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ADOPTED
BOARD OF COMMISSIONERS
HOUSING AUTHORITY

#4-H NOVEMBER 29, 2011

SACHI A. HAMAI
EXECUTIVE OFFICER

November 29, 2011

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

Dear Commissioners:

ADOPT RESOLUTION AUTHORIZING ISSUANCE OF TAX-EXEMPT MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS FOR MULTIFAMILY HOUSING IN THE CITY OF SAN FERNANDO
(DISTRICT 3) (3 VOTES)

SUBJECT

This letter requests that your Board authorize the issuance, sale and delivery of tax-exempt Multifamily Housing Mortgage Revenue Bonds to finance the acquisition and construction of the Mid Celis Apartments, a 20-unit multifamily rental housing development to be located in the City of San Fernando.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that this adoption of a resolution authorizing the issuance, sale and delivery of tax-exempt Multifamily Housing Mortgage Revenue Bonds is not subject to the California Environmental Quality Act (CEQA) because the proposed activity will not have the potential for causing a significant effect on the environment.

2. Adopt and instruct the Mayor to sign the attached Resolution, as required under Section 147(f) of the Internal Revenue Code of 1986, authorizing the issuance of tax-exempt Multifamily Housing Mortgage Revenue Bonds (Bonds) by the Housing Authority of the County of Los Angeles (Housing Authority), in an aggregate amount not exceeding $4,400,000, to assist Mid Celis Apartments, L.P. (Developer), in financing the acquisition, construction and development of the Mid Celis Apartments, a 20-unit multifamily rental housing development to be located at 1422 San Fernando Road in the City of San Fernando.

3. Authorize the Executive Director or his designee to negotiate, execute, and if necessary amend or terminate all related documents and take all necessary actions for the issuance, sale, and delivery of the Bonds.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of this action is to authorize the issuance, sale and delivery of the tax-exempt Bonds, in an aggregate amount not to exceed $4,400,000, to finance the acquisition, construction and development of the Mid Celis Apartments. 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 tax-exempt 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 households throughout Los Angeles County.

Mid Celis Apartments will be located at 1422 San Fernando Road in the City of San Fernando and will consist of a three-story apartment building, comprised of eight one-bedroom units, six two-bedroom units, and six three-bedroom units, for a total of 20 units. Nineteen of the units will be reserved for households with incomes that do not exceed 50% of the area median income 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 (HUD). The affordability requirements will remain in effect for 55 years. All affordable units will be occupied by special needs households. The two-bedroom manager's unit will have no affordability requirements.

On June 6, 2011, the City Council of the City of San Fernando adopted a resolution authorizing the Housing Authority to issue multifamily revenue bonds to finance the acquisition and construction of the Mid Celis Apartments.

On June 16, 2011, the Housing Authority conducted a public hearing regarding the issuance of the Bonds, at its office located at 2 Coral Circle in Monterey Park. No comments were received at the public hearing concerning the issuance of the bonds or the nature and location of the development.

On July 5, 2011, 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 Mid Celis Apartments could be included in the acquisition, construction and permanent financing obtained pursuant to the issuance of tax-exempt bonds.

On July 5, 2011, 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.

The attached Resolution was prepared by Kutak Rock, Housing Authority Bond Counsel, and approved as to form by County Counsel. All other related documents, in substantially final form, are on file with the Executive Office of the Board. They will be approved as to form by County Counsel prior to execution by the authorized parties.

On November 16, 2011 the Housing Commission recommended approval of the proposed action.

ENVIRONMENTAL DOCUMENTATION

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

The Mid Celis Apartments project was determined Categorically Exempt from the requirements of CEQA by the City of San Fernando in accordance with State CEQA Guidelines Section 15332. The Housing Authority's approval of this determination as Responsible Agency on July 5, 2011 satisfies the requirements of CEQA.

An Environmental Assessment (EA) has been prepared for this project, pursuant NEPA requirements. Based on the conclusions and findings of the EA, a Finding of No Significant Impact was approved by the Certifying Official of the Community Development Commission on June 23, 2011. Following the required public and agency comment periods, HUD issued a Release of Funds for this project effective July 9, 2011.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed action is a necessary step to facilitate bond financing for the Mid Celis Apartments, which will increase the supply of affordable housing in the County with long-term affordability.

Respectfully submitted,

SEAN ROGAN
Executive Director

SR:jwr

Enclosures

RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF A MULTIFAMILY HOUSING REVENUE BOND IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $4,400,000 FOR THE PURPOSE OF MAKING A LOAN TO PROVIDE FINANCING FOR A MULTIFAMILY RENTAL HOUSING PROTECT KNOWN AS MID CELIS APARTMENTS, 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, construction and development 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 a bond for the financing of the Mid Celis Apartments to be located at 1422 San Fernando Road, San Fernando, Los Angeles County, California (the "Project") for the benefit of Mid Celis Apartments, L.P.; 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, construction and development of the type of dwelling units provided by the Project.

2. For the purpose of raising moneys with which to effectuate financing for the Project, the Authority hereby determines to issue its Multifamily Housing Revenue Bond (Mid Celis Apartments), Series 2011C (or such other series designation as may be designated by officers or agents of the Authority), in one or more series or subseries, each with an appropriate series designation (the "Bonds"), in an aggregate principal amount not to exceed $4,400,000. The Bonds shall bear interest at the interest rates set forth in or determined in accordance with an indenture of trust (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 a limited obligations of the Authority payable solely from the revenues, receipts and other moneys pledged therefor under the Indenture.

The Bonds shall be executed on behalf of the Authority by the manual or facsimile signature of the Chair of this Board or the Executive Director of the Authority.

3. 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 or his designee 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 Bonds may, if so provided in the Indenture, be issued as a "draw down" bond to be funded over time as provided in 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.

4. 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 or his designee 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.

5. 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 or his designee 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.

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

7. 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.

8. 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.

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

10. 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 29th day of November, 2011, by the following vote:

AYES: Supervisors Molina, Ridley-Thomas, Yaroslavsky, Knabe and Antonovich

NOES: None

ABSENT: None

ABSTAIN: None

By: Mike Antonovich
Michael D. Antonovich
Chair of the Board of Commissioners

ATTEST:

Sachi A. Hamai
Executive Officer
of the Board of Commissioners

By: Benjamin Zavala
Deputy

APPROVED AS TO FORM:

ANDREA SHERIDAN ORDIN
County Counsel

By: Belinda Jackstone
Deputy

INDENTURE OF TRUST

by and among

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Initial Bondowner Representative

Dated as of December 1, 2011

relating to:

$4,400,000
The Housing Authority of the County of Los Angeles
Multifamily Housing Revenue Bond
(Mid Celis Apartments)
Series 2011C

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST, dated as of December 1, 2011 (this "Indenture"), is by and among **THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES**, a public body, corporate and politic, organized and existing under the laws of the State of California (herein called the "Issuer"), and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States of America, as Trustee hereunder (herein called the "Trustee"), and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States of America, as initial purchaser of the Bond hereunder (herein called the "Bondowner Representative").

W I T N E S S E T H:

WHEREAS, pursuant to Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the "Act"), the Issuer is empowered to issue bonds and other evidence of indebtedness to finance the acquisition and construction of multifamily rental housing; and

WHEREAS, the Act authorizes the Issuer: (a) to make loans to any person to provide financing for rental residential developments, and intended to be occupied in part by persons of low and moderate income, as determined by the Issuer; (b) to issue its revenue bonds for the purpose of obtaining moneys to make such loans and provide such financing, to establish necessary reserve funds and to pay administrative costs and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Issuer, including the revenues and receipts to be received by the Issuer from or in connection with such loans, and to mortgage, pledge or grant security interests in such loans or other property of the Issuer in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Issuer proposes to issue pursuant the Act, its Multifamily Housing Revenue Bond (Mid Celis Apartments), Series 2011C (the "Bond"); and

WHEREAS, Mid Celis Apartments, LP, a California limited partnership (the "Owner"), 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 acquisition and construction of a 19-unit multifamily rental housing project at 1422 San Fernando Road, San Fernando, California, known as Mid Celis 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 the Bond in the aggregate principal amount of $4,400,000 for the purpose of providing funding necessary for the acquisition and construction 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 Owner, the Issuer has agreed to issue the Bond and lend the proceeds thereof to the Owner (the "Loan") and the Owner has agreed to (a) apply the proceeds of the Loan to pay a portion of the costs of acquisition and construction of the Project, (b) make payments sufficient to pay the principal of and interest on the Bond when due (whether at maturity, by redemption, acceleration or otherwise), and (c) observe the other covenants and agreements and make the other payments set forth therein; and

WHEREAS, in order to provide for the authentication and delivery of the Bond, to establish and declare the terms and conditions upon which the Bond is to be issued and secured and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, the Issuer has authorized the execution and delivery of this Indenture; and

WHEREAS, the Issuer has determined that all conditions, things and acts required by the Act, and by all other laws of the State of California, to exist, have happened and have been performed in satisfaction of conditions precedent to and in connection with the issuance of the Bond exist, have happened, and have been performed in due time, form and manner as required by law, and the Issuer is now duly authorized and empowered, pursuant to each and every requirement of law, to issue the Bond for the purpose, in the manner and upon the terms herein provided; and

WHEREAS, the Issuer has determined that all acts and proceedings required by law necessary to make the Bond, when executed by the Issuer, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligation of the Issuer, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken; and the execution and delivery of this Indenture have been in all respects duly authorized.

A G R E E M E N T:

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of, and the interest and premium, if any, on, the Bond at any time issued and Outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bond is to be issued and received, and for and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bond by the owner thereof, and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Issuer covenants and agrees with the Trustee, for the equal and proportionate benefit of the respective registered owner from time to time of the Bond, as follows:

ARTICLE I

DEFINITIONS AND GENERAL PROVISIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of this Indenture and of the Loan Agreement and of any indenture supplemental hereto or agreement supplemental thereto, have the meanings herein specified, as follows:

The term "**Act**" shall mean Chapter 1 of Part 2 of the Health and Safety Code of the State of California as in effect on the Closing Date.

The term "**Agreement**" or "**Loan Agreement**" shall mean the Loan Agreement, dated as of December 1, 2011, among the Issuer, the Owner and the Bondowner Representative, pursuant to which the Issuer agrees to lend the proceeds of the Bond to the Owner, as originally executed or as it may from time to time be supplemented or amended in accordance with its terms.

The term "**Authorized Amount**" shall mean $4,400,000, the authorized maximum principal amount of the Bond.

The term "**Authorized Issuer Representative**" shall mean the Chair of the Board or Executive Director of the Issuer, or such other person at the time designated to act on behalf of the Issuer as evidenced by a written certificate furnished to the Trustee and the Owner containing the specimen signature of such person and signed on behalf of the Issuer by an Authorized Issuer Representative. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Authorized Issuer Representative.

The term "**Authorized Owner Representative**" shall mean any person who at the time and from time to time may be designated as such, by written certificate furnished to the Issuer, the Bondowner Representative and the Trustee containing the specimen signature of such person and signed on behalf of the Owner by a managing member or general partner of the Owner, as applicable, which certificate may designate an alternate or alternates and such persons as designated in the Loan Agreement.

The term "**Bond Counsel**" shall mean (i) Kutak Rock LLP, or (ii) any attorney at law or other firm of attorneys selected by the Issuer, of nationally recognized standing in matters pertaining to the federal tax status of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America, but shall not include counsel for the Owner.

The term "**Bond Fund**" shall mean the fund by that name established pursuant to Section 5.02 hereof.

The term "**Bondowner Representative**" shall mean (a) initially, Wells Fargo Bank, National Association, a national banking association organized under the laws of the United States of America, (b) following the purchase of the Bonds by CCRC, CCRC, or (c) any successor entity that is the owner of the Bond or any entity selected by the owner of the Bond.

The term "**Bond**" shall mean The Housing Authority of the County of Los Angeles Multifamily Housing Revenue Bond (Mid Celis Apartments), Series 2011C, issued and Outstanding hereunder.

The term "**Bond Year**" shall mean the one-year period beginning on December 1 in each year and ending November 30 in the following year, except that the first Bond Year shall begin on the Closing Date and end on November 30, 2012.

The term "**Business Day**" means a day of the week (but not a Saturday, Sunday, or holiday) on which the offices of Lender are open to the public for carrying on substantially all of Lender's business functions.

The term "**CCRC**" shall mean the California Community Reinvestment Corporation and its successors.

The term "**Certificate of the Issuer**" shall mean a certificate of the Issuer signed by an Authorized Issuer Representative. Any such instrument and supporting opinions or representations, if

any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

The term "**Certified Resolution**" shall mean a copy of a resolution of the Issuer, certified by the Clerk of the Issuer, to have been duly adopted by the Issuer and to be in full force and effect on the date of such certification.

The term "**Closing Date**" shall mean December [__], 2011, the date of initial delivery of the Bond and funding of the Initial Disbursement.

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

The term "**Completion Certificate**" shall mean the certificate delivered by the Owner referred to in Section 3.03(e).

The term "**Construction Fund**" shall mean the fund by that name established pursuant to Section 3.03 hereof.

The term "**Conversion**" shall have the meaning contained in Section 6.1 of the Loan Agreement.

The term "**Conversion Date**" shall mean the date on which Conversion occurs in accordance therewith.

The term "**Costs of Issuance Fund**" shall mean the Costs of Issuance Fund created pursuant to Section 3.04.

The term "**Debt Service**" shall mean the scheduled amount of interest and amortization of principal payable on the Bond during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

The term "**Deed of Trust**" shall mean the Construction Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing, executed by the Owner in favor of the Issuer (and assigned by the Issuer to the Trustee) for the purpose of securing the obligations of the Owner under the Loan Agreement, as such deed of trust may be originally executed or as from time to time supplemented or amended.

The term "**Default Rate**" means the interest rate then in effect on the Bond plus [___] percent ([__]%), not to exceed the lesser of 12% or such other maximum rate permitted by law.

The term "**Determination of Taxability**" shall mean a final judgment or order of a court of original jurisdiction, a final order of any other court of competent jurisdiction, or a final ruling or decision of the Internal Revenue Service, in any such case to the effect that the interest on the Bond (other than interest on the Bond for a period during which such Bond is held by a "substantial user"

of any facility financed with the proceeds of the Bond or a "related person," as such terms are used in Section 147(a) of the Code) is not excludable from the gross income of the owners thereof for federal income tax purposes.

The term "**Disbursed Amount**" means the portion of the Loan and the Bond funded and Outstanding from time to time, as indicated on the Bond and in the records of the Trustee.

The term "**Event of Default**" as used herein other than with respect to defaults under the Loan Agreement shall have the meaning specified in Section 7.01 hereof, and as used in the Loan Agreement shall have the meaning specified in Section 13.1 thereof.

The term "**Fair Market Value**" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (a) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (b) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (c) the investment is a United States Treasury Obligation-State and Local Government Series that is acquired in accordance with applicable regulations of the United States Department of the Treasury, Bureau of Public Debt, or (d) the investment is the Local Agency Investment Fund of the State of California, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

The term "**Holder**," "**holder,**" "**Bondholder,**" "**owner**" or "**Bondowner**" shall mean the person in whose name the Bond is registered.

The term "**Indenture**" shall mean this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture entered into pursuant to the provisions hereof.

The term "**Initial Disbursement**" means the initial advance of the proceeds of the Bond on the Closing Date in an amount equal to at least $50,001.

The term "**Intercreditor Agreement**" means the Intercreditor Agreement relative to the Project executed in conjunction with the issuance of the Bond.

The term "**Interest Payment Date**" shall mean the first Business Day of each month, commencing [January 3, 2012].

The term "**Investment Securities**" shall mean any of the following (including any funds comprised of the following, which may be funds maintained or managed by the Trustee and its affiliates), but only to the extent that the same are acquired at Fair Market Value:

(a) United States Treasury notes, bonds, bills, or those for which the full faith and credit of the United States, its agencies, its instrumentalities, or organizations created by

an act of Congress, are pledged for the payment of principal and interest (including State and Local Government Series);

(b) shares of an investment company (1) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, (2) whose only investments are in (i) securities described in the preceding clause (a), (ii) general obligation tax-exempt securities rated A or better by the Rating Agency, or (iii) repurchase agreements or reverse repurchase agreements fully collateralized by those securities if the repurchase agreements or reverse repurchase agreements are entered into only with those primary reporting dealers to report to the Federal Reserve Bank of New York and with the 100 largest United States commercial banks, and (3) which are rated Am or Am-g or better by the Rating Agency, including money market funds for which the Trustee and its affiliates provide investment advisory or other management services;

(c) any security which is a general obligation of any state or any local government with taxing powers which is rated A or better by the Rating Agency;

(d) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated A-1 by the Rating Agency and matures in 270 days or less; or

(e) any other investment which is a lawful investment for funds of the Issuer hereunder approved in writing by the Bondowner Representative.

The term "**Investor's Letter**" shall mean the a letter from a purchaser of the Bond in the form of Exhibit B.

The term "**Issuance Costs**" shall mean all costs and expenses of issuance of the Bond, including, but not limited to: (a) underwriters' discount and fees; (b) counsel fees, including bond counsel and Owner's counsel, as well as any other specialized counsel fees incurred in connection with the issuance of the Bond or the Loan; (c) the Issuer's Closing Fee for processing the request of the Owner to issue the Bond, plus expenses incurred in connection with the issuance of the Bond, including fees of any counsel or advisor to the Issuer and the initial payment of the Issuer's Ongoing Fee; (d) Bondowner Representative's fees and Bondowner Representative's counsel fees; (e) Trustee's fees and Trustee's counsel fees; (f) paying agent's and certifying and authenticating agent's fees related to issuance of the Bond; (g) accountant's fees related to issuance of the Bond; (h) fees and expenses of Lender's counsel; (i) publication costs associated with the financing proceedings; and (j) costs of engineering and feasibility studies necessary to the issuance of the Bond.

The term "**Issuer**" shall mean The Housing Authority of the County of Los Angeles, a public body, corporate and politic, organized and existing under the laws of California, the issuer of the Bond hereunder, and its successors and assigns.

The term "**Issuer's Closing Fee**" shall mean the Issuer's issuance fee in the amount of $[5,500] payable by or on behalf of the Owner to the Issuer on or before the Closing Date.

The term "**Issuer's Ongoing Fee**" shall mean the annual fee of the Issuer with respect to the Bonds in the amount as set forth in and in accordance with and pursuant to the provisions of Section 7(n) of the Regulatory Agreement.

The term "**Issuer's Ongoing Fee Fund**" shall mean the Issuer's Ongoing Fee Fund created pursuant to Section 3.05.

The term "**Lender**" shall mean Wells Fargo Bank, National Association and any successor and assign as owner of the Bond.

The term "**Loan**" shall mean the loan of the proceeds of the Bond made by the Issuer to the Owner pursuant to the Loan Agreement for the purpose of financing the acquisition and construction by the Owner of the Project.

The term "**Loan Agreement**" shall mean the Loan Agreement, dated as of December 1, 2011, among the Issuer, the Bondowner Representative and the Owner, as it may be amended from time to time.

The term "**Loan Documents**" shall have the meaning given such term in the Loan Agreement.

The term "**Maturity Date**" shall mean [DATE].

The term "**Maximum Rate**" shall mean the lesser of (i) 19% per annum or (ii) the maximum interest rate permitted by law.

The term "**Note**" shall mean the promissory note evidencing the obligation of the Owner to repay the Loan, in the form required by the Loan Agreement, as amended or supplemented from time to time.

The term "**Opinion of Counsel**" shall mean a written opinion of counsel, who may be counsel for the Issuer, Bond Counsel, counsel for the Trustee or counsel for the Bondowner Representative.

The term "**Outstanding**," when used as of any particular time with reference to the Bond, shall mean a principal amount of the Bond equal to the purchase price paid by the Bondowner Representative to the Trustee under this Indenture except:

(f) Any portion of the Bond theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(g) Any portion of the Bond for the payment or redemption of which moneys or securities in the necessary amount (as provided in Section 10.01) shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bond); and

(h) A Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered by the Trustee pursuant to the terms of Section 2.05.

The term "**Owner**" or "**Partnership**" shall mean Mid Celis Apartments, LP, a California limited partnership, and its respective successors and assigns under the applicable provisions of the Loan Agreement and the Regulatory Agreement.

The term "**person**" shall mean an individual, a limited liability company, a corporation, a partnership, a limited partnership, a limited liability partnership, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

The term "**Principal Office**" shall mean the principal office of the Trustee located at the address set forth in Section 11.06 hereof, or at such other place as the Trustee shall designate by notice given under said Section 11.06.

The term "**Principal Payment Date**" shall mean any date on which principal of the Loan is due and payable under the Note.

The term "**Project**" means, collectively, the multifamily rental housing facilities to be acquired and constructed by the Owner with the proceeds of the Loan located at 1422 San Fernando Road in the City of San Fernando and County of Los Angeles, including structures, buildings, fixtures or equipment, as it may at any time exist, and any 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, and a fee interest in the land on which such housing is situated.

The term "**Project Costs**" has the meaning given such term in the Regulatory Agreement.

The term "**Qualified Project Costs**" shall have the meaning ascribed thereto in the Regulatory Agreement.

The term "**Rating Agency**" shall mean Standard & Poor's Ratings Group, a Division of the McGraw-Hill Companies Inc., or its successors and assigns or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized rating agency designated by the Issuer.

The term "**Rebate Analyst**" shall mean (i) Kutak Rock LLP, or (ii) any certified public accountant, financial analyst or bond counsel, or any firm of the foregoing, or financial institution (which may include the Trustee) experienced in making the arbitrage and rebate calculations required pursuant to Section 148 of the Code, selected by and at the expense of the Owner, with the prior written consent of the Issuer, to make the computations required under this Indenture and the Loan Agreement.

The term "**Rebate Fund**" shall mean the Rebate Fund created pursuant to Section 6.07.

The term "**Redemption Date**" shall mean any date designated as a date upon which the Bond is to be redeemed pursuant to this Indenture.

The term "**Regulations**" shall mean the Income Tax Regulations promulgated or proposed by the Department of the Treasury pursuant to the Code from time to time or pursuant to any predecessor statute to the Code.

The term "**Regulatory Agreement**" shall mean that Regulatory Agreement and Declaration of Restrictive Covenants of even date herewith, by and among the Issuer, the Trustee and the Owner related to the Project, as amended, supplemented or restated from time to time.

The term "**Responsible Officer**" of the Trustee or the Bondowner Representative shall mean any officer of the Trustee or the Bondowner Representative, as the case may be, assigned to administer its duties hereunder.

The term "**Revenues**" means all amounts pledged hereunder to the payment of principal of and premium, if any, and interest on the Bond, consisting of any repayments of the Loan required or permitted to be made by the Owner pursuant to Sections 3.3(a) through (f) of the Loan Agreement; but such term shall not include payments to the United States, the Issuer or the Bondowner Representative pursuant to Sections 2.3, 3.3(g), 3.3(h), 3.4, 3.16, 9.5, 11.38, 11.42, 11.44(c) and 15.1 of the Loan Agreement, Sections 6.07 or 8.06 hereof or pursuant to the Regulatory Agreement.

The term "**Sophisticated Investor**" means a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1933, as amended.

The term "**supplemental indenture**" or "**indenture supplemental hereto**" shall mean any indenture hereafter duly authorized and entered into by and among the Bondowner Representative, the Issuer and the Trustee in accordance with the provisions of this Indenture.

The term "**Tax Certificate**" means the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, dated the Closing Date executed and delivered by the Issuer and the Owner on the Closing Date.

The term "**Unassigned Issuer's Rights**" mean the rights of the Issuer, its commissioners, officers, attorneys, accountants, employees, agents and consultants, past, present and future under the Loan Agreement and the Regulatory Agreement to be held harmless and indemnified, to be paid its fees and expenses, to give or withhold consent to amendments, changes, modifications and alterations, to receive notices and the right to enforce such rights, including the Issuer's rights under and relating to the enforcement of the Regulatory Agreement, to receive the Rebate Amount under the Tax Certificate and Regulatory Agreement, its right to activate defaults and remedies under Article VII hereof, and to the extent not included above, the rights specifically reserved by the Issuer under this Indenture.

The term "**Variable Rate**" has the meaning ascribed to the term "One Month LIBO Rate" in the Note.

The terms "**Written Consent**," "**Written Demand**," "**Written Direction**," "**Written Election**," "**Written Notice**," "**Written Order**," "**Written Request**" and "**Written Requisition**" of the Issuer or the Owner shall mean, respectively, a written consent, demand, direction, election, notice, order, request or requisition signed on behalf of the Issuer by an Authorized Issuer Representative, or on behalf of the Owner by an Authorized Owner Representative.

Section 1.02. Rules of Construction. (a) The singular form of any word used herein, including the terms defined in Section 1.01, shall include the plural, and vice versa, unless the context otherwise requires. The use herein of a pronoun of any gender shall include correlative words of the other genders.

(b) All references herein to "Articles," "Sections" and other subdivisions hereof are to the corresponding Articles, Sections or subdivisions of this Indenture as originally executed; and the words "herein," "hereof," "hereunder" and other words of similar import

refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

(c) The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Indenture.

ARTICLE II

THE BOND

Section 2.01. Authorization. There is hereby authorized to be issued a bond of the Issuer designated as "The Housing Authority of the County of Los Angeles Multifamily Housing Revenue Bond (Mid Celis Apartments), Series 2011C" in the initial aggregate principal amount of up to $4,400,000, subject to funding over time, as provided herein. No Bond may be issued hereunder except in accordance with this Article. The maximum aggregate principal amount of Bond which may be issued and Outstanding under this Indenture shall not exceed the Authorized Amount.

Section 2.02. Terms of Bond. The Bond shall be substantially in the form set forth in Exhibit A hereto with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture, including any supplemental indenture.

The Bond shall be issuable only as a single fully registered Bond, without coupons in the principal amount equal to the aggregate of the purchase price of the Bond advanced from time to time by the owner of the Bond (which principal amount shall be, on the Closing Date, equal to the amount of the Initial Disbursement). Notwithstanding the foregoing, no purchase price of the Bond shall be funded after December 31, 2014 unless there is delivered to the Trustee an opinion of Bond Counsel to the effect that such funding will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Bond. The Bond shall be dated the Closing Date, shall mature on [DATE], and shall be subject to redemption prior to maturity as provided in Article IV.

The Bond shall bear interest, payable on each Interest Payment Date, from the Closing Date to the Conversion Date at the Variable Rate as determined by the Bondowner Representative pursuant to the terms of the Note (subject to such exceptions and conditions as are set forth in the Note) and communicated to the Owner, the Trustee and the Bondowners on the Closing Date and promptly following the first day of each calendar month. Notwithstanding the foregoing, the Bond shall bear interest at the rate set forth in Section 11.41 of the Loan Agreement under the conditions set forth in that Section and upon the occurrence of an Event of Default hereunder or under the Loan Agreement, the Bond shall bear interest at the Default Rate. In no event may the interest rate on the Bond exceed the Maximum Rate. Interest on the Bond shall be computed on the basis of a 360-day year and actual days elapsed.

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

The Bond shall be issued as a certificated instrument and shall not be held in book-entry form.

Section 2.03. Payment of Bond. Payment of the principal of and interest on the Bond shall be made in lawful money of the United States to the person appearing on the Bond registration books of the Trustee as the registered owner thereof on the applicable Interest Payment Date, such principal and interest to be paid by check mailed on the Interest Payment Date by first class mail, postage prepaid, to the registered owner at its address as it appears on such registration books, except that the Trustee may, at the request of any registered owner of Bond, make payments of principal and interest on the Bond by wire transfer to the account within the United States designated by such owner to the Trustee in writing, any such designation to remain in effect until withdrawn in writing. Notwithstanding the foregoing, unless otherwise notified in writing by the Bondowner Representative, the Trustee shall make all payments of principal of and interest on the Bond to the Bondowner Representative to the extent funds are on deposit with the Trustee for such payments under this Indenture.

Section 2.04. Execution of Bond. The Bond shall be executed, either manually or by facsimile, by the Chair of the Board of Commissioners or the Executive Director of the Issuer. Any facsimile signatures shall have the same force and effect as if said persons had manually signed said Bond. Any Bond bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Issuer shall bind the Issuer, notwithstanding that such individuals or any of them shall have ceased to hold such offices prior to the authentication and delivery of the Bond or shall not have held such offices at the date of the Bonds.

Only such Bond as shall bear thereon a certificate of authentication in the form set forth in Exhibit A, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture and such certificate of the Trustee shall be conclusive evidence that the Bond so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.05. Transfer of Bond. (a) The Bond may, in accordance with the terms of this Indenture but in any event subject to the provisions of Section 2.05(b) hereof, be transferred upon the books of the Trustee required to be kept pursuant to the provisions of Section 2.06, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Office of the Trustee, accompanied by a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever the Bond shall be surrendered for transfer, the Issuer shall execute and the Trustee shall authenticate and deliver a new, fully registered Bond.

(b) The following shall apply to all transfers of the Bond after the initial delivery of the Bond:

(i) the Bond, in the form attached hereto as Exhibit A, shall be a physical certificated instrument, and shall not be held in a book-entry only system unless approved in advance in writing by the Issuer in its sole discretion;

(ii) unless the Bond is rated in the "A" category without regard to a modifier (or the equivalent) or better by a Rating Agency and has the benefit of a credit enhancement instrument, the Bond shall be transferred only in whole and only

to (A) an entity that qualifies as a Sophisticated Investor, which must execute and deliver the form of Investor's Letter attached hereto as Exhibit B, or (B) CCRC. The purchaser shall execute and deliver such an Investor Letter in connection with its initial purchase of the Bond;

(iii) each transferee of the Bond shall deliver to the Issuer an Investor's Letter in the form of Exhibit B hereto, wherein the transferee agrees, among other matters, not to sell participating interests in the Bond (other than, with respect to CCRC, participations to its member banks) without the prior written consent of the Issuer; and

(iv) the Trustee shall not authenticate or register a Bond unless the conditions of this Section 2.05(b) have been satisfied and the Trustee has received the written consent of the Issuer to such transfer (which consent shall not be required for a transfer of the Bonds to CCRC).

(c) The Trustee shall require the payment by the Bondholder requesting any such transfer of any tax, fee or other governmental charge required to be paid with respect to such transfer, but any such transfer shall otherwise be made without charge to the Bondholder requesting the same. The cost of printing any Bond and any services rendered or any expenses incurred by the Trustee in connection therewith shall be paid by the Owner.

(d) The Bondowner Representative and Trustee shall not transfer the Bond (other than to CCRC) without prior written approval by the Issuer; provided that the Issuer agrees that it shall not unreasonably or arbitrarily withhold such approval with respect to a transfer that (1) complies with the requirements of subparagraphs (b)(ii) and (b)(iii), above, and (2) is made by the Bondowner Representative in order to comply with capital requirements or constraints, overall asset disposition strategies or regulatory requirements applicable to the Bondowner Representative as certified to the Issuer in writing and that, with respect to any such requested transfer, the Issuer will provide its consent or specify its reasons for withholding its consent within 10 days of receipt by the Issuer and the Trustee of the items specified in (b)(ii) and (b)(iii) above and the written certification referenced in this sentence. If the Issuer fails to respond within such 10 day period, the Issuer's consent shall be deemed granted. Notwithstanding anything to the contrary herein, the Issuer's consent to a transfer of the Bond shall not be required with respect to any transfer to a subsidiary or affiliate of the then-existing Bondowner which transfer otherwise meets the requirements hereof. The Bondowner Representative shall indemnify and defend the Issuer, and the officers, directors, employees, attorneys and agents of the Issuer against any claim brought by any transferor or transferee of the Bond in respect of the Bond, this Indenture or any of the Loan Documents in the event that there occurs a transfer of the Bond that is not permitted pursuant to this Section 2.05. Failure to comply with Section 2.05(b) shall cause any purported transfer to be null and void.

Section 2.06. Bond Register. The Issuer hereby appoints the Trustee as registrar and authenticating agent for the Bond. The Trustee will keep or cause to be kept at its Principal Office sufficient books for the registration, notation of principal and transfer of the Bond, which shall at all reasonable times upon reasonable notice be open to inspection by the Issuer and the Owner; and, upon presentation for such purpose, the Trustee as registrar shall, under such reasonable regulations

as it may prescribe, transfer or cause to be transferred, on said books, the Bond as hereinbefore provided.

The ownership of the registered Bond shall be proved by the bond registration books held by the Trustee. The Trustee and the Issuer may conclusively assume that such ownership continues until written notice to the contrary is served upon the Trustee. The fact and the date of execution of any request, consent or other instrument and the amount and distinguishing numbers of the Bond held by the person so executing such request, consent or other instrument may also be proved in any other manner which the Trustee may deem sufficient. The Trustee may nevertheless, in its discretion, require further proof in cases where it may deem further proof desirable.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the Bond and the Holder of every Bond issued in exchange thereof or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Issuer in accordance therewith or reliance thereon.

ARTICLE III

ISSUANCE OF BOND; APPLICATION OF PROCEEDS

Section 3.01. Authentication and Delivery of the Bond. Upon the execution and delivery of this Indenture, the Issuer shall execute the Bond and deliver it to the Trustee. Upon satisfaction of the conditions set forth in this Section, and without any further action on the part of the Issuer, the Trustee shall authenticate the Bond in an aggregate principal amount not exceeding the Authorized Amount, and shall deliver them pursuant to a Written Order of the Issuer. Prior to the authentication and delivery of any of the Bond by the Trustee, the initial Owner of the Bond shall have executed and delivered to the Trustee the form of Investor's Letter attached hereto as Exhibit B and there shall have been delivered to the Trustee each of the following:

(i) a Certified Resolution authorizing issuance and sale of the Bond and execution and delivery by the Issuer of the Indenture, the Loan Agreement and the Regulatory Agreement;

(ii) original executed counterparts of this Indenture, the Loan Agreement, the Deed of Trust, the Regulatory Agreement and all of the other Loan Documents (as defined in the Loan Agreement), all in form and content satisfactory to the Bondowner Representative (as evidenced by the authentication and delivery of the Bond to the Bondowner Representative and acceptance thereof), and the original executed Note;

(iii) a Written Order of the Issuer to the Trustee to authenticate and deliver the Bond as directed in such Written Order, upon payment of the Initial Disbursement by the Bondowner Representative and transfer thereof to the Trustee, for the account of the Issuer for deposit in the Construction Fund;

(iv) evidence satisfactory to the Issuer of arrangements to pay all costs associated with the issuance and sale of the Bond; and

(v) one or more opinions of Bond Counsel and the Los Angeles County Attorney's Office with respect to the due execution and delivery of the Indenture, Loan Agreement and Bond and the exclusion from gross income of the Bondholder of interest on the Bond for federal income tax purposes.

Section 3.02. Application of Proceeds of Bond/Draw Down Provisions. The Initial Disbursement and subsequent disbursements of the proceeds received from the sale of the Bond shall be made in accordance with Section 3.03 of this Indenture. The Bondowner Representative shall fund the purchase price of the Bond from time to time by funding advances under the Loan pursuant to the Loan Agreement. Amounts funded in such manner shall be deposited by the Bondowner Representative with the Trustee and shall be deposited into the Construction Fund in accordance with Section 3.03(a) of this Indenture. The Trustee shall note such amount in its records, and the Trustee's records, absent manifest error, shall be dispositive of the amount Outstanding. Such amounts shall constitute the Disbursed Amount, and shall begin to accrue interest, only upon disbursement by the Bondowner Representative to the Trustee for deposit in the Construction Fund. Notwithstanding anything herein to the contrary, the aggregate purchase price of the Bond funded by the Bondowner Representative may not exceed $4,400,000 (and the Trustee shall not record any advances which would cause the principal amount of the Bond to exceed such amount). In no event may additional amounts be funded after December 31, 2014.

Section 3.03. Disbursement of Bond Proceeds; Establishment of Construction Fund. There is hereby created and established with the Trustee a separate fund which shall be designated the "Construction Fund," which fund shall be applied only as provided in this Section. The Initial Disbursement on the Closing Date shall be disbursed by the Bondowner Representative pursuant to the Loan Agreement and deposited with the Trustee to the Construction Fund for payment to or upon the order of the Owner to pay Qualified Project Costs.

(a) The Bondowner Representative shall fund the Loan from time to time in accordance with the Loan Agreement. Each advance of the Loan shall be treated as a concurrent funding of Bondowner Representative's purchase of a further drawdown of the Bond. The Bondowner Representative shall deposit the proceeds of each drawdown on the Bond with the Trustee for deposit into the Construction Fund. Funds on deposit in the Construction Fund, and any interest earnings thereon, shall be transferred by the Trustee to the Owner (or, at the direction of the Bondowner Representative, to such contractors or subcontractors as specified in writing to the Trustee by the Lender) for the payment of Project Costs (as defined in the Regulatory Agreement).

(b) The Issuer hereby authorizes and directs the disbursement by the Trustee of the amounts deposited in the Construction Fund in accordance with this Indenture to or upon the order of the Owner (or, at the direction of the Bondowner Representative, to such contractors or subcontractors as specified in writing to the Trustee by the Lender) from time to time upon receipt by the Trustee of a written request of the Owner, accompanied by a disbursement request in the form attached hereto as Exhibit C, and a determination of the Bondowner Representative that the conditions to disbursement contained in the Loan Agreement have been satisfied or waived.

(c) The Trustee shall maintain, or cause to be maintained, complete and accurate records regarding the disbursement of the proceeds of the Bond in accordance with Section 3.02 and this Section 3.03 hereof, and shall provide copies thereof to the Issuer and

the Owner upon their written request. Additionally, the Trustee shall provide the Issuer with a monthly statement regarding activity in each of the funds and accounts created under this Indenture, including the Construction Fund and the Bond Fund in the immediately preceding month.

(d) The Trustee, the Bondowner Representative and the Issuer shall not be responsible for the application by the Owner of monies disbursed to the Owner in accordance with this Section 3.03.

(e) Following receipt of a Completion Certificate from the Owner, the Trustee shall transfer any amounts remaining in the Construction Fund to the Bond Fund. Upon such transfer the Construction Fund shall be closed.

If an Event of Default under and as defined in the Loan Agreement occurs and the maturity of the Bond is accelerated in accordance with Section 4.01(b) hereof, the Trustee will, to the extent necessary, use moneys in the Construction Fund and Bond Fund to make payments on the Bond.

Section 3.04. Costs of Issuance Fund. There is hereby created and established with the Trustee a separate fund which shall be designated the "Costs of Issuance Fund," which fund shall be applied only as provided in this Section. On the Closing Date, the Owner shall, from its own funds, deposit with the Trustee the amount of $[____], which amount the Trustee shall deposit in the Costs of Issuance Fund. Amounts in the Costs of Issuance Fund shall be paid by the Trustee on or after the Closing Date to: (a) [California Debt Limit Allocation Committee ("CDLAC")] in the amount of up to $[____]; and (b) [California Debt and Investment Advisory Commission ("CDIAC")] in the amount up to $[____], each upon delivery of an invoice to the Trustee from [CDLAC] or [CDIAC] as applicable. Amounts remaining in the Costs of Issuance Fund 90 days after the Closing Date shall be returned to the Owner.

Section 3.05. Issuer's Ongoing Fee. There is hereby created and established with the Trustee a separate fund to be known as the "Issuer's Ongoing Fee Fund." The Trustee shall collect the Issuer's Ongoing Fee from the Owner in equal monthly installments and upon receipt deposit such amount in the Issuer's Ongoing Fee Fund to be remitted for annual payment to the Issuer at the times specified in the Regulatory Agreement.

ARTICLE IV

REDEMPTION OF BOND

Section 4.01. Circumstances of Redemption. The Bond is subject to redemption upon the circumstances, on the dates and at the prices set forth as follows:

(a) The Bond shall be subject to redemption in whole or in part on any date, at a price equal to the principal amount of Bond to be redeemed plus interest accrued thereon to the date fixed for redemption, plus any applicable prepayment premium, as provided in the Note or the Loan Agreement; provided, however, that any other charges then due and payable pursuant to the Note or the Loan Agreement shall be paid in full (or, in connection with a partial redemption of the Bond, paid in proportion to the amount of Bond being so redeemed) on the redemption date.

(b) The Bond shall be subject to mandatory redemption in whole upon the occurrence of an event of default under the Loan Agreement or any other of the Loan Documents (subject to all applicable notice and cure provisions contained therein), at the written direction of the Bondowner Representative, at a redemption price equal to the principal amount of the Bond then Outstanding, plus accrued interest thereon to the date of redemption, plus any applicable prepayment premium, as provided in the Note or the Loan Agreement.

(c) [reserved].

(d) The Bond shall be subject to redemption in whole at the Written Direction of the Issuer, at a price equal to the outstanding principal amount of the Bond plus interest accrued thereon to the date fixed for redemption, upon a Determination of Taxability.

(e) The Bond shall be subject to mandatory redemption, at the direction of the Bondowner Representative (given in accordance with the Loan Agreement or the Deed of Trust), in whole or in part on any date, from insurance proceeds received in connection with a partial or total casualty loss of the Project or a condemnation award in connection with a partial or complete taking of the Project, but only to the extent such proceeds or award are not used to repair, replace or restore the Project, at a price equal to the principal amount of Bond to be redeemed plus interest accrued thereon to the date fixed for redemption and any additional amount payable pursuant to the Note or the Loan Agreement.

The Bondowner Representative is hereby authorized and directed, and hereby agrees, to fix the date for any such redemption and to provide written notice thereof to the Trustee, and, if Revenues are available, to cause the Trustee to redeem the Bond so called on the date so fixed by the Bondowner Representative. The Bondowner need not surrender its Bond in connection with any redemption of the Bond unless the Bond is redeemed in whole.

Section 4.02. No Notice of Redemption. No notice of redemption of the Bond need be given to the Bondowner by the Trustee, but the Bondowner Representative shall give notice of any redemption under Section 4.01(b) to the Issuer at the same time such notice is given to the Trustee; provided such notice shall not be a condition precedent to any redemption and neither failure to give such notice nor any defect in such notice shall affect the validity of any redemption hereunder.

Section 4.03. Effect of Redemption. If moneys for payment of the redemption price of the Bond are being held by the Trustee, the Bond shall, on the redemption date selected by the Owner or Bondowner Representative, as applicable, become due and payable at the redemption price specified herein, interest on the principal amount of the Bond so called for redemption shall cease to accrue, said principal amount of Bond shall cease to be entitled to any lien, benefit or security under this Indenture, and the holder of the Bond shall have no rights in respect thereof except to receive payment of the redemption price thereof and receive proceeds of exercise by the Trustee of rights and remedies under the Note, the Loan Agreement, the Deed of Trust and the other Loan Documents.

ARTICLE V

REVENUES

Section 5.01. Pledge of Revenues. All of the Revenues are hereby irrevocably pledged to the punctual payment of the principal of and interest on the Bond. The Issuer also hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the holder from time to time of the Bond, all of its right, title and interest in (excepting, however, the Unassigned Issuer's Rights): (a) the Revenues, but excluding any amounts calculated as excess investment earnings under Section 6.07 hereof, (b) all amounts on deposit in any fund or account created hereunder and held by the Trustee, but excluding any amounts calculated as excess investment earnings under Section 6.07 hereof, (c) the Loan Agreement (except for the Unassigned Issuer's Rights under Sections 2.2, 2.3, 3.3(g), 3.3(h), 3.4, 3.16, 9.5, 11.38, 11.41, 15.1 or 15.31 of the Loan Agreement and amounts payable to the United States of America pursuant to Section 11.44(c) thereof), (d) the Note, and (e) any other amounts or agreements referenced in the Loan Agreement as security for the repayment of the Bond (collectively, the "Trust Estate"). The Note has been endorsed to the Trustee, and the Deed of Trust is delivered in favor of the Issuer and assigned to the Trustee.

All Revenues received by the Trustee and all amounts on deposit in the funds and accounts created hereunder and held by the Trustee (other than amounts held pursuant to Section 3.05 for the benefit of the Issuer and amounts held in the Rebate Fund pursuant to Section 6.07 hereof) shall be held in trust for the benefit of the holders from time to time of the Bond, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes hereinafter set forth in this Article V.

THE BOND IS A LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE REVENUES AND OTHER FUNDS AND MONEYS PLEDGED AND ASSIGNED HEREUNDER. NEITHER THE ISSUER, 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 BOND OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER EXCEPT AS SET FORTH HEREIN, AND NONE OF THE BOND OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF OR A MORAL OBLIGATION OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. THE ISSUER HAS NO TAXING POWER.

NO RECOURSE UNDER OR UPON ANY OBLIGATION, COVENANT, WARRANTY OR AGREEMENT CONTAINED IN THIS INDENTURE OR IN THE BOND, OR UNDER ANY JUDGMENT OBTAINED AGAINST THE ISSUER, OR THE ENFORCEMENT OF ANY ASSESSMENT, OR ANY LEGAL OR EQUITABLE PROCEEDINGS BY VIRTUE OF ANY CONSTITUTION OR STATUTE OR OTHERWISE, OR UNDER ANY CIRCUMSTANCES UNDER OR INDEPENDENT OF THIS INDENTURE, SHALL BE HAD AGAINST THE COMMISSIONERS, OFFICERS, AGENTS OR EMPLOYEES OF THE ISSUER, AS SUCH, PAST, PRESENT OR FUTURE OF THE ISSUER, EITHER DIRECTLY OR THROUGH THE ISSUER OR OTHERWISE, FOR THE

PAYMENT FOR OR TO THE ISSUER OR ANY RECEIVER OF THE ISSUER, OR FOR OR TO THE OWNERS OF THE BOND, OR OTHERWISE, OF ANY SUM THAT MAY BE DUE AND UNPAID BY THE ISSUER OR ITS GOVERNING BODY UPON THE BOND. ANY AND ALL PERSONAL LIABILITY OF EVERY NATURE WHETHER AT COMMON LAW OR IN EQUITY OR BY STATUTE OR BY CONSTITUTION OR OTHERWISE OF THE ISSUER'S COMMISSIONERS, OFFICERS, AGENTS OR EMPLOYEES, AS SUCH, PAST, PRESENT OR FUTURE OF THE ISSUER BY REASON OF ANY ACT OR OMISSION ON HIS OR HER PART OR OTHERWISE, FOR THE PAYMENT FOR OR TO THE OWNERS OF THE BOND OR OTHERWISE OF ANY SUM THAT MAY REMAIN DUE AND UNPAID UPON THE BOND SECURED BY THIS INDENTURE OR ANY OF THEM IS, BY THE ACCEPTANCE OF THE BOND, EXPRESSLY WAIVED AND RELEASED AS A CONDITION OF AND IN CONSIDERATION FOR THE EXECUTION OF THIS INDENTURE AND THE ISSUANCE OF THE BOND.

ANYTHING IN THIS INDENTURE TO THE CONTRARY NOTWITHSTANDING, IT IS EXPRESSLY UNDERSTOOD BY THE PARTIES TO THIS INDENTURE THAT (A) THE ISSUER MAY RELY EXCLUSIVELY ON THE TRUTH AND ACCURACY OF ANY CERTIFICATE, OPINION, NOTICE OR OTHER INSTRUMENT FURNISHED TO THE ISSUER BY THE TRUSTEE OR ANY BONDHOLDER AS TO THE EXISTENCE OF ANY FACT OR STATE OF AFFAIRS, (B) THE ISSUER SHALL NOT BE UNDER ANY OBLIGATION UNDER THIS INDENTURE TO PERFORM ANY RECORDKEEPING OR TO PROVIDE ANY LEGAL SERVICES, IT BEING UNDERSTOOD THAT SUCH SERVICES SHALL BE PERFORMED OR CAUSED TO BE PERFORMED BY THE TRUSTEE OR BY ANY BONDHOLDER AND (C) NONE OF THE PROVISIONS OF THIS INDENTURE SHALL REQUIRE THE ISSUER TO EXPEND OR RISK ITS OWN FUNDS OR OTHERWISE TO INCUR FINANCIAL LIABILITY IN THE PERFORMANCE OF ANY OF ITS DUTIES OR IN THE EXERCISE OF ANY OF ITS RIGHTS OR POWERS UNDER THIS INDENTURE, UNLESS IT SHALL FIRST HAVE BEEN ADEQUATELY INDEMNIFIED TO ITS SATISFACTION AGAINST ANY COSTS, EXPENSES AND LIABILITY WHICH IT MAY INCUR AS A RESULT OF TAKING SUCH ACTION. NO RECOURSE FOR THE PAYMENT OF ANY PART OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BOND OR FOR THE SATISFACTION OF ANY LIABILITY ARISING FROM, FOUNDED UPON OR EXISTING BY REASON OF THE ISSUANCE, PURCHASE OR OWNERSHIP OF ANY BOND SHALL BE HAD AGAINST ANY OFFICER, MEMBER, AGENT OR EMPLOYEE OF THE ISSUER, AS SUCH, ALL SUCH LIABILITY BEING EXPRESSLY RELEASED AND WAIVED AS A CONDITION OF AND AS A PART OF THE CONSIDERATION FOR THE EXECUTION OF THIS INDENTURE AND THE ISSUANCE OF THE BOND. NO COVENANT, STIPULATION, OBLIGATION OR AGREEMENT OF THE ISSUER CONTAINED IN THIS INDENTURE SHALL BE DEEMED TO BE A COVENANT, STIPULATION, OBLIGATION OR AGREEMENT OF ANY PRESENT OR FUTURE MEMBER, OFFICER, AGENT OR EMPLOYEE OF THE ISSUER IN OTHER THAN THAT PERSON'S OFFICIAL CAPACITY. NO MEMBER, OFFICER, AGENT OR EMPLOYEE OF THE ISSUER SHALL BE INDIVIDUALLY OR PERSONALLY LIABLE FOR THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BOND OR BE SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THE ISSUANCE OF THE BOND.

The Issuer shall not be liable for payment of the principal of or interest on the Bond or any other costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Indenture, the Bond or any other documents, except only to the extent amounts are received for the payment thereof from the Owner under the Loan Agreement.

Section 5.02. Bond Fund. There is hereby created and established with the Trustee a separate fund which shall be designated the "Bond Fund," which fund shall be applied only as provided in this Section.

The Trustee shall credit to the Bond Fund from time to time, upon receipt thereof, all Revenues, including (i) income received from the investment of moneys on deposit in the Bond Fund, and (ii) any other Revenues, including insurance proceeds, condemnation awards and other Loan payments or prepayments received from or for the account of the Owner.

Except as provided in Section 10.02, moneys in the Bond Fund shall be used solely for the payment of the principal of and premium, if any, and interest on the Bond as the same shall become due, whether at maturity or upon redemption or acceleration or otherwise.

On each date on which principal of or interest on the Bond is due and payable, the Trustee shall pay such amount from the Bond Fund.

Section 5.03. Investment of Moneys. Except as otherwise provided in this Section, any moneys in any of the funds and accounts to be established by the Trustee pursuant to this Indenture shall be invested by the Trustee in Investment Securities selected and directed in writing by the Owner, with respect to which payments of principal thereof and interest thereon are scheduled or otherwise payable not later than one day prior to the date on which it is estimated that such moneys will be required by the Trustee. In the absence of such directions, the Trustee shall invest such monies in Investment Securities described in clause (b) of the definition thereof. The Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance with this Section 5.03.

Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bond (within the meaning of Section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued at their present value (within the meaning of Section 148 of the Code). The Trustee shall have no duty to determine Fair Market Value or present value hereunder.

For the purpose of determining the amount in any fund or account, all Investment Securities credited to such fund or account shall be valued at the lower of cost or par (which shall be measured exclusive of accrued interest) after the first payment of interest following purchase.

Any interest, profit or loss on such investment of moneys in any fund or account shall be credited or charged to the respective funds or accounts from which such investments are made. Subject to the requirements of the Tax Certificate, the Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any

payment, and the Trustee shall not be liable or responsible for any loss resulting from such sale or redemption.

The Trustee may make any and all investments permitted under this Section 5.03 through its own trust or banking department or any affiliate and may pay said department reasonable, customary fees for placing such investments. The Trustee and its affiliates may act as principal, agent, sponsor, advisor or depository with respect to Investment Securities under this Section 5.03.

The Issuer (and the Owner by its execution of the Loan Agreement) acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Issuer or the Owner the right to receive brokerage confirmations of security transactions as they occur, the Issuer and the Owner will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Owner and the Issuer (to the extent requested by it) periodic cash transaction statements which include detail for all investment transactions, if any, made by the Trustee hereunder.

Section 5.04. Enforcement of Obligations. Upon the occurrence of an Event of Default actually known to a Responsible Officer of the Bondowner Representative, the Bondowner Representative shall, pursuant to Section 7.08 hereof, be entitled in its sole discretion to take all steps, actions and proceedings, or to direct the Trustee to take all steps and proceedings: (a) to enforce the terms, covenants and conditions of, and preserve and protect the priority of its interest in and under, the Loan Agreement, Regulatory Agreement and the Deed of Trust, and (b) to request compliance with all covenants, agreements and conditions on the part of the Issuer contained in this Indenture with respect to the Revenues.

ARTICLE VI

COVENANTS OF THE ISSUER

Section 6.01. Payment of Principal and Interest. The Issuer shall punctually pay, but only out of Revenues as herein provided, the principal and the interest (and premium, if any) to become due in respect of the Bond issued hereunder at the times and places and in the manner provided herein and in the Bond, according to the true intent and meaning thereof. When and as paid in full, the Bond shall be delivered to the Trustee and shall forthwith be destroyed.

Section 6.02. Preservation of Revenues; Amendment of Documents. The Issuer shall not take any action to interfere with or impair the pledge and assignment hereunder of Revenues and the assignment to the Trustee, of rights of the Issuer under the Loan Agreement and the Deed of Trust and other collateral documents, or the Trustee's or the Bondowner Representative's enforcement of any rights hereunder or thereunder, shall not take any action to impair the validity or enforceability of the Loan Agreement or the Deed of Trust and other collateral documents, and shall not waive any of its rights under or any other provision of or permit any amendment of the Loan Agreement or the Deed of Trust and other collateral documents, without the prior written consent of the Bondowner Representative.

Section 6.03. Compliance with Indenture. The Issuer shall not issue, or permit to be issued, any Bond secured or payable in any manner out of Revenues other than in accordance with the provisions of this Indenture; it being understood that the Issuer reserves the right to issue obligations payable from and secured by sources other than the Revenues and the assets assigned

herein. The Issuer shall faithfully observe and perform all the covenants, conditions and requirements hereof. So long as the Bond is Outstanding, the Issuer shall not create any pledge, lien or charge of any type whatsoever upon all or any part of the Revenues, other than the lien of this Indenture.

Section 6.04. Further Assurances. Whenever and so often as requested so to do by the Bondowner Representative, the Issuer, at the expense of the Owner, shall promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Bondowner Representative and the Bondholders all of the rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by this Indenture and to perfect and maintain as perfected such rights, interests, powers, benefits, privileges and advantages.

Section 6.05. No Arbitrage. The Issuer shall not take, nor knowingly permit nor suffer to be taken by the Trustee or otherwise, any action with respect to the gross proceeds of the Bond which would cause the Bond to be an "arbitrage bond" within the meaning of Section 148(a) of the Code and Regulations promulgated thereunder. The Issuer will, additionally, comply with its obligations under and pursuant to the Tax Certificate.

Section 6.06. Limitation of Expenditure of Proceeds. To the best knowledge of the Issuer, not less than 97 percent of the face amount of the Bond, plus premium (if any) paid on the purchase of the Bond by the original purchaser thereof from the Issuer, less original issue discount, will be used for Qualified Project Costs and less than 25 percent of such amount will be used for land or an interest in land.

Section 6.07. Rebate of Excess Investment Earnings to United States. The Rebate Fund shall be established by the Trustee and held and applied as provided in this Section. On any date on which any amounts are required by applicable federal tax law to be rebated to the federal government, amounts shall be deposited into the Rebate Fund by the Owner for such purpose. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate) and as calculated by the Rebate Analyst, for payment to the United States Government, and neither the Issuer, the Owner nor the Bondholders 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. The Trustee shall conclusively be deemed to have complied with such provisions if it follows the written instructions of the Issuer, Bond Counsel or the Rebate Analyst, including supplying all necessary information in the manner set forth in the Tax Certificate, and shall not be required to take any actions under the Tax Certificate in the absence of written instructions from the Issuer, Bond Counsel or the Rebate Analyst.

Within 55 days of the end of each fifth Bond Year and within 55 days of payment in full of the Bond, the Trustee shall request and the Owner shall cause the Rebate Analyst to calculate the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code)), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the "Rebatable Arbitrage").

