

LOAN AGREEMENT

Among

CITY OF SAN JOSÉ,
as Lender

FOURTH STREET APARTMENTS, L.P.,
a California limited partnership,
as Borrower

and

U.S. BANK NATIONAL ASSOCIATION,
as Bondowner Representative
and Bondholder

Dated as of May __, 2010

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LOAN AGREEMENT

This Loan Agreement (“Agreement” or “Loan Agreement”) is executed as of May __, 2010, by and among the **CITY OF SAN JOSÉ**, a municipal corporation and chartered city, duly organized and existing under the Constitution and laws of the State of California (“Issuer” and “Lender”), **U.S. BANK NATIONAL ASSOCIATION**, a national banking association (“U.S. Bank,” “Bondholder” and “Bondowner Representative”), and **FOURTH STREET APARTMENTS, L.P.**, a California limited partnership, its successors and permitted assigns (collectively, “Borrower”).

RECITALS

A. Borrower owns or will own a leasehold interest in certain real property (“Property”) located in the County of Santa Clara, State of California and more particularly described in Exhibit “A” attached to this Loan Agreement.

B. Borrower intends to construct a 100-unit affordable housing apartment project (as more fully described herein, “Project”) on the Property.

C. Issuer has determined to issue its (i) Multifamily Housing Revenue Bonds (Fourth Street Apartments Project) Series 2010A-1, in the initial maximum aggregate principal amount of \$_____ (“Series 2010A-1 Bonds”), and (ii) Multifamily Housing Revenue Bonds (Fourth Street Apartments Project) Series 2010A-2 in the initial maximum aggregate principal amount of \$_____ (“Series 2010A-2 Bonds” and together with the Series 2010A-1 Bonds, “Bonds”).

D. In order to provide funds to finance a portion of the costs of constructing and equipping the Project, the proceeds of the Series 2010A-1 Bonds will be loaned (“Convertible Loan”) and the proceeds of the Series 2010A-2 Bonds will be loaned (“Construction Loan and together with the Convertible Loan, “Loans”) to the Borrower.

E. [Borrower and U.S. Bank, as counterparties, have entered into the Swap Agreement for purposes of synthetically fixing the rate of interest payable with respect to the Construction Loan and the Convertible Loan.]

F. Upon issuance of the Bonds, all right, title and interest of Issuer, other than its Reserved Rights, under and in connection with the Loans (including without limitation, the Notes) will be assigned by Issuer to Wells Fargo Bank, National Association, as trustee (“Trustee”), under that certain Indenture, dated as of May 1, 2010, between Issuer and Trustee (“Indenture”) for the benefit of the holders of the Bonds, including the Bondowner Representative. From and after such assignment, references herein and in the other Loan Documents (as defined below) to “Lender” shall be read to refer to the Trustee acting in its fiduciary capacity as trustee under and subject to the terms and conditions of the Indenture.

G. Subject to the issuance of the Bonds pursuant to the Indenture and the terms and conditions of this Agreement, Issuer, in its capacity as Lender, is willing to make the Loans to Borrower and, in order to provide for the orderly disbursement of proceeds of the

Loans, Issuer has agreed to permit Bondowner Representative, with prior notice to Trustee as described herein, to make such disbursements of proceeds of the Loans in accordance with and subject to the terms and conditions of this Agreement.

H. At or prior to the Conversion Date the Series 2010A-1 Bonds shall be sold by U.S. Bank to California Community Reinvestment Corporation, a California nonprofit public benefit corporation (“CCRC”) pursuant to and subject to the conditions of the CCRC Bond Purchase Agreement dated as of May __, 2010 among U.S. Bank, Borrower and CCRC.

I. From and after the sale of the Series 2010A-1 Bonds to CCRC as aforesaid, CCRC shall (with the consent of the Issuer, Trustee and the Borrower) assume on an exclusive basis all duties and obligations of the Bondowner Representative under the Indenture and all references from and after such sale all references herein and in the other Loan Documents to Bondowner and Bondowner Representative shall be deemed to refer to CCRC although U.S. Bank shall continue to enjoy the protections and immunities available to it hereunder, including under Sections 13.1, 13.2 and 13.3 and under the Access Indemnity and the Hazardous Materials Agreement, which shall by their respective terms survive the sale of the Series 2010A-1 Bonds as aforesaid.

J. As of the Conversion Date, this Agreement shall be supplemented, without further action by any party, by the Supplemental Agreement of even date herewith between Borrower and CCRC.

1. Definitions and Interpretation.

1.1 Defined Terms. All capitalized terms used in this Agreement and not otherwise defined in this Agreement are defined in Exhibit ”B” attached hereto.

1.2 Exhibits Incorporated. All exhibits to this Agreement, as now existing and as the same may from time to time be modified, are incorporated fully herein by this reference.

2. The Loans.

2.1 Amount and Purpose; Timing. Subject to the terms of this Agreement, Lender agrees to make, and Borrower agrees to take the Construction Loan in the maximum principal amount of up to [\$17,316,000] and evidenced by the Construction Note and the Convertible Loan in the maximum principal amount of up to [\$5,684,000] and evidenced by the Convertible Note. Proceeds of the Loans shall be used to finance the construction of the Project (all as more particularly described in the Plans) and for the other purposes set forth in the Approved Budget. It is understood and agreed that the Lender shall make advances of the proceeds of the Loans for deposit in the Project Funds Account provided that there is no uncured Event of Default hereunder or under any of the Subordinate Loan Documents, the Bond Documents or the Loan Documents, [including without limitation the Swap Agreement,] or any of them.

2.2 Fees. On the Issuance Date, Borrower shall pay directly to Bondowner Representative, for Bondowner Representative’s sole account in immediately available funds, the construction loan fees specified in the Notes. On or prior to the Termination Date, Borrower

shall pay to Bondowner Representative, for Bondowner Representative's sole account in immediately available funds, the extension fees specified in the Notes in connection with either or both of the extensions (if any) of the Termination Date. All fees payable pursuant to this Section 2.2 shall be deemed fully earned when due and are nonrefundable when paid.

2.3 Payments. Borrower shall repay the Loans, with interest, in accordance with the respective provisions of the Notes and this Agreement. Except as otherwise provided herein or in the Notes, all payments shall be applied first to interest and then to principal. All principal payments made on account of the Construction Loan shall be applied against the Construction Note and all principal payments made on account of the Convertible Loan shall be applied against the Convertible Note. Amounts repaid may not be reborrowed.

2.4 Prepayment. The Loans shall be prepayable only in accordance with the respective terms and conditions of the Notes relating to the prepayment of such Notes. [Borrower understands, acknowledges and agrees that as further described in Section 9.10 hereof, the terms and conditions of such prepayment include, without limitation, the termination of the Swap Agreement and the payment of termination fees, charges or other amounts calculated in accordance with the terms of the Swap Agreement.]

2.5 Interest. The Notes shall bear interest at the rates per annum set forth in the respective provisions thereof.

2.6 Sale of Series 2010A-1 Bonds; Failure to Sell. Borrower understands, acknowledges and agrees that the Series 2010A-1 Bonds are intended to be and shall be sold and transferred by U.S. Bank to CCRC on or about the Conversion Date in accordance with and subject to the requirements of the Bond Documents, including without limitation by the CCRC Bond Purchase Agreement. In the event the Series 2010A-1 Bonds are not sold and transferred as aforesaid for any reason, Borrower understands, acknowledges and agrees that unless U.S. Bank agrees otherwise (acting in its sole and absolute discretion) (i) such Bonds and the corresponding Loan and Note shall each be immediately due and payable in full on the Termination Date, and (ii) Borrower shall also be responsible for payment of all other amounts due and payable on account of such prepayments as described herein and in the other Loan Documents[, including without limitation, the Swap Agreement]. Notwithstanding any such sale or transfer of the Series 2010A-1 Bonds as aforesaid, Borrower shall pay to U.S. Bank in immediately available funds for its sole account on or prior to the Conversion Date (i) all accrued and unpaid interest on the Series 2010A-1 Bonds through the Conversion Date, and (ii) any principal amount of the Series 2010A-1 Bonds that is not sold and transferred to CCRC. U.S. Bank shall have no obligation of any nature whatsoever to hold the Series 2010A-1 Bonds from and after the Termination Date whether to its maturity date or otherwise.

3. Disbursements.

3.1 Disbursement Requests. The proceeds of the Loans shall be disbursed from time to time by Bondowner Representative to or for the account of Borrower only in accordance with, and upon the satisfaction of the conditions precedent contained herein and in the Disbursement Agreement, including, with respect to each Disbursement, the delivery of a Requisition (as defined below) signed by Borrower and approved in writing by Bondowner

Representative; provided that, prior to each Disbursement, Bondowner Representative agrees to provide two (2) days' advance notice to Trustee of the aggregate principal amount of the Loans then proposed to be disbursed. The requisite approval of any Requisition for a Disbursement shall only be given in accordance with this Agreement and shall be subject to the prior satisfaction of all of the conditions precedent to such Disbursement contained in this Agreement and the Disbursement Agreement, including, but not limited to, Sections 4.1, 4.2, and 4.3 hereof, as the case may be. The proceeds of the Loans (and all funds now or hereafter on deposit in the Disbursement Agreement) shall be disbursed on a line-item by line-item basis in accordance with the Approved Budget and subject to Section 3.11 hereof. In no event shall Bondowner Representative have any obligation to consent to any disbursement on account of any item if the amount to be disbursed on account of that item, when taken in the aggregate with all amounts previously disbursed on account of that item, exceeds the amount allocated to such item in the Approved Budget (as may be reallocated from time to time in accordance with Section 3.3 below and subject to Section 6.4 hereof). Disbursements shall be made only upon Borrower's written request in the form attached hereto as Exhibit "E" (a "Requisition") showing all costs which Borrower intends to fund with such Disbursement, itemized in such detail as Bondowner Representative may reasonably require, accompanied in each case by (a) an Application and Certificate for Payment (AIA Documents G702 and G703), or other document acceptable to Bondowner Representative containing certifications by Contractor and Architect that construction to the date of the Disbursement Request is in accordance with the Plans and all recommendations contained in any approved soils report, (b) invoices and lien releases satisfactory to Bondowner Representative including in any event partial lien releases executed by each contractor and subcontractor who has received any payment for work performed, (c) CLTA 122 endorsements to the Title Policy in form and substance satisfactory to Bondowner Representative and Lender, and (d) all other documents and information reasonably required by the Lender and Bondowner Representative. Disbursement requests shall be submitted in duplicate no less than five (5) Banking Days prior to the date of the requested Disbursement, and shall not be submitted more often than once monthly. Borrower agrees to deliver or cause to be delivered to the Issuer and the Trustee a copy of each Requisition, including all attachments describing the Project Costs to be paid from the then requested Disbursement. Bondowner Representative shall make available to the Issuer and the Trustee, upon reasonable written request and at the cost and expense of the Borrower, copies of the attachments accompanying each Disbursement request in its possession and agrees to maintain copies of such items so long as it remains the holder of the Bonds. Upon any transfer of the Bonds in accordance with the terms of the Bond Documents and the Loan Documents, Bondowner Representative shall transfer all of its records relating to Disbursement requests, including all related attachments, provided that Bondowner Representative shall be permitted to retain copies thereof for its permanent records.

Notwithstanding the foregoing, Bondowner Representative may, in its reasonable discretion, make Disbursements (with prior notice to Trustee as aforesaid accompanied by a list of the Disbursements to be made) from time to time, in the absence of a Disbursement request, to pay Issuer, Lender and/or Bondowner Representative fees and interest on the Loans [or fees and settlement payments in respect of the Swap Agreement] from funds allocated for that purpose in the Approved Budget, to make payments reasonably deemed advisable by Bondowner Representative to protect the Property or Lender's and/or Bondowner Representative's interests under any Loan Document, and to fulfill any reimbursement obligation of Borrower under

Section 13.3 that Borrower has not timely fulfilled; provided, however, that so long as no Event of Default or other event or condition which, with the giving of notice or the passage of time, or both, would be an Event of Default, shall have occurred and be continuing, Bondowner Representative shall give the Issuer, Trustee and Borrower five (5) days' prior written notice of any Disbursement (other than a Disbursement to pay interest) to be made under the authority granted pursuant to this sentence. To the extent that a Disbursement has been made without requiring Borrower then to strictly comply with the terms of this Agreement, that leniency shall not constitute a waiver or grounds for estoppel and at any time thereafter the respective party in interest may insist on strict compliance to avoid default by Borrower. Except as expressly provided herein, funds are to be disbursed solely for work in place. In no event will Bondowner Representative be required to consent to Disbursements for materials not incorporated into the Project; provided, however, that Bondowner Representative at its sole election, shall consent to Disbursements for materials stored securely on-site if such materials are insured, are available for inspection and will be incorporated into the Project within a reasonable time. Disbursements will be subject to withholding for stop notice claims pursuant to California Civil Code Section 3162 (and any successor provisions) and mechanic's lien claims. In no event shall any Disbursements be made after the Conversion Date.

3.2 Manner of Disbursement; Order of Disbursement. Any Disbursement may be made by check payable to Borrower, or by check payable jointly to Borrower and any contractor, subcontractor or other claimant, or directly to any such claimant, or by any other means reasonably selected by Bondowner Representative; provided that in the absence of any agreement between Borrower and Lender to the contrary, Lender shall deposit Disbursements in a checking account in the name of the Borrower maintained thereby at U.S. Bank. In no event shall Bondowner Representative have any obligation to consent to Disbursements of proceeds of the Loans more than [\$23,000,000] in the aggregate, under this Agreement.

3.3 Cost Overruns; Out of Balance. In the event that, at any time and for any reason but subject to Section 6.4 hereof, (a) the actual cost reasonably estimated by Bondowner Representative or Borrower to be required to complete all matters included in any line item in the Approved Budget exceeds the amount allocated to that line item in the Approved Budget, or (b) Project Costs for any matters not covered by a specific line item in the Approved Budget have been or will be incurred, (c) the undisbursed portion of the Loans (together with the undisbursed portion of the Subordinate Loans then available or other amounts on deposit in the Project Funds Account, including the undisbursed portion of Investor Limited Partner's Equity Commitment and/or any of the Subordinate Loans held or to be held under the Disbursement Agreement) is or may be insufficient to pay all Project Costs that may be payable under the Loan Documents, the Subordinate Loan Documents, the Bond Documents and otherwise in connection with the Project or the Loans (including, without limitation, a reserve for interest), or (d) the Loans are no longer "in balance" as further described in Section 4.2.5 hereof, Borrower shall, within five (5) days after Bondowner Representative gives Borrower written notice of such determination, do one or more of the following with the consent of Lender and Bondowner Representative:

- (a) provide satisfactory evidence to Bondowner Representative that Borrower has previously paid such excess or Project Costs or otherwise provided

for such insufficiency (collectively, the “Excess Costs”) with funds from a source other than the Loans;

(b) reallocate sufficient funds to pay the Excess Costs from funds allocated to “Contingency” in the Approved Budget; provided, however, that the consent of Bondowner Representative to any such reallocation shall be required under Section 3.7 below, unless the reallocated funds were originally transferred to “Contingency” from cost savings pursuant to this Agreement; or

(c) deposit an amount equal to the Excess Costs in the Project Funds Account under the Disbursement Agreement from which withdrawals may be made only in accordance with the Disbursement Agreement.

Bondowner Representative shall have no obligation to consent to further Disbursements until Borrower has paid or otherwise provided for the Excess Costs as required above. Amounts deposited by Borrower in the Project Funds Account in accordance with Section 3.3(c) for any line item shall be disbursed prior to the disbursement of any remaining proceeds of the Loans for such line item. As additional security for all of Borrower’s respective obligations under the Loan Documents, Borrower hereby pledges to Bondowner Representative, and grants to Bondowner Representative a security interest in, the Project Funds Account, all amounts now or hereafter on deposit in the Project Funds Account, the amount deposited in accordance with Section 3.3(c) above, all interest and other earnings on the Project Funds Account, if any, all additions, increases, modifications, renewals, rollovers, substitutions and replacements to and/or for the foregoing collateral, and all proceeds and/or products of the foregoing collateral, whether voluntary or involuntary.

3.4 Cost Savings. Upon completion of and disbursement for all matters covered by any line item in the Approved Budget, any remaining undisbursed amounts allocated to that line item shall be reallocated to the “Contingency” line item in the Approved Budget and thereafter be available for disbursement in accordance with the terms of this Agreement.

3.5 Retainage. As to each “hard cost” item in the Approved Budget, Disbursements shall be made for such item in the amount of 90% of the costs for such item properly incurred and substantiated by Borrower during the course of the Project, with a retainage of 10% of the total cost of work then completed. All amounts so retained shall be disbursed upon satisfaction of all conditions to the final Disbursement set forth in Section 4.3.

3.6 Disbursement Agreement. Borrower shall deposit into the Project Funds Account under the Disbursement Agreement (a) all amounts required to be deposited into the Project Funds Account pursuant to Section 3.3 above, (b) all Equity Construction Deposits, (c) proceeds of the Loans, and (d) proceeds of the Subordinate Loans to the extent available for deposit under the Disbursement Agreement. All amounts deposited in the Project Funds Account under the Disbursement Agreement shall be disbursed solely to pay Project Costs on the same terms, and subject to the same conditions, that proceeds of the Loans are to be disbursed under this Agreement. All funds in the Project Funds Account are subject to the pledges described in Section 3.3 above. Borrower understands, acknowledges and agrees that Bondowner Representative shall also be and hereby is granted rights to approve disbursements of

proceeds of the Subordinate Loans whether or not deposited in the Project Funds Account under the Disbursement Agreement. No later than the time of their submission, Borrower shall provide to Bondowner Representative for its approval copies of all draw requests submitted in connection with any Subordinate Loan. Borrower understands, acknowledges and agrees that without limiting the generality of the foregoing it shall use its best efforts to cause disbursements of each Funding Source as reflected in the Approved Budget and Exhibit I attached hereto.

3.7 Contingency. Bondowner Representative shall not have any obligation to consent to any disbursement from funds allocated in the Approved Budget to the “Contingency” line item, or to consent to any reallocation to any other line item of funds allocated in the Approved Budget to the “Contingency” line item; provided, however, Bondowner Representative shall not unreasonably withhold, condition or delay its consent to any reallocation of funds allocated to “Contingency” in the Approved Budget so long as, immediately following such reallocation, the undisbursed portion of the funds allocated to the “Contingency” line item, expressed as a percentage of the total funds allocated to the “Contingency” line item in the original Approved Budget, does not exceed that portion of the Project then remaining to be completed and paid for, expressed as a percentage of the total Project to be completed and paid for unless otherwise approved by Bondowner Representative.

3.8 Waiver of Disbursement Conditions. Unless otherwise agreed to in writing, the required consent by any party to any Disbursement with the knowledge that any condition to such Disbursement is not fulfilled shall constitute a waiver of such condition only with respect to the particular Disbursement made, and such condition shall be a condition to all further Disbursements until fulfilled.

3.9 No Liability for Disbursements. Under no circumstances shall Issuer, Lender, Trustee or Bondowner Representative be responsible or liable to any person for or on account of any disbursement of, or the failure to disburse, any of the proceeds of the Loans. The foregoing shall be in addition to all other limitations on the responsibility and liability of Issuer, Lender, Trustee and/or Bondowner Representative set forth in this Agreement, including without limitation, Section 13.1 hereof and the Indenture.

3.10 Site Improvements.

(a) As used herein and in the other Loan Documents, the term “Improvements” shall include site improvements.

(b) Proceeds of the Loans allocated to the payment of the costs of Improvements that are site improvements shall be applied to the payment of the claims of claimants (as defined in Civil Code Section 3085 (and any successor provision)). No portion of such proceeds of the Loans shall be paid to Borrower in the absence of satisfactory evidence that all such claims have been paid or that the time for recording claims of liens has expired and no such claims have been recorded. The foregoing shall not be construed as imposing on Lender or Bondowner Representative any obligation or duty to any third party or as creating any third party beneficiary of the foregoing covenants and agreements.

