, (ii) have been duly authorized by all necessary proceedings on the part of the Borrower, (iii) do not conflict with or result in any breach or contravention of any provision of law, statute, rule or regulation to which the Borrower is subject or any judgment, order, writ, injunction, license or permit applicable to the Borrower, (iv) do not conflict with any provision of the Organizational Documents of the Borrower, and (v) do not require the approval or consent of, or filing with, any governmental agency or authority other than those already obtained and the filing of certain of the Loan Documents in the appropriate public records.

(c) The execution and delivery of this Loan Agreement and the other Loan Documents will result in valid and legally binding obligations of the Borrower enforceable against it in accordance with the respective terms and provisions hereof and thereof, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, and except to the extent that availability of the remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought.

(d) The Borrower is, and will at all times be, a Single Purpose Entity.

(e) The address of the Borrower's chief executive office and principal place of business is 9065 Haven Ave, Suite 100, Rancho Cucamonga, California 91730. The organizational identification number for the Borrower is [_____]. The federal employer identification number for the Borrower is [_____].

(f) On the Closing Date, the Borrower will acquire and hold fee simple title to the Land and the Improvements, in each case subject only to the Permitted Encumbrances. The Borrower possesses, and will at all times possess, all franchises, patents, copyrights, trademarks, trade names, licenses and permits, and rights in respect of the foregoing, adequate for the conduct of its business substantially as now conducted or as it is intended to be conducted with respect to the Project, without known conflict with any rights of others.

(g) The Borrower is not subject to any charter, partnership or other legal restriction, or any judgment, decree, order, rule or regulation that has or is expected in the future to have a materially adverse effect on the business assets or financial condition of the Borrower. The Borrower is not, and will not be, a party to any contract or agreement that has or is expected, in the judgment of the Borrower's partners, to have any materially adverse effect on the business or financial condition of the Borrower.

(h) The Borrower is not and will not at any time be, in violation of any provision of its Organizational Documents or any agreement or instrument to which it may be subject or by which it or any of its properties may be bound or any decree, order, judgment, statute, license, rule or regulation, in any of the foregoing cases in a manner that could result in the imposition of substantial penalties or adversely affect the financial condition, properties or business of the Borrower.

(i) The Borrower and each Obligor (i) has made or filed, and will make or file in a timely fashion, all federal and state income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid, and will pay when due, all taxes and other governmental assessments and charges shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and by appropriate proceedings, (iii) if a partnership, limited liability partnership or limited liability company, has, and will maintain, partnership tax classification under the Code, and (iv) has set aside, and will at all times set aside, on its books provisions reasonably adequate for the payment of all taxes for periods subsequent to the period to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the partners, officers, members or trustees of the Borrower know of no basis for any such claim. The Borrower has filed, and will continue to file, all of such tax returns, reports, and declarations either (x) separately from any Affiliate or (y) if part of a consolidated filing, as a separate member of any such consolidated group.

(j) The Project is located wholly within the State and within the jurisdiction of the Issuer.

(k) None of the Issuer or any director, member, officer or employee of the Issuer has any interest, financial, employment or other, in the Borrower, the Project or the transactions contemplated hereby.

(l) There is no Event of Default on the part of the Borrower or any Obligor under this Loan Agreement or any other Loan Document, any General Partner Document, any Guarantor Document or any Organizational Document, and no event has occurred and is continuing which after notice or passage of time or both would give rise to a default under any thereof. The Borrower has received no notices of and has no knowledge of any violations of any Legal Requirements or Project Approvals.

(m) The certifications, representations, warranties, statements, information and descriptions contained in the Loan Documents and in the Tax Certificate, as of the date of the first authentication and delivery of the Bonds, are and will be true, correct and complete, do not and will not contain any untrue statement or misleading statement of a material fact, and do not

and will not omit to state a material fact required to be stated therein or necessary to make the certifications, representations, warranties, statements, information and descriptions contained therein, in light of the circumstances under which they were made, not misleading. The estimates and the assumptions contained in the Loan Documents and in the Tax Certificate, as of the date of the first authentication and delivery of the Bonds, are reasonable and based on the best information available to the Borrower. Each of the certifications, representations, warranties, statements, information and descriptions contained in the Tax Certificate is hereby incorporated into this Loan Agreement by reference, as if fully set forth herein.

(n) The Borrower has furnished to the Issuer in the Tax Certificate all information necessary for the Issuer to file an IRS Form 8038 with respect to the Bonds, and all of such information is and will be on the date of filing, true, complete and correct.

(o) The Borrower is not contemplating either the filing of a petition by it, by the General Partner or by the Managing Member under any state or federal bankruptcy or insolvency law or the liquidation of all or a major portion of its property, and the Borrower has no knowledge of any Person contemplating the filing of any such petition against it or any Obligor.

(p) The Borrower is not an “employee benefit plan,” as defined in Section 3(3) of ERISA, subject to Title I of ERISA, and none of the assets of the Borrower constitutes or will constitute “plan assets” of one or more such plans within the meaning of 29 C.F.R. section 2510.3-101.

(q) No part of the proceeds of the Loan will be used for the purpose of purchasing or acquiring any “margin stock” within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or for any other purpose that would be inconsistent with such Regulation U or any other Regulation of such Board of Governors, or for any purpose prohibited by Legal Requirements or any Loan Document.

(r) The Borrower is not (i) an “investment company” or a company “controlled” by an “investment company,” within the meaning of the Investment Company Act of 1940, as amended; (ii) a “holding company” or a “subsidiary company” of a “holding company” or an “affiliate” of either a “holding company” or a “subsidiary company” within the meaning of the Public Utility Holding Company Act of 1935, as amended; or (iii) subject to any other federal or state law or regulation which purports to restrict or regulate its ability to borrow money.

(s) The Borrower has not entered into the Loan or any Loan Document with the actual intent to hinder, delay, or defraud any creditor, and the Borrower has received reasonably equivalent value in exchange for its obligations under the Loan Documents. Giving effect to the transactions contemplated by the Loan Documents, the fair saleable value of the Borrower’s assets exceeds and will, immediately following the execution and delivery of the Loan Documents, exceed the Borrower’s total liabilities, including subordinated, unliquidated, disputed or contingent liabilities. The fair saleable value of the Borrower’s assets is and will, immediately following the execution and delivery of the Loan Documents, be greater than the Borrower’s probable liabilities, including maximum amount of its contingent liabilities or its debts as such debts become absolute and matured. The Borrower’s assets do not and, immediately following the execution and delivery of the Loan Documents, will not, constitute

unreasonably small capital to carry out its business as conducted or as proposed to be conducted. The Borrower does not intend to, and does not believe it will, incur debts and liabilities (including contingent liabilities and other commitments) beyond its ability to pay such debts as they mature (taking into account the timing and amounts to be payable on or in respect of obligations of the Borrower).

(t) All information regarding the Borrower, the Project and any Obligor delivered to the Issuer, the Bondowner Representative and the Bank is true and correct in all material respects and all such financial information fairly presents the financial condition and results of operations of the Borrower and the other Obligors for the periods to which such financial information relates, and discloses all liabilities and contingent liabilities of the Borrower or the other Obligors.

(u) Except as disclosed on Exhibit G hereto, there are no actions, suits, proceedings or investigations of any kind pending or threatened against the Borrower, the General Partner or the Managing Member before any court, tribunal or administrative agency or board or any mediator or arbitrator that, if adversely determined, might, either in any case or in the aggregate, adversely affect the business, assets or financial condition of the Borrower, the General Partner or the Managing Member, or result in any liability not adequately covered by insurance, or for which adequate reserves are not maintained on the balance sheet of the Borrower, the General Partner or the Managing Member, or which question the validity of this Loan Agreement or any of the other Loan Documents or any of the General Partner Documents, any action taken or to be taken pursuant hereto or thereto, or any lien or security interest created or intended to be created pursuant hereto or thereto, or which will adversely affect the ability of the Borrower or the General Partner and the Managing Member to construct, equip, use and occupy the Project or to pay and perform its obligations hereunder in the manner contemplated by this Loan Agreement, any of the other Loan Documents or any of the General Partner Documents.

(v) All utility services necessary and sufficient for the construction, equipping and operation of the Project shall be, upon Completion of the Project, and thereafter will at all times be, available through dedicated public rights of way or through perpetual private easements with respect to the Borrower's interest in which the Mortgage creates a valid and enforceable first priority mortgage lien. The Borrower has obtained, or promptly will obtain, all utility installations and connections required for the operation and servicing of the Project for its intended purposes.

(w) The rights of way for all roads necessary for the full utilization of the Project for its intended purposes have either been acquired by the appropriate Governmental Authority or have been dedicated to public use and accepted by such Governmental Authority. All such roads shall have been completed, and the right to use all such roads, or suitable substitute rights of way approved by the initial Servicer, shall be maintained at all times for the Project. All curb cuts, driveways and traffic signals shown on the Plans and Specifications are existing or have been fully approved by the appropriate Governmental Authority and after the completion thereof, shall be maintained at all times for the Project.

(x) The acquisition, construction, equipping, use and occupancy of the Project will at times comply with all Legal Requirements. The Borrower will give all notices to, and take all

other actions with respect to, such Governmental Authorities as may be required under applicable Legal Requirements to construct and equip the Improvements and to use, occupy and operate the Project.

(y) Except as set forth on Exhibit C hereto, the Borrower has obtained all Project Approvals required for the construction and equipping of the Project in accordance with the Plans and Specifications. All Project Approvals obtained by the Borrower have been validly issued and are in full force and effect. The Borrower has no reason to believe that any of the Project Approvals required for acquisition, construction and equipping of the Project in accordance with the Plans and Specifications and not heretofore obtained by the Borrower will not be obtained by the Borrower in the ordinary course in order to permit completion of construction and equipping of the Project in accordance with the Plans and Specifications on or before the Completion Date. The Borrower will timely obtain all Project Approvals not heretofore obtained by the Borrower (including those listed and described on Exhibit C hereto, those required for use and occupancy of the Project for its intended purpose upon Completion and any other Project Approvals which may hereafter become required, necessary or desirable) and will furnish the Servicer with evidence that the Borrower has obtained such Project Approvals promptly upon their receipt. The Borrower will duly perform and comply with all of the terms and conditions of all Project Approvals obtained at any time. No Project Approvals will terminate, or become void or voidable or terminable, upon any sale, transfer or other disposition of the Project, including any transfer pursuant to foreclosure, deed in lieu of foreclosure or exercise of power of sale under the Mortgage.

(z) The Borrower has furnished the Bank with true and complete sets of the Plans and Specifications. The Plans and Specifications so furnished to the initial Servicer comply with all Legal Requirements, all Project Approvals, and all restrictions, covenants and easements affecting the Project, and have been approved by such Governmental Authority as is required for construction and equipping of the Improvements.

(aa) The Development Budget accurately reflects all Project Costs.

(bb) The Survey delivered to the Bank does not fail to reflect any material matter of survey affecting the Project or the title thereto.

(cc) No part of the Land is located in an area identified by the Federal Emergency Management Agency as an area having special flood hazard or to the extent any part of the Land is an area identified as an area having special flood hazard, adequate flood insurance has been obtained by the Borrower.

(dd) The Borrower is not in default or violation of any order, writ, injunction, decree or demand of any Governmental Authority, the violation of which might materially adversely affect the condition (financial or otherwise) or business of the Borrower. There has not been and shall never be committed by the Borrower or any other Person in occupancy of or involved with the operation or use of the Project any act or omission affording any Governmental Authority the right of forfeiture as against the Project or any part thereof any moneys paid in performance of the Borrower's obligations under any Loan Document.

(ee) The Construction Contract and the Architect's Contract are each in full force and effect and each of the parties thereto are in full compliance with their respective obligations thereunder. The work to be performed by the Contractor under the Construction Contract is the work called for by the Plans and Specifications, and all work required to complete the Improvements in accordance with the Plans and Specifications is provided for under the Construction Contract.

(ff) Each Requisition submitted by the Borrower shall contain an affirmation that the foregoing representations and warranties remain true and correct as of the date hereof.

(gg) The Related Persons are not (and to Borrower's knowledge after diligent inquiry, no other Person holding any legal or beneficial interest whatsoever in the Related Persons, directly or indirectly, is included in, owned by, Controlled by, acting for or on behalf of, providing assistance, support, sponsorship, or services of any kind to, or otherwise associated with any of the Persons referred to or described in any list of persons, entities, and governments issued by the Office of Foreign Assets Control of the United States Department of the Treasury ("OFAC") pursuant to Executive Order 13224 – Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, as amended ("**Executive Order 13224**"), or any similar list issued by OFAC or any other department or agency of the United States of America (collectively, the "**OFAC Lists**").

Section 2.3 Covenants by the Borrower. The Borrower hereby covenants and agrees that, on and after the Closing Date, it will:

(a) Give written notice promptly, and in any event at least thirty (30) days prior to the closing thereof, of any intended refinancing of the Project to the Issuer, the Bondowner Representative and the Servicer;

(b) Comply with all Legal Requirements and promptly furnish the Issuer, the Bondowner Representative and the Servicer with reports of any official searches made by any Governmental Authority and any claims of violations thereof;

(c) Upon reasonable notice and at reasonable times, permit the Servicer, the Majority Owner, the Issuer and the Bondowner Representative (or their representatives) to enter upon the Land and inspect the Project;

(d) Indemnify the Issuer, the Bondowner Representative, the Owners and the Servicer against claims of brokers arising by reason of the execution hereof or the consummation of the transactions contemplated hereby;

(e) Deliver to the Servicer and the Issuer copies of all leases (other than leases to residential tenants in the ordinary course of business in the form set forth in Exhibit D hereto) with respect to the Project or any portion thereof, whether executed before or after the date of this Loan Agreement;

(f) Not enter into, cancel or amend any agreement for the furnishing of management or similar services to the Project, without the prior written consent of the Servicer and the Issuer, such consent not to be unreasonably withheld or delayed;

(g) Comply with all restrictions, covenants and easements affecting the Land or the Project;

(h) Take, or require to be taken, such acts as may be required under applicable law or regulation in order that the interest on the Bonds continues to be excludable from gross income for purposes of federal income taxation, and refrain from taking any action which would adversely affect the exclusion from gross income of interest on the Bonds from federal income taxation;

(i) Perform and satisfy all the duties and obligations of the Borrower set forth and specified in the Pledge Agreement as duties and obligations of the Borrower, including those duties and obligations which the Pledge Agreement requires this Loan Agreement or the other Loan Documents to impose upon the Borrower;

(j) Confirm and assure that the Project, equipment, buildings, plans, offices, apparatus, devices, books, contracts, records, documents and other papers relating thereto shall at all times be maintained in reasonable condition for proper audit and shall be subject to examination and inspection at reasonable times and upon reasonable notice by the Issuer, the Bondowner Representative or the Servicer or the duly authorized agent of any of them and shall keep copies of all written contracts or other instruments which affect the Project, all or any of which shall be subject to inspection and examination by the Issuer, the Bondowner Representative, the Servicer or the duly authorized agent of any of them;

(k) If a Bond Trustee is appointed pursuant to the terms of the Pledge Agreement, then commencing on the fifth anniversary of the Closing Date, and on such anniversary in each fifth year thereafter, cause to be delivered to the Bondowner Representative and the Servicer, if so requested by the Bondowner Representative or the Servicer, at Borrower's cost, an opinion of counsel, who may be counsel for the Borrower, addressed to the Bondowner Representative and the Servicer and stating that based upon the law in effect on the date of such opinion no filing, registration or recording and no refiling, re-registration or rerecording of the Mortgage and any Financing Statement, amendments thereto, continuation statements or instruments of a similar character relating to the pledges and assignments made by the Borrower to the Issuer or the Bondowner Representative to or for the benefit of the Owners of Bonds is required by law in order to fully preserve and protect the rights of the Issuer, the Bondowner Representative and the Owners of Bonds, as the case may be, or if such filing, registration, recording, refiling, re-registration or rerecording is necessary, setting forth the requirements in respect thereof; and cause such filing, registration, recording, refiling, re-registration or rerecording to take place at Borrower's expense and promptly after any filing, recording, refiling or rerecording of the Mortgage and any such Financing Statement or amendment thereto or continuation statement or instrument, deliver to the Bondowner Representative and the Servicer evidence, satisfactory to the Bondowner Representative and the Servicer, that such filing, registration, recording, refiling, re-registration, or rerecording has been duly accomplished and setting forth the particulars thereof;

(l) Promptly notify the Issuer, the Bondowner Representative and the Servicer in writing of any (i) default by the Borrower in the performance or observance of any covenant, agreement, representation, warranty or obligation of the Borrower set forth in this Loan

Agreement or any other Loan Documents or (ii) any event or condition which with the lapse of time or the giving of notice, or both would constitute an Event of Default under this Loan Agreement or any other Loan Documents; and commence, pursue and complete construction and equipping of the Improvements as provided herein and in the Construction Disbursement Agreement.

(m) The Borrower covenants to pay all third-party fees of the financing, including but not limited to the following:

(i) All taxes and assessments of any type or character charged to the Issuer or to the Bondowner Representative affecting the amount available to the Issuer or the Bondowner Representative from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Bondowner Representative and taxes based upon or measured by the net income of the Bondowner Representative; provided, however, that the Borrower shall have the right to protest any such taxes or assessments and to require the Issuer or the Bondowner Representative, at the Borrower's expense, to protest and contest any such taxes or assessments levied upon them and that the Borrower shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Issuer or the Bondowner Representative;

(ii) All reasonable fees, charges and expenses of the Bondowner Representative and the Servicer for services rendered under the Pledge Agreement and/or the Loan Agreement, including, but not limited to, the Bondowner Representative Expenses, as and when the same become due and payable;

(iii) The annual fee of the Issuer, payable as set forth in Section 20 of the Regulatory Agreement, and the reasonable fees and expenses of the Issuer or any agents, attorneys, accountants, consultants selected by the Issuer to act on its behalf in connection with this Loan Agreement, the Regulatory Agreement, the Bonds or the Pledge Agreement, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds or in connection with any litigation which may at any time be instituted involving this Loan Agreement, the Regulatory Agreement, the Loan Agreement, other Issuer Documents, the Bonds or the Pledge Agreement or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of the foregoing.

(iv) These obligations and those in Section 5.19 shall remain valid and in effect notwithstanding repayment of the loan hereunder or termination of this Loan Agreement.

The Borrower acknowledges that, to the extent that regulations of the Comptroller of the Currency or any other applicable regulatory agency require granting the Borrower the right to receive brokerage confirmations of securities transactions as they occur, the Borrower specifically waives the right to receive such confirmations.

ARTICLE III

LOAN AND PROVISIONS FOR REPAYMENT

Section 3.1 Issuance of Bonds and Delivery of Note and other Loan Documents.

(a) In order to finance a portion of the costs of the acquisition, construction and equipping of the Project, the Issuer has, consistent with its duties and purpose under the Act, issued and caused the Bondowner Representative to authenticate and deliver the Bonds pursuant to the Pledge Agreement to the initial Owner. The Bonds bear interest and are payable as provided therein, in the Note, and in the Pledge Agreement. The Bonds shall mature and all Outstanding principal of, Prepayment Equalization Payments, interest and Additional Interest (if any) on Bonds shall be due and payable in full on the Maturity Date applicable to such series of Bonds, all as provided more fully in the Bonds, in the Note and the Pledge Agreement.

(b) The Issuer agrees to lend the proceeds received from the sale of the Bonds to the Borrower, by causing such amounts to be disbursed by Bondowner Representative to or for the account of Borrower, subject to the terms and conditions of the Pledge Agreement and this Loan Agreement, including the terms and conditions thereof and hereof governing the disbursement of proceeds of the Loan.