Within 55 days of the end of each fifth Bond Year and within 55 days of payment in full of the Bond, upon the written direction of the Issuer, Bond Counsel or the Rebate Analyst, an amount shall be deposited to the Rebate Fund by the Trustee from amounts provided by the Owner, if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with the preceding paragraph.

The Trustee shall pay, as directed by the Issuer, Bond Counsel or the Rebate Analyst, to the United States Treasury, out of amounts in the Rebate Fund:

(i) Not later than 60 days after the end of (A) the fifth Bond Year, and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and

(ii) Not later than 60 days after the payment of the Bond in full, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

Each payment required to be made under this Section shall be made to the Internal Revenue Service Center at the address provided in such direction on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be prepared by the Rebate Analyst and provided to the Trustee.

Notwithstanding any provision of this Indenture to the contrary, the obligation to remit payment of the Rebatable Arbitrage to the United States and to comply with all other requirements of this Section 6.07, Sections 11.39 and 11.44 of the Loan Agreement, the requirements of the Regulatory Agreement and the requirements of the Tax Certificate shall survive the defeasance or payment in full of the Bond.

Any funds remaining in the Rebate Fund after redemption and payment of all of the Bond and payment and satisfaction of any Rebate Requirement, or provision made therefor in accordance with the written direction of the Issuer, the Rebate Analyst or Bond Counsel, shall be withdrawn and remitted to the Owner.

The Trustee shall keep such records of the computations made pursuant to this Section 6.07 as are required under Section 148(f) of the Code to the extent furnished to the Trustee. The Owner shall or shall cause the Rebate Analyst to provide to the Issuer copies of all rebate computations made pursuant to this Section 6.07. The Trustee shall keep and make available to the Owner such records concerning the investments of the gross proceeds of the Bond and the investments of earnings from those investments made by the Trustee as may be requested by the Owner in order to enable the Owner to cause the Rebate Analyst to make the aforesaid computations as are required under Section 148(f) of the Code.

Notwithstanding the foregoing, the computations and payments of Rebatable Arbitrage need not be made to the extent that neither the Issuer nor the Owner will thereby fail to comply with any requirements of Section 148(f) of the Code based on an Opinion of Bond Counsel, to the effect that such failure will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bond, a copy of which shall be provided to the Trustee, at the expense of the Owner.

Section 6.08. Limitation on Issuance Costs. To the best knowledge of the Issuer, from the proceeds of the Bond received from the original purchaser thereof and investment earnings thereon, an amount not in excess of two percent (2%) of the face amount of the Bond will be used to pay for, or provide for the payment of, Issuance Costs.

Section 6.09. Federal Guarantee Prohibition. The Issuer shall take no action if the result of the same would be to cause the Bond to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

Section 6.10. Prohibited Facilities. To the best knowledge of the Issuer, no portion of the proceeds of the Bond will be used to provide any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises. To the best knowledge of the Issuer, no portion of the proceeds of the Bond will be used for an office unless the office is located on the premises of the facilities constituting the Project and unless not more than a de minimis amount of the functions to be performed at such office is not related to the day-to-day operations of the Project.

Section 6.11. Use Covenant. The Issuer shall not use any proceeds of Bond or any other funds of the Issuer, directly or indirectly, in any manner, and shall not take any other action or actions, which would result in the Bond being treated as an obligation not described in Section 142(d) of the Code by reason of the Bond not meeting the requirements of Section 142(d) of the Code.

Section 6.12. Immunities and Limitations of Responsibility of Issuer. The Issuer shall be entitled to the advice of counsel (who, except as otherwise provided, may be counsel for the Bondholder), and the Issuer shall be wholly protected as to action taken or omitted in good faith in reliance on such advice. The Issuer may rely conclusively on any communication or other document furnished to it hereunder and reasonably believed by it to be genuine. The Issuer shall not be liable for any action (a) taken by it in good faith and reasonably believed by it to be within its discretion or powers hereunder, or (b) in good faith omitted to be taken by it because such action was reasonably believed to be beyond its discretion or powers hereunder, or (c) taken by it pursuant to any direction or instruction by which it is governed hereunder, or (d) omitted to be taken by it by reason of the lack of any direction or instruction required hereby for such action; nor shall it be responsible for the consequences of any error of judgment reasonably made by it. The Issuer shall in no event be liable for the application or misapplication of funds or for other acts or defaults by any person, except its own officers and employees. When any payment or consent or other action by it is called for hereby, it may defer such action pending receipt of such evidence (if any) as it may require in support thereof. The Issuer shall not be required to take any remedial action (other than the giving of notice) unless indemnity in a form acceptable to the Issuer is furnished for any expense or liability to be incurred in connection with such remedial action, other than liability for failure to meet the standards set forth in this Section. The Issuer shall be entitled to reimbursement from the Owner for its expenses reasonably incurred or advances reasonably made, with interest at the rate at which interest accrues from time to time on the Bond, in the exercise of its rights or the performance of its obligations hereunder, to the extent that it acts without previously obtaining indemnity. No permissive right or power to act which the Issuer may have shall be construed as a requirement to act; and no delay in the exercise of a right or power shall affect its subsequent exercise of the right or power. The Owner has indemnified the Issuer against certain acts and events as set forth in Sections 9.5, 9.6, 11.37, 11.38, 11.41, 11.44 and 15.1 of the Loan Agreement and Section 9 of the Regulatory Agreement. Such indemnities shall survive payment of the Bond and discharge of the Indenture.

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

Section 6.13. Exempt from Individual Liability. No covenant, condition or agreement contained herein shall be deemed to be a covenant, agreement or obligation of any present or future commissioner, supervisor, officer, director, employee or agent of the Issuer or the Trustee in his individual capacity, and neither the officers, directors, employees or agents of the Issuer or the Trustee executing the Bond or this Indenture shall be liable personally on the Bond or under this Indenture or be subject to any personal liability or accountability by reason of the issuance of the Bond or the execution of this Indenture.

Section 6.14. Limitation of Liability of Issuer and Its Officers, Employees and Agents. No recourse under or upon any obligation, covenant, warranty or agreement contained in this Indenture or in the Bond, or under any judgment obtained against the Issuer, or the enforcement of any assessment, or any legal or equitable proceedings by virtue of any constitution or statute or otherwise, or under any circumstances under or independent of this Indenture, shall be had against the commissioners, supervisors, officers, agents or employees of the Issuer, as such, past, present or future of the Issuer, either directly or through the Issuer or otherwise, for the payment for or to the Issuer or any receiver of the Issuer, or for or to the owner of the Bond, or otherwise, of any sum that may be due and unpaid by the Issuer or its governing body upon the Bond. Any and all personal liability of every nature whether at common law or in equity or by statute or by constitution or otherwise of the Issuer's commissioners, supervisors, officer, agent or employee, as such, past, present or future of the Issuer by reason of any act or omission on his or her part or otherwise, for the payment for or to the owner of the Bond or otherwise of any sum that may remain due and unpaid upon the Bond secured by this Indenture or any of them is, by the acceptance of the Bond, expressly waived and released as a condition of and in consideration for the execution of this Indenture and the issuance of the Bond. Anything in this Indenture to the contrary notwithstanding, it is expressly understood by the parties to this Indenture that (a) the Issuer may rely exclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Issuer by the Trustee, Owner, Bondowner Representative or any Bondholder as to the existence of any fact or state of affairs, (b) the Issuer shall not be under any obligation under this Indenture to perform any recordkeeping or to provide any legal services, it being understood that such services shall be performed or caused to be performed by the Trustee, the Bondowner Representative or by any Bondholder and (c) none of the provisions of this Indenture shall require the Issuer to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under this Indenture, unless it shall first have been adequately indemnified to its satisfaction against any costs, expenses and liability which it may incur as a result of taking such action. No recourse for the payment of any part of the principal of, premium, if any, or interest on the Bond or for the satisfaction of any liability arising from, founded upon or existing by reason of the issuance, purchase or ownership of any Bond shall be had against the

commissioners, supervisors, any officer, member, agent or employee of the Issuer, as such, all such liability being expressly released and waived as a condition of and as a part of the consideration for the execution of this Indenture and the issuance of the Bond. No covenant, stipulation, obligation or agreement of the Issuer contained in this Indenture shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future commissioner, supervisor, member, officer, agent or employee of the Issuer in other than that person's official capacity. No commissioner, supervisor, member, officer, agent or employee of the Issuer shall be individually or personally liable for the payment of the principal or redemption price of or interest on the Bond or be subject to any personal liability or accountability by reason of the issuance of the Bond.

ARTICLE VII

DEFAULT

Section 7.01. Events of Default; Acceleration; Waiver of Default. Each of the following events shall constitute an "Event of Default" hereunder (subject to the final paragraph of this Article VII):

(a) failure to pay interest on the Bond when due;

(b) failure to pay the principal of the Bond on the date fixed for payment thereof, whether upon the maturity thereof or pursuant to Section 4.01 hereof; and

(c) failure by the Issuer or the Owner to perform or observe any other of the covenants, agreements or conditions on its part in this Indenture or in the Bond contained, and the continuation of such failure for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer, the Owner and the Trustee by the Bondowner Representative.

No default specified in (c) above shall constitute an Event of Default unless the Issuer or the Owner shall have failed to correct such default within the applicable period; provided, however, that if the default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer or the Owner within the applicable period and diligently pursued until the default is corrected; and provided, further, that the time elapsed until completion of corrective action shall not exceed sixty (60) days without the consent of the Bondowner Representative, which consent shall not be unreasonably withheld. With regard to any alleged default concerning which notice is given to the Owner under the provisions of (c) above, the Issuer hereby grants the Owner full authority for the account of the Issuer to perform any covenant or obligation the non-performance of which is alleged in said notice to constitute a default in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts and with power of substitution.

Following the occurrence of an Event of Default, the Bondowner Representative may, (i) by notice in writing to the Trustee, the Issuer and the Owner, declare the principal of the Bond then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bond contained to the contrary notwithstanding, and/or (ii) pursue such other remedies as are permitted under applicable law. Upon any such declaration of acceleration, the Trustee, at the direction of the Bondowner Representative, shall fix a date for payment of the Bond.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bond shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, there shall have been deposited with the Trustee a sum sufficient to pay all the principal of the Bond matured or required to be redeemed prior to such declaration and all matured installments of interest (if any) upon the Bond, with interest on such overdue installments of principal and prepayment premium, to the extent applicable, and the reasonable fees and expenses of the Trustee, its agents and counsel, and any and all other defaults actually known to a Responsible Officer of the Trustee (other than in the payment of principal of and interest on the Bond due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Bondowner Representative to be adequate shall have been made therefor, then the Bondowner Representative, by written notice to the Issuer and the Trustee, may, on behalf of the holder of the Bond, rescind and annul such declaration and its consequences and waive such default; but no such rescission, annulment or waiver shall extend to or shall affect any subsequent default in obligations due the Issuer pursuant to or under the Unassigned Issuer's Rights, or shall impair or exhaust any right or power consequent thereon.

Notwithstanding the foregoing, or anything else to the contrary herein, no default by the Owner under the Loan Agreement shall constitute an event of default with respect to the Bond (including, without limitation, a failure to make any payment due with respect to the Bond as a consequence of the Owner's failure to make any payment due under the Loan Agreement). The Issuer's, Trustee's, Owners' and Bondowner Representative's remedies with respect to a default under the Loan Documents shall be as set forth under the Loan Documents. Notwithstanding the foregoing, the Bondowner Representative may, upon the acceleration of the Owner's obligations under the Loan Documents, direct the Trustee to accelerate the maturity of the Bond and apply any funds available hereunder for such purpose as provided herein (after paying the fees and expenses of the Trustee and the Issuer). Any Bond remaining outstanding shall be deemed paid upon transfer, to or at the direction of the Bondowner Representative, of the Loan Documents and all security therefor free and clear of the lien of this Indenture.

Section 7.02. Institution of Legal Proceedings by Bondowner Representative. If one or more of the Events of Default shall occur, the Bondowner Representative in its discretion may proceed to protect or enforce its rights or the rights of the holder of Bond under the Act or under this Indenture, the Note and/or the Loan Agreement, by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein or therein, or in aid of the execution of any power herein or therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Bondowner Representative shall deem most effectual in support of any of its rights or duties hereunder.

Section 7.03. Application of Moneys Collected by Bondowner Representative. Any moneys collected by the Bondowner Representative and the Trustee pursuant to Section 7.02 shall be deposited with the Trustee and applied in the order following, at the date or dates fixed by the Bondowner Representative with written notice to the Trustee and, in the case of distribution of such moneys on account of principal (or premium, if any) or interest, upon presentation of the Bond and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First: For payment of the amount of any Issuer's Ongoing Fee, all amounts otherwise due to the Issuer and all amounts due to the Bondowner Representative, to the

Trustee under Section 8.06 and to any Rebate Analyst fee then due and payable under the bond documents.

Second: For deposit in the Bond Fund to be applied to payment of the principal of the Bond then due and unpaid and interest thereon with application as between principal and interest as the Bondowner Representative shall determine in its sole discretion; and if there is more than one Bondowner, ratably to such Bondowners entitled thereto without discrimination or preference.

Third: For payment of all other amounts due from the Owner to any person hereunder or under the Loan Agreement, the Note or the other Loan Documents.

Fourth: To the Owner.

Section 7.04. Effect of Delay or Omission to Pursue Remedy. No delay or omission of the Trustee, Bondowner Representative or of any holder of the Bond to exercise any right or power arising from any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given by this Article VII to the Trustee, Bondowner Representative or to the holder of the Bond may be exercised from time to time and as often as shall be deemed by the Bondowner Representative expedient. In case the Bondowner Representative shall have proceeded to enforce any right under this Indenture, and such proceedings shall have been discontinued or abandoned because of waiver or for any other reason, or shall have been determined adversely to the Bondowner Representative, then and in every such case the Issuer, the Trustee, the Bondowner Representative and the holder of the Bond, severally and respectively, shall be restored to their former positions and rights hereunder in respect to the trust estate; and all remedies, rights and powers of the Issuer, the Trustee, the Bondowner Representative and the holder of the Bond shall continue as though no such proceedings had been taken.

Section 7.05. Remedies Cumulative. No remedy herein conferred upon or reserved to the Trustee, Bondowner Representative or to any holder of the Bond hereunder 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 hereunder or now or hereafter existing at law or in equity.

Section 7.06. Covenant to Pay Bond in Event of Default. The Issuer covenants that, upon the happening of any Event of Default, the Issuer will pay to the Trustee upon demand, but only out of Revenues and subject to all the limitations on liability of the Issuer set forth herein, for the benefit of the holder of the Bond, the whole amount then due and payable thereon (by declaration or otherwise) for interest or for principal, or both, as the case may be, and all other sums which may be due hereunder or secured hereby, including reasonable compensation to the Trustee, the Bondowner Representative, their agents and counsel, and any expenses or liabilities incurred by the Trustee or Bondowner Representative hereunder. In case the Issuer shall fail to pay the same forthwith upon such demand, the Trustee, at the direction of the Bondowner Representative, as trustee of an express trust, and upon being indemnified by the Bondholder to its satisfaction, shall be entitled to institute proceedings at law or in equity in any court of competent jurisdiction to recover judgment for the whole amount due and unpaid, together with costs and reasonable attorneys' fees, subject, however, to the condition that such judgment, if any, shall be limited to, and payable solely out of Revenues and any other assets pledged, transferred or assigned to the Trustee under Section 5.04 as herein provided and not otherwise. The Bondowner Representative shall be entitled to recover such judgment as aforesaid, either before or after or during the pendency of any proceedings for the

enforcement of this Indenture, and the right of the Bondowner Representative to recover such judgment shall not be affected by the exercise of any other right, power or remedy for the enforcement of the provisions of this Indenture.

Section 7.07. Bondowner Representative Appointed Agent for Bondholder. The Bondowner Representative is hereby appointed the agent of the holder of the Bond Outstanding hereunder for the purpose of filing any claims relating to the Bond.

Section 7.08. Power of Bondowner Representative to Control Proceedings. Notwithstanding any other provision of this Indenture, the Bondowner Representative shall have exclusive control of the remedies set forth herein upon an Event of Default. In the event that the Bondowner Representative, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, it shall have full power, in the exercise of its sole discretion for the best interests of the holders of the Bond, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action.

Section 7.09. Limitation on Bondholders' Right to Sue. No holder of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, except through the actions of the Bondowner Representative. However, the right of the holder of the Bond to receive payment of the principal of (and premium, if any) and interest on such Bond out of Revenues, as herein and therein provided, on and after the respective due dates expressed in such Bond shall not be impaired or affected without the consent of such holder, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

Section 7.10. Limitation of Liability to Revenues. Notwithstanding anything in this Indenture contained, the Issuer shall not be required to advance any moneys derived from the proceeds of taxes collected by the Issuer, by the State of California or by any political subdivision thereof or from any source of income of any of the foregoing other than the Revenues for any of the purposes mentioned in this Indenture, whether for the payment of the principal of or interest on the Bond or for any other purpose of this Indenture. The Bond is a limited obligation of the Issuer, and is payable from and secured by the Revenues only.

ARTICLE VIII

THE TRUSTEE AND AGENTS

Section 8.01. Duties, Immunities and Liabilities of Trustee. In consideration of the recitals hereinabove set forth and for other valuable consideration, the Issuer hereby agrees to employ the Trustee (at the expense of the Owner) to receive, hold, invest and disburse the moneys received pursuant to the Loan Agreement for credit to the various funds and accounts established by this Indenture; to execute, deliver and transfer the Bond; and to apply and disburse the payments received from the Owner pursuant to the Loan Agreement to the Owner of Bond; and to perform certain other functions; all as herein provided and subject to the terms and conditions of this Indenture. The Trustee shall perform such duties and only such duties as are specifically set forth in this Indenture and no additional covenants or duties of the Trustee shall be implied in this Indenture. The Trustee is authorized and directed to enter into the Loan Documents to which it is a party, solely in its capacity as Trustee.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action or its own negligent failure to act, except that:

(a) The duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the requirements of this Indenture;

(b) At all times (1) the Trustee shall not be liable for any act or omission unless the Trustee or its agent was negligent or engaged in willful misconduct; and (2) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Issuer, accompanied by an opinion of Bond Counsel as provided herein, or in accordance with the directions of the Bondowner Representative or in accordance with the directions of the holder of the Bond relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture;

(c) The Trustee shall not be required to take notice or be deemed to have notice of (i) any default hereunder or under the Loan Agreement, except defaults under Section 7.01(a) or (b) hereof, unless a Responsible Officer of the Trustee shall be specifically notified in writing of such default by the Issuer, the Bondowner Representative or the owner of the Bond, or (ii) any default under the Regulatory Agreement unless a Responsible Officer of the Trustee shall be specifically notified in writing of such default by the Issuer;

(d) Before taking any action under the Regulatory Agreement, Article VII hereof or this Section at the request or direction of the Bondholders or the Bondowner Representative, the Trustee may require that a satisfactory indemnity bond be furnished by the Bondholder, for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken;

(e) Upon any application or request by the Issuer or the Bondowner Representative to the Trustee to take any action under any provision of this Indenture or the Regulatory Agreement, the Issuer or Bondowner Representative, as applicable, shall furnish to the Trustee a certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with, and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished;

(f) The Trustee may execute any of the powers hereunder or perform any duties hereunder either directly or through agents or attorneys;

(g) Neither the Issuer nor the Owner shall be deemed to be agents of the Trustee for any purpose, and the Trustee shall not be liable for any noncompliance of any of them in connection with their respective duties hereunder or in connection with the transactions contemplated hereby;

(h) The Trustee shall be entitled to rely upon telephonic notice for all purposes whatsoever so long as the Trustee reasonably believes such telephonic notice has been given by a person authorized to give such notice;

(i) The immunities extended to the Trustee also extend to its directors, officers and employees;

(j) Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bond, it being the sole obligation of the Trustee to administer, for the benefit of the Bondholder, the various funds and accounts established hereunder;

(k) No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy;

(l) The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of the holder of the Bond or the Bondowner Representative related to the exercise of any right, power or remedy available to the Trustee;

(m) The Trustee shall have no duty to review any financial statements or budgets filed with it by the Owner under the Loan Agreement;

(n) The Trustee acknowledges that Owner has an obligation to pay certain fees to the Issuer pursuant to Section 7 of the Regulatory Agreement. The Trustee further acknowledges that in order to preserve the tax-exempt status of the Bond, the Owner must comply with requirements for rebate of excess investment earnings to the federal government to the extent applicable. The Trustee agrees to use commercially reasonable efforts to send the Owner a notification or reminder of: (1) its payment obligations under said Section 7(n) of the Regulatory Agreement, commencing with the first monthly payment date following the Closing Date, and ending on the earlier of the date on which the Bond is paid or redeemed in full; and (2) the Owner's obligation to make payments to the Rebate Fund as provided herein; and

(o) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or

delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties as Trustee or in the exercise of any of its rights or powers as Trustee. Whether or not therein expressly so provided, every provision of this Indenture, the Loan Agreement, the Regulatory Agreement or any other document relating to the conduct, powers or duties of, or affecting the liability of, or affording protection to, the Trustee shall be subject to the provisions of this Article VIII.

Section 8.02. Right of Trustee to Rely Upon Documents, Etc. Except as otherwise provided in Section 8.01:

(a) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, facsimile transmission, electronic mail, demand, direction, election, requisition, bond or other paper or document reasonably believed by it to be genuine and to have been signed and presented by the proper party or parties;

(b) Any consent, demand, direction, election, notice, order or request of the Issuer mentioned herein shall be sufficiently evidenced by a Written Consent, Written Demand, Written Direction, Written Election, Written Notice, Written Order or Written Request of the Issuer, and any resolution of the Issuer may be evidenced to the Trustee by a Certified Resolution;

(c) The Trustee may consult with counsel (who may be counsel for the Issuer, counsel for the Trustee or Bond Counsel) and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel;

(d) Whenever in the administration of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the Issuer or a certificate of the Bondowner Representative; and such Certificate of the Issuer or a certificate of the Bondowner Representative shall, in the absence of negligence or bad faith on the part of the Trustee, be full warrant to the Trustee for any action taken or suffered by it under the provisions of this Indenture upon the faith thereof;

(e) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit; and

(f) The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Indenture provided, however, that:

(a) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (c) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

Section 8.03. Trustee Not Responsible for Recitals. The recitals contained herein and in the Bond shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same or for the correctness of the recitals in the Loan Agreement or the Regulatory Agreement. The Trustee shall have no responsibility with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the Bond. The Trustee makes no representations as to the value or condition of any assets pledged or assigned as security for the Bond, or as to the right, title or interest of the Issuer therein, or as to the security provided thereby or by this Indenture, the Loan Agreement or the Deed of Trust, or as to the compliance of the Project with the Act, or as to the tax-exempt status of the Bond, or as to the technical or financial feasibility of the Project, or as to the validity or sufficiency of this Indenture as an instrument of the Issuer or of the Bond as an obligation of the Issuer. The Trustee shall not be accountable for the use or application by the Issuer of the Bond authenticated or delivered hereunder or of the use or application of the proceeds of such Bond by the Issuer or the Owner or their agents.

Section 8.04. Intervention by Trustee. The Trustee may intervene on behalf of the owners of the Bond in any judicial proceeding to which the Issuer or Bondowner Representative is a party and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of owner of the Bond and, subject to the provisions of Section 8.01(d), shall do so if requested in writing by the owner of the Bond or the Bondowner Representative.

Section 8.05. Moneys Received by Trustee to be Held in Trust. All moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law or as otherwise provided herein. The Trustee shall be under no liability for interest on any moneys received by it hereunder except such as it may agree with the Issuer to pay thereon.

Section 8.06. Compensation and Indemnification of Trustee, Bondowner Representative and Agents.

(a) The Bondowner Representative and the Trustee shall be entitled to receive compensation from the Owner for their services as Bondowner Representative and Trustee, respectively, as provided in Section 3.3(h) of the Loan Agreement, and shall be indemnified by the Owner as provided in Sections 11.38 and 15.1 of the Loan Agreement. The Bondowner Representative and the Trustee each acknowledges and agrees that, unless otherwise agreed to in writing by the Issuer, the Issuer shall not be responsible for the fees and expenses of the Bondowner Representative and the Trustee, and is providing no indemnification to the Bondowner Representative and the Trustee.

(b) If any property, other than cash, shall at any time be held by the Bondowner Representative or the Trustee subject to this Indenture, or any supplemental indenture, as security for the Bond, the Bondowner Representative or the Trustee, if and to the extent

authorized by a receivership, bankruptcy or other court of competent jurisdiction or by the instrument subjecting such property to the provisions of this Indenture as such security for the Bond, shall be entitled to but not obligated to make advances for the purpose of preserving such property or of discharging tax liens or other prior liens or encumbrances thereon. The rights of the Bondowner Representative and the Trustee to compensation for services and to payment or reimbursement for expenses, disbursements, liabilities and advances shall have and each of the Bondowner Representative and Trustee is hereby granted a lien and a security interest prior to the Bond in respect of all property and funds held or collected by the Bondowner Representative or the Trustee as such, except funds held in trust by the Bondowner Representative or the Trustee for the benefit of the holders of a particular principal amount of the Bond, which amounts shall be held solely for the benefit of the Bondholder and used only for the payment of principal of and premium, if any, and interest on the Bond. The Bondowner Representative's and the Trustee's rights to immunities, indemnities and protection from liability hereunder and their rights to payment of their fees and expenses shall survive such Bondowner Representative's and the Trustee's resignation or removal and final payment of the Bond.

Section 8.07. Qualifications of Trustee. There shall at all times be a trustee hereunder, which shall be a corporation, banking association or trust company, in each case having trust powers, doing business and having a corporate trust office in California and shall

(a) either (i) have a combined capital and surplus of at least $50,000,000 and be subject to supervision or examination by federal or state authority or (ii) be a wholly-owned subsidiary of a bank, trust company or bank holding company meeting on an aggregate basis the tests set out in clause (i) and

(b) be able to comply with the terms and conditions of this Indenture, including, without limitation, Section 8.10 through 8.13 hereof, and to comply with the terms of the Loan Agreement applicable thereto.

If such corporation, banking association, or trust company publishes reports of conditions at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital and surplus of such corporation, banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, the Trustee shall resign immediately in the manner and with the effect specified in Section 8.08(b) below.

Section 8.08. Removal, Resignation and Appointment of Successor Trustee.

(a) ***Removal of Trustee***. The Issuer may remove the Trustee at any time unless an Event of Default occurs and is then continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the holder of the Bond (or its attorney duly authorized in writing) or the Bondowner Representative or if at any time the Trustee shall cease to be eligible in accordance with Section 8.07 hereof, or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or any substantial portion thereof or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of

such removal to the Trustee and thereupon the Owner shall appoint a successor Trustee by an instrument in writing. Any successor Trustee appointed by the Owner under Section 8.08 of this Indenture shall be subject to the approval of the Bondowner Representative and the Issuer, which approval shall not unreasonably be withheld or delayed.

(b) ***Resignation of Trustee***. The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the Issuer and to the Bondholder. Upon receiving such notice of resignation, the Issuer shall appoint a successor Trustee by an instrument in writing. The Issuer shall give written notice of successor Trustee appointment to the Bondowner Representative and the Owner. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

(c) ***Appointment of Successor Trustee***. Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon the acceptance of appointment of the successor Trustee; provided, however, that under any circumstances the successor Trustee shall be qualified as provided in subsection (a) of this Section. If no qualified successor Trustee shall have been appointed and have accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or the Bondholder may at the expense of the Owner petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Issuer and its predecessor Trustee a written acceptance thereof, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee hereunder, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the written request of the Issuer or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance, including a quitclaim deed, and further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trust and conditions herein set forth. Upon request of the successor Trustee, the Issuer shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Issuer shall mail or cause the successor Trustee to mail, by first class mail, postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to the Bondholder at the address shown on the registration books. If the Issuer fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Issuer.

Section 8.09. Merger or Consolidation of Trustee. Any corporation or association into which the Trustee may be merged or with which it may be consolidated, or any corporation or association resulting from any merger or consolidation to which the Trustee shall be a party, or any

corporation or association succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided that such successor Trustee shall be eligible under the provisions of the first sentence of Section 8.07.

Section 8.10. Compliance with Laws. Trustee shall keep itself fully informed of the Issuer's policies and procedures, all County of Los Angeles and City of San Fernando codes, ordinances and regulations and of all state, and federal laws in any manner affecting the performance of this Indenture, and must at all times comply with such local policies, procedures, codes, ordinances, and regulations and all applicable laws as they may be amended from time to time.

Section 8.11. Compliance with Americans with Disabilities Act. The Trustee shall be in full compliance with all federal and state laws, including those of the Americans with Disabilities Act, 42 U.S.C. 12101 et seq., and its implementing regulations and the American Disabilities Act Amendments Act (ADAAA) Pub. L. 110-325 and all subsequent amendments (the "ADA"). Under the ADA, the Trustee shall provide for reasonable accommodations to allow qualified individuals access to and participation in their programs, services and activities in accordance with the ADA. In addition, the Trustee shall not discriminate against individuals with disabilities nor against persons due to their relationship or association with a person with a disability. Any subcontract entered into by the Trustee, relating to this Indenture, to the extent allowed hereunder, shall be subject to the provisions of this paragraph.

Section 8.12. Proprietary or Confidential Information of the Issuer. Trustee understands and agrees that, in the performance of the work or services under this Indenture or in contemplation thereof, Trustee may have access to private or confidential information which may be owned or controlled by the Issuer and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the Issuer. Trustee agrees that all information disclosed by the Issuer to Trustee shall be held in confidence and used only in performance of the Indenture. Trustee shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary data.

Section 8.13. Audit and Inspection of Records. Trustee agrees to maintain and make available to the Issuer, during regular business hours, accurate books and accounting records relating to its work under this Indenture. Trustee will permit the Issuer to audit, examine and make excerpts and transcripts from such books and records, and to make audits of all invoices, materials, payrolls, records or personnel and other data related to all other matters covered by this Indenture, whether funded in whole or in part under this Indenture. Trustee shall maintain such data and records in an accessible location and condition for a period of not less than five years after final payment under this Indenture or until after final audit has been resolved, whichever is later. The State of California or any federal agency having an interest in the subject matter of this Indenture shall have the same rights conferred upon the Issuer by this Section.

Section 8.14. Paying Agents. The Trustee, with the written approval of the Issuer and the Bondowner Representative, may appoint and at all times have one or more paying agents in such place or places as the Trustee may designate, for the payment of the principal of, and the interest (and premium, if any) on, the Bond. It shall be the duty of the Trustee to make such arrangements with any such paying agent as may be necessary and feasible to assure, to the extent of the moneys held by the Trustee for such payment, the availability of funds for the prompt payment of the principal of

and interest and premium, if any, on the Bond presented at either place of payment. The paying agent initially appointed hereunder is the Trustee.

ARTICLE IX

MODIFICATION OF INDENTURE

Section 9.01. Modification of Indenture. The Issuer and the Trustee, with the prior written consent of the Bondowner Representative, may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture. The Bondowner Representative may, if it so elects, direct the Trustee to join with the Issuer in the execution of such supplemental indenture, unless such supplemental indenture affects the rights or obligations of the Owner or any general partner or limited partner of the Owner hereunder or under the Loan Agreement or any other document, in which case the Issuer, Trustee and Bondowner Representative may enter into such supplemental indenture only if the Bondowner Representative has received the Owner's, or such general partner's or limited partner's, as applicable, written consent thereto.

Promptly after the execution by the Issuer, the Trustee and the Bondowner Representative of any supplemental indenture pursuant to the provisions of this Section, if the Bondowner Representative is not the sole owner of the Bond then Outstanding, the Trustee shall give Bondholders, by first class mail, a notice setting forth in general terms the substance of such supplemental indenture. Any failure of the Trustee to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any supplemental indenture pursuant to the provisions of this Article IX, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Issuer, the Trustee, the Bondowner Representative and the holder of the Bond shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.03. Opinion of Counsel as to Supplemental Indenture. Subject to the provisions of Section 8.01, the Trustee and the Bondowner Representative shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to the provisions of this Article IX is authorized and permitted by this Indenture.

Section 9.04. Notation of Modification on Bond; Preparation of New Bond. A Bond authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article IX may bear a notation, in form approved by the Bondowner Representative and the Issuer as to any matter provided for in such supplemental indenture, and if such supplemental indenture shall so provide, a new Bond, so modified as to conform, in the opinion of the Bondowner Representative and the Issuer, to any modification of this Indenture contained in any such supplemental indenture, may be prepared and executed by the Issuer and authenticated by the Trustee and delivered without cost to the holder of the Bond then Outstanding, upon surrender for cancellation of such Bond in equal aggregate principal amounts.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Indenture. If the entire indebtedness on the Bond Outstanding shall be paid and discharged in any one or more of the following ways:

(a) by the payment of the principal of (including redemption premium, if any) and interest on the Bond Outstanding; or

(b) by the delivery to the Trustee, for cancellation by it, of the Bond Outstanding;

and if all other sums payable hereunder by the Issuer shall be paid and discharged, then and in that case this Indenture shall cease, terminate and become null and void, and the Trustee shall forthwith execute proper instruments acknowledging satisfaction of and discharging this Indenture. The fees, expenses and charges of the Trustee (including reasonable counsel fees) must be paid in order to effect such discharge. The satisfaction and discharge of this Indenture shall be without prejudice to the rights of the Trustee to charge and be reimbursed by the Owner for any expenditures which it may thereafter incur in connection herewith.

The Issuer or the Owner may at any time surrender to the Trustee for cancellation by it any Bond previously authenticated and delivered which the Issuer or the Owner lawfully may have acquired in any manner whatsoever, and such Bond upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.02. Payment of Bond after Discharge of Indenture. Notwithstanding any provisions of this Indenture, any moneys deposited with the Trustee or any paying agent in trust for the payment of the principal of, or interest or premium on, the Bond remaining unclaimed for two (2) years after the principal of the Outstanding Bond has become due and payable (whether at maturity or upon call for redemption or by declaration as provided in this Indenture), shall then be paid to the Owner, and the holder of such Bond shall thereafter be entitled to look only to the Owner for payment thereof, and only to the extent of the amount so paid to the Owner, and all liability of the Trustee or any paying agent with respect to such moneys shall thereupon cease. In the event of the payment of any such moneys to the Owner as aforesaid, the holder of the Bond in respect of which such moneys were deposited shall thereafter be deemed to be unsecured creditors of the Owner for amounts equivalent to the respective amounts deposited for the payment of the Bond and so paid to the Owner (without interest thereon).

ARTICLE XI

MISCELLANEOUS

Section 11.01. Successors of the Issuer. All the covenants, stipulations, promises and agreements contained in this Indenture, by or on behalf of the Issuer, shall bind and inure to the benefit of its successors and assigns, whether so expressed or not. If any of the powers or duties of the Issuer shall hereafter be transferred by any law of the State of California, and if such transfer shall relate to any matter or thing permitted or required to be done under this Indenture by the Issuer, then the body or official who shall succeed to such powers or duties shall act and be obligated in the place and stead of the Issuer as in this Indenture provided.

Section 11.02. Limitation of Rights to Parties and Bondholders. Nothing in this Indenture or in the Bond expressed or implied is intended or shall be construed to give to any person other than the Issuer, the Trustee, the Bondowner Representative, the Owner and the holder of the Bond issued hereunder any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Issuer, the Trustee, the Bondowner Representative, the Owner and the holder of the Bond issued hereunder.

Section 11.03. Waiver of Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 11.04. Destruction of the Bond. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Issuer of the Bond, the Trustee may, in lieu of such cancellation and delivery, destroy the Bond and deliver a certificate of such destruction to the Issuer.

Section 11.05. Separability of Invalid Provisions. In case any one or more of the provisions contained in this Indenture or in the Bond shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, but this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 11.06. Notices. It shall be sufficient service of any notice, request, demand or other paper on the Issuer, the Trustee, the Bondowner Representative, or the Owner if the same shall, except as otherwise provided herein, be duly mailed by first class mail, postage prepaid, or given by telephone or telecopier and confirmed by such mail, and to the other parties and addressed as follows:

The Issuer:	The Housing Authority of the County of Los Angeles 2 Coral Circle Monterey Park, CA 91755 Attention: Pat Case and Jewel Warren-Reed Facsimile: 323-890-9715 Telephone: 323-838-7768
The Bondowner Representative:	Wells Fargo Bank, National Association 18th Floor 707 Wilshire Boulevard Los Angeles, CA 90017 Attention: Sandra Smith-Martin Telephone: (213) 614-2265 Facsimile: (213) 614-4010

The Trustee:	U.S. Bank National Association 633 W. 5th Street, 24th Floor Los Angeles, CA 90071 Attention: Corporate Trust Department Ref: HACOLA MF (Mid Celis Apartments 11C) Telephone: (213) 615-6032 Facsimile: (213) 615-6199
The Owner:	Mid Celis Apartments, LP a California Limited Partnership c/o Los Angeles Housing Partnership 1200 Wilshire Boulevard, Suite 307 Los Angeles, CA 90017 Attention: Ryan Mendoza Facsimile: (213) 629-9179
with a copy to:	Kyle B. Arndt, Esq. Bocarsly Emden Cowan Esmail Parker & Arndt LLP 70th Floor 633 West Fifth Street Los Angeles, CA 90071
	Hudson SLP LLC 630 Fifth Avenue New York, NY 10111 Attention: Joseph A. Macari Facsimile: (212) 218-4467
	Wells Fargo Community Lending and Investment MAC D1053-170 301 South College Street, 17th Floor Charlotte, NC 28202-6000 Attention: Michael Loose, Asset Management
	Joel Hjelmaas, Counsel Wells Fargo Bank, N.A. MAC X2401-06T 1 Home Campus, 6th Floor Des Moines, IA 50328-00001

Additionally, in the event that CCRC becomes the Bondowner Representative, all notices to the Bondowner Representative shall be sent to:

California Community Reinvestment Corporation
225 West Broadway, Suite 120
Glendale, CA 91204
Attention: President
Telephone: 818-550-9800
Facsimile: 818-550-9806

The Issuer, the Trustee, the Bondowner Representative and the Owner may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.07. Authorized Representatives. Whenever under the provisions of this Indenture the approval of the Issuer or the Owner is required for any action, and whenever the Issuer or the Owner is required to deliver any notice or other writing, such approval or such notice or other writing shall be given, respectively, on behalf of the Issuer by the Authorized Issuer Representative or on behalf of the Owner by the Authorized Owner Representative, and the Issuer, the Trustee, the Bondowner Representative and the Owner shall be authorized to act on any such approval or notice or other writing and neither party hereto nor the Owner shall have any complaint against the others as a result of any such action taken.

Section 11.08. Evidence of Rights of Bondholder. Any request, consent or other instrument required by this Indenture to be signed and executed by the Bondholder may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by the Bondholder in person or by agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the ownership of the Bond, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Bondowner Representative, the Trustee and of the Issuer if made in the manner provided in this Section.

(a) The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument or writing acknowledged to him the execution thereof.

(b) The ownership of the Bond shall be proved by the Bond register maintained pursuant to Section 2.06 hereof. The fact and the date of execution of any request, consent or other instrument and the amount and distinguishing numbers of the Bond held by the person so executing such request, consent or other instrument may also be proved in any other manner which the Trustee may deem sufficient. The Trustee may nevertheless, in its discretion, require further proof in cases where it may deem further proof desirable.

(c) Any request, consent or vote of the holder of the Bond shall bind every future holder of the Bond and the holder of any Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Bondowner Representative, the Trustee or the Issuer in pursuance of such request, consent or vote.

(d) [reserved].

(e) In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting with the Bondholder upon such notice and in accordance with such rules and regulations as the Bondowner Representative considers fair and reasonable for the purpose of obtaining any such action.

Section 11.09. Waiver of Personal Liability. No recourse under or upon any obligation, covenant, warranty or agreement contained in this Indenture or in the Bond, or under any judgment obtained against the Issuer, or the enforcement of any assessment, or any legal or equitable proceedings by virtue of any constitution or statute or otherwise, or under any circumstances under or independent of this Indenture, shall be had against the commissioners, supervisors, officers, agents or employees of the Issuer, as such, past, present or future of the Issuer, either directly or through the Issuer or otherwise, for the payment for or to the Issuer or any receiver of the Issuer, or for or to the owners of the Bond, or otherwise, of any sum that may be due and unpaid by the Issuer or its governing body upon the Bond. Any and all personal liability of every nature whether at common law or in equity or by statute or by constitution or otherwise of the Issuer's commissioners or supervisors or any officer, agent or employee, as such, past, present or future of the Issuer by reason of any act or omission on his or her part or otherwise, for the payment for or to the owners of the Bond or otherwise of any sum that may remain due and unpaid upon the Bond secured by this Indenture or any of them is, by the acceptance of the Bond, expressly waived and released as a condition of and in consideration for the execution of this Indenture and the issuance of the Bond. Anything in this Indenture to the contrary notwithstanding, it is expressly understood by the parties to this Indenture that (a) the Issuer may rely exclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Issuer by the Trustee or any Bondholder as to the existence of any fact or state of affairs, (b) the Issuer shall not be under any obligation under this Indenture to perform any recordkeeping or to provide any legal services, it being understood that such services shall be performed or caused to be performed by the Trustee or by the Bondholder and (c) none of the provisions of this Indenture shall require the Issuer to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under this Indenture, unless it shall first have been adequately indemnified to its satisfaction against any costs, expenses and liability which it may incur as a result of taking such action. No recourse for the payment of any part of the principal of, premium, if any, or interest on the Bond or for the satisfaction of any liability arising from, founded upon or existing by reason of the issuance, purchase or ownership of the Bond shall be had against any commissioner, supervisor, officer, member, agent or employee of the Issuer, as such, all such liability being expressly released and waived as a condition of and as a part of the consideration for the execution of this Indenture and the issuance of the Bond. No covenant, stipulation, obligation or agreement of the Issuer contained in this Indenture shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future commissioner, supervisor, member, officer, agent or employee of the Issuer in other than that person's official capacity. No member, officer, agent or employee of the Issuer shall be individually or personally liable for the payment of the principal or redemption price of or interest on the Bond or be subject to any personal liability or accountability by reason of the issuance of the Bond.

Section 11.10. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business

Day with the same force and effect as if done on the date provided therefor in this Indenture and, in the case of any payment, no interest shall accrue for the period from and after such date.

Section 11.11. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same instrument.

Section 11.12. Governing Law, Venue. The formation, interpretation and performance of this Indenture shall be governed by the laws of the State of California. Venue for all litigation arising from or in connection with the Bond or this Indenture shall be in Los Angeles, California.

Section 11.13. Successors. Whenever in this Indenture either the Issuer, the Trustee or the Bondowner Representative is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Issuer, the Trustee or the Bondowner Representative shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.14. Non-Waiver of Rights. The omission by either party at any time to enforce any default or right reserved to it, or to require performance of any of the terms, covenants, or provisions hereof by the other party at the time designated, shall not be a waiver of any such default or right to which the party is entitled, nor shall it in any way affect the right of the party to enforce such provisions thereafter.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES has caused this Indenture to be signed in its name and U.S. Bank National Association, in token of its acceptance of the trust created hereunder, and the Bondowner Representative have each caused this Indenture to be signed in its name, all as of the day and year first above written.

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

By _____
Sean Rogan, Executive Director

Approved as to form:

ANDREA SHERIDAN ORDIN,
County Attorney

_____
Deputy

[Trustee's Signature Page to ***Mid Celis Apartments*** Indenture of Trust]

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Name: _____
Authorized Trustee Representative

[Bondowner Representative's Signature Page to ***Mid Celis Apartments*** Indenture of Trust]

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Bondowner Representative

By: _____
Name: Erica L. Dukes
Title: Vice President

EXHIBIT A

FORM OF BOND

EXCEPT AS EXPRESSLY PROVIDED IN THE INDENTURE THE TRUSTEE IS PROHIBITED FROM REGISTERING THE OWNERSHIP OR TRANSFER OF OWNERSHIP OF THIS BOND TO ANY PERSON WITHOUT RECEIPT OF AN EXECUTED INVESTOR LETTER AS DEFINED IN AND ATTACHED TO THE INDENTURE DESCRIBED HEREIN.

No. R-1

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
MULTIFAMILY HOUSING REVENUE BOND
(MID CELIS APARTMENTS)
SERIES 2011C

REGISTERED OWNER:	WELLS FARGO BANK, NATIONAL ASSOCIATION
PRINCIPAL SUM:	UP TO FOUR MILLION FOUR HUNDRED THOUSAND DOLLARS ($4,400,000)
ISSUE DATE:	December [__], 2011

The Housing Authority of the County of Los Angeles, a public body, corporate and politic, organized and existing under the laws of the State of California (herein called the "Issuer"), for value received, hereby promises to pay (but only out of Revenues as hereinafter provided) to the Registered Owner identified above or registered assigns, on [DATE] (subject to prior redemption as provided in the Indenture) the sum of up to Four Million Four Hundred Thousand Dollars ($4,400,000) in lawful money of the United States, with interest thereon from the date of disbursement until paid at the rates described below. The actual unpaid principal hereof shall be equal to the funds disbursed by the Bondowner Representative under the Indenture and the Loan Agreement to fund the Loan, less any portion of the principal hereof redeemed pursuant to the Indenture. Capitalized terms used in this Bond and not defined herein shall have the meanings given such terms in the Indenture referenced below, or in the Note, dated as of December 1, 2011, made by Mid Celis Apartments, LP, a California limited partnership (the "Owner"), to the order of the Issuer.

The Bond shall bear interest, payable on each Interest Payment Date from the Closing Date to the Conversion Date at the Variable Rate. Notwithstanding the foregoing, the Bond shall bear interest at the rate set forth in Section 3.8 of the Loan Agreement (not to exceed the Maximum Rate) under the conditions set forth in that Section and upon the occurrence of an Event of Default hereunder or under the Loan Agreement, the Bond shall bear interest at the Default Rate (as defined below). Interest on the Bond shall be computed on the basis of a 360-day year and actual days elapsed.

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

In the event the Issuer fails to make the timely payment of any monthly payment, the Issuer shall pay interest on the then Outstanding Balance at a default rate (the "Default Rate") equal to the interest rate then in effect under this Bond plus five percent ([5]%); provided, however, that such rate shall under no circumstances exceed the lesser of 12% per annum or such other maximum rate permitted by law.

This Bond is a duly authorized bond of the Issuer designated as "The Housing Authority of the County of Los Angeles Multifamily Housing Revenue Bond (Mid Celis Apartments), Series 2011C" (the "Bond"), in the initial maximum aggregate principal amount of up to $4,400,000. The Bond is issued pursuant to Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the "Act") and a resolution of the Board of Commissioners of the Issuer (the "Resolution") and issued under and secured by an Indenture of Trust, dated as of December 1, 2011 (the "Indenture"), between the Issuer, U.S. Bank National Association, as the Trustee and Wells Fargo Bank, National Association, as initial Bondowner Representative. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owner of the Bond, of the nature and extent of the security, of the rights, duties and immunities the Trustee and the Bondowner Representative, and of the rights and obligations of the Issuer thereunder, to all of the provisions of which Indenture the holder of this Bond, by acceptance hereof, assents and agrees. The proceeds of the Bond will be used to make a loan to the Owner pursuant to a Loan Agreement, dated as of December 1, 2011 (the "Loan Agreement") among the Issuer, Wells Fargo Bank, National Association, as initial Bondowner Representative and Lender, and the Owner, to finance the acquisition and construction of a residential rental project located in the County of Los Angeles, California.

THE BOND IS A LIMITED OBLIGATION OF THE ISSUER, PAYABLE SOLELY FROM THE REVENUES AND OTHER FUNDS AND MONEYS PLEDGED AND ASSIGNED UNDER THE INDENTURE. NEITHER THE ISSUER, THE COUNTY OF LOS ANGELES, THE STATE OF CALIFORNIA, NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) NOR ANY PUBLIC AGENCY SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BOND OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER EXCEPT AS SET FORTH IN THE INDENTURE, AND NONE OF THE BOND OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF OR A MORAL OBLIGATION OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. THE ISSUER HAS NO TAXING POWER.

The Bond is a limited obligation of the Issuer and, as and to the extent set forth in the Indenture, is payable solely from, and secured by a pledge of and lien on, the Revenues (as that term

is defined in the Indenture), consisting primarily of amounts paid by the Owner pursuant to the Loan Agreement.

The Bond shall be subject to redemption prior to maturity, at a price and upon such terms as are provided in the Indenture. No notice of redemption of the Bond need be given to the registered owner of the Bond, and the owner of this Bond, by acceptance hereof, expressly waives any requirement for any notice of redemption.

The principal of the Bond may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture.

This Bond is transferable by the registered owner hereof, in person, or by its attorney duly authorized in writing, at the Principal Office of the Trustee, but only in the manner, subject to the limitations (including those contained in Section 2.05(b) of the Indenture) and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond will be issued to the transferee in exchange therefor. The Issuer and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, and the Issuer and the Trustee shall not be affected by any notice to the contrary. **TRANSFER OF THIS BOND IS SUBJECT TO RESTRICTIONS SET FORTH IN THE INDENTURE**.

The schedule of drawings attached as Exhibit A hereto shall be used by the Trustee to record the payment of the purchase price of the Bond from time to time (such purchase price to be paid from time to time by the Holder of the Bond as provided in the Indenture and the Loan Agreement), which shall evidence the principal amount of the Bond purchased by the Bondowner Representative from time to time. The Bondowner Representative shall credit any advanced funds toward the purchase price of the Bond on the schedule of drawings attached hereto as Exhibit A. The total amount outstanding under the Bond may not exceed $4,400,000 at any time and no portion of the purchase price therefor shall be funded after December 31, 2014.

The Indenture contains provisions permitting the Issuer, the Trustee and the Bondowner Representative to execute supplemental indentures adding provisions to, or changing or eliminating any of the provisions of, the Indenture, subject to the limitations set forth in the Indenture.

The Issuer hereby certifies that all of the conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California (including the Act).

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

In the event of any conflict between the terms of this Bond and the terms of the Indenture, the terms of the Indenture shall control.

[Remainder of Page Intentionally Left Blank]

The Issuer has caused this Bond to be executed in its name by the facsimile signature of the Chair of its Board of Commissioners and attested by the facsimile signature of its Executive Officer all as of the date first written above.

THE HOUSING AUTHORITY OF THE
COUNTY OF LOS ANGELES

By _____
Chair of the Board of Commissioners

ATTEST:

Sachi A. Hamai
Executive Officer of the
Board of Commissioners

_____

FORM OF CERTIFICATE OF AUTHENTICATION

This is the Bond described in the within-mentioned Indenture and has been authenticated and registered on _____.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Its: _____

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

_____

_____

_____

(Name, Address and Tax Identification or Social Security Number of Assignee)
the within Bond and do(es) hereby irrevocably constitute and appoint attorney,

_____

to transfer the same on the registration books of the Trustee, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

_____	_____
NOTICE: Signature(s) must be guaranteed by an eligible guarantor.	NOTICE: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

SCHEDULE OF DRAWINGS

Purchase Amount	Purchase Date	Outstanding Principal	Signature of Trustee

EXHIBIT B

FORM OF INVESTOR'S LETTER

[Date]

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

Kutak Rock LLP
Omaha, Nebraska

U.S. Bank National Association
Los Angeles, California

$4,400,000
The Housing Authority of the County of Los Angeles
Multifamily Housing Revenue Bond
(Mid Celis Apartments)
Series 2011C

Ladies and Gentlemen:

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

1. The Investor proposes to purchase all of the aggregate principal amount of the above-captioned bond (the "Bond") issued pursuant to that certain Indenture of Trust dated as of December 1, 2011 (the "Indenture"), by and between The Housing Authority of the County of Los Angeles, California (the "Issuer"), U.S. Bank National Association, as Trustee and Wells Fargo Bank, National Association, as initial Bondowner Representative (the "Bondowner Representative"). The Investor understands that the Bond is not rated by any securities rating agency and is secured only by the Mid Celis Apartments and the revenues therefrom, and will only be sold to the Investor with the above-addressed parties relying upon the representations and warranties of the Investor set forth herein. The Investor acknowledges that no offering document has been prepared in connection with the issuance and sale of the Bond. The Investor has requested and received all materials which the Investor has deemed relevant in connection with its purchase of the Bond (the "Offering Information"). The Investor has reviewed the documents executed in conjunction with the issuance of the Bond, including, without limitation, the Indenture and the Loan Agreement. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Indenture.

2. The Investor hereby waives the requirement of any "due diligence investigation or inquiry" by the Issuer, by each official of the Issuer, by each employee of the Issuer, by each member of the governing board of the Issuer, and by counsel to the Issuer, the Trustee, counsel to the Trustee, the Bondowner Representative, counsel to the Bondowner Representative and Bond Counsel in connection with the authorization, execution and delivery of the Bond and Investor's purchase of the Bond. The Investor recognizes and agrees that the Issuer, by each official of the Issuer, each

employee of the Issuer, each member of the governing board of the Issuer, counsel to the Issuer, the Trustee, counsel to the Trustee, the Bondowner Representative, counsel to the Bondowner Representative and Bond Counsel have made no representations or statements (expressed or implied) with respect to the accuracy or completeness of any of the materials reviewed by the Investor in connection with the Investor's purchase of the Bond. In making an investment decision, the Investor is relying upon its own examination of the Issuer, the Owner, the Project and the terms of the offering.

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

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

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

6. The Investor agrees that it will only offer, sell, pledge, transfer or exchange the Bond (or any legal or beneficial interest therein) (i) in accordance with an available exemption from the registration requirements of Section 5 of the Securities Act of 1933, as amended (the "1933 Act"), (ii) in accordance with any applicable state securities laws, and (iii) in accordance with the transfer restrictions set forth in the Bond and the Indenture. The Investor acknowledges that written consent of the Issuer is required in order to transfer the Bond. The Investor further agrees that the Bond will not be transferred to or held in a pool, trust or similar arrangement and that it will not sell any participating interest in the Bond without the prior written consent of the Issuer except that CCRC may sell participating interests in the Bond to its member banks, upon a representation by CCRC in its Investor Letter that each such member is a "Sophisticated Investor" as defined in the Indenture and that its members may only transfer their interests to an affiliate or to another member of CCRC.

7. The Investor is a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1933 ("Rule 144A") it understands that the Bond may be offered, resold, pledged or transferred only in whole and only to a person who is a "qualified institutional buyer," as defined in Rule 144A, in compliance with Rule 144A.

8. If the Investor sells the Bond (or any legal or beneficial interest therein), the Investor or its agent will obtain for the benefit of each of you from any subsequent purchaser an Investor Letter in the form of this Letter or such other materials as are required by the Bond and the Indenture to effect such sale and purchase. The Investor understands and agrees that the Trustee is not authorized to register any transfer of the Bond prior to receipt of such Investor Letter and the written consent of the Issuer.

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

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

11. The Investor acknowledges that the Bond is a limited obligation of the Issuer, payable solely from the revenues or other amounts provided by or at the direction of the Owner, and is not an obligation payable from the general revenues or other funds of the Issuer, the County of Los Angeles, the State of California or any political subdivision of the State of California. The Investor acknowledges that the Issuer is issuing the Bond on a conduit, nonrecourse basis, and has no continuing obligations with respect thereto except as expressly set forth in the Indenture. The Investor acknowledges that the Issuer has no taxing power.

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

13. The Investor acknowledges that no offering document has been produced in connection with the issuance or sale of the Bond.

14. The Investor agrees to indemnify and hold harmless the Issuer, the Issuer's commissioners, supervisors, officials, officers, directors, employees, agents, attorneys, accountants, advisors, consultants, servants and the members of the governing board of the Issuer past, present and future with respect to any claim asserted against any of them that is based upon the Investor's sale, transfer or other disposition of its interests in the Bond in violation of the provisions hereof or of the Indenture or any inaccuracy in any statement made by the Investor in this letter.

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

Very truly yours,

[PURCHASER], as Bond Purchaser

By: _____
Name: [_____]
Title: [_____]

EXHIBIT C

FORM OF CONSTRUCTION FUND DISBURSEMENT REQUEST

To: U.S. Bank National Association, as trustee (the "Trustee") under that certain Indenture of Trust, dated as of December 1, 2011 (the "Indenture"), among the Trustee, The Housing Authority of the County of Los Angeles and Wells Fargo Bank, National Association, as the initial Bondholder Representative.

1. You are requested to disburse funds from the Construction Fund pursuant to Section 3.03 of the Indenture in the amount(s), to the person(s) and for the purpose(s) set forth on Schedule I attached hereto and incorporated herein by reference. Capitalized terms not defined herein have the meanings assigned thereto in the Indenture.