(c) If Lender or Bondowner Representative believes that a mechanic's lien with respect to Improvements that are site improvements has or may have gained priority over the Deeds of Trust (or either of them) pursuant to Civil Code Section 3137 (and any successor provision), then upon written demand, Borrower shall immediately, and in any case before the completion of the Improvements, procure a payment bond in accordance with the requirements of Civil Code Section 3139 (and any successor provision) and record the same in the official records of the County. Borrower hereby appoints Bondowner Representative as its attorney in fact for procuring and recording such payment bonds. Such appointment is coupled with an interest and is irrevocable. Upon demand, Borrower shall pay to Bondowner Representative the cost of procuring and recording such payment bonds. Any sums so advanced to procure and record such bonds shall be advanced to protect the security of the Deeds of Trust and shall be secured thereby.

3.11 No Liability for Failure to Convert. Under no circumstances shall Lender, Issuer, Trustee or Bondowner Representative be responsible or liable to any Person for or on account of the failure of the Convertible Loan to convert from the construction phase to the permanent phase. The foregoing shall be in addition to all other limitations on the responsibility and liability set forth in this Agreement, including without limitation, Section 13.1 hereof and the Indenture.

4. Conditions to Issuance of Bonds and to Disbursements.

4.1 Issuance of Bonds; Initial Disbursement. Issuer's obligation to issue the Bonds, to enter into this Agreement as Lender and the other Loan Documents to which it is a party and the Bond Documents, the Lender's obligations to make the initial Disbursement of the Loans on the Issuance Date under this Agreement and Bondowner Representative's agreement to purchase the Bonds, are subject to the satisfaction, or waiver by Lender or Bondowner Representative, as applicable, of all of the following conditions precedent:

4.1.1 Bondowner Representative shall have received each of the documents listed in Exhibit "F" attached hereto, each in form and substance satisfactory to Bondowner Representative, including without limitation, the Bond Purchase Agreement.

4.1.2 The Regulatory Agreement shall have been duly executed, acknowledged and delivered by the respective parties thereto.

4.1.3 Bondowner Representative shall have received and approved an executed original of each of the following opinions, in each case addressed to Lender and Bondowner Representative and in each case in form and substance reasonably approved by the foregoing: (a) the opinion of counsel to Borrower, Borrower's General Partners and the Guarantor opining as to the due formation, qualification and good standing of Borrower, Borrower's General Partners and Guarantor, the due authorization by Borrower, Borrower's General Partners and the Guarantor of the execution, delivery and performance of the Loan Documents, and the enforceability of the Loan Documents and the Guaranty, and covering such other matters as Bondowner Representative or Lender may reasonably require,

including without limitation, that the Property will be eligible for a real property tax exemption by all relevant Governmental Agencies (initially the California Board of Equalization) based on the partnership structure of the Borrower and the nature and use of the Project; and (b) an opinion of “bond counsel,” addressed to Issuer with a reliance letter to Bondowner Representative, opining as to the availability of an exclusion from gross income for federal income tax purposes of interest accruing on the Bonds.

4.1.4 Bondowner Representative shall have received and approved such financial statements, tax returns and other financial information as it may require regarding the financial condition of Borrower, each General Partner of Borrower, Guarantor and/or the Property.

4.1.5 Bondowner Representative shall have received satisfactory assurances that Borrower is diligently pursuing for subsequent review and approval by Bondowner Representative (i) a listing of all costs and expenses of issuance of the Bonds, and (ii) all sources for payment of such costs and expenses.

4.1.6 A fully executed assignment of the Plans (as defined below) to the Bondowner Representative together with a fully executed consent to such assignment by the architect/engineer, both in form and substance satisfactory to Bondowner Representative.

4.1.7 The receipt by Bondowner Representative of an acceptable final cost and constructability review from Bondowner Representative’s retained construction consultant.

4.1.8 The receipt by Bondowner Representative, in acceptable form and substance, of all requested construction schedules, valuation analyses, sources and uses analyses, and payment and performance bonds.

4.1.9 A fully executed assignment of the Construction Contract (as defined below) to the Bondowner Representative together with a fully executed consent to such assignment by the Contractor, both in form and substance satisfactory to Bondowner Representative.

4.1.10 The receipt, for deposit in the Project Funds Account, of all required deposits.

4.1.11 A fully executed original copy of the Partnership Agreement shall have been delivered to Bondowner Representative; provided that such Partnership Agreement shall be in form and substance reasonably satisfactory to Bondowner Representative; and provided further that the Investor Limited Partner shall be an entity satisfactory to Bondowner Representative.

4.1.12 The Investor Limited Partner shall have been admitted to the Partnership and deposited into the Project Funds Account the required initial capital contribution in the amount of \$ _____ to the Borrower.

4.1.13 The Bondowner Representative shall have received all evidence (including without limitation, litigation, lien and judgment searches) satisfactory to it in form and substance to the effect that there have not occurred any adverse change in position (legal, financial or otherwise) in the Borrower, its General Partners, the Guarantor or any of its or their properties, operations, finances, or business, or with respect to the Property or the Project.

4.1.14 Payment in immediately available funds of all closing costs and remaining fees of the Issuer, the Lender, the Bondowner Representative, and their respective counsel and representatives.

4.1.15 There shall not have occurred any event of default under any or all of the Bond Documents, Loan Documents or Subordinate Loan Documents nor shall there exist any circumstances which with the giving of notice or the passage of time (or both) would result in a default under any or all of such documents.

4.1.16 Bondowner Representative shall have received all other opinions of counsel in form and substance satisfactory to it.

4.1.17 Bondowner Representative shall have been provided with copies of all required permits and approvals for the Project, including without limitation, the Building Permit (as defined below).

4.1.18 Bondowner Representative shall have received and approved in writing, or shall have waived in writing the requirement of, (a) a soils report for the Property, (b) a full set of the plans and specifications (“Plans”) for the Project, certified as complete by the Architect containing evidence of all necessary or appropriate approvals of Governmental Agencies then obtainable, (c) copies of all material Project Agreements, (d) copies of all permits and similar permits, licenses, approvals and other authorizations of Governmental Agencies required in connection with the development of the Project, including the final building permits (“Building Permit”), (e) copies of all environmental documents prepared, adopted, certified or filed by or with any Governmental Agency in connection with any approval described in subclause 4.1.18(d) above, including, without limitation, 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 Agency pursuant to the requirements of the California Environmental Quality Act and the National Environmental Policy Act, and (f) an appraisal of the Project, acceptable to Bondowner Representative in its sole discretion. In addition to the foregoing, the Bondowner Representative shall have received satisfactory comfort and assurances that all applicable wetlands and stormwater management permits and regulations applicable to the Property have been obtained (or waived in writing) and complied with such that the Project, including without limitation its design, engineering and construction, will not be adversely affected by the application and enforcement of such permits and/or regulations.

4.1.19 Bondowner Representative shall have received and accepted a Phase I Site Assessment prepared by a licensed and registered environmental engineer or other qualified party satisfactory to Bondowner Representative, in each case stating that no

Hazardous Substances are present in, on, under or around the Property, and that no condition or circumstance warranting further investigation now exists.

4.1.20 The Regulatory Agreement, the Deeds of Trust, the Assignment of Leases, the Assignment of Deeds of Trust Documents, the Subordinate Recorded Documents, the Ground Lessor's Consent and Estoppel, and the Subordination Agreements shall have been recorded, in that order, in the real property records of the County.

4.1.21 The Project Financing Statements shall have been filed with the Secretary of State, and Bondowner Representative shall have received a certificate of the Secretary of State showing such Project Financing Statements to be subject to no prior filings (other than filings perfecting Permitted Liens, if any).

4.1.22 Borrower shall, at its sole expense, have delivered to Bondowner Representative an ALTA extended lenders' coverage title insurance policy, without further revision or amendment, or evidence of an irrevocable commitment therefor satisfactory to Bondowner Representative, in form and substance and issued by an insurer satisfactory to Bondowner Representative, together with all other endorsements and binders required by the foregoing, naming the Trustee as the insured, in its capacity as trustee under the Indenture for the benefit of the holders from time to time of the Bonds, in a policy amount of not less than [\$23,000,000], showing the Borrower as the ground lessee of the Property and the _____ as the owner of the fee estate with respect to the Property and insuring the Deeds of Trust to be valid first priority liens on the Property, subject only to the Permitted Encumbrances.

4.1.23 Borrower shall, at its sole expense, have delivered to Lender and Bondowner Representative, in form and substance reasonably satisfactory to Lender and Bondowner Representative:

(a) an ALTA survey which (i) shows all "setbacks" and other restrictions applicable to the Property pursuant to requirements of Governmental Agencies and applicable covenants, conditions and other private restrictions, (ii) shows all easements, licenses and other rights of way, (iii) shows no encroachments onto the Property or from the Property onto adjoining property, and (iv) certifies the legal description of the Property as insured in the Title Policy; and

(b) a certificate ("Surveyor's Certificate") pursuant to which the person who prepared the ALTA survey certifies to Trustee, Bondowner Representative and the applicable title insurer that the survey was made on the ground and in accordance with the Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys as then adopted by the American Land Title Association and the American Congress on Surveying and Mapping, and is correct and complete; that access to the Property, and utilities shown on the survey, are sufficient and in accordance with applicable requirements; that the Property does not fall within a designated flood or earthquake hazard area; and as to such other matters as Bondowner Representative reasonably requires provided, if the Property does fall within a designated flood zone, then Borrower shall have

obtained all required insurance in form and amount satisfactory to Bondowner Representative.

4.1.24 Bondowner Representative shall have received (i) a satisfactory guaranteed maximum/fixed price construction contract (“Construction Contract”) for the Project between Borrower and Contractor, within the cost allocations established under the Approved Budget and otherwise in form and substance satisfactory to Bondowner Representative, (ii) if required by Bondowner Representative, payment and performance bonds for Contractor and all subcontractors with guaranteed maximum price contracts in amounts greater than \$500,000, in form and substance satisfactory to Bondowner Representative, (iii) all material subcontracts for the Project, and (iv) all other material Project Agreements reasonably required by Bondowner Representative.

4.1.25 Borrower shall have delivered to Bondowner Representative all certificates of insurance (including without limitation, any required course of construction, builders’ risk, flood and earthquake insurance) for all policies required pursuant to this Agreement, as well as any environmental insurance required as a condition to Borrower’s (or Borrower’s predecessor in interest in the Property) acquisition of the Property.

4.1.26 The Partnership Agreement delivered pursuant to 4.1.11 above shall contain an agreement by which Investor Limited Partner agrees to make capital contributions to Borrower in accordance with the schedule set forth in Exhibit “G” attached hereto, subject to and in accordance with the terms of the Partnership Agreement.

4.1.27 Borrower shall have paid in immediately available funds, (a) all fees payable by Borrower pursuant to Section 2.2; and (b) all costs and expenses incurred by the Issuer, Lender and Bondowner Representative, as the case may be, in connection with the issuance of the Bonds, the making of the Loans and the negotiation, preparation and closing of the Loan Documents and Bond Documents, including, but not limited to, all costs and expenses described in Section 13.3.

4.1.28 Borrower shall provide or cause to be provided a fully executed copy of the validly issued and effective Tax-Exempt Reservation allocating sufficient Code Section 42 federal low income housing tax credits to support the full investment by Investor Limited Partner in an amount equal to at least the aggregate amount of the Equity Construction Deposits.

4.1.29 After review by Bondowner Representative and its counsel, all of the Subordinate Loan Documents shall have been executed and full and complete copies thereof shall have been delivered to Bondowner Representative.

4.1.30 Borrower shall have provided evidence of disbursement on the Issuance Date of the proceeds of the Subordinate Loans consistent with the Approved Budget and Exhibit I attached hereto.

4.1.31 Each Subordinate Lender shall have delivered the proceeds of its Subordinate Loan in the respective amounts then scheduled to be disbursed to Borrower in accordance with Exhibit I attached hereto.

4.1.32 Bondowner Representative shall have received in form and substance satisfactory to it and its counsel, all agreements, documents, instruments and understandings relating to each of the Subordinate Loans, including without limitation, all intercreditor and subordination agreements and tri-party agreements required by Bondowner Representative.

4.1.33 Borrower shall have provided to Lender a fully executed copy of the property management agreement for the Project.

4.1.34 Bondowner Representative shall have received, in form and substance acceptable to Bondowner Representative, the fully executed Ground Lessor's Consent, Estoppel Certificate and Agreement.

4.2 Any Disbursement. The obligation to consent to any Disbursement (excluding the initial Disbursements made on the Issuance Date but including all subsequent Disbursements through and including the final Disbursement) is subject to the satisfaction, or waiver by Lender or Bondowner Representative, as the case may be, of the following conditions precedent:

4.2.1 All of the conditions precedent set forth in Section 4.1 shall have been timely satisfied.

4.2.2 Borrower shall have made payment to Contractor for the amounts covered by all prior Disbursement Requests.

4.2.3 Bondowner Representative shall have reasonably determined, based upon its own inspections or other evidence satisfactory to it, that the Project is being constructed in a good and workmanlike manner by appropriate means in accordance with the Plans and that all required inspections and approvals have been obtained as and when necessary.

4.2.4 The Title Company shall be prepared to issue a date down endorsement to the Title Policy in the nature of a CLTA 122 endorsement insuring that the lien of the Deeds of Trust to be first, prior and paramount liens against the Property and the Project securing all previous Disbursements and the Disbursement then being requested, and that nothing has intervened to affect the validity or priority of the Deeds of Trust.

4.2.5 The Loans are "in balance" in accordance with the Approved Budget in the judgment of Bondowner Representative and, in the judgment of the Bondowner Representative, Borrower can complete the Project and pay for it without obtaining additional funds (other than the Equity Construction Deposits and proceeds of the Subordinate Loans then available or reasonably expected in the judgment of the Bondowner Representative to become available, and held or to be held in the Project Funds Account).

4.2.6 Bondowner Representative has received in form and substance acceptable to Bondowner Representative:

(i) A Disbursement Request and all required supporting documentation, including work progress certifications by Contractor, and approval from the independent third-party inspector named by Bondowner Representative, as well as invoices and mechanic's lien claim waivers and releases; and

(ii) With respect to the first disbursement subsequent to the completion of foundations and footings, an endorsement to the Title Policy in form and substance acceptable to Bondowner Representative insuring that all foundations and footings are within the boundaries of the Property and that no buildings are to be constructed within the areas of any easement.

4.2.7 The representations and warranties in Article 5 and in the Bond Documents, the other Loan Documents and the Subordinate Loan Documents shall be correct as of the date of the Disbursement as though made as of that date, and Bondowner Representative shall have received a certificate to that effect signed by a Designated Representative.

4.2.8 No Event of Default shall remain uncured and no event shall have occurred or condition exist which, with the giving of notice or the passage of time or both, would constitute an Event of Default, and Bondowner Representative shall have received a certificate to that effect signed by a Designated Representative.

4.2.9 No stop notice (whether bonded or not) shall have been served upon or otherwise delivered to Lender or Bondowner Representative in connection with the development of the Project or otherwise in connection with the Loans, unless Borrower shall have (a) paid and discharged the same, or (b) effected the release thereof by delivering to Bondowner Representative a surety bond complying with the requirements of applicable Laws for such release.

4.2.10 No claim of lien, notice and claim of mechanic's lien or other similar document or instrument shall have been recorded against the Property or any portion thereof, unless Borrower shall have (a) paid and discharged the same, or (b) effected the release thereof by delivering to Bondowner Representative a surety bond complying with the requirements of applicable Laws for such release, or (c) subject to the terms and conditions of Section 6.9 below, deposited cash or other security with Bondowner Representative in lieu of the surety bond described in clause (b) above, in accordance with Section 6.9 below.

4.2.11 All Equity Construction Deposits (due at the time of such disbursement) shall have been paid or otherwise provided for to the reasonable satisfaction of Bondowner Representative in the amounts and at the times set forth in Exhibit "G" attached hereto.

4.2.12 Proceeds of the Subordinate Loans (other than amount expressly set aside as contingency or retention amounts) shall have been paid or otherwise provided for

to the reasonable satisfaction of Bondowner Representative in the amounts and at the times set forth in Exhibit I attached hereto.

4.2.13 Borrower shall have submitted evidence that all proceeds of the Subordinate Loans (other than the portions retained pending completion), have been expended in accordance with the Approved Budget and Exhibit I attached hereto to cover Project Costs.

4.2.14 Borrower shall have submitted to Bondowner Representative in form and substance acceptable thereto (i) a copy of all development agreements relating to any off-site improvements deemed necessary or desirable in connection with approvals of the Project granted by Governmental Agencies, including without limitation, all conditional use permits; and (ii) all cost estimates and construction budgets or other reasonably acceptable information concerning such matters as they relate to such off-site improvements.

4.2.15 Borrower shall have submitted to Bondowner Representative copies of all requests for disbursements made in respect of the Subordinate Loans.

4.3 Final Disbursement. Bondowner Representative's obligation to consent to the final disbursement of that portion of the proceeds of the Loans retained pursuant to Section 3.5 is subject to the satisfaction, or waiver by Bondowner Representative, of the following additional conditions precedent:

4.3.1 The construction of the Project shall be complete, as such completion is defined in Section 6.1.

4.3.2 Bondowner Representative shall have received, in form and substance reasonably acceptable to Bondowner Representative:

(i) Evidence that Borrower has accepted the Project as complete and Borrower shall have recorded or caused the recording of all required notices of completion;

(ii) A temporary certificate of occupancy and other evidence acceptable to Bondowner Representative, from official sources, that the construction of the Project and its intended use are in compliance with all applicable building, zoning and other requirements of all Governmental Agencies;

(iii) A report from an inspector named by Bondowner Representative that, based upon personal inspections during construction, all work has been completed in a good workmanlike manner and in accordance with the Plans (as amended by change orders made in compliance with this Agreement), and in accordance with applicable requirements of Governmental Agencies;

(iv) Evidence that all construction costs shall, upon making the final disbursement, have been paid in full; provided, however, that

Borrower, as a condition to the disbursement of amounts retained under Section 3.5 above, shall not be required to satisfy this condition as to any disputed mechanics' lien claim so long as such mechanics' lien is being contested by Borrower in compliance with Section 6.9 below;

(v) Evidence that the period for filing mechanic's liens has expired without the filing of any lien or delivery to Bondowner Representative of executed lien releases in form and substance satisfactory to Bondowner Representative; provided, however, that Borrower, as a condition to the disbursement of amounts retained under Section 3.5 above, shall not be required to satisfy this condition as to any disputed mechanic's lien claim so long as such mechanic's lien is being contested by Borrower in compliance with Section 6.9 below;

(vi) Evidence of full payment (or other satisfactory provision for payment) for personal property in which Lender has a security interest in connection with or under the Loan Documents (including without limitation the Security Documents);

(vii) A certificate satisfactory to Bondowner Representative from the Architect regarding compliance with Access Laws (as defined in Section 5.13 of the Deeds of Trust);

(viii) If required by Bondowner Representative, a final as-built survey showing the location of the Project; and

(ix) A rewrite of the Title Policy whether in form of a date down endorsement or delivery of a new policy.

4.3.3 Borrower shall, if required by the Bondowner Representative or the Title Company, have signed an indemnity agreement to permit a rewrite or date down of the Title Policy to be issued showing the Deeds of Trust as first priority liens upon the Property (subject to the Permitted Encumbrances), without exception for mechanic's or materialmen's liens.