(c) Pursuant to the Pledge Agreement, the Bondowner Representative shall make disbursements to pay or to reimburse the Borrower for costs of the construction and equipping of the Project, subject to the conditions of the Pledge Agreement and this Loan Agreement. Upon receipt of a properly signed Requisition approved by the Servicer (which approval of the Servicer is expressly subject to the satisfaction of the conditions precedent set forth in the Construction Disbursement Agreement), the Bondowner Representative is authorized to act upon such Requisition without further inquiry, and, except for negligence after notice of facts to the contrary or willful misconduct of the Bondowner Representative, the Borrower shall hold the Bondowner Representative harmless against any and all losses, claims or liabilities incurred in connection with the Bondowner Representative's making disbursements from the Project Fund in accordance with such Requisition. Neither the Bondowner Representative nor the Issuer shall be responsible for the application by the Borrower of moneys properly disbursed hereunder.

(d) Concurrently with the sale and delivery of the Bonds, and to evidence further the obligation to repay the Loan in accordance with the provisions of this Loan Agreement, the Borrower has executed and delivered the Note and the other Loan Documents.

Section 3.2 Loan Repayments and Other Amounts.

(a) The Borrower shall pay to the Servicer, on the first day of each month commencing [January 1, 2010], an amount equal to the sum of (i) the interest due on the Bonds on said date, plus (ii) the principal due on the Bonds on said date, plus (iii) all amounts required to be deposited into the Replacement Reserve Fund (pursuant to the Replacement Reserve Agreement or Section 5.22(c) hereof, as applicable), the Operating Reserve Fund (pursuant to the Supplemental Agreement or Section 5.22(i) hereof, as applicable) and the Tax and Insurance Fund (pursuant to the Supplemental Agreement or Section 5.22(h) hereof, as applicable) as of

such date. Amounts so paid to the Servicer by the Borrower shall be in immediately available funds.

(b) The Borrower understands that the interest rate applicable under the Note and with respect to the Bonds is based upon the assumption that interest income paid on the Bonds will be excludable from the gross income of the Owners under Section 103 of the Code and applicable state law. In the event that an Initial Notification of Taxability shall occur, then the interest rate on the Note and the Bonds, and on all obligations under this Loan Agreement (other than those to which the Default Rate applies) shall, effective on the date of such Initial Notification of Taxability, be increased to a rate equal to the Taxable Rate. The Borrower shall, in addition, pay to the Bondowner Representative, promptly upon demand from the Bondowner Representative or the Servicer, an amount equal to the Additional Interest (if any) payable on the Bonds. The Borrower shall also indemnify, defend and hold the Owners harmless from any penalties, interest expense or other costs, including reasonable attorneys' fees (including all reasonably allocated time and charges of Owners' and Bondowner Representative's "in-house" and "outside" counsel) and accountants' costs, resulting from any dispute with the Internal Revenue Service concerning the proper tax treatment of the Bonds and any interest payable to any Owner with respect to the Bonds. The obligations of the Borrower under this Section 3.2(b) shall survive termination of this Loan Agreement and the Note and repayment of the Loan. If, following any increase in interest rates pursuant to this Section 3.2(b), a final determination is made, to the satisfaction of the Owners, that interest paid on the Bonds is excludable from the Owners' gross income under Section 103 of the Code and applicable state law, the Owners shall promptly refund to the Borrower any Additional Interest (if any) and other additional amounts paid by the Borrower pursuant to this Section 3.2(b).

(c) The Borrower agrees to pay the Issuer's Fee to the Issuer. If a Bond Trustee is appointed under the terms of the Pledge Agreement then Borrower agrees to pay to Bond Trustee any Trustee Fee and any Bond Trustee expenses. The Borrower also agrees to pay all fees, charges and expenses of the Bondowner Representative and the Issuer, respectively (including, without limitation, the reasonable, actually incurred fees and expenses of counsel to the Issuer, Bond Counsel and counsel to the Bondowner Representative), as and when the same become due. The Borrower also agrees to pay the printing and engraving costs of the Bonds, including any certificates required to be prepared for use in connection with any exchanges of Bonds for the cost of which Owners are not liable. The Borrower also agrees to pay the Loan Fee to Bank on or before the Closing Date, to pay the fees of the Majority Owner and the Servicer, and to pay all reasonable costs and expenses incurred by the Majority Owner and the Servicer in connection with the administration of the Bonds, the Loan or the collateral therefor, and any amendments, modifications or "workouts" thereof, including without limitation reasonable attorneys' fees and costs (including allocated costs of in-house attorneys), fees and costs of engineers, accountants, appraisers and other consultants, title insurance premiums and recording costs upon receipt of written demand therefor.

(d) The Borrower agrees to pay all issuance costs with respect to the Bonds (in addition to those issuance costs otherwise required to be paid by this Section 3.2).

(e) The Borrower agrees to pay, as and when the same become due, to the Issuer, the Servicer or the Bondowner Representative any extraordinary expenses, including, without

limitation, any costs of litigation, which may be incurred by the Issuer, the Servicer or the Bondowner Representative in connection with this Loan Agreement or the Pledge Agreement, including the reasonable, actually incurred costs and fees of any attorneys or other experts retained by the Issuer, the Servicer or the Bondowner Representative in connection therewith.

(f) The Borrower also agrees to repay the Loan at the times and in the amounts necessary to enable the Bondowner Representative, on behalf of the Issuer, to pay all amounts payable with respect to the Bonds, when due, whether at maturity or upon redemption, acceleration, tender, purchase or otherwise.

Section 3.3 Payments Pledged and Assigned. It is understood and agreed that the Loan Documents and certain other documents and property and all payments required to be made by the Borrower pursuant hereto (except payments to be made to the Issuer in respect of its Reserved Rights and payments to be made to the Servicer and the Bondowner Representative pursuant to Section 3.2(b) hereof) have been assigned to the Bondowner Representative simultaneously herewith pursuant to the Pledge Agreement as and for security for the Bonds. The Borrower hereby consents to such assignment and recognizes the Bondowner Representative as the assignee of the Issuer, to the extent of the assignment, for purposes of said documents and property.

Section 3.4 Obligations of Borrower Hereunder Unconditional. The obligations of the Borrower to make any payments required by the terms of this Loan Agreement and the other Loan Documents, including, without limitation, the payments required in Section 3.2 hereof, and to perform and observe the other agreements on its part contained herein and in the other Loan Documents shall be absolute and unconditional and shall not be subject to any defense (other than payment) or any right of set-off, counterclaim, abatement or otherwise and, until such time as the principal of and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Pledge Agreement. The Borrower (i) will not suspend or discontinue, or permit the suspension or discontinuance of, any payments provided for herein or in the other Loan Documents, (ii) will perform and observe all of its other agreements contained herein and the other Loan Documents and (iii) will not suspend the performance of its obligations hereunder and under the other Loan Documents for any cause including, without limiting the generality of the foregoing, failure to complete construction and equipping of the Project, any acts or circumstances that may constitute failure of consideration, failure of or a defect of title to the Project or any part thereof, eviction or constructive eviction, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws or administrative rulings of or administrative actions by the United States of America or the State or any political subdivision of either, or any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement or the other Loan Documents. The Borrower may, at its own cost and expense and in its own name or in the name of the Issuer (provided the Issuer is a necessary party and consents thereto), prosecute or defend any action or proceeding or take any other action involving third persons which the Borrower deems reasonably necessary in order to secure or protect its rights hereunder, and in such event the Issuer, subject to the provisions of the Pledge Agreement, hereby agrees to cooperate fully with the Borrower and to take all action (at the Borrower's cost and expense) necessary to effect the

substitution of the Borrower for the Issuer in any such action or proceeding if the Borrower shall so request.

ARTICLE IV

ADVANCES

Section 4.1 Requisition.

At such time as the Borrower shall desire to obtain an advance of Loan proceeds, an advance of proceeds on deposit in the Borrower's Funds Account [or an advance of proceeds in the Construction Disbursement Account (Agency)], the Borrower shall complete, execute and deliver a Requisition to the Servicer. Each Requisition shall be signed on behalf of the Borrower and shall be in the form attached as Exhibit I to the Construction Disbursement Agreement. The Bondowner Representative may rely conclusively on the statements and certifications contained in any Requisition. The Borrower shall not submit any Requisition directly to the Bondowner Representative. Each such advance by the Bondowner Representative shall be subject to prior approval of the Requisition by the Servicer. Upon approval, the Servicer shall forward each Requisition to the Bondowner Representative for payment. [Unless Bondowner Representative elects otherwise with respect to any requested advance (in Bondowner's Representative's sole and absolute discretion), all advances shall be funded by Bondowner Representative in the following order: (a) first, from funds on deposit in the Construction Disbursement Account (Agency), until such account is exhausted, (b) second, from funds on deposit in the Borrower's Funds Account, until such account is exhausted, and (c) third, from the proceeds of the Loan, until the Loan is fully funded. Notwithstanding anything to the contrary contained elsewhere herein, Bondowner Representative shall have no obligation to make any disbursement or advance of Loan proceeds while any amounts remain on deposit in either of the Construction Disbursement Account (Agency) or the Borrower's Funds Account. Borrower acknowledges and agrees that it will be required to obtain the consent of the Agency for certain advances from the Construction Disbursement Account (Agency) (and Bondowner Representative shall be obligated to make any advance of Loan proceeds as a result of Borrower's failure to obtain any such required consent).]

ARTICLE V

SPECIAL COVENANTS OF THE BORROWER

Section 5.1 Commencement and Completion of Project. The Borrower will commence construction and equipping of the Improvements within [____] ([__]) days after the Closing Date, will diligently pursue construction and equipping of the Improvements, will attain Completion prior to the Completion Date, and will pay all sums and perform all such acts as may be necessary or appropriate to complete such construction and equipping, all as more fully set forth in the Construction Disbursement Agreement.

Section 5.2 Records and Accounts. The Borrower will (a) keep true and accurate records and books of account in which full, true and correct entries will be made in accordance with Generally Accepted Accounting Principles, which records and books will not be maintained

on a consolidated basis with those of any other Person, including any Affiliate of the Borrower and (b) maintain adequate accounts and reserves for all taxes (including income taxes), depreciation and amortization of its properties, contingencies, and other reserves, all of which accounts shall not be commingled with accounts of any other Person, including any or Affiliate of the Borrower.

Section 5.3 Financial Statements and Information. The Borrower will deliver, or cause to be delivered, to the Bondowner Representative and the Servicer:

(a) as soon as available, but in any event not later than [ninety (90) days] after the end of each fiscal year of the Borrower, beginning for the year ended December 31, 2010, the audited balance sheet of the Borrower at the end of such year, and the related audited statement of income, statement of retained earnings, changes in capital, and statement of cash flows for such year, and a statement of all contingent liabilities of the Borrower which are not reflected in such financial statements or referred to in the notes thereto, each setting forth in comparative form the figures for the previous fiscal year and all such statements to be in reasonable detail, prepared in accordance with Generally Accepted Accounting Principles, and accompanied by an auditor's report prepared without qualification by the Accountant;

(b) as soon as available, but in any event not later than [ninety (90) days] after the end of each fiscal year of the General Partner beginning for the year ended December 31, 2010, the audited balance sheet of the General Partner at the end of such year, and the related audited statement of income, statement of retained earnings, changes in capital, and statement of cash flows for such year, and a statement of all contingent liabilities of the General Partner which are not reflected in such financial statements or referred to in the notes thereto, each setting forth in comparative form the figures for the previous fiscal year and all such statements to be in reasonable detail, prepared in accordance with Generally Accepted Accounting Principles, and accompanied by an auditor's report prepared without qualification by the Accountant;

(c) as soon as available, but in any event not later than [one hundred twenty (120) days] after the end of each fiscal year of the Guarantor beginning for the year ended December 31, 2009, the audited balance sheet of the Guarantor at the end of such year, and the related audited statement of income, statement of retained earnings, changes in capital, and statement of cash flows for such year, and a statement of all contingent liabilities of the Guarantor which are not reflected in such financial statements or referred to in the notes thereto, each setting forth in comparative form the figures for the previous fiscal year and all such statements to be in reasonable detail, prepared in accordance with Generally Accepted Accounting Principles, and accompanied by an auditor's report prepared without qualification by the Accountant;

(d) within fifteen (15) days after the end of each calendar month, commencing with the month in which the construction of the Project is substantially complete and continuing until the month in which Conversion Date occurs, (i) a current rent roll and schedule of aging lease receivables as of the end of such month, in form and level of detail reasonably acceptable to the Servicer, detailing, with respect to each Lease, the tenant's name, the Lease date, the premises demised, the term, the rent, the security deposit and any rent paid more than one month in advance, (ii) a leasing report setting forth the Borrower's efforts to market and lease the then

unleased space in the Improvements and the results of such efforts, accompanied by a certificate of the Borrower in the form attached hereto as Exhibit F, and (iii) an operating report for the Project for such month, in form and level of detail reasonably acceptable to the Servicer, together with a certification by the chief financial officer that the information in all of the items required pursuant to this Section 5.3(e) is true and correct;

(e) within fifteen (15) days after the end of each calendar quarter, commencing with the quarter in which the Conversion Date occurs, (i) a current rent roll and schedule of aging lease receivables as of the end of such quarter, in form and level of detail reasonably acceptable to the Servicer, detailing, with respect to each Lease, the tenant's name, the Lease date, the premises demised, the term, the rent, the security deposit and any rent paid more than one month in advance, (ii) upon request by Bondowner Representative, a leasing report setting forth the Borrower's efforts to market and lease the then unleased space in the Improvements and the results of such efforts, accompanied by a certificate of the Borrower in the form attached hereto as Exhibit F, and (iii) an operating report for the Project for such quarter, in form and level of detail reasonably acceptable to the Servicer, together with a certification by the chief financial officer that the information in all of the items required pursuant to this Section 5.3(f) is true and correct;

(f) quarterly, on the first day of each calendar quarter beginning with the quarter in which the Project achieves Completion and ending in the quarter in which the Conversion Date occurs, a certificate in the form set forth in Exhibit G hereto;

(g) contemporaneously with the filing or mailing thereof, copies of all material of a financial nature filed with the Securities and Exchange Commission, if any, or sent to the stockholders, partners, members or beneficiaries of the Borrower and any Affiliate thereof, if any;

(h) on or before December 1 of each year, a copy of the Proposed Budget, and on or before January 30 of each year, a copy of the Approved Budget; and

(i) from time to time such other financial data and information related to the Borrower, the General Partner and the Project as the Issuer, the Bondowner Representative or the Servicer may reasonably request.

Section 5.4 Insurance.

(a) The Borrower will obtain and maintain insurance with respect to the Project and the operations of the Borrower as required from time to time by the Servicer. The initial insurance requirements are set forth on Exhibit E hereto. All renewal policies, with premiums paid, shall be delivered to the Servicer at least thirty (30) days before expiration of the existing policies. If any such insurance shall expire or be canceled, or become void or voidable by reason of the breach of any condition of coverage, or if the Servicer determines that any coverage is unsatisfactory by reason of the failure or impairment of the capital of any insurance carrier, or if any insurance is unsatisfactory to the Servicer, in its sole judgment, the Borrower shall promptly place new insurance satisfactory to the Servicer.

(b) The Borrower will provide the Bondowner Representative and the Servicer with certificates evidencing such insurance upon the request of the Servicer.

(c) If the Borrower fails to provide, maintain, keep in force or deliver to the Servicer the policies of insurance and certificates required by this Loan Agreement, the Servicer may (but shall have no obligation to) procure such insurance, and the Borrower will pay all premiums thereon promptly on demand by the Servicer, and until such payment is made by the Borrower, the amount of all such premiums shall bear interest at the Default Rate.

Section 5.5 Liens and Other Charges. The Borrower will duly pay and discharge, cause to be paid and discharged, or provide a bond satisfactory to the Servicer to pay or discharge, before the same shall become overdue all claims for labor, materials, or supplies that if unpaid might by law become a lien or charge upon any of its property.

Section 5.6 Inspection of Project and Books, Appraisals.

(a) The Borrower shall permit the Issuer, the Bondowner Representative and the Servicer upon reasonable notice at reasonable times, at the Borrower's cost and expense, to visit and inspect the Project and all materials to be used in the construction and equipping thereof and will cooperate with the Issuer, the Bondowner Representative and the Servicer during such inspections (including making available working drawings of the Plans and Specifications); provided that this provision shall not be deemed to impose on the Issuer, the Bondowner Representative, and the Servicer any obligation to undertake such inspections.

(b) The Borrower shall permit the Issuer, the Bondowner Representative and the Servicer, upon reasonable notice at reasonable times, at the Borrower's cost and expense, to examine the books of account of the Borrower and the Project (and to make copies thereof and extracts therefrom) and to discuss the affairs, finances and accounts of the Borrower and the Project with, and to be advised as to the same by, its officers, partners, or trustees, all at such reasonable times and intervals as the Issuer, the Bondowner Representative and the Servicer may reasonably request; provided that so long as no Default or Event of Default shall have occurred and be continuing, the Borrower shall only be obligated to pay the expenses associated with one (1) such investigation during any twelve (12) month period.

(c) The Issuer, the Bondowner Representative and the Servicer shall have the right to obtain from time to time, at the Borrower's cost and expense, updated Appraisals of the Project; provided that so long as no Default or Event of Default shall have occurred and be continuing, the Borrower shall only be obligated to pay for the costs and expenses associated with one (1) such Appraisal during any twelve (12) month period.

(d) The costs and expenses incurred by the Issuer, the Bondowner Representative and the Servicer in obtaining such Appraisals or performing such inspections shall be paid by the Borrower promptly upon billing or request by the Issuer, the Bondowner Representative and the Servicer for reimbursement.

Section 5.7 Compliance with Laws, Contracts, Licenses, and Permits. The Borrower will comply with (a) all Legal Requirements, (b) the provisions of its Organizational Documents, (c) all applicable decrees, orders and judgments, and (d) all licenses and permits required by

applicable laws and regulations for the conduct of its business or the ownership, use or operation of its properties, including all Project Approvals.

Section 5.8 Use of Proceeds. In accordance with the Development Budget, the Borrower will use the proceeds of the Bonds solely for the purpose of paying for Qualified Costs of the Project.

Section 5.9 Borrower to Pay Excess Project Costs. The Borrower will pay when due all costs of construction and equipping of the Project in excess of the proceeds of the Bonds, regardless of the amount. If at any time, the Servicer shall in its sole discretion determine that the remaining undisbursed portion of the Loan, [together with the undisbursed balance of the Construction Disbursement Account (Agency),] together with the undisbursed balance of Required Equity Funds, and any other sums previously deposited or to be deposited by the Borrower in the Borrower's Funds Account (as defined below) in connection with the Project, is or will be insufficient to complete the construction and equipping of the Improvements in accordance with the Plans and Specifications, to operate and carry the Project after Completion until Conversion Date, to pay all other Project Costs, to pay all interest accrued or to accrue on the Bonds from and after the date hereof or until the Conversion Date, and to pay all other sums due or to become due under the Loan Documents (or any budget category or line item), regardless of how such condition may be caused, the Borrower will, within ten (10) days after written notice of such determination from the Servicer, deposit into the Borrower's Funds Account (as defined below) such sums of money in cash as the Servicer may require, in an amount sufficient to remedy the condition described in such notice, and sufficient to pay any liens for labor and materials alleged to be due and payable at the time in connection with the Improvements, and, at the Servicer's direction, no further disbursements from any source shall be made by the Bondowner Representative until the provisions of this Section have been fully complied with. Unless otherwise shown in the Development Budget, all sums provided by Borrower in accordance with the preceding sentence shall be deposited into a non-interest bearing account with Servicer in the name of Borrower (the "**Borrower's Funds Account**") on and subject to such terms and conditions as are made available generally to Servicer's commercial customers for accounts of the same amount and tenor. Funds held in the Borrower's Funds Account shall be and remain in the exclusive control of Bondowner Representative. Borrower hereby pledges to Bondowner Representative, and grants a security interest to the Issuer and Bondowner Representative, as agent for and for the benefit of Owners, in and to, the Borrower's Funds Account and all monies therein from time to time. That pledge and security interest shall secure the performance by Borrower of the obligations of Borrower under this Loan Agreement, the Note and the other Loan Documents. Issuer and Bondowner Representative shall have available to it all rights available to a secured party under the Uniform Commercial Code of the State of California in connection with such security interest. Borrower agrees to execute and deliver to Issuer and Bondowner Representative such additional documents as Issuer and/or Bondowner Representative may reasonably require from time to time in order to further evidence or perfect such pledge and security interest.