2. The undersigned certifies that:

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

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

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

(iv) such requisition contains no items representing any Issuance Costs or any other amount constituting an issuance cost under Section 147(g) of the Code;

(v) not less than 95% of the sum of: (A) the amounts requisitioned by this Requisition to be funded with the proceeds of the Bond plus (B) all amounts allocated to the Bon previously disbursed from the Construction Fund, have been or will be applied by the Owner to pay Qualified Project Costs;

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

(vii) such requisition complies with all applicable requirements of the Regulatory Agreement including, without limitation, Section 7(j) thereof, as well as with all applicable requirements of the Loan Agreement and the Tax Certificate.

3. The Owner has obtained written consent of the Bondowner Representative to this disbursement, as evidenced by its signature below.

Dated: _____

MID CELIS APARTMENTS, L.P., a California limited partnership

By: Los Angeles Housing Partnership, Inc., a California nonprofit public benefit corporation, its Managing General Partner

By:_____
Name: _____
Title: _____

By: Abbey Road, Inc., a California nonprofit public benefit corporation, its Administrative General Partner

By:_____
Name: _____
Title: _____

APPROVED:

WELLS FARGO BANK,
NATIONAL ASSOCIATION
BONDOWNER REPRESENTATIVE

By: _____
Name: _____
Title: _____

SCHEDULE I

LOAN AGREEMENT

among

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES

as Issuer

WELLS FARGO BANK, NATIONAL ASSOCIATION

as Bondowner Representative

And

MID CELIS APARTMENTS, L.P.,
a California limited partnership

as Borrower

Relating to

$_____

Housing Authority of the County of Los Angeles

Multifamily Housing Revenue Bond

(Mid Celis Apartments)

Series 2011C

Dated as of December 1, 2011

The interests of the Issuer in this Loan Agreement and the Note, excluding the Unassigned Issuer's Rights, have been assigned to U.S. Bank National Association, as Bond Trustee, pursuant to an Indenture of Trust dated as of December 1, 2011 between the Issuer, U.S. Bank National Association, as Bond Trustee and Wells Fargo Bank, National Association, as Initial Bondowner Representative.

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LOAN AGREEMENT

THIS LOAN AGREEMENT (as amended and supplemented from time to time, this "**Loan Agreement**") is made and entered into as of December 1, 2011, by and among THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES (the "**Issuer**"), WELLS FARGO BANK, NATIONAL ASSOCIATION, and its successors and assigns ("**Bondowner Representative**" or "**Lender**"), and MID CELIS APARTMENTS, L.P., a California limited partnership (the "**Borrower**").

W I T N E S S E T H:

WHEREAS, the Issuer is a public body, corporate and politic, organized and existing under the laws of the State of California (the "**State**"); and

WHEREAS, the Issuer is authorized by Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the "**Act**") to issue revenue bonds for the purpose of financing, among other things, the acquisition, construction and development of multifamily rental housing and for the provision of capital improvements in connection therewith and determined necessary thereto; and

WHEREAS, Borrower has requested the Issuer to issue its Multifamily Housing Revenue Bond (Mid Celis Apartments) Series 2011C, in the original principal amount of $_____ (the "**Bonds**") for the purpose of making a loan (the "**Loan**") to finance, in part, the acquisition and construction of a multifamily rental housing project known as Mid Celis Apartments, located at 1422 San Fernando Road, San Fernando, California 91340, which is more particularly described on Exhibit A (the "**Property**") (the "**Improvements**" or the "**Project**"). Pursuant to that certain Lease dated as of _____, 2011 (the "**Ground Lease**") between the City of San Fernando, a California municipal corporation ("**City**") and Borrower, City has granted a leasehold interest in the Property to Borrower. The Bonds shall be issued pursuant to an Indenture of Trust of even date herewith by and among the Issuer, Bondowner Representative and U.S. Bank National Association, as Bond Trustee (the "**Bond Trustee**") (as amended and supplemented from time to time, the "**Indenture**"); and

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

WHEREAS, to evidence the Loan, Borrower is executing, in favor of the Issuer, that certain Promissory Note payable to the order of Issuer in the aggregate original principal amount of $_____.00 (as amended or supplemented from time to time, the "**Note**") which Note provides for the repayment of the Loan in amounts sufficient to pay, when due, the principal of, premium, if any, and interest on the Bonds, and which Note will be endorsed over to Bond Trustee, and Borrower has executed or caused to be executed and delivered to Issuer the Construction and Permanent Leasehold Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing (as amended or supplemented from time to time, the "**Deed of Trust**") with respect to the Project to secure, among other things, the payments due under the Note and this Loan Agreement, which Deed of Trust shall be assigned by the Issuer to the Bond Trustee pursuant to that certain Assignment of Deed of Trust and Loan Documents, executed as of even date herewith (as amended or supplemented from time to time, the "**Assignment of Deed of Trust**"); and

WHEREAS, in order secure additional financing for the Project, Borrower has obtained a loan from the Community Development Commission of the County of Los Angeles, a public body corporate and politic (the "**LACDC**") in an amount not to exceed $3,460,000.00 (the "**LACDC Loan**"). In connection with its development of the Property and its procurement of the LACDC Loan, Borrower and LACDC have entered into that certain Covenants, Conditions, and Restrictions (Home Fund – Project No. HE0107) dated as of July 15, 2011, encumbering the Property, to be recorded in the Official Records of the County of Los Angeles (the "**LACDC Regulatory Agreement**"), pertaining to the development and use of the Property and Project. The LACDC loan is evidenced by a HOME Promissory Note (Home Fund – Project No. HE0107), dated July 15, 2011, in the amount of $3,460,000.00 executed by Borrower in favor of LACDC (the "**LACDC Note**"), which LACDC Note is secured by that certain Leasehold Deed of Trust (Home Fund – Project No. HE0107), recorded concurrently herewith, encumbering the Property, in the Official Records of the County of Los Angeles (the "**LACDC Deed of Trust**"); and

WHEREAS, pursuant to that certain Approval For the Issuance a Final Commitment of MHSA Housing Program Funds dated July 13, 2011 executed by California Housing Finance Agency, a public instrumentality and political subdivision of the State of California ("**CalHFA**") and addressed to the general partner of Borrower and that certain [final Commitment dated as of _____, 2011 and executed by and between CalHFA and Borrower], CalHFA has agreed to provide a permanent loan under the Mental Health Services Act Housing Program in the original principal amount of $525,000.00 (the "**MHSA Loan**"); and

[WHEREAS, pursuant to that certain _____ Agreement dated of even date herewith (the "_____ **Agreement**") by and between Borrower and California Community Reinvestment Corporation ("**CCRC**" or the "**Permanent Lender**"), CCRC has agreed, subject to the satisfaction of the terms and conditions set forth therein, to make a permanent loan to Borrower in the principal amount of $_____ (the "**CCRC Permanent Loan**"); and]

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

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

ARTICLE 1. DEFINITIONS

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

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

"Act" has the meaning ascribed to such term in the second recital.

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

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

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

"Approved Form" means the form of lease to be utilized in the leasing of the residential units as approved by the Lender.

"Architect" means FSY Architects, Inc., a California corporation, or another architect approved in writing by Lender.

"Architectural Contract" means that certain Agreement, dated as of December 3, 2010, by and between Los Angeles Housing Partnership, Inc., a California nonprofit public benefit corporation and Architect, as assigned to Borrower pursuant to that certain [Assignment Agreement] dated as of _____, 2011 and as may be amended or replaced from time to time.

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

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

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

"Bondholder" means the Bondholder as defined in Section 1 of the Regulatory Agreement.

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

"Bonds" has the meaning ascribed to such term in the third WHEREAS clause of the introductory Section of this Loan Agreement.

["_____Agreement" means the _____ Agreement dated of even date herewith by and among Borrower and CCRC pursuant to which and subject to the terms and conditions therein, CCRC has agreed to make a loan to Borrower in the principal amount of $_____.00 on Conversion.]

"Bond Trustee" means U.S. Bank National Association, and its successors and assigns under the Indenture.

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

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

"Borrower" means Mid Celis Apartments, L.P., a California limited partnership, and its permitted successors and assigns.

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

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

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

"Capital Contribution(s)" means the aggregate sum of _____ and No/100 Dollars ($_____.00), which amounts are subject to adjustment as provided in the Partnership Documents, which Investor Limited Partner has committed to contribute to the capital of Borrower in accordance with the terms and conditions set forth in the Partnership Documents.

"CCRC" means California Community Reinvestment Corporation, a California nonprofit public benefit corporation, its successors and assigns.

"City" means the City of San Fernando, California, a California municipal corporation.

["City Regulatory Agreement" means [the restrictions from the Ground Lease?]

"Closing Date" means [December 21, 2011], or the date upon which the Loan closes.

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

"Completion Date" means _____, 2013, the date by which construction of the Improvements must be completed.

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

"Contractor" means _____, a California corporation.

"Conversion" shall have the meaning ascribed to that term in Section 6.1 of this Loan Agreement.

"Conversion Conditions" shall have the meaning ascribed to that term in Section 6.1 of this Loan Agreement.

"Conversion Date" means the date upon which Conversion occurs in accordance with Article 6 of this Loan Agreement.

"County" means the County of Los Angeles.

"Debt Service" means the actual monthly payment based upon the then current outstanding principal balance of the Loan based on the amortization schedule and the interest rate specified in the Note for the remaining term of the Loan as of the date the Debt Service is calculated.

"Debt Service Coverage" means Net Operating Income divided by Debt Service, and may be expressed as a ratio (i.e., of X.XX:1.00).

"Decontrol Value" shall have the meaning ascribed to such term in Section 42 of the Code, assuming restricted rents convert to affordable rents over the three year deregulation period.

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

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

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

"Delivery Assurance Deed of Trust" means that certain Delivery Assurance Multifamily Deed of Trust, Security Agreement and Fixture Filing, dated as of even date herewith, by Borrower for the benefit of CCRC.

"Disbursement" means the drawdown purchase of Bonds and related disbursements of the Loan as provided in Section 4.3.

"DSCR" shall mean, for any Period, the ratio of Net Income for the Property to Debt Service, using the actual Net Income and Debt Service for such Period.

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

"Effective Gross Income" means (i) the actual gross rental income of the Property, supported by a rent roll in form and substance acceptable to Lender in its reasonable discretion, plus (ii) other income from the Property, supported by evidence of such income acceptable to Lender in its reasonable discretion, minus (iii) if the Property is leased beyond the underwritten stabilized occupancy, an amount representing a _____percent (_____%) vacancy factor.

"Engineer" means _____.

"Engineering Agreement" means that certain _____ dated as of _____, by and between _____ and Borrower, as may be amended from time to time.

"Environmental Reports" shall mean the reports referred to in Section 9.1(a) and any other environmental reports or updates requested by Lender.

"Event of Default" means Default.

"Expenses" means all operating expenses incurred for or attributable to the Property, including a monthly accrual for taxes, insurance, replacement reserves and a reasonable management fee, but not including amounts payable under the Note during the Permanent Loan Period.

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

"First Extended Mandatory Conversion Date" means [January 1, 2014.]

"First Option to Extend" means the option to extend the Mandatory Conversion Date pursuant to Section 3.6.

"General Partner" means, individually and collectively, Los Angeles Housing Partnership, Inc., a California nonprofit public benefit corporation, and Abbey Road, Inc., a California nonprofit public benefit corporation, and as general partners of the Borrower.

"Gross Income" shall mean, for any Period, the sum of all stabilized residential tenant lease income from the Property actually received in such Period, all stabilized commercial tenant lease income actually received from the Property in such Period, and only such other income actually received from the Property in such Period as is reasonably and in good faith approved by Lender.

"Gross Operating Income" shall have the meaning ascribed to such term in Section 12.5.

"Ground Lease" shall have the meaning ascribed thereto in the third recital.

"Guarantor" means, individually and collectively, Los Angeles Housing Partnership, Inc., a California nonprofit public benefit corporation, and Abbey Road, Inc., a California nonprofit public benefit corporation, and any other person or entity who, or which, in any manner, is or becomes obligated to Lender under any guaranty now or hereafter executed in connection with respect to the Loan (collectively or severally as the context thereof may suggest or require).

"Hazardous Materials" shall have the meaning ascribed to such term in Section 9.1(a).

"Hazardous Materials Claims" shall have the meaning ascribed to such term in Section 9.1(c).

"Hazardous Materials Laws" shall have the meaning ascribed to such term in Section 9.1(b).

"Improvements" shall have the meaning ascribed to such term in the third WHEREAS clause of the introductory Section in this Loan Agreement.

"Indemnitor" means Borrower, Guarantor and any other person or entity who, or which, in any manner, is or becomes obligated to Lender under any indemnity now or hereafter executed in connection with respect to the Loan (collectively or severally as the context thereof may suggest or require).

"Indenture" means the Indenture of Trust dated as of December 1, 2011 by and among Issuer, Bondowner Representative and the Bond Trustee, as it may be amended or supplemented from time to time.

"Initial Capital Contribution" shall have the meaning ascribed to such term in Section 8.2(t).

["Investor Affiliate" means any entity where Investor Limited Partner, _____ or their respective affiliates or successors (each, an "Investor Limited Partner Entity") (a) has an ownership interest, directly or indirectly in such entity, (b) manages and controls, directly or indirectly, the management decisions for such entity, or (c) is under common control with such entity.]

"Investor Limited Partner" means [Hudson Entity], the tax credit investor and limited partner for the Borrower.

"Issuer" means the Housing Authority of the County of Los Angeles, a public body, corporate and politic organized under the laws of the State of California.

"LACDC" means the Community Development Commission of the County of Los Angeles, a public body, corporate and politic, in its capacity as subordinate lender for the Project.

"LACDC Deed of Trust" means that certain Leasehold Deed of Trust (Home Fund – Project No. HE0107), dated as of _____, 2011, made by Borrower in favor of LACDC as security for the LACDC Loan.

"LACDC Loan" means that certain loan made by LACDC to Borrower in the original principal amount of $3,460,000.00.

"LACDC Loan Agreement" means that certain Loan Agreement Home Fund – Project No. HE0107 dated July 15, 2011, between LACDC and Borrower.

"LACDC Regulatory Agreement" means that certain Covenants, Conditions, and Restrictions (Home Fund – Project No. HE0107) dated as of July 15, 2011, by and between LACDC and Borrower.

"LACDC Subordination Agreement" means that certain Subordination Agreement (LACDC) dated as of even date herewith, by and among Borrower, Bond Trustee, Bondowner Representative and LACDC.

"Lender" means initially Wells Fargo Bank, National Association and its respective successors or assigns.

"Licenses" shall have the meaning ascribed thereto in Section 11.27.

"LIHTC" means the Federal Low Income Housing Tax Credits allocated for the Improvements by TCAC.

"Loan" means the principal sum that Lender agrees to lend and Borrower agrees to borrow pursuant to the terms and conditions of this Loan Agreement, in the amount of up to _____ and No/100 Dollars ($_____.00).

"Loan Documents" means those documents, as hereafter amended, supplemented, replaced or modified, properly executed and in recordable form, if necessary, listed in Exhibit B as Loan Documents.

"Mandatory Conversion Date" means [July 1, 2013], or shall mean the First Extended Mandatory Conversion Date upon exercise of the First Option to Extend.

"Maturity Date" shall have the meaning ascribed to such term in the Note.

"Maximum Interest Rate" means the lesser of twelve percent (12%) per annum and the maximum interest rate permitted by law, if any.

"Net Income" shall mean, for any Period, all Gross Income from the Property during such Period less Operating Expenses of the Property during such Period.

"Net Monthly Cash Income" means all actual cash income received from the Property during a calendar month less the actual operating expenses incurred for or attributable to the Property, excluding amounts payable under the Note.

"Net Operating Income" means Effective Gross Income minus Operating Expenses.

"Note" means the Promissory Note made by Borrower to the order of Issuer in the original principal amount of $_____.00 and endorsed by Issuer to the order of the Bond Trustee, all dated of even date with this Loan Agreement, as amended and supplemented from time to time.

"Note Rate" means the interest rate applicable from time to time in accordance with the terms of the Note.

"Obligee" shall have the meaning ascribed to such term in Section 10.1.

"One-Month LIBO Rate" shall have the meaning ascribed to such term in the Note.

"Operating Expenses" shall mean, for any Period, the following expenses of the Property to the extent that such expenses are reasonable in amount and customary for properties that are similar in type, size, quality and location to the Property: (i) taxes and assessments imposed upon the Project, to the extent that such taxes and assessments are required to be paid by Borrower and are actually paid or reserved for by Borrower in such Period; (ii) bond fees and expenses properly allocable to such Period; (iii) insurance premiums for casualty insurance (including, without limitation, terrorism, flood and earthquake insurance, to the extent required under this Loan Agreement) and liability insurance carried in connection with the Property and accrued during such Period, provided, however, if any insurance is maintained as part of a blanket policy covering the Property and other properties, the insurance premium included in this subparagraph shall be the premium fairly allocable to the Property for such Period; (iv) operating expenses reasonably and actually incurred by Borrower for resident services and for the management, operation, cleaning, leasing, maintenance and repair of the Property during such Period; (v) replacement and operating reserves as required pursuant to this Loan Agreement, any subordinate loan document and/or the Partnership Agreement; (vi) any other debt service (with obligatory or residual receipt payments) related to the Property and accrued during such Period; and (vii) costs of deferred maintenance (other than capital repairs funded from the Replacement Reserve) with respect to the Property accrued during such Period. Operating Expenses shall not include any allowance for depreciation or amortization. For purposes of the calculation of Net Income or Net Operating Income, Operating Expenses will not include debt service under (vi) above.

"Operating Statement" shall have the meaning ascribed to such term in Section 12.5.

"Other Related Documents" means those documents, as hereafter amended, supplemented, replaced or modified from time to time, properly executed and in recordable form, if necessary, listed in Exhibit B as Other Related Documents.

"Participant" shall have the meaning ascribed to such term in Section 15.14.

"Partnership Agreement" shall mean that certain [Amended and Restated Agreement of Limited Partnership of Mid Celis Apartments, L.P., dated as of _____, 2011], by and among General Partner and Investor Limited Partner, as amended and supplemented from time to time.

"Partnership Documents" means the Partnership Agreement and all other documents now or hereafter executed by Borrower, General Partner and Investor Limited Partner, with the approval of Lender, in connection with the Borrower and the investment in the Borrower by the Investor Limited Partner.

"Period" has the meaning set forth in Section 11.45.

"Permanent Lender" means CCRC, its successors and assigns.

"Permanent Loan Amount" means the maximum aggregate principal sum in the amount of _____ and No/100 Dollars ($_____.00), as may be adjusted pursuant to the terms of Section 6.1; provided however, that, at Conversion, the Loan shall not exceed _____% of Lender's appraised restricted value at stabilized occupancy and _____% of Lender's appraised Decontrol Value at stabilized occupancy, and the Loan shall have a minimum _____ DSCR for thirty (30) consecutive days immediately prior to Conversion based upon Lender's underwriting guidelines.

"Permanent Loan Period" and "Permanent Loan Term" mean the period from the Conversion Date through the maturity date of the Note.

"Permitted Operating Expenses" shall have the meaning ascribed to such term in Section 12.5.

"Permitted Transfer" means a direct or indirect transfer of limited partner interests to Wells Fargo Bank, National Association or an affiliate or successor thereof or a transfer by Investor Limited Partner of its limited partnership interest in Borrower to:

(i) an Investor Affiliate; provided, however, that all of the following conditions are satisfied: (a) the transferee assumes and agrees to be bound by and perform all of the obligations of the transferor under the Partnership Documents; (b) such transfer has been approved in writing by LACDC (if such is required by LACDC's loan documents with respect to the LACDC Loan); and (c) Investor Limited Partner has delivered to Lender complete and accurate copies of all documentation evidencing such transfer; or

(ii) to an entity that is not an Investor Affiliate; provided, however, that all of the following conditions are satisfied: (a) if such transfer is to be made before funding in full of Capital Contributions, such transfer has been approved in writing by Lender and Issuer, which approval shall not be unreasonably withheld; (b) such transfer has been approved in writing by LACDC (if such is required by LACDC's loan documents with respect to the LACDC Loan) and LACDC has confirmed in writing that such transfer will not affect the LACDC loan; and (c) Investor Limited Partner has delivered to Lender complete and accurate copies of all documentation evidencing such transfer. It shall be deemed reasonable for Lender to withhold consent to a transfer of the limited partnership interests that is not approved by LACDC (if such is required by LACDC's loan documents with respect to the LACDC Loan), or that would have an adverse effect upon the commitment of LACDC, to make its loan to Borrower as described herein.

"Plans and Specifications" means the plans and specifications prepared by Architect heretofore delivered by Borrower to Lender with respect to the Project.

"Preliminary Reservation Letter" shall have the meaning ascribed to such term in Section 8.2(r).

"Project" shall have the meaning ascribed to such term in the third "Whereas" clause of this Loan Agreement.

"Project Costs" mean any and all costs incurred by Borrower with respect to the acquisition and construction of the Project including, without limitation, costs for the acquisition of property, the removal or demolition of existing structures, the construction of housing and related facilities and improvements, and all other work in connection therewith, and all costs of financing, including, without limitation, the cost of consultants, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Project, administrative and other expenses necessary or incident to the Project and the financing thereof (including reimbursement to any municipality, county or entity for expenditures made for the Project) and all other costs approved by Bond Counsel to the extent such costs are paid from the proceeds of the Bond.

"Property" means the real property described on Exhibit A.

"Property Manager" means Community Housing Management Services, a California nonprofit public benefit corporation.

"Property Management Agreement" means that certain Property Management Agreement dated July 27, 2011, between the Borrower and the Property Manager.

"Qualified Project Costs" mean costs paid with respect to the Project that meet each of the following requirements: (i) the costs are properly chargeable to a capital account (or would be so chargeable with a proper election by the Borrower or but for a proper election by the Borrower to deduct such costs) in accordance with general Federal income tax principles and in accordance with United States Treasury Regulations §1.103-8(a)(1), provided, however, that only such portion of interest accrued during acquisition and construction of the Project shall be eligible to be a Qualified Project Cost as bears the same ratio to all such interest as the Qualified Project Costs bear to all Project Costs; and provided further that interest accruing after the date of completion of the Project shall not be a Qualified Project Cost; and provided still further that if any portion of the Project is being constructed by an affiliate of the Borrower (whether as a general contractor or a subcontractor), Qualified Project Costs shall include only (a) the actual out-of-pocket costs incurred by such affiliate in constructing the Project (or any portion thereof), (b) any reasonable fees for supervisory services actually rendered by the affiliate, and (c) any overhead expenses incurred by the affiliate which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the construction of the Project or payments received by such affiliate due to early completion of the Project (or any portion thereof); (ii) the costs are paid with respect to a qualified residential rental project or projects within the meaning of Section 142(d) of the Code, (iii) the costs are paid after the earlier of sixty (60) days prior to the date of a declaration of "official intent" to reimburse costs paid with respect to the Project (within the meaning of §1.150-2 of the United States Treasury Regulations) or the date of issue of the Bonds, and (iv) if the Project Costs were previously paid and are to be reimbursed with proceeds of the Bonds, such costs were (a) costs of issuance of the Bonds, (b) preliminary capital expenditures (within the meaning of United States Treasury Regulations §1.150-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or construction of the Project that do not exceed twenty percent (20%) of the issue price of the Bonds (as defined in United States Treasury Regulations §1.148-1), or (c) were capital expenditures with respect to the Project that are reimbursed no later than eighteen (18) months after the later of the date the expenditure was paid or the date the Project is placed in service (but no later than three (3) years after the expenditure is paid).

"Regulatory Agreement" means that certain Regulatory Agreement and Declaration of Restrictive Covenants dated as of December 1, 2011, among the Issuer, the Bond Trustee and Borrower relating to the Bonds, as originally executed, or as it may from time to time be supplemented, modified or amended.

"Regulatory Costs" means collectively, future, supplemental, emergency or other changes in Reserve Percentages under Federal Reserve Board Regulation D, assessment rates imposed by the Federal Deposit Insurance Corporation, or similar requirements or costs imposed by any domestic or foreign governmental issuer and related in any manner to a One-Month LIBO Rate.

"Requirements" has the meaning ascribed thereto in Section 5.15(a).

"Restrictions" means all existing restrictions and regulatory agreements and all future restrictions and regulatory agreements relating to the use and operation of the Property and the Improvements.

"Secured Obligations" shall have the meaning ascribed to such term in the Deed of Trust.

"Set Aside Letter" shall have the meaning ascribed to such term in Section 10.1 of this Loan Agreement.

"Subdivision Map" shall have the meaning ascribed to such term in Section 11.11 of this Loan Agreement.

"Surety" shall have the meaning ascribed to such term in Section 10.1 of this Loan Agreement.

"Taxes" means collectively, all withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental issuer and related in any manner to a One-Month LIBO Rate.

"TCAC" means the California Tax Credit Allocation Committee.

"Title Company" means Lawyers Title Company, a California corporation.

"Title Insurer" means Lawyers Title Company, a California corporation.

"Title Policy" means the Lender's Policy (or Policies) of Title Insurance as issued by the Title Insurer with respect to the Deed of Trust.

1.2 EXHIBITS INCORPORATED. Exhibits A, B, C, D, E and F all attached hereto, are hereby incorporated into this Loan Agreement.

ARTICLE 2. ISSUANCE OF BOND; PAYMENT OF ISSUANCE COSTS

2.1 ISSUANCE OF BOND. Upon execution of this Loan Agreement, the other Loan Documents, the Indenture and the occurrence of all conditions precedent to issuance, or as soon thereafter as practicable, the Issuer will execute the Bonds and the Bond Trustee will authenticate and deliver the Bonds to Wells Fargo Bank, National Association, or to its order upon payment of the purchase price and filing with the Lender of the opinion of Bond Counsel as to the legality of the Bonds and the furnishing of all other documents required to be furnished before such delivery. The proceeds of the Bonds will be deposited with the Bond Trustee and disbursed in accordance with the Indenture and this Loan Agreement.

2.2 NO WARRANTY BY ISSUER. BORROWER AGREES THAT, BECAUSE THE COMPONENTS OF THE PROJECT HAVE BEEN AND ARE TO BE DESIGNATED AND SELECTED BY IT, THE ISSUER HAS NOT MADE AN INSPECTION OF THE PROJECT OR OF ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, AND THE ISSUER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR OTHERWISE, WITH RESPECT TO THE SAME OR THE LOCATION, USE, DESCRIPTION, DESIGN, MERCHANTABILITY, FITNESS FOR USE FOR ANY PARTICULAR PURPOSE, CONDITION OR DURABILITY THEREOF, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY BORROWER. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER PATENT OR LATENT, THE ISSUER SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO. THE PROVISIONS OF THIS SECTION 2.2 HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES OR REPRESENTATIONS BY THE ISSUER, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT. IN ADDITION, BORROWER ACKNOWLEDGES, REPRESENTS AND WARRANTS THAT IT UNDERSTANDS THE NATURE AND STRUCTURE OF THE PROJECT; THAT IT IS FAMILIAR WITH THE PROVISIONS OF ALL OF THE DOCUMENTS AND INSTRUMENTS RELATING TO THE FINANCING OF THE PROJECT TO WHICH IT OR THE ISSUER IS A PARTY OR OF WHICH IT IS A BENEFICIARY; THAT IT UNDERSTANDS THE RISKS INHERENT IN SUCH TRANSACTIONS, INCLUDING WITHOUT LIMITATION THE RISK OF LOSS OF THE PROJECT; AND THAT IT HAS NOT RELIED ON THE 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 FOR THE LOAN.

2.3 PAYMENT OF COSTS OF ISSUANCE BY BORROWER. Borrower agrees that it will provide any and all funds required for the prompt and full payment of all costs of issuance of the Bonds from sources other than proceeds of the Bonds, including, but not limited to, the following items:

(a) all reasonable legal (including Bond Counsel and counsel to Borrower, Issuer and Lender), abstractors', title insurance, financial, engineering, environmental, construction services, survey, appraisal and accounting fees and expenses, administrative fees, printing and engraving costs and other expenses incurred and to be incurred by Borrower, Issuer and Lender on or before or in connection with issuance of the Bonds;

(b) premiums on all insurance required to be secured and maintained during the term of this Loan Agreement;

(c) all fees, charges, costs, advances, indemnities and expenses, including agent and counsel fees, of the Trustee and the Issuer (above and beyond the Trustee's Fee or the Issuer's Ongoing Fee) incurred under the Indenture, as and when the same become due;

(d) all recording fees and other taxes, charges, assessments, license or registration fees of every nature whatsoever incurred and to be incurred in connection with this financing (other than a tax on the income of Issuer or Lender);

(e) all reasonable initial fees and expenses of the Lender and the Issuer (including, without limitation, the Issuer's Closing Fee and the fees of the Issuer's financial consultant);

(f) all charges, costs, advances, indemnities and expenses, including agent and counsel fees (other than Costs of Issuance paid at Closing), of the Issuer incurred by the Issuer at any time in connection with the Bonds or the Project;

(g) the fees payable to Lender pursuant to Section 3.11;

(h) fees payable to the California Debt Limit Allocation Committee and the California Tax Credit Allocation Committee; and

(i) other reasonable costs of issuance.

ARTICLE 3. THE LOAN

3.1 **THE LOAN**. The Issuer agrees, upon the terms and conditions herein specified, to lend to Borrower the proceeds of the Bonds, by causing such proceeds to be deposited with the Bond Trustee in installments corresponding to the successive "draw-down" purchases of the Bonds by the Bondowner Representative. The proceeds of the Bonds shall be disbursed as provided herein and in the Indenture. The obligation of Borrower to repay the Loan shall be evidenced by the Note. Contemporaneously with the issuance of the Bonds, the Issuer will endorse the Note without recourse to the order of the Bond Trustee, as the assignee of the Issuer. Borrower will repay the Loan in accordance with the provisions of the Note and this Loan Agreement.

3.2 **LOAN DISBURSEMENTS**. The proceeds of the Bonds shall be disbursed by the Lender only in accordance with a written requisition of Borrower in the form attached to the Indenture, approved in writing by the Lender and the Issuer, which approval shall be granted by the Lender upon satisfaction or waiver by the Lender of the conditions set forth in Article 4 of this Loan Agreement. No proceeds of the Bonds shall be disbursed after December 31, 2014.

3.3 **LOAN REPAYMENT AND PAYMENT OF OTHER AMOUNTS**. Borrower hereby acknowledges its indebtedness to the Issuer and covenants to repay the Loan, and to pay interest on the amount of the Loan outstanding from time to time in accordance with the following:

(a) At any time prior to the Conversion Date but subject to any limitation set forth in the Note, Borrower may, at its option, prepay principal on the Note, in whole or in part, in order to effect a redemption of Bonds pursuant to Section 4.01 of the Indenture by paying to Bond Trustee an amount equal to the principal amount of the Bonds to be redeemed, together with all accrued and unpaid interest through the date of redemption of Bonds on the portion of principal prepaid. Borrower shall give Lender and Bond

Trustee not less than fifteen (15) days' advance written notice of its intention to make a prepayment pursuant to this Section 3.3(a). Notwithstanding the foregoing, no prepayment charge of any kind payable under this Loan Agreement or otherwise under the Loan Documents shall apply in respect to any prepayment resulting from Lender's or Bond Trustee's application of any insurance proceeds or condemnation awards to the outstanding principal balance of the Loan, or for full repayment of the principal balance of the Loan to the extent provided in the Note.

(b) Following the occurrence of a Default under this Loan Agreement and demand by Lender for redemption of all of the Bonds pursuant to Section 4.01(b) of the Indenture, Borrower shall immediately pay to Bond Trustee the full amount of outstanding principal of the Note, together with all accrued and unpaid interest thereon through the date of redemption of Bonds.

(c) For so long as any portion of the principal of the Loan is outstanding, Borrower shall pay to Bond Trustee, on or before the first day of each month, an amount equal to the interest accrued on the Loan during the previous month at the applicable One-Month LIBO Rate determined as provided in section 1 of the Fixed Rate Agreement attached to the Note prior to the Conversion Date, subject to Section 11.2 hereof.

(d) In the event of damage to or destruction or condemnation of the Project or any part thereof, Borrower shall pay to Lender, for redemption of Bonds pursuant to Section 4.01(e) of the Indenture, such portion of the Loan as is required to be paid pursuant to Section 5.6 of the Deed of Trust, plus accrued and unpaid interest through the date of redemption of the Bonds, without premium.

(e) Borrower agrees to pay, at the same time as the monthly payments pursuant to Section 3.3(c) above, upon an Event of Default whether or not such event has thereafter been cured, one-twelfth (1/12th) of the amount budgeted by Borrower for annual premiums for insurance required to be maintained pursuant to this Loan Agreement and for real estate taxes or other charges for governmental service for the current year (except for utility charges) which shall be disbursed by the Lender from time to time.

(f) Borrower agrees to make such other payments to Bond Trustee, in the amounts and at the times necessary to enable the Bond Trustee, on behalf of the Issuer, to pay all amounts payable with respect to the Bonds when due, whether as principal of, premium, or interest on, or otherwise, and whether at maturity or by redemption (including mandatory sinking fund redemption) or acceleration or otherwise.

(g) Borrower also agrees to pay, (i) without written demand therefor, the fees of the Issuer specified in the Regulatory Agreement at the times and in the amounts specified therein; and (ii) within thirty (30) days after receipt of request for payment thereof, all expenses of the Issuer related to the Project and the financing thereof which are not otherwise required to be paid by Borrower under the terms of this Loan Agreement or the Regulatory Agreement, including, without limitation, reasonable legal fees and expenses incurred in connection with the amendment, interpretation and enforcement of any documents relating to the Project or the Bonds and the performance of the Issuer's obligations and exercise of its rights thereunder.

(h) Borrower agrees: (i) to pay to each of the Lender and the Bond Trustee from time to time reasonable compensation for all services rendered by it (including the reasonable compensation, expenses and disbursements of its agents and counsel) under the Indenture and any other agreements relating to the Bonds to which the Lender or the Bond Trustee is a party (collectively, "**Ordinary Fees and Expenses**"); (ii) except as otherwise expressly provided in the Indenture, this Loan Agreement or such other agreements related to the Bonds or the Project, to reimburse the Lender and the Bond Trustee upon its request for all reasonable expenses, disbursements and advances (including reasonable counsel fees) incurred or made by the Lender or the Bond Trustee (provided that the Lender shall not be required to make advances) in accordance with any provision of the Indenture or other agreements to which the Lender or the Bond Trustee is a party (including, but not limited to, the reasonable compensation and the expenses and disbursements of its agents and counsel and the cost of printing Bonds), except any such expense, disbursement or advance (provided that the Lender or the Bond Trustee shall not be required to make

advances) as may be attributable to its negligence or willful misconduct, (iii) to pay to an arbitrage consultant reasonable compensation for all services rendered by it, and (iv) to pay to the Bond Trustee any rebatable arbitrage required to be paid to the federal government

(i) Borrower agrees that if the Conversion Date does not occur on or before the Mandatory Conversion Date, then the Loan and all sums payable to Lender under the Loan Agreement shall be immediately due and payable, unless extended as provided herein.

3.4 ADDITIONAL CHARGES. Borrower agrees to pay each and all of the following (collectively, the "**Additional Charges**"):

(a) upon the occurrence of a default under the Indenture or a Default under this Loan Agreement, to or upon the order of the Issuer or the Lender, when due, all reasonable fees of the Issuer, the Lender or the Bond Trustee for services rendered under the Indenture and any other amounts due under Section 11.2 hereof which are not included in Ordinary Fees and Expenses, and all reasonable fees and charges of any registrars, legal counsel, accountants, engineers, public agencies and others incurred in the performance, on request of the Issuer, of services required under the Indenture or this Loan Agreement for which such persons are entitled to payment or reimbursement, provided that Borrower may, upon notice to the Issuer and without creating a Default hereunder, contest in good faith the necessity or reasonableness of any such services, fees or expenses other than Ordinary Fees and Expenses, but the Issuer's final decision shall control;

(b) (i) all indemnity payments required to be made under this Loan Agreement and the Regulatory Agreement (such indemnity payments being due to the Issuer or Indemnified Party upon written demand therefor and accruing interest at the Default Rate 60 days after notice of demand therefor); (ii) all reasonable expenses (including reasonable legal fees and expenses) incurred by the Issuer in exercising its rights under this Loan Agreement or the Regulatory Agreement following a Default; and (iii) all other reasonable expenses incurred by the Issuer in relation to the Project or the Bonds which are not otherwise required to be paid by Borrower under the terms of this Loan Agreement or any separate fee agreement, including costs incurred as a result of a request by Borrower; and

(c) interest, at the Default Rate, on all payments not made by Borrower under Section 3.3, this Section 3.4 and Section 3.8 when due, to the parties entitled thereto.

3.5 CONVERSION TO PERMANENT TERM. Upon satisfaction of all of the conditions precedent set forth in Section ___ of the _____ Agreement and the close of the CCRC Permanent Loan pursuant to the _____ Agreement, the Loan shall be paid off, and the Project shall convert from a construction phase to a permanent phase. The date upon which all of the conditions set forth in Section 6.1 below are satisfied is referred to herein as the "**Conversion Date**." If the Conversion Date does not occur on or before the Mandatory Conversion Date, then the Loan and all sums payable to Lender under the Loan Agreement shall be immediately due and payable, unless extended as provided herein.

3.6 FIRST OPTION TO EXTEND. Borrower shall have the option to extend the Mandatory Conversion Date to the First Extended Mandatory Conversion Date, upon satisfaction of each of the following conditions precedent:

(a) Borrower shall provide Lender with written notice of Borrower's request to exercise the option to extend not more than ninety (90) days but not less than thirty (30) days prior to the Mandatory Conversion Date;

(b) As of the date of Borrower's delivery of notice of request to exercise the option to extend, and as of the Mandatory Conversion Date, no Default shall have occurred, and no event or condition which, with the giving of notice or the passage of time or both, would constitute a Default shall have occurred and be continuing, and Borrower shall so certify in writing;

(c) Borrower shall execute or cause the execution of all documents reasonably required by Lender to exercise the option to extend and shall deliver to Lender, at Borrower's sole cost and expense, such title insurance endorsements reasonably required by Lender;

(d) There shall have occurred no material adverse change, as determined by Lender in its sole discretion, in the financial condition of Borrower, General Partner, or any Guarantor from that which existed as of the later of: (i) the Effective Date; or (ii) the date upon which the financial condition of such party was first represented to Lender;

(e) Lender shall have received evidence reasonably satisfactory to it that, as of the Mandatory Conversion Date, no default has occurred under any of the Partnership Documents and that the Partnership Documents are in full force and effect;

(f) The construction of the Project shall be one hundred percent (100%) complete and lien free, as evidenced by Lender's receipt of a mechanic's lien-free endorsement to the Title Policy and by Lender's receipt of a copy of a recorded notice of completion, a certificate of occupancy or building permit sign-off, as applicable;

(g) Lender shall have received such assurances as it may reasonably require that no mechanics' or materialmen's liens have been asserted with respect to the Project other than liens that Borrower is diligently contesting in good faith and as to which Borrower has obtained bonds to the reasonable satisfaction of Lender;

(h) The balance in the interest reserve as of the Mandatory Conversion Date shall be sufficient to pay interest on the Loan until the First Extended Mandatory Conversion Date;

(i) Borrower shall provide evidence satisfactory to Lender of Borrower's continued compliance with all TCAC achievement dates, including Borrower's ability to meet the TCAC placed-in-service date, if any;

(j) Borrower shall represent and warrant to Lender that the LACDC Loan and any other Subordinate Loans which have closed as of the Original Mandatory Conversion Date and all Subordinate Loan Documents are in full force and effect and there is no event or condition which, with the giving of notice or the passage of time or both, would constitute a material default by any party to any such document which could have a material adverse effect upon the Property, the Improvements, or the repayment of the Loan; or if there is any such event or condition, the same shall be fully disclosed to Lender and Lender shall have approved of the extension of the First Extended Mandatory Conversion Date despite the same, such approval to be granted or withheld in Lender's sole discretion;

(k) On or before the First Extended Mandatory Conversion Date, Borrower shall pay to Lender an extension fee in the amount of one quarter of one percent (0.25%) of the total commitment amount of the Loan (whether disbursed or undisbursed) less any principal prepayments previously made by Borrower, as determined on the First Extended Mandatory Conversion Date;

(l) [Borrower shall have delivered the Lender written evidence satisfactory to Lender showing that not less than _____ percent (__%) of the Units within the Project have been leased to third-party residential tenants under residential leases complying with this Loan Agreement and the Bond Documents and that not less than _____percent (__%) of the Units within the Project have been occupied by third-party residential tenants under residential leases complying with this Loan Agreement and the Bond Documents;]

(m) CalHFA's commitment to make the MHSA Loan, pursuant to the terms of the MHSA Commitment, shall remain in full force and effect and any expiration date associated with the MHSA Commitment shall be no earlier than [fourteen days] after the First Extended Conversion Date; and

(n) CCRC's commitment to make its permanent loan in the Permanent Loan Amount as of the Conversion Date, pursuant to the terms of the _____ Agreement, shall remain in full force and effect and any expiration date associated with the CCRC's commitment to make the permanent loan shall be no earlier than [fourteen days] after the First Extended Conversion Date; and

(o) Upon extension of the Mandatory Conversion Date pursuant to this Section 3.6, the date upon which the required repayment of the Note must occur shall be extended to the date of the First Extended Mandatory Conversion Date, and the maturity date of the Note shall be unaffected. Except as modified by the exercise of this First Option to Extend, the terms and conditions of this Loan Agreement and the other Loan Documents as modified and approved by Lender shall remain unmodified and in full force and effect.

3.7 **INTENTIONALLY OMITTED**.

3.8 **INTENTIONALLY OMITTED**.

3.9 **BORROWER'S OBLIGATIONS UNCONDITIONAL**. The obligations of Borrower to perform and observe the other agreements on its part contained herein shall be absolute and unconditional and payment of the Loan and Additional Charges and all other payments required of Borrower hereunder or under the Note shall be paid without notice or demand and without set off, counterclaim, or defense for any reason and without abatement or deduction or defense. Borrower will not suspend or discontinue any such payments, will perform and observe all of its other agreements in this Loan Agreement and will not terminate this Loan Agreement for any cause, including, but not limited, to any acts or circumstances that may constitute failure of consideration, destruction or damage to the Project or Borrower's business, the taking of the Project or Borrower's business by condemnation or otherwise, the lawful prohibition of Borrower's use of the Project or Borrower's business, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Loan Agreement, the lack of right, power or authority of the Issuer to enter into this Loan Agreement, eviction by paramount title, commercial frustration of purpose, bankruptcy or insolvency of the Issuer or the Lender, change in the tax or other laws or administrative rulings or actions of the United States of America or of the State or any political subdivision thereof, or 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 for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the payment of the Loan and other amounts payable by Borrower hereunder or under the Note shall be paid in full when due without any delay or diminution whatever.

3.10 **ASSIGNMENT OF ISSUER'S RIGHTS**. Pursuant to the Indenture and the Assignment of Deed of Trust, the Issuer has assigned certain of the amounts payable hereunder and has assigned, without recourse or liability, to the Bond Trustee, the Issuer's rights under this Loan Agreement and the Note (except theUnassigned Issuer's Rights (as defined in the Indenture)), including certain of the rights to receive payments hereunder, and hereby directs Borrower to make said payments directly to the Bond Trustee, or otherwise upon the order of the Lender. Borrower assents to such assignment and will make payments under this Loan Agreement of such assigned amounts directly to the Bond Trustee, or otherwise upon the order of the Lender or Bond Trustee without defense or set off by reason of any dispute between Borrower, the Issuer, the Bondholders, the Bond Trustee or the Lender.

3.11 **LOAN FEES**. Borrower shall pay to Lender, at Loan closing, a loan fee in the amount equal to _____ percent (0.____%) of the aggregate Loan amount, which amount is _____ and No/100 Dollars ($_____.).

Lender shall earn the fees described in this Section 3.11 when paid by Borrower, and such fees shall be nonrefundable.

3.12 **LOAN DOCUMENTS**. Borrower shall deliver to Lender concurrently with this Loan Agreement each of the documents, properly executed and in recordable form, as applicable, described in Exhibit B as Loan Documents, together with those documents described in Exhibit B as Other Related Documents.

3.13 EFFECTIVE DATE. The date of the Loan Documents is for reference purposes only. The Effective Date of delivery and transfer to Lender of the security under the Loan Documents and of Borrower's and Lender's obligations under the Loan Documents shall be the Closing Date.

3.14 CREDIT FOR PRINCIPAL PAYMENTS. Any payment made upon the outstanding principal balance of the Loan shall be credited as of the Business Day received, provided such payment is received by Lender no later than 11:00 a.m. (Pacific Standard Time or Pacific Daylight Time, as applicable) and constitutes immediately available funds. Any principal payment received after said time or which does not constitute immediately available funds shall be credited upon such funds having become unconditionally and immediately available to Lender.

3.15 FULL REPAYMENT AND RECONVEYANCE. Upon receipt of all sums owing and outstanding under the Loan Documents, Lender shall issue a full reconveyance of the Property and Improvements from the lien of the Deed of Trust; provided, however, that all of the following conditions shall be satisfied at the time of, and with respect to, such reconveyance: (a) Lender shall have received all escrow, closing and recording costs, the costs of preparing and delivering such reconveyance and any sums then due and payable under the Loan Documents; and (b) Lender shall have received a written release satisfactory to Lender of any set aside letter, letter of credit or other form of undertaking which Lender has issued to any surety, governmental agency or any other party in connection with the Loan and/or the Property and Improvements. Any obligation of Lender to make further disbursements under the Loan shall terminate as to any portion of the Loan undisbursed as of the date of issuance of such full release or reconveyance, and any commitment of Lender to lend any undisbursed portion of the Loan shall be canceled.

3.16 INTENTIONALLY OMITTED.

ARTICLE 4. DISBURSEMENT OF LOAN FUNDS

4.1 CONDITIONS PRECEDENT TO INITIAL DISBURSEMENTS OF PROCEEDS OF THE BONDS. Lender's obligation to consent to the initial disbursement of the proceeds of the Bonds shall be subject at all times to satisfaction of each of the following conditions precedent:

(a) Delivery of Documents. The documents listed on Exhibit B (including without limitation all Loan Documents and all Other Related Documents) shall have been delivered to Lender in form and substance satisfactory to Lender, duly executed (and, if required by Lender, acknowledged) by all of the appropriate parties.

(b) Recorded Documents. The following documents shall have been duly recorded, in the order indicated below, in the Official Records of the County:

(i) [the Memorandum of Ground Lease;]

(ii) the Regulatory Agreement;

(iii) the Deed of Trust;

(iv) the Assignment of Deed of Trust;

(v) [the City Regulatory Agreement;]

(vi) the LACDC Regulatory Agreement;

(vii) the LACDC Deed of Trust;

(viii) [the Delivery Assurance Deed of Trust;]

(ix) the LACDC Subordination Agreement;

(x) the Subordination Agreement (Purchase Option).

(c) Financing Statements. The Financing Statements described in Exhibit B shall have been filed with the California Secretary of State, and Lender shall have received and approved the results of a UCC search conducted and certified by the California Secretary of State.

(d) Title Insurance. Borrower shall (at its own expense) have obtained a commitment from the Title Insurer in form and content satisfactory to Lender for delivery to the Bond Trustee of a mortgagee's policy of title insurance (the "**Title Policy**") which complies with the following requirements: (x) the Title Policy shall be issued with respect to the Property, shall show the Deed of Trust as the insured mortgage, shall name the Bond Trustee as insured, shall be dated as of the Closing Date, shall be in an amount not less than the original principal amount of the Bonds, shall contain no creditor's rights exceptions, and shall be in form and substance reasonably satisfactory to the Lender; (y) when originally issued, the Title Policy shall be in form ALTA LP-10 (in 2006 form or other form acceptable to Lender) and shall contain such endorsements as Lender may require, including without limitation, CLTA Form 100.2, 103.1 103.5, 103.11, 104.7, 110.9, 111.5, 112, 116, 116.1 and 116.7 Endorsements and ALTA Form 18 and 21-06 Endorsements, and a commitment to issue such further endorsements as Lender may require, including without limitation, CLTA Form 101.2 and 122 Endorsements and CLTA Form 102.5 Endorsements upon completion of construction of foundations without encroachment; and (z) the Title Policy shall include a commitment by the Title Company to rewrite the Title Policy into a full ALTA Loan Policy (in 2006 form or other form acceptable to Lender), with an unqualified and unlimited CLTA Form 100 Endorsement (unmodified) and 116 Endorsements attached, upon completion of construction of the Project. The Title Policy shall insure:

(i) that the Borrower possesses a fee interest in the Property;

(ii) that the Deed of Trust is a valid first lien upon the Borrower's leasehold interest in the Property, subject only to Permitted Encumbrances;

(iii) that the following standard exceptions be waived and insured: (1) facts which would be disclosed by a comprehensive survey of the Property, (2) mechanic's, contractors' or materialmen's liens and lien claims, (3) all other exceptions noted in Schedule B, Section I of the Title Policy and (4) the endorsement deleting the creditor's rights exception and arbitration clause.

(e) Confirmation of Insurance. Lender shall have received and approved in form and substance satisfactory to Lender all insurance policies, certificates, and any other evidence of insurance coverage that Borrower is required to obtain and maintain pursuant to Article 7 of this Loan Agreement.

(f) Opinion Letter. Lender shall have received an original Bond Counsel approving and tax opinion for the Bonds or a reliance letter therefor, in form and content satisfactory to Lender, addressed to the Lender.

(g) Delivery of Contracts; Approval of Reports. Lender shall have received and approved in form and substance satisfactory to Lender:

(i) a soils report for the Property;

(ii) an environmental questionnaire and environmental site assessment with respect to the presence, if any, of Hazardous Materials on the Property;

(iii) two sets of the Plans and Specifications, certified as complete by the Architect, together with evidence of all necessary or appropriate approvals of all applicable Governmental Authorities;

(iv) copies of any initial study, negative declaration, mitigated negative declaration, environmental impact report, notice of determination or notice of exemption prepared, adopted, certified or filed by or with any Governmental Authority in connection with the Property and Project;

(v) copies of all documents, agreements, instruments, policies and other materials relating to the Project requested by Lender, including without limitation, appraisals; all design, architect's, engineering, brokerage and construction contracts; and surveys, in each case set forth in such detail as Lender may require; and

(vi) the fully executed Construction Contract for the Project.

(h) Payment and Performance Bond as to Construction Contract. Borrower shall have delivered to Lender a payment and performance bond with respect to the Construction Contract (the "**Payment and Performance Bond**"), meeting the following requirements:

(i) the Payment and Performance Bond shall name Borrower as obligee and Wells Fargo Bank, National Association, and its successors as Lender under the Indenture as dual obligees;

(ii) the Payment and Performance Bond shall be in an amount not less than one hundred percent (100%) of the costs of the Construction Contract;

(iii) the Payment and Performance Bond shall be issued by a corporate surety licensed to do business in the state of California and approved in writing by Lender;

(iv) the Payment and Performance Bond shall include language to the effect that the Contractor will promptly and faithfully perform its obligations under the Construction Contract and that the surety waives notice of any alteration or extension of time given by Borrower under the Construction Contract;

(v) the Payment and Performance Bond shall include a requirement of the principal to promptly make payment to all claimants; and

(vi) the Payment and Performance Bond shall correctly state Borrower's name and the address of the Project.

If the Borrower cannot deliver to Lender such Payment and Performance Bond in compliance with this Section 4.1(h) on or before the Loan Closing and if all other conditions under this Section 4.1 have been satisfied, the Lender may permit the initial disbursement of the proceeds of the Bonds; provided, however, that Lender will not approve any portion of the initial disbursement requested by Borrower to make any payments to the Contractor or any subcontractor under the Construction Contract.

(i) Preliminary Reservation Letter. Lender shall have received a photocopy of the Preliminary Reservation Letter from TCAC.

(j) Utilities. Lender shall have received evidence satisfactory to Lender that all utility services, including, without limitation, gas, water, sewage, electrical and telephone, necessary for the development and occupancy of the Property and Project are available at or within the boundaries of the Property, or Borrower has taken all steps necessary to assure that all such services will be available upon completion of the Project.

(k) Payment of Loan Fees. Borrower shall have paid to Lender, in good funds, all fees owing pursuant to Section 3.11 and shall have paid to Bond Trustee all costs of issuance of the Bonds.

(l) Sufficiency of Funds. Lender shall have received evidence satisfactory to Lender that there will be sufficient funds available to Borrower to complete the Project and cover all costs as shown on the Disbursement Budget attached hereto, whether from the proceeds of the Loan, the LACDC Loan, and the Capital Contributions of the Investor Limited Partner, or from another source or other sources acceptable to Lender.

(m) Admission of Investor Limited Partner. Lender shall have received and approved in form and content reasonably satisfactory to Lender the fully executed Partnership Agreement. The Partnership Agreement shall have been amended in a manner reasonably satisfactory to Lender to admit Investor Limited Partner as the limited partner of Borrower and Bond Trustee shall have received a first priority security interest in (i) the general partnership interest of the General Partner in Borrower; and (ii) the housing tax credit awarded to Borrower, all in form and substance reasonably acceptable to Lender. The Partnership Documents shall obligate the investor Limited Partner to make cash Capital Contributions in at least the amounts and at the times set forth below, subject to the terms of the Borrower's Partnership Documents:

[TO BE REVISED: $_____ Upon the latest of (i) admission of the Investor Limited Partner into the partnership; (ii) the Closing Date; or (iii) other conditions set forth in the Partnership Agreement.

$_____ Upon the latest of (i) lien-free completion of 100% of the construction of the Project; (ii) initial 100% qualified occupancy; (iii) receipt of evidence of all required insurance as set forth under this Loan Agreement or in the Partnership Agreement; (iv) lease-up of 100% of the units at projected rents; (v) 90% occupancy of all units for not less than ninety (90) days; (v) Conversion; or (vi) other conditions set forth in the Partnership Agreement.

$_____ Upon the latest of (i) receipt of a filed Form 8609; (ii) receipt of a recorded extended use agreement; or (iii) (iv) other conditions set forth in the Partnership Agreement.]

(n) Initial Capital Contribution. Borrower shall have delivered to Lender simultaneous with the first disbursement of Bond proceeds, written evidence satisfactory to Lender of the disbursement of the Initial Capital Contribution from the Investor Limited Partner in accordance with the Partnership Documents. Any unused portion of the Initial Capital Contribution shall be utilized as Borrower's Funds pursuant to the terms and conditions of the Loan Documents, shall be deposited into Borrower's Funds Account with Lender and shall be disbursed by Lender to pay Project Costs pursuant to the terms and conditions outlined in the Loan Documents.

(o) Receipt of Phase I Environmental Site Assessment Report. Borrower shall have delivered to Lender, and Lender shall have approved, a final Phase I Environmental Site Assessment Report.

(p) Delivery of Permits. Lender shall have received and approved in form and content satisfactory to Lender evidence of satisfaction of any and all conditions precedent to issuance (other than payment of a fee) of all building permits and similar permits, licenses, approvals, development agreements and other authorizations of Governmental Authorities required in connection with the construction and development of the Property and Project including, but not limited to, all authorizations, (including building permits, annexation agreements, development agreements, subdivision approvals, sewer and water permits, vault permits, encroachment permits, driveway access and curb cut authorizations) and zoning and land use entitlements, and all other approvals, consents, permits and licenses issued or to be issued by any Governmental Authority which are (a) required for the development and construction of the Project in accordance with the Plans and Specifications and in accordance with all applicable laws, ordinances and regulations and (b) capable of being issued through the date of the requested Disbursement, and all of the same shall remain in full force and effect.

(q) Subordinate Loans. Borrower shall have delivered to Lender and Lender shall have approved all the documents between Borrower and LACDC relating to the LACDC Loan.

(r) [Condition Precedent for Second Disbursement and Any Disbursement for Construction Hard Costs. In addition to those conditions listed above, as a condition precedent to the second Disbursement of the Loan and any disbursement to be applied to payment of any construction hard costs, Borrower shall provide to Lender the following:

(i) a final Costing Report, in form and content satisfactory to Lender.]

4.2 CONDITIONS PRECEDENT TO ANY DISBURSEMENT. Lender's obligation to make any "drawdown" purchase of Bonds and corresponding Disbursement of the Loan (including the first Disbursement and the final Disbursement) shall be subject to the satisfaction (or waiver by Lender, in its sole discretion) of the following conditions precedent:

(a) No Default. There shall exist no Default, as defined in this Loan Agreement, or Default as defined in any of the other Loan Documents or in the Other Related Documents, or event, omission or failure of condition which would constitute a Default after notice or lapse of time, or both.