5. Representations and Warranties. As a material inducement to Lender's and Bondowner Representative's entry into this Agreement and Bondowner Representative's purchase of the Bonds, Borrower represents and warrants to Lender and Bondowner Representative that:

5.1 Formation, Qualification and Compliance. Borrower (a) is a limited partnership validly existing and in good standing under the laws of the State of California, (b) has all requisite authority to conduct its business and own and lease its properties, and (c) is qualified and in good standing in every jurisdiction in which the nature of its business makes qualification necessary or where failure to qualify could have an adverse effect on its financial condition or the performance of its obligations under the Partnership Agreement, the Loan Documents and Subordinate Loan Documents. Borrower is in compliance with all Laws applicable to its business and has obtained or will obtain prior the need therefor all approvals,

licenses, exemptions and other authorizations from, and has accomplished all filings, registrations and qualifications with, any Governmental Agency that are necessary for the transaction of its business. Each Guarantor that is not a natural person, if any, is validly existing and in good standing in the jurisdiction of its organization and formation, has all requisite authority to conduct its business and own and lease its properties, and has complied with all applicable requirements of Governmental Agencies.

5.2 Execution and Performance of Loan Documents.

5.2.1 Borrower and Guarantor have all requisite authority to execute, deliver, and perform their obligations under, the Loan Documents and the Guaranty, as the case may be.

5.2.2 The execution and delivery by Borrower and Guarantor of, and the performance by Borrower and Guarantor of their obligations under, each Loan Document and the Guaranty have been authorized by all necessary action and do not and will not:

(a) require any further consent or approval not heretofore obtained of any Person having any interest in Borrower or Guarantor;

(b) violate any provision of, or require any consent or approval not heretofore obtained under, any partnership agreement, articles of incorporation, by-laws or other organizational or governing document applicable to Borrower, Guarantor, or any General Partner of Borrower or Guarantor;

(c) result in or require the creation of any lien, claim, charge or other right of others of any kind (other than under or as provided for in the Loan Documents) on or with respect to any property now or hereafter owned or leased by Borrower or Guarantor;

(d) violate any provision of any Law presently in effect; or

(e) constitute a breach or default under, or permit the acceleration of obligations owed under, any contract, loan agreement, lease or other agreement or document to which Borrower or Guarantor is a party or by which Borrower or Guarantor or any of their property is bound.

5.2.3 Neither Borrower nor Guarantor is in default, in any respect that is adverse to any of Lender's or Bondowner Representative's respective interests in or under the Loan Documents or the Subordinate Loan Documents or in any other respect that would have an adverse effect on the financial condition of Borrower or Guarantor or the conduct of their respective businesses, under any Law, contract, lease or other agreement or document described in subparagraph (d) or (e) of the previous Subsection.

5.2.4 No approval, license, exemption or other authorization from, or filing, registration or qualification with, any Governmental Agency is required in connection with:

(a) the execution by Borrower and Guarantor of, and the performance by Borrower and Guarantor of their obligations under, the Loan Documents and the Guaranty as the case may be (other than a certificate of occupancy required in connection with occupying the Project (all of which are expected to be obtained in the ordinary course)); and

(b) the creation of the liens described in the Loan Documents and the Subordinate Recorded Documents (other than recording recordable documents and filing of UCC financing statements).

5.3 Financial and Other Information. All financial information furnished to Lender and/or Bondowner Representative with respect to Borrower, each General Partner and Guarantor in connection with the Loans and the Subordinate Loans (a) is complete and correct in all material respects as of the date or dates indicated (or if no date or dates are indicated, then as of the date of delivery), (b) accurately presents the financial condition of Borrower, each General Partner and Guarantor as of the date or dates indicated (or if no date or dates are indicated, then as of the date of delivery) and (c) has been prepared in accordance with generally accepted accounting principles consistently applied or in accordance with such other principles or methods as are reasonably acceptable to Bondowner Representative; provided that, irrespective of any treatment accorded under generally accepted accounting principles consistently applied, all off-balance sheet transactions shall have been disclosed in writing and accompany such other financial information submitted in accordance with this Section 5.3. All other documents and information furnished to Lender and/or Bondowner Representative with respect to Borrower, each General Partner and Guarantor in connection with the Loans and the Subordinate Loans are correct in all material respects as of the date or dates indicated (or if no date or dates are indicated, then as of the date of delivery) and complete insofar as completeness is necessary to give Lender and Bondowner Representative an accurate knowledge of their subject matter. Neither Borrower, any General Partner nor Guarantor has any material liability not disclosed in such financial statements or otherwise contingent liability not disclosed to Lender and Bondowner Representative in writing and there is no material lien, claim, charge or other right of others of any kind (including liens or retained security titles of conditional vendors) on any property of any such Person not disclosed in such financial statements or otherwise disclosed to Lender and Bondowner Representative in writing. Without limiting the generality of the foregoing, Borrower has furnished Lender and Bondowner Representative with true and complete copies of all Subordinate Loan Documents.

5.4 No Material Adverse Change; No Defaults. There has been no material adverse change in the condition, financial or otherwise, or the properties or businesses of Borrower, any General Partner or Guarantor since the dates of the latest financial statements furnished to Lender and Bondowner Representative. Since those dates, none of Borrower, any General Partner or Guarantor has entered into any material transaction not disclosed in such financial statements or otherwise disclosed to Lender and Bondowner Representative in writing. Further, there are no existing defaults under any of the Bond Documents, the Loan Documents, and the Subordinate Loan Documents, nor do there exist any circumstances or conditions that with the passage of time or giving of notice or both would result in a default under any of the Bond Documents, the Loan Documents, and the Subordinate Loan Documents.

5.5 Tax Liability. Borrower has filed all required federal, state and local tax returns and has paid, prior to delinquency, all taxes payable by Borrower (including interest and penalties, but subject to lawful extensions disclosed to Lender and Bondowner Representative in writing) other than taxes being promptly and actively contested in good faith and by appropriate proceedings. Borrower agrees to maintain adequate reserves for tax liabilities (including contested liabilities) in accordance with generally accepted accounting principles or in accordance with such other principles or methods as are reasonably acceptable to Bondowner Representative.

5.6 Governmental Requirements.

5.6.1 Borrower is in compliance with all Laws relating to the Property and all licenses, exemptions, approvals and other authorizations of Governmental Agencies required in connection with the Property and the development use and ownership of the Project; provided that, with respect to each of the following, Borrower is in compliance with each of the following as applicable:

- (a) zoning, land use and planning requirements, including requirements arising from, or relating to the adoption or amendment of, any applicable general plan;
- (b) subdivision and parcel map requirements;
- (c) environmental requirements, including requirements of the California Environmental Quality Act and the National Environmental Policy Act and the preparation and approval of all required environmental impact statements and reports;
- (d) requirements in connection with use, occupancy and the Building Permit;
- (e) requirements of public utilities; and
- (f) all wetlands and stormwater management regulations and other regulations of similar import and effect.

5.6.2 Borrower has obtained or will obtain all permits, licenses, approvals and other authorizations of Governmental Agencies required in connection with the ownership, development, rehabilitation, operation and use of the Property and the Project, other than the Building Permit and the certificates of occupancy customarily not capable of being obtained prior to the completion of the Improvements.

5.7 Rights of Others. Borrower is in material compliance with all covenants, conditions, restrictions, easements, rights of way and other rights of third parties relating to the Property.

5.8 Approved Budget. The Approved Budget will be based on information deemed reliable by Borrower and will represent Borrower's best estimate of all costs required to

complete the Project. Exhibit I sets forth all of the construction sources of funds to be obtained in connection with the construction of the Project.

5.9 Litigation. There are no actions or proceedings pending or threatened against or affecting the Project, Borrower, any General Partner, Guarantor or any property of any of them before any Governmental Agency, except as disclosed to Lender and Bondowner Representative in writing prior to the execution of this Agreement.

5.10 Hazardous Materials. Except as previously disclosed to Lender and Bondowner Representative in writing, Borrower has no knowledge, after due investigation, of the presence on, under or about the Property, now or in the past, of any Hazardous Materials, or of the transportation to or from the Property of any Hazardous Materials.

5.11 Project Agreements. Borrower has delivered to Lender and Bondowner Representative true and complete copies of all Project Agreements, together with all modifications thereto. Except as otherwise disclosed to Lender and Bondowner Representative in writing, all such agreements are in full force and effect and no party is in default under any such agreement.

5.12 Name and Principal Place of Business. Borrower presently uses no trade name other than its actual name. Borrower's principal place of business is c/o First Community Housing, 75 East Santa Clara Avenue, Suite 1300, San José, California 95113.

5.13 Formation, Qualification and Authority of Partners. General Partner is duly organized and validly existing and in good standing in all appropriate jurisdictions and has all requisite authority to conduct its business, to own and lease its properties, to act as a partner, and to execute and perform its obligations under the Loan Documents and the Partnership Agreement.

5.14 Delivery of Documents. Borrower has delivered to Lender and Bondowner Representative true and complete copies of each existing lease, contract and other document that grants rights to, or imposes obligations on, Borrower in connection with the Property, and has fully disclosed to Lender and Bondowner Representative in writing the material terms of all existing oral agreements granting or imposing any such rights or obligations.

5.15 Approval of the Indenture. By its execution and delivery of this Agreement, the Borrower approves the form and substance of the Indenture and the execution thereof by the Issuer and the Trustee, and agrees to carry out the responsibilities and duties specified in the Indenture to be carried out by the Borrower. The Borrower acknowledges that (a) it understands the nature and structure of the transactions relating to the financing of the Project, (b) it is familiar with the provisions of all of the Bond Documents and other documents and instruments relating to the financing, (c) it understands the risks inherent in such transactions, including without limitation the risk of loss of the Project, and (d) it has not relied on the Issuer, the Trustee or the Bondowner Representative for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by the Bond

Documents or otherwise relied on the Issuer, the Trustee or the Bondowner Representative in any manner.

5.16 Compliance with Regulatory Agreement. In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds and to assure compliance with the Act and other laws of the State, and certain additional requirements of the Issuer, the Borrower has, concurrently with or before the execution and delivery of the Bonds, executed and delivered and will cause to be recorded in the official records of the County the Regulatory Agreement. The Borrower is in compliance with all requirements of the Regulatory Agreement, and the representations set forth in the Regulatory Agreement pertaining to the Borrower and the Project are accurate and complete. 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 (each as defined in the Bond Documents), and pursuant to leases which comply with all applicable laws and the Regulatory Agreement.

5.17 Continuing Nature of Representations and Warranties. Borrower acknowledges, understands, and agrees that the representations and warranties set forth in this Article 5 shall be deemed to be continuing during all times when any or all of the Bonds and the Notes remain outstanding and such representations and warranties shall be restated and made effective as of each date a Disbursement is requested and made in accordance herewith.

5.18 Tax Representations and Warranties.

(a) The Bonds are not “federally guaranteed” as defined in section 149(b) of the Code.

(b) In accordance with section 147(b) of the Code, the weighted average maturity of the Bonds does not exceed 120% of the weighted average reasonably expected remaining economic life of the Project.

(c) Neither the Borrower nor 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.

(d) 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 in all material respects as of the date of the issuance of the Bonds.

(e) The acquisition and construction of the Project were not commenced (within the meaning of section 144(a) of the Code) prior to the date that was 60 days prior to the adoption of the resolution of the Issuer with respect to the Project on May __, 2010, and no obligation for which reimbursement will be sought from proceeds of the Bonds relating to the acquisition or construction of the Project was paid or incurred prior to such date.

6. Project Covenants.

6.1 Completion of Project and Construction of Improvements within each Phase.

(a) Borrower shall promptly commence and diligently proceed with the Project within thirty (30) days of the Issuance Date. In any event, Borrower shall complete the construction of the Improvements on or before May 1, 2012. The construction of the Improvements shall be considered complete for purposes of this Agreement only when (a) the construction of the Improvements has been completed substantially in accordance with the Plans and has been fully paid for (subject to Borrower's right to contest the payment of any disputed mechanics' lien claim in accordance with Section 6.9 below) and all required notices of completion have been filed or recorded (as the case may be) with all Governmental Agencies, (b) all work requiring inspection or certification by any Governmental Agency has been completed and all requisite certificates, approvals and other necessary authorizations (including any required certificates of occupancy and notices of completion) have been obtained and/or filed as the case may be, and (c) streets and offsite utilities located within or pertaining to the Project have been completed to the satisfaction of all applicable authorities. The time within which the construction of the Improvements must be completed shall be extended for a period equal to the period of any delay directly affecting the construction work which is caused by governmental orders, decrees or regulations, acts of God, strikes or any other cause beyond Borrower's reasonable control, provided Borrower furnishes Bondowner Representative with written notice of any such delay within five (5) days from the occurrence of any such delay. In no event, however, shall the time for completion of such Improvements be extended beyond the date occurring ninety (90) days after the completion date set forth above for such Improvements without the prior consent of Bondowner Representative which may be withheld in its sole discretion.

6.2 Offsite Improvements. To the extent applicable, Borrower shall promptly commence and diligently complete all offsite improvements of the public streets, walks, sewers, utilities and like areas and facilities adjoining the Property, and provide utilities and other facilities, in accordance with the requirements of all Governmental Agencies.

6.3 Conformity With Plans. Borrower shall construct the Improvements in substantial conformity with the Plans and in such a manner as not to encroach upon or overhang any easement, right of way or land of others. If any aspect of the Project is not in substantial conformity with the Plans or encroaches upon easements, rights of way or land of others, Bondowner Representative shall have the right to stop the work and order repair or reconstruction in accordance with the Plans and to withhold further Disbursements until the Project is in substantial compliance with the Plans and/or does not so encroach. Upon written notice from Bondowner Representative (or Borrower's discovery irrespective of such notice) that any aspect of the Project is not in substantial conformity with the Plans or encroaches upon easements, rights of way or land of others, Borrower shall promptly commence correcting the

deviation or encroachment and shall prosecute such work diligently to completion, which in no event shall be later than forty-five (45) days after such notice or discovery.

6.4 Change Orders. The Plans shall not be modified except pursuant to Change Orders. Each Change Order:

(a) shall be in writing, numbered in sequence, signed by Borrower and, with regard to “Material Change Orders” (as defined below), submitted to Bondowner Representative prior to the proposed effectiveness thereof and accompanied by working drawings and a written narrative of the proposed change;

(b) shall contain an estimate by Borrower of all increases and decreases in itemized Project Costs that would be caused by the change, as well as the aggregate amount of all changes in estimated Project Costs (both increases and decreases) previously made;

(c) shall contain a certification by Borrower stating the aggregate amount, including both increases and decreases, of all changes in Project Costs reflected in Change Orders for which Bondowner Representative’s written approvals have not been obtained or have not been required hereunder;

(d) shall be certified by Borrower to be in compliance with all applicable Laws and other requirements; and

(e) shall be subject to Bondowner Representative’s prior written approval, which approval shall not be unreasonably withheld, if the Change Order (i) would decrease the number, mix, or density of units within the Project; (ii) would decrease the number, mix, or density of bedroom units contemplated by the Plans; (iii) would affect any structural component of the Project; or (iv) involves changes, including both increases and decreases, in estimated Project Costs of \$10,000 or more for each change or series of related changes, or if such Change Order, together with Change Orders not approved by Bondowner Representative in writing, involve an aggregate amount, including both increases and decreases, of over \$25,000 (each change requiring Bondowner Representative’s approval under this subparagraph (e) being referred to herein as a “Material Change Order”); provided that Borrower shall provide Issuer with a copy of each Material Change Order.

6.5 Entry and Inspection. Upon reasonable notice to Borrower of at least twenty-four (24) hours (which notice may be written or oral) and during normal business hours (except during periods when Bondowner Representative reasonably believes exigent or emergency circumstances or an Event of Default exists), Lender, Bondowner Representative and their respective agents shall, subject to reasonable and customary safety procedures, have (a) the right of free access to the Property and all sites away from the Property where materials for the Project are stored, (b) the right to inspect all labor performed and materials furnished for the

Project and (c) during Borrower's normal business hours the right to inspect and copy all documents pertaining to the Project.

6.6 Project Information. From time to time during the course of the Project, within ten (10) days following Bondowner Representative's written demand therefor, Borrower shall furnish Bondowner Representative with reports of Project Costs, progress schedules and contractors' cost breakdowns for the Project, itemized as to trade description and item, showing the name of the contractor(s) and/or subcontractor(s), and including such indirect costs as real estate taxes, legal and accounting fees, insurance, architects' and engineers' fees, loan fees, interest during construction and contractor's overhead.

6.7 Permits and Warranties. Promptly upon receipt of the same by Borrower, Borrower shall furnish Bondowner Representative with true and complete copies of (a) all licenses, permits, approvals, exemptions and other authorizations required in connection with the Project and (b) all warranties and guaranties received from any Person furnishing labor, materials, equipment, fixtures or furnishings in connection with the Project.

6.8 Project Agreements. Borrower shall employ Contractor as general contractor for the Project pursuant to a guaranteed maximum price contract approved in writing by Bondowner Representative. Borrower shall not terminate, or modify in any material respect, any such contract without Bondowner Representative's prior written consent. Borrower shall not enter into any other agreement with any Person with respect to the construction and/or development of the Project without the prior written consent of Bondowner Representative. From time to time during the course of construction of the Project, within ten (10) days after Bondowner Representative's written demand therefor, Borrower shall deliver or cause to be delivered to Bondowner Representative lists of all contractors and subcontractors employed in connection with the Project. Each such list shall show the name, address and telephone number of each contractor and subcontractor, a general statement of the nature of the work to be done, the labor and materials to be supplied, the names of materialmen, if known, the approximate dollar value of labor, work and materials itemized with respect to each contractor, subcontractor and materialman, and the unpaid portion and status of such work or whether such materials have been delivered. Bondowner Representative and its agents shall have the right (but not the obligation) to directly contact each contractor, subcontractor and materialman to verify the facts disclosed by any such list. Bondowner Representative may require that Contractor furnish a performance and/or labor and materials payment bond in an amount, in form and content and issued by a bonding company satisfactory to Bondowner Representative.

6.9 Protection Against Liens. Borrower shall diligently file a valid notice of completion upon completion of the Project, diligently file a notice of cessation in the event of a cessation of labor on the Project for a period of thirty (30) days or more, and take all actions reasonably required to prevent the assertion of claims of lien against the Property. In the event that any claim of lien is asserted against the Property or any stop notice or claim is asserted against Lender or Bondowner Representative by any Person furnishing labor or materials to the Project, Borrower shall immediately give notice of the same to Bondowner Representative and shall, promptly and in any event within ten (10) Banking Days after Bondowner Representative's written demand, (a) pay and discharge the same, or (b) effect the release thereof by delivering to Bondowner Representative a surety bond complying with the requirement of applicable Laws for

such release. Notwithstanding the foregoing, Bondowner Representative shall have the right, but not the obligation, to accept a cash deposit or other security in lieu of the surety bond described in clause (b) of the immediately preceding sentence.

6.10 Independent Engineer. Borrower hereby agrees to pay or reimburse Bondowner Representative for the reasonable costs charged by the independent engineer retained by Bondowner Representative in connection with review and approval of all plans, specifications, contracts, budgets and related matters, inspection of the Project, and approval of Disbursement Requests.

6.11 Property Management Agreements. Borrower shall employ a property manager for the Project pursuant to usual and customary property management agreements for residential rental facilities and approved in writing by Bondowner Representative. Borrower shall not terminate, or modify in any material respect, any such property management contract without prior written notice to Bondowner Representative. In connection with the execution or delivery of any such property management agreement, the Borrower shall execute and deliver, in form and substance satisfactory to Bondowner Representative, an assignment of such property management agreement, accompanied contemporaneously by the written consent and subordination of the interested property manager and any sub-managers.

7. Maintenance, Operation, Preservation and Repair of Property. Borrower shall maintain the Property (and all abutting grounds, sidewalks, roads, parking and landscape areas) in good condition and repair, shall operate the Property in a businesslike manner, shall prudently preserve and protect both its own and Lender's and Bondowner Representative's respective interests in connection with the Property, shall not commit or permit any waste or deterioration of the Property, shall not abandon any portion of the Property, and shall not otherwise act, or fail to act, in such a way as to unreasonably increase the risk of any damage to the Property or of any other impairment of Lender's or Bondowner Representative's interests under the Loan Documents. Without limiting the generality of the foregoing, and except as otherwise agreed by Bondowner Representative in writing from time to time, Borrower shall promptly and faithfully perform and observe each of the following provisions:

7.1 Alterations and Repair. Borrower shall not remove, demolish or materially alter any Improvement except to make non-structural repairs which preserve or increase the Property's value, and shall promptly restore, in a good and workmanlike manner, any Improvement (or other aspect or portion of the Property) that is damaged or destroyed from any cause.