Section 5.10 Laborers, Subcontractors and Materialmen. The Borrower will furnish to the Issuer, the Bondowner Representative or the Servicer, upon reasonable request, and from

time to time, affidavits listing all laborers, subcontractors, materialmen, and any other Persons who might or could claim statutory or common law liens and are furnishing or have furnished labor or material to the Project or any part thereof, together with affidavits, or other evidence satisfactory to the Issuer, the Bondowner Representative or the Servicer, showing that such parties have been paid all amounts then due for labor and materials furnished to the Project. The Borrower will also furnish to the Issuer, the Bondowner Representative, and the Servicer, at any time and from time to time upon reasonable request by the Issuer, the Bondowner Representative, Servicer or the Servicer, lien waivers bearing a then current date and prepared on a form satisfactory to the Issuer, the Bondowner Representative or the Servicer from the Contractor and such subcontractors or materialman as the Issuer, the Bondowner Representative or the Servicer may designate.

Section 5.11 Further Assurance of Title. If at any time the Servicer has reason to believe that any disbursement from the Project Fund is not secured or will or may not be secured by the Mortgage as a first priority mortgage lien and security interest on the Property, then the Borrower shall, within ten (10) days after written notice from the Servicer, do all things and matters necessary, to assure to the satisfaction of the Servicer that any disbursement from the Project Fund previously made hereunder or to be made hereunder is secured or will be secured by the Mortgage as a first priority mortgage lien and security interest on the Property, and the Servicer, at its option, may decline to approve any further Requisitions until the Servicer has received such assurance. Nothing in this Section shall limit the right of the Servicer, at the Borrower's expense, to order searches of title from time to time and to require bringdowns or endorsements extending the effective date of the Title Policy in connection with the making of advances as herein set forth.

Section 5.12 Publicity. The Borrower will permit the Servicer to obtain publicity in connection with the construction and equipping of the Improvements through press releases and participation in such events as ground breaking and opening ceremonies and placement of signs on the Land.

Section 5.13 Further Assurances.

(a) **Regarding Construction.** The Borrower will furnish or cause to be furnished to the Issuer, the Bondowner Representative and the Servicer all instruments, documents, boundary surveys, footing or foundation surveys, certificates, plans and specifications, title and other insurance, reports and agreements and each and every other document and instrument required to be furnished by the terms of this Loan Agreement or the other Loan Documents, all at the Borrower's expense.

(b) **Regarding Preservation of Collateral.** The Borrower will execute and deliver to the Issuer, the Bondowner Representative and the Servicer such further documents, instruments, assignments and other writings, and will do such other acts necessary or desirable, to preserve and protect the collateral at any time securing or intended to secure the obligations of the Borrower under the Loan Documents, as the Issuer, the Bondowner Representative and the Servicer may require.

(c) Regarding this Loan Agreement. The Borrower will cooperate with, and will do such further acts and execute such further instruments and documents as the Issuer, the Bondowner Representative and the Servicer shall reasonably request to carry out to their satisfaction the transactions contemplated by this Loan Agreement and the other Loan Documents.

(d) Bank of Account. Prior to the Conversion Date, the Borrower will utilize Bank of America, N.A. as its principal bank of account; including all construction disbursement, operating accounts, and reserve accounts. From and after the Conversion Date, the Borrower will utilize a bank approved by Permanent Lender as its principal bank of account; including all construction disbursement, operating accounts, and reserve accounts.

Section 5.14 Notices. The Borrower will promptly notify the Issuer, the Bondowner Representative and the Servicer in writing of (i) the occurrence of any Default or Event of Default or event which, with the giving of notice or the passage of time, or both, would constitute a Default or Event of Default; (ii) the Borrower's receipt of notice from any Governmental Authority of any alleged violation of environmental laws or regulations or other Legal Requirements; (iii) any labor problems with respect to the Borrower or the Project; (iv) the occurrence of any other event which would have a material adverse effect on the Project or the business or financial condition of the Borrower; or (v) the receipt by the Borrower of any notice of default or notice of termination with respect to any contract or agreement relating to the ownership, construction, equipping, operation, or use of the Project.

Section 5.15 Solvency; Adequate Capital. The Borrower will:

(a) Remain solvent and pay all of its indebtedness from its assets as the same become due; and

(b) Maintain adequate capital for the normal obligations reasonably foreseeable for a business of its size and character and in light of its contemplated business operations.

Section 5.16 Management Contract.

(a) At all times during the term of this Loan Agreement, the Project shall be managed pursuant to a management contract with the Manager, which contract shall be terminable with or without cause by the Borrower or its successors as owners of the Project and shall otherwise be in form and substance satisfactory to the Servicer. The Borrower acknowledges that the Issuer, the Bondowner Representative and the Servicer will rely on the Manager's experience in operating properties such as the Project as a means of maintaining the value of the collateral. In connection with the approval of the Manager, or any replacement management company:

(i) the Manager or holder of the stock or partnership interest therein, shall be a Person whose character, financial strength, stability and experience is acceptable to the Servicer and who shall have experience managing properties of a type and size reasonably similar to the Project; and

(ii) the Manager shall deliver all organizational documentation and other materials evidencing its experience acceptable to the Servicer.

(b) The Borrower shall, from time to time, obtain from the Manager such certificates of estoppel with respect to compliance by the Borrower with the terms of the management contract as may be requested by the Servicer, the Bondowner Representative and the Servicer.

(c) The Project will be managed by the Manager pursuant to the Management Agreement. The Borrower acknowledges and agrees that Bondowner Representative, as mortgagee under the Mortgage, is and shall be a third-party beneficiary of the Management Agreement and any replacement management agreement. Any amendment to the Management Agreement or delivery of a replacement management agreement must be approved in writing by the Servicer.

Section 5.17 Negative Covenants of the Borrower. The Borrower covenants and agrees that, so long as the Loan is outstanding:

(a) Restrictions on Easements and Covenants. Except for Permitted Encumbrances and matters permitted by Section 5.17(d), the Borrower will not create or suffer to be created or to exist any easement, right of way, restriction, covenant, condition, license or other right in favor of any Person which affects or might affect title to the Project or the use and occupancy of the Project or any part thereof without obtaining the prior written consent of the Servicer, which shall not be unreasonably withheld or delayed so long as the proposed action is necessary for the operation of the Project for the purposes contemplated hereby and the proposed action does not materially impair the validity or priority of the lien of the Mortgage.

(b) No Amendments, Terminations or Waivers. Neither the Borrower nor the General Partner shall amend, supplement terminate or otherwise modify or waive any provision of its Organizational Documents, the documents evidencing the Subordinate Loans or any documents relating to the contribution of equity by the partners of the Borrower without obtaining the prior written consent of the Servicer.

(c) Restrictions on Indebtedness. Without obtaining the prior written consent of the Servicer, the Borrower will not create, incur, assume, guarantee or be or remain liable, contingently or otherwise, with respect to any Indebtedness other than:

- (i) Indebtedness arising under the Loan Documents;
- (ii) Indebtedness arising in connection with the Subordinate Loans;
- (iii) current liabilities of the Borrower relating to the Project, incurred in the ordinary course of business but not incurred through (A) the borrowing of money, or (B) the obtaining of credit except for credit on an open account basis customarily extended and in fact extended in connection with normal purchases of goods and services; and
- (iv) Indebtedness relating to the Project, in respect of taxes, assessments, governmental charges or levies and claims for labor, materials and supplies to the extent that payment therefor shall not at the time be required to be made.

(d) Restrictions on Liens. The Borrower shall not subject the Project, or permit the Project to be subjected, to any Lien or encumbrance except as permitted pursuant to Article 6 of the Mortgage.

(e) Transfers. The Borrower shall not transfer the Project or any interest in the Project, in the Borrower or in any partner of the Borrower, or permit any such transfer, except (i) as permitted pursuant to Section 12 of the Regulatory Agreement, (ii) as permitted pursuant to Article 6 of the Mortgage, or (iii) as permitted pursuant to the Construction Disbursement Agreement.

(f) Merger, Consolidation, Conversion and Disposition of Assets.

(i) The Borrower will not become a party to any merger or consolidation, or agree to or effect any asset acquisition or stock acquisition.

(ii) The Borrower will not convert into any other type of entity.

(iii) The Borrower will not seek the dissolution or winding up, in whole or in part, of the Borrower or voluntarily file, or consent to the filing of, a petition for bankruptcy, reorganization, assignment for the benefit of creditors or similar proceedings.

(g) Sale and Leaseback. The Borrower will not enter into any arrangement, directly or indirectly, whereby the Borrower shall sell or transfer any property owned by it in order then or thereafter to lease such property or lease other property that the Borrower intends to use for substantially the same purpose as the property being sold or transferred.

(h) Preservation of Tax Exemption. The Borrower will not take any action that would adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation, nor omit or fail to take any action required to maintain the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

Section 5.18 Arbitrage and Tax Matters.

(a) The Borrower hereby represents, warrants and agrees that all certifications and representations of fact made by the Borrower in the Tax Certificate are true, accurate and complete in all material respects of the date on which executed and delivered.

(b) The Borrower covenants not to cause or direct any moneys on deposit in any fund or account to be used in a manner which would cause the Bonds to be classified as “arbitrage bonds” within the meaning of Section 148 of the Code, and the Borrower certifies and covenants to and for the benefit of the Issuer and the Owners of the that so long as there are any Bonds Outstanding, moneys on deposit in any fund or account in connection with the Bonds, whether such moneys were derived from the proceeds of the sale of the Bonds or from any other sources, will not be used in a manner which will cause the Bonds to be classified as “arbitrage bonds” within the meaning of Section 148 of the Code. In furtherance of the foregoing, the Borrower covenants to comply with the terms and conditions of Tax Certificate and to pay when due any amount required to be paid to the United States in accordance with Tax Certificate and this Loan Agreement.

(c) At any time when any amount required to be paid under Section 148(f) of the Code (the “**Rebate Regulations**”) is due, the Borrower shall pay to the United States on behalf of the Issuer the full amount then required to be paid under the Rebate Regulations. Within sixty (60) days after the Bonds have been paid in full, the Borrower shall pay to the United States on behalf of the Issuer the full amount then required to be paid under the Rebate Regulations. Each such payment shall be made to such location specified by the Internal Revenue Service, accompanied by a Form 8038-T (or other appropriate information reporting form) prepared by the Borrower. No later than fifteen (15) days prior to each date on which a payment could become due under the Rebate Regulations (“**Rebate Payment Date**”), the Borrower shall deliver to the Issuer and the Bondowner Representative a certificate of a Rebate Analyst either summarizing the determination that no amount is required to be paid or specifying the amount then required to be paid, if the certificate specifies an amount to be paid, (A) such certificate shall be accompanied by a completed Form 8038-T, which is to be signed by an Authorized Representative of the Issuer, and shall include a certification by the Borrower that the Form 8038-T is accurate and complete, and (B) no later than ten (10) days after the Rebate Payment Date, the Borrower shall furnish to the Issuer and the Bondowner Representative a certificate stating that such amount has been timely paid. This Section 5.18(c) shall be construed so as to cause compliance with the Rebate Regulations. The Borrower covenants that all action taken under this Section 5.18(c) shall be taken in a manner that complies with the Rebate Regulations and that it shall neither take any action nor omit to take any action that would cause the Bonds to be “arbitrage bonds” by reason of the failure to comply with the Rebate Regulations. To the extent that any payment of rebatable arbitrage or penalty in lieu of rebate is not timely made to the United States, the Borrower shall pay to the United States on behalf of the Issuer any correction amount, interest, penalty or other amount necessary to prevent the Bonds from becoming “arbitrage bonds” within the meaning of Section 148 of the Code. The Borrower covenants that, to the extent necessary, it shall obtain the advice and assistance of a Rebate Analyst to aid it in complying with the Rebate Regulations. In the event that any conflict exists between this Section 5.18 and the Tax Certificate, the terms and provisions of the Tax Certificate shall control.

Section 5.19 Indemnification.

(a) To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Issuer, the Servicer, the Bondowner Representative, each Owner and each of their respective officers, governing members, directors, officials, employees, attorneys and agents (each an “Indemnified Party”), against any and all losses, damages, claims, actions, liabilities, reasonable costs and expenses of any nature, kind or character (including, without limitation, reasonable attorneys’ fees, litigation and court costs, amounts paid in settlement (to the extent that the Borrower has consented to such settlement) and amounts paid to discharge judgments) (together with the Issuer Indemnity Liabilities, the “Liabilities”) to which the Indemnified Parties, or any of them, may become subject under federal or state securities laws or any other statutory law or at common law or otherwise, to the extent arising out of or based upon or in any way relating to:

(i) The Loan Documents and the Pledge Agreement or the execution or amendment thereof or in connection with transactions contemplated thereby, including the issuance, sale, transfer or resale of the Bonds;

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

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

(iv) Any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from, the Project or any part thereof during the period in which the Borrower is in possession or control of the Project;

(v) The enforcement of, or any action taken by the Bondowner Representative or the Servicer related to remedies under this Loan Agreement, the Pledge Agreement and the other Loan Documents relating to the default by the Borrower;

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

(vii) Any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact by the Borrower contained in any offering statement or document for the Bonds, the Pledge Agreement or any of the Loan Documents to which the Borrower is a party, or any omission or alleged omission from any offering statement or document for the Bonds of any material fact necessary to be stated therein in order to make the statements made therein by the Borrower, in the light of the circumstances under which they were made, not misleading;

(viii) Any declaration of taxability of interest on the Bonds or allegations (or regulatory inquiry) that interest on the Bonds, is taxable for federal income tax purposes; and

(ix) The Bondowner Representative's acceptance or administration of the Pledge Agreement, or the Bondowner Representative's exercise or performance of or failure to exercise or perform any of its powers or duties thereunder or under any of the Loan Documents to which it is a party.

Notwithstanding the foregoing, (i) Borrower shall not be obligated to indemnify Servicer or Bondowner Representative with respect to the consequences of any act of gross negligence or willful misconduct by Servicer or Bondowner Representative, as applicable, and (ii) Borrower shall not be obligated to indemnify Issuer with respect to the consequences of any act of willful misconduct by Issuer. Notwithstanding anything herein to the contrary, the Borrower's indemnification obligations to the parties specified in Section 5.21 with respect to any Securitization described in Section 5.21 shall be limited to the indemnity set forth in Section 5.21.

(b) In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party (which notice shall be timely given so as not to materially impair the Borrower's right to defend), shall assume the investigation and defense thereof, including the employment of counsel reasonably approved by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement, which approval shall not be unreasonably withheld or delayed. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and to participate in the investigation and defense thereof; provided however the Issuer have the absolute right to employ separate counsel at the expense of the Borrower. The Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party other than the Issuer may only employ separate counsel at the expense of the Borrower if and only if in such Indemnified Party's good faith judgment (based on the advice of counsel) a conflict of interest exists or could arise by reason of common representation except that the Borrower shall always pay the reasonable fees and expenses of the Issuer's separate counsel.

(c) Notwithstanding any transfer of the Project to another owner in accordance with the provisions of this Loan Agreement or the Regulatory Agreement, the Borrower shall remain obligated to indemnify each Indemnified Party pursuant to this Section 5.19 if such subsequent owner fails to indemnify any party entitled to be indemnified hereunder, unless the Issuer, the Bondowner Representative and the Servicer have consented to such transfer and to the assignment of the rights and obligations of the Borrower hereunder.

(d) The rights of any persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses hereunder shall survive the final payment or defeasance of the Bonds and in the case of the Bondowner Representative any resignation or removal. The provisions of this Section shall survive the termination of this Loan Agreement.

(e) Nothing in this Section 5.19 shall in any way limit the Borrower's indemnification and other payment obligations set forth in the Regulatory Agreement. In the event that any conflict exists between this Section 5.19 and Section 9 of the Regulatory Agreement, the terms and provisions of Section 9 of the Regulatory Agreement shall control.

Section 5.20 Agreements Between Borrower and its Affiliates. The Borrower shall not enter into any agreement, written or otherwise, directly or indirectly relating to the Project with an Affiliate of the Borrower without the prior written consent of the Servicer.

Section 5.21 Sale of Bonds and Securitization.

(a) At the request of the Servicer, the Borrower shall take such actions and execute and deliver such documents and data as may be reasonably necessary or appropriate in connection with the sale of the Bonds or participation therein or any securitization (such sale and/or securitization, the "**Securitization**") of single or multi-class securities (the "**Securities**") secured by or evidencing ownership interests in the Bonds. Without limiting the generality of the foregoing, the Borrower shall:

(i) provide financial and other information with respect to the Project, the Borrower and its Affiliates, the manager and any tenants of the Project and provide business plans and budgets relating to the Project;

(ii) perform or permit or cause to be performed or permitted such site inspection, appraisals, market studies, environmental reviews and reports (Phase I and, if appropriate, Phase II), engineering reports and other due diligence investigations of the Project, as may be reasonably requested by the Servicer or the Rating Agencies or as may be necessary or appropriate in connection with the Securitization (the items provided to the Servicer pursuant to this paragraph (a) being called the “Provided Information”), together, if customary, with appropriate verification of and/or consents to the Provided Information through letters of auditors or opinions of counsel of independent attorneys acceptable to the Servicer and the Rating Agencies;

(iii) cause counsel to render opinions as to non-consolidation, fraudulent conveyance, true sale and true contribution and any other opinion customary in securitization transactions with respect to the Project, the Borrower and its Affiliates, which counsel and opinions shall be satisfactory to the Servicer and the Rating Agencies;

(iv) make such representations and warranties as of the closing date of the Securitization with respect to the Project, the Borrower and the Loan Documents as are customarily provided in securitization transactions and as may be reasonably requested by the Servicer or the Rating Agencies and consistent with the facts covered by such representations and warranties as they exist on the date thereof, including the representations and warranties made in the Loan Documents;

(v) provide current certificates of existence with respect to the Borrower from appropriate Governmental Authorities; and

(vi) execute such amendments to the Loan Documents as may be requested by the Servicer or the Rating Agencies or otherwise to effect the Securitization; provided, however, that Borrower shall not be required to modify or amend any Loan Document if such modification or amendment would (i) change the interest rate (on a weighted average basis) prior to the occurrence of an Event of Default, (ii) except as otherwise provided herein or in the Note or Pledge Agreement, change the maturity date of the Loan, (iii) modify or amend any other material term of the Loan Documents so as to change the economic terms of the Loan Documents, on a weighted average basis, (iv) change the extent of recourse to Borrower or any Guarantor, or (v) adversely affect the tax-exempt nature of Bonds.