(b) Loan "in balance". Any undisbursed Loan funds and all sums, if any, to be provided by Borrower as shown in Exhibit C, shall be at all times equal to or greater than the amount which Lender from time to time determines necessary to: (i) pay, through completion, all costs of development, construction, marketing and sale or leasing of the Property and Improvements in accordance with the Loan Documents; (ii) pay all sums which may accrue under the Loan Documents prior to Conversion; and (iii) enable Borrower to perform and satisfy all of the covenants of Borrower contained in the Loan Documents effective prior to Conversion. If Lender determines at any time that the undisbursed Loan funds are insufficient for said purposes, Borrower shall deposit the amount of such deficiency in the Borrower's Funds Account within fifteen (15) days of Lender's written demand.

(c) No Default Under Loan Documents. No default or event of default, or event, omission or failure of condition which would constitute a default or event of default after notice or lapse of time, or both, exists under the Loan Documents.

(d) Application for Payment. Lender shall have received and approved an Application for Payment (as defined in the Disbursement Plan) executed by Borrower stating the amount of the Disbursement then requested and meeting the requirements of the Disbursement Plan attached hereto as Exhibit D, and all other documents, instruments, agreements, certificates, lien waivers and other items required thereunder.

(e) Disbursement Plan Conditions. All of the conditions precedent to the requested Disbursement set forth in the Disbursement Plan attached hereto as Exhibit D shall have been satisfied.

(f) Compliance with Financial Requirements Analysis; Borrower's Funds. Borrower shall be in compliance with its obligations under Section 5.6 and 5.7 of this Loan Agreement. To the extent that Borrower is obligated to deposit Borrower's Funds into the Borrower's Funds Account pursuant to those Sections, such Borrower's Funds shall have been fully disbursed as a condition to any obligation of Lender to make further disbursement of proceeds of the Loan.

(g) Lender Inspections. Lender shall have determined, based upon such inspections and examinations of the progress of construction of the Project as Lender shall elect in its sole judgment to conduct from time to time, that construction of the Project is proceeding in substantial conformity with the Plans and Specifications, as modified by change orders with respect to which Borrower has complied with Section 5.5. Borrower shall have paid all of the costs and expenses reasonably incurred by Lender in any such inspection and examination.

(h) Government Inspections. If Lender shall so require, any portion of the Project completed through the date of the requested Disbursement which requires inspection or certification by municipal or other governmental authorities shall have been inspected and certified as complete and all other necessary approvals shall have been duly issued and Lender shall have received true and correct copies of all such inspections, certificates and approvals or Lender shall have received other evidence, in form and content reasonably satisfactory to Lender, that the Project has been constructed in such a manner as to be in compliance with any such inspections, certificates and approvals.

(i) Title Endorsements. Lender shall have received such endorsements and binders to the Title Policy as Lender may require (including without limitation endorsements confirming the continuing priority of the Deed of Trust with respect to such Disbursement, and endorsements confirming that no encroachments exist on the Property or adjoining property). Lender shall be furnished, at no cost to it, such surveys and certificates as may be required by the title insurance company in connection with the issuance of such endorsements.

(j) Mechanics' Liens; Stop Notices. No mechanic's lien shall have been recorded against the Property and no stop notice shall have been served upon Borrower, Issuer or Lender (unless there has been issued a surety bond, or such other collateral as is satisfactory to Lender, adequate to release the Project from the lien thereof in accordance with this section), and Lender shall have no reasonable cause to believe that the requested Disbursement will be junior in priority of lien to any mechanics' or material suppliers' lien or to any intervening or other lien upon the Property; if a claim of lien is recorded which affects the Property or Project or a bonded stop notice is served upon Borrower, Issuer or Lender, Borrower shall fully comply with Section 5.8.

(k) Compliance With Bond and Loan Documents. Borrower shall have complied with all of the terms and conditions imposed by the Indenture and this Loan Agreement in connection with such Disbursement and Lender shall have received a certificate to that effect signed by Borrower.

(l) No Default; Compliance with Bond Documents. There shall exist no Default, as defined in this Loan Agreement, or Event of Default as defined in any of the other Bond Documents and Loan Documents or in the other Related Documents (subject to all applicable notice and cure periods), or event requiring mandatory redemption of the Bonds or event which, with the giving of notice or the passage of time, or both, could be any Default or event requiring mandatory redemption of the Bonds, and Borrower shall have performed all of its obligations under this Loan Agreement and complied with all of the terms and conditions imposed by the Indenture and this Loan Agreement in connection with such Disbursement and, if Lender shall so require, Lender shall have received a certificate to that effect signed by Borrower.

(m) Representations and Warranties. All representations and warranties contained in this Loan Agreement shall be true and correct as of the date of the Disbursement, and Lender shall have received a certificate restating each of such representations and warranties as true and correct as of the date of the Disbursement.

(n) Full Force and Effect. Each of the Bond Documents and Loan Documents shall remain in full force and effect, binding upon all parties thereto.

(o) Workmanship. All work performed to date in construction of the Project shall have been accomplished in a good workmanlike manner and in accordance with the Plans and Specifications.

(p) Recordation of Executed Payment and Performance Bond. Lender shall have received a copy of the fully executed Payment and Performance Bond, meeting the requirements set forth in Section 4.1(h) above and otherwise in form and substance satisfactory to Lender, and shall have received evidence satisfactory to Lender that such Payment and Performance Bond has been recorded in the Official Records of the Los Angeles County Registrar-Recorder/County Clerk.

4.3 ACCOUNT, PLEDGE AND ASSIGNMENT, AND DISBURSEMENT AUTHORIZATION. The proceeds of the Bonds and Borrower's Funds, when qualified for disbursement, shall be disbursed to or for the

benefit or account of Borrower under the terms of this Loan Agreement and the Indenture; provided, however, that any direct disbursements from the proceeds of the Bonds which are made by means of wire transfer, shall be subject to the provisions of Section 4.8 below. Disbursements hereunder may be made by Lender upon the written request of either _____, acting alone, who has been authorized by Borrower to request such disbursements, until such time as written notice of Borrower's revocation of such authority is received by Lender at the address shown in Exhibit D. As additional security for Borrower's performance under the Loan Documents, Borrower hereby irrevocably pledges and assigns to Lender all monies at any time deposited in the Account.

4.4 BORROWER'S FUNDS ACCOUNT, PLEDGE AND ASSIGNMENT. Except as otherwise provided in this Loan Agreement, all of the Borrower's Funds which are deposited with Lender by Borrower as shown in Exhibit C, or any other provision of the Loan Documents, shall be placed in the Borrower's Funds Account with, and controlled by, Lender for disbursement under this Loan Agreement. All Borrowers' Funds shall be disbursed prior to any Proceeds of the Bonds funds being disbursed. As additional security for Borrower's performance under the Loan Documents, Borrower hereby irrevocably pledges and assigns to Lender, and grants a security interest to Lender in and to, all monies at any time deposited in the Borrower's Funds Account.

4.5 FINANCIAL REQUIREMENTS ANALYSIS. Promptly and in any event within ten (10) days after Borrower's discovery that the Financial Requirements Analysis does not accurately project the costs which have been and will be incurred in connection with development of the Project in accordance with the Plans and Specifications, Borrower shall notify Lender of the discrepancy and shall submit to Lender a revised budget of costs of development of the Project.

4.6 BALANCING. Borrower agrees to keep the Financial Requirements Analysis "in balance" at all times. The Financial Requirements Analysis is not "in balance" if any undisbursed principal of the Loan together with all sums, if any, to be provided by Borrower as shown in Exhibit C are not at all times equal to or greater than the amount which Lender from time to time reasonably determines necessary to: (i) complete each line item category as contained on Exhibit C; (ii) pay, through completion, all costs of development, construction, operation and leasing of the Project in accordance with the Loan Documents; (iii) pay all sums which may become payable under the Loan Documents and Other Related Documents; and (iv) enable Borrower to perform and satisfy all of the covenants of Borrower contained in the Loan Documents. If Lender reasonably determines at any time that the Financial Requirements Analysis is not "in balance", Borrower shall provide the amount of such deficiency to Lender for deposit into Borrower's Funds Account.

4.7 FUNDS TRANSFER DISBURSEMENTS. Borrower hereby authorizes Lender to disburse the proceeds of any Loan(s) made by Lender or its affiliate pursuant to the Loan Documents as requested by an authorized representative of the Borrower to any of the accounts designated in Exhibit F. Borrower agrees to be bound by any transfer request: (i) authorized or transmitted by Borrower; or, (ii) made in Borrower's name and accepted by Lender in good faith and in compliance with these transfer instructions, even if not properly authorized by Borrower. Borrower further agrees and acknowledges that Lender may rely solely on any bank routing number or identifying bank account number or name provided by Borrower to effect a wire or funds transfer even if the information provided by Borrower identifies a different bank or account holder than named by Borrower. Lender is not obligated or required in any way to take any actions to detect errors in information provided by Borrower. If Lender takes any actions in an attempt to detect errors in the transmission or content of transfer or requests or takes any actions in an attempt to detect unauthorized funds transfer requests, Borrower agrees that no matter how many times Lender takes these actions Lender will not in any situation be liable for failing to take or correctly perform these actions in the future and such actions shall not become any part of the transfer disbursement procedures authorized under this provision, the Loan Documents, or any agreement between Lender and Borrower. Borrower agrees to notify Lender of any errors in the transfer of any funds or of any unauthorized or improperly authorized transfer requests within fourteen (14) days after Lender's confirmation to Borrower of such transfer.

Lender will, in its sole discretion, determine the funds transfer system and the means by which each transfer will be made. Lender may delay or refuse to accept a funds transfer request if the transfer would: (i) violate the terms of this authorization; (ii) require use of a bank unacceptable to Lender or prohibited by government authority; (iii) cause Lender to violate any Federal Reserve or other regulatory risk control program or guideline; or (iv) otherwise cause Lender to violate any applicable law or regulation.

Lender shall not be liable to Borrower or any other parties for (i) errors, acts or failures to act of others, including other entities, banks, communications carriers or clearinghouses, through which Borrower's transfers may be made or information received or transmitted, and no such entity shall be deemed an agent of the Lender; (ii) any loss, liability or delay caused by fires, earthquakes, wars, civil disturbances, power surges or failures, acts of government, labor disputes, failures in communications networks, legal constraints or other events beyond Lender's control; or (iii) any special, consequential, indirect or punitive damages, whether or not (a) any claim for these damages is based on tort or contract or (b) Lender or Borrower knew or should have known the likelihood of these damages in any situation. Lender makes no representations or warranties other than those expressly made in this Loan Agreement.

Notwithstanding anything to the contrary herein, disbursements of Bond proceeds shall be made only through the Bond Trustee as required by the Indenture.

4.8 LOAN DISBURSEMENTS. Subject to the conditions set forth in Sections 4.1, 4.2 and 4.3, the proceeds of the Bonds and Borrower's Funds shall be disbursed in accordance with the terms and conditions of Exhibit D. Disbursements of proceeds of the Bonds and Borrower's Funds shall be made, upon satisfaction or waiver of the conditions set forth in Sections 4.1, 4.2 and 4.3, into the applicable Account. All disbursements shall be held by Borrower in trust and applied by Borrower solely for the purposes for which the funds have been disbursed. Lender has no obligation to monitor or determine Borrower's use or application of the disbursements.

4.9 CONDITIONS TO THE OBLIGATIONS OF THE ISSUER. The obligations of the Issuer to issue and deliver the Bonds on the Closing Date shall be subject, at the option of the Issuer, to the performance by the Lender and the Borrower of their respective obligations to be performed hereunder and under the Indenture at or prior to the Closing Date and to the following additional conditions:

(a) Each of the Indenture, this Loan Agreement and the Regulatory Agreement shall have been executed by the parties thereto;

(b) No order, decree, injunction, ruling or regulation of any court, regulatory agency public board or body shall have been issued, nor shall any legislation have been enacted, with the purpose or effect, directly or indirectly of prohibiting the offering, sale or issuance of the Bonds as contemplated in the Indenture herein; and

(c) The conditions precedent set forth in Sections 4.1 and 4.3 hereof shall have been satisfied.

ARTICLE 5. CONSTRUCTION

5.1 COMMENCEMENT AND COMPLETION OF CONSTRUCTION. Borrower shall have commenced construction of the Improvements by _____ and shall have completed construction of the Improvements on or before the Completion Date.

5.2 FORCE MAJEURE. The time within which construction of the Improvements must be completed shall be extended for a period of time equal to the period of any delay directly affecting construction which is caused by fire, earthquake or other acts of God, strike, lockout, acts of public enemy, riot, insurrection, or governmental regulation of the sale or transportation of materials, supplies or labor; provided, however, that Borrower shall furnish Lender with written notice satisfactory to Lender evidencing any such delay within ten (10) days from the occurrence of any such delay. In no event shall the time for completion of the Improvements be extended beyond the earlier of the Mandatory Conversion Date or more than sixty (60) days beyond the Completion Date without the prior written consent of Lender.

5.3 CONSTRUCTION AGREEMENT. Borrower and Contractor have entered into the Construction Agreement pursuant to the terms and conditions of which Contractor is to construct the Improvements. Borrower shall require Contractor to perform in accordance with the terms of the Construction Agreement and shall not amend, modify or alter the responsibilities of Contractor under the Construction Agreement without Lender's prior written consent. Borrower shall execute, upon Lender's request, an assignment of Borrower's rights under the

Construction Agreement to Lender as security for Borrower's obligations under this Loan Agreement and the other Loan Documents and shall cause the Contractor to consent to any such assignment.

5.4 ARCHITECT'S AGREEMENT. Borrower and Architect have entered into the Architect's Agreement pursuant to which Architect is to design the construction of the Improvements. Borrower shall require Architect to perform in accordance with the terms of the Architect's Agreement and shall not amend, modify or alter the responsibilities of Architect under the Architect's Agreement without Lender's prior written consent. Upon Lender's request, Borrower shall execute an assignment of the Architect's Agreement and the Plans and Specifications to Lender as additional security for Borrower's performance under this Loan Agreement and the other Loan Documents and shall cause the Architect to consent to any such assignment.

5.5 PLANS AND SPECIFICATIONS.

(a) Changes; Lender Consent. Except as otherwise provided in this Loan Agreement, Borrower shall not make any changes in the Plans and Specifications without Lender's prior written consent if such change: (i) constitutes a material change in the building material or equipment specifications, or in the architectural or structural design, value or quality of any of the Improvements; (ii) would result in an increase of construction costs in excess of _____ and No/100 Dollars ($_____) for any single change or in excess of _____ and No/100 Dollars ($_____) for all such changes; or (iii) would adversely affect the structural integrity, quality of building materials, or overall efficiency of operating systems of the Improvements. Without limiting the above, Lender agrees that Borrower may make minor changes in the Plans and Specifications without Lender's prior written consent, provided that such changes do not violate any of the conditions specified herein. Borrower shall at all times maintain, for inspection by Lender, a full set of working drawings of the Improvements.

(b) Changes; Submission Requirements. Borrower shall submit any proposed change in the Plans and Specifications to Lender at least ten (10) days prior to the commencement of construction relating to such proposed change whether or not such change is subject to Lender's consent. Requests for any change which requires consent shall be accompanied by working drawings and a written description of the proposed change, submitted on a change order form acceptable to Lender, signed by Borrower and, if required by Lender, also by the Architect and the Contractor. At its option, Lender may require Borrower to provide: (i) evidence satisfactory to Lender of the cost and time necessary to complete the proposed change; (ii) a deposit in the amount of any increased costs into Borrower's Funds Account; and (iii) a complete set of "as built" Plans and Specifications for the completed Improvements.

(c) Consent Process. Borrower acknowledges that Lender's review of any changes and required consent may result in delays in construction and hereby consents to any such delays.

(d) Final Plans and Specifications. Upon completion of the Improvements, Borrower shall deliver to Lender within ten (10) days a set of final Plans and Specifications.

5.6 CONTRACTOR/CONSTRUCTION INFORMATION. Within ten (10) days of Lender's written request, Borrower shall deliver to Lender from time to time in a form acceptable to Lender: (a) a list detailing the name, address and phone number of each contractor, subcontractor and material supplier to be employed or used for the construction of the Improvements together with the dollar amount, including changes, if any, of each contract and subcontract, and the portion thereof, if any, paid through the date of such list; (b) copies of each contract and subcontract identified in such list, including any changes thereto; (c) a cost breakdown of the projected total cost of constructing the Improvements, and that portion, if any, of each cost item which has been incurred; and (d) a construction progress schedule detailing the progress of construction and the projected sequencing and completion time for uncompleted work, all as of the date of such schedule.

Borrower agrees that Lender may disapprove any contractor, subcontractor or material supplier which, in Lender's good faith determination, is deemed financially or otherwise unqualified; provided, however, that the absence of any such disapproval shall not constitute a warranty or representation of qualification by Lender. Lender may contact any such contractor, subcontractor or material supplier to discuss the course of construction.

5.7 PROHIBITED CONTRACTS. Without Lender's prior written consent, Borrower shall not contract for any materials, furnishings, equipment, fixtures or other parts or components of the Improvements, if any third party shall retain any ownership interest (other than lien rights created by operation of law) in such items after their delivery to the Property and Improvements. Borrower shall have five (5) days to effect the removal of any such retained interest.

5.8 LIENS AND STOP NOTICES. If a claim of lien is recorded which affects the Property or Improvements or a bonded stop notice is served upon Issuer, Bond Trustee or Lender, Borrower shall, within twenty (20) calendar days of such recording or service or within five (5) calendar days of Lender's demand, whichever occurs first: (a) pay and discharge the claim of lien or bonded stop notice; (b) effect the release thereof by recording or delivering to Lender a surety bond in sufficient form and amount; or (c) provide Issuer, Bond Trustee and Lender with other assurances which Issuer or Lender deems, in its sole discretion, to be satisfactory for the payment of such claim of lien or bonded stop notice and for the full and continuous protection of Issuer, Bond Trustee and Lender from the effect of such lien or bonded stop notice. Borrower shall promptly pay or otherwise discharge all taxes, claims and liens for labor done, and for materials and services furnished, which may affect the Property. Borrower shall keep the Property free of all liens, claims, charges or encumbrances. Borrower shall have the right to contest in good faith any taxes, claim or lien by appropriate proceedings on the terms and conditions set forth in the Deed of Trust.

5.9 CONSTRUCTION RESPONSIBILITIES. Borrower shall construct the Improvements in a workmanlike manner according to the Plans and Specifications and the recommendations of any soils or engineering report approved by Lender. Borrower shall comply with all applicable laws, ordinances, rules, regulations, building restrictions, recorded covenants and restrictions, and requirements of all regulatory authorities having jurisdiction over the Property or Improvements. Borrower shall be solely responsible for all aspects of Borrower's business and conduct in connection with the Property and Improvements, including, without limitation, for the quality and suitability of the Plans and Specifications and their compliance with all governmental requirements, the supervision of the work of construction, the qualifications, financial condition and performance of all architects, engineers, contractors, material suppliers, consultants and property managers, and the accuracy of all applications for payment and the proper application of all disbursements. Neither Issuer, Bond Trustee nor Lender is obligated to supervise, inspect or inform Borrower or any third party of any aspect of the construction of the Improvements or any other matter referred to above.

5.10 ASSESSMENTS AND COMMUNITY FACILITIES DISTRICTS. Without Lender's prior written consent, Borrower shall not cause to become effective or otherwise consent to the formation of any assessment district or community facilities district which includes all or any part of the Property and Project pursuant to: (a) the Mello-Roos Community Facilities Act of 1982; (b) the Municipal Improvement Act of 1913; or (c) any other comparable or similar statute or regulation. Borrower shall not cause or otherwise consent to the levying of special taxes or assessments against the Property and Project by any such assessment district or community facilities district.

5.11 DELAY. Borrower shall promptly notify Lender in writing of any event causing more than a five (5) day delay or interruption of construction, or the timely completion of construction. The notice shall specify the particular work delayed, and the cause and period of each delay.

5.12 INSPECTIONS. Lender shall have the right, to enter upon the Property at all reasonable times and upon reasonable notice to inspect the Project and the construction work and to verify information disclosed or required pursuant to this Loan Agreement. If Lender in its reasonable judgment determines that any work or materials fail to conform to the approved Plans and Specifications or sound building practices, or that they otherwise depart from any of the requirements of this Loan Agreement, Lender may require the work to be stopped and withhold its consent to further disbursements of proceeds of the Loan and Borrower's Funds until the matter is corrected. If this occurs, Borrower must correct the work to Lender's reasonable satisfaction promptly and, at Lender's request, halt all other work pending completion of such corrective work. No such action by Lender will affect Borrower's obligation to complete the Project in substantial conformity with the Plans and Specifications on or before the Completion Date. Lender has no duty to visit the Project site, to supervise or observe construction activities or to examine any books or records. Any site visit, observation or examination by Lender is solely for the purpose of protecting Lender's rights and interests, and may not be relied upon by Borrower or by any third party as a representation or warranty of compliance with this Loan Agreement or any other agreement. No site visit,

observation or examination by Lender will impose any liability on Lender with respect to the adequacy of the design or construction of the Project or result in a waiver of any default of Borrower or be a representation that Borrower is or will be in compliance with the Plans and Specifications, that the construction is free from defective materials or workmanship, or that the construction complies with all applicable Requirements. Neither Borrower nor any other party is entitled to rely on any site visit, observation or examination by Lender. Lender owes no duty of care to protect Borrower or any other party against, or to inform Borrower or any other party of, any negligent or defective design or construction of the Project or any other adverse condition affecting the Property.

5.13 **SURVEY**. Upon Bondowner Representative's written request, Borrower shall promptly deliver to Bondowner Representative: (a) a perimeter survey of the Property; (b) upon completion of the foundations of the Improvements, a survey showing the location of the Improvements on the Property and confirming that the Improvements are located entirely within the Property and do not encroach upon any easement, or breach or violate any governmental requirement; and (c) upon completion of the Improvements, an as-built survey acceptable to a title insurer for purposes of issuing an ALTA policy of title insurance, which shall include a certification by the surveyor of Items 6 and 7(c) of Table A to the Minimum Standard Detail Requirements For ALTA/ACSM Land Title Surveys. All such surveys shall be performed and certified by a licensed engineer or surveyor acceptable to the Title Insurer.

5.14 **PAYMENT AND PERFORMANCE BONDS**. Within five (5) calendar days of Lender's written request, Borrower shall deliver to Lender dual obligee performance and labor and material payment bonds in form, substance and amount acceptable to Lender. If requested by Lender, Borrower shall record said bond and shall file the Plans and Specifications and the Construction Agreement, if any, in the Official Records of the County.

5.15 **PROJECT, TITLE, OPERATION AND MAINTENANCE**.

(a) The Issuer shall not be under any obligation to operate, maintain or repair the Property. Borrower agrees that it will, at its own expense, (a) keep the Property in safe repair and in such operating condition as is needed for its operations; (b) make all necessary repairs and replacements to the Property (whether ordinary or extraordinary, structural or nonstructural); (c) subject to the restrictions imposed by the Regulatory Agreement and the City Regulatory Agreement, operate the Project in a sound and economic manner in accordance with usual business practice; (d) operate the Project in compliance with all applicable laws, codes, environmental laws, zoning laws, the ADA (to the extent applicable) and laws regulating construction, occupancy or maintenance of property of a character included in the Project; and (e) comply with all existing and future laws, regulations, orders, building codes and restrictions and requirements of, and all permits and approvals from, and agreements with and commitments to, all governmental, judicial or legal authorities having jurisdiction over the Property or Borrower's business, conducted thereon or therefrom and with all restrictive covenants and other title encumbrances encumbering the Property, including without limitation those contained in the Regulatory Agreement (all collectively, the "**Requirements**").

(b) Borrower shall pay all expenses of the operation and maintenance of the Project including, but without limitation, adequate insurance thereon and insurance against all liability for injury to persons or property arising from the operation thereof, and all taxes and special assessments levied upon or with respect to the Project and payable during the term of this Loan Agreement, all in conformance with and subject to any good faith contest provisions provided in the Deed of Trust.

(c) In the event Borrower shall fail to maintain, or cause to be maintained, the full insurance coverage required by this Loan Agreement or shall fail to keep the Project in good repair and good operating condition and make all necessary repairs and replacements to the Project, the Lender may, after providing Borrower with reasonable notice and the opportunity to remedy the problem(s) identified by Lender, but shall be under no obligation to, contract for the required policies of insurance and pay the premiums on the same or make any required repairs, renewals and replacements; and Borrower agrees to reimburse the Issuer or the Lender to the extent of the amounts so advanced, and in addition shall pay interest on any such amount at the Default Rate from the date such amount was advanced until the date such amount was repaid or reimbursed by Borrower.

(d) Borrower shall obtain or cause to be obtained all necessary permits and approvals for the operation and maintenance of the Project and shall comply with all applicable lawful requirements of any governmental body regarding the use or condition of the Project, whether existing or later enacted or whether involving any change in governmental policy or requiring structural or other changes to part or all of the Project and irrespective of the cost of making the same.

(e) Notwithstanding the provisions of this Section 5.15, Borrower may in good faith contest the validity or the applicability of any law, ordinance, rule or regulation provided that during the period of such contest and any appeal therefrom, (i) such failure to comply with such requirement or requirements will not adversely affect the lien of the Deed of Trust or materially endanger such liens or the Project or any part thereof, (ii) will not subject the Project or any part thereof to loss or forfeiture and (iii) Borrower will post with the Lender, for the benefit of the Bondholders, cash, a bond or other reasonably acceptable security in an amount equal to 125% of the disputed amount.

(f) Borrower agrees not to permit or suffer others to commit a nuisance in or about the Property or themselves commit a nuisance in connection with their use or occupancy of the Property.

5.16 **ADVANCES**. Borrower acknowledges and agrees that under this Loan Agreement and certain of the other Loan Documents, the Bondholders, the Bond Trustee or the Lender may, but shall be under no obligation to, take certain action and make certain advances relating to the Project from certain funds held under the Indenture or otherwise, or to certain other matters as expressly provided therein, and Borrower shall be obligated to repay all such advances on demand with interest from the date such payment was originally advanced until repaid or reimbursed by Borrower at the Default Rate.

5.17 **ALTERATIONS TO THE PROJECT AND REMOVAL OF EQUIPMENT**. After completion of construction in accordance with the Plans and Specifications, subject to Section 5.5(a), Borrower shall not, without the reasonable consent of Lender, remodel or make any additions, modifications, alterations, or changes to the Project (collectively referred to as "alterations") in or to the Project or remove any equipment therefrom other than in the ordinary course of business in the operation of the Project. Notwithstanding the provisions of the Deed of Trust, no such alteration or removal will be made if to do so would impair the character of the Project as a "project" within the meaning of the Law or the Act, or impair the exclusion of interest on the Bonds from gross income for federal income tax purposes.

5.18 **CONSTRUCTION SCHEDULE**. If, based on any construction progress schedule or other materials submitted by Borrower, Lender in its reasonable judgment determines that the Project will not be completed by the Completion Date, Lender may request Borrower in writing to reschedule the work of construction to permit timely completion. In addition, if Lender in its reasonable judgment determines that any building constituting the Project will not be "placed in service" (within the meaning of Section 42 of the Code) by the Completion Date, Lender may request Borrower in writing to reschedule the work of construction. Within fifteen (15) days after receiving such a request from Lender, Borrower must deliver to Lender a revised construction progress schedule showing completion of the Project by the Completion Date. As a condition to any agreement to extend the Completion Date, Lender may require Borrower to confirm by evidence satisfactory to Lender that such extension will not have any adverse effect upon the availability of the LIHTC for the Project.

5.19 **PRESERVATION OF RIGHTS**. Borrower must obtain, preserve and maintain in good standing, as applicable, all rights, privileges and franchises necessary or desirable for the operation of the Property and the conduct of Borrower's business thereon or therefrom.

5.20 **MAINTENANCE AND REPAIR**. Borrower must (i) maintain the Property, including the parking and landscaping portions thereof, in good condition and repair, reasonable wear and tear excepted, (ii) promptly make all necessary structural and non-structural repairs to the Project (or cause tenants under any leases to perform such obligation), and (iii) not erect any new buildings, structures or building additions on the Property, without the prior written consent of Lender. Borrower must pay when due all claims for labor performed and materials furnished therefor in connection with any improvement or construction activities.

5.21 **PERFORMANCE OF ACTS**. Borrower must perform, upon Lender's request, all acts necessary to perfect any lien or security interest provided for in the Loan Documents.

5.22 **MANAGEMENT AGREEMENT**. Lender must review and approve any agreement providing for the management or operation of the Property, including any material modifications or amendments thereto before Borrower can enter into such agreement, provided, however, the approval of Lender shall not be required for the renewal of any such agreement.

5.23 **INTENTIONALLY OMITTED**.

ARTICLE 6. CONVERSION

6.1 **CONVERSION CONDITIONS**. The Project will convert ("**Conversion**") to a permanent phase subject to the satisfaction of each of the conditions precedent set forth in the _____ Agreement (the "**Conversion Conditions**") or waiver thereof, and upon the close of the CCRC Permanent Loan from CCRC to Borrower.

ARTICLE 7. INSURANCE

Borrower shall, while any obligation of Borrower or any Guarantor under any Loan Document remains outstanding, maintain at Borrower's sole expense, with licensed insurers approved by Lender, the following policies of insurance in form and substance satisfactory to Lender. Capitalized terms used in this Article shall have the same meaning as such terms are commonly and presently defined in the insurance industry.

7.1 **TITLE INSURANCE**. A Title Policy, together with any endorsements which Lender may require, insuring Bond Trustee, in the principal amount of the Loan, of the validity and the priority of the lien of the Deed of Trust upon the Property, subject only to matters approved by Lender in writing. During the term of the Loan, Borrower shall cause to be delivered to Lender, within five (5) days of Lender's written request, such other endorsements to the Title Policy as Lender may require, including without limitation, a lien-free endorsement in form and content satisfactory to Lender upon completion of the construction of the Improvements. Upon the request of Lender, or it successors or assigns, Borrower shall provide a valid recorded Notice of Completion evidencing that the Improvements are 100% complete, Lender shall have received a lien free endorsement in form and content satisfactory to Lender to be attached to the Title Policy, and an LP-10 Rewrite to the Title Policy in form and content satisfactory to Lender, or its successors or assigns.

7.2 **PROPERTY INSURANCE**.

(a) Prior to the Conversion Date, a Builders All Risk/ Special Form Completed Value (Non-Reporting Form) Hazard Insurance policy, including without limitation, theft coverage and such other coverages and endorsements as Lender may require, insuring Lender against damage to the Property and Improvements in an amount not less than 100% of the full replacement cost at the time of completion of the Improvements. Such coverage should adequately insure any and all Loan collateral, whether such collateral is onsite, stored offsite or otherwise. Bond Trustee shall be named on the policy as Mortgagee and named under a Lender's Loss Payable Endorsement (form #438BFU or equivalent).

7.3 **FLOOD HAZARD INSURANCE**. A policy of flood insurance, as required by applicable governmental regulations, or as deemed necessary by Lender, in an amount required by Lender, but in no event less than the amount sufficient to meet the requirements of applicable law and governmental regulation.

7.4 **LIABILITY INSURANCE**. A policy of Commercial General Liability insurance on an occurrence basis, with coverages and limits as required by Lender, insuring against liability for injury and/or death to any person and/or damage to any property occurring on the Property and/or in the Improvements. During the period of any construction, Borrower may cause its contractors and/or subcontractors to maintain in full force and effect any or all of the liability insurance required hereunder. Lender may require that Borrower be named as an

additional insured on any such policy. Whether Borrower employs a general contractor or performs as owner-builder, Lender may require that coverage include statutory workers' compensation insurance.

7.5 **OTHER COVERAGE**. Borrower shall provide to Lender evidence of such other reasonable insurance in such reasonable amounts as Lender may from time to time request against such other insurable hazards which at the time are commonly insured against for property similar to the subject Property located in or around the region in which the subject Property is located. Such coverage requirements may include but are not limited to coverage for earthquake, acts of terrorism, business income, rental loss, sink hole, soft costs, tenant improvement or environmental.

7.6 **OTHER INSURANCE**. If Lender so requests, Borrower must provide such certified copy of worker's compensation insurance as may be required by applicable worker's compensation insurance laws (including employer's liability insurance, if required by Lender), covering all employees of Borrower.

7.7 **GENERAL**.

(a) Borrower shall provide to Lender the originals of all required insurance policies, or other evidence of insurance acceptable to Lender. All insurance policies shall provide that the insurance shall not be cancelable or materially changed without ten (10) days prior written notice to Lender and Bond Trustee of any cancellation for nonpayment of premiums and not less than 30 days prior written notice to Lender and Bond Trustee of any other cancellation or any modification (including a reduction in coverage). Lender and Bond Trustee shall be named under a Lender's Loss Payable Endorsement (Form #438BFU or equivalent) on all insurance policies which Borrower actually maintains with respect to the Property and Improvements. All insurance policies shall be issued and maintained by insurers approved to do business in the state in which the Property is located and must have an A.M. Best Company financial rating and policyholder surplus acceptable to Lender. All proceeds of insurance policies shall be controlled by Lender and disbursed by Lender pursuant to and in accordance with Section 5.6 of the Deed of Trust. Borrower shall provide to Lender evidence of any other hazard insurance Lender may deem necessary at any time during the Loan.

(b) Each policy of insurance required under the Loan Documents must provide that it may not be modified or canceled without at least thirty (30) days prior written notice to Lender and Bond Trustee. At least ten (10) days before expiration of any required insurance policy, Borrower shall furnish Lender and Bond Trustee with proof acceptable to Lender and Bond Trustee that a new policy has been issued, continuing in force the insurance covered by the policy that is expiring. At the same time, Borrower shall also furnish Lender and Bond Trustee with evidence satisfactory to Lender that all premiums for any such new policy have been paid. If at least ten (10) days before a required policy expires, Lender and Bond Trustee do not receive proof and evidence that a new policy has been issued and that the premiums for it have been paid, Lender in its sole discretion may procure a new policy and advance funds to pay the premiums for it. Borrower shall repay Lender immediately on demand for any advance for such premiums, which shall be considered to be an additional loan to the Borrower bearing interest at the rate of interest provided for in the Note, and secured by the Loan Documents.

(c) Upon an Event of Default, whether or not the same has thereafter been cured or waived by Lender, but for the lapse of any applicable grace period, Borrower shall, at the request of Lender, deposit with Lender, in monthly installments in advance on the first day of each month, an amount sufficient, as reasonably estimated by Lender, to pay all insurance premiums next due on all policies of insurance required by this Loan Agreement or the other Loan Documents. In such event, Borrower further agrees, upon Lender's request, to cause all bills, statements or other documents relating to the foregoing insurance premiums to be sent or mailed directly to Lender. Upon receipt of such bills, statements or other documents, and provided Borrower has deposited sufficient funds with Lender pursuant to this Section 7.7, Lender shall pay such premiums as may be due thereunder out of the funds so deposited with Lender. If at any time and for any reason the funds deposited with Lender are or will be insufficient to pay such premiums as may then or subsequently be due, Lender may notify Borrower and Borrower shall immediately deposit an amount equal to the deficiency with Lender. If at any time the funds deposited with Lender exceed the amount deemed necessary by Lender to pay such premiums as may then or subsequently be due, such excess shall be credited to Borrower on the next monthly installment or installments of such

funds. Upon payment and performance in full of the Loan all indebtedness and obligations under the Loan Documents, Lender shall promptly refund to Borrower any such funds held by Lender. Nothing herein shall cause Lender to be deemed a trustee of such funds or to be obligated to pay any amounts in excess of the amount of funds deposited with Lender pursuant to this Section 7.7. Lender may commingle such deposits with its own funds and Borrower shall not be entitled to any interest thereon.

ARTICLE 8. REPRESENTATIONS AND WARRANTIES

8.1 REPRESENTATIONS AND WARRANTIES OF THE ISSUER. The Issuer makes the following representations and warranties:

(a) The Issuer is a public body, corporate and politic, organized and existing under the laws of the State. The Issuer has authorized the execution and delivery of this Loan Agreement and the Indenture.

(b) The Issuer has determined that the Loan will further the purposes of the Act and will serve the public purposes of the Act referenced in the Resolution.

(c) The Issuer has full power and authority to consummate all transactions contemplated by this Loan Agreement, the Bonds and the Indenture and any and all other agreements relating thereto.

(d) The Issuer will not knowingly take or permit to be taken any action that would adversely affect the excludability from gross income, for federal income tax purposes, of the interest payable on the Bonds.

(e) To the knowledge of the Issuer, there is no action, suit, proceeding, inquiry or investigation active, pending or 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 official 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 tax 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.

8.2 REPRESENTATIONS AND WARRANTIES OF THE BORROWER. As a material inducement to Lender's entry into this Loan Agreement and Issuer's issuance of the Bonds, Borrower represents and warrants to Lender and Issuer as of the Effective Date and continuing thereafter that:

(a) Organization Of Borrower And General Partner. Borrower is and shall at all times hereafter be a limited partnership duly organized and validly existing under the laws of the State of California and is and at all times hereafter shall be qualified and licensed to do business, and is in good standing, in any state in which it conducts its business or in which the failure to qualify could have a material adverse effect on the condition, financial or otherwise, business, the Property or results of operations of Borrower. General Partner is and shall at all times be a corporation or limited liability company, duly organized and validly existing under the laws of the state of its formation, and is and at all times shall be qualified and licensed to do business, and is in good standing, in any state in which it conducts its business or in which the failure to qualify could have a material adverse effect on the condition, financial or otherwise, of its business or the Property.

(b) Enforceability. Borrower is in compliance with all laws and regulations applicable to its organization, existence and transaction of business and has all necessary rights and powers to own, develop and operate the Property and Improvements as contemplated by the Loan Documents.

(c) Requisite Power. Borrower has all requisite partnership power to borrow the sums provided for under the Loan and under this Loan Agreement, and has all requisite power to execute, deliver, issue and perform this Loan Agreement and all other Loan Documents to which it is a party and to consummate the

transactions hereunder and thereunder. General Partner has all requisite power to act on its own behalf and as Borrower's general partner in connection with its and Borrower's execution, delivery and performance of this Loan Agreement, the other Loan Documents and any and all other documents executed in connection herewith or therewith to which it or Borrower is a party, and the consummation of the transactions hereunder or thereunder.

(d) Formation And Organizational Documents. Borrower has delivered to Lender all formation and organizational documents of Borrower, of the general partner, joint venturers or members of Borrower, if any, and Guarantor of the Loan, if any, and all such formation and organizational documents remain in full force and effect and have not been amended or modified since they were delivered to Lender. Borrower shall immediately provide Lender with copies of any amendments or modifications of the formation or organizational documents.

(e) Authorization. All partnership actions on the part of Borrower or all corporate, limited liability company and/or partnership actions on behalf of the General Partner necessary for the authorization, execution, delivery and performance of this Loan Agreement, the other Loan Documents and any and all other documents executed in connection herewith or therewith, has been duly taken and is in full force and effect. All corporate or limited liability company actions on the part of the General Partner, acting on its own behalf and as Borrower's general partner necessary for the authorization, execution, delivery and performance of this Loan Agreement, the other Loan Documents or any other document executed in connection herewith or therewith to which it or Borrower is a party have been duly taken and are in full force and effect. In addition, each authorized officer or partner executing this Loan Agreement, the other Loan Documents or any other document executed in connection herewith or therewith, is (as of the date of such execution) duly and properly in office and fully authorized to execute and deliver the same on behalf of the General Partner, acting on its own behalf and as Borrower's general partner.

(f) Binding Obligations. This Loan Agreement, the other Loan Documents and any and all other documents executed in connection herewith or therewith to which either Borrower or the General Partner is a party have been duly executed and delivered and are the legal, valid and binding obligations of Borrower and General Partner (as the case may be), enforceable in accordance with their respective terms, except as limited by applicable bankruptcy, reorganization, insolvency or similar laws affecting the enforcement of creditor's rights generally and by general principles of equity.

(g) No Violation. Borrower's and General Partner's execution, delivery, and performance under the Loan Documents do not: (a) require any consent or approval not heretofore obtained under any partnership agreement, operating agreement, articles of incorporation, bylaws or other document; (b) violate any governmental requirement applicable to the Property and Improvements or any other statute, law, regulation or ordinance or any order or ruling of any court or governmental entity; (c) conflict with, or constitute a breach or default of, or permit the acceleration of obligations under any agreement, contract, lease, or other document by which the Borrower or General Partner is or the Property and Improvements are bound or regulated; or (d) violate any statute, law, regulation or ordinance, or any order of any court or governmental entity.

(h) Compliance With Laws. Borrower has and at all times shall have obtained all permits, licenses, exemptions, and approvals necessary to construct, occupy, operate and market the Property and Improvements, and shall maintain compliance with all governmental requirements applicable to the Property and Improvements and all other applicable statutes, laws, regulations and ordinances necessary for the transaction of its business, including without limitation all laws and regulations with respect to the creation, continued effectiveness and availability of LIHTCs. The Property is a legal parcel lawfully created in full compliance with all subdivision laws and ordinances. Borrower and General Partner are in compliance in all material respects with all applicable laws, rules, regulations and ordinances. The Borrower hereby represents, covenants and agrees to comply with the provisions of all applicable state laws relating to the Bonds and the Project.

(i) Litigation. Except as disclosed to Lender and Issuer in writing, there are no claims, actions, proceedings or investigations pending against Borrower or General Partner, or affecting the Property or Improvements before any court or public authority. Borrower has no knowledge of any pending, threatened or imminent litigation, governmental investigations or complaints, actions or prosecutions involving Borrower or General Partner, or any breaches by Borrower, or General Partner or any other person or entity of any agreement to which Borrower or General Partner is a party or by which any of them is bound.

(j) Financial Condition. All financial statements and information heretofore and hereafter delivered to Lender by Borrower, including, without limitation, information relating to the financial condition of Borrower, the Property, the Improvements, the partners, joint venturers or members of Borrower, and/or any Guarantor, fairly and accurately represent the financial condition of the subject thereof as of the date hereof and have been prepared (except as noted therein) in accordance with generally accepted accounting principles consistently applied. Borrower acknowledges and agrees that Lender may request and obtain additional information from third parties regarding any of the above, including, without limitation, credit reports.

(k) No Material Adverse Change. There has been no material adverse change in the financial condition of Borrower and/or any Guarantor since the dates of the latest financial statements furnished to Lender and, except as otherwise disclosed to Lender in writing, Borrower has not entered into any material transaction which is not disclosed in such financial statements.

(l) Loan Proceeds And Adequacy. The undisbursed Loan proceeds, together with Borrower's Funds, the proceeds of the LACDC Loan, the Capital Contributions, and all other sums, if any, to be provided by Borrower as shown in Exhibit C, are sufficient to acquire and construct the Improvements in accordance with the terms and conditions of this Loan Agreement.

(m) Accuracy. All reports, documents, instruments, information and forms of evidence delivered to Lender by Borrower concerning the Loan or security for the Loan or required by the Loan Documents are accurate, correct and sufficiently complete to give Lender true and accurate knowledge of their subject matter, and do not contain any misrepresentation or omission.

(n) Tax Liability. Borrower and General Partner have filed all required federal, state, county and municipal tax returns and have paid all taxes and assessments owed and payable, and Borrower has no knowledge of any basis for any additional payment with respect to any such taxes and assessments.

(o) Utilities. All utility services, including, without limitation, gas, water, sewage, electrical and telephone, necessary for the construction and occupancy of the Property and Improvements are available at or within the boundaries of the Property, or Borrower has taken all steps necessary to assure that all such services will be available upon completion of the Improvements. Borrower shall pay when due all utility assessments and charges for gas, electricity, fuel, water, steam, sewer, drainage, refuse disposal, telephone and other services furnished to or for the benefit of the Property and all other assessments or charges of a similar nature, whether public or private, affecting the Property or any portion thereof, whether or not such assessments or charges are liens on the Property.

(p) Compliance. Borrower is familiar with and in compliance with all governmental requirements for the development of the Property and the construction of the Improvements and will conform to and comply with all governmental requirements and the Plans and Specifications.

(q) Americans With Disabilities Act Compliance. The construction of the Improvements shall be constructed and completed, and thereafter maintained, in strict accordance and full compliance with any applicable requirements of the Americans with Disabilities Act, of July 26, 1990, Pub. L. No. 101 336, 104 Stat. 327, 42 U.S.C. § 12101, et seq., as amended from time to time. Borrower shall be responsible for all ADA compliance costs.

(r) Tax Credits. Borrower has received a Tax-Exempt Reservation Letter dated _____ (the "**Preliminary Reservation Letter**"), and Borrower is entitled to a LIHTC allocation for the Improvements from TCAC. The LIHTC allocation as set forth in said Preliminary Reservation Letter is for Federal LIHTCs in the minimum amount of _____ and No/100 Dollars ($_____.00) annually for each of ten (10) years. Borrower shall completely and in a timely manner perform all actions and meet all requirements to maintain and perfect the reservations and LIHTC allocation, including, without limitation, timely furnishing to the TCAC of all of the items required to be furnished to it no later than such date as required by TCAC in order to prevent the expiration of the reservation and allocation. If Lender determines, in its sole and absolute discretion, that Borrower will not meet the TCAC requirements as set forth in the Preliminary Reservation Letter, Borrower hereby agrees to reapply for the next available allocation of

LIHTC's within all timelines and requirements as established by TCAC. Failure to do so is a Default pursuant to Section 13.1 herein. Borrower shall submit to Lender, immediately upon receipt, until the Loan has been paid in full, a copy of all written communication to or from TCAC or any other governmental authority relating to the Improvements or the LIHTC.

(s) Business Loan. The Loan is a business loan transaction in the stated amount solely for the purpose of carrying on the business of Borrower and none of the proceeds of the Loan will be used for the personal, family or agricultural purposes of the Borrower.

(t) Capital Contribution. [The Investor Limited Partner will be required to make Capital Contributions to the Partnership in exchange for Investor Limited Partner's limited partnership interest in the Partnership and that, subject to the terms and conditions of the Partnership Agreement, Investor Limited Partner will make aggregate Capital Contributions of $_____.00 with (1) the Initial Capital Contribution upon admission as a limited partner in the amount of $_____.00 (the "**Initial Capital Contribution**"), (2) a second Capital Contribution in the amount of $_____.00 (the "**Second Capital Contribution**"), and (3) a third Capital Contribution in the amount of $_____.00 (the "**Third Capital Contribution**").]

(u) Tax Shelter Regulations. Neither Borrower, any Guarantor, nor any subsidiary of any of the foregoing intends to treat the Loan or the transactions contemplated by this Loan Agreement and the other Loan Documents as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4). If Borrower or any other party to the Loan determines to take any action inconsistent with such intention, Borrower will promptly notify Lender thereof. If Borrower so notifies Lender, Borrower acknowledges that Lender may treat the Loan as part of a transaction that is subject to Treasury Regulation Section 301.6112-1, and Lender will maintain the lists and other records, including the identity of the applicable party to the Loan as required by such Treasury Regulation.

(v) Borrower Not A "Foreign Person". Borrower is not a "foreign person" within the meaning of Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended from time to time.

(w) Full Disclosure. This Loan Agreement and the financial information delivered in connection herewith and therewith, and the representations and warranties of Borrower or any member or General Partner herein and in any other document delivered or to be delivered by or on behalf of Borrower or any member or General Partner, do not and will not contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein, in light of the circumstances under which they were made, not misleading. To the best knowledge of Borrower, after diligent inquiry and investigation, there is no material fact which Borrower has not disclosed to Lender in writing which materially and adversely affects the assets, business, prospects, profits or condition (financial or otherwise) of Borrower, the rights of Lender, the ability of Borrower to perform this Loan Agreement and the Loan Documents.

(x) Bond-Related Representations.

(i) Other than the Bonds, no other obligations have been or are expected to be issued under Section 103 of the Code for sale at substantially the same time as the Bonds are sold pursuant to a common plan of marketing and at substantially the same rate of interest as the Bonds and which are payable in whole or part by Borrower or otherwise have with the Bonds any common or pooled security for the payment of debt service thereon, or which are otherwise treated as the same "issue of obligations" as the Bonds as described in Revenue Ruling No. 81-216.

(ii) Borrower is not in the trade or business of selling properties such as the Project and has acquired the Project for investment purposes only or otherwise for use by Borrower in its trade or business. Therefore Borrower has no present intention to voluntarily sell, surrender or otherwise transfer, in whole or part, its interest in the Project in the foreseeable future, other than in connection with the purchase option granted to General Partner in the Partnership Agreement.

(iii) Borrower has reviewed and approved the provisions of the Indenture.

(iv) To the best of Borrower's knowledge, no member of the governing body of the Issuer or any other officer of the Issuer has any significant or conflicting interest, financial, employment or otherwise, in Borrower, the Project or the transactions contemplated hereby.

(v) The covenants, representations and warranties of Borrower in the Regulatory Agreement are true and correct as of the date hereof and are incorporated herein by reference and made a part of this Loan Agreement.

(vi) Borrower has not entered into the transaction evidenced hereby with the actual intent to hinder, delay or defraud any creditor and Borrower has received reasonably equivalent value in exchange for its obligations hereunder and under the Deed of Trust and the Regulatory Agreement.

(vii) Borrower has no known material contingent liabilities.

(viii) Borrower has no material financial obligation under any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which Borrower is a party or by which Borrower or the Project are otherwise bound, other than (a) obligations under this Loan Agreement and the other Loan Documents to which Borrower is a party; (b) the LACDC Loan; and (c) obligations which may be incurred by Borrower from time to time in the ordinary course of business.

(ix) Borrower has not borrowed or received other debt financing that has not been heretofore repaid in full, except for the LACDC Loan.

(x) Borrower is not (a) an "investment company" or a company "controlled by an investment company" within the meaning of the Investment Company Act of 1940, as amended; (b) 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 (c) subject to any other federal or state law or regulation which purports to restrict its ability to borrow money other than Article 15 of the California State Constitution.

(xi) Except as disclosed in the Title Policy, there are no pending or, to the knowledge of Borrower, proposed special or other assessments for public improvements affecting the Project, nor, to the knowledge of Borrower, are there any contemplated improvements to the Property that may result in such special or other assessments.

(xii) No statement of fact made by Borrower herein or in the Loan Documents to which Borrower is a party contains any untrue statement of a material fact or omits to state any material fact necessary to make statements made by Borrower herein or therein not materially misleading. There is no fact presently known to Borrower which has not been disclosed which materially adversely affects or, to the best of Borrower's knowledge, would materially adversely affect the business, operations or conditions (financial or otherwise) of Borrower.

(xiii) All reports, documents, instruments, information and forms of evidence delivered to Lender or Issuer by Borrower concerning the Loan or required by the Loan Documents are (or, in the case of materials prepared by persons other than Borrower or its members or general partner, are to the best of Borrower's

knowledge) accurate, correct and sufficiently complete to give Lender or Issuer, as applicable, true and accurate knowledge of their subject matter.

(xiv) Borrower owns directly, and not through any affiliated entity, all of the personal property and fixtures necessary for the operation of the Property for the uses presently being conducted thereon.

(xv) Before any Guarantor became obligated in connection with the Loan, Borrower made full disclosure to such Guarantor regarding Borrower's financial condition and business operations, the present and former condition, uses and ownership of the Property and all other circumstances bearing upon Borrower's ability to pay and perform its obligations under the Loan Documents.

(y) Representations and Warranties of the Borrower Related to Certain Tax Matters. Borrower further represents and warrants that:

(i) as of the Effective Date, the Borrower is in compliance with all requirements of the Tax Certificate, and the representations set forth in the Tax Certificate pertaining to the Borrower and the Project are true and accurate;

(ii) the Bonds are not "federally guaranteed" as defined in Section 149(b) of the Code;

(iii) in accordance with Section 147(b) of the Code, the weighted average maturity of the Bonds does not exceed one hundred twenty percent (120%) of the weighted average reasonably expected economic life of the facilities (comprising the Project) financed with the proceeds of the Bonds, determined as of the later of the date the Bonds are issued or the date the facilities are expected to be placed in service;

(iv) neither the Borrower nor, to the best knowledge of the Borrower, any "related person" to the Borrower (within the meaning of Section 147(a)(2) of the Code), will purchase Bonds pursuant to any arrangement, formal or informal;

(v) the information furnished by the Borrower and used by the Issuer in preparing the certificate pursuant to Section 148 of the Code and information statement pursuant to Section 149(e) of the Code is accurate and complete as of the date of the issuance of the Bonds;

(vi) the acquisition and construction of the Project were not commenced prior to the sixtieth (60th) day preceding the Issuer's expression of intent with respect to the Project on _____, and no obligation for which reimbursement will be sought from proceeds of the Bonds relating to the construction or equipping of the Project was paid or incurred prior to sixty (60) days prior to such date;

(vii) the Project is, as of the Closing Date, in compliance with all requirements of the Regulatory Agreement to the extent such requirements are applicable on the Closing Date and the representations and warranties of the Borrower in Sections 2 and 3 of the Regulatory Agreement are true and correct;

(viii) the Borrower intends to cause the residential units in the Project to be rented or available for rental on a basis which satisfies the requirements of the Regulatory Agreement, including all applicable requirements of the Act and the Code, and pursuant to leases which comply with all applicable laws; and

(ix) no money on deposit in any fund or account in connection with the Bonds, whether or not such money was derived from other sources, will be used by or under the direction of the Borrower in a manner which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

8.3 TAX EXEMPTION; REGULATORY AGREEMENT. Borrower (and with respect to Section 8.3(a), (b) and (c), the Issuer) hereby covenants, represents and agrees as follows:

(a) not to knowingly take or omit to take any action with respect to this Loan Agreement (with respect to the Issuer) and not to take or omit to take any action with respect to this Loan Agreement or the Project (solely with respect to Borrower) that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds (so long as the Bonds are not owned by a person or entity which is a "substantial user" of the Property);

(b) to take such action or actions, including amendment of the Regulatory Agreement, to the extent deemed necessary in the opinion of Bond Counsel, to preserve or perfect the exclusion of interest on the Bonds from gross income for federal income tax purposes;

(c) at the expense of Borrower, to file of record such documents and take such other steps as are necessary in order to insure that the requirements and restrictions of the Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of the Regulatory Agreement in the real property records of Los Angeles County, California;

(d) to notify any subsequent owner of the Project of the requirements and restrictions contained in the Regulatory Agreement in any documents transferring any interest in the Project to another person to the end that such transferee has notice of such restrictions, and to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement; and

(e) to provide to the Issuer notice of any action (other than actions in its ordinary course of business) which impacts the Issuer's rights hereunder or under the Regulatory Agreement.

8.4 REPRESENTATIONS OF BORROWER AS SINGLE PURPOSE ENTITY.

(a) Borrower covenants and agrees that it shall not:

(i) (1) except for the LACDC Loan, incur, create or assume any indebtedness for borrowed money except indebtedness represented by an invoice, statement of account, check, work request, purchase order or other similar document representing expenses relating to activities of Borrower undertaken in accordance with its formation documents or (2) transfer or lease the Project or any interest therein, except as permitted under Section 5.12 of the Deed of Trust;

(ii) engage, directly or indirectly, in any business other than that arising out of or entering into this Loan Agreement and the other Loan Documents to which Borrower is a party and the ownership, management, leasing, construction, development, operation and maintenance of the Project;

(iii) commingle its assets with the assets of any other entity;

(iv) partition the Property except as expressly permitted under the Deed of Trust; or

(v) voluntarily file or consent to the filing of a petition for bankruptcy, reorganization, assignment for the benefit of creditors or similar proceeding under any federal or state bankruptcy, insolvency, reorganization or other similar law, without the unanimous consent of its partners.

Borrower represents and warrants that as the date hereof it does not have any indebtedness or obligations which would cause it to be in violation of the foregoing covenants.

Further, Borrower covenants that it will do or cause to be done all things necessary to preserve and keep in full force and effect its existence, will not engage in, seek or consent to any dissolution, winding up, liquidation, consolidation, merger or asset sale; will not materially modify its Partnership Agreement without the prior written consent of Lender (it being understood that Lender's consent may be granted or withheld as to transfers of partnership interests in a manner consistent with this Loan Agreement and Section 5.12 of the Deed of Trust, may be withheld as to any amendment which reduces the obligations of the partners to contribute funds to Borrower below amounts necessary to maintain the Financial Requirements Analysis "in balance", and shall not otherwise be unreasonably withheld); will pay all expenses of the Project from assets of Borrower; will maintain separate books and records and bank accounts; will at all times hold itself out to the public as a separate and distinct legal entity (including in its leasing activities, in entering into any contract and in preparing its financial statements); will file its own tax returns; and will cause its management to meet regularly to carry on its business.