7.2 Compliance. Borrower shall comply with all Laws and requirements of Governmental Agencies (including, without limitation, all requirements relating to the obtaining of licenses and permits), and all rights of third parties, relating to Borrower, the Property or Borrower's business thereon.

7.3 Changes in Property Restrictions. Borrower shall not initiate, join in or consent to any change in any applicable zoning ordinance, general plan or similar law, or to any private restrictive covenant or any similar public or private restriction on the use of the Property,

except with the prior written consent of Bondowner Representative, which consent shall not be unreasonably withheld.

7.4 Taxes and Impositions. Borrower shall pay, prior to delinquency, all of the following (collectively, the “Impositions”): (a) all general and special real property taxes if not abated 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 non-governmental levies and assessments pursuant to applicable covenants, conditions or restrictions; and (c) all license fees, taxes and assessments imposed on Bondowner Representative 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 any Imposition in installments (together with any accrued interest). Immediately upon request of Bondowner Representative, Borrower shall establish with Bondowner Representative an escrow account or other impound in form and substance satisfactory to Bondowner Representative with respect to any Imposition (whether or not delinquent) and thereafter commence monthly deposits thereto in the amount specified by Bondowner Representative as necessary to pay such Impositions from time to time when due and payable. The immediately foregoing sentence shall apply in each instance without regard to Borrower pursuant of exemptions for such Impositions whether in respect of real property taxes or otherwise.

7.4.1 Right to Contest. Borrower shall not be required to pay any Imposition so long as (a) its validity is being actively contested in good faith and by appropriate proceedings and (b) Borrower has demonstrated to Bondowner Representative’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 or Bondowner Representative’s interests under the Loan Documents; provided that Bondowner Representative may require Borrower to furnish Bondowner Representative with a bond or other security satisfactory to Bondowner Representative in an amount not less than 150% of the applicable claim.

7.4.2 Evidence of Payment; Tax Reporting Service. Upon written demand by Bondowner Representative from time to time, Borrower shall (a) deliver to Bondowner Representative within thirty (30) days following the due date of any Imposition, evidence of payment reasonably satisfactory to Bondowner Representative, and (b) furnish to Bondowner Representative a tax reporting service for the Property of a type and duration, and with a company, reasonably satisfactory to Bondowner Representative.

7.5 Books and Records. Borrower shall maintain complete books of account and other records reflecting the operations of the Property in accordance with generally accepted accounting principles applied on a consistent basis or in accordance with such other principles or methods as are reasonably acceptable to Bondowner Representative.

7.6 Tenant Security Deposits. If requested by Bondowner Representative, Borrower shall deposit or cause to be deposited, when received, in accounts maintained at U.S. Bank, all tenant security deposits related to the lease of residential dwelling units at the Project

(collectively, "Security Deposits"); provided, however, that with the prior written consent of Bondowner Representative (in its sole and absolute discretion) and at the sole cost and expense of Borrower, Security Deposits may be deposited in accounts maintained at financial institutions other than U.S. Bank, subject in each instance to the execution and delivery by such financial institutions of deposit account control agreements in form and substance satisfactory to Bondowner Representative and its counsel.

8. Other Affirmative Covenants. While any obligation of Borrower or Guarantor under the Loan Documents remains outstanding, the following provisions shall apply, except to the extent that Bondowner Representative otherwise consent in writing:

8.1 Existence. Borrower shall maintain its existence as a limited partnership in good standing under the Laws of the State of California.

8.2 Protection of Liens. Borrower shall maintain the liens of the Deeds of Trust as valid first priority liens on Borrower's leasehold interest in the Property and Borrower's ownership interest in the Project, subject only to the Permitted Encumbrances (including the subordinate interests identified in such defined term), and take all actions, and execute and deliver to Lender and Bondowner Representative all documents, reasonably required by Bondowner Representative from time to time in connection therewith; and maintain the lien of the Security Documents on the collateral described therein and take all actions, and execute and deliver to Bondowner Representative all documents, reasonably required by Bondowner Representative from time to time in connection therewith, including supplemental security agreements, financing statements and other documents extending or perfecting security interests in such collateral as they exist from time to time.

8.3 Title Insurance Endorsements. Borrower shall deliver to Bondowner Representative, at Borrower's sole expense and in form and content reasonably satisfactory to Bondowner Representative, all endorsements and binders to the Title Policy reasonably required by Bondowner Representative from time to time.

8.4 Tax Returns. Borrower shall deliver to Bondowner Representative, within thirty (30) days of filing, a copy of the federal income tax return (inclusive of all schedules and other attachments) filed for Borrower for the immediately preceding tax year, in each case prepared by a certified public accountant reasonably acceptable to Bondowner Representative.

8.5 Lists of Personal Property. Borrower shall deliver to Bondowner Representative from time to time, within fifteen (15) days of Bondowner Representative's request therefor, a list of all Personal Property then in existence.

8.6 Notice of Certain Matters. Borrower shall give notice to Bondowner Representative, Issuer and Lender within five (5) days after Borrower obtains actual knowledge thereof, of each of the following:

- (a) any litigation or claim affecting or relating to the Property and involving an amount in excess of \$25,000; and any litigation or claim that might subject Borrower or any General Partner or Guarantor to liability in excess of \$100,000, whether covered by insurance or not;

(b) any dispute between Borrower and any Governmental Agency relating to the Property, the adverse determination of which might materially affect the Property;

(c) any trade name hereafter used by Borrower and any change in Borrower's principal place of business;

(d) any circumstance that renders the Approved Budget materially inaccurate with respect to any estimated Project Cost;

(e) any aspect of the Project that is not in substantial conformity with the Plans;

(f) any Event of Default or event which, with the giving of notice or the passage of time or both, would constitute an Event of Default;

(g) any default by Borrower or any other party under any Project Agreement, or the receipt by Borrower of any notice of default under any Project Agreement;

(h) the creation or imposition of any mechanics' lien or other lien against the Property;

(i) any default under any Bond Document, Subordinate Loan Document, or any Loan Document [(including without limitation, the Swap Agreement),] or the receipt by Borrower of any notice of default under any Bond Document, Subordinate Loan Document, or any Loan Document [(including without limitation, the Swap Agreement)];

(j) the presence of any Hazardous Materials on, under or about the Property; any enforcement, clean-up, removal or other action or requirement of any Governmental Agency relating to any such Hazardous Materials; and the existence of any occurrence or condition on any property in the vicinity of the Property that could cause any portion of the Property to be classified as "border-zone property" under the provisions of the California Health and Safety Code or any related regulations, or that could cause the Property to be otherwise subject to any restrictions relating to Hazardous Materials;

(k) any material adverse change in the financial condition of Borrower, any General Partner or Guarantor; and

(l) any default under the Partnership Agreement.

8.7 Additional Reports and Information. Borrower shall deliver to Bondowner Representative, in form and substance reasonably satisfactory to Bondowner Representative and within fifteen (15) days of Bondowner Representative's written request therefor from time to time, (a) copies of all financial statements and reports that Borrower sends to its partners, (b) copies of all reports which are available for public inspection or which

Borrower is required to file with any Governmental Agency, and (c) all other information relating to Borrower, the Property, Guarantor or the Loans (or the collateral and security therefor) reasonably required by Bondowner Representative from time to time.

8.8 Further Assurances. Borrower shall execute and acknowledge (or cause to be executed and acknowledged) and deliver to Lender and Bondowner Representative all documents, and take all actions, reasonably required by Lender and Bondowner Representative from time to time to confirm the rights created or now or hereafter intended to be created under the Loan Documents, to protect and further the validity, priority and enforceability of the Security Documents, to subject to the Security Documents any property intended by the terms of any Loan Document to be covered by the Security Documents, or otherwise to carry out the purposes of the Loan Documents and the transactions contemplated thereunder.

8.9 Annual Financial Statements. Borrower shall deliver to Bondowner Representative, within one hundred eighty (180) days after the end of each Fiscal Year, (a) an audited financial statement for Borrower as of the end of the prior Fiscal Year, together with all supporting schedules and (b) the certificate of a certified public accountant acceptable to Bondowner Representative stating that such financial statements (i) were prepared in accordance with generally accepted accounting principles applied on a consistent basis, (ii) fairly present Borrower's financial condition, (iii) show all material liabilities, direct and contingent, (iv) fairly present the results of Borrower's operations, and (v) disclose the existence of any off-balance sheet transactions. Borrower shall also deliver to Bondowner Representative, within one hundred eighty (180) days after the end of each Fiscal Year, an audited financial statement (including statements of income, cash flow and changes in position and otherwise in accordance with the requirements of the financial statement of the Borrower described above) for Guarantor prepared in accordance with generally accepted accounting principles consistently applied by a certified public accountant acceptable to Bondowner Representative together with all supporting schedules reasonably requested by Bondowner Representative.

8.10 Operating Statements; Rent Roll. Commencing from the start of lease-up of the Project and continuing until the one year anniversary of the Conversion Date (as defined in the Convertible Note), Borrower shall prepare and deliver to Bondowner Representative, within fifteen (15) days after the end of each calendar month, an operating statement for the Property for the calendar month then ended, together with a current rent roll for the Property, each certified by Borrower as being true and correct in all material respects and in form and substance satisfactory to Bondowner Representative. Following the one year anniversary date of the Conversion Date, Borrower shall prepare and deliver to Bondowner Representative, within fifteen (15) days after the end of each calendar quarter, an operating statement for the Property for the calendar quarter then ended, together with a current rent roll for the Property, each certified by Borrower as being true and correct in all material respects and in form and substance satisfactory to Bondowner Representative.

8.11 Bond Documents, Subordinate Loan Documents, [and Swap Agreement.] Borrower shall timely perform its obligations under the Bond Documents. The Borrower shall fully and faithfully perform 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. The Borrower shall fully and faithfully observe and perform its obligations under the Regulatory Agreement. Borrower shall 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. All leases will comply with all applicable laws and the Regulatory Agreement. The Project, when constructed, will meet the requirements of this Agreement and the Regulatory Agreement and any applicable requirements of the Act and the Code. Borrower shall timely perform its obligations under the Subordinate Loan Documents [and the Swap Agreement.]

8.12 Keeping Guarantor Informed. Borrower shall keep Guarantor 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 the Loan Documents, Subordinate Loan Documents, and the Bond Documents. In addition, Borrower must deliver to Guarantor all of the financial information described in Article 8 of this Agreement within the times given in that article.

8.13 Equity Construction Deposits. Borrower shall take all actions necessary to cause Investor Limited Partner to timely make the Equity Construction Deposits subject only to the conditions of funding set forth in the Partnership Agreement. All such Equity Construction Deposits shall be promptly deposited by Borrower into the Project Funds Account under the Disbursement Agreement.

8.14 Tax Certificate. Borrower shall timely comply with all of its obligations under the Tax Certificate (which Tax Certificate is hereby incorporated herein as fully as if set forth at length herein).

8.15 Compliance Reporting. Within ninety (90) days after the end of each calendar year, Borrower shall deliver to Bondowner Representative and Lender its certificate signed by a Designated Representative to the effect that at all times during the then ended annual period, the Project was in full and complete compliance with all local, state and federal affordability requirements applicable to the Project, including without limitation, those set forth in the Bond Documents, the Subordinate Loan Documents and the Regulatory Agreement as well as any rent limitations imposed in connection with the Code Section 42 federal low income housing tax credits allocated to the Project. Such certificate shall also contain a statement to the effect that for the immediately preceding annual period no default or Event of Default shall have occurred under any of the Bond Documents, Subordinate Loan Documents, or Loan Documents and that as of the end of the immediately preceding annual period and as of the date of such certificate, no conditions, circumstances, or occurrences exist that would result in, or would, with the passage of time or giving of notice (or both), reasonably be expected to result in, a default or Event of Default under any or all of such documents.

8.16 Exemption from Property Taxation. Within ninety (90) days after the end of each assessment year, there shall be provided to Bondowner Representative letters from all Government Agencies having real property taxing power over the Property (initially the California Board of Equalization) to the effect that the Property is and will remain exempt from

all real property taxation for the immediately succeeding calendar year or, if different, the immediately succeeding real property taxation assessment, levy and collection cycle for such taxing authority; provided that, in lieu of such letters, Borrower may, with the prior written consent of Bondowner Representative, provide such other comfort as to real property taxation exemption matters as is deemed to be satisfactory in form and substance and from sources (including without limitation, opinions of counsel) satisfactory to Bondowner Representative.

8.17 Calculation and Payment of Rebate Amounts. The Borrower shall engage a Rebate Analyst to calculate the rebate amount within thirty (30) days upon redemption of all Bonds outstanding or the final Maturity Date and will provide a copy of each rebate report to the Issuer and the Trustee within five (5) days of its completion. The Borrower will promptly pay, or cause to be paid, when due to the United States of America all rebate amounts that may be or become owing with respect to the Bonds (which payment may be made out of amounts on deposit in the Rebate Fund or any available amounts on deposit in the various funds and accounts established under the Indenture or, in the absence of such available amounts, must be paid by the Borrower or a general partner of the Borrower out of its own respective funds). For purposes of this Section, “available amounts,” when used with respect to any fund or account established under the Indenture, means moneys on deposit in the fund or account in excess of the amounts required to be on deposit in the fund or account from time to time for the payment of interest, principal or premium, if any, due with respect to the Bonds. In the event that the Trustee receives written notice from the Borrower, the Issuer or the Bondowner Representative, that the Borrower has failed to engage a Rebate Analyst, the Trustee in consultation with, and with the approval of, the Bondowner Representative and the Issuer, will use its best efforts to engage a Rebate Analyst to calculate rebate, provided that a Rebate Analyst can be engaged for amounts which do not exceed on an annual basis, the moneys that are and will be then available under the Indenture to pay the Rebate Analyst's annual fee, or from other moneys furnished to the Trustee; in no event shall the Trustee, the Bondowner Representative or the Issuer be required to risk or expend its own moneys to employ a Rebate Analyst.

8.18 Appraisals. Borrower agrees that Lender and Bondowner Representative shall have the right to obtain, at Borrower's expense, an appraisal of the Property prepared by an appraiser acceptable to Lender and Bondowner Representative and in substantial conformance with governmental regulations applicable to Lender and Bondowner Representative and approved by Lender and Bondowner Representative at any time that (a) an Event of Default has occurred hereunder, (b) any damage or destruction of the Property occurs, (c) Lender and Bondowner Representative determines in their sole opinion that the security for the Loans has been physically or financially impaired in any material manner, or (d) such appraisal is required by then current banking laws or regulations. In the event that Lender or Bondowner Representative shall elect to obtain such an appraisal, Lender and Bondowner Representative may immediately commission an appraiser acceptable to Lender and Bondowner Representative, at Borrower's cost and expense, to prepare the appraisal and Borrower shall fully cooperate with Lender and Bondowner Representative and the appraiser in obtaining the necessary information to prepare such appraisal. In the event that Borrower fails to cooperate with Lender and Bondowner Representative in obtaining such an appraisal or in the event that Borrower shall fail to pay for the cost of such appraisal and Lender's and Bondowner Representative's internal appraisal review fee, immediately upon demand, such event shall constitute an Event of Default hereunder and Lender and Bondowner Representative shall be entitled to exercise all remedies

available to it hereunder. In the event such appraisal is required by reason of the damage or destruction of a portion of the Property, the fair market value shall be calculated on the Property after restoration of the Improvements, but subject only to then existing leases which will remain in full force and effect following such restoration.

8.19 Borrower Tax Covenants. The Borrower covenants that:

(a) it will at all times comply with the terms of the Tax Certificate and the Regulatory Agreement;

(b) it will not take, or permit to be taken on its behalf, any action which would cause the interest payable on the Bonds to be included in gross income, for federal income tax purposes, and will take such action as may be necessary in the opinion of Bond Counsel to continue such exclusion from gross income, including, without limitation the following:

(i) the preparation and filing of all statements required to be filed by it in order to maintain the exclusion (including, but not limited to, the filing of all reports and certifications required by the Regulatory Agreement);

(ii) the timely payment to the United States of America of any rebate amount required to be paid by the Issuer or the Borrower pursuant to Section 148(f) of the Code and the U.S. Treasury regulations under Section 148; and

(iii) the use of not less than 95% of the net proceeds of the Bonds (within the meaning of Section 150(a)(3) of the Code) for Qualified Project Costs (as defined in the Tax Certificate);

(c) 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 Loans to qualify as a program investment within the meaning of that section), neither the Borrower nor any related person (within the meaning of “program investment”) will purchase Bonds in an amount related to the amount of the Loans;

(d) 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 Bonds;

(e) will comply with the requirements of Section 148 and the Treasury Regulations issued under Section 148 of the Code throughout the term of the Bonds and will not make any use of the proceeds of the Bonds, or of any other funds which may be deemed to be proceeds of the Bonds under the Treasury regulations, which would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(f) 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 Lender, the Trustee and the Bondowner Representative;

(g) the full amount of each disbursement from the Program Fund will be applied to pay or to reimburse the Borrower for the payment of costs of the Project and, after taking into account any proposed disbursement, (i) at least 95% of the net proceeds of the Bonds (as defined in Section 150 of the Code) will be used to provide a qualified residential rental project (as defined in Section 142(d) of the Code) and (ii) less than 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; 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;

(h) the Borrower will cause all of the residential units in the Project to be rented or available for rental on a basis which satisfies the requirements of the Act, the Code and the Regulatory Agreement;

(i) all leases will comply with all applicable laws and the Regulatory Agreement;

(j) in connection with any lease 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;

(k) the Borrower covenants that no proceeds of the Bonds shall 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 is pursuant to such acquisition; provided, however, that this limitation shall not apply with respect to any building (and the equipment therefor) if rehabilitation expenditures (as defined in Section 146(d) of the Code) with respect to such building equal or exceed 15 percent of the portion of the cost of acquiring such building (and equipment) financed with the Proceeds; and provided, further, that this limitation shall not apply with respect to any structure other than a building if rehabilitation expenditures with respect to such structure equal or exceed 100 percent of the portion of the cost of acquiring such structure financed with the proceeds;

(l) the Borrower covenants that, from the proceeds of the Bonds and investment earnings thereon, an amount not in excess of two percent (2%) of the proceeds of the Bonds, will be used for Costs of Issuance of the Bonds, all within the meaning of Section 147(g)(1) of the Code. For this purpose, if the fees of the original purchaser of the Bonds are retained as a discount on the purchase price of the Bonds, such retention shall be deemed to be an expenditure of proceeds of the Bonds for said fees; and

(m) the Borrower covenants that no proceeds of the Bonds shall be used directly or indirectly to provide any airplane, skybox or other private luxury box, health club facility, facility used for gambling or store the principal business of which is the sale of alcoholic beverages for consumption off premises.

8.20 Subordinate Loan Proceeds. Borrower shall take all actions necessary to cause each provider of the Subordinate Loans to timely and fully make available all amounts then subject to advancement and disbursement to or on the order of the Borrower.

8.21 Tax Returns and Financial Information from Guarantor. If requested by Lender, Borrower shall deliver to Bondowner Representative by June 30, a copy of the signed federal income tax return (inclusive of all schedules and other attachments) for each Guarantor.