(b) All reasonable third party costs and expenses incurred by the Borrower solely in connection with the Borrower’s complying with requests made under this Section 5.21 shall promptly be paid or caused to be paid by the Servicer. The Borrower shall not be liable for third party costs or expenses incurred by the Servicer in connection with the Securitization.

(c) The Borrower understands that certain of the Provided Information may be included in disclosure documents in connection with the Securitization, including a prospectus or private placement memorandum (each, a “**Disclosure Document**”) and may also be included in

filings with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the “**Securities Act**”), or the Securities and Exchange Act of 1934, as amended (the “**Exchange Act**”), or provided or made available to investors or prospective investors in the Securities, the Rating Agencies, and service providers relating to the Securitization. In the event that the Disclosure Document is required to be revised prior to the sale of all Securities, the Borrower shall cooperate with the Servicer in updating the Provided Information for inclusion or summary in the Disclosure Document by providing all current information pertaining to the Borrower and the Project necessary to keep the Disclosure Document accurate and complete in all material respects with respect to such matters.

(d) In connection with a preliminary and a final private placement memorandum or prospectus, as applicable, the Borrower agrees if requested by the Servicer, to certify in writing that the Borrower has carefully examined those portions of such memorandum or prospectus, as applicable, pertaining to the Borrower and the Project and such sections (and any other sections reasonably requested and pertaining to Borrower and the Project) do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which they were made, not misleading.

(e) The Borrower’s liability under this Section 5.21 shall be limited to liabilities arising out of or based upon any such material untrue statement or omission made with knowledge thereof and made therein in reliance upon and in conformity with information furnished to the Servicer by or on behalf of the Borrower in connection with the preparation of those portions of the Disclosure Document pertaining to the Borrower or the Project or in connection with the underwriting of the debt, including financial statements of the Borrower, operating statements, rent rolls, environmental site assessment reports and property condition reports with respect to the Project.

Section 5.22 Funds. This Section 5.22 shall only be applicable during such time as Permanent Lender is not acting as Bondowner Representative hereunder. The Borrower acknowledges the creation of the Replacement Reserve Fund, the Operating Reserve Funds and the Tax and Insurance Fund pursuant to the Pledge Agreement. The Replacement Reserve Fund, the Operating Reserve Fund and the Tax and Insurance Fund shall be funded, and moneys therein shall be disbursed, in accordance with the provisions of the Pledge Agreement and this Section 5.22.

(a) On or before December 1 of each year, the Borrower shall submit to the Servicer for approval the Proposed Budget to be effective for the next following year. The Servicer shall have the right to approve or disapprove any Proposed Budget or any line-item contained in such Proposed Budget. If any Proposed Budget is not approved by the Servicer within thirty (30) days following submission by the Borrower, such Proposed Budget shall be deemed disapproved. If any line-item or Proposed Budget is disapproved, the Borrower shall thereafter consult for an additional thirty (30) days with the Servicer in an effort to achieve mutually acceptable Approved Budget. To the extent that the Proposed Budget is disapproved, the Approved Budget for the previous year shall remain in effect, increased by 5% over the previous year (except for costs of utilities, real estate taxes and assessments and insurance and other third-party costs or cost associated with remediation of emergency conditions which shall be permitted variances to the Proposed Budget) until the parties resolve their differences. In addition to, and

not in limitation of the foregoing, each Approved Budget may be revised from time to time with prior written consent of the Servicer to reflect changes to items set forth in the then-current Approved Budget.

(b) Each Proposed Budget:

(i) shall be prepared on the basis of sound accounting practices consistently applied;

(ii) shall reflect the projected gross revenues and operating expenses regarding the Project;

(iii) shall reflect all projected Capital Expenditures which are reasonably expected to be made in connection with the Project during the year covered by such Proposed Budget; and

(iv) shall contain such other information as reasonably may be requested by the Servicer.

(c) On each Interest Payment Date beginning with the first month after the Conversion Date, the Borrower shall deposit an amount equal to 1/12 of the Unit Reserve Amount in the Replacement Reserve Fund.

(d) Except as otherwise provided in this Section, before the Servicer shall authorize the disbursement of any amounts from the Replacement Reserve Fund, the Borrower shall submit the following items to the Servicer for its review and approval:

(i) a requisition from the Borrower stating that no Event of Default exists and requesting the Servicer to approve a disbursement;

(ii) the identity of all general contractors, architects, engineers and other professionals, if any, engaged in connection with the proposed capital expenditures along with copies of the contracts entered into between the Borrower and such entities;

(iii) copies of the plans and specifications for the work to be done, if required or produced in connection with the work contemplated;

(iv) if requested by the Servicer, evidence of compliance with all applicable Legal Requirements;

(v) if requested by the Servicer in connection with construction work in excess of \$10,000, evidence of builders' risk insurance along with workers' compensation and public liability insurance in such amounts and in such form as the Servicer may reasonably require;

(vi) if requested by the Servicer in connection with construction work in excess of \$10,000, evidence that the Consulting Engineer shall have inspected and approved of the work performed to date;

(vii) copies of bills or invoices documenting the proposed expenditure (with paid receipts or other evidence of payment for such Capital Expenditures to be provided to the Servicer before the next requested requisition and in any event within ten (10) days of disbursement to the Borrower of the requested payment); and

(viii) evidence that the general contractor has delivered and filed effective mechanics lien waivers prior to the commencement of work or, if such waivers were not delivered and filed, a release of liens in connection with all work performed, which releases may be conditioned upon payment to the general contractor provided that the general contractor delivers unconditional releases within thirty (30) days of receipt of such payment.

(e) Provided the conditions set forth in Section 5.22(d) have been satisfied (or waived in writing by the Servicer), the Servicer shall authorize the disbursement from the Replacement Reserve Fund of the amount requested by the Borrower in its requisition, or such lesser amount approved by the Consulting Engineer, to the Borrower. It shall be a condition to all withdrawals from the Replacement Reserve Fund that (i) all work shall be performed in a good and workmanlike manner and in compliance with all applicable Legal Requirements, (ii) the Servicer shall have reviewed and approved each of the foregoing requirements, (iii) the work to be performed is consistent with the Approved Budget or the recommendations of the Consulting Engineer, and (iv) sufficient amounts are on deposit in the Replacement Reserve Fund to pay the amount requisitioned.

(f) For any single Capital Expenditure (not part of, or related to, a sequence or a series of Capital Expenditures or a particular capital improvement plan or project) costing less than Five Thousand Dollars (\$5,000.00) and whether or not described in the Approved Budget, the Borrower, upon completion of the work, shall deliver to the Servicer evidence reasonably satisfactory to the Servicer of such completion and shall deliver to the Servicer invoices for such work, and, for all of such subsequent disbursements from the Replacement Reserve Fund, the Borrower shall deliver evidence of payment in full for all invoices pertaining to the previous disbursement from the Replacement Reserve Fund, whereupon the Servicer shall authorize reimbursement of the cost of the Capital Expenditure from the Replacement Reserve Fund to the Borrower or, at the Servicer's option, to the contractors to whom such funds are owed.

(g) For any Capital Expenditure (not part of or related to a sequence or series of Capital Expenditures) costing Five Thousand Dollars (\$5,000.00) or more which is to be paid from the Replacement Reserve Fund, before entering into any contracts in connection with such Capital Expenditure (whether or not the Capital Expenditure was described in the Approved Budget), the Borrower shall submit to the Servicer for its prior review and approval (which shall not be unreasonably withheld or delayed) copies of the proposed contracts to be entered into with respect to such Capital Expenditure and copies of the proposed plans and specifications for the Capital Expenditure. Once the Capital Expenditure is approved in advance by the Servicer, the provisions of Section 5.22(d) shall apply. Upon completion of such work, the Borrower shall deliver to the Servicer evidence reasonably satisfactory to the Servicer of such completion and shall deliver to the Servicer invoices for such work and, for all of such subsequent disbursements from the Replacement Reserve Fund, the Borrower shall deliver evidence of payment in full for all invoices pertaining to the previous disbursement from the Replacement Reserve Fund, whereupon the Servicer shall authorize reimbursement of the cost of the Capital Expenditure

from the Replacement Reserve Fund to the Borrower, or, at the Servicer's option, the contractors to whom such costs are owed.

(h) On each Interest Payment Date, beginning with the first month after the Conversion Date, the Borrower shall deposit funds into the Tax and Insurance Fund in an amount equal to one-twelfth (1/12) of the amount reasonably estimated by the Servicer to be payable during the current year for real estate taxes and insurance premiums with respect to the Project. If, one month prior to the due date of any aforementioned obligations, the amounts then on deposit shall be insufficient for the payment of such obligation in full, the Borrower shall deposit the amount of the deficiency within ten (10) days after demand from the Servicer. Amounts held in the Tax and Insurance Fund shall be applied to the payment of real estate taxes and insurance premiums, in such order of priority as the Servicer shall determine in its sole discretion, on or before the respective dates on which the same or any of them would become delinquent.

(i) On or before the Conversion Date, the Borrower shall deposit \$[_____] (or such greater amount required pursuant to the Subordinate Loan Documents or Partnership Agreement) in its own funds into the Operating Reserve Fund. Moneys in the Operating Reserve Fund shall be disbursed only upon the authorization of the Servicer. To the extent that Project Revenues are insufficient to pay Operating Expenses and/or the amount necessary to pay principal and interest on the Bonds as required pursuant to Section 3.2, the Borrower may make written request to the Servicer for disbursement of amounts in the Operating Reserve Fund for payment of such Operating Expenses and debt service on the Bonds. Following receipt of any such request, the Servicer may authorize the disbursement of such sums from the Operating Reserve Fund as it shall have approved from time to time. If moneys are disbursed from the Operating Reserve Fund, the Borrower shall, from time to time, deposit into the Operating Reserve Fund any Net Operating Revenues that it realizes until the amount so deposited is equal to the aggregate amounts so disbursed.

Section 5.23 Covenants Regarding Tax Credits. The Borrower hereby agrees to comply with all of the following covenants (each, a "**Tax Credit Covenant**"):

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

(b) To preserve at all times the allocation and availability of the Tax Credits;

(c) Not to release, forego, alter, amend, or modify its rights to the Tax Credits without the Servicer's prior written consent, which the Servicer may give or withhold in the Servicer's reasonable discretion;

(d) Not to execute any residential lease of all or any portion of the Project which does not comply fully with all requirements, statutes, and regulations governing the Tax Credits,

without the Servicer's prior written consent, which the Servicer may give or withhold in the Servicer's sole and absolute discretion;

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

(f) To comply with the appropriate minimum low-income set-aside requirements under the Code or applicable federal regulations (the "**Federal Laws**") and all laws and regulations of the State (the "**State Laws**") applicable to the creation, maintenance and continued availability of the Tax Credits;

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

(h) To set aside the appropriate number of units for households with incomes meeting the required standards of the median income of the county in which the Project is located to qualify for the Tax Credits (as determined pursuant to Section 42 of the Code and/or State Laws), adjusted for family size, and to operate and maintain all such units as "low-income units" qualifying for the Tax Credits under Section 42(i)(3) of the Code and/or State Laws;

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

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

The Borrower understands and acknowledges that the Bank is purchasing the Bonds based, in part, upon the value of the Tax Credits, and the Tax Credits, directly or indirectly, constitute part of Bondowner Representative's security on behalf of the Owners of the Bonds, for the obligations of the Borrower in connection with the Loan. The Borrower agrees to indemnify, defend, and hold the Servicer and the Owners harmless for, from, and against any and all actions, suits, claims, demands, liabilities, losses, damages, obligations, and costs or expenses, including litigation costs and reasonable attorneys' fees, arising from or in any way connected with the

Borrower's failure to comply with one or more Tax Credit Covenants, excepting those arising out of, or resulting, solely from the gross negligence or willful misconduct of the Servicer.

Section 5.24 Leasing. The Servicer (and all other parties whose approval is required) must approve the Borrower's standard form of residential lease or rental agreement prior to its use by the Borrower. The Borrower may not materially modify the approved standard form of residential lease without the Servicer's prior written consent in each instance (which consent shall not be unreasonably withheld), together with the approval of all other parties whose consent is required. Each lease, other than leases on the Borrower's standard form of residential lease, of any part of the Project is subject to the Servicer's written approval as to form and substance prior to execution and delivery. Despite the foregoing, the Borrower may enter into residential leases (and amendments) in the ordinary course of business with bona fide third party tenants without the Servicer's prior written consent if the Borrower uses the approved standard form of residential lease and:

(i) Within fifteen (15) days after the Servicer's written request therefor, the Servicer receives a copy of the executed lease (accompanied by all financial information and certificates obtained by the Borrower pertaining to the tenant);

(ii) The Borrower, acting in good faith and exercising due diligence, has determined that the tenant qualifies as a low-income family for purposes of meeting the requirements for obtaining Tax Credits;

(iii) The lease meets the standards required by Section 42 of the Code;

(iv) The lease meets the requirements of the Servicer, the Issuer, and the Investor Limited Partner;

(v) The lease reflects an arm's-length transaction and, so long as the Construction Disbursement Agreement is in effect, conforms to the projections of the Pro Forma Schedule attached thereto;

(vi) The lease does not affect more than one (1) residential unit within the Improvements and is for a minimum term of six (6) months and a maximum term of twelve (12) months, unless otherwise agreed in writing by the Servicer; and

(vii) So long as the Construction Disbursement Agreement is in effect, the lease, together with all leases previously executed, does not cause the Loan to become "out of balance" as that term is defined in Section 1.2(a) of the Construction Disbursement Agreement. The Borrower acknowledges that the Loan may become "out of balance" if the landlord's aggregate economic obligations under the leases exceed, or the Net Operating Income from the Project fails to meet, the Borrower's projections for such obligations, thereby increasing the cost or decreasing the value of the Project.

(b) The Servicer in the exercise of its sole discretion may consider any executed lease it receives to be unsatisfactory if the lease fails to meet any of the requirements of this Loan Agreement. If this happens, or if the Borrower at any time fails to submit any executed lease (and accompanying information) at the time required by this Section, or if any Event of Default

has occurred and is continuing, the Servicer may make written demand on the Borrower to submit all future leases for the Servicer's approval prior to execution. The Borrower must comply with any such demand by the Servicer.

(c) The Servicer's approval of any lease is for the sole purpose of protecting the Servicer's security and preserving the Servicer's rights under the Loan Documents. No approval by the Servicer will result in a waiver of any default of the Borrower. In no event will the Servicer's approval of any lease be a representation of any kind with regard to the lease, its enforceability or the financial capacity of any tenant or guarantor.

(d) The Borrower must perform all obligations required to be performed by it as landlord under any lease affecting any part of the Land or any space within the Improvements.

Section 5.25 Compliance with Anti-Terrorism Regulations.

(a) None of the Related Persons will be included in, owned by, Controlled by, act for or on behalf of, provide assistance, support, sponsorship, or services of any kind to, or otherwise associate with any of the Persons referred to or described in any list of persons, entities, and governments issued by OFAC pursuant to Executive Order 13224 or any other OFAC List.

(b) Borrower will comply at all times with the requirements of Executive Order 13224; the International Emergency Economic Powers Act, 50 U.S.C. Sections 1701-06; the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. 107-56 (the "**PATRIOT Act**"); the Iraqi Sanctions Act, Pub. L. 101-513, 104 Stat. 2047-55; the United Nations Participation Act, 22 U.S.C. Section 287c; the Antiterrorism and Effective Death Penalty Act, (enacting 8 U.S.C. Section 219, 18 U.S.C. Section 2332d, and 18 U.S.C. Section 2339b); the International Security and Development Cooperation Act, 22 U.S.C. Section 2349 aa 9; the Terrorism Sanctions Regulations, 31 C.F.R. Part 595; the Terrorism List Governments Sanctions Regulations, 31 C.F.R. Part 596; the Foreign Terrorist Organizations Sanctions Regulations, 31 C.F.R. Part 597; the Bank Secrecy Act, Pub. L. 91-508, 84 Stat. 1114, 1118; the Trading with the Enemy Act, 50 U.S.C. App. Section 1 et seq.; the laws relating to prevention and detection of money laundering in 18 U.S.C. Sections 1956 and 1957 and any similar laws or regulations currently in force or hereafter enacted (collectively, the "**Anti-Terrorism Regulations**").

(c) If Borrower becomes aware or receives any notice that any of the Related Persons are named on any of the OFAC Lists (such occurrence, an "**OFAC Violation**"), Borrower will immediately (i) give notice to the Issuer, the Bondowner Representative and the Servicer of such OFAC Violation, and (ii) comply with all laws applicable to such OFAC Violation (regardless of whether the party included on any of the OFAC Lists is located within the jurisdiction of the United States of America), including, without limitation, the Anti-Terrorism Regulations, and Borrower hereby authorizes and consents to Issuer's, Bondowner Representative's and Servicer's taking any and all steps Issuer, Bondowner Representative and Servicer deem necessary, in the sole discretion of each of Issuer, Bondowner Representative and Servicer, to comply with all laws applicable to any such OFAC Violation, including, without limitation, the requirements of the Anti-Terrorism Regulations (including the "freezing" and/or "blocking" of assets).

(d) Upon Issuer, Bondowner Representative's or Servicer's request from time to time during the term of the Loan, Borrower agrees deliver a certification confirming that the representations and warranties set forth in this Loan Agreement remain true and correct as of the date of such certificate and confirming Borrower's compliance with this Section. Borrower also agrees to cooperate with each of Issuer, Bondowner Representative and Servicer, and to cause each Related Person to cooperate with Issuer, Bondowner Representative and Servicer, in providing such additional information and documentation on Borrower's and such Related Person's legal or beneficial ownership, policies, procedures and sources of funds as Issuer, Bondowner Representative and Servicer deem necessary or prudent to enable each of them to comply with the Anti-Terrorism Regulations as now in existence or hereafter amended. From time to time upon the written request of Issuer, Bondowner Representative or Servicer, Borrower shall deliver to the requesting party a schedule of the name, legal domicile, address and jurisdiction of organization, if applicable, for each Related Party and each holder of a legal interest in any Borrower.

Section 5.26 Supplemental Agreement. From and after the Conversion Date, (i) the Supplemental Agreement shall automatically be deemed an amendment to this Loan Agreement and (ii) to the extent of any conflict between the provisions of this Loan Agreement and the Supplemental Agreement, the terms set forth in the Supplemental Agreement shall prevail.

ARTICLE VI

OPTION AND OBLIGATIONS OF BORROWER TO PREPAY

Section 6.1 Optional Prepayment.

(a) The Note is subject to optional prepayments as expressly set forth in the Note. If Borrower elects to make an optional prepayment of the Note by delivering written notice to Bondowner Representative in accordance with the Note, Borrower shall, on the date ten (10) business days prior to the date scheduled for such redemption, pay to Bondowner Representative the redemption price plus accrued interest to the redemption date of the Bonds, Additional Interest (if any) and a Prepayment Fee (as defined in the Note), if applicable, together with interest as set forth in Section 4.03 of the Pledge Agreement.

(b) To effect optional prepayment of the Note and redemption of the Bonds as contemplated in subparagraph (a) above, the Borrower shall deliver to the Bondowner Representative and the Servicer, not less than ninety (90) days prior to the date on which Bonds are subject to redemption under said Section, a written certificate of the Borrower stating that the Borrower is prepaying the Note pursuant to this Section 6.1. The certificate from the Borrower shall certify the following: (i) the principal amount of the Note to be prepaid, (ii) that the amount to be prepaid on the Note shall be credited to redemption of the Bonds pursuant to Section 4.03 of the Pledge Agreement, (iii) the date for redemption of the Bonds, (iv) any conditions to such prepayment.