(b) Borrower shall do all things necessary to preserve and keep in full force and effect its existence, rights and privileges under the laws of the State and its right to own property or transact business in the State. Borrower further represents and warrants that it is, and, so long as any portion of the Loan shall remain unpaid, shall do all things necessary to continue to be, an entity which is formed or organized solely for the purpose of holding, directly, an ownership interest in the Project, does not engage in any business unrelated to such properties and the financing thereof, does not have any assets other than those related to its interest in the properties or the financing thereof or any indebtedness other than the LACDC Loan, and as permitted by the Deed of Trust or the other Loan Documents, has its own separate books and records and its own accounts, in each case which are separate and apart from the books and records and accounts of any other entity and will maintain the same as official records, holds itself out as being an entity, separate and apart from any other entity and will conduct its business in its own name.

(c) Borrower will not fail to correct any known misunderstanding regarding the separate identity of Borrower.

(d) Borrower will not assume or guarantee or become obligated for the debts of any other entity or hold out its credit as being available to satisfy the obligations of any other entity; will allocate fairly and reasonably any overhead for shared office space; will not pledge its assets for the benefit of any other person or entity; will not make loans to any person or entity; will not enter into or be a party to any transaction with its partners or affiliates except (a) pursuant to its Partnership Documents as they exist as of the date of this Loan Agreement; (b) in the ordinary course of business and on terms which are no less favorable to it than would be obtained in a comparable arm's-length transaction with an unrelated third party; or (c) for the LACDC Loan.

(e) Any firm, corporation or partnership which can make the representations and warranties and satisfy the covenants set forth in this Section 8.4 shall constitute a "Single Purpose Entity."

ARTICLE 9. HAZARDOUS MATERIALS

9.1 **SPECIAL REPRESENTATIONS AND WARRANTIES**. Without in any way limiting the other representations and warranties set forth in this Loan Agreement, and after reasonable investigation and inquiry, Borrower hereby specially represents and warrants to the best of Borrower's knowledge as of the date of this Loan Agreement as follows:

(a) **Hazardous Materials**. Except as previously disclosed to Lender in (i) that certain Phase I Environmental Site Assessment 1422 San Fernando Road, San Fernando, California dated September 29, 2010, prepared by Smith-Emery Geoservices, and (ii) [OTHER?], the Property and Improvements are not and have not been a site for the use, generation, manufacture, storage, treatment, release, threatened release, discharge, disposal, transportation or presence of any oil, flammable explosives, asbestos, urea formaldehyde insulation, radioactive materials, hazardous wastes, toxic or contaminated substances or

similar materials, including, without limitation, any substances which are "hazardous substances," "hazardous wastes," "hazardous materials," "toxic substances," "wastes," "regulated substances," "industrial solid wastes," or "pollutants" under the Hazardous Materials Laws, as described below, and/or other applicable environmental laws, ordinances and regulations (collectively, the "**Hazardous Materials**"). "Hazardous Materials" shall not include commercially reasonable amounts of such materials used in the ordinary course of construction and/or operation of the Property which are used and stored in accordance with all applicable environmental laws, ordinances and regulations.

(b) **Hazardous Materials Laws**. The Property and Improvements are in compliance with all laws, ordinances and regulations relating to Hazardous Materials ("Hazardous Materials Laws"), including, without limitation: the Clean Air Act, as amended, 42 U.S.C. Section 7401 et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1251 et seq.; the Resource Conservation and Recovery Act of 1976, as amended, 42 U.S.C. Section 6901 et seq.; the Comprehensive Environment Response, Compensation and Liability Act of 1980, as amended (including the Superfund Amendments and Reauthorization Act of 1986, "CERCLA"), 42 U.S.C. Section 9601 et seq.; the Toxic Substances Control Act, as amended, 15 U.S.C. Section 2601 et seq.; the Occupational Safety and Health Act, as amended, 29 U.S.C. Section 651, the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. Section 11001 et seq.; the Mine Safety and Health Act of 1977, as amended, 30 U.S.C. Section 801 et seq.; the Safe Drinking Water Act, as amended, 42 U.S.C. Section 300f et seq.; and all comparable state and local laws, laws of other jurisdictions or orders and regulations.

(c) **Hazardous Materials Claims**. There are no claims or actions ("**Hazardous Materials Claims**") pending or threatened against Borrower, the Property or Improvements by any governmental entity or agency or by any other person or entity relating to Hazardous Materials or pursuant to the Hazardous Materials Laws.

9.2 BORDER ZONE PROPERTY. The Property has not been designated as Border Zone Property under the provisions of California Health and Safety Code, Sections 25220 et seq. and there has been no occurrence or condition on any real property adjoining or in the vicinity of the Property that could cause the Property or any part thereof to be designated as Border Zone Property.

9.3 HAZARDOUS MATERIALS COVENANTS. Borrower agrees as follows:

(a) No Hazardous Activities. Borrower shall not cause or permit the Property or Improvements to be used as a site for the use, generation, manufacture, storage, treatment, release, discharge, disposal, transportation or presence of any Hazardous Materials.

(b) Compliance. Borrower shall comply and cause the Property and Improvements to comply with all Hazardous Materials Laws.

(c) Notices. Borrower shall immediately notify Lender in writing of: (i) the discovery of any Hazardous Materials on, under or about the Property and Improvements; (ii) any knowledge by Borrower that the Property and Improvements do not comply with any Hazardous Materials Laws; (iii) any Hazardous Materials Claims; and (iv) the discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property that could cause the Property or any part thereof to be designated as Border Zone Property.

(d) Remedial Action. In response to the presence of any Hazardous Materials on, under or about the Property or Improvements, Borrower shall immediately take, at Borrower's sole expense, all remedial action required by any Hazardous Materials Laws or any judgment, consent decree, settlement or compromise in respect to any Hazardous Materials Claims.

9.4 INSPECTION BY LENDER. Upon reasonable prior notice to Borrower, Lender, its employees and agents, may from time to time (whether before or after the commencement of a nonjudicial or judicial foreclosure proceeding) enter and inspect the Property and Improvements for the purpose of determining the

existence, location, nature and magnitude of any past or present release or threatened release of any Hazardous Materials into, onto, beneath or from the Property and Improvements.

9.5 HAZARDOUS MATERIALS INDEMNITY. BORROWER HEREBY AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS ISSUER, BOND TRUSTEE AND LENDER, THEIR GOVERNING BODIES, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS FROM AND AGAINST ANY AND ALL LOSSES, DAMAGES, LIABILITIES, CLAIMS, ACTIONS, JUDGMENTS, COURT COSTS AND LEGAL OR OTHER EXPENSES (INCLUDING, WITHOUT LIMITATION, ATTORNEYS' FEES AND EXPENSES), EXCEPT ARISING FROM LENDER'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, WHICH ISSUER OR LENDER MAY INCUR AS A DIRECT OR INDIRECT CONSEQUENCE OF THE USE, GENERATION, MANUFACTURE, STORAGE, DISPOSAL, THREATENED DISPOSAL, TRANSPORTATION OR PRESENCE OF HAZARDOUS MATERIALS IN, ON, UNDER OR ABOUT THE PROPERTY OR IMPROVEMENTS. BORROWER SHALL IMMEDIATELY PAY TO ISSUER AND LENDER UPON DEMAND ANY AMOUNTS OWING UNDER THIS INDEMNITY, TOGETHER WITH INTEREST FROM THE DATE THE INDEBTEDNESS ARISES UNTIL PAID AT THE RATE OF INTEREST APPLICABLE TO THE PRINCIPAL BALANCE OF THE NOTE. BORROWER'S DUTY AND OBLIGATIONS TO DEFEND, INDEMNIFY AND HOLD HARMLESS ISSUER AND LENDER SHALL SURVIVE THE CANCELLATION OF THE NOTE AND THE RELEASE, RECONVEYANCE OR PARTIAL RECONVEYANCE OF THE DEED OF TRUST.

9.6 LEGAL EFFECT OF SECTION. Borrower and Lender agree that: (a) this Article 9 is intended as Lender's written request for information (and Borrower's response) concerning the environmental condition of the real property security as required by California Code of Civil Procedure §726.5; and (b) each provision in this Article (together with any indemnity applicable to a breach of any such provision) with respect to the environmental condition of the real property security is intended by Issuer, Lender and Borrower to be an "environmental provision" for purposes of California Code of Civil Procedure §736, and as such it is expressly understood that Borrower's duty to indemnify Issuer and Lender hereunder shall survive: (i) any judicial or non-judicial foreclosure under the Deed of Trust, or transfer of the Property in lieu thereof; (ii) the release and reconveyance or cancellation of the Deed of Trust; and (iii) the satisfaction of all of Borrower's obligations under the Loan Documents.

ARTICLE 10. SET ASIDE LETTERS

10.1 SET ASIDE LETTERS. If, at Borrower's request, Lender issues any letter or letters ("**Set Aside Letter**") to any governmental agency ("**Obligee**") or bonding company ("**Surety**") whereby Lender agrees to allocate Loan proceeds for the construction of off-site, common area, or other improvements required by any governmental agency or for which bonds may be required ("**Bonded Work**") in connection with the development of the Property, Borrower represents, warrants, covenants and agrees as follows:

(a) The sum which Borrower requests Lender to allocate for the Bonded Work shall be sufficient to pay for the construction and completion cost of the Bonded Work in accordance with any agreement between Borrower and Obligee and a copy of such agreement shall be furnished to Lender by Borrower prior to and as a condition precedent to the issuance by Lender of any Set Aside Letter;

(b) Lender is irrevocably and unconditionally authorized to disburse to the Obligee or Surety all or any portion of said allocated Loan proceeds upon a demand of such Surety or Obligee made in accordance with the terms and conditions of the Set Aside Letter;

(c) Any disbursements or payments which Lender makes or may be obligated to make under any Set Aside Letter, whether made directly to the Surety, Obligee, or to others for completion of all or part of the Bonded Work, shall be deemed a disbursement under this Loan Agreement to or for the benefit or account of Borrower;

(d) BORROWER SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS LENDER FROM ANY CLAIM, DEMAND, CAUSE OF ACTION, DAMAGE, LOSS OR LIABILITY, INCLUDING, WITHOUT LIMITATION, ANY COURT COSTS AND REASONABLE ATTORNEYS' FEES AND EXPENSES, EXCEPT AS ARISING FROM LENDER'S GROSS NEGLIGENCE OR

WILLFUL MISCONDUCT, WHICH LENDER MAY SUFFER OR INCUR AS A DIRECT OR INDIRECT CONSEQUENCE OF ITS ISSUANCE OF OR COMPLIANCE WITH ANY REQUESTED SET ASIDE LETTER. BORROWER SHALL PAY ANY INDEBTEDNESS ARISING UNDER THIS INDEMNITY TO LENDER IMMEDIATELY UPON DEMAND OF LENDER. BORROWER'S DUTY TO DEFEND, INDEMNIFY AND HOLD HARMLESS LENDER HEREUNDER SHALL SURVIVE THE RELEASE AND CANCELLATION OF THE NOTE AND THE FULL OR PARTIAL RELEASE OR RECONVEYANCE OF THE DEED OF TRUST OR OTHER LOAN DOCUMENTS;

(e) Lender shall have no obligation to release any collateral or security under the Loan Documents unless and until Lender has received a full and final written release of its obligations under each Set Aside Letter; and

(f) The fee for issuing each Set Aside Letter hereunder shall be one and one-half percent (1.50%) per annum of the Set Aside Letter amount.

ARTICLE 11. COVENANTS OF BORROWER

11.1 **COMPLIANCE WITH COVENANTS**. So long as this Loan Agreement continues in effect, and until the full and final repayment of the Loan and all indebtedness of Borrower to Issuer and Lender, Borrower shall keep each of the covenants set forth below, elsewhere herein, in the Loan Documents, in the Hazardous Materials Indemnity Agreement (Unsecured), in the Indenture, including, all the duties and obligations which the Issuer has covenanted and agreed in the Indenture to cause the Borrower to perform and any duties and obligations which the Borrower is required in the Indenture to perform. The foregoing will not apply to any duty or undertaking of the Issuer, which by its nature cannot be delegated or assigned), in the Regulatory Agreement, and in the documents relating to the Tax Credits. Borrower shall comply with all existing and future laws, regulations, orders, building restrictions and requirements of, and all agreements with and commitments to, all governmental, judicial or legal authorities having jurisdiction over the Property, including those pertaining to the sale, leasing or financing of the Property, and with all covenants and restrictions, whether recorded or not, affecting the Property (all collectively, the "**Requirements**").

11.2 **EXPENSES**. Borrower shall immediately pay Lender and/or Bond Trustee upon demand all costs and expenses incurred by Lender or Bond Trustee in connection with: (a) the preparation of this Loan Agreement, all other Loan Documents, and Other Related Documents contemplated hereby; (b) the administration of this Loan Agreement, the Indenture, the other Loan Documents and Other Related Documents for the term of the Loan; (c) the enforcement or satisfaction by Lender of any of Borrower's obligations under this Loan Agreement, the other Loan Documents, the Indenture, or the Other Related Documents and (d) any revisions, extensions, renewals, refinancings, additional disbursements or "workouts" of the Loan, and in the exercise of any of Lender's rights or remedies under this Loan Agreement. For all purposes of this Loan Agreement, Lender's costs and expenses shall include, without limitation, all recording and escrow charges, appraisal fees, mortgage taxes, cost engineering and inspection fees, legal fees and expenses, administration/documentation expenses (including without limitation photocopying, postage, telephone, messenger, fax, private express mail, etc.), accounting fees, environmental consultant fees, auditor fees, UCC filing fees and UCC vendor fees, flood certification vendor fees, tax service vendor fees and the cost to Lender of any recording and filing fees, escrow fees, title insurance premiums, title surveys, survey invoices, legal fees, appraisal and inspection fees, reconveyance and notary fees. Borrower recognizes and agrees that formal written appraisals of the Property and Improvements by a licensed independent appraiser may be required by Lender's internal procedures and/or federal regulatory reporting requirements on an annual and/or specialized basis and that Lender may, at its option, require inspection of the Property and Improvements by an independent supervising architect and/or cost engineering specialist: (i) prior to each advance; (ii) at least once each month during the course of construction even though no disbursement is to be made for that month; (iii) upon completion of the Improvements; and (iv) at least semi-annually thereafter. If any of the services described above are provided by an employee of Lender or Bond Trustee, Lender or Bond Trustee's costs and expenses for such services shall be calculated in accordance with Lender or Bond Trustee's standard charge for such services.

11.3 **ERISA COMPLIANCE**. Borrower shall at all times comply with the provisions of ERISA with respect to any retirement or other employee benefit plan to which it is a party as employer, and as soon as possible after Borrower knows, or has reason to know, that any Reportable Event (as defined in ERISA) with respect to any

such plan of Borrower has occurred, it shall furnish to Lender a written statement setting forth details as to such Reportable Event and the action, if any, which Borrower proposes to take with respect thereto, together with a copy of the notice of such Reportable Event furnished to the Pension Benefit Guaranty Corporation.

11.4 TAX CREDIT INVESTMENT. Pursuant to the terms and conditions of the Partnership Agreement, Investor Limited Partner has purchased a limited partnership interest in the Partnership in exchange for making the Capital Contributions to the Partnership. The Partnership shall: (a) timely satisfy its obligations required for the funding of the Capital Contributions; (b) not commit any breach or default under the Partnership Agreement which is not cured within the applicable time set forth in the Partnership Agreement; (c) maintain the Partnership Agreement in full force and effect until all sums owing to Lender with respect to the Loan as a condition to Conversion have been paid; (d) not consent to any termination, amendment or modification of the Partnership Agreement prior to Conversion which would modify the timing or amounts of the Investor Limited Partner's Capital Contributions without Lender's prior written consent or as otherwise permitted under the terms of the Loan Agreement; and (e) except for the Initial Capital Contribution, not use any of the proceeds of the Capital Contribution for any purpose other than for payment to Lender until Conversion has occurred.

11.5 OTHER INVESTMENT IN BORROWER. Any investments in or contributions to Borrower (other than the Capital Contributions) required to be made by any shareholder, general partner or limited partner, as the case may be, shall be made at the times and on the terms and conditions set forth in any documents or agreements so providing as such documents or agreements exist as of the Effective Date.

11.6 TAX EXEMPTION. Borrower shall, when eligible to do so, take all action necessary to qualify for, and obtain and maintain the maximum exemption from all general property taxes for the property under the California Revenue and Taxation Code Section 214(g). In addition, Borrower shall take, or cause the General Partner to take, all actions necessary to obtain and maintain the Managing General Partner's tax exempt status pursuant to Section 501(c)(3) of the Code.

11.7 PROCEEDS OF THE CAPITAL CONTRIBUTIONS. Other than the Initial Capital Contribution and until Conversion, none of the proceeds of the Capital Contributions shall be used for any purpose other than for payment of the Bonds until all sums owing to Lender under the Loan Documents have been paid in full, unless Lender consents in writing to such other use. Further, Borrower covenants and agrees that Borrower will comply and cause its General Partner to comply with all obligations and requirements under its Partnership Documents necessary to cause the Investor Limited Partner to timely fund all Capital Contributions to Borrower for payment of the Bonds until all sums owing to Lender under the Loan Documents have been paid in full. After the Closing Date, on the dates Investor Limited Partner funds the Capital Contributions, Borrower shall pay and deliver to Bond Trustee or direct Investor Limited Partner to pay such Capital Contribution directly to Bond Trustee to repay, in part, the Loan and to redeem the Bonds.

11.8 LEASING. After completion of the construction of the Improvements, Borrower agrees to use commercially reasonable efforts to lease one hundred percent (100%) of the Improvements to tenants and such leases will be at rental rates consistent with the low income requirements of TCAC and any Restrictions, with one manager's unit permitted.

11.9 APPROVAL OF LEASES. All leases and renewals of leases of all or any part of the Property and Improvements entered into after the Effective Date shall be upon terms consistent with the Approved Form. All standard lease forms, and any material deviation from the Approved Form shall be approved by Lender, and if required pursuant to agreements with the Investor Limited Partner, by Investor Limited Partner, in writing prior to execution of any such lease. All residential leases (on the Approved Form), and other leases or residency agreements entered into by Borrower, and all indebtedness arising thereunder or secured thereby, shall contain a provision stating that such leases and such tenants' rights thereunder are unconditionally junior and subordinate to the Regulatory Agreement, the Deed of Trust and the Loan Documents, and all indebtedness arising thereunder or secured thereby.

11.10 INCOME TO BE APPLIED TO DEBT SERVICE. Borrower shall first apply all income from leases, and all other income derived from the Property, to pay costs and expenses associated with the ownership, maintenance, development, operation, and marketing of the Land and the Improvements, including all amounts then

required to be paid under the Loan Documents, before using or applying such income for any other purpose. Prior to Conversion, (a) all Net Monthly Cash Income shall be used first to pay monthly interest payments coming due under the Loan except as otherwise provided in the Loan Documents, and (b) except as may be otherwise permitted herein, Borrower may not distribute any income to any of its members, partners, or shareholders, allow any member, partner, or shareholder to withdraw capital or make any payments on indebtedness owed to any member, partner, or shareholder.

11.11 **SUBDIVISION MAPS**. Prior to recording any final map, plat, parcel map, lot line adjustment or other subdivision map of any kind covering any portion of the Property (collectively, "**Subdivision Map**"), Borrower shall submit such Subdivision Map to Lender for Lender's review and approval, which approval shall not be unreasonably withheld. Within ten (10) Business Days after Lender's receipt of such Subdivision Map, Lender shall provide Borrower written notice if Lender disapproves of said Subdivision Map. Lender shall be deemed to have approved the Subdivision Map if such notice is not provided to Borrower. Within five (5) Business Days after Lender's request, Borrower shall execute, acknowledge and deliver to Lender such amendments to the Loan Documents as Lender may reasonably require to reflect the change in the legal description of the Property resulting from the recordation of any Subdivision Map. In connection with and promptly after the recordation of any amendment or other modification to the Deed of Trust recorded in connection with such amendments, Borrower shall deliver to Lender, at Borrower's sole expense, a title endorsement to the Title Policy in form and substance satisfactory to Lender insuring the continued first priority lien of the Deed of Trust. Subject to the execution and delivery by Borrower of any documents required under this Section, Lender shall, if required by applicable law, sign any Subdivision Map approved, or deemed to be approved, by Lender pursuant to this Section.

11.12 **OPINION OF LEGAL COUNSEL**. Borrower shall provide, at Borrower's expense, an opinion of legal counsel in form and content satisfactory to Lender which opinion shall be transferable and shall state that Bond Trustee's successors and assigns as holder of the Note are permitted to rely on the opinion, to the effect that: (a) upon due authorization, execution and recordation or filing as may be specified in the opinion, each of the Loan Documents to which the Borrower or Guarantors are a party shall be a legal, valid and binding instrument, enforceable against the Borrower and/or Guarantors, as applicable, in accordance with their respective terms; (b) Borrower is duly formed and has all requisite authority to enter into the Loan Documents; and (c) such other matters, incident to the transactions contemplated hereby, as Lender may reasonably require.

11.13 **FURTHER ASSURANCES**. Upon Lender's request and at Borrower's sole cost and expense, Borrower shall execute, acknowledge and deliver any other instruments and perform any other acts necessary, desirable or proper, as determined by Lender, to carry out the purposes of this Loan Agreement and the other Loan Documents or to perfect and preserve any liens created by the Loan Documents.

11.14 **ASSIGNMENT**. Without the prior written consent of Lender, Borrower shall not assign Borrower's interest under any of the Loan Documents, or in any monies due or to become due thereunder, and any assignment without such consent shall be void. In this regard, Borrower acknowledges that Lender would not make this Loan except in reliance on Borrower's expertise, reputation, prior experience in developing and constructing commercial real property, Lender's knowledge of Borrower, and Lender's understanding that this Loan Agreement is more in the nature of an agreement involving personal services than a standard loan where Lender would rely on security which already exists. Lender shall not unreasonably withhold its consent to a transfer to the General Partner pursuant to the purchase option and right of first refusal to be granted to the General Partner in the Partnership Agreement.

11.15 **COMPLIANCE WITH LAWS**. Borrower shall comply with all laws and requirements of Governmental Authorities and all rights of third parties, relating to the Property or Borrower's business or other properties, and deliver to Lender from time to time, within ten (10) days of Lender's request therefor, evidence satisfactory to Lender that Borrower has complied with any such law, requirement or right.

11.16 **MAINTENANCE AND SECURITY FOR PROJECT**. Borrower shall maintain the Project in good condition and repair subject to reasonable wear and tear (such condition and repair to be consistent with that of competing properties), take all measures reasonably required by Lender to protect the physical security of the Project, and not permit any waste or damage with respect to the Project.

11.17 NOTICE OF CERTAIN MATTERS. Borrower shall give notice to Lender and the Issuer, within 7 days of Borrower's actual knowledge thereof, of each of the following:

(a) any litigation or claim of any kind affecting or relating to Borrower or to Guarantor, and involving an amount in excess of $50,000.00, and any litigation or claim of any kind that might subject Borrower to liability in excess of $50,000.00, whether covered by insurance or not;

(b) any aspect of the Project that is not in conformity with the Plans and Specifications in a material respect;

(c) the creation or imposition of any mechanic's lien, materialmen's lien or other lien against the Project unless Borrower shall post statutory bonds or other security satisfactory to Lender sufficient to cause the removal of such lien;

(d) the occurrence of any default that remains uncured beyond any applicable notice and cure period by Borrower or any other party under any Project Agreement, or the receipt by Borrower of any notice of default under any Project Agreement;

(e) the occurrence of any dispute between Borrower and any Governmental Authority relating to the Project, the adverse determination of which might materially affect the Project;

(f) the occurrence of any threat or commencement of proceedings in condemnation or eminent domain relating to Borrower's ownership of the Project;

(g) the use of any trade name hereafter used by Borrower in connection with the Project, other than the use of the trade name "Mid Celis Apartments";

(h) any change in Borrower's principal place of business;

(i) the occurrence of any Default or event which, with the giving of notice or the passage of time or both, would constitute a Default;

(j) the occurrence of any other event or condition causing a material adverse change in the financial condition or operations of Borrower, or in the physical condition of the Property; and

(k) any communication, whether written or oral, that Borrower may receive from any governmental, judicial or legal authority, giving notice of any claim or assertion that the Property fail in any material respect to comply with any of the Requirements or any applicable governmental law.

11.18 LIENS ON PROPERTY. Borrower shall not cause or suffer to become effective any lien, restriction or other title limitation affecting any part of the Property other than mechanics' liens permitted pursuant to Section 4.2(j), the Regulatory Agreement, the Deed of Trust, the LACDC Deed of Trust, the LACDC Regulatory Agreement, the City Regulatory Agreement or, at and following Conversion, the TCAC Regulatory Agreement and any other liens or encumbrances previously approved by Lender in writing and the inchoate liens securing the payment of taxes and assessments not delinquent. Borrower acknowledges that, with any project of the magnitude of the Project, modifications of the Plans and Specifications and Loan Documents may be necessary from time to time and that the existence of junior lienholders, who would be required to consent to such modifications in order to protect the priority of the lien of the Deed of Trust, could impair the expeditious completion of the Project, to the detriment of all parties.

11.19 PROHIBITION OF TRANSFER.

(a) Borrower represents, agrees and acknowledges that:

(i) Development of real property is a highly complex activity which requires substantial knowledge of law and business conditions and practices, and an

ability to control, coordinate and schedule the many factors affecting such development. Experience, financial stability, managerial ability and a good reputation in the business community enhance a developer's ability to obtain market rents (or maximum permissible rents pursuant to the Regulatory Agreement) and/or sales prices and to induce cooperation in scheduling and are taken into account by Lender in approving loan applications.

(ii) Borrower has represented to Lender, not only in the representations and warranties contained in the Loan Documents, but also in its initial credit application and in all of the negotiations connected with the Loan, certain facts concerning Borrower's financial stability, managerial and operational ability, reputation, skill, and creditworthiness. Lender has relied upon these representations and warranties as a substantial and material consideration in its decision to enter into this Loan Agreement.

(iii) The conditions and terms provided in this Loan Agreement were induced by these representations and warranties and would not have been made available by Lender in the absence of these representations and warranties.

(iv) Borrower's financial stability and managerial and operational ability and that of those persons or entities having a direct or beneficial interest in Borrower are a substantial and material consideration to any third parties who have entered or will enter into agreements with Borrower.

(v) Lender has relied upon the skills and services offered by such third parties and the provision of such skills and services is jeopardized if Borrower breaches its covenants contained below regarding transfers.

(vi) Except as otherwise permitted under Section 11.19(b), a transfer of possession of or title to the Property, or a change in the person or entity operating, developing, constructing or managing the Property would substantially increase the risk of Default under the Loan Documents and significantly and materially impair and reduce Lender's security for the obligations under this Loan Agreement.

(b) In consideration of Lender's induced reliance on such representations, warranties and agreements, Borrower shall not make any transfer prohibited by Section 5.12 of the Deed of Trust or Section 13 of the Regulatory Agreement. Lender acknowledges that Borrower will grant or may grant an option to purchase the Project during or prior to year fifteen (15) of the Tax Credit compliance period and a right of first refusal with respect to transfers of the Project to the General Partner of the Partnership. The grant of such option and/or such right of first refusal shall not constitute a violation of this Section 11.19, but any purchase of the Project pursuant to such option or right of first refusal shall constitute a violation of this Section 11.19 unless such purchase is permitted pursuant to the Loan Documents.

(c) Without the prior written consent of Lender and/or Issuer, as applicable, Borrower shall not assign Borrower's interest under any of the Bond Documents or Loan Documents, or in any monies due or to become due thereunder, and any assignment without such consent shall be void.

(d) Notwithstanding any other provision of this Loan Agreement or the other Loan Documents to the contrary:

(i) Subject to the requirements for Issuer approval set forth in Section 13 of the Regulatory Agreement, the Investor Limited Partner of the Borrower shall be permitted to remove the general partner of Borrower for cause and substitute a new general partner in its place in accordance with the terms and conditions of the Partnership Agreement; provided, however, that (A) Investor Limited

Partner shall obtain the prior written consent of Lender to such removal and substitution, which consent shall not be unreasonably withheld, provided further, however, that Lender consent shall not be required if the Investor Limited Partner or an entity that controls, is controlled by, or is under common control with either the Investor Limited Partner or Wells Fargo Bank, N.A. or its successor is the substitute general partner, and, within sixty (60) days of being designated as substitute general partner of the Borrower, Investor Limited Partner or such other entity described above transfers its general partnership interest in the Borrower to a nonprofit public benefit corporation in accordance with the terms and conditions of the Partnership Agreement and this Section 11.19; (B) Investor Limited Partner can demonstrate to Lender's reasonable satisfaction that the Loan is "in balance" notwithstanding any loss of property tax exemption which may result in such substitution, (C) the substitute general partner is admitted no later than sixty (60) days after the date of removal of the general partner or such longer period of time as Lender may consent to, and (D) the substitute general partner shall execute and deliver to Lender such documents as Lender may reasonably require in order to evidence its assumption of all of the rights and obligations of the removed general partner under all the Loan Documents. In the event that the general partner being replaced pursuant to this subsection is the Administrative General Partner, then no further transfer of such general partner interest to a nonprofit will be required so long as the Managing General Partner retains its general partnership interest.

(ii) The Investor Limited Partner may make a transfer of its interest in Borrower as a result of the exercise of the purchase option granted to General Partner or an affiliate of General Partner under the Partnership Agreement.

(iii) The Investor Limited Partner and any direct or indirect owner thereof may make a Permitted Transfer of its respective interest in Borrower (as applicable).

11.20 MANAGEMENT OF PROPERTY. Without the prior written consent of Lender, Borrower shall not enter into any agreement providing for the management, leasing or operation of the Property or Improvements. Lender hereby approves of the Property Management Agreement by and between Borrower and the Property Manager. During the term of the Loan, Property Manager shall provide management for the Property, pursuant to the Property Management Agreement. Borrower shall not (i) amend, modify or waive any default under the Property Management Agreement, or any successor thereof, without Lender's prior written consent, or (ii) dismiss or replace the Property Manager, without Lender's prior written consent, which shall not be unreasonably withheld, conditioned or delayed.

11.21 NO AMENDMENTS. Subject to Section 8.4(a), Borrower shall not amend, modify or terminate any of the following documents without Lender's prior written consent and shall keep in full force and effect the following documents:

(a) The Ground Lease;

(b) The Partnership Documents;

(c) Regulatory Agreement; and

(d) All documents executed in connection with the LACDC Loan.

Notwithstanding the foregoing, General Partner shall be entitled to amend the Partnership Agreement without Lender's prior written consent (i) to effectuate any transfer and admission which is otherwise permitted without consent hereunder or under the Deed of Trust, (ii) to correct scrivener's errors in the Partnership Agreement, or (iii) to conform the Partnership Agreement to the requirements of Section 42 of the Internal Revenue Code and the

regulations promulgated thereunder, or the requirements of TCAC. After any change to the Partnership Agreement, whether it requires Lender's consent or not, Borrower shall promptly provide a revised version thereof to Lender. Further, during the term of the Loan, no General Partner shall jeopardize in a material way the Property or the financial viability of the Borrower by (i) violating its fiduciary responsibilities under the Partnership Agreement, or (ii) willfully violating any law, regulation or order applicable to the Partnership, and such violations are not remedied or cured as permitted, in the time frames provided, under the Partnership Agreement.

11.22 RESTRICTIONS. Except for the Regulatory Agreement, the TCAC Regulatory Agreement, [the City Regulatory Agreement] and the LACDC Regulatory Agreement, Borrower shall not execute any agreement or document to restrict the use of the Improvements (or which otherwise limit development or sale of the Property or Improvements) other than as expressly consented to by Lender, and any such restrictions are, and shall remain subordinate to the Deed of Trust and repayment of the Loan and shall not bind any transferee of the Property who receives title to the Property after foreclosure under the Deed of Trust, or obtains title by deed in lieu of foreclosure under the Deed of Trust.

11.23 TAXES AND IMPOSITIONS. Subject to Borrower's right to claim exemptions under California Revenue and Taxation Code Section 214, Borrower shall pay or cause to be paid, prior to delinquency, all of the following (collectively, the "Impositions"): (a) all general and specific real property taxes and assessments imposed on the Property; (b) all other taxes and assessments and charges of every kind that are assessed upon the Property (or upon the owner and/or operator of the Property) and that create or may create a lien upon the Property (or upon any personal property or fixtures used in connection with the Property), including without limitation nongovernmental levies and assessments pursuant to applicable covenants, conditions or restrictions; and (c) all license fees, taxes and assessments imposed on Lender (other than Lender's income or franchise taxes) which are measured by or based upon (in whole or in part) the amount of the obligations secured by the Property. If permitted by law, Borrower may pay or cause to be paid any Imposition in installments (together with any accrued interest). Borrower shall not be required to pay or cause to be paid any Imposition so long as (d) its validity is being actively contested in good faith and by appropriate proceedings, (e) Borrower has demonstrated to Lender's reasonable satisfaction that leaving such Imposition unpaid pending the outcome of such proceedings could not result in conveyance of the Property in satisfaction of such Imposition or otherwise impair Lender's interests under the Loan Documents and (f) if Lender shall so request, Borrower has furnished Lender with a bond or other security satisfactory to Lender in an amount not less than 100% of the applicable claim. Upon demand by Lender from time to time, Borrower shall (g) deliver to Lender, within thirty (30) days following the due date of Imposition, evidence of payment or other satisfaction of such Imposition reasonably satisfactory to Lender and (h) furnish to Lender a tax reporting service for the Property of a type and duration, and with a company reasonably satisfactory to Lender. The General Partner shall take all actions necessary to obtain and maintain its tax exempt status pursuant to 501(c)(3) of the Code.

11.24 COMPLIANCE WITH LIHTC. After the transfer to the Partnership, neither General Partner nor Investor Limited Partner shall commit a breach or default under the Partnership Agreement and the Partnership Agreement shall remain in full force and effect until all sums owing with respect to the Loan have been paid.

Borrower further covenants and agrees:

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

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

(c) Not to execute any residential lease of all or any portion of the Property or Improvements not complying fully with all requirements and regulations governing the LIHTC, except with Lender's prior written consent, which Lender may give or withhold in its sole and absolute discretion;

(d) 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 LIHTC in connection with the low-income occupancy of the Property;

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

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

(g) To set aside the appropriate number of units for households with incomes meeting the required standards of the Los Angeles County median income to qualify for the LIHTC (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 LIHTC under Section 42(i)(3) of the Code and/or State Laws;

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

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

11.25 **TAX CREDIT DOCUMENTATION**. Borrower shall timely prepare or otherwise obtain and file with all appropriate agencies all documentation required in connection with qualifying for and obtaining the LIHTC. Borrower shall submit to Lender, immediately upon receipt, a copy of each required document, including (but not necessarily limited to) each of the following: (a) verification, in form reasonably acceptable to Lender, regarding the availability of LIHTC with respect to the Improvements in an amount not less than $_____ annually for ten (10) years; (b) a certification in form acceptable to Lender confirming the calculation of the amount of the LIHTC; (c) a copy of application for the LIHTC, together with receipts indicating payment of any required fees in connection with the LIHTC; (d) form of restriction agreement(s) with regard to the LIHTC as required by TCAC; (e) all other written communications to or from TCAC and any other applicable governmental authority relating to the Property or the Improvements that would materially adversely affect the Property or Lender's security interests thereon; in each case, provided that all or any portion of the Loan or any other sum to which Lender shall be entitled with respect to the Loan remains unpaid. Borrower shall also keep Lender timely advised of all other contacts with the TCAC and any other applicable governmental authority by or on behalf of Borrower with respect to the Property or the Improvements. Borrower shall further submit all documentation relating to the LIHTC and evidence of compliance to Lender on an annual basis concurrently with the submission thereof to any applicable governmental authority, including, but not limited to, TCAC, which shall in any event occur in a timely manner as required in connection with the LIHTC.

11.26 **ADDITIONAL FINANCING**. Other than the sources of financing identified in this Loan Agreement, Borrower shall not, without the prior written consent of Lender, receive any other financing for the construction of the Improvements and shall not further encumber the Property or Improvements including without

limitation, entering into a land sale contract, sale contract or leaseback or conditional sales contract for the Property or Improvements or any portion thereof.

11.27 PERMITS, LICENSES AND APPROVALS. Borrower shall properly obtain, comply with and keep in effect all governmental approvals, permits, certificates, licenses, inspections, consents and franchises (collectively, the "**Licenses**") necessary to continue to conduct its respective businesses and to own, market, occupy, lease and operate the Property and the Improvements, including without limitation, all Licenses related to environmental laws, and shall promptly deliver copies thereof to Lender.

11.28 PUBLICITY. Lender shall have the right to refer to the Property in its own promotional and advertising materials. Borrower shall not post signs identifying Lender as its lender, or otherwise identify Lender as its lender, except with Lender's prior written consent in each instance.

11.29 AFFORDABILITY COVENANTS. Throughout the term of the Loan, the requisite number of residential apartment units in the Improvements shall rent at such rents, and to households having such incomes, as required by the most restrictive between the (i) Regulatory Agreement and (ii) any other regulatory agreements or other restrictive agreements recorded against the Property, and (iii) any agreements, restrictions or other Requirements to which Borrower or the Property may be subject, including (but not limited to) those of the State of California, acting through TCAC in connection with an allocation of the Tax Credits. The foregoing rent and income restrictions shall apply to the Property for so long as the Loan or any portion thereof remains outstanding or such later time as may be provided under the foregoing documents. Each year during the Term of the Loan, Borrower shall provide Lender with a copy of Borrower's annual tenant and rent certification and qualification report made (i) pursuant to the Regulatory Agreement, (ii) to TCAC in connection with the tax credit allocation, and (iii) those governmental agencies charged with determining Borrower's compliance with regulations applicable to the Tax Credits claimed by Borrower for the Property.

11.30 SUBORDINATION OF INDEBTEDNESS AND REGULATORY RESTRICTIONS. Other than the Regulatory Agreement, any deed of trust, mortgage, regulatory agreement, covenant or restrictive agreement or other instrument evidencing, securing or related to any financing or regulatory requirements imposed by TCAC or any other party on Borrower or the Property, and any obligations related thereto, shall be and remain subordinate to the Loan, and shall be subordinated to the Deed of Trust by an instrument or instruments satisfactory to Lender and its counsel. No proceeds of collateral or payments of principal, interest or other amounts due and owing with respect to any other obligations described herein, following a Default under the Loan Documents, shall be received by obligee until the Loan shall have been paid in full.

11.31 IMPOUNDS FOR REAL PROPERTY TAXES. Bondowner Representative shall have the right to direct the Bond Trustee to require Borrower to establish an account for the payment of property taxes and all other expenses required to be paid under Section 11.23 on the terms and conditions set forth in Section 5.3 of the Deed of Trust. After a Default has occurred, whether or not the same has thereafter been cured, at the request of Lender, Borrower shall deposit with Bond Trustee, in monthly installments in advance on the first day of each month, an amount sufficient, as reasonably estimated by Bond Trustee, to pay all Impositions (as defined herein) for the Property.

11.32 NO SALE OF PROPERTY. Except as permitted in this Loan Agreement or the Deed of Trust, Borrower shall not sell, convey, or otherwise transfer or dispose of its interest in any Property, nor contract to do any of the foregoing, without the prior written consent of Lender in each instance, except such Property as is customarily transferred in the ordinary course of operation of residential multi-family rental developments.

11.33 NONRESIDENTIAL LEASES. Leases entered into from and after the Conversion Date other than for residential units within the Improvements, including, without limitation, leases for laundry equipment, vending machines, administrative space by affiliates of Borrower, General Partner, Property Manager, or otherwise, and commercial space within the Improvements (if any, "**Nonresidential Lease(s)**"), must be approved by Lender prior to execution thereof, which approval shall not be unreasonably withheld. Borrower shall comply in all respects with any restrictions or guidelines as to the rents or other fees that may be charged for such nonresidential space, if any, which are contained in the Loan Documents, the Requirements or in any other agreement by which Borrower or the Property may be bound and which has been approved by Lender in writing. Following the occurrence and

during the continuance of any Default (as defined in Section 13.1 below), Lender may make written demand on Borrower to submit all rents under the Nonresidential Leases to Lender.

11.34 LANDLORD OBLIGATIONS. Borrower shall perform all obligations required to be performed by it as landlord under any lease affecting any part of the Property or Improvements.

11.35 [Reserved].

11.36 COVENANT FOR THE BENEFIT OF THE BONDHOLDERS. Borrower recognizes the authority of the Issuer to assign its interest in and pledge moneys receivable under this Loan Agreement to the Bond Trustee as security for the payment of the principal of and interest and redemption premiums, if any, on the Bonds, and the payment of all other amounts as set forth in Article 3 of this Loan Agreement. Borrower hereby (i) agrees to be bound by the Issuer's grant of such assignment and pledge, (ii) grants to the Bond Trustee a security interest in any right and interest Borrower may have in sums held in the Funds described in Article V of the Indenture, to secure the obligations of Borrower under this Loan Agreement and the other Loan Documents and (iii) agrees that the Bond Trustee shall have all of the rights of a secured party under the California Uniform Commercial Code in connection with such security interest. Each of the terms and provisions of this Loan Agreement is a covenant for the use and benefit of the Bondholders and the Lender, so long as the Bonds shall remain Outstanding; but upon payment in full of the Bonds in accordance with the Indenture and of all fees and charges requested under Sections 3.3 and 3.4 of this Loan Agreement, all references in this Loan Agreement to the Lender, the Bonds, the Bond Trustee and the Bondholders shall be ineffective, and the Bondholders, the Bond Trustee and the Lender shall thereafter have no rights hereunder, save and except those that shall have theretofore vested or that arise from provisions hereunder which survive termination of this Loan Agreement.

11.37 INSPECTION AND ACCESS.

(a) Borrower agrees that the Issuer, the Lender and their duly authorized agents, shall have the right to examine and inspect during normal business hours, and for that purpose to enter upon, the Property, and shall also have such right of access thereto at reasonable times and under reasonable conditions and subject to the rights of tenants in possession as may be reasonably necessary to cause the Project to be properly maintained in accordance with Article 5 and in accordance with the applicable provisions of the other Loan Documents. In each instance, the Issuer, the Lender and their duly authorized agents will give Borrower reasonable notice before entering the Project premises and make reasonable efforts to avoid interfering with Borrower's use of the Property when exercising any of the rights granted in this Section.

(b) Subject to the restrictions of all applicable laws, Borrower hereby covenants to execute, acknowledge and deliver all such further documents, and do all such other acts and things as may be necessary in order to grant to the Issuer and the Lender the rights of access and entry described herein and agrees that such rights of access and entry shall not be terminated, curtailed or otherwise limited by any assignment, lease or other transfer of the Property by Borrower to any other person and subject to the rights of tenants in possession at reasonable times and under reasonable conditions.

11.38 INDEMNITY.

(a) To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Issuer, the Bond Trustee, the Lender, and each of their respective commissioners, supervisors, officers, directors, governing members, directors, officials, employees, attorneys, and agents, past, present and future (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) except arising out of Lender's gross negligence or willful misconduct (hereinafter, the "Liabilities") to which the Indemnified Parties, or any of them, may become subject under or 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) the Bonds, the Indenture, this Loan Agreement or any other document to which the Issuer is a party, or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including the issuance, sale or resale of the Bonds; provided, however, that no indemnification obligation shall result in liability for repayment of principal or interest on the Loan;

(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 (other than a permitted encumbrance) or charge upon payments by the Borrower to the Issuer, the Trustee and the Lender 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 Trustee in respect of any portion of the Project;

(iv) any violation of any environmental regulations with respect to, or the release of any hazardous substances 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 contained in any offering statement or disclosure or continuing disclosure document for the Bonds or any of the documents relating to the Bonds, or any omission or alleged omission from any offering statement or disclosure or continuing disclosure document for the Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(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; and

(viii) the Bond Trustee's and the Lender's acceptance or administration of the trust of the Indenture, or the exercise or performance or failure to exercise or perform of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party; except (A) in the case of the foregoing indemnification of the Lender, the Bondowner Representative, and Bond Trustee or any related Indemnified Party, to the extent such damages are caused by the negligence or willful misconduct of such Indemnified Party; or (B) in the case of the foregoing indemnification of the Issuer or any related Indemnified Party, they shall not be indemnified by the Borrower with respect to liabilities arising from their own bad faith, fraud or willful misconduct or (C) in the case of the Trustee or any related Indemnified Party, the negligence or willful misconduct of the Trustee, or any breach by such party of its obligations under any of the documents relating to the Bonds or any untrue statement or misleading statement of a material fact by such Indemnified Party contained in any offering statement or document for the Bonds or any of the documents relating to the Bond or any omission or alleged omission from any such offering statement or document of any material fact necessary to be stated therein in order to make the statements made therein by such Indemnified Party not

misleading. 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 to 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. 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 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 or if all parties commonly represented do not agree as to the action (or inaction) of counsel, or if, in the case of the Issuer, it makes a reasonable judgment that a competent attorney has not been appointed.

(b) 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 Lender or the Bond Trustee any resignation or removal. The provisions of this Section shall survive the termination of this Loan Agreement. Nothing within this Section shall limit the rights of each Indemnified Party to indemnity under the Regulatory Agreement. Nothing in this Section shall in any way limit the Borrower's indemnification and other payment obligation set forth in the Regulatory Agreement

(c) Notwithstanding any transfer of the Project to another owner in accordance with the provisions of this Agreement or the Regulatory 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 the Issuer, the Trustee and the Bondowner Representative have consented to such transfer and to the assignment of the rights and obligations of the Borrower hereunder.

11.39 <u>TAX STATUS OF BOND</u>. Borrower hereby covenants, represents and agrees as follows: (a) that Borrower will not take or permit any action to be taken that would adversely affect either the exclusion from gross income for federal income tax purposes of the interest on the Bonds and, if it should take or permit any such action, Borrower will take all lawful actions to rescind such action promptly upon having knowledge thereof; and (b) that Borrower will take such action or actions, including amending the Loan and this Loan Agreement, as determined reasonably necessary in the opinion of Bond Counsel to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the United States Department of the Treasury or the Internal Revenue Service under the Code. Borrower further covenants and agrees that it will direct all investments in compliance with the Code. Borrower covenants and agrees to cause to be calculated by an arbitrage consultant and pay to the Bond Trustee any amounts owing to the United States as rebatable arbitrage in accordance with the procedures set forth in the Tax Certificate and Section 6.07 of the Indenture.

11.40 <u>INCORPORATION OF TAX CERTIFICATE</u>. The covenants, representations, warranties and agreements of Borrower set forth in the Tax Certificate are incorporated by reference herein as if fully set forth herein.

11.41 <u>LOSS OF TAX EXCLUSION</u>. Borrower understands that the interest rates provided under the Note and this Loan Agreement have been established on the assumption that interest paid on the Bonds will be excludable from the Bondholders' gross income under Section 103 of the Code and applicable State law. In the event that (i) Borrower receives notice from Lender that Lender has discovered any facts or circumstances that

would cause interest paid on the Bonds not to be tax-exempt; or (ii) any Bondholder receives notice from the Internal Revenue Service or other governmental authority that interest payable on the Bonds is not tax-exempt, or that the Internal Revenue Service is challenging the tax-exempt status of the Bonds, then the interest rate shall be increased, both prospectively and retroactively, to an annual variable rate equal to the Default Rate. Notwithstanding the foregoing, any change in the interest rate pursuant to this Section 11.41 shall cause the Note to bear interest at the Default Rate. In the event of an increase in the interest rate under this Section 11.41, Borrower shall pay to the Bondholders promptly upon demand an amount sufficient to adjust previous payments of interest to the increased rate. Borrower shall also indemnify, defend and hold Issuer and Lender harmless from any penalties, interest expense or other costs, including reasonable attorneys' fees (including all charges of Issuer's, Bond Trustee's and Lender's internal and tax counsel) and accountants' costs, resulting from any dispute with the Internal Revenue Service concerning the exclusion from gross income for federal income tax purposes of interest on the Bonds and the interest payable to any Bondholder on the Bonds, and upon receipt by Lender of the amounts set forth in the foregoing indemnity, Lender shall assign to Borrower any claims it may have against third parties for negligent acts or omissions in connection with the failure of interest on the Bonds to be excludable from gross income for federal income tax purposes. The obligations of Borrower under this paragraph shall survive termination of this Loan Agreement and repayment of the Loan.

11.42 TAXES, REGULATORY COSTS AND RESERVE PERCENTAGES. Upon Lender's demand, Borrower shall pay to Lender, in addition to all other amounts which may be, or become, due and payable under this Loan Agreement and the other Loan Documents, any and all Taxes and Regulatory Costs, to the extent they are not internalized by calculation of a One-Month LIBO Rate. Further, at Lender's option, the One-Month LIBO Rate shall be automatically adjusted by adjusting the Reserve Percentage, as determined by Lender in its prudent banking judgment, from the date of imposition (or subsequent date selected by Lender) of any such Regulatory Costs. Lender shall give Borrower notice of any Taxes and Regulatory Costs as soon as practicable after their occurrence, but Borrower shall be liable for any Taxes and Regulatory Costs regardless of whether or when notice is so given.

11.43 AMENDMENT OF REGULATORY AGREEMENT. Borrower shall not suffer or permit to become effective any restrictions (including, without limitation, any "automatic" amendment of the Regulatory Agreement pursuant to its terms) which impose requirements with respect to the occupancy, leasing or operation of the Project which are materially more burdensome than those contained as of the date of this Loan Agreement in the Regulatory Agreement or any agreement required to be signed in connection with the TCAC Regulatory Agreement, without first obtaining the consent of Lender and the Issuer to the imposition of such restriction.

11.44 TAX COVENANTS. The Borrower shall comply with the requirements and conditions of the Tax Certificate and the Regulatory Agreement. Without limiting the foregoing and notwithstanding anything to the contrary in this Loan Agreement, the Borrower will not take, or permit to be taken on its behalf, any action which would cause interest on the Bonds to be included in gross income for federal income tax purposes and will take such reasonable action as may be necessary to continue such exclusion from gross income, including:

(a) the Borrower will not use the proceeds of the Bonds, or any other funds which may be deemed to be proceeds of the Bonds pursuant to Section 148 of the Code, in the manner which will cause the Bonds to be "arbitrage bonds" within the meaning of such section, and will comply with the requirements of such Section throughout the term of the Bonds;

(b) the Borrower will prepare and file any statements required to be filed by it in order to maintain such exclusion;

(c) the Borrower will pay to the United States any amount required to be paid by the Issuer or the Borrower pursuant to Section 148(f) of the Code, at the times, in the amounts and at the places required in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes, and Borrower shall compute, or cause to be computed, such amounts annually until the earlier of (i) the date required by the Code, or (ii) the date on which no Bonds remain outstanding;

(d) not less than ninety five percent (95%) of the net proceeds of the Bonds (within the meaning of Section 142(a) of the Code) shall be used to pay Qualified Project Costs;

(e) in order to satisfy the requirements set forth in subpart (4) of the definition of "program investment" that appears in Section 1.148-1(b) of the Treasury Regulations (which requirements must be met in order for the Loan to qualify as a program investment within the meaning of that section), neither the Borrower nor any related person will purchase Bonds in an amount related to the amount of the Loan;

(f) no changes will be made to the Project, no actions will be taken by the Borrower, and the Borrower will not omit to take any actions, which will in any way adversely affect the tax exempt status of the interest on the Bonds;

(g) if the Borrower becomes aware of any circumstance, event or condition which would result in the interest payable on the Bonds becoming includable in gross income for federal income tax purposes, the Borrower will promptly give written notice of such circumstance, event or condition to the Issuer and the Lender;

(h) the full amount of each disbursement from the Loan will be applied to pay or to reimburse the Borrower for the payment of Project Costs and, after taking into account any proposed disbursement, (i) at least ninety five percent (95%) of the net proceeds of the Bonds (as defined in Section 150 of the Code) will be used to pay Qualified Project Costs to provide a qualified residential rental project (as defined in Section 142(d) of the Code), (ii) less than twenty-five percent (25%) of the net proceeds of the Bonds will have been disbursed to pay or to reimburse the Borrower for the cost of acquiring land, (iii) not more than two percent (2%) of the proceeds of the Bonds will have been used for Costs of Issuance (as defined in the Regulatory Agreement), and (iv) none of the proceeds of the Bonds (as defined for purposes of Section 147(g) of the Code) will be disbursed to provide working capital;

(i) the Borrower will cause all of the residential units in the Project first occupied after the Effective Date and to be rented or available for rental on a basis which satisfies the requirements of the Act, the Code and the Regulatory Agreement;

(j) all leases for the Project entered into after the Effective Date will comply with all applicable laws and the Regulatory Agreement;

(k) in connection with any lease entered into after the Effective Date or grant by the Borrower of the use of the Project, the Borrower will require that the lessee or user of any portion of the Project not use that portion of the Project in any manner which would violate the covenants set forth in this Loan Agreement or the Regulatory Agreement;

(l) no portion of the proceeds of the portion of the Loan shall be used to provide any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises, and no portion of the proceeds of the Loan shall be used for an office unless (i) the office is located on the premises of the facilities constituting the Project and (ii) not more than a de minimis amount of the functions to be performed at such office is not related to the day-to-day operations of the Project; and

(m) no proceeds of the Bonds will be used, for the acquisition of any tangible property or an interest therein, other than land or an interest in land, unless the first use of such property was pursuant to such acquisition; provided, however, that this limitation shall not apply with respect to any building (and the equipment therefor) if construction expenditures (as defined in the Code) with respect to such building equal or exceed fifteen percent (15%) of the portion of the cost of acquiring such building (and equipment) financed with proceeds of the Bonds; and provided, further, that this limitation shall not apply with respect to any structure other than a building if construction expenditures with respect to such structure equal or exceed one hundred percent (100%) of the portion of the cost of acquiring such structure financed with the proceeds of the Bonds.

11.45 <u>INTENTIONALLY OMITTED</u>.

11.46 **OPERATING EXPENSES**. After the occurrence of a Default, but for the lapse of any applicable grace period, and notwithstanding such Default shall be or have been cured or waived by Lender, Lender shall have the right to require Borrower to deposit with Lender, in monthly installments in advance on the first day of each month, an amount sufficient, as reasonably estimated by Lender, to pay all Operating Expenses for the Property. In such event, Borrower further agrees, upon Lender's request, to cause all bills, statements or other documents relating to the operating expenses to be sent or mailed directly to Lender. Upon receipt of such bills, statements or other documents, and provided Borrower has deposited sufficient funds with Lender pursuant to this Section 11.46, Lender shall pay such amounts as may be due thereunder out of the funds so deposited with Lender. If at any time and for any reason the funds deposited with Lender are or will be insufficient to pay such Operating Expenses as may then or subsequently be due, Lender may notify Borrower and Borrower shall immediately deposit an amount equal to the deficiency with Lender. If at any time the funds deposited with Lender exceed the amount deemed necessary by Lender to pay such operating expenses as may then or subsequently be due, such excess shall be credited to Borrower on the next monthly installment or installments of such funds. Upon payment and performance in full of the Loan and all indebtedness and obligations under the Loan Documents, Lender shall promptly refund to Borrower any such funds held by Lender. Nothing herein shall cause Lender to be deemed a trustee of such funds or to be obligated to pay any amounts in excess of the amount of funds deposited with Lender pursuant to this Section 11.46. Lender may commingle such deposits with its own funds and Borrower shall not be entitled to any interest thereon. Borrower shall execute whatever security agreements, financing statements and other documents and instruments as Lender may require in order to confirm Lender's security interest in and/or control over such accounts (including, without limitation, the Replacement Reserve referred to in Section 6.1(p), and funds deposited therein).

11.47 **OPERATING RESERVES**. Borrower shall establish and fund a specific operating reserve fund with respect to the Property meeting the following requirements:

(a) Prior to Conversion, Borrower shall have set aside and shall fund the Operating Reserve in the amount of any excess net operating income generated from operations of the Project, as follows:

(1) The Operating Reserve shall be maintained by Borrower in an account in Borrower's name, provided, however, that upon Lender's request, made in Lender's sole discretion, or upon a Default under this Loan Agreement or any of the Loan Documents, Borrower shall, as additional collateral for the Loan during the term of the Loan until Conversion, (i) pledge the Operating Reserve to Lender; or (ii) transfer the funds in the Operating Reserve to a separate account held and controlled by Lender.

(2) Borrower shall deposit the amount of any and all excess net operating income generated from operations of the Project in the Operating Reserve.