8.22 Partner Information. If requested by Bondowner Representative, Borrower shall deliver to Bondowner Representative, within one hundred eighty (180) days after the end of each Fiscal Year, (a) an audited balance sheet for each General Partner as of the end of such Fiscal Year and an audited statement of profit and loss for each General Partner and for each General Partner's operations in connection with the Property for such Fiscal Year, together with all supporting schedules and (b) the certificate of a certified public accountant acceptable to Lender stating that such documents (i) were prepared in accordance with generally accepted accounting principles applied on a consistent basis, (ii) fairly present each General Partner's financial condition, (iii) show all material liabilities, direct and contingent, (iv) fairly present the results of each General Partner's operations, and (v) disclose the existence of any off-balance sheet transactions.

8.23 HAP Contract. Borrower hereby agrees to notify Bondowner Representative as soon as possible after Borrower commences communication with the United States Department of Housing and Urban Development or any agent thereof ("HUD") in connection with any housing assistance payment contract relating to the Project, including without limitation, contracts for project based housing assistance payments made pursuant to Section 8 of the United States Housing Act of 1937, as amended (each a "HAP Contract"). Borrower further agrees that (i) Bondowner Representative (and its counsel) shall be given a reasonable opportunity to review and provide comments on any draft HAP Contract prior to its execution and delivery by the parties thereto, and (ii) concurrently with the execution and delivery of any HAP Contract, Borrower shall execute and deliver to Bondowner Representative, in form and substance satisfactory to Bondowner Representative, an absolute, unconditional and irrevocable assignment of Borrower's right, title and interest in, to, and under such HAP Contract, together with the right and power to enforce the same. Borrower shall not modify, terminate or surrender any HAP Contract without the prior, written consent of Bondowner Representative, which consent shall not be unreasonably withheld.

9. Other Negative Covenants. While any obligation of Borrower or Guarantor under the Loan Documents remains outstanding, the following provisions shall apply, except to the extent that Bondowner Representative otherwise consents in writing:

9.1 Liens on Property. Except as otherwise provided in this Agreement, Borrower shall not cause or suffer to become effective any lien, restriction or other title

limitation affecting any part of the Property other than (i) the Regulatory Agreement, the Deeds of Trust, the Assignment of Leases, the Assignment of Deeds of Trust, the Subordinate Recorded Documents, the Subordination Agreements, and the Permitted Encumbrances and (ii) taxes not delinquent. Borrower acknowledges that, with any project of the magnitude contemplated by this Agreement, modifications of the Plans and Loan Documents may be necessary from time to time and that the existence of junior lienholders (other than the holders of Permitted Encumbrances), who would be required to consent to such modifications in order to protect the priority of the Deeds of Trust, could therefore impair the expeditious completion of the Project, to the detriment of all parties.

9.2 Liens on Personal Property. Borrower shall not install in, or use in connection with, the Property any personal property which any Person other than Lender or Bondowner Representative has the right to remove or repossess under any circumstances, or on which any Person other than Lender or Bondowner Representative has a lien (other than Permitted Liens).

9.3 Sale or Lease of Property; Transfer of Interests, Ownership or Control. Except for a Permitted Transfer, it shall be an Event of Default for Borrower to sell, lease or otherwise transfer (each, a "Transfer") any interest in the Borrower, the Property or the Personal Property (other than (i) the lease of residential units within the Property for a term of one-year or less entered into in the ordinary course of Borrower's business and otherwise in compliance with the Regulatory Agreement, Loan Documents and the Subordinate Loan Documents, and (ii) dispositions of Personal Property expressly permitted by the Loan Documents) without the prior written consent of Bondowner Representative, which consent may be withheld in Bondowner Representative's sole and absolute discretion. In connection with the foregoing consent requirements, Borrower acknowledges that Bondowner Representative relied upon Borrower's particular expertise in entering into this Agreement and that they continue to rely on such expertise to ensure the satisfactory completion of the Project and operation of the Property.

9.3.1 Except to the extent constituting a Permitted Transfer, Transfers requiring Bondowner Representative's prior written consent shall include, without limitation, the following:

- (a) involuntary transfers and transfers by operation of law;
- (b) liens and assignments as security for obligations, whether voluntary or involuntary; and
- (c) except as otherwise expressly permitted by the terms of the Ground Leasehold Deed of Trust, the issuance, sale, assignment, disposition, encumbering or other transfer of any direct or indirect ownership interest, management interest or control interest in Borrower, any Partner or any partner, member or shareholder of any Partner, whether voluntary or involuntary, by operation of law or otherwise.

9.3.2 Except with the prior written consent of Lender and Bondowner Representative, no sale, lease or other transfer shall relieve Borrower from primary liability

for its obligations under the Loan Documents or relieve Guarantor from any liability under any Guaranty, and Borrower shall deliver to Lender all documents reasonably required by Lender and/or Bondowner Representative to evidence its or their continuing liability.

9.3.3 No consent by Bondowner Representative under this Section 9.3 shall constitute (a) a consent by Issuer under the Regulatory Agreement to any sale, assignment, encumbrance, transfer or other disposition of all or any part of the Property, or any direct or indirect interest therein, (b) a waiver by Issuer of any term or condition of the Regulatory Agreement, or (c) any waiver by a party in interest under the Subordinate Loan Documents or any of them.

9.3.4 No transfer of a General Partner interest or any substitution, replacement or addition of a General Partner shall, under any circumstances, adversely affect the exemption or availability or eligibility for an exemption from real property taxes for the Property.

9.4 Removal of Personal Property. Borrower shall not cause or permit the removal from the Property of any items of Personal Property (other than tools and equipment used in the development of the Project) unless (i) no Event of Default remains uncured and (ii) Borrower promptly substitutes and installs on the Property other items of equal or greater value in the operation of the Property, all of which items shall be free of liens (other than Permitted Liens) and shall be subject to the liens of the Deeds of Trust and the Security Agreement, and executes and delivers to Bondowner Representative all documents required by Bondowner Representative in connection with the attachment of such liens to such items. Borrower shall keep detailed records of each such removal and shall make such records available to Bondowner Representative upon written request from time to time.

9.5 Management Agreements. Without the prior written consent of Bondowner Representative (which shall not be unreasonably withheld), Borrower shall not enter into any agreement providing for the management, leasing or operation of any portion of the Property, other than the initial management agreement with John Stewart Company, as property manager, which is assigned to Bondowner Representative with the written consent of such property manager pursuant to Section 6.11 hereof.

9.6 Assessment and Community Facilities Districts. Unless otherwise required by applicable law, Borrower shall not, without Bondowner Representative's prior written consent, which consent shall not be unreasonably withheld, cause or suffer to become effective or otherwise consent to the formation of any community facilities district which includes the Property or any part of the Property pursuant to the Mello-Roos Community Facilities Act of 1982, any assessment district which includes the Property or any part of the Property pursuant to the Municipal Improvement Act of 1913, or any other comparable or similar district, area or territory which includes the Property or any part of the Property pursuant to any Law, or cause or otherwise consent to the levying of special taxes by any community facilities district against the Property or any part thereof, the levying of assessments by any such assessment district against the Property or any part thereof, or the levying of assessments, taxes and/or other impositions by any such district, area or territory.

9.7 Bond Documents, Subordinate Loan Documents, Partnership Agreement [and Swap Agreement.] Borrower shall not enter into any new Bond Document, Subordinate Loan Document, [or the Swap Agreement,] or amend, modify, supplement, cancel or terminate any Bond Document, any Subordinate Loan Document, the Partnership Agreement, [or the Swap Agreement,] without the prior written consent of Lender and Bondowner Representative.

9.8 Amendment to Partnership Agreement. Borrower shall not, without the prior written consent of Bondowner Representative (which consent shall not be unreasonably withheld, conditioned or delayed), amend, supplement or restate, whether in whole or in part, the Partnership Agreement other than amendments which are strictly limited to memorializing Permitted Transfers.

9.9 Limitations on Additional Indebtedness and Other Transactions. Borrower shall not, without the prior written consent of Bondowner Representative, incur any indebtedness of any kind other than the Subordinate Loans; provided that in the instance of the Subordinate Loans the Subordination Agreements shall remain in full force and effect and of record in the real property records of the County at all times while any portion of the Loans or the amounts payable under or in respect of the Loan Documents remain unpaid. In addition to the foregoing, Borrower shall not, without the prior written consent of Bondowner Representative (which consent shall not be unreasonably withheld), engage in any off balance sheet or hedge transactions, including without limitation, interest rate swaps, other than with Bondowner Representative or its affiliates.

9.10 [Swap Agreement. (a) Upon the Maturity Date, or such earlier date that the Loan becomes due by reason of prepayment or an Event of Default, or otherwise, Lender may direct that all Transactions (as defined in the Swap Agreement) be terminated in accordance with the Swap Agreement and any and all termination payments, breakage fees, discontinuance fees and any other fees and costs with respect to such Swap Agreement shall become due and payable by Borrower in accordance with the Swap Agreement. Unless otherwise specifically agreed in writing by Borrower and U.S. Bank in its capacity as counterparty under the Swap Agreement, Borrower's obligations (including any payment obligations) with respect to the Swap Agreement shall be secured by the Deeds of Trust and any default by Borrower (after the expiration of any applicable notice and cure period) under the Swap Agreement shall constitute an Event of Default under this Agreement.

(b) U.S. Bank shall have the right at any time (but shall have no obligation) to take in its name or in the name of Borrower such action as U.S. Bank may at any time determine to be necessary or advisable to cure any default under the Swap Agreement or to protect the rights of Borrower or U.S. Bank thereunder; provided, however, that before the occurrence of an Event of Default, U.S. Bank shall give prior written notice to Borrower before taking any such action. For this purpose, Borrower hereby constitutes U.S. Bank its true and lawful attorney-in-fact with full power of substitution, which power of attorney is coupled with an interest and irrevocable by Borrower in any manner, or for any reason, to exercise, at the election of U.S. Bank, any and all rights and remedies of Borrower under the Swap Agreement, including making any payments thereunder and consummating any transactions contemplated thereby and to take any action that U.S. Bank may deem proper in order to collect, assert or enforce any claim, right or title, in and to the Swap Agreement hereby assigned and conveyed, from time to time, to

institute and prosecute in the name and at the expense of Borrower, or otherwise, but for the benefit of U.S. Bank any and all proceedings at law, in equity, or otherwise, that U.S. Bank may deem proper in order to collect, assert or enforce any claim, right or title, of any kind, in and to the Swap Agreement hereby assigned and conveyed, or intended so to be, and to defend and compromise, at the election of U.S. Bank, any and all actions, suits or proceedings with respect to the Swap Agreement, and generally to do all and any such action in relation thereto as U.S. Bank shall deem advisable. U.S. Bank shall not incur any liability if any action so taken by U.S. Bank or on its behalf shall prove to be inadequate or invalid. Borrower expressly understands and agrees that U.S. Bank is not hereby assuming any duties or obligations of Borrower to make payments to U.S. Bank under the Swap Agreement or under any other Loan Document. Such payment duties and obligations remain the responsibility of Borrower notwithstanding any language in this Agreement.]

9.11 [Automatic Deduction and Credit. At Bondowner Representative's option, payments owed by U.S. Bank as swap counterparty under the Swap Contract may be credited against accrued interest and other payments owed by Borrower under the Construction Loan and/or the Construction Note. U.S. Bank will credit the applicable amounts on the dates the foregoing payments become due; provided, however, that if a due date does not fall on a Banking Day, U.S. Bank will credit the applicable amounts on the first Banking Day following such due date.]

9.12 TCAP/MHP Backfill Loan Documents. Borrower agrees that:

(a) Bondowner Representative and its counsel shall (at the sole cost and expense of Borrower) be provided an opportunity to review and approve the TCAP/MHP Backfill Loan Documents prior to the execution and delivery thereof.

(b) The terms and conditions upon which the TCAP/MHP Backfill Loan will be made will be pursuant to the understandings memorialized in the forms of the TCAP/MHP Backfill Loan Documents, as provided to and approved by Bondowner Representative and its counsel as of the date of this Agreement.

(c) The TCAP/MHP Backfill Loan Documents shall be the only documents, agreements and understandings with respect to the TCAP/MHP Backfill Loan, other than the usual and customary Uniform Commercial Code financing statements, which Bondowner Representative and its counsel shall (at the sole cost and expense of Borrower) have been given an opportunity to review and approve.

(d) For all purposes of this Agreement, all documents relating to the TCAP/MHP Backfill Loan shall be considered to be part of the Subordinate Loan Documents and the TCAP/MHP Backfill Loan shall constitute a Subordinate Loan.

(e) Borrower acknowledges and agrees that TCAC shall be required to enter into a subordination agreement in the form and substance acceptable to Bondowner Representative ("TCAP/MHP Backfill Subordination Agreement") and its counsel at or prior to the time the TCAP/MHP Backfill Loan Documents are expected to be executed and delivered as described in Section 9.12(a) hereof.

(f) Without limiting anything in this Section 9.12, the Borrower understands, acknowledges and agrees that the TCAP/MHP Backfill Tri-Party Agreement shall be executed and delivered in form and substance satisfactory to Bondowner Representative on or prior to the Issuance Date.

10. Tax and Other Covenants. While any obligation of Borrower or Guarantor under the Loan Documents remains outstanding, the following provisions shall apply, except to the extent Issuer otherwise consents in writing:

10.1 Payment of Issuer Fees and Expenses.

(a) The Borrower hereby agrees to pay, when due, the amounts, if any (“Issuer Fees”), described in the Bond Documents.

(b) The Borrower agrees to pay to the Issuer, within thirty (30) days after receipt of request for payment thereof, all reasonable out-of-pocket expenses of the Issuer related to the Project and the financing thereof that are not otherwise required to be paid by the Borrower under the terms of this Agreement and are not paid from disbursements of the Loans, including, without limitation, reasonable legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Project or the Bonds.

10.2 Cooperation in Enforcement of Regulatory Agreement. The Borrower hereby covenants and agrees as follows:

(a) to comply with all provisions of the Regulatory Agreement;

(b) to advise Issuer and Bondowner Representative in writing promptly upon learning of any default with respect to the covenants, obligations and agreements of the Borrower set forth in the Regulatory Agreement;

(c) upon written direction by the Issuer, to cooperate fully and promptly with the Issuer in enforcing the terms and provisions of the Regulatory Agreement; and

(d) to file in accordance with the time limits established by the Regulatory Agreement all reports and certificates required thereunder, and the Certification to the Secretary of the Treasury required by the Regulatory Agreement.

Neither Lender nor Bondowner Representative shall incur any liability in the event of any breach or violation of the Regulatory Agreement by the Borrower, and the Borrower agrees to indemnify the Lender and Bondowner Representative from any claim or liability for such breach pursuant to Section 13.2 hereof.

11. Insurance, Casualty and Condemnation.

11.1 Policies Required. While any obligation of Borrower or Guarantor under any Loan Document remains outstanding, Borrower shall maintain at Borrower's sole expense, with insurers reasonably approved by Bondowner Representative, the policies of insurance, in form and substance reasonably satisfactory to Bondowner Representative, identified in Exhibit "C" attached hereto. In addition to the foregoing, Borrower shall also maintain at its sole expense with insurers approved by Bondowner Representative all other insurance reasonably required by Bondowner Representative from time to time for commercial construction loans made for residential rental properties.

All such insurance shall meet all of the requirements set forth in Exhibit "C" and shall provide that it may not be cancelled or materially modified without thirty (30) days' prior written notice to Bondowner Representative. No such insurance shall include deductible amounts to which Bondowner Representative has not previously consented in writing. Certificates of insurance for the required policies (and/or original policies, if required by Bondowner Representative) shall be delivered to Bondowner Representative annually and otherwise from time to time within ten (10) days after demand therefor. All policies insuring against damage to the Project shall contain an agreed value clause sufficient to eliminate any risk of co-insurance. No less than thirty (30) days prior to the expiration of each policy, Borrower shall deliver to Bondowner Representative evidence of renewal or replacement of such policy reasonably satisfactory to Bondowner Representative.

Without limiting the generality of the language of this Section 11.1, the specific insurance requirements of Bondowner Representative are set forth in Exhibit "C" attached hereto. In the event of any inconsistency between the requirements set forth herein and the insurance requirements set forth in Exhibit C attached hereto, the requirements set forth in Exhibit "C" shall control to the extent of such inconsistency.

11.2 Claims and Proceedings. Borrower shall give Bondowner Representative immediate notice of any casualty to any portion of the Property and of the institution or, if Borrower obtains actual knowledge of any threatened institution, such threatened institution, of any proceeding for the condemnation or other taking for public or quasi-public use of any portion of the Property (collectively, "Condemnation"), and shall provide Bondowner Representative with copies of all documents in Borrower's possession which pertain to any such casualty or Condemnation. Borrower shall take all action reasonably required by Bondowner Representative in connection therewith to protect the interests of Borrower and/or Bondowner Representative, and Bondowner Representative shall be entitled (without regard to the adequacy of its security) to participate in any action, claim, adjustment or proceeding and to be represented therein by counsel of its choice.

11.3 Delivery of Proceeds. In the event that, notwithstanding the "Lender's loss payable endorsement" requirement set forth above, the proceeds of any casualty insurance policy described herein are paid to Borrower, Borrower shall deliver such proceeds to Bondowner Representative immediately upon receipt. Bondowner Representative shall, upon written request, deliver to Lender, or such payee properly designated in writing thereby, accompanied by all requested waivers, consents and acknowledgements as Bondowner

Representative may reasonably request, any amount to which Lender is rightfully entitled under the liability policies required under Section 11.1; provided that it is understood, acknowledged and agreed Bondowner Representative shall have no liability or become guarantor or surety as to the payment on any such policy.

11.4 Application of Casualty Insurance Proceeds. Any proceeds collected (the “Proceeds”) under any casualty insurance policy described in this Agreement shall be disbursed to Borrower as provided below, but only upon fulfillment of each of the following conditions (the “Restoration Conditions”) within one hundred twenty (120) days following the occurrence of the damage for which the Proceeds are collected:

(a) Borrower shall have demonstrated to Bondowner Representative’s reasonable satisfaction that the Proceeds (together with amounts deposited by Borrower pursuant to subparagraph (b)) will be adequate to repair the Improvements and to restore the fair market value of the Property, within a time period reasonably determined by Bondowner Representative, to at least the value it had immediately prior to sustaining the damage. Such demonstration shall include delivery to Bondowner Representative of (i) plans and specifications reasonably satisfactory to Bondowner Representative and (ii) a construction contract in form and content, and with a contractor, reasonably satisfactory to Bondowner Representative.

(b) To the extent that the Proceeds are insufficient to accomplish the restoration required above, Borrower shall have delivered funds (the “Shortfall Funds”) in the amount of such shortfall, which funds shall be assigned to Lender as security for Borrower’s obligation hereunder and held and disbursed in the same manner as the Proceeds.

(c) Borrower shall have executed such documents as Bondowner Representative requires to evidence and secure Borrower’s obligation to use all amounts disbursed for the diligent restoration of the Property.

(d) No Event of Default shall remain uncured (other than any Event of Default which relates to such casualty and will be cured by completion of the repair or restoration).

11.4.2 Any Proceeds and Shortfall Funds to be disbursed to Borrower shall be held by Bondowner Representative and disbursed in accordance with the disbursement procedures and related provisions of this Agreement and all other disbursement provisions then customarily required by Bondowner Representative. Any amounts remaining undisbursed following completion of such restoration shall be returned to Borrower up to the amount of any Shortfall Funds deposited by Borrower, and any other amounts remaining shall either be paid to Borrower or applied, at Bondowner Representative’s direction, against any obligations to Lender or Bondowner Representative that are secured by a lien on the Property, as Bondowner Representative elects in its absolute discretion.

11.4.3 In the event that Borrower fails to fulfill the Restoration Conditions within one hundred twenty (120) days (unless a longer period is agreed to in writing by Bondowner Representative prior to the 120th day) following the date on which the damage occurs, the Proceeds shall be applied against any obligations to Lender and Bondowner Representative that are secured by a lien on the Property, and the selection of which such obligations to apply the Proceeds against shall be made by Bondowner Representative in its absolute discretion.