Section 6.2 Mandatory Prepayment.

Borrower shall pay to Bondowner Representative all amounts required to effect the mandatory redemption of the Bonds at the times and in the amounts specified in the Note and/or Section 4.01 of the Pledge Agreement.

Section 6.3 Deposit of Prepayments.

Any prepayment made pursuant to Section 6.1 or 6.2 hereof shall be applied to redeem or prepay Bonds in accordance with the Pledge Agreement, this Loan Agreement and the other Loan Documents. No prepayment or investment of the proceeds thereof shall be made which shall cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

Section 6.4 Cancellation at Expiration of Term. At the acceleration, termination or expiration of the term of this Loan Agreement and following full payment of the Bonds or provision for payment thereof in accordance with Article XI of the Pledge Agreement and of all other fees and charges of all parties having been made in accordance with the provisions of this Loan Agreement and the Pledge Agreement, the Issuer shall deliver to the Borrower any documents and take or cause the Bondowner Representative to take such actions as may be necessary to effectuate the cancellation and evidence the termination of this Loan Agreement and the Loan Documents (other than the Regulatory Agreement, which shall not terminate except in accordance with the terms thereof).

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.1 Events of Default. The following shall be “**Events of Default**” under this Loan Agreement, and the term “Event of Default” shall mean, whenever it is used in this Loan Agreement, any one or more of the following events:

(a) Failure by the Borrower to pay any amounts required to be paid on the Note or under Section 3.2 (a) or (b) hereof when due;

(b) Any failure by the Borrower to pay as and when due and payable any other sums to be paid by the Borrower under this Loan Agreement and the continuation of such failure for a period of five (5) days after the same are due; or

(c) Any failure of any representation or warranty made in this Loan Agreement, the Construction Disbursement Agreement or any Requisition to be true and correct; or

(d) Any failure by the Borrower to observe and perform any covenant or agreement on its part to be observed or performed hereunder or thereunder, other than as referred to in subsections (a) or (b) of this Section 7.1, for a period of thirty (30) days after written notice specifying such breach or failure and requesting that it be remedied, given to the Borrower by the Issuer, the Bondowner Representative or the Servicer; provided, however, that in the event such breach or failure be such that it can be corrected but cannot be corrected within said 30-day period, the same shall not constitute an Event of Default hereunder if corrective action is instituted by the Borrower or on behalf of the Borrower within said 30-day period and is diligently pursued to completion thereafter (unless, in the opinion of Bond Counsel delivered to

the Servicer, failure to correct such breach or failure within the cure period herein provided (or such shorter time as shall be established as a limitation on the period of time during which correction may be pursued) will adversely affect the exclusion from gross income of interest on the Bonds for federal income taxation purposes or violate State law, in which case the extension of cure period herein provided will not be available); or

(e) Any Event of Default or Mandatory Redemption Event (as defined or otherwise set forth in the Pledge Agreement or any of the Loan Documents, the General Partner Documents or the Guarantor Documents) shall have occurred and shall remain uncured beyond any applicable cure period provided in the applicable document; or

(f) Any dissolution, termination, partial or complete liquidation, merger or consolidation of any Obligor or the General Partner of Borrower, or any sale, transfer or other disposition of the Project or of all or substantially all of the assets of Borrower; or

(g) Any failure by the Borrower to obtain any Project Approvals as required in order to proceed with the construction of the Project so as to complete the same by the Completion Date, or the revocation or other invalidation of any Project Approvals previously obtained; or

(h) Any change in the legal or beneficial ownership of the Borrower or the General Partner other than as expressly permitted by the terms hereof or by reason of the death of the owner of such interests; or

(i) The General Partner ceases for any reason to act in that capacity unless replaced by a transferee permitted pursuant to Section 5.17(e); or

(j) Managing Member of the General Partner ceases for any reason to act in the capacity of managing member of the General Partner and the Borrower fails to deliver to the Servicer, within thirty (30) days of Borrower's discovery of this occurrence, a plan, reasonably satisfactory to the Servicer, for the replacement of the Managing Member in such capacity within ninety (90) days; or

(k) Any failure by the Borrower to pay at maturity, or within any applicable period of grace, any Indebtedness, or any failure to observe or perform any material term, covenant or agreement contained in any agreement by which it is bound, evidencing or securing any Indebtedness, for such period of time as would permit (assuming the giving of appropriate notice if required) the holder or holders thereof or of any obligations issued thereunder to accelerate the maturity thereof; or

(l) Any Obligor shall file a voluntary petition in bankruptcy under Title 11 of the United States Code, or an order for relief shall be issued against any such Obligor in any involuntary petition in bankruptcy under Title 11 of the United States Code, or any such Obligor shall file any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future federal, state or other law or regulation relating to bankruptcy, insolvency or other relief of debtors, or such Obligor shall seek or consent to or acquiesce in the appointment of any custodian, trustee, receiver, conservator or liquidator of such Obligor, or of all or any substantial part of its respective property, or such Obligor shall make an assignment for the benefit of

creditors, or such Obligor shall give notice to any governmental authority or body of insolvency or pending insolvency or suspension of operation; or

(m) An involuntary petition in bankruptcy under Title 11 of the United States Code shall be filed against the Borrower or any Obligor and such petition shall not be dismissed within ninety (90) days of the filing thereof; or

(n) A court of competent jurisdiction shall enter any order, judgment or decree approving a petition filed against any Obligor seeking any reorganization, arrangement, composition, readjustment, liquidation or similar relief under any present or future federal, state or other law or regulation relating to bankruptcy, insolvency or other relief for debtors, or appointing any custodian, trustee, receiver, conservator or liquidator of all or any substantial part of its property; or

(o) Any of the events described in Section 7.1(l), (m) and (n) occurs with respect to the Investor Limited Partner prior to funding by the Investor Limited Partner of all of the capital contributions required in order to avoid the occurrence of an Event of Default pursuant to Section 7.1(v); or

(p) Any uninsured final judgment in excess of \$25,000 shall be rendered against the Borrower and shall remain in force, undischarged, unsatisfied and unstayed, for more than thirty (30) days, whether or not consecutive; or

(q) Any of the Loan Documents, the General Partner Documents or the Guarantor Documents shall be canceled, terminated, revoked or rescinded otherwise than in accordance with the terms thereof or with the express prior written consent of the Servicer, or any action at law, suit in equity or other legal proceeding to cancel, revoke or rescind any of the Loan Documents, the General Partner Documents or the Guarantor Documents shall be commenced by or on behalf of any Obligor which is a party thereto, or any of their respective stockholders, partners or beneficiaries, or any court or any other governmental or regulatory authority or agency of competent jurisdiction shall make a determination that, or issue a judgment, order, decree or ruling to the effect that, any one or more of the Loan Documents, the General Partner Documents or the Guarantor Documents is illegal, invalid or unenforceable in accordance with the terms thereof; or

(r) Any refusal by the Title Insurance Company to insure that any advance is secured by the Mortgage as a valid lien and security interest on the Project and the continuation of such refusal for a period of twenty (20) days after notice thereof by Servicer to the Borrower; or

(s) Completion shall not have been attained by the Completion Date; or

(t) Any cessation at any time in construction or equipping of the Improvements for more than twenty (20) consecutive days except for strikes, acts of God, fire or other casualty, or other causes entirely beyond the Borrower's control, or any cessation at any time in construction or equipping of the Improvements for more than sixty (60) consecutive days, regardless of the cause thereof; provided, however, that such cessation may continue for a period of longer than sixty (60) consecutive days with the consent of the Servicer if the Borrower shall have requested and received an extension of the Completion Date in accordance with the provisions of the

Construction Disbursement Agreement, in which case it shall not be an Event of Default hereunder unless and until the period of cessation extends beyond the number of days for which the extension was granted; or

(u) Any of the Pledge Agreement, this Loan Agreement, the Regulatory Agreement or the Tax Certificate shall be amended in a material manner (including without limitation any “automatic” amendments of the Regulatory Agreement) without the prior written consent of the Servicer; or

(v) Failure of the Investor Limited Partner to fund its capital contributions to the Borrower in at least the amounts and on or before the deadline dates as set forth in the Construction Disbursement Agreement.

Section 7.2 Remedies on Default.

(a) Whenever any Event of Default referred to in Section 7.1 hereof shall have occurred and be continuing, any obligation of the Servicer to approve Requisitions shall be terminated, and the Bondowner Representative (but only if directed to do so by Servicer and, subject to the provisions of the Pledge Agreement) shall:

(i) by notice in writing to the Borrower declare the unpaid indebtedness under the Loan Documents to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable; and

(ii) take whatever action at law or in equity or under any of the Loan Documents, the General Partner Documents or the Guarantor Documents, as may appear necessary or desirable to collect the payments and other amounts then due and thereafter to become due hereunder or thereunder or under the Note, or to exercise any right or remedy or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Loan Agreement, the Note or any other Loan Document (including without limitation foreclosure of the Mortgage), any General Partner Document or any Guarantor Document (including actions to enforce the Payment Guaranty and/or the Completion Agreement); and

(iii) cause the Project to be completed, constructed and equipped in accordance with the Plans and Specifications, with such changes therein as the Servicer may, from time to time, and in its sole discretion, deem appropriate.

(b) Any amounts collected pursuant to action taken under this Section (other than amounts collected by the Issuer pursuant to the Reserved Rights) shall, after the payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Issuer, the Bondowner Representative or the Servicer and their respective Counsel, and subject to any contrary provision in this Loan Agreement, be applied in accordance with the provisions of the Pledge Agreement. No action taken pursuant to this Section 7.2 shall relieve the Borrower from the Borrower’s obligations pursuant to Section 3.2 hereof.

Section 7.3 No Remedy Exclusive. No remedy conferred herein or in any other Loan Document upon or reserved to the Bondowner Representative or the Servicer is intended to be

exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Bondowner Representative or the Servicer to exercise any remedy reserved to it herein or in any other Loan Document, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

Section 7.4 Agreement to Pay Fees and Expenses of Counsel. If an Event of Default shall occur under this Loan Agreement or under any of the other Loan Documents, and the Issuer, the Bondowner Representative, the Servicer should employ counsel or incur other expenses for the collection of the indebtedness or the enforcement of performance or observance of any obligation or agreement on the part of the Borrower herein or therein contained, the Borrower agrees that it will on demand therefor pay to any such party, or, if so directed by any such party, to its counsel, the reasonable actually incurred fees of such Counsel and all other out-of-pocket expenses incurred by or on behalf of the Issuer, the Bondowner Representative, the Servicer.

Section 7.5 No Additional Waiver Implied by One Waiver; Consents to Waivers. In the event any agreement contained in this Loan Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver shall be effective unless in writing and signed by the party making the waiver.

Section 7.6 Remedies Subject to Applicable Law. All rights, remedies, and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provisions of law, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the Land and to be limited to the extent necessary so that they will not render this Loan Agreement invalid, unenforceable, or not entitled to be recorded, registered, or filed under the provisions of any applicable law.

Section 7.7 Cure by Other than the Borrower The Issuer, the Bondowner Representative and the Servicer hereby agree that cure of any Event of Default made or tendered by the Investor Limited Partner and/or the Special Limited Partner shall be deemed to be a cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower.

Section 7.8 Issuer Exercise of Remedies. Notwithstanding anything to the contrary contained herein, the Issuer may enforce its Reserved Rights under the Loan Documents and exercise the permitted remedies with respect thereto against the Borrower; provided that the Issuer shall not commence or direct the Bondowner Representative to commence any action to declare the outstanding balance of the Bonds or the Loan to be due and neither the Issuer nor the Bondowner Representative shall take any action in respect of Reserved Rights (i) to foreclose or take similar action under the Mortgage or otherwise in respect of any liens upon or security

interests in the Project or other property pledged to secure the Borrower's obligations under the Loan Documents, (ii) to appoint a receiver, (iii) to enforce any similar remedy against the Project or other property pledged to secure the Borrower's obligations under the Loan Documents; or (iv) to enforce any other remedy which would cause any liens or security interests granted under the Loan Documents to be discharged or materially impaired thereby.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 General Provisions. The following provisions shall be applicable at all times throughout the term of this Loan Agreement:

(a) The Issuer, the Bondowner Representative and the Servicer shall, at all times, be free to establish independently to their respective satisfaction and in their respective absolute discretion the existence or nonexistence of any fact or facts the existence of which is a condition of this Loan Agreement or any other Loan Document.

(b) The Bonds and the obligations and undertakings of the Issuer hereunder do not constitute a general obligation of the Issuer or the State or any political subdivision thereof, and recourse on the Bonds and on the instruments and documents executed and delivered by or on behalf of the Issuer in connection with the transactions contemplated hereby may be had only against certain moneys due and to become due under the Loan Documents (and not against any moneys due or to become due to the Issuer pursuant to the Reserved Rights). No recourse shall be had for the payment of the principal of or interest on the Bonds, or for any claim based thereon or on this Loan Agreement or any other Loan Document, any Issuer Document or any instrument or document executed and delivered by or on behalf of the Issuer in connection with the transactions contemplated hereby, against the Issuer or any member, officer, employee or other elected or appointed official, past, present or future, of the Issuer or any successor body, as such, either directly or through the Issuer or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or by any legal or equitable proceeding or otherwise and all such liability of the Issuer or any such incorporation, member, officer, director, employee, any other elected or appointed official or trustee as such is hereby expressly waived and released as a condition of and consideration for the adoption of the resolution authorizing the execution of the Issuer Documents and issuance of the Bonds and the delivery of other documents in connection herewith. No member, officer, employee or other elected or appointed official past, present or future, of the Issuer or any successor body shall be personally liable on the Issuer Documents, the Bonds or any other documents in connection herewith, nor shall the issuance of the Bonds be considered as misfeasance or malfeasance in office. The Bonds and the undertakings of the Issuer under the Issuer Documents do not constitute a pledge of the general credit or taxing power of the Issuer, the State, or any political subdivision thereof, do not evidence and shall never constitute a debt of the State or any political subdivision thereof (other than the Issuer), and shall never constitute nor give rise to a pecuniary liability of the State or any political subdivision thereof, other than the Issuer.

Section 8.2 Authorized Borrower Representative. Pursuant to written direction provided on the Closing Date, the Borrower has appointed one or more Authorized Representative for the purpose of taking all actions and making all certificates required to be taken and made by the Authorized Representative under the provisions of the Loan Documents. Whenever under the provisions of any Loan Document the approval of the Borrower is required or any party is required to take some action at the request of the Borrower, such approval or such request shall be made by the Authorized Borrower Representative, unless otherwise specified in this Loan Agreement, and the Issuer, the Bondowner Representative and the Servicer shall be authorized to act on any such approval or request and the Borrower shall have no complaint against any such party as a result of any such action taken in conformity with such approval or request by the Authorized Borrower Representative.

Section 8.3 Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Bondowner Representative and the Borrower and their respective successors and permitted assigns. The Borrower acknowledges and agrees that the Issuer has assigned or is assigning its rights under this Loan Agreement to the Bondowner Representative, and that, pursuant to the Pledge Agreement, Bondowner Representative will follow directions from the Servicer in implementing certain of the rights and remedies under this Loan Agreement. The Owners of the Bonds and the Servicer shall be express third party beneficiaries of this Loan Agreement, and shall have the right to enforce directly against Borrower or other persons the rights and implement the rights and remedies provided to each of them hereunder, but not including the Reserved Rights; provided, however, that the rights of the Owners to bring actions and implement rights and remedies hereunder shall be subject to the same restrictions as are imposed with respect to actions, rights and remedies of the Owners under the Pledge Agreement.

Section 8.4 Execution in Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument; provided, however, that for purposes of perfecting a lien or security interest in this Loan Agreement by the Bondowner Representative, whether under Article 9 of the Uniform Commercial Code of the State or otherwise, only the counterpart delivered to, and received by, the Bondowner Representative shall be deemed the original.

Section 8.5 Amendments, Changes and Modifications. Subsequent to the issuance of the Bonds and prior to payment or provision for the payment of the Bonds in full (including interest thereon) in accordance with the provisions of the Pledge Agreement and except as otherwise provided herein, the Loan Documents may not be amended, changed, modified, altered or terminated by the Issuer, the Bondowner Representative or the Borrower except in compliance with Article IX of the Pledge Agreement.

Section 8.6 Severability. In the event any provision of this Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof and such invalid or unenforceable provision shall be deemed no longer to be contained in this Loan Agreement.

Section 8.7 Notices. All notices, demands, requests, consents, approvals, certificates or other communications hereunder shall be effective if given in the manner required in Section 10.08 of the Pledge Agreement.

Section 8.8 Applicable Law. This Loan Agreement shall be governed exclusively by and construed in accordance with the laws of the State.

Section 8.9 Debtor-Creditor Relationship. It is expressly understood and agreed that the relationship between the Issuer and the Borrower established by the transaction contemplated by this Loan Agreement and by all of the other Loan Documents is exclusively that of creditor or lender, on the part of the Issuer, and debtor or borrower, on the part of the Borrower and is in no way to be construed as a partnership or joint venture of any kind. It is further understood that all payments by the Borrower under the Loan Documents shall be exclusively on account of the said debtor/creditor relationship.

Section 8.10 Usury; Total Interest. This Loan Agreement is subject to the express condition, and it is agreed, that at no time shall payments hereunder, under the Note or under the other Loan Documents that are or are construed to be payments of interest on the unpaid principal amount of the Loan reflect interest that is borne at a rate in excess of the maximum permitted by law. The Borrower shall not be obligated or required to pay, nor shall the Issuer be permitted to charge or collect, interest borne at a rate in excess of such maximum rate. If by the terms of this Loan Agreement or the other Loan Documents the Borrower is required to make such payments reflecting interest borne at a rate in excess of such maximum rate, such payments shall be deemed to be reduced immediately and automatically to reflect such maximum rate. It is further agreed that the total of amounts paid hereunder as interest on the Loan which is to pay interest on the Bonds, cumulative from the date of the Note, shall not exceed the sum of 5% per month, simple and non-compounded for each month from such date to the date of calculation (calculated on the basis of a 360-day year of twelve thirty-day months). Any such excess payment previously made in either case shall be immediately and automatically applied to the unpaid balance of the principal sum of the Loan and not to the payment of interest thereon. This Loan Agreement is also subject to the condition that amounts paid hereunder representing late payment or penalty charges or the like shall only be payable to the extent permitted by law.

Section 8.11 Term of this Loan Agreement. This Loan Agreement shall be in full force and effect from its date to and including such date as all of the Bonds issued under the Pledge Agreement shall have been fully paid or retired in accordance with their terms and the terms of the Pledge Agreement (or provision for such payment shall have been made as provided in the Pledge Agreement), except, however, that the covenants and provisions relating to the Reserved Rights of the Issuer and the covenants relating to the preservation of exclusion from gross income of interest on the Bonds for purposes of federal income taxation shall survive the termination hereof.