(3) Borrower shall be entitled to use the Operating Reserve funds only to pay interest on the Loan or to Operating Expenses for the Property, or with Lender's prior written consent, costs and expenses incurred in connection with the construction of the Property.

(4) Once per month, or upon Lender's reasonable request, Borrower shall provide Lender with reports of the amounts on deposit in the Operating Reserve, as well as funds disbursed from the Operating Reserve and the uses of such funds.

11.48 **SUBORDINATE LOANS**. Borrower shall timely perform all obligations of Borrower with respect to the LACDC Loan under the documents executed in connection with the LACDC loan. Borrower shall deliver to Lender copies, certified by Borrower to be true and correct, of the documents that evidence and secure the LACDC Loan, the form and content of which shall be subject to Lender's reasonable approval. Borrower shall at all times fully and timely comply and cause the Property and Improvements to comply with all applicable terms and conditions of the documents that evidence and secure the LACDC Loan and shall provide Lender with such verification of that compliance from time to time as reasonably requested by Lender. Borrower shall not (a) commit any breach or default under the LACDC Loan; (b) fail to maintain the LACDC Loan in full force and effect until all sums owing to lender with respect to each loan have been paid; or (c) consent to any termination, amendment or modification of the terms of the LACDC Loan without Lender's prior written consent.

11.49 AMERICANS WITH DISABILITIES ACT COMPLIANCE. Borrower hereby certifies that it will comply with the Americans with Disabilities Act, 42 U.S.C. Section 12101 et seq., and its implementing regulations and the American Disabilities Act Amendments Act (ADAAA) Pub. L. 110-325 and all subsequent amendments (the "ADA"). The Borrower will provide reasonable accommodations to allow qualified individuals with disabilities to have access to and to participate in its programs, services and activities in accordance with the provisions of the ADA. The Borrower will not discriminate against persons with disabilities or against persons due to their relationship to or association with a person with a disability. Any subcontract entered into by the Borrower, relating to this Regulatory Agreement, to the extent allowed hereunder, shall be subject to the provisions of this paragraph. The Borrower shall be responsible for all ADA compliance costs.

11.50 KEEPING GUARANTOR AND INVESTOR LIMITED PARTNER INFORMED. Borrower must keep Guarantor and Investor Limited Partner informed of Borrower's financial condition and business operations, the condition and all uses of the Property, including all changes in condition or use, and any and all other circumstances that might affect Borrower's ability to pay or perform its obligations under this Loan Agreement.

11.51 STATUS OF BORROWER.

(a) Throughout the term of this Loan Agreement, Borrower will maintain its existence as a limited partnership under the laws of the State of California in good standing and qualified to transact business in the State and will not wind up or otherwise dispose of all or substantially all of its assets.

(b) Notwithstanding the provisions of the Deed of Trust, Borrower shall not effect a merger, consolidation or transfer if the result thereof would cause the interest on the Bonds (in the hands of any person who is not a "substantial user" of the Project or a "related person") to become includable in gross income for federal income tax purposes.

(c) Upon any change in the status of Borrower, by way of substitution, sale or otherwise of Borrower, the Issuer and the Lender shall be promptly informed and, if requested, Borrower as newly constituted shall deliver to the Issuer and the Lender an instrument in form satisfactory to each of them affirming the liability of Borrower hereunder.

11.52 PARTNERSHIP DOCUMENTS. Borrower agrees as follows with respect to the Partnership Documents:

(a) Borrower shall fully comply with and perform all of the obligations of Borrower under the Partnership Documents. After execution of the Partnership Documents approved by Lender, Borrower agrees not to materially amend, materially modify or terminate the Partnership Agreement without Lender's prior written consent which shall not be unreasonably withheld or delayed; provided, however, the Partnership Agreement may be amended or modified without Lender's prior written consent (i) to correct scrivener's errors in the Partnership Agreement, (ii) to conform the Partnership Agreement to the requirements of Section 42 of the Code and the regulations promulgated thereunder, (iii) to conform the Partnership Agreement to the requirements of TCAC or the requirements of the welfare exemption. Borrower shall notify Lender and promptly deliver to Lender copies of all written notices by any party under the Partnership Agreement, or (iv) to effectuate transfer or admission permitted without consent hereunder or in the Deed of Trust. All funds received by Borrower from the Initial, Second and Third Capital Contributions of Investor Limited Partner pursuant to the Partnership Documents, except for a portion which Lender agrees may be used to pay certain syndication fees, are to be paid promptly to Lender (or with respect to the Initial Capital Contribution, to Title Company, in its capacity as escrow agent for the Loan Closing) for application to costs of Closing of the Loan, construction of the Improvements or repayment of the Loan as set forth in this Loan Agreement.

(b) Borrower shall not (i) allow or enable Borrower to issue any partnership interests or equity interests other than as set forth in the Partnership Agreement; (ii) dissolve the Borrower; (iii) cause the removal or replacement of General Partner other than as provided in Sections 11.19(d); or (iv) except as otherwise permitted under the terms of the Partnership Agreement, materially reduce the amount of the Capital Contributions or alter the time for payment or impair or alter the obligations of the Investor Limited

Partner to make or fully fund Capital Contributions in the amounts required pursuant to Section 4.1(p) of this Loan Agreement, provided however that this Section 11.55(b) shall not prevent the Borrower from accepting any Capital Contributions under the Partnership Agreement; and the Partnership Documents shall remain in full force and effect until all sums owing with respect to the Loan have been paid.

11.53 **FILING OF FINANCING STATEMENTS**. Borrower agrees that it will cooperate with Lender in filing or causing to be filed, at Borrower's sole expense, on or before November 1 of each fifth calendar year in which the Loan remains outstanding, commencing November 1, 2016, any financing statements or continuation statements required or requested by Lender to perfect and preserve the security interest of the Issuer and the Lender in this Loan Agreement and the payments to be made hereunder, as granted in the Indenture.

11.54 **NEGATIVE COVENANTS**. Without Lender's prior written consent, Borrower may not:

(a) engage in any business activities substantially different from Borrower's present business;

(b) liquidate or dissolve Borrower's business;

(c) lease (other than pursuant to residential leases to tenants of the Project permitted pursuant to the Loan Documents) or dispose of all or a substantial part of Borrower's business or Borrower's assets;

(d) enter into any consolidation, merger, pool, joint venture, syndicate or other combination, except as otherwise permitted by Section 5.12 of the Deed of Trust or by this Loan Agreement.

11.55 **DERIVATIVE DOCUMENTS** If Borrower purchases from Lender any swap, derivative, foreign exchange or hedge transaction or arrangement (or other similar transaction or arrangement howsoever described or defined) in connection with the Loan, Borrower shall, upon receipt from Lender, execute promptly all documents evidencing such transaction, including without limitation, the ISDA Master Agreement, the Schedule to the ISDA Master Agreement and the ISDA Confirmation.

11.56 **LENDER ACCOUNTS**. Lender agrees to provide Borrower and Bond Trustee records of amounts on deposit in any account held by Lender hereunder as and to the extent necessary to make any calculation of rebate amounts payable to the United States required by this Loan Agreement, the Indenture, the Tax Certificate or the Regulatory Agreement.

ARTICLE 12. REPORTING COVENANTS

12.1 **FINANCIAL INFORMATION**. Borrower shall keep true and correct financial books and records for the Property, using generally accepted accounting principles consistently applied, unless otherwise noted. Within one hundred twenty (120) days after the end of each of Borrower's fiscal years, Borrower shall deliver to Lender an audited balance sheet and income statement for Borrower, Guarantor and General Partner, together with a statement showing all changes in Borrower's, Guarantor's and General Partner's financial condition together with an annual certification by Borrower of compliance with all applicable provisions of the Regulatory Agreement and Section 42 of the Code. Borrower shall also promptly deliver to Lender, upon Lender's request, its monthly and/or quarterly balance sheets and income statements. If Lender so requests, at Lender's reasonable discretion, Borrower shall promptly provide quarterly balance sheets and income statements for General Partner or Guarantor. In addition, if Lender so requests as shall be necessary for Lender to comply with current federal law, at Lender's reasonable discretion, Borrower shall also promptly provide annual balance sheets and income statements for the Borrower's limited partner. Borrower shall promptly provide Lender with any additional financial information that Borrower may obtain, or Lender may reasonably request, on itself, Guarantor or General Partner, including but not limited to, signed copies of any tax returns and such other information concerning the Borrower's, Guarantor's or General Partner's affairs and properties as Lender may reasonably request.

12.2 **BOOKS AND RECORDS**. Borrower shall maintain complete books of account and other records for the Property and Improvements and for disbursement and use of the proceeds of the Loan and

Borrower's Funds, and the same shall be available for inspection and copying by Lender or Issuer upon reasonable prior notice.

12.3 **REPORTS**. Within ten (10) days of Lender's request, Borrower shall deliver to Lender monthly inventory reports, marketing and sales schedules and reports, marketing and sales information and/or leasing information, with respect to all real property projects of Borrower and all general partners, venturers and members of Borrower, all in form and substance acceptable to Lender.

12.4 **LEASING REPORTS**. Borrower shall deliver to Lender monthly rent rolls, leasing schedules and reports, operating statements and/or such other leasing information as Lender shall request with respect to the Property and Improvements, each in form and substance satisfactory to Lender and certified by an authorized officer of Borrower to be true and correct. In addition, Borrower shall promptly obtain and deliver to Lender such estoppel certificates and subordination and attornment agreements executed by such tenants in such forms as Lender may from time to time require.

12.5 **OPERATING STATEMENTS FOR PROPERTY AND IMPROVEMENTS**. Beginning with the first calendar month following the Effective Date and continuing until the Conversion Date, Borrower shall deliver to Lender on the fifteenth (15th) day of each month an "Operating Statement" which shows in detail the amounts and sources of Gross Operating Income received by or on behalf of Borrower and the amounts and purposes of Permitted Operating Expenses paid by or on behalf of Borrower with respect to the Property and Improvements for the previous month.

"**Gross Operating Income**" for this purpose shall mean the sum of any and all amounts, payments, fees, rentals, additional rentals, expense reimbursements (including, without limitation, all reimbursements by tenants, lessees, licensees and other users of the Property and Improvements) discounts or credits to Borrower, income, interest and other monies directly or indirectly received by or on behalf of or credited to Borrower from any person with respect to Borrower's ownership, use, development, operation, leasing, franchising, marketing or licensing of the Property and Improvements. Gross Operating Income shall be computed on a cash basis and shall include for each quarterly statement all amounts actually received in such quarter whether or not such amounts are attributable to a charge arising in such quarter.

"**Permitted Operating Expenses**" shall mean the following expenses to the extent that such expenses are reasonable in amount and customary for properties of this type: (i) taxes and assessments imposed upon the Property and Improvements to the extent that such taxes and assessments are required to be paid by Borrower and are actually paid or reserved for by Borrower; (ii) bond assessments; (iii) insurance premiums for casualty insurance (including, without limitation, earthquake) and liability insurance carried in connection with the Property and Improvements, provided, however, if any, insurance is maintained as part of a blanket policy covering the Property and Improvements and other properties, the insurance premium included in this subparagraph shall be the premium fairly allocable to the Property and Improvements; (iv) operating expenses incurred by Borrower for the management, operation, cleaning, leasing, maintenance and repair of the Property and Improvements. Permitted Operating Expenses shall not include any interest or principal payments on the Loan or any allowance for depreciation.

12.6 **ADDITIONAL FINANCIAL INFORMATION**. Borrower shall promptly provide Lender with any additional financial information that Borrower may obtain, or Lender may reasonably request, regarding Borrower and/or the General Partner, including but not limited to, signed copies of any tax returns and such other information concerning the Borrower's or the General Partner's affairs and properties as Lender may reasonably request. If Borrower or any General Partner thereof fails to comply with the obligations of this Section 12.6 within sixty (60) days of Lender's written request for financial statements (excluding audited financial statements) or other information related to Borrower, such General Partner, the Property or the Loan within the specified time periods set forth herein or in any other provision requiring such delivery (subject to any applicable notice and cure periods set forth herein), then Borrower or General Partner shall pay to Lender, as damages, the sum of One Hundred and No/100 Dollars ($100.00) per day (plus interest thereon at the Default Rate as specified in the Note) until Borrower or its General Partner has complied therewith or such information is otherwise received by Lender.

12.7 NOTICE FROM INVESTOR LIMITED PARTNER(S). Borrower shall immediately deliver to Lender a full copy of any notice from Investor Limited Partner pursuant to which Investor Limited Partner may refuse to fund any portion of the capital contributions or demands a return of any capital contributions.

ARTICLE 13. DEFAULTS AND REMEDIES

13.1 DEFAULT. The occurrence of any one or more of the following shall constitute an event of default ("**Default**") under this Loan Agreement and the other Loan Documents:

(a) Monetary. Borrower's failure to pay when due, or within five (5) days of the due date of such payment, any sums payable under the Note or any of the other Loan Documents or Borrower's failure to deposit any Borrower's Funds as and when required under this Loan Agreement or within five (5) days of the due date for such payment; or

(b) Performance of Obligations. Borrower's failure to perform, keep or observe any term, provision, condition, covenant, or agreement contained in this Loan Agreement, any other Loan Document, or any other present or future agreement between Borrower and Lender and/or evidencing and/or securing the Loan within thirty (30) days after written notice to Borrower from Lender requesting that Borrower cure such failures; provided, however, that if a cure period is provided for the remedy of such failure, Borrower's failure to perform will not constitute a Default until such date as the specified cure period expires; or

(c) Construction; Use. (i) There is any material deviation in the work of construction from the Plans and Specifications or governmental requirements or the appearance or use of defective workmanship or materials in constructing the Improvements, and Borrower fails to remedy the same to Lender's satisfaction within ten (10) days of Lender's written demand to do so; or (ii) there is a cessation of construction of the Improvements prior to completion for a continuous period of more than fifteen (15) days (except as caused by an event of force majeure for which a longer delay may be permitted under Article 4); or (iii) the construction, sale or leasing of any of the Improvements in accordance with the Loan Documents is prohibited, enjoined or delayed for a continuous period of more than thirty (30) days; or (iv) utilities or other public services necessary for the full occupancy and utilization of the Property and Improvements are curtailed for a continuous period of more than thirty (30) days (except as caused by an event of force majeure for which a longer delay may be permitted under Article 4); or

(d) Liens, Attachment; Condemnation. (i) The recording of any claim of lien against the Property or Improvements or the service on Lender of any bonded stop notice relating to the Loan and the continuance of such claim of lien or bonded stop notice for thirty (30) days without discharge, satisfaction or provision for payment being made by Borrower in a manner satisfactory to Lender; or (ii) the condemnation, seizure or appropriation of, or occurrence of an uninsured casualty with respect to any material portion of the Property or Improvements; or (iii) the sequestration or attachment of, or any levy or execution upon any of the Property or Improvements, any other collateral provided by Borrower under any of the Loan Documents, any monies in the Account or in the Borrower's Funds Account, or any substantial portion of the other assets of Borrower, which sequestration, attachment, levy or execution is not released, expunged or dismissed prior to the earlier of thirty (30) days or the sale of the assets affected thereby; or

(e) Representations and Warranties. (i) The failure of any representation or warranty of Borrower, any of its members or any of the General Partners, or any of its officers, employees or agents on behalf of Borrower in any of the Loan Documents and the continuation of such failure for more than fifteen (15) days after written notice to Borrower from Lender requesting that Borrower cure such failure; or (ii) any material adverse change in the financial condition of Borrower, any of its members, any of the Guarantors (prior to Conversion), or any Indemnitor from the financial condition represented to Lender as of the later of: (A) the Effective Date; or (B) the date upon which the financial condition of such party was first represented to Lender; or

(f) Voluntary Bankruptcy; Insolvency. (i) The filing of a petition by Borrower for relief under the Bankruptcy Code, or under any other present or future state or federal law regarding bankruptcy,

reorganization or other debtor relief law; (ii) the filing of any pleading or an answer by Borrower in any involuntary proceeding under the Bankruptcy Code or other debtor relief law which admits the jurisdiction of the court or the petition's material allegations regarding Borrower's insolvency; (iii) a general assignment by Borrower for the benefit of creditors; or (iv) Borrower applying for, or the appointment of, a receiver, trustee, custodian or liquidator of Borrower or any of its property; or if any insolvency proceeding is commenced by Borrower or any General Partner, or Borrower or any General Partner becomes insolvent or otherwise cannot pay its debts and obligations as such becomes due (or admits the same in writing provided, however, that any such default with respect to any general partner of Borrower shall be deemed cured if the Borrower's limited partner replaces such general partner in accordance with the Partnership Documents within thirty (30) days with another general partner reasonably satisfactory to Lender and approved by the bankruptcy court, if necessary; or

(g) Involuntary Bankruptcy. The failure of Borrower to effect a full dismissal of any involuntary petition under the Bankruptcy Code or under any other debtor relief law that is filed against Borrower or in any way restrains or limits Borrower or Lender regarding the Loan, the Property or the Improvements, prior to the earlier of the entry of any court order granting relief sought in such involuntary petition, or sixty (60) days after the date of filing of such involuntary petition; or

(h) Partners; Guarantor. Prior to Conversion, the occurrence of any of the events specified in Section 13.1(f) or 13.1(g) as to any person or entity other than Borrower, including, without limitation, any Guarantor, Indemnitor, which is in any manner obligated to Lender under the Loan Documents; or

(i) Dissolution. The dissolution of Borrower, any Guarantor (prior to Conversion) or any Indemnitor; or

(j) Change In Management or Control. Except as otherwise permitted under the Loan Documents, the occurrence of any material management or organizational change in Borrower or in the partners of Borrower, including, without limitation, any partnership dispute which Lender determines, in its sole and absolute discretion, shall have a material adverse effect on the Loan, on the Property and Improvements, or on the ability of Borrower or its partners to perform their obligations under the Loan Documents; or

(k) Loss of Priority. The failure at any time of the Deed of Trust to be a valid first lien upon the Property and Improvements or any portion thereof, other than as a result of any release or reconveyance of the Deed of Trust with respect to all or any portion of the Property and Improvements pursuant to the terms and conditions of this Loan Agreement; or

(l) Hazardous Materials. Except as disclosed in the Environmental Reports, the discovery of any significant Hazardous Materials in, on or about the Property or Improvements subsequent to the Effective Date. Any such Hazardous Materials shall be "significant" for this purpose if said Hazardous Materials, in Lender's sole discretion, have a materially adverse impact on the value of the Property and Improvements; or

(m) Investor Limited Partner Financing. The failure to comply with Sections 8.2(t), 11.4 and 12.7 of this Loan Agreement or, prior to Conversion, the occurrence of a material breach or default under the Partnership Documents, or failure to satisfy any of the material terms, covenants or conditions of or under the Partnership Documents, which has the effect of causing or excusing the failure of partners in Borrower to make capital contributions in the amounts and at the times required under Section 8.2(t) subject to adjustment under the Partnership Agreement and such failure continues for more than thirty (30) days after notice of such failure from Lender to Borrower; or

(n) Withdrawal of General Partner. Except as otherwise expressly permitted under the terms of this Loan Agreement, the withdrawal of a General Partner as a general partner and Borrower's failure to provide a substitute or replacement acceptable to Lender and Investor Limited Partner within thirty (30) days after the occurrence of any such withdrawal; or

(o) Tax Certificate. Failure by Borrower or Issuer to perform their obligations under the Tax Certificate, or failure of any of the representations or warranties contained in the Tax Certificate to be and remain true and correct at any time; or

(p) Tax Credits. Failure to remain in compliance with TCAC requirements, which failure extends beyond applicable notice and cure periods, or to promptly reapply for the Tax Credits upon Lender's request, or the expiration of the Tax Credits; or

(q) Default Under Guaranty. The occurrence of a default under any guaranty now or hereafter executed in connection with the Loan, including without limitation, Guarantor's failure to perform any covenant, condition or obligation thereunder; or

(r) Investor Limited Partner Bankruptcy. Prior to the funding of the Capital Contributions in an amount sufficient to comply with Section 8.2(t) of this Loan Agreement, the occurrence of any of the events specified in Sections 13.1(f) or 13.1(g) of this Loan Agreement with respect to the Investor Limited Partner; or

(s) Adverse Financial Condition - Other Than Borrower. Prior to Conversion, any material adverse change in the financial condition of any Guarantor or Indemnitors from the condition shown on the financial statement(s) submitted to Lender and relied upon by Lender in making the Loan, the materiality and adverse effect of such change in financial condition to be reasonably determined by Lender in accordance with its credit standards and underwriting practices in effect at the time of making such determination; or

(t) Conversion. Failure of Conversion to occur and CCRC to make its permanent loan to Borrower on or before the Mandatory Conversion Date; or, as it may be extended subject to satisfaction of all conditions precedent as provided in Section 3.6 or 3.7 hereof as applicable; or

(u) Default Under Swap Contract. The occurrence of a default by Borrower or a termination event with respect to Borrower under any swap, derivative, foreign exchange or hedge transaction or arrangement (or similar transaction or arrangement howsoever described or defined) at any time entered into between Borrower and Lender in connection with the Loan; or

(v) Transfer of Assets. The sale, assignment, pledge, hypothecation, mortgage or transfer of all or a substantial portion of assets of Borrower, any of the Guarantor (until Conversion) or any Indemnitor, other than in the ordinary course of business of said entity or as otherwise permitted under the Loan Documents; or Borrower ceases its operations or sells or otherwise disposes of all or substantially all of the Property (except as otherwise permitted under the Loan Documents) or a governmental authority condemns or expropriates, or an order is issued by a governmental authority for the condemnation or expropriation of all or substantially all of the Property; or

(w) Hazardous Materials Indemnity Agreement (Unsecured). The occurrence of a default and the expiration of any applicable cure periods under the Hazardous Materials Indemnity Agreement (Unsecured) executed by an Indemnitor, in favor of Lender, and dated of even date herewith; or

(x) Attachment or Levy. All or any of Borrower's or the General Partner's assets in excess of Fifty Thousand Dollars ($50,000.00) in aggregate value are attached, seized, subjected to a writ or distress warrant, or are levied upon, or come into the possession of any judicial officer or assignee for the benefit of credits unless, with respect to any such assets, such attachment, seizure, writ, warrant or levy shall be dismissed, released or stayed within ten (10) days of issuance thereof; or

(y) Governmental Lien. A notice of lien, levy or assessment in excess of Fifty Thousand Dollars ($50,000.00) in the aggregate, is filed of record with respect to any or all of Borrower's or the General Partner's assets by the United States Government, or any department, agency or instrumentality thereof, or by any other public authority, or if any taxes or debts owing at any time hereafter to any one or more of such entities in excess of Fifty Thousand Dollars ($50,000.00) in the aggregate, becomes a lien,

whether choate, inchoate or otherwise, upon any or all of Borrower's or the General Partner's assets, and the same is not paid, bonded over or otherwise released within forty-five (45) days of the filing thereof; or

(z) Criminal Proceedings. Any criminal proceedings against Borrower or the General Partner shall have been instituted or Borrower or the General Partner shall be indicted for any crime, in either case for which a forfeiture of a material amount of the Property or any of its other property or assets is a potential penalty and such proceedings or indictment is not dismissed within sixty (60) days; or

(aa) Subordinate Loans. The occurrence of any material default under the LAHD Loan that remains uncured beyond any applicable notice and cure periods; or

(bb) Ground Lease. The occurrence of any material default under the Ground Lease that remains uncured beyond any applicable notice and cure periods; or

(cc) MHSA Loan. The occurrence of any material default under CalFHA's commitment to make the MHSA Loan that remains uncured beyond any applicable notice and cure periods; or

(dd) [_____ Agreement. The occurrence of any material default by Borrower that remains uncured beyond any applicable notice and cure periods under the CCRC's _____ Agreement.]

13.2 ACCELERATION UPON DEFAULT; REMEDIES.

(a) Upon the occurrence of any Default specified in this Article 13, Lender may, at its sole option, direct that Bond Trustee, as assignee of Issuer, declare all sums owing to Lender under the Note, this Loan Agreement and the other Loan Documents immediately due and payable (in an amount equal to that necessary to pay in full the Bonds and the interest thereon, assuming acceleration of the Bonds under the Indenture and to pay all other indebtedness due under this Loan Agreement and the other Loan Documents). Upon such acceleration, Lender may, with notice to the Bond Trustee, in addition to all other remedies permitted under this Loan Agreement and the other Loan Documents and at law or equity, apply any sums in the Account and Borrower's Funds Account to the sums owing under the Loan Documents and any and all obligations of Lender to consent to further disbursements under the Loan shall terminate.

(b) Whenever any Default shall have occurred and be continuing, any one or more of the following remedial steps may also be taken to the extent permitted by law and Bond Trustee shall take such actions as directed by Lender:

(i) the Bond Trustee, as assignee of the Issuer, may take whatever action at law or in equity as it determines to be appropriate to collect all sums then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement, covenant, representation or warranty of Borrower, under this Loan Agreement or any other Related Document, or to foreclose the real property and/or personal property security for such obligations, or to otherwise compensate the Issuer and the Lender for any damages on account of such Default; and

(ii) the Issuer (without the prior written consent of the Lender if the Lender is not enforcing the Issuer's rights in a manner to protect the Issuer or is otherwise taking action that brings adverse consequences to the Issuer), may take whatever action at law or in equity may appear necessary or appropriate to enforce its rights to indemnification under Sections 9.6, 11.38, 11.41 and 15.1 and to collect all sums then due and thereafter to become due to the Issuer under Sections 3.4(b) and (c) and 3.5 of this Loan Agreement; provided that the Issuer will not take any action which would prejudice the rights of the Bond Trustee or the Lender.

(c) All of Lender's and Issuer's rights and remedies are cumulative. If any Default occurs, Issuer's obligation to lend and Lender's obligation to consent to disbursements of proceeds of the Loan under the Loan Documents automatically terminate, and Lender in its sole discretion may withhold any one or more disbursements. Lender may also withhold any one or more disbursements after an event occurs that, with notice or the passage of time, could become a Default. No disbursement of Loan funds by Lender will cure any default of Borrower, unless Lender agrees otherwise in writing in each instance.

(d) If Borrower becomes the subject of any Insolvency Proceeding, all of Borrower's obligations under the Loan Documents shall automatically become immediately due and payable upon the filing of the petition commencing such proceeding, all without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demands of any kind or character. Upon the occurrence of any other Default, all of Borrower's obligations under the Loan Documents may become due and payable immediately without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor or other notices or demands of any kind or character, all at Lender's option, exercisable in its sole discretion. If such acceleration occurs, Lender may apply any undisbursed Loan funds and any sums in the Borrower's Funds Account to Borrower's obligations under the Loan Documents, in any order and proportions in Lender's sole discretion.

Also upon any Default that occurs during the course of construction of the Project, Lender in its sole discretion may enter and take possession of the Property or direct the Bond Trustee to do so, whether in person, by agent or by court-appointed receiver, and take any and all actions that Lender in its sole discretion may consider necessary to complete construction of the Project, including making changes in plans, specifications, work or materials and entering into, modifying or terminating any contractual arrangements, all subject to Lender's right at any time to discontinue any work without liability. By choosing to complete the construction of the Project, Lender does not assume any liability to Borrower or any other person for completing the Project or for the manner or quality of its construction, and Borrower expressly waives any such liability. If Lender exercises any of the rights or remedies provided in this clause (e), that exercise will not make Lender, or cause Lender to be deemed, a partner or joint venturer of Borrower. Lender in its sole discretion may choose to complete construction in its own name. All sums expended by Lender in completing construction will be considered to have been disbursed to Borrower and will be secured by the Deed of Trust and any other collateral held by Lender in connection with the Loan; any sums of principal will be considered to be an additional loan to Borrower bearing interest at the Default Rate, and be secured by the Deed of Trust and any other collateral held by Lender in connection with the Loan. For these purposes Lender, in its sole discretion, may reallocate any line item or cost category of the cost breakdown.

13.3 DISBURSEMENTS TO THIRD PARTIES. Upon the occurrence of a Default occasioned by Borrower's failure to pay money to a third party as required by this Loan Agreement, Lender may but shall not be obligated to make such payment from the Loan proceeds, Borrower's Funds, or other funds of Lender. If such payment is made from proceeds of the Loan or from Borrower's Funds, Borrower shall immediately deposit with Lender, upon written demand, an amount equal to such payment. If such payment is made from funds of Lender, Borrower shall immediately repay such funds upon written demand of Lender. In either case, the Default with respect to which any such payment has been made by Lender shall not be deemed cured until such deposit or repayment (as the case may be) has been made by Borrower to Lender.

13.4 LENDER'S COMPLETION OF CONSTRUCTION. Upon the occurrence of a Default, Bond Trustee may, upon five (5) days prior written notice to Borrower, and with or without legal process, take possession of the Property and Improvements, remove Borrower and all agents, employees and contractors of Borrower from the Property and Improvements, complete the work of construction and market and sell or lease the Property and/or Improvements. For this purpose, Borrower irrevocably appoints Bond Trustee as its attorney in fact, which agency is coupled with an interest. As attorney in-fact, Bond Trustee may, in Borrower's name and at the direction of Lender, take or omit to take any action that Lender may deem appropriate, including, without limitation, exercising Borrower's rights under the Loan Documents and all contracts concerning the Property and/or Improvements.

13.5 LENDER'S CESSATION OF CONSTRUCTION. If Lender determines at any time that the Improvements are not being constructed in accordance with the Plans and Specifications and all governmental requirements, Lender may immediately cause all construction to cease on any of the Improvements affected by the condition of nonconformance. Borrower shall thereafter not allow any construction work, other than corrective

work, to be performed on any of the Improvements affected by the condition of nonconformance until such time as Lender notifies Borrower in writing that the nonconforming condition has been corrected.

13.6 REPAYMENT OF FUNDS ADVANCED. Any funds expended by Lender in the exercise of its rights or remedies under this Loan Agreement and the other Loan Documents shall be payable to Lender upon demand, together with interest at the rate applicable to the principal balance of the Note from the date the funds were expended.

13.7 RIGHTS CUMULATIVE, NO WAIVER. All Lender's rights and remedies provided in this Loan Agreement and the other Loan Documents, together with those granted by law or at equity, are cumulative and may be exercised by Lender at any time. Lender's exercise of any right or remedy shall not constitute a cure of any Default unless all sums then due and payable to Lender under the Loan Documents are repaid and Borrower has cured all other Defaults. No waiver shall be implied from any failure of Lender to take, or any delay by Lender in taking, action concerning any Default or failure of condition under the Loan Documents, or from any previous waiver of any similar or unrelated Default or failure of condition. Any waiver or approval under any of the Loan Documents must be in writing and shall be limited to its specific terms.

13.8 EXERCISE OF THE ISSUER'S REMEDIES BY LENDER. Whenever any default shall have happened and be subsisting the Bond Trustee or the Lender may, but except as otherwise provided in the Indenture shall not be obligated to, exercise any or all of the rights of the Issuer under this Article 13, with notice to the Issuer.

13.9 RIGHTS OF INVESTOR LIMITED PARTNER. Investor Limited Partner shall have the rights to cure any Default of Borrower under this Loan Agreement and the other Loan Documents as provided in Section 15.42 of this Loan Agreement. Lender agrees to accept any such cure tendered by Investor Limited Partner or any affiliate or successor thereof on behalf of Borrower.

13.10 NONEXCLUSIVE REMEDIES. No remedy herein conferred upon or reserved to the Issuer or the Lender 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 Lender to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required or as may be required by law.

13.11 EFFECT OF WAIVER. In the event any agreement contained in this Loan Agreement is breached by either party and thereafter such breach is 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.

13.12 LENDER MAY FILE PROOFS OF CLAIM. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to Borrower or the property of Borrower, the Lender (with the prior consent of the Lender), shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) To file and prove a claim and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Issuer and the Lender (including any claim for the reasonable compensation, expenses, disbursements and advances of he Issuer and Lender, their agents and counsel) allowed in such judicial proceeding; and

(b) To collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same.

13.13 RESTORATION OF POSITIONS. If the Lender has instituted any proceeding to enforce any right or remedy under this Loan Agreement, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Lender, then and in every such case Borrower, the Lender shall, subject to any determination in the proceeding, be restored to the positions they held prior to commencement of such

proceedings, and thereafter all rights and remedies of the Issuer and the Lender shall continue as though no such proceeding had been instituted.

13.14 SUITS TO PROTECT THE PROJECT. If Borrower shall fail to do so after thirty (30) days prior written notice from the Lender, the Lender shall have power to institute and to maintain such proceedings as either of them may deem expedient to prevent any impairment of the Project or any portion thereof, by any acts which may be unlawful or in violation of this Loan Agreement, and such suits and proceedings as the Lender may deem expedient to protect its interests in the Project or any portion thereof, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of, or compliance with, such enactment, rule or order would impair or adversely affect the Project or be prejudicial to the interests of the Lender.

ARTICLE 14. TERMINATION

14.1 TERMINATION OF LOAN AGREEMENT; REQUIRED PREPAYMENT.

(a) Except during the continuance of a Default, Borrower shall have the option of terminating this Loan Agreement if (i) the Bonds have been paid in full or if provision is otherwise made for payment of the Bonds in such manner that the Indenture will be discharged on or before the date of termination, (ii) such prepayment and termination is allowed by the Note and the Deed of Trust, (iii) Borrower provides the Lender and the Issuer with an opinion of Bond Counsel to the effect that all such conditions for discharge of the Indenture have been satisfied; and provided that this Loan Agreement may not be terminated unless and until (x) all of Borrower's obligations under the Loan Documents have been satisfied and (y) all of Borrower's obligations with respect to the Issuer's fees, Bond Trustee's fees and any rebate obligation have been satisfied and Borrower has so certified to the Issuer and the Lender. All obligations of Borrower under Sections 3.3(a), 3.4, 9.6, 11.38, 11.41, and 15.1 shall survive termination of this Loan Agreement. Notwithstanding the foregoing, Borrower may not terminate this Loan Agreement unless and until the Bond Trustee has received an amount equal to the Lender's, Bond Trustee's and Issuer's fees and expenses under the Indenture and any other amounts due under Sections 3.3(a), 3.4, 9.6, 11.38, 11.41 and 11.52 hereof, accrued and to accrue until the Bonds are fully paid and redeemed and all other advances, fees, costs and expenses reasonably incurred and to be incurred on or before the termination date by the Lender under the Indenture and by the Issuer and the Lender under this Loan Agreement and/or the other Loan Documents.

(b) On the termination date, a closing shall be held at any office mutually agreed upon among the Issuer, Borrower and the Lender (which closing may be conducted by first-class mail or recognized overnight delivery service). At the closing the Issuer and the Lender shall, upon acknowledgment of receipt of the sum required to be paid pursuant to Section 14.1(a), execute and deliver to Borrower such release and other instruments as Borrower reasonably determines is necessary to terminate this Loan Agreement. All further obligations of Borrower hereunder (except as specifically provided in Sections 3.3(a), 3.4, 9.6, 11.38, 11.41, 11.52 and 15.1 shall thereupon terminate, provided, however, that Borrower shall also remain obligated to pay or reimburse the Issuer and the Lender for the payment of all other fees, costs and expenses unaccounted for in the sum paid in accordance with Section 14.1(a) above and reasonably incurred before or subsequent to such closing in connection with the Bonds.

ARTICLE 15. MISCELLANEOUS PROVISIONS

15.1 INDEMNITY. BORROWER HEREBY AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS ISSUER, BOND TRUSTEE AND LENDER, THEIR GOVERNING BODIES, COMMISSIONERS, SUPERVISORS, DIRECTORS, OFFICERS, OFFICIALS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS, PAST, PRESENT AND FUTURE, FROM AND AGAINST ANY AND ALL LOSSES, DAMAGES, LIABILITIES, CLAIMS, ACTIONS, JUDGMENTS, COURT COSTS AND LEGAL OR OTHER EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND EXPENSES) WHICH ISSUER OR LENDER MAY INCUR AS A DIRECT OR INDIRECT CONSEQUENCE OF: (A) THE PURPOSE TO WHICH BORROWER APPLIES THE PROCEEDS OF THE BONDS; (B) THE FAILURE OF BORROWER TO PERFORM ANY OBLIGATIONS AS AND WHEN REQUIRED BY THIS LOAN AGREEMENT OR ANY

OF THE OTHER LOAN DOCUMENTS; (C) ANY FAILURE AT ANY TIME OF ANY OF BORROWER'S REPRESENTATIONS OR WARRANTIES TO BE TRUE AND CORRECT; OR (D) ANY ACT OR OMISSION BY BORROWER, CONSTITUENT PARTNER OF BORROWER, ANY CONTRACTOR, SUBCONTRACTOR OR MATERIAL SUPPLIER, ENGINEER, ARCHITECT OR OTHER PERSON OR ENTITY WITH RESPECT TO ANY OF THE PROPERTY OR IMPROVEMENTS, PROVIDED, HOWEVER THAT BORROWER WILL NOT BE REQUIRED TO INDEMNIFY LENDER FOR LIABILITIES ARISING DUE TO LENDER'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. BORROWER SHALL IMMEDIATELY PAY TO ISSUER AND LENDER UPON DEMAND ANY AMOUNTS OWING UNDER THIS INDEMNITY, TOGETHER WITH INTEREST FROM THE DATE THE INDEBTEDNESS ARISES UNTIL PAID AT THE RATE OF INTEREST APPLICABLE TO THE PRINCIPAL BALANCE OF THE NOTE. BORROWER'S DUTY AND OBLIGATIONS TO DEFEND, INDEMNIFY AND HOLD HARMLESS ISSUER AND LENDER SHALL SURVIVE CANCELLATION OF THE NOTE AND THE RELEASE, RECONVEYANCE OR PARTIAL RECONVEYANCE OF THE DEED OF TRUST.

15.2 **FORM OF DOCUMENTS**. The form and substance of all documents, instruments, and forms of evidence to be delivered to Lender under the terms of this Loan Agreement and any of the other Loan Documents shall be subject to Lender's approval and shall not be modified, superseded or terminated in any respect without Lender's prior written approval.

15.3 **NO THIRD PARTIES BENEFITED**. No person other than Issuer, Lender, Bond Trustee and Borrower and their permitted successors and assigns shall have any right of action under any of the Loan Documents.

15.4 **NOTICES**. All notices, demands, or other communications under this Loan Agreement and the other Loan Documents shall be in writing and shall be delivered to the appropriate party at the address set forth on the signature page of this Loan Agreement and as specified in Exhibit D (subject to change from time to time by written notice to all other parties to this Loan Agreement). All communications shall be deemed served upon delivery of, or if mailed, upon the first to occur of receipt or the expiration of three (3) days after the deposit in the United States Postal Service mail, postage prepaid and addressed to the address of Borrower or Lender at the address specified; provided, however, that non-receipt of any communication as the result of any change of address of which the sending party was not notified or as the result of a refusal to accept delivery shall be deemed receipt of such communication.

15.5 **ATTORNEY-IN-FACT**. Borrower hereby irrevocably appoints and authorizes Lender, as Borrower's attorney in fact, which agency is coupled with an interest, to execute and/or record in Lender's or Borrower's name any notices, instruments or documents that Lender deems appropriate to protect Lender's or Bond Trustee's interest under any of the Loan Documents.

15.6 **ACTIONS**. Borrower agrees that Lender, in exercising the rights, duties or liabilities of Lender or Borrower under the Loan Documents, may commence, appear in or defend any action or proceeding purporting to affect the Property, the Improvements, or the Loan Documents and Borrower shall immediately reimburse Lender upon demand for all such expenses so incurred or paid by Lender, including, without limitation, attorneys' fees and expenses and court costs.

15.7 **RIGHT OF CONTEST**. Borrower may contest in good faith any claim, demand, levy or assessment (other than liens and stop notices) by any person other than Lender which would constitute a Default if: (a) Borrower pursues the contest diligently, in a manner which Lender determines is not prejudicial to Lender, and does not impair the rights of Lender under any of the Loan Documents; and (b) Borrower deposits with Lender any funds or other forms of assurance which Lender in good faith determines from time to time appropriate to protect Lender from the consequences of the contest being unsuccessful. Borrower's compliance with this Section shall operate to prevent such claim, demand, levy or assessment from becoming a Default.

15.8 **RELATIONSHIP OF PARTIES**. The relationship of Borrower and Lender under the Loan Documents is, and shall at all times remain, solely that of borrower and lender, and Lender neither undertakes nor assumes any responsibility or duty to Borrower or to any third party with respect to the Property or Improvements, except as expressly provided in this Loan Agreement and the other Loan Documents.

15.9 DELAY OUTSIDE LENDER'S CONTROL. Lender shall not be liable in any way to Borrower or any third party for Lender's failure to perform or delay in performing under the Loan Documents (and Lender may suspend or terminate all or any portion of Lender's obligations under the Loan Documents) if such failure to perform or delay in performing results directly or indirectly from, or is based upon, the action, inaction, or purported action, of any governmental or local authority, or because of war, rebellion, insurrection, strike, lock out, boycott or blockade (whether presently in effect, announced or in the sole judgment of Lender deemed probable), or from any Act of God or other cause or event beyond Lender's control.

15.10 ATTORNEYS' FEES AND EXPENSES; ENFORCEMENT. If any attorney is engaged by Lender to enforce or defend any provision of this Loan Agreement, any of the other Loan Documents or Other Related Documents, or as a consequence of any Default under the Loan Documents, with or without the filing of any legal action or proceeding, and including, without limitation, any fees and expenses incurred in any bankruptcy proceeding of the Borrower, then Borrower shall immediately pay to Lender, upon demand, the amount of all attorneys' fees and expenses and all costs incurred by Lender in connection therewith, together with interest thereon from the date of such demand until paid at the rate of interest applicable to the principal balance of the Note as specified therein.

15.11 IN-HOUSE COUNSEL FEES. Whenever Borrower is obligated to pay or reimburse Lender for any attorneys' fees, those fees shall include the allocated costs for services of in-house counsel or loan administrators.

15.12 IMMEDIATELY AVAILABLE FUNDS. Unless otherwise expressly provided for in this Loan Agreement, all amounts payable by Borrower to Lender shall be payable only in United States currency, immediately available funds.

15.13 LENDER'S CONSENT. Wherever in this Loan Agreement there is a requirement for Lender's consent and/or a document to be provided or an action taken "to the satisfaction of Lender," it is understood by such phrase that Lender shall exercise its consent, right or judgment in a reasonable manner given the specific facts and circumstance applicable at the time.

15.14 LOAN SALES AND PARTICIPATIONS; DISCLOSURE OF INFORMATION. Borrower acknowledges the intention of the parties to facilitate the marketability of the Loan to purchasers in the secondary market and agrees that Lender may elect, at any time, subject to the requirements of the Indenture, to sell, assign or grant participations in all or any portion of its rights and obligations under the Loan Documents, and that any such sale, assignment or participation may be to one or more financial institutions, private investors, and/or other entities, at Lender's sole discretion ("**Participant**"). Borrower further agrees that Lender may disseminate to any such actual or potential purchaser(s), assignee(s) or participant(s) all documents and information (including, without limitation, all financial information) which has been or is hereafter provided to or known to Lender with respect to: (a) the Property and Improvements and its operation; (b) any party connected with the Loan (including, without limitation, the Borrower, any partner of Borrower, any constituent partner or member of Borrower, any Guarantor, any Indemnitor and any Non-Borrower Trustor); and/or (c) any lending relationship other than the Loan which Lender may have with any party connected with the Loan. In the event of any such sale, assignment or participation, Lender and the parties to such transaction shall share in the rights and obligations of Lender as set forth in the Loan Documents only as and to the extent they agree among themselves. In connection with any such sale, assignment or participation, Borrower further agrees that the Loan Documents shall be sufficient evidence of the obligations of Borrower to each purchaser, assignee, or participant, and upon written request by Lender, Borrower shall enter into such amendments or modifications to the Loan Documents as may be reasonably required in order to evidence any such sale, assignment or participation. The indemnity obligations of Borrower under the Loan Documents shall also apply with respect to any purchaser, assignee or participant.

Anything in this Loan Agreement to the contrary notwithstanding, and without the need to comply with any of the formal or procedural requirements of this Loan Agreement, including this Section, any lender may at any time and from time to time pledge and assign all or any portion of its rights under all or any of the Loan Documents to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from its obligations thereunder.

15.15 **FANNIE MAE REQUIREMENTS**. Borrower agrees to execute such additional documents (which documents shall be considered "Loan Documents") as Lender may reasonably request to facilitate the sale of the Loan at any time to Fannie Mae or another purchaser of loans in the secondary market which generally follows Fannie Mae standards. If there are any modifications in or additions to any of the requirements imposed or standards used by Fannie Mae in connection with loans purchased by it or by others purchasing loans on the secondary market and generally following Fannie Mae standards, then, at Lender's request, Borrower shall execute amendments to the Loan Documents, or shall execute additional Loan Documents, to conform with such modifications or additions. Despite anything in the foregoing to the contrary, none of the amendments or additional documents requested hereunder shall materially change the terms of the Loan Documents or increase the financial obligations of Borrower.

15.16 **SIGNS**. Lender may place on the Property reasonable signs standard to construction loan transactions stating that construction financing is being provided by Lender.

15.17 **LENDER'S AGENTS**. Lender may designate an agent or independent contractor to exercise any of Lender's rights under this Loan Agreement and any of the other Loan Documents. Any reference to Lender in any of the Loan Documents shall include Lender's agents, employees or independent contractors. Borrower shall pay the costs of such agent or independent contractor either directly to such person or to Lender in reimbursement of such costs, as applicable.

15.18 **TAX SERVICE**. Lender is authorized to secure, at Borrower's expense, a tax service contract with a third party vendor which shall provide tax information on the Property and Improvements satisfactory to Lender.

15.19 **WAIVER OF RIGHT TO TRIAL BY JURY**. TO THE EXTENT PERMITTED BY APPLICABLE LAW, BORROWER AND LENDER (BUT NOT THE ISSUER) EACH EXPRESSLY WAIVE ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (a) ARISING UNDER THE LOAN DOCUMENTS, INCLUDING, WITHOUT LIMITATION, ANY PRESENT OR FUTURE MODIFICATION THEREOF OR (b) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THE LOAN DOCUMENTS (AS NOW OR HEREAFTER MODIFIED) OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION IS NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND THE LENDER AND THE BORROWER EACH HEREBY AGREE AND CONSENT THAT ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF LENDER AND BORROWER TO THE WAIVER OF ANY RIGHT THEY MIGHT OTHERWISE HAVE TO TRIAL BY JURY.

15.20 **SEVERABILITY**. If any provision or obligation under this Loan Agreement and the other Loan Documents shall be determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, that provision shall be deemed severed from the Loan Documents and the validity, legality and enforceability of the remaining provisions or obligations shall remain in full force as though the invalid, illegal, or unenforceable provision had never been a part of the Loan Documents, provided, however, that if the rate of interest or any other amount payable under the Note or this Loan Agreement or any other Loan Document, or the right of collectibility therefor, are declared to be or become invalid, illegal or unenforceable, Lender's obligations to make advances under the Loan Documents shall not be enforceable by Borrower.

15.21 **HEIRS, SUCCESSORS AND ASSIGNS**. Except as otherwise expressly provided under the terms and conditions of this Loan Agreement, the terms of the Loan Documents shall bind and inure to the benefit of the heirs, successors and assigns of the parties.

15.22 **TIME**. Time is of the essence of each and every term of this Loan Agreement.

15.23 HEADINGS. All Article, Section or other headings appearing in this Loan Agreement and any of the other Loan Documents are for convenience of reference only and shall be disregarded in construing this Loan Agreement and any of the other Loan Documents.

15.24 GOVERNING LAW. This Loan Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of California, except to the extent preempted by federal laws. Borrower and all persons and entities in any manner obligated to Lender under the Loan Documents consent to the jurisdiction of any federal or state court within the State of California having proper venue and also consent to service of process by any means authorized by California or federal law.

15.25 INTEGRATION; INTERPRETATION. The Loan Documents contain or expressly incorporate by reference the entire agreement of the parties with respect to the matters contemplated therein and supersede all prior negotiations or agreements, written or oral. The Loan Documents shall not be modified except by written instrument executed by all parties. Any reference to the Loan Documents includes any amendments, renewals or extensions now or hereafter approved by Lender in writing. Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The word "include(s)" means "include(s), without limitation", and the word "including" means "including, but not limited to". No listing of specific instances, items or matters in any way limits the scope or generality of any language of this Loan Agreement. The exhibits to this Loan Agreement are hereby incorporated in this Loan Agreement.

15.26 USA PATRIOT ACT NOTICE. COMPLIANCE. The USA Patriot Act of 2001 (Public Law 107-56) and federal regulations issued with respect thereto require all financial institutions to obtain, verify and record certain information that identifies individuals or business entities which open an "account" with such financial institution. Consequently, Lender may from time-to-time request, and Borrower shall provide to Lender, Borrower's name, address, tax identification number and/or such other identification information as shall be necessary for Lender to comply with federal law. An "account" for this purpose may include, without limitation, a deposit account, cash management service, a transaction or asset account, a credit account, a loan or other extension of credit, and/or other financial services product.

15.27 JOINT AND SEVERAL LIABILITY. The liability of all persons and entities obligated in any manner under this Loan Agreement and any of the Loan Documents shall be joint and several.

15.28 COUNTERPARTS. To facilitate execution, this document may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature of, or on behalf of, each party, or that the signatures of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single document. It shall not be necessary in making proof of this document to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.

15.29 NO WAIVER; CONSENTS. No alleged waiver by Lender or Issuer will be effective unless in writing, and no waiver will be construed as a continuing waiver. No waiver may be implied from any delay or failure by Lender or Issuer to take action on account of any default of Borrower or to exercise any right or remedy against Borrower or any security. Consent by Lender or Issuer to any act or omission by Borrower may not be construed as a consent to any other or subsequent act or omission or as a waiver of the requirement for Lender's consent to be obtained in any future or other instance. All of Lender's rights and remedies are cumulative.

15.30 AMENDMENTS, CHANGES AND MODIFICATIONS. Except as otherwise provided in this Loan Agreement or in the Indenture, subsequent to the issuance of the Bonds and before the lien of the Indenture is satisfied and discharged in accordance with its terms, this Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of Lender and Borrower (and the Issuer to the extent any proposed amendment, change or modification relates to any rights reserved by the Issuer under the Indenture).

15.31 **LIMITATION ON ISSUER'S LIABILITY**. The Issuer shall not be obligated to pay the principal (or Redemption Price) of or interest on the Bonds, except from moneys and assets received by the Trustee on behalf of the Issuer pursuant to this Loan Agreement. Neither the faith and credit nor the taxing power of the State, or any political subdivision thereof, nor the faith and credit of the Issuer or the County of Los Angeles is pledged to the payment of the principal (or Redemption Price) of or interest on the Bonds. Neither the Issuer nor the County of Los Angeles, nor the State shall be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Loan Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Borrower under this Loan Agreement.

The Borrower hereby acknowledges that the Issuer's sole source of moneys to repay the Bonds will be provided by the payments made by the Borrower pursuant to this Loan Agreement, together with investment income on certain funds and accounts held by the Trustee under the Indenture, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal (or Redemption Price) of and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, the Borrower shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or Redemption Price) of or interest on the Bonds, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Borrower, the Issuer or any third party, subject to any right of reimbursement from the Trustee, the Issuer or any such third party, as the case may be, therefor.

THE BONDS ARE ISSUED PURSUANT TO THE ACT AND ARE A LIMITED OBLIGATION OF THE ISSUER. NEITHER THE BOARD OF COMMISSIONERS OR BOARD OF SUPERVISORS OF THE ISSUER NOR ANY OFFICIAL OR EMPLOYEE OF THE ISSUER NOR ANY PERSON EXECUTING THE BONDS SHALL BE LIABLE PERSONALLY ON THE BONDS OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE. THE BONDS AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE ONLY FROM THE SOURCES DESCRIBED IN THE LOAN AGREEMENT. NEITHER THE ISSUER, THE COUNTY OF LOS ANGELES, THE STATE NOR ANY OTHER POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF SUCH BONDS OR THE INTEREST THEREON OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE MONEY PLEDGED THEREFOR.

THE BONDS AND THE INTEREST THEREON DO NOT AND SHALL NEVER CONSTITUTE A DEBT OF INDEBTEDNESS OR A GENERAL OBLIGATION OF THE ISSUER, THE COUNTY OF LOS ANGELES, THE STATE OR ANY MUNICIPAL OR POLITICAL CORPORATION OR SUBDIVISION OF THE STATE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE NOR ANY POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF NOR THE FAITH AND CREDIT OF THE ISSUER IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA.

No past, present or future officer, employee or agent of the Issuer in his or her individual capacity shall be individually or personally liable for the payment of any principal (or Redemption Price) of or interest on the Bonds or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Loan Agreement; but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Loan Agreement.

15.32 **PURPOSE AND EFFECT OF LENDER APPROVAL**. Lender's approval of any matter in connection with the Loan is for the sole purpose of protecting the security and rights of the Lender. No such approval will result in a waiver of any default of Borrower. In no event may Lender's approval be a representation of any kind with regard to the matter being approved.

15.33 **NO COMMITMENT TO INCREASE LOAN**. From time to time, Lender may approve changes to the Plans and Specifications at Borrower's request and also require Borrower to make corrections to the work of construction, all on and subject to the terms and conditions of this Loan Agreement. Borrower

acknowledges that no such action or other action by Lender will in any manner commit or obligate the Issuer or Lender to increase the amount of the Loan.

15.34 RELATIONSHIPS WITH OTHER LENDER CUSTOMERS. From time to time, Lender may have business relationships with Borrower's customers, suppliers, contractors, tenants, partners, shareholders, officers or directors, or with businesses offering products or services similar to those of Borrower, or with persons seeking to invest in, borrow from or lend to Borrower. Borrower agrees that Lender may extend credit to such parties and take any action it deems necessary to collect the credit, regardless of the effect that such extension or collection of credit may have on Borrower's financial condition or operations. Borrower further agrees that in no event will Lender be obligated to disclose to Borrower any information concerning any other Lender customer.

15.35 DISCLOSURE TO TITLE COMPANY. Without notice to or the consent of Borrower, Lender may disclose to any title insurance company insuring any interest of Lender under the Deed of Trust (whether as primary insurer, coinsurer or reinsurer) any information, data or material in Lender's possession relating to Borrower, the Loan, the Project or the Property.

15.36 RESTRICTION ON PERSONAL PROPERTY. Except for the replacement of personal property made in the ordinary course of Borrower's business with items of equal or greater value, Borrower may not sell, convey or otherwise transfer or dispose of its interest in any personal property in which Lender has a security interest or contract to do any of the foregoing, without the prior written consent of Lender in each instance.

15.37 LOAN COMMISSION. Lender is not obligated to pay any brokerage commission or fee in connection with or arising out of the Loan. Borrower must pay any and all brokerage commissions or fees arising out of or in connection with the Loan.

15.38 COMPLIANCE WITH USURY LAWS. Notwithstanding any other provision of this Loan Agreement, it is agreed and understood that in no event shall this Loan Agreement, with respect to the Note or other instrument of indebtedness, be construed as requiring Borrower or any other person to pay interest and other costs or considerations that constitute interest under any applicable law which are contracted for, charged or received pursuant to this Loan Agreement in an amount in excess of the maximum amount of interest allowed under any applicable law. In the event of any acceleration of the payment of the principal amount of the Note or other evidence of indebtedness, that portion of any interest payment in excess of the maximum legal rate of interest, if any, provided for in this Loan Agreement or related documents shall be canceled automatically as of the date of such acceleration, or if theretofore paid, credited to the principal amount. The provisions of this Section prevail over any other provision of this Loan Agreement.

15.39 TERMINATED DOCUMENTS. The documents (the "**Terminated Documents**") listed on Exhibit E attached hereto are the Loan Documents or Other Related Documents that, upon satisfaction of the terms and conditions of the Conversion, shall be released and terminated on and as of the Conversion Date.