11.5 Restoration. Nothing in this Article 11 shall be construed to excuse Borrower from repairing and restoring all damage to the Property in accordance with other Loan Document provisions, regardless of whether insurance proceeds are available or sufficient.

11.6 Treatment of Compensation. Borrower hereby assigns to Lender and Bondowner Representative, as security for all obligations to Lender and Bondowner Representative secured by a lien on the Property, all amounts payable to Borrower in connection with any Condemnation, and any proceeds of any related settlement (collectively, "Compensation"). Borrower shall deliver all Compensation to Bondowner Representative immediately upon receipt. In the event that Bondowner Representative chooses, in its absolute discretion, to waive the Event of Default described in Section 12.1(f), any Compensation received shall be (i) disbursed to Borrower for repairs and reconstruction in accordance with the rights, procedures and other provisions set forth in this Agreement for the application of casualty insurance proceeds (including, without limitation, requirements with respect to Borrower's deposit of Shortfall Funds) and/or (ii) applied against obligations to Lender and Bondowner Representative secured by a lien on the Property in such order as Bondowner Representative shall determine in its absolute discretion.

12. Defaults and Remedies.

12.1 Events of Default. The occurrence of any of the following, whatever the reason therefor, shall constitute an Event of Default; provided that cure shall be accepted from any Limited Partner of Borrower or any Affiliate of any such Limited Partner on the same terms as if offered by the Borrower itself, within the periods for timely performance or observance of obligations as set forth below:

(a) Borrower fails to make any payment of principal and/or interest under the Notes and when such payments first become due and payable; or

(b) Borrower fails to perform any other obligation for the payment of money (other than (1) payments described in subparagraph (a) above, or (2) amounts due for the maintenance, protection and/or preservation of collateral and security and (interests therein and proceeds of any kind therefrom) in respect of the Borrower's obligations under any Loan Document within five (5) days after Bondowner Representative gives Borrower and Investor Limited Partner written notice that such obligation has not been performed; or

(c) Borrower fails to timely perform any obligation (other than obligations described in subparagraphs (a) and (b) above and (v) below) under

any Loan Document [(including, without limitation, the Swap Agreement)] executed by Borrower within thirty (30) days after Bondowner Representative gives Borrower and the Investor Limited Partner written notice that such obligation was not performed; or

(d) Guarantor fails to perform any obligation (following any applicable notice and cure period) under any Guaranty executed by Guarantor; or

(e) Any representation or warranty in any Loan Document or Subordinate Loan Document proves to have been incorrect in any material respect when made; or

(f) All or any material portion of the Property is condemned, seized or appropriated by a Governmental Agency; or

(g) The Property is materially damaged or destroyed by fire or other casualty unless Borrower fulfills the Restoration Conditions set forth in the insurance provisions of this Agreement within one hundred twenty (120) days and thereafter diligently restores the Property in accordance with this Agreement; provided that such one hundred twenty (120) day period may be extended with the prior written consent of Bondowner Representative, which consent may be withheld or conditioned in the Bondowner Representative's absolute discretion; or

(h) Work on the Project ceases for thirty (30) consecutive days for any reason other than governmental orders, decrees or regulations, acts of God, strikes or other causes beyond Borrower's reasonable control, provided that the same do not, in the aggregate and in Bondowner Representative's reasonable judgment, threaten to delay the completion of the Project beyond the required completion date (together with any extensions thereof) set forth in this Agreement; or

(i) Work on the Project ceases for forty-five (45) days in the aggregate for any reason; or

(j) Any contractor for the Project whose contract (or aggregation of contracts) exceeds \$100,000 in value materially breaches such contract, and Borrower fails to enter into an agreement with a substitute contractor acceptable to Bondowner Representative within the Approved Budget allocation for such contract, within thirty (30) days after such event; or

(k) Borrower or any Partner or Guarantor is dissolved, liquidated or terminated, or all or substantially all of the assets of Borrower or any Partner or Guarantor are sold or otherwise transferred without Bondowner Representative's prior written consent, or, except for any Permitted Transfer, any Partner withdraws as a partner of Borrower; or

(l) Borrower or any Partner or Guarantor is the subject of an order for relief by a bankruptcy court, or is unable or admits its inability to pay its debts as

they mature, or makes an assignment for the benefit of creditors; or Borrower or any Partner or Guarantor applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or any part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of Borrower or any Partner or Guarantor, as the case may be, and the appointment continues undischarged or unstayed for sixty (60) days; or Borrower or any Partner or Guarantor institutes or consents to any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, custodianship, conservatorship, liquidation, rehabilitation or similar proceeding relating to it or any part of its property; or any similar proceeding is instituted without the consent of Borrower or any Partner or Guarantor, as the case may be, and continues undismissed or unstayed for sixty (60) days; or any judgment, writ, warrant of attachment or execution, or similar process is issued or levied against any property of Borrower or any Partner or Guarantor and is not released, vacated or fully bonded within thirty (30) days after its issue or levy; or

(m) Any Guaranty is repudiated, revoked or terminated without Bondowner Representative's prior written consent; or Guarantor claims that its Guaranty is ineffective or unenforceable, in whole or in part and for any reason, with respect to amounts then outstanding or amounts that might in the future be outstanding; or

(n) Borrower is enjoined or otherwise prohibited by any Governmental Agency from constructing and/or occupying the Improvements and such injunction or prohibition continues unstayed for thirty (30) days or more for any reason; or

(o) Any Bond Document or the Partnership Agreement is amended, modified or terminated without Bondowner Representative's prior written consent; or a default occurs under any Bond Document, within any applicable notice and/or cure period set forth therein; or

(p) Any Equity Construction Deposit is not made or otherwise provided to the reasonable satisfaction of the Bondowner Representative in accordance with and subject to the terms of the Partnership Agreement; or

(q) Any default or event of default occurs and continues beyond any applicable cure period under the Partnership Agreement, any Bond Document, any Subordinate Loan Document, [the Swap Agreement] or any other Loan Document; or

(r) Interest on the Bonds is no longer excludable from the gross income of the holders thereof for federal income tax purposes; or

(s) Any Subordinate Loan Document is amended, modified or terminated without Bondowner Representative's prior written consent; or a

default occurs under any Subordinate Loan Document, which default is not cured within any applicable cure period set forth therein; or

(t) Borrower or any General Partner defaults in any obligation to Bondowner Representative other than in connection with the Loans, subject to any applicable cure period(s); or

(u) [Reserved];

(v) Any Construction Source shown on Exhibit I is not made or otherwise provided to the reasonable satisfaction of the Bondowner Representative on the date such amount is scheduled to be made as shown on Exhibit I; or

(w) A Recapture Event (as defined in the TCAC/MHP Backfill Documents) occurs; or

(x) A default or any event of default occurs under the Ground Lease, which default is not cured within any applicable cure period set forth therein.

12.2 Remedies Upon Default. Upon the occurrence of any Event of Default, Lender shall take such action or actions as Bondowner Representative may direct, at Bondowner Representative's option and in its absolute discretion, including, but not limited to, any or all of the following actions:

(a) Terminate any obligation to make further disbursements of proceeds of Loans or amounts held in the Project Funds Account under the Disbursement Agreement;

(b) Declare the outstanding principal balance of the Loans, together with all accrued interest thereon and other amounts owing in connection therewith, to be immediately due and payable in full, regardless of any other specified due date; provided that any Event of Default described in Section 12.1(l) shall automatically, without notice or other action on Lender's or Bondowner Representative's part, cause all such amounts to be immediately due and payable in full;

(c) In its own right or by a court-appointed receiver, take possession of the Property, enter into contracts for and otherwise proceed with the completion of the Project, and pay the costs thereof out of the proceeds of the Bonds and funds in the Project Funds Account; and in the event that such costs exceed the total of such funds, Lender and Bondowner Representative shall have the right, but not the obligation, to pay such excess costs by expenditure of their own respective funds; and/or

(d) Exercise any of its rights and/or remedies under the Loan Documents and any rights and/or remedies provided by Law or in equity, including the right to foreclose on any security and exercise any other rights with

respect to any security, all in such order and manner as Bondowner Representative elects in its absolute discretion.

12.3 Cumulative Remedies; No Waiver. Lender's and Bondowner Representative's rights and remedies under the Loan Documents are cumulative and in addition to all rights and remedies provided by Law from time to time. The exercise or direction to exercise by Lender or Bondowner Representative of any right or remedy shall not constitute a cure or waiver of any default, nor invalidate any notice of default or any act done pursuant to any such notice, nor prejudice Lender or Bondowner Representative in the exercise of any other right or remedy. No waiver of any default shall be implied from any omission by Lender or Bondowner Representative to take action on account of such default if such default persists or is repeated. No waiver of any default shall affect any default other than the default expressly waived, and any such waiver shall be operative only for the time and to the extent stated. No waiver of any provision of any Loan Document shall be construed as a waiver of any subsequent breach of the same provision. The consent by Lender or Bondowner Representative to any act by Borrower requiring further consent or approval shall not be deemed to waive or render unnecessary Lender's or Bondowner Representative's consent to or approval of any subsequent act. Lender's or Bondowner Representative's acceptance of the late performance of any obligation shall not constitute a waiver by Lender or Bondowner Representative of the right to require prompt performance of all further obligations; Lender's or Bondowner Representative's acceptance of any performance following the sending or filing of any notice of default shall not constitute a waiver of Lender's or Bondowner Representative's right to proceed with the exercise of remedies for any unfulfilled obligations; and Lender's or Bondowner Representative's acceptance of any partial performance shall not constitute a waiver by Lender or Bondowner Representative of any rights relating to the unfulfilled portion of the applicable obligation.

13. Miscellaneous.

13.1 Nonliability. Borrower acknowledges and agrees that:

(a) the relationship among Borrower, Issuer, Lender and Bondowner Representative is and shall remain solely that of Borrower, Issuer, Lender, and Bondowner Representative and none of Lender, Issuer or Bondowner Representative undertakes nor assumes any responsibility to review, inspect, supervise, approve or inform Borrower of any matter in connection with the Project, including matters relating to: (i) the Plans, (ii) architects, engineers, contractors, subcontractors and materialmen, or the workmanship of or materials used by any of them, or (iii) the progress of the Project and its conformity with the Plans; and Borrower shall rely entirely on its own judgment with respect to such matters and acknowledges that any review, inspection, supervision, approval or information supplied to Borrower by Lender, Issuer or Bondowner Representative in connection with such matters is solely for the protection of Lender, Issuer and Bondowner Representative and that neither Borrower nor any third party is entitled to rely on it;

(b) notwithstanding any other provision of any Loan Document:
(i) none of Lender, Issuer or Bondowner Representative is or shall be deemed a

partner, joint venturer, alter-ego, manager, controlling person or other business associate or participant of any kind of Borrower and none of Lender, Issuer or Bondowner Representative intends to ever assume any such status; (ii) none of Lender's, Issuer's or Bondowner Representative's respective or collective activities in connection with the Loans or either of them shall be "outside the scope of the activities of a lender of money" within the meaning of California Civil Code Section 3434, as modified or recodified from time to time, and none of Lender, Issuer or Bondowner Representative intends to ever assume any responsibility to any Person for the quality or safety of the Property; and (iii) none of Lender, Issuer or Bondowner Representative shall be deemed responsible for or a participant in any acts, omissions or decisions of Borrower;

(c) none of Lender, Issuer or Bondowner Representative shall be directly or indirectly liable or responsible in any way for any loss, cost, damage, penalty, expense, liabilities or injury of any kind to any Person or property resulting from any construction on, or development, occupancy, ownership, management, operation, possession, condition, or use of, the Property (except to the extent proximately caused by Lender's, Issuer's or Bondowner Representative's proven gross negligence or willful misconduct), including without limitation those resulting or arising directly or indirectly, from: (i) any defect in any building, grading, landscaping or other onsite or offsite improvement; (ii) any act or omission of Borrower or any of Borrower's agents, employees, independent contractors, licensees or invitees; or (iii) any accident on the Property or any fire or other casualty or hazard thereon; and

(d) By accepting or approving anything required to be performed or given to Lender, Issuer or Bondowner Representative under the Loan Documents, including any certificate, financial statement, survey, appraisal or insurance policy, none of Lender, Issuer or Bondowner Representative shall be deemed to have warranted or represented the sufficiency or legal effect of the same, and no such acceptance or approval shall constitute a warranty or representation by Lender, Issuer or Bondowner Representative to anyone.

13.2 Indemnification of the Issuer, Bondowner Representative and Trustee.

(a) The Borrower releases the Issuer, the Bondowner Representative and the Trustee, and their respective officers, directors, agents, officials, employees (and, as to the Issuer, members of its governing body) and any person who controls the Issuer, the Bondowner Representative or the Trustee within the meaning of the Securities Act of 1933, from, and covenants and agrees to indemnify, hold harmless and defend the Issuer, the Bondowner Representative and the Trustee and their respective officers, directors, employees, agents, members of its governing body, officials and any person who controls such party within the meaning of the Securities Act of 1933 and employees and each of them (each an "Indemnified Party") from and against, any and all losses, claims, damages, demands, liabilities and expenses (including attorney's fees and

expenses), taxes, causes of action, suits, claims, demands and judgments of any nature, joint or several, by or on behalf of any person arising out of:

(i) the transactions provided for in the Bond Documents, the Loan Documents or the Subordinate Loan Documents;

(ii) the execution and delivery or amendment of any document entered into in connection with the transactions provided for in the Bond Documents, the Loan Documents or the Subordinate Loan Documents, including any certifications or representations made by any person other than the party seeking indemnification;

(iii) the approval of the financing for the Project;

(iv) the Loans (excluding the actual repayment of the principal thereof and interest thereon);

(v) any and all claims arising in connection with the interpretation, performance, enforcement, breach, default or amendment of the Bond Documents, the Loan Documents, the Subordinate Loan Documents or any other documents relating to the Project or the Bonds or in connection with any other matters relating to the Bonds or the Project, including, but not limited to, any federal or state tax audit, or any questions or other matters arising under such documents;

(vi) the Trustee's acceptance or administration of the trusts created by the Indenture or the exercise of its powers or duties under the Indenture, this Loan Agreement, the Regulatory Agreement or any other agreements to which it is a party or otherwise in connection with the transactions provided for in the Bond Documents, the Loan Documents or the Subordinate Loan Documents;

(vii) any and all claims arising in connection with (A) the issuance, sale or repricing of any Bonds or any certifications or representations made by any person other than the party seeking indemnification, including, but not limited to, any (1) statement or information made by the Borrower with respect to the Borrower or the Project in the Tax Certificate of the Borrower or in any other certificate executed by the Borrower which, at the time made, is misleading, untrue or incorrect in any material respect, (2) untrue statement or alleged untrue statement of a material fact relating to the Borrower or the Project made to any or all of the Issuer, Bondowner Representative and/or Trustee, as the case may be, or arising out of or based upon the omission or alleged omission to state to any or all of the Issuer, Bondowner Representative and/or Trustee, as the case may be, a material fact relating to the Borrower or the Project in order to make the statements in such offering material not misleading, (3) failure to properly register or otherwise qualify the sale of

the Bonds or failure to comply with any licensing or other law or regulation which would affect the manner in which or to whom the Bonds could be sold, and (B) the carrying out by the Borrower of any of the transactions provided for in the Bond Documents, the Loan Documents and the Subordinate Loan Documents;

(viii) the Borrower's failure to comply with any requirement of this Loan Agreement or the Regulatory Agreement;

(ix) any act or omission of the Borrower or any of its agents, servants, employees or licensees in connection with the Loans or the Project, including violation of any law, ordinance, court order or regulation affecting the Project or any part of it or the ownership, occupancy or use of it;

(x) any damage or injury, actual or claimed, of whatsoever kind, cause or character, to property (including loss of use of property) or persons, occurring or allegedly occurring in, on or about the Project or arising out of any action or inaction of the Borrower, whether or not related to the Project, or resulting from or in any way connected with the acquisition, construction, development, operation, leasing or management of the Project, including without limitation, providing social services whether directly or through leases with service providers, the issuance of the Bonds or otherwise in connection with transactions provided for in the Bond Documents, the Loan Documents and the Subordinate Loan Documents or otherwise in connection with the Project, the Bonds or the execution or amendment of any document relating to the Project or the Bonds;

(xi) any violation of any environmental law applicable to, or the release of any toxic substance from, the Project; and

(xii) any and all claims arising in connection with the operation of the Project, or the conditions, environmental or otherwise, occupancy, use, possession, conduct or supervision of work done in or about, or from the planning, design, acquisition, rehabilitation, repair or equipping of, the Project or any part of it, including, but not limited to, the ADA (as evidenced by an architect's certificate to such effect);

provided, however, that there shall be no such duty of the Borrower for indemnification in connection with any such claim listed in subsection (i) through (xii) above, or proceeding brought with respect to such claim (a) in the case of the Trustee or any of its Indemnified Parties, to the extent such damages are caused by the proven gross negligence or willful misconduct of such Person, (b) in the case of the Bondowner Representative or any of its Indemnified Parties, to the extent such damages are caused by the proven gross negligence or willful misconduct of such Person; and (c) in the case of the Issuer or any of its Indemnified Parties, to the extent such damages are caused by the proven gross negligence or willful misconduct of such Person;

This indemnification shall extend to and include, without limitation, all costs, counsel fees, expenses or liabilities incurred in connection with any such claim, or proceeding brought with respect to such claim.

(b) In addition, the Borrower shall indemnify, save and hold harmless the Issuer and its officers, members of its governing board, officials, employees, advisors and agents (collectively, the “Issuer’s Agents”) against any and all claims asserted by or on behalf of any person, firm, corporation, private or public, arising or resulting from, or in any way connected with:

(i) any act, failure to act, misrepresentation or omission by any person, firm, corporation or governmental authority, including the Issuer or the Issuer’s Agents (other than willful misrepresentations knowingly made by the Issuer or the Issuer’s Agents and willful or wanton misconduct on the part of the Issuer or the Issuer’s Agents), in connection with the issuance, sale or delivery of the Bonds; and

(ii) any act, failure to act or misrepresentation by the Issuer or the Issuer’s Agents (other than willful misrepresentations knowingly made by the Issuer or the Issuer’s Agents and willful or wanton misconduct on the part of the Issuer or the Issuer’s Agents) in connection with, or in the performance of, any obligation under this Loan Agreement, the Regulatory Agreement or the Indenture.

(c) Borrower’s obligations under this Section 13.2 shall not be construed to include any obligation of Borrower set forth in the Hazardous Materials Agreement. Notwithstanding the foregoing, Borrower shall not be obligated to indemnify Lender, Bondowner Representative or Trustee, as applicable with respect to the consequences of any act of proven gross negligence or willful misconduct of Lender, Bondowner Representative or Trustee, as the case may be. Borrower’s obligations under this Section 13.2 shall survive the repayment and cancellation of the Notes and the release and reconveyance of the Security Documents.

(d) Notwithstanding any transfer of the Project to another owner in accordance with the provisions of this Loan Agreement, the Borrower shall remain obligated to indemnify each Indemnatee pursuant to this Section 13.2 if such subsequent owner fails to indemnify any party entitled to be indemnified hereunder, unless such Indemnatee has consented to such transfer and to the assignment of the rights and obligations of the Borrower hereunder.

(e) The rights of any persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses pursuant to this Agreement shall survive the final payment or defeasance of the Bonds and, in the case of the Trustee and Bondowner Representative, any resignation by the Trustee under the Indenture or any transfer, negotiation or participation of the Bonds or interests therein by Bondowner Representative. The provisions of this Section 13.2 shall

survive repayment of the Loans and the termination of this Loan Agreement and the transfer and sale of the Series 2010A-1 Bonds by U.S. Bank to CCRC.