Section 8.12 Non-Recourse. Anything contained in any provision of this Loan Agreement, the Mortgage, the Regulatory Agreement, the Tax Certificate or the Note notwithstanding, in the event of any proceeding to foreclose the Mortgage or otherwise to enforce the provisions of the Note, this Loan Agreement, the Mortgage or the Regulatory Agreement after Conversion, neither the Issuer, nor the Bondowner Representative or other

holder of the Note (collectively, the “**Noteholder**”), nor any Owner of Bonds, nor any beneficiary of the Mortgage shall be entitled to take any action to procure any personal money judgment or any deficiency decree against the Borrower or any partner of the Borrower or its or their heirs, personal representatives, successors and assigns, it being understood and agreed that recourse hereon and under the Mortgage, the Regulatory Agreement and the Note shall, following the Conversion Date, be limited to the assets of the Borrower that are the security from time to time provided with respect to the Note and this Loan Agreement; provided, however, nothing herein contained shall limit or be construed to limit or impair the enforcement against the Project or any other additional security as may from time to time be given to the beneficiary hereof as security for the performance of this Loan Agreement, the Mortgage, the Regulatory Agreement, the Tax Certificate, the Note, or any other instrument now or hereafter securing the Note or this Loan Agreement, or the rights and remedies of the Bondowner Representative or the beneficiary, its successors and assigns, under this Loan Agreement, the Mortgage, the Regulatory Agreement, the Tax Certificate or the Note or any other instruments. Notwithstanding the foregoing, the provisions of this Section shall be null and void and have no force and effect to the extent of any loss suffered by the Issuer, the Bondowner Representative, any Bondholder or any beneficiary of or the trustee under the Mortgage as a result of the Borrower’s: (a) committing any act of fraud; (b) misapplication of any condemnation award or casualty insurance proceeds; (c) failure to apply the revenues of the Project in the manner and for the purposes provided in the Bond Documents, whether before or after an Event of Default; or (d) violation of any environmental laws. Nothing herein shall be deemed to prohibit the naming of the Borrower in an action to realize upon the remedies provided herein either at law or in equity, subject to the foregoing limitation against a personal money judgment or deficiency decree against the Borrower, the partners of the Borrower or their heirs, personal representatives, successors and assigns, or to prohibit the naming of any person in any action to realize upon the remedies provided in the General Partner Documents, the Guarantor Documents or any other guaranty given in favor of the Issuer, the Bondowner Representative or the Servicer.

Section 8.13 Tax Certificate Controls. In any matter relating to the exclusion of interest on the Bonds from gross income for federal income tax purposes, the terms and provisions of the Tax Certificate shall control in the event of any conflict between this Loan Agreement and the Tax Certificate.

Section 8.14 PATRIOT Act Notice.

Issuer hereby notifies Borrower and Guarantor that, pursuant to the requirements of the PATRIOT Act, it is required to obtain, verify and record information that identifies Borrower and Guarantor, which information includes the names and addresses of Borrower and Guarantor and other information that will allow Issuer to identify Borrower and Guarantor in accordance with the PATRIOT Act.

IN WITNESS WHEREOF, the Issuer, the Bondowner Representative and the Borrower have caused this Loan Agreement to be executed in their respective names, all as of the date first above written.

ISSUER

THE HOUSING AUTHORITY OF THE
COUNTY OF LOS ANGELES

By: _____
Executive Director

APPROVED AS TO FORM:

ROBERT E. KALUNIAN
Acting County Counsel

By: _____
Deputy

**BANC OF AMERICA PUBLIC CAPITAL
CORP**

By: _____
Andrea Ursillo
Authorized Agent

[BORROWER'S SIGNATURE BLOCK]

EXHIBIT A
LEGAL DESCRIPTION OF REAL ESTATE

[TO COME]

EXHIBIT B
INTENTIONALLY OMITTED

EXHIBIT C

PROJECT APPROVALS TO BE OBTAINED

All approvals, consents, waivers, orders, agreements, authorization, permits and licenses required under applicable Legal Requirements or under the terms of any restriction, covenant or easement affecting the Project, or otherwise necessary for the construction and equipping, use and operation of the Project and the Improvements, whether obtained from a Governmental Authority or any other person.

EXHIBIT D
FORM OF APPROVED RESIDENTIAL LEASE
[TO BE ATTACHED]

EXHIBIT E

SCHEDULE OF INSURANCE REQUIREMENTS

1. General Requirements

In order to close, the following insurance specifications must be met and approved in writing by the Bank's insurance consultant. Copies of policies together with an original ACORD 28 (Evidence of Property Insurance) and an ACORD 25 (Certificate of Insurance) or an approved equivalent listing all coverage will be accepted for pre-closing contingent on complete "true and certified" copies of the policies with all endorsements attached being received within 90 days after closing. Each certificate must correctly identify the property by address and the insured by borrowing entity name.

Policy premiums cannot be financed or paid in installments to an insurance carrier, but must be paid in full as evidenced by a paid receipt presented prior to or at pre-closing. All policies and renewals thereof are to be written for not less than one year. An escrow account, as described further in the loan application, will be established to pay the premium at renewal.

All of the liability policies must be written and provide for claims to be paid on an "Occurrence" basis.

Each policy must have a cancellation provision that provides that the carrier will notify Mortgagee, its successors and/or assigns, in writing at least 30 days in advance of any policy reduction or cancellation for any reason except for non-payment of premium (for which not less than 10 days written notice shall be provided).

The insurer under each policy shall be a domestic primary insurance company duly qualified as such under the laws of the states in which the Property is located and duly authorized, admitted and licensed in such states to transact the applicable insurance business and to write the insurance provided and must have and maintain a rating of AA or higher by Standard & Poor's or A.M. Best rating of A-IX or higher for any Mortgage Loan \$20,000,000 or above. For any Mortgage Loan below \$20,000,000, the insurance carrier must have and maintain a rating of "A" or higher by Standard & Poor's and/or an A.M. Best rating of A-VI or higher.

The insurance policies may be part of a blanket policy provided the insured acknowledges that failure to pay any portion of the premium which is not allocable to the mortgaged property or any other action not relating to the mortgaged property which would otherwise permit the issuer to cancel the coverage, would require the mortgaged property to be insured by a separate, single-property policy. The blanket policy must properly identify and fully protect the mortgaged property as if a separate policy were issued for 100% of Replacement Cost (insurable value) at the time of loss, allocate a portion of the premium to the mortgaged property, and otherwise meet all applicable insurance requirements of the Bank.

During the life of the loan, should any condition change or occur which affects the levels of risk anticipated, Borrower will be required to obtain appropriate coverage to mitigate the associated risk.

If any required type of coverage is not available for the mortgaged property, Mortgagee shall have no obligation to close the loan.

2. Mortgagee Clause

All policies must include EXACTLY the following standard, non-contributory, mortgagee clause:

BANC OF AMERICA PUBLIC CAPITAL CORP
333 SOUTH HOPE STREET, 11TH FLOOR
LOS ANGELES, CALIFORNIA 90071

Mortgagee must be named as a first *Mortgagee* with respect to buildings, *Loss Payee* with respect to loss of rents/business interruption, and *Additional Insured* with respect to general liability.

3. Waiver of Subrogation

Not Required.

4. Required Insurance Coverage

Borrower is required to maintain the following policies of insurance during the term of the Loan:

- *All Risk or Special Causes of Loss Form Property Insurance.* Property insurance must be maintained insuring against loss or damage by fire, lightning, wind and such other perils as are included in a standard “all-risk” or “special causes of loss” form, and against loss or damage by all other risks and hazards covered by a standard property insurance policy including, without limitation, riot and civil commotion, vandalism, malicious mischief, burglary and theft. Such insurance shall be in an amount equal to the then full replacement cost of the Improvements, Equipment and personal property, without deduction for physical depreciation, no co-insurance is permitted, and maximum acceptable deductible is \$25,000. If the property is “non-conforming” with respect to zoning requirements, Borrower will be required to maintain “demolition” insurance (in an amount equal to 10% of the building value) and “increased cost of construction” insurance (in an amount equal to 25% of the building value). The burden to prove conforming use is the borrowers.
- *Terrorism Insurance.* For Loans in excess of \$20 million and if the insurance required under the subparagraph immediately above excludes terrorism, terrorism insurance must be maintained, unless at the time of determination: (i) it is not available at commercially reasonable rates; (ii) no affiliates of Borrower have purchased terrorism insurance with respect to another property, (iii) terrorism insurance is not commonly maintained by owners of other similar properties and (iv) it is not required for securitized loans similar to the Loan and secured by

property similar to the Property in the commercial mortgage-backed securities market.

- *Flood Insurance.* If any portion of the Improvements are located in an area identified by the Federal Emergency Management Agency as an area having special flood hazards (i.e. Zone A and V) and in which flood insurance is made available under the National Flood Insurance Program, then flood insurance must be maintained at least equal to the lesser of (A) the full replacement cost, together with business interruption coverage or (B) the maximum limit of coverage available for the Property under the National Flood Insurance Act of 1968, The Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994, as each may be amended, or \$250,000 per residential building and \$500,000 per commercial building.
- *Earthquake Insurance.* If a seismic study is required by this Program Summary and such study reveals a 50 year/10% PML of not more than 20% of the replacement cost (as determined by the Bank), earthquake insurance will not be required. If the PML study reveals that a 50 year/10% PML of greater than 20% of the replacement cost, then earthquake insurance must be maintained in an amount equal to the replacement cost with a maximum deductible of 10% replacement cost.
- *Boiler and Machinery Insurance.* If the Property contains HVAC equipment, or there are boilers or other pressure-fired vessels that are required to be regulated by the state in which the property is located, then Broad Form Boiler and Machinery Insurance (without exclusion for explosion and including “system breakdown coverage) must be maintained on the Property and Improvements in an amount at least equal to or greater than the repair and full replacement cost of such equipment and insurance against loss of occupancy or use arising from any breakdown of such equipment in such amounts as are generally required by institutional lenders for properties comparable to the Property.
- *Business Interruption/Loss of Rental Income Insurance.* Business Interruption and/or loss of rental income insurance must be maintained in an amount sufficient to provide proceeds that will cover the “actual loss” sustained during the restoration. No co-insurance is permitted. The “actual loss” coverage amount may be capped based on projected gross revenues (less non-recurring expenses) for a twelve (12) month period. The policy can provide an “Extended Period of Indemnity” endorsement for at least an additional 90 days for loans of \$20 million or more. The perils covered by this insurance shall be the same as those required to be covered on the real property including flood, terrorism and earthquake, as necessary.
- *Builders Risk Insurance.* Borrower is required to maintain, at all times during which structural construction repairs or alterations are being made with respect to the improvements (A) owner’s contingent or protective liability insurance covering claims not covered by or under the terms or provisions of the above mentioned commercial general liability insurance policy; and (B) the insurance provided for in Paragraph 1 hereof written in a so-called builder’s risk completed value form (1) on

a non-reporting basis, (2) against all risks insured against pursuant to said Paragraph 1 hereof, (3) including permission to occupy the Property, and (4) with an agreed amount endorsement waiving co-insurance provisions.

- Commercial General Liability Insurance. Borrower must maintain Commercial General Liability Insurance on an “occurrence” form including broad form property damage, contractual damages and personal injuries (including death resulting therefrom) and a liquor liability endorsement if Borrower sells liquor on the Property. In addition, excess and/or umbrella liability insurance must be maintained against all claims typically covered by an umbrella liability policy including all legal liability imposed upon Borrower and all court costs and attorneys’ fees connected with the ownership, operation, and maintenance of the Property and Equipment, including products/completed operations, if applicable. The per occurrence limits including umbrella liability insurance, if applicable, must be maintained in the minimum amounts as outlined below:

\$1,000,000 total coverage for 1 to 3 story buildings
\$5,000,000 total coverage for 4 to 10 story buildings
\$10,000,000 total coverage for 11 to 20 story buildings
\$25,000,000 total coverage for buildings with greater than 20 stories

If Borrower has a multi-location policy or loan, the aggregates referred to above must be maintained on a per location basis.

- Wind Insurance. If the All Risk or Special Cause of Loss coverage excludes wind, the Borrower must present evidence of separate wind coverage. Maximum acceptable deductible for this peril is 5% of total insured value.
- Sinkhole and Mine Subsidence Insurance. Sinkhole and mine subsidence insurance must be maintained if, in the opinion of a professional engineer, whose resume shows evidence of his/her experience in this professional area, that there is a foreseeable risk of loss due to this hazard. If necessary, as determined by the engineer, Borrower shall maintain coverage in the full principal amount of the Loan.
- Statutory Workers Compensation Insurance. If Borrower has employees on site, statutory workers compensation insurance as required by law and including employer’s liability must be maintained in an amount that is at least customary for employers insuring similar risks.
- Hired and Non-Owned Auto Insurance. If Borrower has employees on site, Hired and Non-Owned Auto Insurance must be maintained in an amount equal to \$1 Million combined single limit.
- Employee Dishonesty. If Borrower has employees on site, in an amount not less than three (3) months of gross revenue from the property and with a deductible not greater than Twenty-Five Thousand and no/100 Dollars (\$25,000). This coverage is required only on Cooperative Corporations.

- *Other Insurance Coverage.* Such other insurance with respect to the Property or on any replacements or substitutions or additions or increased coverage limits as may from time to time be required by the holder of the Loan against other insurable hazards or casualties which at the time are commonly insured against in the case of property similarly situated, including, without limitation, sinkhole, mold, mine subsidence, earthquake and environmental insurance, due regard being given the height and typed of buildings, their construction, location, use and occupancy.

EXHIBIT F

FORM OF MONTHLY LEASE UP REPORT

MOVE IN DATABASE

Building #	Apt. #	# of BR's	# of BA's	Set-Aside	Security Deposit	Lease Rent	Certified or Move in Date	Lease Expiration	Total Value of Concessions	Description of Concession	Concession Given at Move In (Y/N)

MOVE OUT DATABASE

Building #	Apt. #	# of BR's	# of BA's	Set-Aside	Total Security Deposit	Security Deposit to Tenant	Lease Rent	Move Out Date	Certified or Move in Date	Lease (enter an "x")			
										Skip	Evicted	Expired	Other

EXHIBIT G

Schedule of Litigation

[TO COME] [NONE]

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Orrick, Herrington & Sutcliffe LLP
405 Howard Street
San Francisco, CA 94105
Attention: Stephen A. Spitz, Esq.

**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

By and Among

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES

and

BANC OF AMERICA PUBLIC CAPITAL CORP,
as Bondowner Representative

and

NORMANDIE SENIOR HOUSING PARTNERS, L.P.,
A CALIFORNIA LIMITED PARTNERSHIP

Dated December 1, 2009

Relating to:

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
MULTIFAMILY HOUSING REVENUE BONDS
(105TH & NORMANDIE APARTMENTS PROJECT), 2009 SERIES A

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REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (as supplemented and amended from time to time, this “Regulatory Agreement”) is made and entered into as of December 1, 2009, by and among THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES, a public body corporate and politic duly organized and existing under the laws of the State of California (together with any successor to its rights, duties and obligations, the “Issuer”), BANC OF AMERICA PUBLIC CAPITAL CORP, (together with any successor in such capacity, the “Bondowner Representative”), in its capacity as bondowner representative under the Bond Issuance and Pledge Agreement of even date herewith (as supplemented and amended from time to time, the “Pledge Agreement”), between the Issuer and the Bondowner Representative, and NORMANDIE SENIOR HOUSING PARTNERS, L.P., a California limited partnership (together with any successor to its rights, duties and obligations hereunder and as owner of the Project identified herein, the “Borrower”).

W I T N E S S E T H:

WHEREAS, pursuant to and in compliance with Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the “Act”), the Issuer proposes to issue its Multifamily Housing Revenue Bonds (105th & Normandie Apartments Project), 2009 Series A (the “Bonds”) the proceeds of which will be utilized to fund a loan to the Borrower pursuant to the Loan Agreement of even date herewith (as supplemented and amended from time to time, the “Loan Agreement”), among the Borrower, the Issuer and the Bondowner Representative, in order to enable the Borrower to finance the acquisition and construction of a 62-unit multifamily rental housing project known as 105th & Normandie Apartments, located on the real property site, described in Exhibit A hereto (the “Project”); and

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

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

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

“Affordable Rents” means a monthly rent (excluding any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units) which does not exceed 30 percent of 50 percent of one-twelfth of the Area median income, adjusted for family size as established under Section 8 of the United States Housing Act

of 1937, as amended, based upon the following household sizes for various types of residential units in the Project:

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

“Area” means the Los Angeles, California Primary Metropolitan Statistical Area.

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

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

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

“Closing Date” means the date of the issuance and delivery of the Bonds.

“Forty-Five Percent Income Tenant” means a tenant occupying an Forty-Five Percent Income Unit.

“Forty-Five Percent Income Unit” means any Available Unit if the aggregate Gross Income of all tenants therein does not exceed limits determined in a manner consistent with determinations of “very low-income families” under Section 8 of the Housing Act, provided that the percentage of median gross income that qualifies as extremely low income hereunder shall be forty-five percent (45%) of median gross income for the Area, with adjustments for family size. If all the occupants of an Available Unit are students (as defined under Section 151(c)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, the unit shall not constitute an Forty-Five Percent Income Unit. The determination of an Available Unit’s status as a Forty-Five Percent Income Unit shall be made by the Borrower upon commencement of each lease term with respect to such unit, and annually thereafter, on the basis of an Income Certification executed by each tenant. In the event a new tenant occupies a unit during a particular lease term, the status of the unit as an Forty-Five Percent Income Unit shall be re-determined at that time, based upon an Income Certification of the new tenant and, in the case of the holdover tenant(s), based upon the greater of (i) the Gross Income in a new Income Certification of the holdover tenant(s) and (ii) the Gross Income of the most recent prior Income Certification(s) for the holdover tenant(s).

“Forty-Five Percent Rents” means a monthly rent (excluding any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units) which does not exceed 30 percent of 45 percent of one-twelfth of the Area median income, adjusted for family size as established under Section 8 of the United States Housing Act of 1937, as amended, based upon the following household sizes for various types of residential units in the Project:

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

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

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

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

“Investor Limited Partner” means [_____], as nominee, and its successors and assigns.

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

“Project” means the multifamily rental housing development known as 105th & Normandie Apartments, located on the real property site described in Exhibit A hereto, consisting of those facilities, including real property, structures, buildings, fixtures or equipment situated thereon, as it may at any time exist, the acquisition and construction of which facilities is to be financed, in whole or in part, from the proceeds of the sale of the Bonds or the proceeds of any payment by the Borrower pursuant to the Loan Agreement, and any real property, structures, buildings, fixtures or equipment acquired in substitution for, as a renewal or replacement of, or a modification or improvement to, all or any part of such facilities.

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

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

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

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

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

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

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

“Tax-Exempt” means with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from gross income for federal income tax purposes; provided, however, that such interest may be includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

“Twenty-Five Percent Income Tenant” means a tenant occupying an Twenty-Five Percent Income Unit.

“Twenty-Five Percent Income Unit” means any Available Unit if the aggregate Gross Income of all tenants therein does not exceed limits determined in a manner consistent with determinations of “very low-income families” under Section 8 of the Housing Act, provided that the percentage of median gross income that qualifies as Twenty-Five Percent Income hereunder shall be twenty-five percent (25%) of median gross income for the Area, with adjustments for family size. If all the occupants of an Available Unit are students (as defined under Section 151(c)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, the unit shall not constitute an Twenty-Five Percent Income Unit. The determination of an Available Unit’s status as a Twenty-Five Percent Income Unit shall be made by the Borrower upon commencement of each lease term with respect to such unit, and annually thereafter, on the basis of an Income Certification executed by each tenant. In the event a new tenant occupies a unit during a particular lease term, the status of the unit as an Twenty-Five Percent Income Unit shall be re-determined at that time, based upon an Income Certification of the new tenant and, in the case of the holdover tenant(s), based upon the greater of (i) the Gross Income in a new Income Certification of the holdover tenant(s) and (ii) the Gross Income of the most recent prior Income Certification(s) for the holdover tenant(s).

“Twenty-Five Percent Rents” means a monthly rent (excluding any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units) which does not exceed 30 percent of 25 percent of one-twelfth of the Area median income, adjusted for family size as established under Section 8 of the United States Housing Act of 1937, as amended, based upon the following household sizes for various types of residential units in the Project:

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

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

“Very Low Income Tenant” means a tenant occupying a Very Low Income Unit.