15.40 INTENTIONALLY OMITTED.

15.41 REMOVAL OF GENERAL PARTNER. Notwithstanding anything to the contrary contained in the Loan Agreement, the replacement of General Partner for cause in accordance with the Borrower's Partnership Agreement shall not constitute a default under any of the Loan Documents or accelerate the maturity of the Loan; provided, however, such substitute General Partner must be reasonably satisfactory to and approved in writing by Lender and any substitution under this Section 15.41 must be in compliance with the terms of the Regulatory Agreement. Such acceptable substitute General Partner is to be selected no later than thirty (30) days after the date of the removal of the General Partner. Notwithstanding the foregoing, no such prior written approval of Lender is required if the substitute General Partner is an affiliate of either the Investor Limited Partner or Wells Fargo Bank, National Association or its successor (an "**Investor Affiliate General Partner**"), but in such case the Investor Limited Partner shall promptly give notice to the Lender of the replacement of the existing General Partner and the identity of the substitute General Partner, and shall agree to replace the Investor Affiliate General Partner with a new substitute General Partner which is a nonprofit public benefit corporation acceptable to Lender in its reasonable discretion within sixty (60) days of the Investor Affiliate General Partner being named as a substitute general partner of the Borrower. Further, any removal and replacement of any General Partner not in accordance with the

Partnership Agreement shall require the prior written consent of Lender, which consent shall not be unreasonably withheld. Any substitute General Partner shall assume all of the rights and obligations of the removed General Partner under all of the Loan Documents, pursuant to an assumption agreement in the form provided by Lender. In the event that the general partner being replaced pursuant to this subsection is the Administrative General Partner, then no further transfer of such general partner interest to a nonprofit will be required so long as the Managing General Partner retains its general partnership interest.

15.42 NOTICE AND CURE RIGHTS. Notwithstanding anything to the contrary contained in the Loan Documents, Lender hereby agrees that any cure of any default made or tendered within thirty (30) days of the default by either (i) Borrower's Investor Limited Partner, or any affiliate or successor thereof, or (ii) the City shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower. Copies of all notices which are sent to Borrower under the terms of the Loan Documents shall also be sent to Borrower's Investor Limited Partner and to the City at the following addresses:

Hudson Housing Capital, LLC
7545 Irvine Center Drive, Suite 200
Irvine, CA 92618
Attention: _____

with a copy to:

Hudson SLP LLC
630 Fifth Avenue
New York, NY 10111
Attention: Joseph A. Macari
Fax: (212) 218-4467

City of San Fernando
117 MacNeil Street
San Fernando, CA 91340
Attention: City Administrator

with a copy to:
Richards, Watson & Gershon
355 South Grand Avenue, 40th Floor
Los Angeles, CA 90071
Attention: Michael Estrada, City Attorney

15.43 PURCHASE OPTION/RIGHT OF FIRST REFUSAL. Notwithstanding anything to the contrary contained in the Loan Documents, the execution and delivery of a purchase option agreement between Borrower and the General Partner or an affiliate thereof shall not constitute a default under the Loan Documents or accelerate the maturity of the Loan thereunder, provided that (a) Lender gives its prior written consent to such Purchase Option or Right of First Refusal, (b) the Purchase Option or Right of First Refusal is subordinated to the Loan, and (c) upon the exercise of such purchase option or first refusal right by the optionee with respect to the Property thereunder, the optionee assumes all of the obligations of Borrower with respect to the Loan, at which time Borrower may be released from its obligations with respect to the Loan.

15.44 EXTENDED USE AGREEMENT. Upon Conversion, Lender acknowledges that Borrower and the State of California, acting through TCAC intend to enter into an extended use agreement, which constitutes the extended low-income housing commitment described in Section 42(h)(6)(B) of the Internal Revenue Code, as amended (the "Code"). As of the date hereof, Code Section 42(h)(6)(E)(ii) does not permit the eviction or termination of tenancy (other than for good cause) of an existing tenant of any low-income unit or any increase in the gross rent with respect to such unit not otherwise permitted under Code Section 42 for a period of three (3) years after the date the building is acquired by foreclosure or by instrument in lieu of foreclosure. In the event the

extended use agreement required by the Credit Agency is recorded against the Property, Lender agrees to comply with the provisions set forth in Code Section 42(h)(6)(E)(ii).

15.45 MONETARY DEFAULT. Notwithstanding anything to the contrary contained in the Loan Agreement or the Deed of Trust, if a monetary event of default occurs under the terms of any of the Loan Documents, prior to exercising any remedies thereunder, Lender shall give Borrower and the Investor Limited Partner written notice of such default. Borrower shall have such period of time as may be set forth in the Loan Agreement or the Deed of Trust to cure such default prior to exercise of remedies by Lender under the Loan Agreement.

15.46 NON-MONETARY DEFAULT. Notwithstanding anything to the contrary contained in the Loan Agreement, if a non-monetary event of default occurs under the terms of any of the Loan Agreement, prior to exercising any remedies thereunder, Lender shall give Borrower and the Investor Limited Partner written notice of such default. Borrower shall have thirty (30) days to effect a cure of such default prior to exercise of remedies by Lender under the Loan Agreement. If the default is such that it is not reasonably capable of being cured within thirty (30) days, Borrower may request additional time from Lender to cure such default, which shall not be unreasonably withheld, so long as Borrower diligently, continually, and in good faith works to effect a cure as soon as possible, and as long as the additional time does not delay performance hurdles or materially affect other requirements set forth in the Loan Documents.

15.47 AFFIRMATIVE ACTION. Borrower shall not discriminate in its employment practices against any employee or applicant for employment because of the applicant's race, creed, religion, national origin or ancestry, sex, age, sexual orientation or preference, marital status, color, physical disability, familial status and disability, mental conditions or medical conditions, including pregnancy, childbirth or related condition.

15.48 DELIVERY OF REPORTS TO ISSUER. The delivery of reports, information and documents to the Issuer as provided herein is for informational purposes only and the Issuer's receipt of such shall not constitute constructive knowledge of any information contained therein or determinable from information contained therein. The Issuer shall have no duties or responsibilities except those that are specifically set forth herein, and no other duties or obligations shall be implied in this Loan Agreement against the Issuer.

15.49 INTENTIONALLY OMITTED.

15.50 AMERICANS WITH DISABILITIES ACT. Borrower shall be in full compliance with all federal and state laws, including those of the Americans with Disabilities Act, 42 U.S.C. 12101 et seq. and its implementing regulations and the American Disabilities Act Amendments Act (ADAAA) Pub. L. 110.3 and subsequent amendments (collectively, the "**ADA**"). Under the ADA, Borrower shall provide for reasonable accommodations to allow qualified individuals with disabilities access to and participation in their programs, services and activities in accordance with the ADA. In addition, Borrower shall not discriminate against individuals with disabilities nor against persons due to their relationship or association with a person with a disability. Any subcontract entered into by Borrower relating to this Loan Agreement, to the extent allowed hereunder, shall be subject to the provisions of this Section.

15.51 INTENTIONALLY OMITTED.

15.52 CAPITAL ADEQUACY. If any owner of any of the Bonds, or any holder of a participating interest in the ownership of Bonds of another person or entity (collectively, a "Bondowner") determines that compliance with any law or regulation or with any guideline or request from any central bank or other governmental agency (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Bondowner, or any corporation controlling such Bondowner, as a consequence of, or with reference to, such Bondowner's or such corporation's commitments or its making or maintaining advances below the rate which such Bondowner or such corporation controlling Bondowner could have achieved but for such compliance (taking into account the policies of such Bondowner or corporation with regard to capital), then Borrower shall, from time to time, within thirty (30) calendar days after written demand by Lender or such Participant, pay to such Bondowner additional amounts sufficient to compensate such Bondowner or such corporation controlling such Bondowner to the extent that such Bondowner determines such increase in capital is

allocable to such Bondowner's obligations hereunder. A certificate as to such amounts, submitted to Borrower by such Bondowner, shall be conclusive and binding for all purposes, absent manifest error.

IN WITNESS WHEREOF, Issuer, Borrower and Lender have executed this Loan Agreement as of the date appearing on the first page of this Loan Agreement.

"ISSUER"

Approved as to form:

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES

ANDREA SHERIDAN ORDIN
County Counsel

By: _____
Sean Rogan
Executive Director

By: _____
Deputy

Issuer's Address:

The Housing Authority of the County of Los Angeles
2 Coral Circle
Monterey Park, CA 91755
Attention: Jewel Warren-Reed, Principal Bond Administrator

"LENDER"

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____
Norma Dominguez
Vice President

Lender's Address:

Wells Fargo Bank, National Association
Community Lending and Investment (MAC# E2818-181)
707 Wilshire Blvd., 18th Floor
Los Angeles, California 90017
Tel. No.: (213) 614-4770
Fax No.: (213) 614-4010
Attention: Loan Administration Officer

"BORROWER"

MID CELIS APARTMENTS, L.P.,
a California limited partnership

By: Los Angeles Housing Partnership, Inc.,
a California nonprofit public benefit corporation
its Managing General Partner

By: _____
Mary Silverstein
President & Executive Director

By: Abbey Road, Inc.,
a California nonprofit public benefit corporation
its Administrative General Partner

By: _____
Name: _____
Title: _____

Borrower's Address:

Mid Celis Apartments, L.P.
c/o Los Angeles Housing Partnership
1200 Wilshire Blvd. Suite 307
Los Angeles, California 90017
Attention: Mary Silverstein
Tel.: (213) 629-9172, x 106
Fax: (213) 629-9179

with a copy to:

Hudson Housing Capital, LLC
7545 Irvine Center, Suite 200
Irvine, CA 92618
Attention: _____

and a copy to:

Hudson SLP LLC
630 Fifth Avenue
New York, NY 10111
Attention: Joseph A. Macari
Fax: (212) 218-4467

EXHIBIT A - DESCRIPTION OF PROPERTY

Exhibit A to Loan Agreement between MID CELIS APARTMENTS, L.P., a California limited partnership, as "Borrower", THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES, as "Issuer" and WELLS FARGO BANK, NATIONAL ASSOCIATION, and its successors and assigns, as "Lender," dated as of December 1, 2011.

All that certain real property situated in the County of Los Angeles, State of California, described as follows:

Lots 8, 9, 10, 31, 32 and 33 all in Block 8 of the Porter Land and Water Company's Resurvey of the Town of San Fernando, in the City of San Fernando, County of Los Angeles, State of California, as per map recorded in Book 34, Pages 65 and 66 of Miscellaneous Records, in the Office of the County Recorder of said County.

Assessor's Parcel Number: **2521-003-900**

EXHIBIT B - DOCUMENTS

Exhibit B to Loan Agreement between MID CELIS APARTMENTS, L.P., a California limited partnership, as "Borrower", THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES as "Issuer" and WELLS FARGO BANK, NATIONAL ASSOCIATION, and its successors and assigns, as "Lender" dated as of December 1, 2011.

1. Loan Documents. The documents listed below, numbered 1.1 through 1.20 inclusive, and amendments, modifications and supplements thereto which have received the prior written consent of Lender, together with any documents executed in the future that are approved by Lender and that recite that they are "Loan Documents" for purposes of this Loan Agreement are collectively referred to herein as the Loan Documents.

1.1 This Loan Agreement.

1.2 Promissory Note.

1.3 The Construction and Permanent Leasehold Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing of even date herewith executed by Borrower, as Trustor, to Title Company, as Trustee, for the benefit of Bond Trustee, as Beneficiary.

1.4 Security Agreement (Tax Credits) of even date herewith executed by Borrower and General Partner, as debtors, in favor of Lender.

1.5 Uniform Commercial Code – National Financing Statements – form UCC 1 (Deed of Trust), dated of even date herewith showing Borrower, as Debtor, and Bond Trustee, as Secured Party (for filing in California).

1.6 Uniform Commercial Code – National Financing Statement – form UCC 1 (Tax Credits), dated of even date herewith showing Borrower, as Debtor, General Partner, as Additional Debtor, and Lender, as Secured Party (for filing in California).

1.7 Assignment of Construction Contracts of even date herewith executed by Borrower and Contractor in favor of Lender.

1.8 Assignment of Architectural Agreements and Plans and Specifications of even date herewith executed by Borrower and Architect in favor of Lender.

1.9 [Assignment of Engineering Agreements and Plans and Specifications of even date herewith executed by Borrower and Engineer in favor of Lender.]

1.10 Assignment of Management Agreement of even date herewith executed by Borrower in favor of Lender.

1.11 [Replacement Reserve Agreement of even date herewith executed by Borrower and Lender.]

1.12 Copartnership, Joint Venture or Association Borrowing Certificate of even date herewith executed by General Partner.

1.13 Corporate Resolution Authorizing Partnership Activity of even date herewith executed by the Managing General Partner.

1.14 Corporate Resolution Authorizing Partnership Activity of even date herewith executed by the Administrative General Partner.

1.15 Corporate Resolution Authorizing Guaranty and Indemnity Agreement of even date herewith executed by the Managing General Partner.

1.16 Corporate Resolution Authorizing Guaranty and Indemnity Agreement of even date herewith executed by the Administrative General Partner.

1.17 Agreement for Disbursement Prior to Recordation of even date herewith executed by the Borrower in favor of Bondowner Representative.

1.18 [Estoppel Certificate of even date herewith executed by the City and Borrower in favor of Bondowner Representative, CCRC and Investor Limited Partner.]

1.19 Assignment of Deed of Trust and Loan Documents of even date herewith executed by the Issuer in favor of Bond Trustee.

1.20 [Assignment of License Agreement dated as of even date herewith, by and among Borrower, Bondowner Representative and the City.]

1.21 Assignment of Agreement to Enter into Housing Assistance Payments Contract and Housing Assistance Payments Contract dated as of even date herewith, by Borrower in favor of Bondowner Representative and consented to by the Housing Authority of the County of Los Angeles.

1.22 Agreement re Permanent Financing dated as of even date herewith, by and among Borrower, Bondowner Representative and CalFHA.

1.22 Subordination Agreement (LACDC) dated as of even date herewith, by and among Borrower, Bond Trustee, Bondowner Representative and LACDC.

1.23 Subordination Agreement (Purchase Option Agreement to Deed of Trust) dated as of even date herewith, by and among Borrower, Bondowner Representative and Investor Limited Partner.

1.24 [TriParty Agreement with CCRC?]

2. Other Related Documents (Which Are Not Loan Documents):

2.1 Completion Guaranty of even date herewith executed by Guarantor, as Guarantor, in favor of Lender.

2.2 Repayment Guaranty of even date herewith executed by Guarantor, as Guarantor, in favor of Lender.

2.3 Hazardous Materials Indemnity Agreement (Unsecured) dated of even date herewith executed by Borrower and Guarantor, (collectively "Indemnitor") in favor of Lender, Issuer and the Bond Trustee.

2.4 Opinion of Borrower's Legal Counsel dated as of the Effective Date, executed by Borrower's Legal Counsel on behalf of Borrower, Guarantors and Indemnitors, in favor of Bond Trustee and Lender and their successors and assigns.

2.5 Opinion of Bond Counsel.

EXHIBIT C - FINANCIAL REQUIREMENT ANALYSIS

Exhibit C to LOAN AGREEMENT between MID CELIS APARTMENTS, L.P., a California limited partnership, as "Borrower", THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES as "Issuer" and WELLS FARGO BANK, NATIONAL ASSOCIATION, and its successors and assigns, as "Lender" dated as of December 1, 2011.

The Financial Requirement Analysis set forth herein represents an analysis of the total costs necessary in Borrower's estimation to perform Borrower's obligations under the Loan Documents. Column A, "Original Budget," sets forth Borrower's representation of the maximum costs for each Item specified in Column A. Column B, "Deferred Costs" sets forth Borrower's representation of costs that Borrower has paid or has caused to be paid from other sources of funds for each Item specified in Column B. Column C, "Net Construction Budget" sets forth the portion of the Loan and Borrower's Funds which has been allocated for each Item specified in Column C and will be disbursed pursuant to the terms, covenants, conditions and provisions of Exhibit D of this Loan Agreement and the Loan Documents. Unless specified otherwise, all reference to Columns or Items in this Loan Agreement refer to Columns or Items in this Exhibit C.

Exhibit C

[TO BE REVISED EXHIBIT D - DISBURSEMENT PLAN

Exhibit D to LOAN AGREEMENT between MID CELIS APARTMENTS, L.P., a California limited partnership, as "Borrower", THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES, CALIFORNIA, as "Issuer" and WELLS FARGO BANK, NATIONAL ASSOCIATION, and its successors and assigns as "Lender" dated as of December 1, 2011.

1. Timing of Disbursement. Unless another provision of this Loan Agreement specifies otherwise, on or about the last day of each month, or at such other times as Lender may approve or determine more appropriate, Borrower shall submit to:

Wells Fargo Bank, National Association
Minneapolis Loan Center
608 2nd Avenue South, 11th Floor
Minneapolis, Minnesota 55402
Attention: DA- Tari Mock (612) 316-0115

a written itemized statement, signed by Borrower ("Application for Payment") setting forth:

1.1 A description of the work performed, material supplied and/or costs incurred or due for which disbursement is requested with respect to any line item ("Item") shown in Column D ("Disbursement Budget") of the Financial Requirement Analysis attached as Exhibit C to this Loan Agreement.

1.2 The total amount incurred, expended and/or due for each requested Item less prior disbursements.

1.3 Each Application for Payment by Borrower shall constitute a representation and warranty by Borrower that Borrower is in compliance with all the conditions precedent to a disbursement specified in this Loan Agreement.

1.4 Lender shall have the right to require that Disbursements shall be made, after satisfaction of the conditions contained in this Exhibit D and the Disbursement Plan. Disbursement of Bond proceeds shall be made to the Construction Fund, pursuant to a requisition provided in accordance with the Indenture, into Borrower's demand deposit account at Wells Fargo Bank, National Association, account number _____.

1.5 Each Application for Payment by Borrower shall constitute a representation and warranty by Borrower that Borrower is in compliance with the Issuer's prevailing wage requirements as set forth in the Regulatory Agreement.

2. Lender's Right to Condition Disbursements. Lender shall have the right to condition any disbursement upon Lender's receipt and approval of the following:

2.1 the Application for Payment and an itemized requisition for payment of line items shown in the Disbursement Budget as hard costs ("Hard Costs");

2.2 bills, invoices, documents of title, vouchers, statements, payroll records, receipts and any other documents evidencing the total amount expended, incurred or due for any requested Items;

2.3 evidence of Borrower's use of a lien release, joint check and voucher system acceptable to Lender for payments or disbursements to any contractor, subcontractor, materialman, supplier or lien claimant;

2.4 architect's, inspector's and/or engineer's periodic certifications of the percentage and/or stage of construction that has been completed and its conformance to the Plans and Specifications and

governmental requirements based upon any such architect's, inspector's and/or engineer's periodic physical inspections of the Property and Improvements;

2.5 waivers and releases of any mechanics' lien, stop notice claim, equitable lien claim or other lien claim rights;

2.6 evidence of Borrower's compliance with the provisions of the Articles and Sections of this Loan Agreement entitled Construction and Authority/Enforceability;

2.7 a written release executed by any surety to whom Lender has issued or will issue a set-aside letter and/or any public entity or agency which is a beneficiary under any instrument of credit or standby letter of credit which Lender has issued or will issue with respect to the Loan;

2.8 valid, recorded Notice(s) of Completion for the Improvements or any portions of the Improvements for which Notice(s) of Completion may be recorded under applicable law;

2.9 Certificate of Substantial Completion from the Architect and Engineer, if any, prior to the final retention disbursement or the final stage disbursement of Hard Costs, as applicable;

2.10 evidence satisfactory to Lender that the Permanent Lender, if any, has approved the completed Improvements and that all conditions precedent to the initial funding of the permanent financing, if any, have been satisfied prior to the final retention disbursement or the final stage disbursement of Hard Costs, as applicable;

2.11 any other document, requirement, evidence or information that Lender may request under any provision of the Loan Documents;

2.12 evidence that any goods, materials, supplies, fixtures or other work in process for which disbursement is requested have been incorporated into the Improvements;

2.13 in the event that any Application for Payment includes the cost of materials stored on the Property ("Onsite Materials"), such Application for Payment shall include each of the following: (a) evidence that the Onsite Materials have been purchased by Borrower; (b) evidence that the Onsite Materials are insured as required hereunder; and (c) evidence that the Onsite Materials are stored in an area on the Property for which adequate security is provided against theft and vandalism; and

2.14 in the event any Application for Payment includes the cost of materials stored at a location other than the Property ("Offsite Materials"), such Application for Payment shall include each of the following: (a) evidence that the Offsite Materials have been purchased by Borrower, have been segregated from other materials in the facility and have been appropriately marked to indicate Borrower's ownership thereof and Lender's security interest therein; and (b) evidence that the Offsite Materials are insured as required by this Loan Agreement; and (c) at Lender's request, a security agreement, financing statement and/or subordination agreement in form and substance satisfactory to Lender executed by the supplier of the Offsite Materials, and/or such other persons as Lender determines may have an interest in or claim to the Offsite Materials, together with such other additional documentation and evidence as Lender may reasonably require to assure itself that it has a perfected first priority lien on the Offsite Materials.

Borrower acknowledges that this approval process may result in disbursement delays and Borrower hereby consents to all such delays.

Borrower further acknowledges that all disbursements are subject to the prior written consent of the Issuer in the manner and to the extent set forth in Section 3.03 of the Indenture.

3. Disbursement of Acquisition of Land Costs. The portion of the Disbursement Budget totaling $_____ has been disbursed to or for the benefit or account of Borrower for the payment of Borrower's Acquisition of Land Costs.

4. Disbursement of Demolition and Site Cleaning Costs. As construction progresses, the Portion of the Disbursement Budget totaling $_____ shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the Demolition and Site Cleaning Costs. Items up to ninety percent (90%) of the maximum amount allocated for such Item less prior disbursements. The remaining ten percent (10%) ("Retention") shall be disbursed into the Account or to or for the benefit or account of the Borrower upon completion of the Improvements in accordance with the Plans and Specifications, governmental requirements, the statutory lien period has expired, and Lender has received a 101.2 Mechanic's Lien Free Endorsement to the Title Policy.

5. Disbursement of Site Work Costs. As construction progresses, the Portion of the Disbursement Budget totaling $_____ shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the Borrower's Site Work Costs Items up to ninety percent (90%) of the maximum amount allocated for such Item less prior disbursements. The remaining ten percent (10%) ("Retention") shall be disbursed into the Account or to or for the benefit or account of the Borrower upon completion of the Improvements in accordance with the Plans and Specifications, governmental requirements, the statutory lien period has expired, and Lender has received a 101.2 Mechanic's Lien Free Endorsement to the Title Policy

6. Disbursement of Other: Business Lic. GC Contingency Costs. The portion of the Disbursement Budget initially totaling $_____, shall be disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Other: Business Lic. GC Contingency Costs.

7. Disbursement of Structures Costs. As construction progresses, the Portion of the Disbursement Budget totaling $_____ shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the Construction Structures Costs. Items up to ninety percent (90%) of the maximum amount allocated for such Item less prior disbursements. The remaining ten percent (10%) ("Retention") shall be disbursed into the Account or to or for the benefit or account of the Borrower upon completion of the Improvements in accordance with the Plans and Specifications, governmental requirements, the statutory lien period has expired, and Lender has received a 101.2 Mechanic's Lien Free Endorsement to the Title Policy.

8. Disbursement of General Requirements Costs. As construction progresses, the Portion of the Disbursement Budget totaling $_____ shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the General Requirements Costs. Items up to ninety percent (90%) of the maximum amount allocated for such Item less prior disbursements. The remaining ten percent (10%) ("Retention") shall be disbursed into the Account or to or for the benefit or account of the Borrower upon completion of the Improvements in accordance with the Plans and Specifications, governmental requirements, the statutory lien period has expired, and Lender has received a 101.2 Mechanic's Lien Free Endorsement to the Title Policy.

9. Disbursement of Contractor Overhead Costs. As construction progresses, the Portion of the Disbursement Budget totaling $_____ shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the Contractor Overhead Costs. Items up to ninety percent (90%) of the maximum amount allocated for such Item less prior disbursements. The remaining ten percent (10%) ("Retention") shall be disbursed into the Account or to or for the benefit or account of the Borrower upon completion of the Improvements in accordance with the Plans and Specifications, governmental requirements, the statutory lien period has expired, and Lender has received a 101.2 Mechanic's Lien Free Endorsement to the Title Policy

10. Disbursement of Contractor Profit Costs. As construction progresses, the Portion of the Disbursement Budget totaling $_____ shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the Contractor Profit Costs. Items up to ninety percent (90%) of the maximum

amount allocated for such Item less prior disbursements. The remaining ten percent (10%) ("Retention") shall be disbursed into the Account or to or for the benefit or account of the Borrower upon completion of the Improvements in accordance with the Plans and Specifications, governmental requirements, the statutory lien period has expired, and Lender has received a 101.2 Mechanic's Lien Free Endorsement to the Title Policy

11. Disbursement of General Liability Insurance & P&P Bond Costs. The portion of the Disbursement Budget initially totaling $_____ shall be disbursed into the Account or to or for the benefit or account of the Borrower for the payment of the General Liability Insurance & P&P Bond Costs.

12. Hard Costs Contingency. The Portion of the Disbursement Budget totaling $_____ allocated for the payment of Hard Cost Contingencies, shall be periodically reallocated within the Disbursement Budget or disbursed into the Account or to or for the benefit or account of the Borrower for cost overruns that have been approved by Lender for Hard Cost Items and disbursed in accordance with Paragraphs 4 through 11 hereof depending upon the intended use of any such funds.

13. Periodic Disbursement of Architectural and Landscape Design Costs. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Architectural and Landscape Design Costs.

14. Periodic Disbursement of A&E Reimbursables Costs. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of A&E Reimbursables Costs.

15. Periodic Disbursement of Engineering and Construction Management Fees and Costs. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Engineering and Construction Management Fees and Costs.

16. Periodic Disbursement of Leed Consulting Costs. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Leed Consulting Costs.

17. Periodic Disbursement of Consulting Fees. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Consulting Fees.

18. Periodic Disbursement of Construction Loan Interest Reserve. The portion of the Disbursement Budget totaling $_____, allocated as an Interest Reserve, shall be periodically disbursed directly to Lender for the payment of interest which accrues and becomes due under the Note. Lender shall provide Borrower with a monthly interest statement. Depletion of the Interest Reserve shall not release Borrower from any of Borrower's obligations under the Loan Documents including, without limitation, payment of all accrued and due interest and the deposit of Borrower's Funds with Lender pursuant to Section 4.6 of this Agreement.

19. Periodic Disbursement of Lender Loan Fees. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Lender Loan Fees relating to the Project.

20. Periodic Disbursement of WFB LACE Expenses. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of WFB LACE Expenses relating to the Project.

21. Periodic Disbursement of Tax Exempt Bond Fees & Legal Costs. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or

account of the Borrower for the payment of Tax Exempt Bond Fees & Legal Costs incurred in connection with the Project.

22. Periodic Disbursement of RE Taxes Costs. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of RE Taxes Costs.

23. Periodic Disbursement of Insurance Fees and Costs. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Insurance Fees and Costs.

24. Periodic Disbursement of Acquisition Loan Interest Costs. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Acquisition Loan Interest Costs.

25. Periodic Disbursement of Legal Fees and Costs. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Legal Fees and Costs.

26. Periodic Disbursement of Appraisal Costs. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Appraisal Costs.

27. Periodic Disbursement of TCAC Application Fees Costs. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of TCAC Application Fees and Costs.

28. Periodic Disbursement of Local Development Impact Fees. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Local Development Impact Fees.

29. Periodic Disbursement of Permit Processing Fees. The portion of the Disbursement Budget initially totaling $_____ shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Permit Processing Fees.

30. Periodic Disbursement of Grading Permits Fees. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Grading Permit Fees.

31. Periodic Disbursement of Rent Up/Marketing Costs. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Rent Up/Marketing Costs.

32. Periodic Disbursement of Furnishings Costs. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Furnishings Costs.

33. Periodic Disbursement of Permanent Loan Fees. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Permanent Loan Fees relating to the Project.

34. Periodic Disbursement of Title and Recording Costs and Fees. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Title and Recording Costs and Fees relating to the Project.

35. Periodic Disbursement of Accounting/Reimbursables Costs. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Accounting/ Reimbursables Costs.

36. Periodic Disbursement of Fees for the Capitalization of the Operating Reserve. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the capitalization of the Operating Reserve.

37. Periodic Disbursement of Soft Loan Interest Costs. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Soft Loan Interest Costs.

38. Soft Costs Contingency Reserve. The portion of the Disbursement Budget allocated for the payment of Soft Cost Contingencies initially totaling $_____, shall be periodically reallocated within the Disbursement Budget or disbursed into the Account or to or for the benefit or account of the Borrower for cost overruns that have been approved by Lender for Soft Costs Items and disbursed in accordance with Exhibit D hereof, depending upon the intended use of any such funds.

39. Periodic Disbursement of Developer's Fees. The portion of the Disbursement Budget initially totaling $_____, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Developer's Fees relating to the Project.

SCHEDULE 1

DISBURSEMENT PROCEDURE

Borrower, Issuer, Bond Trustee and Lender shall follow the procedures and requirements set forth below with respect to disbursements of the Loan at all times before the Conversion Date:

1.1 Submission of Application for Payment. Prior to disbursement of any proceeds of the Loan, Borrower shall simultaneously submit to Issuer, Bond Trustee and Lender for approval identical copies of the requisition statement (the "Requisition Statement") in the form attached hereto as Exhibit D-1 and all waivers and lien releases for work or services performed and releases of stop notices and mechanic's liens (if applicable), along with any additional supporting documentation as may be requested by Issuer, Bond Trustee or Lender. Lender shall have no responsibility or obligation to deliver any of the foregoing, or any other documentation required pursuant to this Section 1.1 to Bond Trustee, Issuer, or any other party. In connection with Borrower's submission of the Requisition Statement, Borrower shall submit to Lender a certificate in the form attached hereto as Exhibit D-2, certifying to Lender that Borrower has delivered to Issuer and Bond Trustee the items set forth above, and has delivered to Issuer and LACDC all documents evidencing compliance with the prevailing wage requirements, pursuant to the requirements of any documents relating to the LACDC Loan Documents, and any items required by the LACDC Contract Compliance Unit (as such terms are defined below) in order to clear any outstanding deficiencies from any prior compliance review of the Project. With respect to each party, the Requisition Statement and all additional and supporting documentation required by such party shall be hereinafter referred to as the "Application for Payment."

1.2 Approval of Application for Payment.

(a) Issuer, Bond Trustee and Lender shall review each Application for Payment submitted by Borrower. Issuer, Bond Trustee, LACDC and Lender shall notify each other and Borrower of each party's approval or disapproval of the Application for Payment within five (5) business days of each party's receipt of such Application for Payment by delivery to each party of the Disbursement/Change Order Approval Notice in the form attached hereto as Exhibit D-3. Lender shall have the right to halt its processing of any disbursement pursuant to an Application for Payment until such time as Lender has received a Disbursement/Change Order Approval Notice from Issuer, LACDC and Bond Trustee. If Issuer, Bond Trustee, LACDC or Lender disagree as to the approval of an Application for Payment, they shall meet and confer in good faith, either in-person, by teleconference or electronically, upon the request of any of them, in order to resolve the matter. If Issuer, LACDC and/or Lender cannot agree upon the approval or disapproval of an Application for Payment following such meeting, Bond Trustee (at the direction of Lender) may approve the Application for Payment or may withhold disbursement of Loan proceeds until receipt of Issuer's and/or LACDC's Disbursement/Change Order Approval Notice, as applicable, with respect to such Application for Payment.

(b) In addition to Issuer's review of the Application for Payment as set forth in Section 1.2(a) above, the LACDC's Contract Compliance Unit (the "Contract Compliance Unit") shall review Borrower's Application for Payment and provide Borrower, Issuer, Bond Trustee and Lender with notice of the Contract Compliance Unit's approval or disapproval thereof (a "Contract Compliance Notice") within five (5) business days (or in the case of an Application for Payment of Retention Funds (as defined below), within thirty-five (35) days) of Issuer's receipt of the Application for Payment. Borrower acknowledges and agrees that prior to submission of any Application for Payment, Borrower shall have cleared all deficiency items listed on the Contract Compliance Unit's most recently issued Contract Compliance Notice. In the event that Borrower has failed to do so, or if any Contract Compliance Unit has disapproved Borrower's Application for Payment, Borrower shall resubmit a revised Application for Payment omitting the disputed amount set forth in such Contract Compliance Unit's notice of disapproval. In the event that Lender and/or Issuer dispute funding all or any portion of an Application for Payment due to a notice of disapproval from any Contract Compliance Unit, Lender may direct Bond Trustee to disburse all or a portion of the amount of such Application for Payment if the parties cannot resolve such disagreement within a reasonable period of time following receipt of the Application for Payment. Notwithstanding the foregoing, no portion of the Retention Funds shall be disbursed to Borrower until the Contract Compliance

Unit has provided written notification to Issuer, Bond Trustee, Lender and Borrower that the Contract Compliance Unit has issued its final clearance with respect to the Project.

1.3 Issuer Estoppels. At its sole discretion, Lender may condition its approval of any Application for Payment upon Lender's prior receipt of a statement from Issuer (the "Issuer Estoppel"), in form and substance acceptable to Lender, that Issuer is not aware of any condition event, act or omission which constitutes (or which, upon the passage of time, would constitute) a breach, violation or default of or under any of the documents relating to the Loan or the City Regulatory Agreement or LACDC Regulatory Agreement, as applicable, or that any such breach, violation or default has been unconditionally waived by Issuer. Issuer shall deliver the Issuer Estoppel, or the reasons for withholding such Issuer Estoppel to Lender within five (5) business days of Lender's written request for such Issuer Estoppel.

1.4 Disbursement of Loan Proceeds. Upon Lender's approval of any Application for Payment, and upon receipt of all required notices of approval from Issuer, Bond Trustee, and the Contract Compliance Unit as set forth in Section 1.2 above (and to the extent required by Lender, receipt of the Issuer Estoppel pursuant to Section 1.3 above), Lender shall remit to Bond Trustee ninety percent (90%) of the amount of Loan proceeds approved by Lender with respect to its review of the Application for Payment and retain the remaining ten percent (10%) of the Loan Proceeds (the "Retention Funds") until completion of construction of the Project in accordance with the terms of the Loan Agreement. Bond Trustee shall then deposit ninety percent (90%) of the Loan disbursement to Borrower's demand deposit account at Wells Fargo Bank, National Association, account number _____. Lender shall retain the Retention Funds until completion of construction of the Project in accordance with the terms of the Loan Agreement, at which time Lender will remit the Retention Funds to Bond Trustee so that Bond Trustee may disburse the Retention Funds to Borrower at the direction of Lender upon Lender's receipt of all required approvals of Borrower's Application for Payment therefor in accordance with Section 1.2 above.

EXHIBIT D-1

FORM OF REQUISITION STATEMENT

CONSTRUCTION FUND DISBURSEMENT REQUEST

To: U.S. Bank National Association, as trustee (the "Trustee") under that certain Indenture of Trust, dated as of December 1, 2011 (the "Indenture"), among the Bond Trustee, Housing Authority of the County of Los Angeles and Wells Fargo Bank, National Association, as the initial Bondholder Representative.

1. YOU ARE REQUESTED TO DISBURSE FUNDS FROM THE CONSTRUCTION FUND PURSUANT TO SECTION 3.03 OF THE INDENTURE IN THE AMOUNT(S), TO THE PERSON(S) AND FOR THE PURPOSE(S) SET FORTH ON SCHEDULE I ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE. CAPITALIZED TERMS NOT DEFINED HEREIN HAVE THE MEANINGS ASSIGNED THERETO IN THE INDENTURE.

2. THE UNDERSIGNED CERTIFIES THAT:

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

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

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

(iv) such requisition contains no items representing any Issuance Costs or any other amount constituting an issuance cost under Section 147(g) of the Code;

(v) not less than 95% of the sum of: (A) the amounts requisitioned by this Requisition to be funded with the proceeds of the Bonds plus (B) all amounts allocated to the Bonds previously disbursed from the Construction Fund, have been or will be applied by the Owner to pay Qualified Project Costs;

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

(vii) such requisition complies with all applicable requirements of the Regulatory Agreement including, without limitation, Section 7(j) thereof, as well as with all applicable requirements of the Loan Agreement and the Tax Certificate.

3. THE OWNER HAS OBTAINED WRITTEN CONSENT OF THE BONDOWNER REPRESENTATIVE TO THIS DISBURSEMENT, AS EVIDENCED BY ITS SIGNATURES BELOW.

Dated: _____

MID CELIS APARTMENTS, L.P.,
a California limited partnership

By: Los Angeles Housing Partnership, Inc.,
a California nonprofit public benefit corporation
its Managing General Partner

By: _____
Mary Silverstein
President & Executive Director

By: Abbey Road, Inc.,
a California nonprofit public benefit corporation
its Administrative General Partner

By: _____
Name: _____
Title: _____

APPROVED:

BONDOWNER REPRESENTATIVE

By: _____
Name: _____
Title: _____

EXHIBIT D-2

FORM OF BORROWER'S CERTIFICATE

The undersigned, MID CELIS APARTMENTS, L.P., a California limited partnership ("Borrower"), hereby makes the representations and warranties set forth below to WELLS FARGO BANK, NATIONAL ASSOCIATION ("Lender"), and its respective successors and assigns, as of _____. Any capitalized term not defined herein shall have the meaning ascribed to such term in that certain Loan Agreement, dated as of December 1, 2011 (the "Loan Agreement"), by and among The Housing Authority of the County of Los Angeles ("Issuer") (in its capacity as issuer of its $_____ The Housing Authority of the County of Los Angeles Multifamily Housing Revenue Bond (Mid Celis Apartments Project), Series 2011C), Lender and Borrower.

(a) Borrower has submitted to Issuer a complete Application for Payment as required pursuant to the terms of the Loan Agreement, along with any additional supporting documentation as may be required by Issuer, including, but not limited to, all documents evidencing compliance with the prevailing wage requirements, pursuant to the terms of any documents relating to the Loan, the City Regulatory Agreement, the LACDC Regulatory Agreement and any items required by the Issuer Contract Compliance Unit in order to clear any outstanding deficiencies from any prior compliance review of the Project.

(b) Borrower has submitted to Bond Trustee a complete Application for Payment as required pursuant to the terms of the Loan Agreement, along with any additional supporting documentation as may be required by Bond Trustee.

IN WITNESS WHEREOF, Borrower executed this Certificate as of the date first appearing above.

MID CELIS APARTMENTS, L.P.,
a California limited partnership

By: Los Angeles Housing Partnership, Inc.,
a California nonprofit public benefit corporation
its Managing General Partner

By: _____
Mary Silverstein
President & Executive Director

By: Abbey Road, Inc.,
a California nonprofit public benefit corporation
its Administrative General Partner

By: _____
Name: _____
Title: _____

EXHIBIT D-3

FORM OF DISBURSEMENT/CHANGE ORDER APPROVAL NOTICE

DISBURSEMENT/CHANGE ORDER APPROVAL NOTICE

TO: All Interested Parties

FROM: _____

RE: Borrower: MID CELIS APARTMENTS, L.P.
Project Name: Mid Celis Apartments
Property Address: 1422 San Fernando Road
San Fernando, CA 91340

This shall serve as the undersigned's notice of (strike one):

☐ APPROVAL of Disbursement/Change Order No. _____.

☐ DISAPPROVAL of Disbursement/Change Order No. _____ for the following reasons:

_____

_____

_____

_____

_____

_____

_____

By: _____
Name: _____
Title: _____
Dated: _____

EXHIBIT E – TERMINATED DOCUMENTS

Exhibit E to LOAN AGREEMENT between MID CELIS APARTMENTS, L.P., a California limited partnership, as "Borrower", THE HOUSIN AUTHORITY OF THE COUNTY OF LOS ANGELES, CALIFORNIA, as "Issuer" and WELLS FARGO BANK, NATIONAL ASSOCIATION, and its successors and assigns, as "Lender" dated as of December 1, 2011.

1) Security Agreement (Tax Credits)
2) UCC-1 Financing Statement (Tax Credits)
3) Completion Guaranty
4) Repayment Guaranty

EXHIBIT F – FUNDS TRANSFER DESIGNATION

(For Disbursement of Loan Proceeds by Funds Transfer)

☐ NEW ☐ REPLACE PREVIOUS DESIGNATION ☐ ADD ☐ CHANGE ☐ DELETE LINE NUMBER _____

The following representatives of MID CELIS APARTMENTS, L.P., a California limited partnership, ("Borrower") are authorized to request the disbursement of Loan Proceeds and initiate funds transfers for Loan Number 1006107-0 dated as of December 1, 2011 between Wells Fargo Bank, National Association, and its successors and assigns ("Bank") and Borrower. Bank is authorized to rely on this Funds Transfer Designation until it has received a new Funds Transfer Designation signed by Borrower, even in the event that any or all of the foregoing information may have changed.

	NAME	TITLE	MAXIMUM WIRE AMOUNT[1]
1.	_____		$_____
2.	_____		$_____
3.			
4.			
5.			

1.
Transfer Funds to (Receiving Party Account Name):
Receiving Party Account Number:
Receiving Bank Name, City and State: **Receiving Bank Routing (ABA) Number**

Maximum Transfer Amount:
Further Credit Information/Instructions:

2.
Transfer Funds to (Receiving Party Account Name):
Receiving Party Account Number:
Receiving Bank Name, City and State: **Receiving Bank Routing (ABA) Number**

Maximum Transfer Amount:
Further Credit Information/Instructions:

3.
Transfer Funds to (Receiving Party Account Name):
Receiving Party Account Number:
Receiving Bank Name, City and State: **Receiving Bank Routing (ABA) Number**

Maximum Transfer Amount:
Further Credit Information/Instructions:

[1] *Maximum Wire Amount may not exceed the Loan Amount*

Date: December 1, 2011

"BORROWER"

MID CELIS APARTMENTS, L.P.,
a California Limited Partnership

By: Los Angeles Housing Partnership, Inc.,
a California nonprofit public benefit corporation
its Managing General Partner

By: _____
Mary Silverstein
President & Executive Director

By: Abbey Road, Inc.,
a California nonprofit public benefit corporation
its Administrative General Partner

By: _____
Name: _____
Title: _____

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

KUTAK ROCK LLP
1650 FARNAM STREET
OMAHA, NE 68102
ATTENTION: KARILYN E. KOBER, ESQ.

REGULATORY AGREEMENT
AND DECLARATION OF RESTRICTIVE COVENANTS

by and among

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

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

and

MID CELIS APARTMENTS, LP,
a California limited partnership,
as Borrower

relating to

$4,400,000
The Housing Authority of the County of Los Angeles
Multifamily Housing Revenue Bond
(Mid Celis Apartments)
Series 2011C

Dated as of December 1, 2011

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EXHIBIT A DESCRIPTION OF PROJECT SITE
EXHIBIT B FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE
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EXHIBIT D FORM OF ANNUAL INCOME RECERTIFICATION
EXHIBIT E FORM OF CERTIFICATE OF CDLAC PROGRAM COMPLIANCE
EXHIBIT F CDLAC RESOLUTION
EXHIBIT G FORM OF STATISTICAL REPORT OF ISSUER

REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (this "Agreement" or this "Regulatory Agreement") is made and entered into as of December 1, 2011 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"), **U.S. BANK NATIONAL ASSOCIATION**, a national banking association in its capacity as trustee under the Indenture (as hereinafter defined), with a corporate trust office in Los Angeles, California (the "Trustee"), and **MID CELIS APARTMENTS, LP**, a California limited partnership (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 is empowered to issue bonds to finance the acquisition and construction of multifamily rental housing; and

WHEREAS, the Issuer has indicated its intent to provide for the issuance of a revenue bond to finance a portion of the acquisition, construction and equipping of Mid Celis Apartments, a multifamily residential rental housing project to be located in the County of Los Angeles at 1422 San Fernando Road, San Fernando, California on the site more particularly described in Exhibit A hereto (the "Project); and

WHEREAS, on July 5, 2011 (the "Inducement Date") the Board of Supervisors of the County of Los Angeles adopted a resolution (the "Inducement Resolution") approving the issuance of revenue bonds to provide financing for the acquisition and construction of the Project; and

WHEREAS, on November 29, 2011 the Board of Commissioners of the County of Los Angeles adopted a resolution (the "Resolution") authorizing the issuance of its revenue bonds to provide financing for the acquisition and construction of the Project; and

WHEREAS, in furtherance of the purposes of the Act and the Resolution, and as a part of the Issuer's program of financing housing, the Issuer has issued $4,400,000 aggregate principal amount of its Multifamily Housing Revenue Bond (Mid Celis Apartments) Series 2011C (the "Bond") the proceeds of which will be used to fund a loan (the "Mortgage Loan") to the Borrower to finance the acquisition, construction and equipping of the Project; and

WHEREAS, in order for interest on the Bond to be excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"), and the income tax regulations (the "Regulations") and rulings with respect to the Code, and in order to comply with the Act and the policies with respect to the Issuer's housing program, the use and operation of the Project must be restricted in certain respects; and

WHEREAS, the Issuer, the Trustee and the Borrower have determined to enter into this Regulatory Agreement in order to set forth certain terms and conditions relating to the acquisition and construction of the Project and in order to ensure that the Project will be used and operated in accordance with the Code, the Act and the additional requirements of the Issuer;

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

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

"*Act*" means Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California, as amended and supplemented (but only to the extent any such amendments, by their terms or by appropriate election of the Issuer, apply to the principal amount of the Bond outstanding as of the effective date of such amendments).

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

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

"*Affordable Rent*" means an annual rent for a Very Low Income Unit which does not exceed 30% of the applicable maximum Adjusted Income for the Area of Very Low Income Tenants adjusted for family size using the following occupancy assumptions: studio (1 person); one bedroom (2 persons); two bedrooms (3 persons); and three bedroom (4 persons).

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

"*Area*" means the Los Angeles Primary Metropolitan Statistical Area.

"*Authorized Borrower Representative*" means any person who, at any time and from time to time, may be designated as the Borrower's authorized representative by written certificate furnished to the Issuer and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by or on behalf of any authorized general partner of the Borrower if the Borrower is a general or limited partnership, by any authorized managing member of the Borrower if the Borrower is a limited liability company, or by any authorized officer of the Borrower if the Borrower is a corporation, which certificate may designate an alternate or alternates, or in the event that such term shall refer to successors or assigns of the

Borrower, any authorized general partner if the successor or the assignee is a general or limited partnership, any authorized managing member if the successor or assignee is a limited liability company or any authorized officer if the successor or the assignee is a corporation. The Trustee may conclusively presume that a person designated in a written certificate filed with it as an Authorized Borrower Representative is an Authorized Borrower Representative until such time as the Borrower files with it (with a copy to the Issuer) a written certificate identifying a different person or persons to act in such capacity.

"*Bond Closing Date*" or "*Closing Date*" means the date upon which the Bond is initially issued and delivered in exchange for the proceeds representing at least $50,001 of the total purchase price of the Bond paid by the original purchaser thereof, such date being [December __, 2011].

"*Bond Counsel*" means an attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the validity of, and the Tax-exempt nature of interest on, obligations issued by states and their political subdivisions, selected by the Issuer and duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia but shall not include counsel for the Borrower or the Trustee.

"*Bond Documents*" means the Loan Agreement, this Regulatory Agreement, the Tax Certificate, the Indenture and any other document now or hereafter executed by the Borrower, Issuer, the Bondholder or Trustee in connection with the Bond.

"*Bondholder*" or "*holder*" or "*owner*" means the party identified as the owner of the Bond on the registration book maintained by the Trustee on behalf of the Issuer.

"*Bond*" means the bond authorized, authenticated and delivered under the Indenture, as defined in the recitals hereto.

"*Borrower*" means Mid Celis Apartments, LP, a California limited partnership, and its successors and assigns.

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

"*CDLAC Conditions*" has the meaning set forth in Section 7(d) hereof.

"*Certificate of Continuing Program Compliance*" means the Certificate of Continuing Program Compliance and Statistical Report to be filed by the Borrower with the Issuer and the Trustee at the times specified in Sections 4(d) and (f) of this Regulatory Agreement, such report to contain the information set forth in and to be in substantially the form attached hereto as Exhibit B or such other form as may from time to time be prescribed by the Issuer.

"*Code*" means the Internal Revenue Code of 1986; each reference to the Code shall be deemed to include (a) any successor internal revenue law and (b) the applicable regulations whether final, temporary or proposed under the Code or such successor law.

"*Completion Certificate*" means the certificate of completion of the Project required to be delivered to the Issuer and the Trustee by the Borrower pursuant to Section 2(i) hereof.

"*Completion Date*" means the date of completion of the acquisition and construction of the Project, as such date shall be specified in the Completion Certificate.

"*Costs of Issuance*" means costs of issuing the Bond as set forth in the Indenture.

"*Hazardous Materials*" means petroleum and petroleum products and compounds containing them, including gasoline, diesel fuel and oil; explosives; flammable materials; radioactive materials; polychlorinated biphenyls ("PCBs") and compounds containing them; lead and lead-based paint; asbestos or asbestos-containing materials in any form that is or could become friable; underground or above-ground storage tanks, whether empty or containing any substance; any substance the presence of which on the Project is prohibited by any federal, state or local authority; any substance that requires special handling and any other material or substance now or in the future that (i) is defined as a "hazardous substance," "hazardous material," "hazardous waste," "toxic substance," "toxic pollutant," "contaminant," or "pollutant" by or within the meaning of any Hazardous Materials Law, or (ii) is regulated in any way by or within the meaning of any Hazardous Materials Law.

"*Hazardous Materials Laws*" means all federal, state, and local laws, ordinances and regulations and standards, rules, policies and other governmental requirements, administrative rulings and court judgments and decrees in effect now or in the future and including all amendments, that relate to Hazardous Materials or the protection of human health or the environment and apply to Borrower or to the Project. Hazardous Materials Laws include, but are not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, *et seq.*, the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901, *et seq.*, the Toxic Substance Control Act, 15 U.S.C. Section 2601, *et seq.*, the Clean Water Act, 33 U.S.C. Section 1251, *et seq.*, and the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101 *et seq.*, and their state analogs.

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

"*Income Certification*" means, initially, a Verification of Income in the form attached hereto as Exhibit C or in such other form as may from time to time be provided by the Issuer to the Borrower and, with respect to recertifications, the Income Certification attached hereto as Exhibit D or such other form as may, from time to time, be provided by the Issuer to the Borrower.

"*Indenture*" means the Indenture of Trust, dated as of December 1, 2011, among the Issuer, Wells Fargo Bank, National Association and the Trustee, relating to the issuance of the Bond, as amended, modified, supplemented or restated from time to time.

"*Inducement Date*" means July 5, 2011.

"*Issuer*" means 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.

"*Loan Agreement*" means the Loan Agreement dated as of December 1, 2011 by and among the Issuer, the Borrower and the Trustee, as amended or supplemented from time to time to the extent permitted by the Indenture.

"*Mortgage Loan*" means the loan made by the Issuer to the Borrower pursuant to the terms and provisions of the Loan Agreement for the purpose of providing funds to the Borrower to finance the acquisition, construction and equipping of the Project.

"*Net Proceeds*" means the total proceeds derived from the issuance, sale and delivery of the Bond, representing the total purchase price of the Bond, including any premium paid as part of the purchase price of the Bond, but excluding the accrued interest, if any, on the Bond paid by the initial purchaser of the Bond.

"*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 Project Facilities and the Project Site.

"*Project Costs*" means, to the extent authorized by the Code, the Regulations and the Act, any and all costs incurred by the Borrower with respect to the acquisition and construction of the Project, whether paid or incurred prior to or after the Inducement Date, including, without limitation, costs for site preparation, the planning of housing, related facilities and improvements, the acquisition of property, the removal or demolition of existing structures, the construction of housing and related facilities and improvements, and all other work in connection therewith, including Qualified Project Costs and all costs of financing, including, without limitation, the cost of consultant, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Project, contractors' and developer's overhead and supervisors' fees and costs directly allocable to the Project, administrative and other expenses necessary or incident to the Project and the financing thereof (including reimbursement to any municipality, county or other entity or person for expenditures made, with the approval of the Issuer, for the Project).

"*Project Facilities*" means the buildings, structures and other improvements on the Project Site to be constructed or improved by the Borrower, and all fixtures and other property owned by the Borrower and located on, or used in connection with, such buildings, structures and other improvements constituting the Project. Project Facilities do not include retail sales facilities, commercial facilities or recreational, fitness or business facilities available to members of the general public.

"*Project Site*" means that parcel or parcels of real property having the street address of 1422 San Fernando Road in the County of Los Angeles, California and all rights and appurtenances thereunto appertaining, as more particularly described in Exhibit A hereto.

"*Qualified Project Costs*" means the Project Costs (excluding insurance costs) incurred not earlier than the date 60 days prior to the Inducement Date which either constitute land or property of a character subject to the allowance for depreciation under Section 167 of the Code, or are chargeable to a capital account with respect to the Project for federal income tax and

financial accounting purposes, or would be so chargeable either with a proper election by the Borrower or but for the proper election by the Borrower to deduct those amounts; provided, however, that only such portion of the interest accrued on the Bond during, and the credit enhancement fees, if any, attributable to the periods of, the construction of the Project shall constitute Qualified Project Costs as bear the same ratio to all such interest or fees, as applicable, as the Qualified Project Costs bear to all Project Costs; and provided further that interest accruing on or after the Completion Date shall not be a Qualified Project Cost; and provided finally that if any portion of the Project is being constructed by the Borrower or an Affiliated Party (whether as a general contractor or a subcontractor), "Qualified Project Costs" shall include only (a) the actual out-of-pocket costs incurred by the Borrower or such Affiliated Party in constructing the Project (or any portion thereof), (b) any reasonable fees for supervisory services actually rendered by the Borrower or such Affiliated Party (but excluding any profit component) and (c) any overhead expenses incurred by the Borrower or such Affiliated Party which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the construction of the Project or payments received by such Affiliated Party due to early completion of the Project (or any portion thereof). Qualified Project Costs do not include Costs of Issuance. Notwithstanding anything herein to the contrary, no Project Costs relating to the acquisition of the Project or any assets relating thereto (including, without limitation, rights and interests with respect to development of the Project) shall constitute "Qualified Project Costs" unless, at the time Bond proceeds are expended to pay such costs, the Borrower and the seller of such assets are not "related persons" as such term is defined in Section 147(a)(2)(A) of the Code.

"*Qualified Project Period*" means the period beginning on the first day on which 10% of the dwelling units in the Project are first occupied and ending on the latest of (a) the date which is 15 years after the date on which 50% of the dwelling units in the Project are first occupied, (b) the first date on which no tax-exempt private activity bond (as that phrase is used in Section 142(d)(2) of the Code) issued with respect to the Project is outstanding, (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. The CDLAC Conditions apply for a period which, in some cases, exceeds the Qualified Project Period.

"*Qualified Construction Expenditures*" means any amount properly chargeable to capital account which is incurred no earlier than 60 days prior to the Inducement Date by the person acquiring the building or property (or additions or improvements to property) or by the seller of the property under a sales contract between the Borrower and the seller of the Project Site to the Borrower in connection with the construction of the Project. In the case of an integrated operation contained in a building before its acquisition, such term includes rehabilitating existing equipment in such building or replacing it with equipment having substantially the same function. "Qualified Construction Expenditures" do not include any amount which is incurred after the date two years after the later of the date on which the Project was acquired by the Borrower or the date on which the Bond was issued. "Qualified Construction Expenditures" do not include any expenditure described in Section 47(c)(2)(B) of the Code. All amounts constituting Qualified Construction Expenditures must be depreciated on a straight-line basis

over a recovery period determined under Section 168 (c) of the Code (generally 27.5 years for residential rental property).

"*Regulations*" means the Income Tax Regulations promulgated or proposed (if deemed appropriate in the opinion of Bond Counsel) by the Department of the Treasury pursuant to the Code from time to time.

"*Tax Certificate*" means the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 dated the Closing Date, executed and delivered by the Issuer and the Borrower, as amended, modified, supplemented or restated from time to time.

"*Tax-exempt*" means, with respect to interest on any obligations of a state or local government, including the Bond, that such interest is excluded from gross income for federal income tax purposes (other than interest on the Bond for any period during which the Bond is held by a "substantial user" of any facility financed with the proceeds of the Bond or a "related person," as such terms are used in Section 147(a) of the Code); provided, however, that such interest may be includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

"*Trustee*" means U.S. Bank National Association, in its capacity as Trustee under the Indenture, together with its successors and assigns.

"*Very Low Income Tenant*" means a tenant whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of low income families under Section 8 of the Housing Act, except that the percentage of median gross income that qualifies as lower income shall be 50% of median gross income for the Area with adjustments for family size. Except as otherwise provided herein, the occupants of a unit in the Project shall not be considered to be Very Low Income Tenants if all the occupants of a unit are students (as defined in Section 152(f)(2) of the Code) and any one of those students is not (1) a single parent living with his/her children; (2) a student receiving assistance under Title IV of the Social Security Act (Temporary Assistance for Needy Families); (3) a student enrolled in a job training program receiving assistance under the Job Training Partnership Act or under other similar Federal, State, or local laws; (4) a student who was previously under the care and placement responsibility of a foster care program (under part B or E of Title IV of the Social Security Act) or (5) a student who is married and files a joint return. Single parents described in (1) above may not be dependents of another individual and their children may not be dependents of another individual other than their parents. The determination of a tenant's status as a Very Low Income Tenant shall be made by the Borrower upon initial occupancy of a unit in the Project by such Tenant and annually thereafter and at any time the Borrower has knowledge that the number of occupants in that unit has increased, on the basis of an Income Certification executed by the tenant.