13.3 Reimbursement of Lender, Trustee and Bondowner Representative.

Borrower shall reimburse Lender, Trustee and Bondowner Representative, as the case may be, promptly upon written demand for all costs reasonably incurred by Lender, Trustee and Bondowner Representative, as the case may be (including the reasonable fees and expenses of attorneys, accountants, appraisers and other consultants, whether the same are independent contractors or employees of Lender, Trustee and Bondowner Representative, as the case may be) in connection with the negotiation, preparation, execution, delivery, administration, modification, performance and enforcement of the Loan Documents (other than the Hazardous Materials Agreement, the obligations under which are separate from those under the other Loan Documents) and all related matters, including the following: (a) Lender's, Trustee's and/or Bondowner Representative's, as the case may be, commencement of, appearance in, or defense of any action or proceeding purporting to affect the rights or obligations of the parties to any Loan Document; and (b) all claims, demands, causes of action, liabilities, losses, commissions and other costs against which Lender, Trustee and/or Bondowner Representative, as the case may be, is indemnified under the Bond Documents and/or Loan Documents; (c) the sale and transfer of the Series 2010A-1 Bonds by U.S. Bank to CCRC on or about the Conversion Date; and (d) the transfer of the agency relationship under the Agency Agreement from U.S. Bank to CCRC on or about the Conversion Date. Such reimbursement obligations shall bear interest following written demand at the Default Rate, and shall be secured by the Security Documents. Such reimbursement obligations shall survive the cancellation of the Notes and the release and reconveyance of the Security Documents and the transfer and sale of the Series 2010A-1 Bonds by U.S. Bank to CCRC.

13.4 Obligations Unconditional and Independent.

Notwithstanding the existence at any time of any obligation or liability of Lender or Bondowner Representative, as the case may be, to Borrower, or any other claim by Borrower against Lender or Bondowner Representative, as the case may be, in connection with the Loans or otherwise, Borrower hereby waives any right it might otherwise have (a) to offset any such obligation, liability or claim against Borrower's obligations under the Loan Documents or (b) to claim that the existence of any such outstanding obligation, liability or claim excuses the nonperformance by Borrower of any of its obligations under the Loan Documents.

13.5 Notices.

All notices, demands, approvals and other communications provided for in the Loan Documents shall be in writing and be delivered to the appropriate party at its address as follows:

If to Borrower:

Fourth Street Apartments, L.P.
c/o First Community Housing
75 East Santa Clara Street, Suite 1300
San José, California 95113
Attention: Tom Iamesi
Facsimile: (408) 993-9098
Telephone: (408) 291-8650

with a copy to:

The Law Offices of Goldfarb & Lipman
1300 Clay Street, Ninth Floor
Oakland, California 94612
Attention: Jennifer Bell
Facsimile: (510) 836-1035
Telephone: (510) 836-6336

and a copy to:

Red Stone Equity Partners
200 Public Square, Suite 1550
Cleveland, Ohio 44114
Attention: Managing Director and General Counsel
Facsimile: (216) 820-4751
Telephone: (216) 820-4750

and a copy to:

Bocarsly Emden Cowan Esmail Parker & Arndt LLP
633 West Fifth Street, 70th Floor
Los Angeles, California 90071
Attention: Kyle B. Arndt, Esq.
Facsimile: (213) 559-0704
Telephone: (213) 239-8048

If to Lender:

City of San José
Debt Management/Finance Department
200 East Santa Clara Street, 13th Floor
San José, California 95113
Facsimile: (408) 292-6482
Telephone: (408) 535-7010
Email: debt.management@sanjoseca.gov

with a copy to:

Office of the City Attorney
City of San José
200 East Santa Clara Street
San José, California 95113-1905
Facsimile: (408) 535-1905
Telephone: (408) 998-3131

If to Bondowner Representative:

US Bank National Association
One California Street, Suite 2100
San Francisco, California 94111
Attention: Josh Evju
Facsimile: (925) 273-4558
Telephone: (415) 293-8082

with a copy to:

Kutak Rock LLP
8601 North Scottsdale Road, Suite 300
Scottsdale, Arizona 85253
Attention: Public Finance Department
Facsimile: (480) 229-5001
Telephone: (480) 229-5000

with a copy to:

California Community Reinvestment Corporation
225 West Broadway, Suite 120
Glendale, California 91204
Attention: Attention: Renee Cooks

Addresses for notice may be changed from time to time by written notice to all other parties. All communications shall be effective when actually received; provided, however, that nonreceipt of any communication as the result of a 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.

13.6 Survival of Representations and Warranties. All representations and warranties of Borrower, each General Partner and Guarantor in the Loan Documents shall survive the making of the Loans and have been or will be relied on by Lender and Bondowner Representative notwithstanding any investigation made by Lender or Bondowner Representative, as the case may be.

13.7 Signs. Lender and Bondowner Representative may each place signs on the Property reasonably acceptable to Borrower during the term of the Loans stating that financing is being provided by and through Lender and Bondowner Representative and any other participant in the Loans.

13.8 No Third Parties Benefited. This Agreement is made for the purpose of setting forth rights and obligations of Borrower, Lender and Bondowner Representative and, with respect to Sections 13.2 and 13.3, the Trustee, and no other Person shall have any rights hereunder or by reason hereof.

13.9 Binding Effect; Assignment of Obligations. This Agreement shall bind, and shall inure to the benefit of, Borrower, Lender and Bondowner Representative and their respective successors and assigns. Borrower shall not assign any of its rights or obligations

under any Loan Document without the prior written consent of Lender, which consent may be withheld in Lender's absolute discretion. Any such assignment without such consent shall be void.

13.10 Counterparts. Any Loan Document, other than the Notes, may be executed in counterparts, all of which, taken together, shall be deemed to be one and the same document.

13.11 Prior Agreements; Amendments; Consents. This Agreement (together with the other Loan Documents, the Supplemental Agreement and the CCRC Bond Purchase Agreement) contains the entire agreement among Lender, Borrower and Bondowner Representative with respect to the Loans, and all prior negotiations, understandings and agreements (including, but not limited to, the Commitment issued by U.S. Bank to Borrower (or one of Borrower's Affiliates)) are superseded by this Agreement and such Loan Documents. No modification of any Loan Document (including waivers of rights and conditions) shall be effective unless in writing and signed by the party against whom enforcement of such modification is sought, and then only in the specific instance and for the specific purpose given. Notwithstanding the foregoing, Bondowner Representative shall have the right to waive or modify, conditionally or unconditionally, the conditions to its approvals and consents hereunder, without the consent of any party other than Borrower. Consents and approvals to be obtained from Lender and Bondowner Representative shall be in writing.

13.12 Governing Law. All of the Loan Documents shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to the conflicts of laws principles thereof; provided that if Bondowner Representative has greater rights or remedies under federal law, then such rights and/or remedies under federal law shall also be available to Bondowner Representative.

13.13 Severability of Provisions. No provision of any Loan Document that is held to be unenforceable or invalid shall affect the remaining provisions, and to this end all provisions of the Loan Documents are hereby declared to be severable.

13.14 Headings. Article and section headings are included in the Loan Documents for convenience of reference only and shall not be used in construing the Loan Documents.

13.15 Conflicts. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, this Agreement shall prevail; provided however that, with respect to any matter addressed in both such documents, the fact that one document provides for greater, lesser or different rights or obligations than the other shall not be deemed a conflict unless the applicable provisions are inconsistent and could not be simultaneously enforced or performed.

13.16 Time of the Essence. Time is of the essence of all of the Loan Documents.

13.17 Transfer and Participation in Bonds. Bondowner Representative may transfer, or sell participations in, the Bonds, Loans, [the Swap Agreement,] and/or the Loan

Documents at any time, in whole and in part, and may furnish any transferee or participant or prospective transferee or participant with all documents and information relating to Borrower, each Partner, Guarantor, the Bonds and the Loans that Bondowner Representative deems advisable in connection therewith; provided, however, the transfer or sale of any participation is subject to the same limitations as are in effect for a transfer or sale of Bonds as set forth in Section 2.05 of the Indenture. Prior to any transfer or sale of a participation pursuant to this Section 13.17, Bondowner Representative shall give notice to the Issuer of the name of the participant and the terms of the participation. Borrower's indemnity obligations under the Loan Documents shall also apply with respect to any transferee or participant and the directors, officers, agents and employees of any transferee or participant. Notwithstanding the foregoing on or prior to the Conversion Date, U.S. Bank as the initial purchaser and holder of the Bonds shall have full right, power and authority to sell and transfer in whole, the Series 2010A-1 Bonds as further described in the Bond Purchase Agreement

13.18 Hazardous Materials Agreement. In consideration of Lender's entry into this Agreement and Bondowner Representative's purchase of the Bonds, Borrower shall deliver the Hazardous Materials Agreement. Notwithstanding any other provision of any Bond Document or Loan Document to the contrary, express or implied, Borrower's obligations under such Hazardous Materials Agreement shall not be secured, directly or indirectly, by the Deeds of Trust (or either of them) or any other real property (or any interest therein) now or hereafter granted to or for the benefit of Lender or Bondowner Representative as security for any Bond Document or Loan Document.

13.19 Guaranties Unsecured. The Security Documents shall secure Borrower's obligations under the Loan Documents. Notwithstanding the fact that the Loan Documents may now or hereafter include one or more Guaranties and/or other documents creating obligations of Persons other than Borrower, and notwithstanding the fact that any Security Document may now or hereafter contain general language to the effect that it secures "the Loan Documents," no Security Document shall secure any Guaranty, or any other obligation of any Person other than Borrower, unless such Security Document specifically describes such Guaranty or other obligation as being secured thereby.

13.20 Limited Liability of Issuer and Lender.

(a) No recourse under or upon any obligation, covenant, or agreement or in any Bonds, or under any judgment obtained against the Issuer, or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, shall be had against any incorporator, member, director, commissioner or officer, 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 thereof, or for or to the Holder of any Bonds, of any sum that may be due and unpaid by the Issuer upon any of the Bonds. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, director, commissioner or officer, as such, to respond by reason of any act or omission on his part or otherwise, for the payment for or to the Issuer or any receiver thereof, or for or to the Holder of any Bonds, of any

sum that may remain due and unpaid upon the Bonds or any of them, is hereby expressly waived and released as a condition of and consideration for the execution of this Loan Agreement and the issuance of the Bonds.

(b) Nothing in this Loan Agreement, the Regulatory Agreement or the Indenture is intended, nor shall it be construed, to in any way limit the actions of the Issuer in the exercise of its governmental powers, as contrasted with any contractual rights or powers. Subject to the provisions of the Agreement, it is the express intention of the parties hereto that the Issuer shall retain the full right and ability to exercise its governmental powers with respect to the Borrower, the Project, the Bondholder, the Bondholder Representative and the transactions contemplated by this Loan Agreement, the Indenture, the Regulatory Agreement and the Loan Documents to the same extent as if it were not a party to this Agreement, the Indenture, the Regulatory Agreement or the transactions contemplated thereby, and in no event shall the Issuer have any liability in contract arising under this Loan Agreement, the Indenture or the Regulatory Agreement by virtue of any exercise of its governmental powers.

13.21 Waiver of Right to Trial by Jury; Judicial Reference. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY TO THIS AGREEMENT (OTHER THAN THE ISSUER AND THE LENDER BUT INCLUDING THE TRUSTEE BY ASSIGNMENT) HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY (OTHER THAN THE ISSUER AND THE LENDER BUT INCLUDING THE TRUSTEE BY ASSIGNMENT) HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT (OTHER THAN THE ISSUER AND THE LENDER BUT INCLUDING THE TRUSTEE BY ASSIGNMENT) MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY. NOTWITHSTANDING THE FOREGOING, THIS AGREEMENT SHALL BE SUBJECT TO THE PROVISIONS OF THE JUDICIAL REFERENCE AGREEMENT.

13.22 Assignment to Trustee. Borrower acknowledges that, concurrently herewith, and in accordance with the Indenture, Lender has assigned all of its right, title and interest, other than its Reserved Rights, in, to, and under this Agreement, the Notes and the other Loan Documents to Trustee for the benefit of the holders from time to time of the Bonds, initially being the Bondowner Representative.

13.23 Subordination to Extended Use Agreement. In order to receive an allocation of federal low income housing tax credits, Borrower will be required to record in the

real property records of the County in which the property is located, an “extended low-income housing commitment” (as defined in Code Section 42(h)(6)(B)) (the “Extended Use Agreement”). If Borrower demonstrates to the reasonable satisfaction of Bondowner Representative that the Tax Credit Allocation Committee of the State of California or applicable federal law requires that the liens of the Deeds of Trust be subordinate to the Extended Use Agreement, then Bondowner Representative shall execute a subordination agreement (the “Tax Credit Subordination Agreement”), wherein the liens of the Deeds of Trust are subordinated to the Extended Use Agreement, provided, however, that the following conditions are met:

(a) under the terms of the Extended Use Agreement and the Tax Credit Subordination Agreement, if Bondowner Representative or its successors or assigns (collectively, the “REO Owner”) acquires the Property and Improvements by foreclosure (or instrument in lieu of foreclosure), then the “extended use period” (as defined in Code Section 42(h)(6)(D)) shall terminate, except for the obligation of the REO Owner to comply with the limitations on evictions, termination of tenancy and increase in rents for the three year period following the REO Owner’s acquisition of the Property, as set forth in Code Section 42(h)(6)(E)(ii); and

(b) the Tax Credit Subordination Agreement shall otherwise be in a form, and shall contain terms, reasonably acceptable to Bondowner Representative.

13.24 Information Regarding the Project. Bondowner Representative shall have the right to discuss the affairs of the Borrower with any Partner thereof, including but not limited to the Limited Partner, and to discuss the course of construction, lease-up, operation and management of the Project, the financial condition of the Borrower, any Guarantor and the Project, and to disclose any information received by Bondowner Representative regarding the Borrower, any Guarantor or the Project or any Partner of the Borrower with any other Partner of the Borrower, singularly or together as Bondowner Representative may determine in its sole discretion.

13.25 Right of Setoff. Borrower grants to Bondowner Representative a contractual security interest in, and hereby assigns, conveys, delivers, pledges, and transfers to Bondowner Representative all Borrower’s right, title and interest in and to, Borrower’s accounts with Bondowner Representative (whether checking, savings, or some other account), including without limitation all accounts held jointly with someone else and all accounts Borrower may open in the future, excluding however all IRA and Keogh accounts, and all trust accounts for which the grant of a security interest would be prohibited by law. Borrower authorizes Bondowner Representative, to the extent permitted by applicable law, to charge or setoff all sums owing on the Notes against any and all such accounts.

13.26 Right to Inspect Records of Bondowner Representative. Upon reasonable prior written notice to Bondowner Representative, Lender shall have the right to inspect all nonconfidential and nonproprietary records maintained by Bondowner Representative with respect to the administration of the Loans in accordance with the terms of this Agreement. Bondowner Representative agrees to maintain all records relating to the Disbursements under the

Loans for as long as the Bonds are outstanding. Bondowner Representative agrees to maintain copies of such items so long as it remains the holder of the Bonds. Upon any transfer of the Bonds in accordance with the terms of the Bond Documents and the Loan Documents, Bondowner Representative shall transfer all of its records relating to Disbursement requests, including all related attachments, provided that Bondowner Representative shall be permitted to retain copies thereof for its permanent records.

13.27 USA PATRIOT Act Notice. Bondowner Representative (for itself and not on behalf of any other party) hereby notifies the Borrower that, pursuant to the requirements of the USA PATRIOT Act, Title III of Pub. L. 107-56, signed into law October 26, 2001 (“Act”), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow U.S. Bank to identify the Borrower in accordance with the Act.

13.28 Additional Banking Laws. The Borrower shall (a) ensure, and cause each Affiliate to ensure, that no person who owns a controlling interest in or otherwise controls the Borrower or any Affiliate is or shall be listed on the “Specially Designated Nationals and Blocked Person List” or other similar lists maintained by the Office of Foreign Assets Control (“OFAC”), the Department of the Treasury, or included in any Executive Orders, (b) not use or permit the use of the proceeds of the Loans to violate any of the foreign asset control regulations of OFAC or any enabling statute or Executive Order relating thereto, and (c) comply, and cause each Affiliate to comply, with all applicable Bank Secrecy Act laws and regulations, as amended.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

BORROWER:

FOURTH STREET APARTMENTS, L.P.,
a California limited partnership

By: Fourth Street Apartments, LLC,
a California limited liability company,
Its: General Partner

By: First Community Housing,
a California nonprofit public benefit
corporation,
Its: Sole Member

By: _____
Name: Jeff Oberdorfer
Title: Executive Director

By: _____
Name: _____
Title: Board Member

[Signature Page for Loan Agreement]

LENDER:

CITY OF SAN JOSÉ,
a municipal corporation and chartered city

By: _____
Name: Julia H. Cooper
Its: Assistant Director of Finance

[Signature Page for Loan Agreement]

BONDOWNER REPRESENTATIVE:

U.S. BANK NATIONAL ASSOCIATION,
a national banking association,
as Bondowner Representative and Bondholder

By: _____

Name: Josh Evju

Title: Assistant Vice President

[Signature Page for Loan Agreement]

EXHIBIT A
LEGAL DESCRIPTION

EXHIBIT "B"

DEFINITIONS AND INTERPRETATION

1. Definitions. As used in this Agreement (and in all other Loan Documents, unless otherwise defined), the following capitalized terms shall have the following meanings:

"Affiliate" means, with respect to any Person, (a) any other Person which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, (i) such Person or (ii) any general partner of such Person; (b) any other Person 50% or more of the equity interest of which is held beneficially or of record by (i) such Person or (ii) any general partner of such Person, and (c) any general or limited partner of (i) such Person or (ii) any general partner of such Person. As used in the previous sentence, "control" means the possession, directly or indirectly, of the power to cause the direction of the management of a Person, whether through voting securities, by contract, family relationship or otherwise.

"Approved Budget" means the line item budget for the Loans as reviewed and approved by Bondowner Representative and set forth in Exhibit "H" attached hereto, and as modified from time to time in accordance with the Agreement.

"Architect" means Fisher Friedman Associates, a California corporation.

"Assignment of Leases" means the Assignment of Unrecorded Leases and Rents dated as of May __, 2010, given by Borrower in favor of Trustee.

"Assignment of Deeds of Trust" means the Assignment of Deeds of Trust and Other Loan Documents dated as of May __, 2010, given by Issuer in favor of Trustee.

"Authority" means the California Pollution Control Financing Authority, a public instrumentality of the State of California.

"Banking Day" means any Monday, Tuesday, Wednesday, Thursday or Friday on which Bondowner Representative is open and conducting customary banking transactions in the State of California.

"Bond Documents" means, collectively, the Bonds, the Indenture, Regulatory Agreement, the Assignment of Deeds of Trust and any other document (other than the Loan Documents) now or hereafter executed by Borrower, Issuer, Lender, and/or Bondowner Representative in connection with the Bonds.

"Bond Purchase Agreement" means the Bond Purchase Agreement, dated as of the Issuance Date, among the Issuer, the Bondowner Representative, CCRC and the Borrower.

"Bondowner Representative" means, collectively, U.S. Bank National Association, as the initial purchaser and holder of the Bonds, and its successors and assigns.

"Bonds" has the meaning given that term in Recital C.

“Cal Reuse Grant” means the \$175,376 grant to be made by the Authority to First Community Housing, a California nonprofit public benefit corporation, the Sole Member of the General Partner pursuant to the Cal ReUse Grant Documents.

“Cal Reuse Grant Documents” means that certain Commitment Letter dated December 12, 2008, and any other documents, instruments and agreements relating to the Cal ReUse Grant.

“Change Orders” means changes in the Plans pursuant to the Agreement.

“City” means the City of San José.

“City Loan” means the loan of up to \$12,708,456 made by the City to Borrower, pursuant to the City Note and the City Loan Agreement.

“City Loan Agreement” means the Construction and Permanent Loan Agreement and Addendum, dated as of _____, 2010, between Borrower and the City.

“City Loan Documents” means, collectively, the City Note, City Loan Agreement, City Trust Deed, City Regulatory Agreement, and the other operative documents relating to the City Loan.