“Very Low Income Unit” means any Available Unit if the aggregate Gross Income of all tenants therein does not exceed limits determined in a manner consistent with determinations of “very low-income families” under Section 8 of the Housing Act, provided that the percentage of median gross income that qualifies as very low income hereunder shall be fifty percent (50%) of median gross income for the Area, with adjustments for family size. If all the occupants of an Available Unit are students (as defined under Section 151(c)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, the unit shall not constitute a Very Low Income Unit. The determination of an Available Unit’s status as a Very Low Income Unit shall be made by the Borrower upon commencement of each lease term with respect to such unit, and annually thereafter, on the basis of an Income Certification executed by each tenant. In the event a new tenant occupies a unit during a particular lease term, the status of the unit as a Very Low Income Unit shall be re-determined at that time, based upon an Income Certification of the new tenant and, in the case of the holdover tenant(s), based upon the greater of (i) the Gross Income in a new Income Certification of the holdover tenant(s) and (ii) the Gross Income of the most recent prior Income Certification(s) for the holdover tenant(s).

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of any gender shall be construed to include each other gender when appropriate and words of the singular number shall be construed to include the plural number, and vice versa, when appropriate. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

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

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

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

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

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

Section 3. Qualified Residential Rental Project. The Borrower hereby acknowledges and agrees that the Project is to be owned, managed and operated in the same manner as a “qualified residential rental project” (within the meaning of Section 142(d) of the Code) for a term equal to the Qualified Project Period. To that end, and for the term of this Regulatory Agreement, the Borrower hereby represents, covenants, warrants and agrees as follows:

(a) The Project will be acquired and operated for the purpose of providing multifamily residential rental property. The Borrower will own, manage and operate the Project as a project to provide multifamily residential rental property comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with Section 142(d) of the Code, Section 1.103-8(b) of the Regulations and the provisions of the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the dwelling units in the Project will be similarly constructed units, and each dwelling unit in the Project contains and will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis or rented for a period of less than 30 consecutive days, or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park; provided, that the use of certain units for tenant guests on an intermittent basis shall not be considered transient use for purposes of this Regulatory Agreement.

(d) No part of the Project will at any time during the Qualified Project Period be owned by a cooperative housing corporation, nor shall the Borrower take any steps in connection with a conversion to such ownership or use, and the Borrower will not take any steps in

connection with a conversion of the Project to condominium ownership during the Qualified Project Period (except that the Borrower may obtain final map approval and the Final Subdivision Public Report from the California Department of Real Estate and may file a condominium plan with the applicable jurisdiction).

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

(f) The Project consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the facilities of the Project comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) No dwelling unit in the Project shall be occupied by the Borrower; provided, however, that if the Project contains five or more dwelling units, this provision shall not be construed to prohibit occupancy of not more than two dwelling units by a resident manager or maintenance personnel, any of whom may be the Borrower.

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

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

(a) During the Qualified Project Period no less than 20% of the total number of completed units in the Project (other than the one unit set aside for manager or administrative use) shall at all times be Very Low Income Units; provided that the one unit set aside for manager or administrative use shall at all times be used for such purposes or be a Very Low Income Unit. For the purposes of this paragraph (a), a vacant unit which was most recently a Very Low Income Unit is treated as a Very Low Income Unit until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such unit shall be redetermined.

(b) No tenant qualifying as a Very Low Income Tenant upon initial occupancy shall be denied continued occupancy of a unit in the Project because, after admission, the aggregate Gross Income of all tenants in the unit occupied by such Very Low Income Tenant increases to exceed the qualifying limit for a Very Low Income Unit. However, should the aggregate Gross Income of tenants in a Very Low Income Unit, as of the most recent determination thereof, exceed one hundred forty percent (140%) of the applicable income limit for a Very Low Income Unit occupied by the same number of tenants, the next available unit of comparable or smaller

size must be rented to (or held vacant and available for immediate occupancy by) Very Low Income Tenants. The unit occupied by such tenants whose aggregate Gross Income exceeds such applicable income limit shall continue to be treated as a Very Low Income Unit for purposes of the twenty percent (20%) requirement of Section 4(a) hereof unless and until an Available Unit of comparable or smaller size is rented to persons other than Very Low Income Tenants.

(c) For the Qualified Project Period, the Borrower will obtain, complete and maintain on file Income Certifications for each Very Low Income Tenant, including (i) an Income Certification dated immediately prior to the initial occupancy of such Very Low Income Tenant in the Very Low Income Unit, and (ii) thereafter, an annual Income Certification with respect to each Very Low Income Tenant within thirty days before or after the anniversary of such tenant's initial occupancy of a unit in the Project. The Borrower will provide such additional information as may be required in the future by the Code, the State or the Issuer, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to Tax-Exempt obligations. A copy of the most recent Income Certifications for Very Low Income Tenants commencing or continuing occupation of a Very Low Income Unit shall be attached to each report to be filed with the Issuer pursuant to paragraph (e) of this Section 4.

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

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

(e) The Borrower will prepare and submit to the Issuer, the Program Monitor, if applicable, and the Bondowner Representative, no later than the thirtieth day of each calendar quarter, until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance executed by the Borrower stating (i) the percentage of the dwelling units of the Project that were occupied or deemed occupied pursuant to subsection (a) hereof, by Very Low Income Tenants during the preceding calendar quarter; and (ii) that either (A) no unremedied default has occurred under this Regulatory Agreement, the Loan Agreement or the Mortgage, or (B) a default has occurred, in which event the certificate shall describe the nature of the default in detail and set forth the measures being taken by the Borrower to remedy such default.

(f) For the Qualified Project Period, all tenant leases or rental agreements shall be subordinate to this Regulatory Agreement and the Mortgage. All leases pertaining to Very Low Income Units shall contain clauses, among others, wherein each tenant who occupies a Very Low Income Unit: (i) certifies the accuracy of the statements made in the Verification of Income; (ii) agrees that the family income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy of such tenant, that such tenant will comply promptly with all requests for information with respect thereto from the Borrower, the Bondowner Representative, the Issuer or the Program Monitor on behalf of the Issuer, and that the failure to provide accurate information in the Verification of Income or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the tenancy of such tenant; (iii) acknowledges that the Borrower has relied on the Verification of Income and supporting information supplied by the Very Low Income Tenant in determining qualification for occupancy of the Very Low Income Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement; and (iv) agrees that the tenant's income is subject to annual certification in accordance with Section 4(c) hereof and that if upon any such certification the aggregate Gross Income of tenants in such unit exceeds the applicable income limit under Section 4(b), the unit occupied by such tenant may cease to qualify as a Very Low Income Unit and such unit's rent may be subject to increase.

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

(a) The Borrower and the Issuer will not knowingly take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the Tax-Exempt nature of the interest on the Bonds and, if either of them should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof.

(b) The Borrower and the Issuer will file of record such documents and take such other steps as are necessary, in the written opinion of Bond Counsel filed with the Issuer and the Bondowner Representative, in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of this Regulatory Agreement in the real property records of the County of Los Angeles.

(c) The Borrower hereby covenants to include or reference the requirements and restrictions contained in this Regulatory Agreement in any documents transferring any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions, and, to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement.

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

(a) Not less than 20% of the total number of units in the Project shall be Very Low Income Units. The units made available to meet this requirement shall be of comparable quality

and offer a range of sizes and numbers of bedrooms comparable to the units that are available to other tenants in the Project.

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

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

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

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

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

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

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

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

(a) Not less than six (6) of the units in the Project shall be available on a priority basis for occupancy by Twenty-Five Percent Income Tenants paying rents not to exceed Twenty-Five Percent Rents. Not less than twenty-nine (29) of the units in the Project shall be available on a priority basis for occupancy by Forty-Five Percent Income Tenants paying rents not to exceed Forty-Five Percent Rents. Additionally, the remaining units in the Project shall be available on a priority basis for occupancy by Very Low Income Tenants paying rents not to exceed Affordable Rents. The requirements of this Section and Sections 4(a) and 6(a) are not cumulative, but each must be satisfied.

(b) The Borrower will indemnify the Issuer and the Bondowner Representative as provided in Section 5.19 of the Loan Agreement and Section 9 hereof.

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

(d) The Borrower shall submit to the Issuer, (i) not later than the thirtieth (30th) day after the close of each calendar year, a statistical report in the form set forth as Exhibit D hereto, or such other form as may be prescribed by the Issuer, setting forth the information called for therein, and (ii) within fifteen (15) days after receipt of a written request, any other information or completed forms requested by the Issuer in order to comply with reporting requirements of the Internal Revenue Service or the State of California.

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

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

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

(h) The Borrower shall comply with the conditions set forth in Exhibit A of that certain CDLAC Resolution No. [09-____] relating to the Project and adopted on [December 16, 2009] (the "CDLAC Conditions"), as they may be modified or amended from time to time, which conditions are incorporated herein by reference and made a part hereof. The Borrower will prepare and submit to CDLAC, not later than each anniversary of the Closing

Date, until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance, in substantially the form attached hereto as Exhibit E, executed by an authorized representative of the Borrower. The Issuer and the Program Monitor shall have no obligation, but may, at their sole discretion, choose to monitor the Borrower's compliance with the CDLAC Conditions

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

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

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

(b) To the extent that the Act, the Regulations or the Code, or any amendments thereto, shall, in the written opinion of Bond Counsel filed with the Issuer, the Bondowner Representative and the Borrower, impose requirements upon the ownership or operation of the Project less restrictive than imposed by this Regulatory Agreement, this Regulatory Agreement may be amended or modified to provide such less restrictive requirements but only by written amendment signed by the Issuer, at its sole discretion, the Bondowner Representative and the Borrower, and only upon receipt by the Issuer of the written opinion of Bond Counsel to the effect that such amendment will not affect the Tax-Exempt status of interest on the Bonds or violate the requirements of the Act, and otherwise in accordance with Section 22 hereof.

(c) The Borrower, the Issuer and, if applicable, the Bondowner Representative, shall execute, deliver and, if applicable, file of record any and all documents and instruments necessary to effectuate the intent of this Section 8, and each of the Borrower and the Issuer hereby appoints the Bondowner Representative as its true and lawful attorney-in-fact to execute, deliver and, if applicable, file of record on behalf of the Borrower or the Issuer, as is applicable, any such document or instrument (in such form as may be approved in writing by Bond Counsel) if either the Borrower or the Issuer defaults in the performance of its obligations under this subsection (c); provided, however, that unless directed in writing by the Issuer or the Borrower, the Bondowner Representative shall take no action under this subsection (c) without first notifying the Borrower or the Issuer, or both of them, as is applicable, and without first

providing the Borrower or the Issuer, or both, as is applicable, an opportunity to comply with the requirements of this Section 8. Nothing in this subsection (c) shall be construed to allow the Bondowner Representative to execute an amendment to this Regulatory Agreement on behalf of the Issuer.

Section 9. Indemnification; Other Payments. To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Issuer, its officers, governing members, directors, officials, employees, attorneys and agents (collectively, the “Indemnified Parties”), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys’ fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) this Regulatory Agreement, the Pledge Agreement, the Loan Agreement and any of the other Loan Documents (as defined in the Pledge Agreement) or the execution or amendment thereof or in connection with transactions contemplated thereby, including the issuance, sale, resale or transfer of the Bonds;

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

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

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

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

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

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

Except in the case of the foregoing indemnification of the Issuer or any of its officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by

the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Borrower if in the reasonable judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

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

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

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

Section 10. Consideration. The Issuer has agreed to issue the Bonds to provide funds to lend to the Borrower to finance the Project, all for the purpose, among others, of inducing the Borrower to acquire and operate the Project. In consideration of the issuance of the Bonds by the Issuer, the Borrower has entered into this Regulatory Agreement and has agreed to restrict the uses to which this Project can be put on the terms and conditions set forth herein.

Section 11. Reliance. The Issuer and the Borrower hereby recognize and agree that the representations and covenants set forth herein may be relied upon by all persons interested in the legality and validity of the Bonds, in the exemption from California personal income taxation of interest on the Bonds and in the Tax-Exempt status of the interest on the Bonds. In performing their duties and obligations hereunder, the Issuer, the Program Monitor and the Bondowner Representative may rely upon statements and certificates of the Very Low Income Tenants, and upon audits of the books and records of the Borrower pertaining to the Project. In addition, the Issuer and the Bondowner Representative may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Issuer or the Bondowner Representative hereunder in good faith and in conformity with such opinion. In determining whether any default or lack of compliance by the Borrower exists under this Regulatory Agreement, the Bondowner Representative shall not be required to conduct any investigation into or review of the operations or records of the

Borrower and may rely solely on any written notice or certificate delivered to the Bondowner Representative by the Borrower or the Issuer with respect to the occurrence or absence of a default unless it knows that the notice or certificate is erroneous or misleading.

Section 12. Sale or Transfer of the Project. For the Qualified Project Period, the Borrower shall not sell, transfer or otherwise dispose of the Project, in whole or in part, without the prior written consent of the Issuer, which consent shall not be unreasonably withheld, conditioned or delayed if the following conditions are satisfied: (A) the receipt by the Issuer of evidence acceptable to the Issuer that (1) the Borrower shall not be in default hereunder or under the Loan Agreement or the purchaser or assignee undertakes to cure any defaults of the Borrower to the reasonable satisfaction of the Issuer; (2) the continued operation of the Project shall comply with the provisions of this Regulatory Agreement; (3) either (a) the purchaser or assignee or its property manager has at least three years' experience in the ownership, operation and management of similar size rental housing projects, and at least one year's experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects, or (b) the purchaser or assignee agrees to retain a property management firm with the experience and record described in subclause (a) above, or (c) the transferring Borrower or its management company will continue to manage the Project for at least one year following such transfer and during such period will provide training to the transferee and its manager in the responsibilities relating to the Very Low Income Units; and (4) the person or entity which is to acquire the Project does not have pending against it, and does not have a history of significant and material building code violations or complaints concerning the maintenance, upkeep, operation, and regulatory agreement compliance of any of its projects as identified by any local, state or federal regulatory agencies; (B) the execution by the purchaser or assignee of any document reasonably requested by the Issuer or the Bondowner Representative with respect to the assumption of the Borrower's obligations under this Regulatory Agreement and, if the Bonds are outstanding at the time of transfer, the Loan Agreement, including without limitation an instrument of assumption hereof and thereof, and delivery to the Issuer of an opinion of such purchaser or assignee's counsel to the effect that each such document and this Regulatory Agreement are valid, binding and enforceable obligations of such purchaser or assignee, subject to bankruptcy and other standard limitations affecting creditor's rights; (C) receipt by the Issuer of an opinion of Bond Counsel addressed to the Issuer to the effect that any such sale, transfer or other disposition will not adversely affect the Tax-Exempt status of interest on the Bonds; (D) receipt by the Issuer and Bondowner Representative of all fees and/or expenses then currently due and payable to the Issuer and Bondowner Representative; and (E) satisfaction of such other conditions as the Issuer may reasonably impose. It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this Section 12 shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under this Regulatory Agreement. Nothing in this Section shall affect any provision of any other document or instrument between the Borrower and any other party which requires the Borrower to obtain the prior written consent of such other party in order to sell, transfer or otherwise dispose of the Project or any interest (direct or indirect) therein or in the Borrower, including, but not limited to, any consent of the Bondowner Representative required under the Loan Agreement, the Mortgage or any other Loan Document. Upon any sale or other transfer that complies with this Regulatory Agreement, the Borrower shall be fully

released from its obligations hereunder to the extent such obligations have been fully assumed in writing by the transferee of the Project. Any transfer of the Project to any entity, whether or not affiliated with the Borrower, shall be subject to the provisions of this Section 12, provided that, the requirements of subsections (A)(3), (A)(4), (C) and (E) of this Section 12 need not be satisfied if such transfer of the Project is to the general partner of the Borrower in connection with the exercise of its purchase option and right of first refusal pursuant to the agreement of limited partnership of the Borrower. The Section 12 shall not apply to, or limit, any transfer of the Project to the Bondowner Representative by foreclosure under the Mortgage or by deed in lieu of such foreclosure.

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

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

The terms of this Regulatory Agreement to the contrary notwithstanding, the requirements hereof shall terminate and be of no further force and effect in the event of involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire, seizure, requisition, change in a federal law or an action of a federal agency after the Closing Date, which prevents the Issuer and the Bondowner Representative from enforcing such provisions, or condemnation or foreclosure, transfer of title by deed in lieu of foreclosure, or a similar event, but only if, within a reasonable period, either the Bonds are retired or amounts received as a consequence of such event are used to provide a project that meets the requirements hereof; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes. The Borrower hereby agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Borrower nor any such related

person as described above will obtain an ownership interest in the Project for federal tax purposes. Notwithstanding any other provision of this Regulatory Agreement, this Regulatory Agreement may be terminated upon agreement by the Issuer, the Bondowner Representative and the Borrower upon receipt by the Issuer and the Bondowner Representative of an opinion of Bond Counsel to the effect that such termination will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. Upon the termination of the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms.

Section 14. Covenants to Run With the Land. Notwithstanding Section 1461 of the California Civil Code, the Borrower hereby subjects the Project to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Issuer and the Borrower hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Borrower's successors in title to the Project; provided, however, that on the termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

Section 15. Burden and Benefit. The Issuer and the Borrower hereby declare their understanding and intent that the burdens of the covenants set forth herein touch and concern the land in that the Borrower's legal interest in the Project is rendered less valuable thereby. The Issuer and the Borrower hereby further declare their understanding and intent that the benefits of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Very Low Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Bonds were issued.

Section 16. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use of the site on which the Project is located.

Section 17. Default; Enforcement. If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in this Regulatory Agreement, and if such default remains uncured for a period of 60 days after notice thereof shall have been given by the Bondowner Representative or the Issuer to the Borrower, or for a period of 60 days from the date the Borrower should, with reasonable diligence, have discovered such default, then the Issuer or the Bondowner Representative (as directed by the Issuer, subject to the provisions of the Pledge Agreement) acting on its own behalf or on behalf of the Issuer, shall declare an "Event of Default" to have occurred hereunder; provided, however, that if the default is of such a nature that it cannot be corrected within 60 days, such default shall not constitute an Event of Default hereunder so long as (i) the Borrower institutes corrective action within said 60 days and diligently pursues such action until the default is corrected and (ii) in the opinion of

Bond Counsel, the failure to cure said default within 60 days will not adversely affect the Tax-Exempt status of interest on the Bonds; and provided further, that notice shall be given to the Borrower's Investor Limited Partner (as designated in Section 23 of this Regulatory Agreement), who shall be entitled to cure any such default under the conditions set forth herein. The Issuer and the Bondowner Representative shall have the right to enforce the obligations of the Borrower under this Regulatory Agreement within shorter periods of time than are otherwise provided herein if necessary to insure compliance with the Act or the Code.

Following the declaration and during the continuance of an Event of Default hereunder, the Issuer or the Bondowner Representative, at the direction of the Issuer, subject to the provisions of the Pledge Agreement, may take any one or more of the following steps, in addition to all other remedies provided by law or equity:

(i) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants hereunder or enjoin any acts or things that may be unlawful or in violation of the rights of the Issuer or the Bondowner Representative hereunder;

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

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

(iv) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower hereunder; and

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

The Borrower hereby agrees that specific enforcement of the Borrower's agreements contained herein is the only means by which the Issuer may fully obtain the benefits of such agreements made by the Borrower herein, and the Borrower therefore agrees to the imposition of the remedy of specific performance against it in the case of any Event of Default by the Borrower hereunder.