"*Very Low Income Unit*" means the units in the Project required to be rented to, or held available for occupancy by, Very Low Income Tenants pursuant to Sections 4(a), 4(b) and 7(a) hereof.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of the masculine, feminine or neuter gender shall be construed to include each other gender and words of the singular number shall be construed to include the plural number, and vice versa. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The defined terms used in the preamble and recitals of this Regulatory Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all defined terms shall be determined by reference to this Section l, notwithstanding any contrary definition in the preamble or recitals hereof. The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

Section 2. Acquisition and Construction of the Project. The Borrower hereby represents as of the date hereof, covenants and agrees with the Issuer and the Trustee as follows:

(a) The Borrower has incurred, or will incur within six months after the Bond Closing Date, a substantial binding obligation to commence the acquisition and construction of the Project, pursuant to which the Borrower is or will be obligated to expend at least 5% of the proceeds of the Mortgage Loan funded with the proceeds of the Bond.

(b) The Borrower's reasonable expectations respecting the total cost of the acquisition and construction of the Project are accurately set forth in the Borrower Cost Certificate submitted to the Issuer in connection with the issuance of the Bond.

(c) The Borrower has acquired the Project and will, within 6 months of the Bond Closing Date, commence construction of the Project and will proceed with due diligence to complete the same. Notwithstanding anything herein to the contrary, no Project Costs relating to the acquisition of the Project or any assets relating thereto (including, without limitation, rights and interests with respect to development of the Project) shall constitute "Qualified Project Costs" unless, at the time Bond proceeds are expended to pay such costs, the Borrower and the seller of such assets are not "related persons" as such term is defined in Section 147(a)(2)(A) of the Code.

(d) The Borrower reasonably expects to complete the acquisition and construction of the Project and to expend the full amount of the proceeds of the Mortgage Loan for Project Costs prior to the date which is 30 months after the Closing Date.

(e) The Borrower agrees that the full amount of each disbursement of Bond proceeds pursuant to the Indenture and the Loan Agreement will be applied to pay or to reimburse the Borrower for the payment of Project Costs and that, after taking into account each such disbursement, (i) the aggregate disbursements of Bond proceeds

will have been applied to pay or to reimburse the Borrower for the payment of Qualified Project Costs in an aggregate amount equal to 97% or more of the aggregate disbursements of the Mortgage Loan; provided, however, that if the Borrower provides the Trustee with an opinion of Bond Counsel to the effect that the Tax-exempt status of interest on the Bond will not be adversely affected if less than the aforesaid percentage, but not less than 95%, is disbursed for such purpose, then the certificate may refer to such lesser percentage as may be specified by Bond Counsel; and (ii) less than 25% of the proceeds of the Mortgage Loan funded with proceeds of the Bond will be disbursed to pay or to reimburse the Borrower for the cost of acquiring land or rights with respect to land relative to the Project Site.

(f) On the Completion Date of the Project, the Borrower will submit to the Issuer and the Trustee a duly executed and completed Completion Certificate as provided in Section 2(i) hereof.

(g) No proceeds of the Bond will be used to pay or reimburse any cost (i) incurred more than 60 days prior to the Inducement Date, or (ii) incurred more than three years prior to such payment or reimbursement. Any allocation of Bond proceeds to the reimbursement of previously incurred costs shall be made not later than 18 months after the later of (i) the date the original expenditure was paid or (ii) the date the Project is placed in service or abandoned. The acquisition, construction and equipping of the Project by the Borrower commenced less than 60 days prior to the Inducement Date, and as of 60 days prior to the Inducement Date (A) neither the Borrower nor any related person (as such phrase is used in Section 142(d)(2) of the Code) had made any expenditure in connection with the acquisition, construction or equipping of the Project, (B) no on-site work had been commenced by the Borrower or any related person in connection with the construction of the Project, and (C) no off-site fabrication of any portion of the Project had been commenced by the Borrower or any related person. The Project consists, and shall at all times consist, of property which is land or is subject to the allowance for depreciation provided in Section 167 of the Code.

(h) The Borrower (and any Affiliated Party) will not take or omit to take, as is applicable, any action if such action or omission would in any way cause the proceeds from the Mortgage Loan to be applied in a manner contrary to the requirements of this Regulatory Agreement, nor will it take or omit to take any such action if the Borrower (or any Affiliated Party) knows that such action or omission may cause the proceeds from the sale of the Bond to be applied in a manner contrary to the Indenture, the Loan Agreement, the Act or the Code.

(i) The Borrower shall, on the Completion Date, evidence the Completion Date by providing a Completion Certificate to the Trustee and the Issuer, signed by the Authorized Borrower Representative, stating the total cost of the Project and identifying the total acquisition cost (which shall specify the costs attributable to land and the costs attributable to buildings) and the total Qualified Project Costs relative to the Project and further stating that (i) construction of the Project has been completed substantially in accordance with the plans, specifications and work orders therefor, and

all labor, services, materials and supplies used in construction have been paid for and (ii) all other facilities necessary in connection with the Project have been acquired, constructed and installed substantially in accordance with the plans and specifications and work orders therefor and all costs and expenses incurred in connection therewith have been paid. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights of the Borrower against third parties for the payment of any amount not then due and payable which exist at the date of such certificate or which may subsequently exist.

The foregoing certificate evidencing the Completion Date shall be delivered to the Trustee no later than the date 36 months from the Closing Date unless the Borrower delivers to the Trustee a written consent of the Issuer to a later date accompanied by an opinion of Bond Counsel to the effect that such extension will not result in interest on the Bond being included in gross income for federal income tax purposes. The Borrower agrees to spend additional moneys for payment of any costs of the Project sufficient to reduce the portion of Bond proceeds (i) spent on land by the Borrower to less than 25% of the amount of Bond proceeds spent by the Borrower for all purposes and (ii) spent on costs of the Project paid or incurred by or on account of the Borrower or any Related Person on or after the date 60 days prior to the Inducement Date and chargeable to the capital account of the Project (or so chargeable either with a proper election by the Borrower to deduct such amounts, within the meaning of Treasury Regulation 1.103-8(a)(1)) so that the amount of Bond proceeds expended on Qualified Project Costs are at least 97% of the amount of Bond Proceeds spent for all purposes related to the Project, except that, upon receipt by the Borrower, the Trustee and the Issuer of an approving opinion of Bond Counsel, the percentage of such amounts so used may be 95%.

(j) No Bond proceeds shall be expended to acquire any structures other than buildings within the meaning of Section 147(d) of the Code.

Section 3. Residential Rental Property. The Borrower hereby acknowledges and agrees that the Project is to be owned, managed and operated as a "qualified residential rental project" (within the meaning of Section 142(d) of the Code) for a term equal to the Qualified Project Period. To that end, and for the Qualified Project Period, the Borrower hereby represents, covenants, warrants and agrees as follows:

(a) The Project will be developed for the purpose of providing multifamily residential rental property, and the Borrower will own, manage and operate the Project as a project to provide multifamily residential rental property comprising a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities in accordance with Section 142(d) of the Code and Section 1.103-8(b) of the Regulations and the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time. For purposes of this Subsection 3(a), the term "functionally related and subordinate facilities" includes facilities for use by the tenants (for example, swimming pools, other recreational facilities and parking areas) and other facilities which are reasonably required for the Project, for example, heating and cooling

equipment, trash disposal equipment and units for resident managers and maintenance personnel. Substantially all of the Project will contain such units and functionally related and subordinate facilities.

(b) All of the dwelling units in the Project will be similarly constructed units, and each Very Low Income Unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range and oven, a sink and a refrigerator.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park. Notwithstanding the foregoing, single-room occupancy units provided under Section 42(i)(3)(B)(iv) of the Code shall not be considered to be utilized on a transient basis.

(d) No part of the Project will at any time be owned by a cooperative housing corporation, nor shall the Borrower take any steps in connection with a conversion to such ownership or uses. Other than filing a condominium map and a final subdivision map on the Project and obtaining a Final Subdivision Public Report from the California Department of Real Estate, the Borrower shall not take any steps in connection with a conversion of the Project to condominium ownership during the Qualified Project Period.

(e) All of the dwelling units will be available for rental on a continuous basis to members of the general public, and the Borrower will not give preference to any particular class or group in renting the dwelling units in the Project, except to the extent that dwelling units are required to be leased or rented to Very Low Income Tenants and except as further provided in any regulatory agreement executed between the Borrower and a subordinate lender (including the Issuer) in connection with the Project and except to the extent the Borrower gives preference to a class of persons permitted to be given preference pursuant to the Code, State law and other applicable federal law.

(f) The Project Site consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the Project Facilities comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) No dwelling unit in the Project shall be occupied by the Borrower; provided, however, that if the Project contains five or more dwelling units, this subsection shall not be construed to prohibit occupancy of not more than one dwelling unit by one or more resident managers or maintenance personnel any of whom may be the Borrower.

(h) The Project shall be maintained in conformity with the habitability and fire codes of the City of San Fernando.

(i) The Project shall be managed in a manner consistent with prudent property management standards and in compliance with all state and local laws, ordinances and regulations relating thereto.

(j) Should involuntary noncompliance with the provisions of Regulations Section 1.103-8(b) be caused by fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency after the Closing Date which prevents the Issuer from enforcing the requirements of the Regulations, or condemnation or similar event, the Borrower covenants that, within a "reasonable period" determined in accordance with the Regulations, and subject to the provisions of the Indenture and the Loan Agreement, it will either prepay the Mortgage Loan or apply any proceeds received as a result of any of the preceding events to reconstruct the Project to meet the requirements of Section 142(d) of the Code and the Regulations.

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

(a) The Project will be developed for the purpose of providing multifamily residential rental property, and the Borrower will own, manage and operate the Project as a project to provide multifamily residential rental property comprising a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities in accordance with the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time. Within 30 days after each of (i) the date on which 10% of the dwelling units in the Project are occupied and (ii) the date on which 50% of dwelling units in the Project are occupied, the Borrower shall execute and deliver to the Issuer and the Trustee a certificate identifying such dates and the beginning date and earliest ending date of the Qualified Project Period. The Borrower shall use its best efforts to record a copy of such certificates in the Office of the County Recorder of the County of Los Angeles, California.

(b) Commencing on the first day of the Qualified Project Period, Very Low Income Tenants shall occupy at least 20% of all completed and occupied units in the Project (excluding units occupied by property managers) before any additional units are occupied by persons who are not Very Low Income Tenants; and for the Qualified Project Period no less than 20% of the total number of completed units of the Project shall at all times be rented to and occupied by Very Low Income Tenants. For the purposes of this paragraph (b), a vacant unit which was most recently occupied by a Very Low Income Tenant is treated as rented and occupied by a Very Low Income Tenant until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such unit shall be redetermined. In determining whether

the requirements of this subsection (b) have been met, fractions of units shall be treated as entire units.

(c) No tenant qualifying as a Very Low Income Tenant shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Adjusted Income increases to exceed the qualifying limit for Very Low Income Tenants; provided, however, that should a Very Low Income Tenant's Adjusted Income, as of the most recent determination thereof, exceed 140% of the then applicable income limit for a Very Low Income Tenant of the same family size, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) a Very Low Income Tenant; and provided further that, until such next available unit is rented to a tenant who is not a Very Low Income Tenant, the former Very Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Very Low Income Tenant for purposes of the 20% requirement of paragraph (b) of this Section 4 (if applicable). If the Project consists of more than one building, this requirement shall apply on a building by building basis.

(d) The Borrower will obtain, complete and maintain on file Income Certifications from each Very Low Income Tenant, including (i) an Income Certification dated immediately prior to the initial occupancy of such Very Low Income Tenant in the Project and, in the case of tenants residing in the Project as of the date of acquisition thereof (if applicable), dated immediately prior to the disbursement of Bond proceeds to fund acquisition and construction of the Project and (ii) thereafter, annual Income Certifications dated as of the anniversary date of each initial Income Certification. The Borrower will obtain such additional information as may be required in the future by the State of California, by the Issuer and by Section 142(d) of the Code, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to obligations which are Tax exempt under Section 142(d) of the Code. A copy of the most recent Income Certification for Very Low Income Tenants commencing or continuing occupation of a Very Low Income Unit (and not previously filed with the Issuer) shall be attached to the Certificate of Continuing Program Compliance which is to be filed with the Issuer, the Program Monitor, if applicable, and the Trustee, no later than the fifteenth day of: each month until such report indicates compliance with Section 4(b); and thereafter no later than the thirtieth day of the first month of each calendar quarter until the end of the Qualified Project Period. The Borrower shall make a good faith effort to verify that the income information provided by an applicant in an Income Certification is accurate by obtaining the acceptable forms of verification enumerated in Chapter 3 of the most current, amended edition of HUD Handbook 4350.3, or such instruction by HUD that may supersede this handbook, and any additional documentation that the Issuer shall deem relevant, such as the two most recent years' tax returns or other forms of independent verification satisfactory to the Issuer.

(e) The Borrower will use its best efforts to maintain complete and accurate records pertaining to the Very Low Income Units, and will with reasonable notice permit any duly authorized representative of the Issuer, the Trustee, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project during regular business hours, including those records pertaining to the occupancy of the Very Low Income Units.

(f) The Borrower will prepare and submit to the Issuer and the Trustee, no later than the thirtieth day of the first month of each calendar quarter following the receipt by the Trustee of the Completion Certificate to and including the month in which such report indicates that 20% of the occupied units are occupied by Very Low Income Tenants, and thereafter no later than the thirtieth day of the first month 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 which were occupied or deemed occupied, pursuant to paragraph (b) of this Section 4, by Very Low Income Tenants during such period; (ii) that either (A) no unremedied default has occurred under this Regulatory Agreement or (B) a default has occurred, in which event the certificate shall describe the nature of the default in detail and set forth the measures being taken by the Borrower to remedy such default; and (iii) that, to the knowledge of the Borrower, no Determination of Taxability has occurred, or if a Determination of Taxability has occurred, setting forth all material facts relating thereto.

(g) On or before each February15 during the Qualified Project Period, the Borrower will submit to the Issuer a draft of the completed Internal Revenue Service Form 8703 or such other annual certification required by the Code to be submitted to the Secretary of the Treasury as to whether the Project continues to meet the requirements of Section 142(d) of the Code. On or before each March 31 during the Qualified Project Period the Borrower will submit such completed form to the Secretary of the Treasury, regardless of whether or not the Issuer has responded to such draft.

(h) Subject to the requirements of any Section 8 Housing Assistance Payments Contract with respect to the Project, each lease or rental agreement pertaining to a Very Low Income Unit shall contain a provision to the effect that the Borrower has relied on the income certification and supporting information supplied by the 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. Each such lease or rental agreement shall also provide that the tenant's income is subject to annual certification in accordance with Section 4(c) hereof and to recertification if the number of occupants in the units changes for any reason (other than the birth of a child to an occupant of such unit) and that if upon any such certification such tenant's Adjusted Income exceeds 140% of the then applicable income limit for a Very Low Income Tenant of the same family size, such tenant may cease to qualify as a Very Low Income Tenant, and such tenant's rent is subject to

increase. Notwithstanding anything in this Section 4(h) to the contrary, such tenant's rent may be increased only pursuant to Section 7(l) hereof.

Section 5. Tax-exempt Status of the Bond. The Borrower and the Issuer make the following representations, warranties and agreements for the benefit of the holder of the Bond from time to time:

(a) The Borrower and the Issuer will not knowingly take or permit actions within their control, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the Tax-exempt nature of the interest on the Bond and, if either should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof, provided that the Borrower shall not have violated these covenants if the interest on the Bond becomes taxable to a person solely because such person is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code.

(b) The Borrower and the Issuer will take such action or actions as may be necessary, in the written opinion of Bond Counsel filed with the Issuer and the Trustee, with a copy to the Borrower, to comply fully with all applicable rules, rulings, policies, procedures, Regulations or other official statements promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service pertaining to obligations the interest on which is Tax-exempt under Section 142(d) of the Code.

(c) The Borrower and the Issuer will file or record such documents and take such other steps as are necessary, in the written opinion of Bond Counsel filed with the Issuer and the Trustee, with a copy to the Borrower, in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of this Regulatory Agreement in the real property records of the County of Los Angeles.

(d) The Borrower will not knowingly enter into any agreements which would result in the payment of principal or interest on the Bond being "federally guaranteed" within the meaning of Section 149(b) of the Code.

(e) Subject to Section 14 hereof, the Borrower hereby covenants to include the requirements and restrictions contained in this Regulatory Agreement in any documents transferring any interest in the Project prior to the expiration of the Qualified Project Period to another person to the end that such transferee has notice of, and is bound by, such restrictions, and to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement; provided, however, that so long as any former Borrower has no remaining interest in the Project, such former Borrower shall have no obligation to monitor such transferee's compliance with such restrictions, and such former Borrower shall incur liability if such transferee fails to comply with such restrictions only in proportion to its then remaining interest.

(f) The Borrower and any related person (as defined in Section 147(a)(2) of the Code) thereto shall not acquire the Bond in an amount related to the amount of the Loan.

Section 6. Additional Requirements of the Act. In addition to the requirements set forth in Sections 2 through 5, and without limiting any additional requirements in Section 7, during the Qualified Project Period, the Borrower and the Issuer hereby agree to comply with each of the requirements of the Act, and, without limiting the foregoing, the Borrower hereby specifically agrees to comply with each of the requirements set forth in this Section 6, as follows:

(a) Not less than 20% of the total number of units in the Project (other than one unit set aside for managerial or administrative use) 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 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 Very Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a 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. Notwithstanding Section 1461 of the California Civil Code, the provisions hereof shall run with the land and may be enforced either in law or in equity by any resident, local agency, entity or any other person adversely affected by the Borrower's failure to comply with this Regulatory Agreement.

(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 CDLAC and the Issuer. In addition to, and not in derogation of, the requirements set forth in the preceding and following sections of this Regulatory Agreement, each of which is hereby incorporated in this Section as a specific requirement of CDLAC and the Issuer, whether or not required by California or federal law, the Borrower represents, warrants, covenants and agrees as follows:

(a) [reserved.]

(b) The Borrower shall promptly provide to the Issuer such information with respect to the Project or the Bond as the Issuer shall from time to time request. The Borrower shall provide written notice to the Issuer of receipt of a certificate of occupancy or other official authorization to occupy the Project immediately upon receipt.

(c) The Very Low Income Units shall be of comparable quality to all other units in the Project, shall be dispersed throughout the Project, and shall offer a range of size and number of bedrooms comparable to those units which are available to other tenants; and Very Low Income Tenants shall have access to and enjoyment of all common areas and facilities of the Project on the same basis as tenants of other units.

(d) The Borrower agrees that it will not discriminate in the rental of units or in its employment practices against any employee or applicant for employment because of the applicant's race, creed, religion, national origin or ancestry, sex, age (except restrictions upon occupancy of units to tenants 55 years of age and older), sexual orientation or preference, marital status, color, physical disability, familial status and disability, mental condition or medical condition, including pregnancy,

childbirth or related condition. All contracts entered into by the Borrower which relate to the Project shall contain a like provision.

(e) The Borrower shall comply with the conditions set forth in Exhibit A to CDLAC Resolution No. 11-115, adopted on September 28, 2011 (the "CDLAC Conditions"), as they may be modified or amended from time to time, which conditions are incorporated herein by reference and made a part hereof and are attached as Exhibit F. Following completion of the construction of the Project, 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 CDLAC Program Compliance, in substantially the form attached hereto as Exhibit E, executed by an Authorized Borrower Representative. Notwithstanding anything to the contrary herein, the provisions of this Section 7(e) shall remain effective for the period specified in the CDLAC Conditions, unless this Regulatory Agreement shall terminate as otherwise provided in Section 14 hereof. 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.

(f) For the Qualified Project Period, the Borrower will comply with the provisions of the Unruh Civil Rights Act, including, without limitation, Sections 51.2 and 51.3 of the California Civil Code, as amended.

(g) The lease to be utilized by the Borrower in renting any residential units in the Project to Very Low Income Tenants shall provide for termination of the lease and consent by such person to immediate eviction, subject to applicable provisions of California law, for any tenant who fails to qualify as a Very Low Income Tenant and who has made a material misrepresentation on the Income Certification as to such tenant's qualification as a Very Low Income Tenant. All such leases shall contain clauses, among others, wherein each individual lessee (i) certifies the accuracy of the statements made in the Income Certification and (ii) agrees that the family income, family composition and other eligibility requirements shall be deemed substantial and material obligations of his tenancy; that he will comply promptly with all requests for information with respect thereto from the Borrower or the Issuer; and that his failure to provide accurate information in the Income Certification or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of his tenancy and shall be a default thereunder. Additionally, such lease shall contain provisions informing any tenant of the possibility of rental payment increases in accordance with the terms of this Regulatory Agreement.

(h) All Income Certifications will be maintained on file at the Project or, with the prior written consent of the Issuer, at the principal place of business of the Borrower or the property manager of the Project, so long as this Regulatory Agreement is in effect and for five years thereafter with respect to each Very Low Income Tenant who occupied a residential unit in the Project during the Qualified Project Period.

(i) The Borrower will accept as tenants, on the same basis as all other prospective tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing program under Section 8 of the Housing Act, or its successor. The Borrower shall not apply selection criteria to Section 8 certificate or voucher holders that are more burdensome than criteria applied to all other prospective tenants.

(j) The Borrower shall submit to the Issuer (i) at the times specified in Sections 4(d) and (f) herein, a Certificate of Continuing Program Compliance, which shall include the information called for therein, including occupancy records for all units in the Project (ii) not later than the thirtieth (30th) day after the close of each calendar year, a statistical report in the form set forth as Exhibit G hereto, or such other form as may be prescribed by the Issuer, setting forth the information called for therein, and (iii) within 15 days after receipt of a written request, any other information or completed forms requested by the Issuer, in each case, in order to comply with reporting requirements of the Internal Revenue Service or the State of California, including, without limitation, information necessary for the Issuer to file any periodic report, or any other information concerning the Project as the Issuer may reasonably request.

(k) The Issuer may, at its option and at its expense, at any time appoint a Program Monitor to administer this Regulatory Agreement and to monitor performance by the Borrower of the terms, provisions and requirements hereof. Following any such appointment, the Borrower shall comply with any reasonable request by the Issuer to deliver to such Program Monitor, in addition to or instead of the Issuer, any reports, notices or other documents required to be delivered pursuant hereto, and upon reasonable notice to the Borrower to make the Project and the books and records with respect thereto available for inspection during regular business hours by such Program Monitor as an agent of the Issuer.

(l) If upon the annual certification or recertification required in Section 4(d) a tenant's Adjusted Income exceeds 140% of the then applicable income limit for a Very Low Income Tenant of the same family size, all rental limits herein previously applicable to the unit occupied for such tenant shall continue to apply until the next available unit is rented to a tenant who is a Very Low Income Tenant.

(m) There are three points in time when the Borrower is required to give written notice to all tenants of Very Low Income Units:

(i) Upon initial move in/lease execution, Borrower shall give written notice to all tenants of Very Low Income Units, of the duration of the rent restrictions under this Regulatory Agreement. Borrower must maintain, in its files, a copy of each notice containing each tenant's signed acknowledgement of the notice required hereunder. The notice shall, at the least, contain language that the rent restrictions under this Regulatory Agreement shall be for the term specified herein. Upon termination of the rent restriction period under this Regulatory Agreement, rents may be set at a market rates unless otherwise restricted by some other legal, regulatory, or contractual requirement.

(ii) Twelve months prior to the termination of the rent restriction period under this Regulatory Agreement, Borrower must give written notice to its tenants of the termination of the restrictions on the Very Low Income Units before their rents may be raised to market rent levels.

(iii) Ninety days prior to the termination of the rent restriction period under this Regulatory Agreement, Borrower must again give written notice to its tenants of the termination of the restrictions on the Very Low Income Units before their rents may be raised to market rent levels.

(n) The Borrower shall pay to the Issuer its initial and ongoing fees with respect to the issuance of the Bond. The Borrower shall pay to the Issuer the initial fee immediately upon issuance of the Bond equal to $[5,500] (0.125% of the maximum initial principal amount of the Bond issuable under the Indenture) ($[4,400,000]). The Borrower shall also pay annually in advance on the Closing Date and thereafter on the anniversary date of the date of issuance of the Bond an amount equal to 0.125% of the maximum original principal amount of the Bond for the term of the Qualified Project Period. Such annual fee shall be paid, at the option of the Borrower, with the written approval of the Issuer, to (i) the Trustee or other fiduciary agent approved in writing by the Issuer, in equal monthly installments pursuant to the Loan Agreement for annual payment to the Issuer as set forth above, while the Bond is Outstanding and (ii)(A) to the Issuer, on the date of final payment of the Outstanding principal amount of the Bond prior to the end of the Qualified Project Period in an amount equal to the present value of the remaining Issuer's Ongoing Fee payable hereunder as calculated by the Issuer, using a discount rate equal to the yield on the Bond at the time of such prepayment or (B) from and after the date on which no Bond principal remains Outstanding and prior to the end of the Qualified Project Period, to the Trustee or other fiduciary agent approved in writing by the Issuer, in equal monthly installments pursuant to the Loan Agreement for annual payment to the Issuer. Any prepayment described in (ii)(A) above shall be limited as necessary in the opinion of Bond Counsel to prepare the exclusion of interest on the Bond from gross income for federal income tax purposes. The Borrower shall also pay as due any Trustee or other fiduciary agent fees related to the collection of amounts pursuant to (ii)(B) above.

(o) [reserved].

(p) The Borrower shall pay the Issuer its then-current fees in connection with any consent, approval, transfer, amendment, waiver, refunding/re-issuance requested of the Issuer, together with any expenses incurred by the Issuer and its counsel/attorney and financial advisor (if applicable) in connection therewith.

(q) The Trustee shall report to the Issuer in writing semiannually, within 10 days of each June 1 and December 1, the principal amount of the Bond outstanding as of such June 1 and December 1, as appropriate.

(r) The Borrower shall promptly provide to the Issuer such information with respect to the Project or the Bond as the Issuer shall from time to time request.

(s) The Borrower shall include the Issuer as an additional insured on all liability insurance policies relating to the Borrower or the Project.

(t) The fees and expenses referenced herein are intended to be applicable to the Bond and the Project as a whole.

(u) 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.

Any of the foregoing requirements of the Issuer (except (e) above, which may be expressly waived by CDLAC) may be expressly waived by the Issuer in writing in the Issuer's sole discretion, 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, including particularly but without limitation the provisions of Sections 2 through 6 hereof, 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 Bond 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 Bond to become includable in gross income for federal income tax purposes, if such opinion is accompanied by a copy of a ruling from the Internal Revenue Service to the same effect, or to the effect that compliance with such requirement would be in conflict with the Act.

Section 8. Modification of Covenants. The Borrower, the Trustee 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 Trustee and the Borrower impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement in order to maintain the Tax-exempt status of interest on the Bond, this Regulatory Agreement shall be deemed to be automatically amended, without the consent or approval of any other person, to impose such additional or more restrictive requirements. The parties hereto hereby agree to execute such amendment hereto as shall be necessary to document such automatic amendment hereof.

(b) To the extent that the Act, the Regulations or the Code, or any amendments thereto, shall, in the written opinion of Bond Counsel filed with the Issuer, the Trustee 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, the Trustee and the Borrower and approved by the written opinion of Bond Counsel to the effect that such amendment is permitted by the Act and will not affect the Tax-exempt status of interest on the Bond. The Issuer shall be under no obligation to agree to any such amendment, it being understood that each of the requirements of this Regulatory Agreement is a specific requirement of the Issuer, whether or not required by California or federal law.

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

Section 9. Indemnification. 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:

(a) this Regulatory Agreement, the Indenture, the Loan Agreement and any of the other Loan Documents or the execution or amendment thereof or in connection with transactions contemplated thereby, including the issuance, sale, resale or transfer of the Bond;

(b) 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;

(c) any lien or charge upon payments by the Borrower to the Issuer and the Trustee 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 Trustee in respect of any portion of the Project;

(d) 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;

(e) the defeasance and/or redemption, in whole or in part, of the Bond;

(f) 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 Bond 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

(g) any declaration of taxability of interest on the Bond, or allegations (or regulatory inquiry that interest on the Bond is included in gross income 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, or if, in the case of the Issuer, it makes a reasonable judgment that a competent attorney has not been appointed.

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.

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

Section 10. Consideration. The Issuer has issued the Bond to provide funds to finance the Project, all for the purpose, among others, of inducing the Borrower to acquire and construct the Project. In consideration of the issuance of the Bond 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 Bond and in the exemption from federal income taxation and California personal income taxation of the interest on the Bond. In performing their duties and obligations hereunder, the Issuer and the Trustee 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 Trustee 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 Trustee 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 Trustee may, but shall not be required to, conduct any investigation into or review of the operations or records of the Borrower and may rely solely on any written notice or certificate delivered to the Trustee 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. Project in the County of Los Angeles. The Borrower hereby represents and warrants that the Project will be located entirely within the County of Los Angeles.

Section 13. Sale or Transfer of the Project; Equity Interests. The Borrower hereby covenants and agrees not to: (i) directly or indirectly, by operation of law, voluntarily or involuntarily, sell, gift, encumber, assign or otherwise transfer (collectively, "Transfer") all or any portion of its interest in the Project (excluding tenant leases pursuant to the terms hereof); (ii) permit the Transfer of greater than forty-nine percent (49%) of its ownership and/or control, in the aggregate, taking all transfers into account on a cumulative basis; or (iii) Transfer any of its rights or obligations under the [Loan Documents] without the prior written approval of the Issuer, which approval the Issuer may withhold in its sole and absolute discretion.

At any time Borrower desires to effect a Transfer hereunder, Borrower shall notify the Issuer in writing (a "Transfer Notice") and shall submit to the Issuer for its prior written approval (i) all proposed agreements and documents memorializing, facilitating, evidencing and/or relating to the circumstances surrounding such proposed Transfer, and (ii) a certificate setting forth representations and warranties by Borrower and the proposed transferee to the Issuer sufficient to establish and ensure that all requirements of this Section 13 have been and will be met (collectively, the "Transfer Documents") . No Transfer Documents shall be approved by the Issuer unless they expressly provide for the assumption by the proposed transferee of all of Borrower's obligations under the Loan Documents. The Transfer Notice shall include a request that the Issuer consent to the proposed Transfer. The Issuer agrees to make its decision on Borrower's request for consent to such Transfer promptly, and use reasonable efforts to respond not later than thirty (30) days after the Issuer receives the last of the items required by this Section 13. In the event the Issuer consents to a proposed Transfer, then such Transfer shall not be effective unless and until the Issuer receives copies of all executed and binding Transfer Documents which Transfer Documents shall conform with the proposed Transfer Documents originally submitted by Borrower to the Issuer.

Except as expressly provided in this Section 13, in connection with any Transfer hereunder, the purchaser or assignee shall also: (i) deliver 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; (ii) deliver to the Issuer 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; and (iii) pay to the Issuer and Trustee all fees and/or expenses then currently due and payable to the Issuer and Trustee (together with the Transfer Documents, the "Transfer Deliveries").

Notwithstanding anything in this Regulatory Agreement to the contrary, Borrower agrees that it shall not be permitted to make any Transfer, whether or not the Issuer's consent is required and even if the Issuer has consented thereto, if there exists an Event of Default under the Loan Agreement or any other Loan Document at the time the Transfer Notice is tendered to the Issuer or at any time thereafter until such Event of Default has been cured.

Except as expressly provided in this Section 13, the provisions of this Section 13 shall apply to each successive Transfer and proposed transferee in the same manner as initially applicable to Borrower under the terms set forth herein.

Notwithstanding the foregoing, if the Project receives funding through an allocation of low income housing tax credits under Section 42 of the Code ("LIHTCs"), the Issuer hereby consents to the following transfers in furtherance of such financing: (i) syndication of limited partnership interests in Borrower to an equity investor and subsequent transfers of limited partnership interests; (ii) the grant and exercise of a purchase option and/or right of first refusal with respect to the Project from Borrower to its general partners, which may involve the sale of Borrower's interest in the Project and/or the Transfer of greater than forty-nine percent (49%) of its ownership and/or control; and (iii) removal of the general partner of Borrower pursuant to the terms of the limited partnership agreement of Borrower, as it may be amended from time to time, provided that the replacement general partner shall be approved by the Issuer, which approval shall not be unreasonably withheld. Notwithstanding the above, Borrower shall notify the Issuer that Borrower intends to pursue such transfers of partnership interest at least sixty (60) days before the scheduled date of such transfers and shall comply with the provisions of the second paragraph of this Section 13; further, if the general partner is being replaced, Borrower shall provide evidence acceptable to the Issuer with regard to such successor general partner's financial capability, management experience and history of compliance with affordable housing, landlord/tenant, and health and safety laws, and such other information as requested by the Issuer.

The Borrower shall use its best efforts to provide the Issuer concurrently with the closing of any Transfer (but in no event later than 30 days after the closing of such Transfer) copies of all documents pertaining to the transaction, including any amendments to the organizational documents of Borrower or any constituent partners or members.

Nothing in this Section 13 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 Trustee required under the Indenture, the Deed of Trust or any other Loan Document.

Notwithstanding anything contained in this Section 13 to the contrary, neither the consent of the Issuer nor the delivery of the Transfer Deliveries shall be required in the case of a foreclosure or deed in lieu of foreclosure, whereby the Bondowner Representative, the Trustee or a designee or third party purchaser becomes the Borrower of the Project, and nothing contained in this Section 13 shall otherwise affect the right of the Bondowner Representative, the Trustee or a designee or third party purchaser to foreclose on the Project or to accept a deed in lieu of foreclosure or to effect a comparable conversion of the Loan or the Loan Documents. However, if the Trustee or Bondowner Representative acquires title to the Project by foreclosure or deed in lieu of foreclosure and this Regulatory Agreement has not been terminated pursuant to Section 14 below, consent of the Issuer and delivery of the Transfer Deliveries shall be required for any transfer of the Project subsequent to the Trustee's or Bondowner Representative's acquisition of the Property by foreclosure or deed in lieu of foreclosure.

Upon any sale or other transfer which complies with this Regulatory Agreement, the Borrower shall be fully released from its obligations hereunder, but only to the extent such obligations have been assumed by the transferee of the Project, without the necessity of further documentation. Any transfer of the Project to any entity, whether or not affiliated with the Borrower, shall be subject to the provisions of this Section 13. No transfer of the Project shall operate to release the Borrower from its obligations under this Regulatory Agreement with respect to any action or inaction taken prior to such transfer. Nothing contained in this Section 13 shall affect any provision of the Deed of Trust, or any of the other Loan Documents to which the Borrower is a party, which requires the Borrower to obtain the consent of the Bondowner Representative as a precondition to sale, transfer or other disposition of, or any direct or indirect interest in, the Project, or of any direct or indirect interest in the Borrower, or which otherwise gives the Bondowner Representative the right to accelerate the maturity of the Loan or any obligations of Borrower under the Loan Documents, or to take some other similar action with respect to the Loan or any obligations of Borrower under the Loan Documents, upon the sale, transfer or other disposition of the Project or any such other interest.

For the Qualified Project Period, the Borrower shall not: (1) 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 Deed of Trust 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 14. Term. This Regulatory Agreement and all and each of the provisions hereof shall become effective upon its execution and delivery, and shall remain in full force and effect for the periods provided herein and, except as otherwise provided in this Section 14, shall terminate in its entirety at the end of the Qualified Project Period (or in the case of Section 7(e) hereof, at the times set forth in CDLAC Resolution No. 11-115), it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Bond, discharge of the Mortgage Loan and termination of the Indenture and the Loan Agreement.

Notwithstanding the foregoing, the provisions of Section 9 hereof shall, in the case of the Trustee, survive the term of this Regulatory Agreement or the replacement of the Trustee, but only as to claims arising from events occurring during the term of this Regulatory Agreement or the Trustee's tenure as Trustee under the Indenture, and shall, in the case of the Issuer, survive the term of this Regulatory Agreement, but only as to claims arising from events occurring during the term of this Regulatory Agreement.

The terms of this Regulatory Agreement to the contrary notwithstanding, this Regulatory Agreement and all the requirements set forth herein (except Section 9 as aforesaid) shall terminate and be of no further force and effect in the event of (a) involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire, seizure, requisition, change in a federal law or an action of a federal agency after the Closing Date which prevents the Issuer or the Trustee from enforcing the provisions hereof, or (b) condemnation, foreclosure, delivery of a deed in lieu of foreclosure or a similar event, but only if, within a reasonable period thereafter, either the portion of the Bond attributable to the affected portion of the Project is retired or amounts received as a consequence of such event are used to provide a project which meets the requirements of the Code set forth in Sections 2 through 6 of this Regulatory Agreement and provided that, in either case, an opinion of Bond Counsel (unless waived by the Issuer) is delivered to the Trustee to the effect that the exclusion from gross income for federal income tax purposes of interest on the Bond will not be adversely affected thereby. The provisions of the preceding sentence shall cease to apply and the requirements referred to therein shall be reinstated if, at any time during the Qualified Project Period after the termination of such requirements as a result of involuntary noncompliance due to foreclosure, transfer of title by deed in lieu of foreclosure or similar event, the Borrower or any related person (within the meaning of Section 147(a)(2) of the Code) obtains an ownership interest in the Project for tax purposes. The Borrower hereby agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Borrower nor any related person as described above will obtain an ownership interest in the Project for tax purposes.

Upon the termination of this Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms.

Section 15. Covenants to Run With the Land. The Borrower hereby subjects the Project (including the Project Site) to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The 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. The Issuer and, if necessary, the Trustee, agree to execute a quitclaim deed or other documents required to remove this Regulatory Agreement from title after the covenants, agreements and restrictions herein have expired. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

No breach of any of the provisions of this Regulatory Agreement shall impair, defeat or render invalid the lien of any security instrument, deed of trust or like encumbrance made in good faith and for value encumbering the Project or any portion thereof.

Section 16. Burden and Benefit. The Issuer and the Borrower hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Borrower's legal interest in the Project is rendered less valuable thereby. The Issuer and the Borrower hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Very Low Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Bond was issued. Notwithstanding the foregoing or any other provision of this Regulatory Agreement, no person, other than the parties hereto, shall have any rights of enforcement of this Regulatory Agreement.

Section 17. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use, development and improvement of the Project Site.

Section 18. Default; Enforcement. If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in this Regulatory Agreement, and if such default remains uncured for a period of 60 days after notice thereof shall have been given by the Issuer to the Borrower, then the Issuer shall declare an "Event of Default" to have occurred hereunder; provided, however, that if the default stated in the notice is of such a nature that it cannot be corrected within 60 days, such default shall not constitute an Event of Default hereunder so long as (i) the Borrower institutes corrective action within said 60 days and diligently pursues such action until the default is corrected, and (ii) in the opinion of Bond Counsel, the failure to cure said default within 60 days will not adversely affect the Tax-exempt status of interest on the Bond. The Trustee hereby consents to any correction of the default by the Issuer on behalf of the Borrower. The Issuer hereby consents to any correction of a default on the part of the Borrower hereunder made by the Borrower's limited partners on behalf of the Borrower within the time periods provided in this Section. Copies of any notices sent to the Borrower hereunder shall simultaneously be sent to Borrower's limited partners at the address set forth in Section 23.

Following the declaration of an Event of Default hereunder, the Trustee, as directed by the Issuer and subject to the provisions of the Indenture relative to the Trustee's duty to exercise remedies generally, or the Issuer, may, at its option, take any one or more of the following steps:

(a) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer or the Trustee hereunder;

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

(c) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower hereunder.

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 18 of the Borrower's default under this Regulatory Agreement, to lease up to 20% of the units in the Project (other than one unit set aside for managerial or administrative use) 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 or the Borrower's investor limited partner 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.

After the Indenture 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 Trustee.

The Borrower hereby agrees that specific enforcement of the Borrower's agreements contained herein is the only means by which the Issuer may obtain the benefits of such agreements made by the Borrower herein and the Borrower therefore agrees to the imposition of the remedy of specific performance against it in the case of any default by the Borrower hereunder.

The occurrence of a Determination of Taxability shall not, in and of itself, constitute a default hereunder.

Section 19. The Trustee. The Trustee shall act as specifically provided herein and in the Indenture. The Trustee is entering into this Regulatory Agreement solely in its capacity as trustee under the Indenture, and the duties, powers, rights and liabilities of the Trustee in acting hereunder shall be subject to the provisions of the Indenture.

The Issuer shall be responsible for the monitoring and verifying of compliance by the Borrower with the terms of this Regulatory Agreement. The Trustee may at all times assume compliance with this Regulatory Agreement unless otherwise notified in writing by the Issuer, or unless it has actual knowledge of noncompliance.

After the date on which no principal of the Bond remains outstanding as provided in the Indenture, the Trustee shall no longer have any duties or responsibilities under this Regulatory Agreement and all references to the Trustee in this Regulatory Agreement shall be deemed references to the Issuer.

Section 20. Recording and Filing. The Borrower shall cause this Regulatory Agreement, and all amendments and supplements hereto and thereto, to be recorded and filed in the real property records of the County of Los Angeles and in such other places as the Issuer or the Trustee may reasonably request. The Borrower shall pay all fees and charges incurred in connection with any such recording. This Regulatory Agreement shall be recorded in the grantor-grantee index to the name of the Borrower as grantor and the Issuer as grantee.

Section 21. Governing Law. This Regulatory Agreement shall be governed by the laws of the State of California. The Trustee's rights, duties and obligations hereunder are governed in their entirety by the terms and provisions of the Indenture.

Section 22. Amendments. This Regulatory Agreement shall be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County of Los Angeles, California, and only upon receipt by the Issuer of an opinion from Bond Counsel that such amendment will not adversely affect the Tax-exempt status of interest on the Bond and is not contrary to the provisions of the Act and with the written consent of the Trustee.

The Issuer, the Trustee and the Borrower hereby agree to amend this Regulatory Agreement to the extent required, in the opinion of Bond Counsel (subject to the approval of the

counsel to the Issuer), in order that interest on the Bond remains Tax-exempt. The party or parties requesting such amendment shall notify the other parties to this Regulatory Agreement of the proposed amendment, with a copy of such requested amendment to Bond Counsel and counsel to the Issuer and a request that such Bond Counsel render to the Issuer an opinion as to the effect of such proposed amendment upon the Tax-exempt status of interest on the Bond.

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

Borrower:	Mid Celis Apartments, LP a California Limited Partnership c/o Los Angeles Housing Partnership 1200 Wilshire Boulevard, Suite 307 Los Angeles, CA 90017 Attention: Ryan Mendoza Facsimile: (213) 629-9179
with a copy to:	Kyle B. Arndt, Esq. Bocarsly Emden Cowan Esmail Parker & Arndt LLP 70th Floor 633 West Fifth Street Los Angeles, CA 90071
with a copy to:	Hudson SLP LLC 630 Fifth Avenue New York, NY 10111 Attention: Joseph A. Macari Facsimile: (212) 218-4467
Issuer:	Housing Authority of the County of Los Angeles 2 Coral Circle Monterey Park, CA 91755 Attention: Jewel Warren-Reed, Principal Bond Administrator Facsimile: (323) 890-9715 Telephone: (323) 838-7768
Trustee:	U.S. Bank National Association 24th Floor 633 West 5th Street Los Angeles, CA 90071 Attention: Corporate Trust Services Telephone: (213) 615-6024 Facsimile: (213) 615-6199

If to Bondowner Representative:

Wells Fargo Bank, National Association
11th Floor
420 Montgomery Street
MAC# A0101-11B
San Francisco, CA 94104
Attention: Loan Administration
Telephone: 415-396-0966
Facsimile: 415-392-1839
Email: [_____]

Wells Fargo Community Lending and Investment
MAC D1053-170
301 South College Street, 17th Floor
Charlotte, NC 28202-6000
Attention: Michael Loose, Asset Management
Telephone: [_____]
Facsimile: [_____]
Email: [_____]

Joel Hjelmaas, Counsel
Wells Fargo Bank, N.A.
MAC X2401-06T
1 Home Campus, 6th Floor
Des Moines. IA 50328-00001

Telephone: [_____]
Facsimile: [_____]
Email: [_____]

Additionally, in the event that CCRC becomes the Bondowner Representative, all notices to the Bondowner Representative shall be sent to:

California Community Reinvestment Corporation
Suite 120
225 West Broadway
Glendale, CA 91204
Attention: President
Telephone: 818-550-9800
Facsimile: 818-550-9806

Except as provided in the next sentence, notice shall be deemed given three Business Days after the date of mailing. All notices deliverable to the Trustee shall be deemed delivered upon receipt, and shall be deliverable only so long as the Trustee serves in such capacity under the Indenture.

A duplicate copy of each notice, certificate or other communication given hereunder by any party hereto to another party hereto shall also be given to all of the parties specified above. Failure to provide any such duplicate notice pursuant to the foregoing sentence, or any defect in

any such duplicate notice so provided shall not constitute a default hereunder. All other documents required to be submitted to any of the foregoing parties shall also be submitted to such party at its address set forth above. Any of the foregoing parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, documents or other communications shall be sent.

Section 24. Severability. If any provision of this Regulatory Agreement or if the applicability of any such provision shall be invalid, illegal or unenforceable, the validity, legality, enforceability, or the applicability with respect to the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

Section 25. Multiple Counterparts. This Regulatory Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Section 26. Third-Party Beneficiary. CDLAC is intended to be and is a third-party beneficiary of this Regulatory Agreement, and CDLAC shall have the right (but not the obligation) to enforce, separately or jointly with the Issuer or to cause the Issuer to enforce, the provisions of Section 7(e) of this Regulatory Agreement and to pursue an action for specific performance of such provisions or other available remedy at law or in equity in accordance with Section 18 hereof, provided that any such action or remedy shall not materially adversely affect the interests and rights of the Bondholder and shall otherwise be subject to the terms, conditions and limitations applicable to the enforcement of remedies under this Regulatory Agreement.

Section 27. Financial Obligations Personal to Borrower. The Issuer acknowledges that the Project shall be encumbered by the Mortgage Loan Documents. Notwithstanding any provisions of this Regulatory Agreement to the contrary, all obligations of the Borrower under this Regulatory Agreement for the payment of money and all claims for damages against the Borrower occasioned by breach or alleged breach by the Borrower of its obligations under this Regulatory Agreement, including indemnification obligations, shall not be a lien on the Project and no Person shall have the right to enforce such obligations other than directly against the Borrower as provided in Section 18 of this Regulatory Agreement, except that the Issuer shall have the right at all times to enforce the rights contained in the third paragraph of Section 18 hereof. No subsequent owner of the Project shall be liable or obligated for the breach or default of any obligations of the Borrower under this Regulatory Agreement on the part of any prior Borrower, including, but not limited to, any payment or indemnification obligation. Such obligations are personal to the Person who was the Borrower at the time the default or breach was alleged to have occurred and such Person shall remain liable for any and all damages occasioned thereby even after such Person ceases to be the Borrower. Each Borrower shall comply with and be fully liable for all obligations of an "owner" hereunder during its period of ownership.

Section 28. Americans with Disabilities Act. The Borrower and the Trustee each hereby certifies that it will comply with the Americans with Disabilities Act, 42 U.S.C. Section 12101 et seq., and its implementing regulations and the American Disabilities Act Amendments Act (ADAAA) Pub. L. 110-325 and all subsequent amendments (the "ADA"). The

Borrower and the Trustee each will provide reasonable accommodations to allow qualified individuals with disabilities to have access to and to participate in its programs, services and activities in accordance with the provisions of the ADA. The Borrower and the Trustee each will not discriminate against persons with disabilities or against persons due to their relationship to or association with a person with a disability. Any subcontract entered into by the Borrower or the Trustee, relating to this Regulatory Agreement, to the extent allowed hereunder, shall be subject to the provisions of this paragraph.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Issuer, the Trustee 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, as Issuer

By _____
Sean Rogan
Executive Director

APPROVED AS TO FORM:

ANDREA SHERIDAN ORDIN
County Counsel

By_____
Deputy

[Issuer Signature Page To ***Mid Celis Apartments*** Regulatory Agreement]

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Name: _____
Authorized Trustee Representative

[Trustee Signature Page To ***Mid Celis Apartments*** Regulatory Agreement]

MID CELIS APARTMENTS, L.P., a California limited partnership

By: Los Angeles Housing Partnership, Inc., a California nonprofit public benefit corporation, its Managing General Partner

By:_____
Mary Silverstein
President & Executive Director

By: Abbey Road, Inc., a California nonprofit public benefit corporation, its Administrative General Partner

By:_____
Name:_____
Title:_____

[Borrower Signature Page To ***Mid Celis Apartments*** Regulatory Agreement]

NOTARY ACKNOWLEDGMENT STATEMENT

State of California)

County of _____)

On _____, before me, _____ (here insert name and title of the officer), personally appeared _____ (here insert name(s) of signers), who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ [SEAL]

NOTARY ACKNOWLEDGMENT STATEMENT

State of California)

County of _____)

On _____, before me, _____ (here insert name and title of the officer), personally appeared _____ (here insert name(s) of signers), who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ [SEAL]

NOTARY ACKNOWLEDGMENT STATEMENT

State of California)

County of _____)

On _____, before me, _____ (here insert name and title of the officer), personally appeared [_____] [_____] of [_____], Managing General Partner of Mid Celis Apartments, LP and [_____] [_____] of [_____], Administrative General Partner of Mid Celis Apartments, LP who proved to me on the basis of satisfactory evidence to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities, and that by their signatures on the instrument the persons, or the entity upon behalf of which the persons acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ [SEAL]

NOTARY ACKNOWLEDGMENT STATEMENT

State of California)

County of _____)

On _____, before me, _____ (here insert name and title of the officer), personally appeared _____ (here insert name(s) of signers), who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ [SEAL]

EXHIBIT A

DESCRIPTION OF PROJECT SITE

[TO BE COMPLETED]

EXHIBIT B

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/quarter] such Project was continually in compliance with the Regulatory Agreement executed in connection with such loan from the Issuer, ___% 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 Deed of Trust.] [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

Unit No.	Very Low Income Unit	No. of Bedrooms	Rent	Total Eligible Income (for Very Low Income Units)	Size (Sq. Ft.)

Total Number of Units: _____

Percentage of Very Low Income Units: _____

Number of Very Low Income Tenants commencing occupancy this month: _____

EXHIBIT C

FORM OF INCOME CERTIFICATION

[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

[Remainder of page intentionally left blank]

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 <u>not</u> 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 OWNER: 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: MID CELIS 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 D

FORM OF ANNUAL INCOME RECERTIFICATION

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
ANNUAL TENANT INCOME RECERTIFICATION

Project name_____

Apartment #_____ Date of Original Certification_____

Resident name_____

TO THE RESIDENT:
This form is a continuation of The Housing Authority of the County of Los Angeles (the "Issuer") Affordable Housing Program (the "Program") which was previously discussed with you. In order to keep you on the qualifying list, you will need to update the following information each year when you renew your lease. The Borrower is required by the Internal Revenue Code of 1986 and the Issuer to maintain this information in order to maintain the Program.

Household Composition:
1) Please list all of those individuals residing in your apartment.
2) Please list the anticipated annual income of all occupants of your household who are 18 years of age or older (if housemaker, or unemployed, etc.—please list as such).
3) If college or technical school student, please list if full-time or part-time student.

	NAME	SS#	AGE	ANTICIPATED ANNUAL INCOME*	OCCUPATION/ STUDENT
1)					
2)					
3)					
4)					
5)					
6)					
7)					

*SEE INCOME DEFINITION ATTACHED TO THIS FORM.

DO YOU OWN OR HAVE YOU ACQUIRED OR HAVE YOU DISPOSED OF ANY ASSETS OVER $5,000.00 IN THE PAST YEAR?

If so, please describe and list amount and annual income expected to be derived from such assets._____

If all persons residing in your apartment are full-time students, please indicate for each such person whether they are (1) a single parent living with his/her children; (2) a student receiving assistance under Title IV of the Social Security Act (Temporary Assistance for Needy Families); (3) a student enrolled in a job-training program receiving assistance under the Job Training Partnership Act or under other similar federal, state or local laws; (4) a student who was previously under the care and placement responsibility of a foster care program (under part B or E of Title IV of the Social Security Act) or (5) a student who is married and files a joint return. Single parents described in (1) above may not be dependents of another individual and their children may not be dependents of another individual other than their parents.

Please have all occupants over the age of 18 sign this certification.

I/we acknowledge that I/we have been advised that the making of any misrepresentation or misstatement in this declaration will constitute a material breach of my/our agreement with the Borrower to lease the unit and will entitle the Borrower to prevent or terminate my/our occupancy of the unit by institution of an action for ejection or other appropriate proceedings.

I/we declare under penalty of perjury that the foregoing is true and correct.

SIGNATURES: DATE:

1) _____ _____

2) _____ _____

3) _____ _____

4) _____ _____

MANAGER'S SIGNATURE:

_____ _____

DEFINITION OF INCOME

The full amount, before any payroll deductions, of wages, salaries, overtime, commissions, fees, tips, and bonuses; net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness or any allowance for depreciation of capital assets); interest and dividends (including income from assets excluded below); the full amount of periodic payments from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic payments including any lump sum payment for the delayed start of a periodic payment; payments in lieu of earnings, such as unemployment and disability compensation, workers' compensation and severance pay; all public assistance income; periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; all regular and special pay and allowances of members of the Armed Forces (whether or not living in the dwelling) who are the head of the family or spouse; and any earned income tax credit to the extent that it exceeds income tax liability;

but excluding:

income from employment of children (including foster children) under the age of 18 years; payments received for the care of foster children or foster adults (usually individuals with disabilities, unrelated to the tenant family, who are unable to live alone); lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workers' compensation), capital gains and settlement for personal or

property losses; amounts which are specifically for reimbursement of medical expenses; amounts of educational scholarships paid directly to the student or the educational institution, and amounts paid to a veteran for use in meeting the costs of tuition, fees, books and equipment, but in either case only to the extent used for such purposes; special pay to a serviceman head of a family who is away from home and exposed to hostile fire; amounts received under training programs funded by HUD; amounts received under Plan to Attain Self-Sufficiency; amounts for out-of-pocket expenditures incurred in connection with other public assistance programs; resident service stipend (not in excess of $200 per month); amounts from state or local employment training programs; temporary, nonrecurring or sporadic income (including gifts); reparation payments paid by a foreign government to persons who were persecuted during the Nazi era; earnings in excess of $480 for each full-time student 18 years old or older (excluding head of family and spouse); adoption assistance payments in excess of $480 per adopted child; deferred periodic payments of supplemental social security income and benefits received in a lump sum; refunds or rebates of property taxes paid on the unit; payments from state agency to allow developmentally disabled family member to stay home; relocation payments under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970; foster child care payments; the value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charges for the allotments; and payments to volunteers under the Domestic Volunteer Service Act of 1973.

EXHIBIT E

FORM OF CERTIFICATE OF CDLAC PROGRAM COMPLIANCE

Project Name: Mid Celis Apartments Senior Housing

Name of Bond Issuer: The Housing Authority of the County of Los Angeles

CDLAC Application No.: 11-115

Pursuant to Section 13 of Resolution No. 11-115 (the "Resolution"), adopted by the California Debt Limit Allocation Committee (the "Committee") on September 28, 2011, 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 the Resolution, which specifies that once the Bond is 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.

Please check or write N/A next to the items listed below:

☐ The project is currently in the Construction or Rehabilitation phase.

☐ The project received points for exceeding Title 24 by 10% or reducing energy use by 25% (Acquisition and Rehabilitation Projects) I have attached an Energy Performance Certificate approved by the Energy Commission with my first Annual Certification of Compliance.

_____ _____

Signature of Officer Date

_____

Printed Name of Officer

_____

Title of Officer

EXHIBIT F

CDLAC RESOLUTION

EXHIBIT G

[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:

MID CELIS APARTMENTS L.P., a California limited partnership

By: Los Angeles Housing Partnership, a California nonprofit public benefit corporation, its Managing General Partner

By: _____
Name: _____
Title: _____

By: Abbey Road, Inc., a California nonprofit public benefit corporation, its Administrative General Partner

By: _____
Name: _____
Title: _____