In addition, during the Qualified Project Period, the Borrower hereby grants to the Issuer the option, upon the expiration of 60 days after the giving of the notice to the Borrower referred to in the first paragraph of this Section 17 of the Borrower's default under this Regulatory Agreement, to lease up to 20% of the units in the Project for the purpose of subleasing such units to Very Low Income Tenants, but only to the extent necessary to comply with the provisions of Sections 3, 4, 6 and 7. The option granted in the preceding sentence shall be effective only if the Borrower has not instituted corrective action within such 60-day period. Such option shall be exercisable first with respect to units which are vacant at the time of exercise of this option and shall be exercised with respect to occupied units only to the extent that subleasing of additional units is necessary in order to bring the Project into compliance with the provisions of Sections 3,

4, 6 and 7, and any eviction carried out in connection with the exercise of such option shall be carried out in compliance with applicable laws. The option and any leases to the Issuer under this provision shall terminate with respect to each default upon the achievement, by the Borrower or the Issuer, of compliance with the requirements of Sections 3, 4, 6 and 7, and any subleases entered into pursuant to the Issuer's option shall be deemed to be leases from the Borrower. The Issuer shall make diligent efforts to rent Very Low Income Units to Very Low Income Tenants for monthly rental amounts equivalent to those collected from tenants of similar units in the Project, or such lesser maximum amounts as may be permitted by Section 6(b) hereof, but shall not be required to obtain such rental amounts. The Issuer shall seek to rent such units for the highest possible rents that may be charged, consistent with the rent and occupancy restrictions of this Regulatory Agreement. Tenant selection shall be performed utilizing the Borrower's reasonable management and selection policies. The Issuer subleases to Very Low Income Tenants pursuant to this paragraph shall not exceed six months in term and shall expressly permit the Borrower to increase the rents to the maximum amounts as may be permitted by Section 6(b) hereof for the respective households at the time the Borrower assumes the Issuer's position hereunder. Any rental paid under any such sublease shall be paid to the Borrower after the Issuer has been reimbursed for any expenses incurred in connection with such sublease. All rents received by the Issuer from such subleases, less the Issuer's expenses incurred in connection with such subleases, shall be placed into an escrow reasonably approved by the Borrower. All funds in such escrow shall be continuously pledged by the Issuer for the benefit of the Borrower. The Issuer agrees to allow the Borrower access to the Issuer's books and records relating to the collection and disbursement of rents received pursuant to such subleases.

The Bondowner Representative shall have the right, in accordance with this Section and the provisions of the Pledge Agreement, without the consent or approval of the Issuer, to exercise any or all of the rights or remedies of the Issuer hereunder; provided that prior to taking any such action the Bondowner Representative shall give the Issuer written notice of its intended action. After the Pledge Agreement has been discharged, the Issuer may act on its own behalf to declare an "Event of Default" to have occurred and to take any one or more of the steps specified hereinabove to the same extent and with the same effect as if taken by the Bondowner Representative.

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

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

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

Section 18. The Bondowner Representative. The Bondowner Representative shall act as specifically provided herein and in the Pledge Agreement and may exercise such additional

powers as are reasonably incidental hereto and thereto. The Bondowner Representative shall have no duty to act with respect to enforcement of the Borrower's performance hereunder as described in Section 17 unless it shall have actual knowledge of any such default as provided in Section 17. The Bondowner Representative may act as the agent of and on behalf of the Issuer, and any act required to be performed by the Issuer as herein provided shall be deemed taken if such act is performed by the Bondowner Representative. In connection with any such performance, the Bondowner Representative is acting solely as Bondowner Representative under the Pledge Agreement and not in its individual capacity, and, except as expressly provided herein, all provisions of the Pledge Agreement relating to the rights, privileges, powers and protections of the Bondowner Representative, including without limitation those set forth in Section 10 thereof, shall apply with equal force and effect to all actions taken (or omitted to be taken) by the Bondowner Representative in connection with this Regulatory Agreement. Neither the Bondowner Representative nor any of its officers, directors or employees shall be liable for any action taken or omitted to be taken by it hereunder or in connection herewith except for its or their own negligence or willful misconduct.

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

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

Section 19. Recording and Filing. (a) The Borrower shall cause this Regulatory Agreement and all amendments and supplements hereto and thereto, to be recorded and filed in the real property records of the County of Los Angeles and in such other places as the Issuer or the Bondowner Representative may reasonably request. The Borrower shall pay all fees and charges incurred in connection with any such recording.

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

(b) The Borrower hereby covenants to include or reference the requirements and restrictions contained in this Regulatory Agreement in any documents, executed and delivered in connection with a voluntary transfer of any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions and to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement.

Section 20. Payment of Fees. The Borrower shall pay to the Issuer an annual Issuer fee, in an amount equal to \$[____], which fee shall be payable by the Borrower to the Bondowner Representative, for the account of the Issuer, in advance on each anniversary of the Closing Date (commencing [____]) and continuing through the termination of this Regulatory Agreement). The Borrower shall also pay to the Bondowner Representative for the account of the Issuer, within thirty (30) days after receipt of request for payment thereof from the

Bondowner Representative or the Issuer, all reasonable out-of-pocket expenses of the Issuer (not including salaries and wages of Issuer employees) related to the Project and the financing thereof that are not otherwise required to be paid by the Borrower under the terms of this Regulatory Agreement or the Loan Agreement, including, without limitation, reasonable legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Project, the Loan or the Bonds. Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Bonds, the Borrower shall continue to pay (or, to the extent allowed under the Code, may prepay the present value at such time, computed based on the Bond yield) the Issuer's fees, unless such prepayment is made in connection with a refunding of the Bonds. Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Pledge Agreement, the Borrower shall continue to pay to the Issuer and Bondowner Representative all fees, losses and expenses required under the Loan Agreement and the Pledge Agreement as provided therein.

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

Section 22. Amendments; Waivers. (a) Except as provided in Section 8(a) hereof, this Regulatory Agreement may be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County of Los Angeles, California, and only upon receipt by the Issuer of an opinion from Bond Counsel that such amendment will not adversely affect the Tax-Exempt status of interest on the Bonds and is not contrary to the provisions of the Act.

(b) Anything to the contrary contained herein notwithstanding, the Issuer, the Bondowner Representative and the Borrower hereby agree to amend this Regulatory Agreement to the extent required, in the opinion of Bond Counsel, in order that interest on the Bonds remains Tax-Exempt. The parties requesting such amendment shall notify the other parties to this Regulatory Agreement of the proposed amendment, with a copy of such proposed amendment to Bond Counsel and a request that such Bond Counsel render to the Issuer and the Bondowner Representative an opinion as to the effect of such proposed amendment upon the Tax-Exempt status of interest on the Bonds. This provision shall not be subject to any provision of any other agreement requiring any party hereto to obtain the consent of any other person in order to amend this Regulatory Agreement.

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

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

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

and

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

To the Borrower: Normandie Senior Housing Partners, L.P.
c/o National Community Renaissance of California
9065 Haven Ave. Ste. 100
Ranch Cucamonga, California 91730
Attention: Richard J. Whittingham, CFO
Facsimile: (909) 483-2444
Telephone: (909) 483-2444

To the Bondowner Representative:

Banc of America Public Capital Corp
333 South Hope Street, 11th Floor
Los Angeles, California 90071
Attention: Loan Administration

To the Investor Limited Partner: Hudson Housing Capital LLC
630 Fifth Ave., Ste. 2850
New York, New York 10111
Attention: [_____]

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

Section 24. Severability. If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

Section 25. Multiple Counterparts. This Regulatory Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Section 26. Limitation on Liability. Notwithstanding the foregoing or any other provision or obligation to the contrary contained in this Regulatory Agreement, (i) the liability of the Borrower under this Regulatory Agreement to any person or entity, including, but not limited to, the Bondowner Representative or the Issuer and their successors and assigns, is limited to the Borrower's interest in the Project, the Revenues, including the amounts held in the funds and accounts created under the Pledge Agreement, or any rights of the Borrower under any guarantees relating to the Project, and such persons and entities shall look exclusively thereto, or to such other security as may from time to time be given for the payment of obligations arising out of this Regulatory Agreement or any other agreement securing the obligations of the Borrower under this Regulatory Agreement; and (ii) from and after the date of this Regulatory Agreement, no deficiency or other personal judgment, nor any order or decree of specific performance (other than pertaining to this Regulatory Agreement, any agreement pertaining to any Project or any other agreement securing the Borrower's obligations under this Regulatory Agreement), shall be rendered against the Borrower, the assets of the Borrower (other than the Borrower's interest in the Project, this Regulatory Agreement, amounts held in the funds and accounts created under the Pledge Agreement, any rights of the Borrower under the Pledge Agreement or any other documents relating to the Bonds or any rights of the Borrower under any guarantees relating to the Project), its partners, members, successors, transferees or assigns and each their respective officers, directors, employees, partners, agents, heirs and personal representatives, as the case may be, in any action or proceeding arising out of this Regulatory Agreement and the Pledge Agreement or any agreement securing the obligations of the Borrower under this Regulatory Agreement, or any judgment, order or decree rendered pursuant to any such action or proceeding; provided, however, that the Borrower's liability shall not be so limited in the case of the following:

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

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

(iii) any failure by the Borrower to comply with Section 20 or Section 9 of this Regulatory Agreement.

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

Section 27. Third-Party Beneficiary. CDLAC is intended to be and shall be a third-party beneficiary of this Regulatory Agreement. CDLAC shall have the right (but not the obligation) to enforce the CDLAC Conditions and to pursue an action for specific performance

or other available remedy at law or in equity in accordance with Section 17 hereof, provided that any such action or remedy shall not materially adversely affect the interests and rights of the holders of the Bonds.

[Remainder of page intentionally left blank]

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

THE HOUSING AUTHORITY OF THE COUNTY
OF LOS ANGELES

By _____
Executive Director

APPROVED AS TO FORM:

ROBERT E. KALUNIAN
Acting County Counsel

By _____
Deputy

BANC OF AMERICA PUBLIC CAPITAL CORP,
as Bondowner Representative

By _____
Authorized Officer

[BORROWER'S SIGNATURE BLOCK]

[Signature Page to the Regulatory Agreement]

[Attach Notary Acknowledgements]

EXHIBIT A

DESCRIPTION OF REAL PROPERTY
RELATING TO THE PROJECT

THE LEASEHOLD INTEREST IN THAT CERTAIN LAND DESCRIBED AS FOLLOWS:

EXHIBIT B

[FORM OF INCOME CERTIFICATION]

VERIFICATION OF INCOME

RE: [Name of Project]
[Address of Project]

Apartment Number: _____ Initial Occupancy Date: _____

I/We, the undersigned, being first duly sworn, state that I/we have read and answered fully, and truthfully each of the following questions for all persons who are to occupy the unit in the above apartment development for which application is made, all of whom are listed below:

1. Name of Members of the Household	2. Relationship to Head of Household	3. Age	4. Social Security Number	5. Place of Employment
	Head of Household			
	Spouse			

6. The anticipated income of all the above persons during the 12-month period beginning this date, including income described in (a) below, but excluding all income described in (b) below, is \$_____.

(a) The amount set forth above includes all of the following income (unless such income is described in (b) below):

(i) all wages and salaries, over-time pay, commissions, fees, tips and bonuses before payroll deductions;

(ii) net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness or any allowance for depreciation of capital assets);

(iii) interest and dividends (include all income from assets as set forth in item 7(b) below);

(iv) the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;

(v) payments in lieu of earnings, such as unemployment and disability compensation, workers' compensation and severance pay;

(vi) the maximum amount of public assistance available to the above persons;

(vii) periodic and determinable allowances, such as alimony and child support payments and regular contributions and gifts received from persons not residing in the dwelling;

(viii) all regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head of the household or spouse; and

(ix) any earned income tax credit to the extent it exceeds income tax liability.

(b) The following income is excluded from the amount set forth above:

(i) casual, sporadic or irregular gifts;

(ii) amounts which are specifically for or in reimbursement of medical expenses;

(iii) lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses;

(iv) amounts of educational scholarships paid directly to a student or an educational institution, and amounts paid by the government to a veteran for use in meeting

the costs of tuition, fees, books and equipment, but in either case only to the extent used for such purposes;

(v) hazardous duty to a member of the household in the armed forces who is away from home and exposed to hostile fire;

(vi) relocation payments under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970;

(vii) income from employment of children (including foster children) under the age of 18 years;

(viii) foster child care payments;

(ix) the value of coupon allotments under the Food Stamp Act of 1977;

(x) payments to volunteers under the Domestic Volunteer Service Act of 1973;

(xi) payments received under the Alaska Native Claims Settlement Act;

(xii) income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes;

(xiii) payments on allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program;

(xiv) payments received from the Job Partnership Training Act;

(xv) income derived from the disposition of funds of the Grand River Band of Ottawa Indians; and

(xvi) the first \$2000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims or from funds held in trust for an Indian tribe by the Secretary of Interior.

7. If any of the persons described in column 1 above (or any person whose income or contributions were included in item 6) has any savings, stocks, bonds, equity in real property or other form of capital investment (excluding interests in Indian trust lands), provide:

(a) the total value of all such assets owned by all such persons: \$_____, and

(b) the amount of income expected to be derived from such assets in the 12-month period commencing this date: \$_____.

8. (a) Will all of the persons listed in column 1 above be or have they been full-time students during five calendar months of this calendar year at an educational institution (other than a correspondence school) with regular faculty and students?

Yes _____ No _____

(b) (Complete only if the answer to Question 8(a) is "Yes"). Is any such person (other than nonresident aliens) married and eligible to file a joint federal income tax return?

Yes _____ No _____

We acknowledge that all of the foregoing information is relevant to the status under federal income tax law of the interest on bonds issued to finance the acquisition and rehabilitation of the apartment building for which application is being made. We consent to the disclosure of such information to the issuer of such bonds, the holders of such bonds, any agent acting on their behalf and any authorized agent of the Treasury Department or Internal Revenue Service.

We declare under penalty of perjury that the foregoing is true and correct.

Date: _____

Head of Household

Spouse

FOR COMPLETION BY PROJECT BORROWER ONLY:

I. Calculation of eligible income:

- (A) Enter amount entered for entire household from 6 above: \$ _____
- (B) If the amount entered in 7(a) above is greater than \$5,000, enter:
 - (i) the product of the amount entered in 7(a) above multiplied by the current passbook savings rate as determined by HUD: \$ _____
 - (ii) the amount entered in 7(b) above: \$ _____
 - (iii) line (i) minus line (ii) (if less than \$0, enter \$0): \$ _____
- (C) TOTAL ELIGIBLE INCOME: \$ _____
(Line I(A) plus line I(B)(iii))

II. Qualification as individuals or a family of Very Low Income:

- (A) Is the amount entered in line I(C) less than 50% of median gross income for the Area?
Yes _____ No _____
- (B) (i) If line II(A) is “No,” then the household does not qualify as individuals or a family of Very Low Income; go to item III.
(ii) If line II(A) above is “Yes” and 8(a) above is “No,” then the household qualifies as individuals or a family of Very Low Income; go to item III.
(iii) If line II(A) above is “Yes” and 8(b) above is “Yes,” then the household qualifies as individuals or a family of Very Low Income; go to item III.
(iv) If neither (ii) nor (iii) is applicable, then the household does not qualify as individuals or a family of Very Low Income.

III. (Check one)

The household does not qualify as individuals or a family of Very Low Income.

_____.

The household qualifies as individuals or a family of Very Low Income. _____.

IV. Number of apartment unit assigned: _____

(enter here and on page one)

Borrower

NOTE TO PROJECT BORROWER: A vacant unit that was previously a Very Low Income Unit, may be treated as a Very Low Income Unit until reoccupied, other than for a period of 31 consecutive days or less, at which time the character of the unit shall be redetermined.

OCCUPANCY CERTIFICATE

(To be filed with the Program Monitor along with a Verification of Income upon the rental of a unit in the Project.)

Project: 105TH & NORMANDIE APARTMENTS

The tenant identified in the attached Verification of Income has entered into a lease with respect to a unit in the above-described Project.

Such tenant is / is not (*circle one*) a Very Low Income Tenant.

The rental of a unit to such tenant will not result in a violation of any of the requirements of the Loan Agreement or the Regulatory Agreement to which the Borrower is a party.

Witness

Borrower

Date: _____

Date: _____

EXHIBIT C

[FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE]

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

Witnesseth that on this __ day of _____, _____, the undersigned, having borrowed certain funds from The Housing Authority of The County of Los Angeles (the "Issuer") for the purpose of financing a multifamily rental housing development (the "Project"), does hereby certify that:

1. During the preceding month (i) such Project was continually in compliance with the Regulatory Agreement executed in connection with such loan from the Issuer, (ii) ___% of the units in the Project were occupied by Very Low Income Tenants (minimum of 20% at Affordable Rents).

Set forth below are the names of Very Low Income Tenants who commenced or terminated occupancy during the preceding month.

Commenced Occupancy

Terminated Occupancy

1.

1.

2.

2.

3.

3.

The units occupied by Very Low Income Tenants are of similar size and quality to other units and are dispersed throughout the Project. Attached is a separate sheet listing the number of each unit and indicating which units are occupied by Very Low Income Tenants, the size, the number of bedrooms of such units and the number of Very Low Income Tenants who commenced occupancy of units during the preceding month.

2. *Select appropriate certification:* [No unremedied default has occurred under this Regulatory Agreement, the Loan Agreement or the Mortgage.] [A default has occurred. The nature of the default and the measures being taken to remedy such default are as follows: _____.]

3. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief.

Date: _____

Borrower

<u>Unit No.</u>	<u>Very Low Income or Market Unit</u>	<u>No. of Bedrooms</u>	<u>Rent</u>	<u>Total Eligible Income (for Very Low Income Units)</u>	<u>Size (Sq. Ft.)</u>

Total Number of Units: _____

Percentage of Very Low Income Units: _____

Number of Very Low Income Tenants commencing occupancy this month: _____

EXHIBIT D

[Form of]

STATISTICAL REPORT TO ISSUER

Reporting Period: _____, _____. Date: _____

As of the date hereof:

1. Total units: _____; units occupied by Very Low Income Tenants: _____; _____; vacant units most recently occupied by Very Low Income Tenants: _____; other vacant units: _____.

2. Total units occupied by households with children, to the extent such information has been provided by tenants: _____; Very Low Income Units so occupied: _____;

3. To the extent such information has been provided by tenants, total units occupied by elderly households with a member of age 62 or over: _____; Very Low Income Units so occupied: _____;

4. The number of Very Low Income Tenants who terminated their rental agreements during the previous twelve (12) month period is _____.

5. The number of units rented to new Very Low Income Tenants during the last twelve (12) month period is _____.

6. To the extent such information has been provided by tenants, the family names of each household currently occupying a Very Low Income Unit are listed on the schedule attached hereto.

7. The number of Very Low Income Units of various sizes is:

studio:

one-bedroom:

two-bedroom:

three-bedroom:

[BORROWER'S SIGNATURE BLOCK]

EXHIBIT E

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

CERTIFICATION OF COMPLIANCE

Project Name: 105th & Normandie Apartments

CDLAC Application No. 09-___

Pursuant to Section 13 of Resolution No. [09-___] (the "Resolution"), adopted by the California Debt Limit Allocation Committee (the "Committee") on [December 16, 2009], I, _____, an Officer of the Project Sponsor, hereby certify under penalty of perjury that, as of the date of this Certification, the above-mentioned Project is in compliance with all of the terms and conditions set forth in the Resolution.

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

Signature of Officer

Date

Printed Name of Officer

Title of Officer