“City Note” means the Promissory Note dated as of _____, 2010, made by the Borrower in favor of the City to evidence its repayment obligations under the City Loan.

“City Regulatory Agreement” means the Amended and Restated 55-Year Affordability Restrictions, dated as of _____, 2010, between Borrower and the City in connection with the City Loan.

“City Subordination Agreement” means the Subordination Agreement dated as of May __, 2010, among Borrower, City and Bondowner Representative with respect to the City Loan.

“City Tri-Party Agreement” means the Tri-Party Agreement dated as of May __, 2010, among Borrower, City and Bondowner Representative with respect to the City Loan.

“City Trust Deed” means the Construction and Permanent Leasehold Deed of Trust, Assignment of Rents, Fixture Filing and Rider dated as of _____, 2010, given by the Borrower with the Title Company as trustee for the benefit of the City to secure Borrower’s obligations in respect of the City Loan Documents.

“Construction Note” means the Promissory Note (Construction) made by Borrower in favor of Lender in the aggregate principal amount of [\$17,316,000] executed by Borrower to evidence the obligation of Borrower to repay the Construction Loan.

“Contractor” means Branagh, Inc., or any general contractor for the Project approved by Bondowner Representative from time to time.

“Convertible Note” means the Promissory Note (Convertible) made by Borrower in favor of Lender in the aggregate principal amount of [\$5,684,000] executed by Borrower to evidence the obligation of Borrower to repay the Convertible Loan.

“County” means the County of Santa Clara, California.

“Deeds of Trust” means, collectively, the Ground Leasehold Deed of Trust and the Fee Deed of Trust.

“Default Rate” means a per annum interest rate that is equal to the rate of interest then applicable under the Notes (the “Note Rate”), plus 5.00%.

“Department” means the California Department of Housing and Community Development and its successors and assigns.

“Designated Representative” means the Person authorized in writing delivered to Bondowner Representative by Borrower from time to time, who has been delegated full and proper authority to serve as such representative of Borrower for purposes of delivering certificates, Disbursement Requests and other documents on behalf of Borrower pursuant to the Loan Documents.

“Disbursement Agreement” means that Disbursement Agreement dated as of May __, 2010, by and between Bondowner Representative and Borrower.

“Disbursement Requests” means requests by Borrower for Disbursements in accordance with the Agreement.

“Disbursements” means, as the case may be, disbursements by Lender and/or Bondowner Representative of (a) proceeds of the Loans, (b) Equity Construction Deposits, (c) proceeds of the Subordinate Loans to the extent available for deposit thereunder, and (d) other funds on deposit from time to time in the Project Funds Account.

“Equity Commitment” means the commitment of Investor Limited Partner under the Partnership Agreement to make capital contributions to the capital of the Partnership in the amount approved by the Bondowner Representative.

“Equity Construction Deposits” means that portion of the Equity Commitment shown in Exhibit “G” attached hereto.

“Event of Default” means any event so designated in the Agreement.

“Fee Deed of Trust” means the Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated May __, 2010 granted by _____, as the owner of the fee estate in the Property, in favor of the Issuer as beneficiary and recorded in the official records of the County, and whose rights, title and interest therein have been assigned to the Trustee under the Assignment of Deeds of Trust which has also been recorded in the official records of the County.

“Financing Statements” means, collectively, each UCC-1 and/or UCC-2 financing statement required pursuant to the Agreement.

“Fiscal Year” means Borrower’s fiscal year, ending on December 31 of each calendar year.

“General Partner” means, collectively, Fourth Street Apartments, LLC, a California limited liability company, and any other Person that now or hereafter owns a general partnership interest in Borrower.

“Governmental Agency” means any governmental or quasi-governmental agency, board, bureau, commission, department, court, administrative tribunal or other instrumentality or authority, and any public utility.

“Ground Lease” means that certain Ground Lease dated May __, 2010, by and between Ground Lessor and Borrower.

“Ground Leasehold Deed of Trust” means the Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated May __, 2010 granted by Borrower, as the ground lessee under the Ground Lease and owner of the Improvements, in favor of the Issuer as beneficiary and recorded in the official records of the County and whose right, title and interest therein have been assigned to the Trustee under the Assignment of Deeds of Trust which has also been recorded in the official records of the County.

“Ground Lessor” means the City of San José Financing Authority, a joint exercise of powers authority, organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement dated December 8, 1992, by and between the City of San José and the Redevelopment Agency of the City of San José.

“Ground Lessor’s Consent and Estoppel” means that certain Ground Lessor’s Consent, Estoppel Certificate and Agreement dated as of May __, 2010, between Borrower, Ground Lessor and Lender.

“Guaranties” means any Guaranty required pursuant to this Agreement and any guaranty pursuant to which any Person now or hereafter partially or fully guarantees the payment or performance of any indebtedness or other obligation to Lender and/or Bondowner Representative under any Loan Document and, initially, means the Completion and Repayment Guaranty Agreement, dated as of May __, 2010, given by the Guarantor in favor of Issuer and Bondowner Representative.

“Guarantor” means, jointly and severally, First Community Housing, a California nonprofit public benefit corporation, and any Person who now or hereafter partially or fully guarantees the payment or performance of any indebtedness or other obligation to Lender under any Loan Document. The obligations of Guarantor set forth in this Agreement and the Loan Documents shall apply for so long as any Guaranty affecting such Guarantor is in effect.

“Hazardous Materials” means flammable materials, explosives, radioactive materials, hazardous wastes, toxic substances and similar substances and materials, including all

substances and materials defined as hazardous or toxic wastes, substances or materials under any applicable Law, including without limitation the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 et seq., and the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §§ 9601, et seq., as amended.

“Hazardous Materials Agreement” means that certain Unsecured Environmental Indemnity dated as of May __, 2010, executed by and between Borrower and Issuer.

“Improvements” means all improvements and fixtures now or hereafter comprising any portion of the Property.

“Investor Limited Partner” means Red Stone-Fund 9 Limited Partnership, a Delaware limited partnership, and any successor limited partner of the Borrower admitted under the terms of the Partnership Agreement and constituting a Permitted Transfer.

“Issuance Date” means the date upon which the Bonds are issued.

“Judicial Reference Agreement” means that Judicial Reference Agreement dated as of May __, 2010, among Bondowner Representative, Borrower and Guarantor.

“Laws” means all statutes, laws, ordinances, regulations, orders, writs, judgments, injunctions, decrees or awards of the United States or any state, county, municipality or other Governmental Agency.

“Limited Partners” means, collectively, Investor Limited Partner, Red Stone Equity Manager, LLC, a Delaware limited liability company as “Special Limited Partner” and any other Person that now or hereafter owns a limited partnership interest in Borrower.

“Loans” means the Loans made to Borrower pursuant to the Agreement.

“Loan Documents” means, collectively, subject to the provisions of this Agreement, this Agreement, the Notes, [the Swap Agreement,] the documents (other than Bond Documents) set forth in Exhibit “F” and any other agreement, document or instrument that Lender and/or Bondowner Representative requires in connection with the execution of this Agreement or from time to time to effectuate the purposes of this Agreement.

“Manager” means any property manager for the Project approved by Bondowner Representative from time to time.

“Partner” means any General Partner or Limited Partner.

“Partnership Agreement” means that certain Amended and Restated Agreement of Limited Partnership of Borrower by and between the General Partner and Limited Partners, dated as of May __, 2010, in the form executed and delivered as of the Issuance Date.

“Party” means any Person (other than Lender or Bondowner Representative) who is a party or signatory to any Loan Document.

“Permitted Encumbrances” means, collectively, all matters listed on Exhibit ”D” to this Agreement as permitted title insurance exceptions.

“Permitted Liens” means, collectively, all liens on the Personal Property approved by Bondowner Representative in writing.

“Permitted Transfer” means any transfer of interests expressly permitted pursuant to Section 1.19 of the Ground Leasehold Deed of Trust.

“Person” means any entity, whether an individual, trustee, corporation, partnership, limited liability company, trust, unincorporated organization, Governmental Agency or otherwise.

“Personal Property” means all of Borrower’s right, title and interest, whether now existing or hereafter acquired, in and to all furniture, furnishings, fixtures, machinery, equipment, inventory and other personal property of every kind, tangible and intangible, now or hereafter (i) located on or about the Property, (ii) used or to be used in connection with the Property, or (iii) relating or arising with respect to the Property.

“Plans” and “Plans and Specifications” each mean the plans and specifications for the Project received by Bondowner Representative pursuant to the conditions of the Agreement, as modified in accordance with this Agreement.

“Preliminary Reservation” means that certain initial preliminary reservation letter issued by the California Tax Credit Allocation Committee (“CTCAC”) with respect to the Project.

“Project” means the construction of the Improvements on the Property in substantial accordance with the Plans and all applicable Laws.

“Project Agreements” means, collectively, all agreements entered into by Borrower with Persons other than Lender or Bondowner Representative in connection with the Project.

“Project Costs” means all costs of any nature incurred in connection with the Project.

“Project Financing Statements” means the Financing Statements described in Exhibit ”E.”

“Project Funds Account” means the Project Funds Account created and maintained under the Disbursement Agreement.

“Prop 1C Infill Grant” means the \$1,513,561 grant to be made by the Department to First Community Housing pursuant to the Prop 1C Infill Grant Documents.

“Prop 1C Infill Grant Agreement” means the Standard Agreement between the Department and Borrower.

“Prop 1C Infill Grant Documents” means, collectively, any Prop 1C Infill Grant Agreement, and any other document, instrument, or agreement entered into in connection with the Prop 1C Infill Grant.

“Property” means all of Borrower’s right, title and interest, whether now existing or hereafter acquired, in and to the real property described in Exhibit “A” to the Agreement together with all easements and other rights now or hereafter made appurtenant thereto, all improvements and fixtures now or hereafter located thereon, and all additions and accretions thereto.

“Regulatory Agreement” means that certain Regulatory Agreement and Declaration of Restrictive Covenants dated as of May __, 2010, among Issuer, Borrower and Trustee.

“Reserved Rights” has the meaning given such defined term in the Indenture.

“Secretary of State” means the Secretary of State of the State of California.

“Security Documents” means, collectively, the Deeds of Trust, the Disbursement Agreement, the Project Financing Statements, the Assignment of Leases, the Operating Reserve Agreement, the Replacement Reserve Agreement and any other mortgage, deed of trust, security agreement or assignment now, heretofore or hereafter executed to secure the obligations of Borrower or any Guarantor to Lender and/or Bondowner Representative under any Loan Document.

“Special Limited Partner” means Red Stone Equity Manager, LLC, a Delaware limited liability company, its successors and assigns

“Subordination Agreements” means, collectively, the City Subordination Agreement, the Prop 1C Infill Subordination Agreement, the TCAP/MHP Backfill Subordination Agreement, and any other subordination agreement executed by another lender of a subordinate loan, in each instance in form and substance satisfactory to Bondowner Representative and its counsel.

“Subordinate Lenders” means, collectively, the City, CTCAC, the Department and the Authority. Each of the foregoing is a “Subordinate Lender.”

“Subordinate Loan Documents” means, collectively, the City Loan Documents, the Prop 1C Infill Grant Documents, the TCAP/MHP Backfill Loan Documents, and the CalReuse Grant Documents.

“Subordinate Loans” means, collectively, the City Loan, Prop 1C Infill Grant, the TCAP/MHP Backfill Loan, and the CalReuse Grant. Each of the foregoing is a “Subordinate Loan.”

“Subordinate Recorded Documents” means, collectively, the City regulatory Agreement, City Trust Deed, [Prop 1C Infill Grant Regulatory Agreement,] TCAP Regulatory

Agreement, and any other documents to be recorded on or prior to the Issuance Date with respect to any of the Subordinate Loans.

“Supplemental Agreement” means the Supplemental Agreement dated as of May ___, 2010, among Lender, Borrower and CCRC.

[“Swap Agreement” means, collectively, any ISDA Master Form Swap Agreement (including without limitation the one dated as of _____, 2010) and all annexes and trade confirmations relating thereto entered into by the Borrower and U.S. Bank National Association, as counterparties, relating to the Construction Loan and the Construction Note.]

“Tax Certificate” means collectively, that certain Certificate as to Arbitrage and the Certificate Regarding Use of Proceeds, both dated as of the Issuance Date, relating to the Bonds.

“TCAC” means the California Tax Credit Allocation Committee.

“TCAP/MHP Backfill Loan” means the \$8,789,846 (aggregate principal amount) loan made to the Borrower to backfill a permanent loan expected to be made to the Borrower by the Department under the California Housing and Community Development Department Multifamily Housing Program.

“TCAP/MHP Backfill Loan Documents” means any and all documents executed in connection with the TCAP/MHP Backfill Loan, including without limitation that certain HCD Backfill Loan Agreement dated March 9, 2010, between the Borrower and CTCAC supplementing that certain Grant Agreement (Agreement No. CA-2009-532) between Borrower and CTCAC.

“TCAP/MHP Backfill Subordination Agreement” means the subordination agreement among CTCAC, the Borrower, and the Lender relating to the subordination of the TCAP/MHP Backfill Loan and the TCAP/MHP Backfill Loan Documents.

“TCAP/MHP Backfill Tri-Party Agreement” means the Tri-Party Agreement by and among CTCAC, Lender and Borrower in connection with the TCAP/MHP Backfill Loan.

“TCAP Regulatory Agreement” means the Regulatory Agreement entered into by CTCAC and the Borrower in connection with the TCAP/MHP Backfill Loan.

“Termination Date” has the meaning given such term in the Convertible Note.

“Title Company” means the title company which issues the Title Policy.

“Title Policy” means the ALTA lender’s policies of title insurance required pursuant to this Agreement.

“Tri-Party Agreements” means, collectively, the City Tri-Party Agreement, the Prop 1C Tri-Party Agreement and the TCAP/MHP Backfill Tri-Party Agreement.

2. Singular and Plural Terms. Any defined term used in the plural in any Loan Document shall refer to all members of the relevant class and any defined term used in the singular shall refer to any number of the members of the relevant class.

3. Accounting Principles. Any accounting term used and not specifically defined in any Loan Document shall be construed in conformity with, and all financial data required to be submitted under any Loan Document shall be prepared in conformity with, generally accepted accounting principles applied on a consistent basis or in accordance with such other principles or methods as are reasonably acceptable to Bondowner Representative.

4. References and Other Terms. Any reference to any Loan Document or other document shall include such document both as originally executed and as it may from time to time be modified. References herein to Articles, Sections and Exhibits shall be construed as references to the Agreement unless a different document is named. References to subparagraphs shall be construed as references to the same Section in which the reference appears. The term “document” is used in its broadest sense and encompasses agreements, certificates, opinions, consents, instruments and other written material of every kind. The terms “including” and “include” mean “including (include) without limitation.”

EXHIBIT "C"

INSURANCE REQUIREMENTS

I. PROPERTY INSURANCE

A. DURING CONSTRUCTION

An ORIGINAL (or certified copy) Builder's All-Risk, Completed Value, Non-Reporting Form Policy or ORIGINAL Acord 28 (2003/10) form of Certificate of Insurance naming the borrowing entity as an insured, reflecting coverage of 100% of the replacement cost, and written by a carrier approved by Lender with a current Best's Insurance Guide Rating of at least A- IX (which is authorized to do business in the state in which the property is located) that includes:

1. Mortgagee Clause naming U.S. Bank National Association as Mortgagee with a 30-day notice to Lender in the event of cancellation, non-renewal or material change
2. Lender's Loss Payable Endorsement (ISO 1218) with a Severability of Interest Clause with a 30-day notice to Lender in the event of cancellation, non-renewal or material change
3. Replacement Cost Endorsement
4. No Exclusion for Acts of Terrorism
5. No Coinsurance Clause
6. Flood Insurance, if applicable
7. Collapse and Earthquake Coverage, if applicable
8. Vandalism and Malicious Mischief Coverage
9. Boiler and Machinery Coverage, if applicable
10. Demolition, Increased Cost of Construction Coverage
11. In-Transit Coverage
12. Partial Occupancy Permitted
13. Borrower's coverage is primary and non-contributory with any insurance of self-insurance carried by U.S. Bank National Association
14. Waiver of Subrogation against any party whose interests are covered in the policy.
15. Coverage to become effective upon the date of the Notice to Proceed, the date of site mobilization or the start of any shipment of materials, machinery or equipment to the site, whichever is earlier, and to remain in effect until replaced by permanent All Risk Property Insurance described below, or until such other time as may be mutually agreed upon by Lender and Borrower

B. UPON COMPLETION

An ORIGINAL (or certified copy) All-Risk Hazard Insurance Policy or ORIGINAL Acord 28 (2003/10) form of Certificate of Insurance naming the borrowing entity as an insured, reflecting coverage of 100% of the replacement cost, and written by a carrier approved by Lender with a current Best's Insurance Guide Rating of at least A- IX (which is authorized to do business in the state in which the property is located) that includes:

1. Mortgage Clause naming U.S. Bank National Association as Mortgagee with a 30-day notice to Lender in the event of cancellation, non-renewal or material change
2. Lender's Loss Payable Endorsement (ISO 1218) with a Severability of Interest Clause with a 30-day notice to Lender in the event of cancellation, non-renewal or material change
3. Replacement Cost Endorsement.
4. No Exclusion for Acts of Terrorism.
5. No Coinsurance Clause
6. Boiler and Machinery Coverage, if applicable.
7. Sprinkler Leakage Coverage.
8. Vandalism and Malicious Mischief Coverage.
9. Flood Insurance, if applicable.
10. Loss of Rents Insurance in an amount of not less than 100% of one year's Rental Value of the Project. "Rental Value" shall include:
 - a) The total projected gross rental income from tenant occupancy of the Project as set forth in the Budget,
 - b) The amount of all charges which are the legal obligation of tenants and which would otherwise be the obligation of Borrower, and
 - c) The fair rental value of any portion of the Project which is occupied by Borrower.
11. One year's business interruption insurance in an amount acceptable to Lender
12. Collapse and Earthquake Coverage, if applicable.
13. Extra Expense Coverage.
14. Borrower's coverage is primary and con-contributory with any insurance or self-insurance carried by U.S. Bank National Association..
15. Waiver of Subrogation against any party whose interest are covered in the policy.

II. LIABILITY INSURANCE

An ORIGINAL Acord 25-S Certificate of General Comprehensive Liability Insurance naming the borrowing entity as an insured, providing coverage on an “occurrence” rather than a “claims made” basis and written by a carrier approved by Lender with a current A.M. Best’s Insurance Guide Rating of at least A- IX (which is authorized to do business in the state in which the property is located) that affirmatively includes the following:

1. Combined general liability policy limit of at least \$5,000,000.00 each occurrence, applying liability for Bodily Injury, Personal Injury, Property Damage, Contractual, Products and Completed Operations which combined limit may be satisfied by the limit afforded under the Commercial General Liability Policy, or by such Policy in combination with the limits afforded by an Umbrella or Excess Liability Policy (or policies); provided the coverage afforded under any such Umbrella or Excess Liability Policy is at least as broad in all material respects as that afforded by the underlying Commercial General Liability Policy.
2. No Exclusion for Acts of Terrorism
3. Aggregate limit to apply per location
4. Borrower’s coverage is primary and non-contributory with any insurance or self-insurance carried by U.S. Bank National Association.
5. Waiver of Subrogation against any party whose interests are covered in the policy. Additional Insured Endorsement naming U.S. Bank National Association as an additional insured with a 30-day notice to Lender in the event of cancellation, nonrenewal or material change. A Severability of Interests provision should be included.

III. WORKER’S COMPENSATION

An ORIGINAL Certificate of Worker’s Compensation coverage in the statutory amount, and Employer’s Liability Coverage with minimum limits of \$500,000/\$500,000/\$500,000, naming the General Contractor and written by a carrier approved by Lender.

EXHIBIT "D"

PERMITTED ENCUMBRANCES

As utilized in this Loan Agreement, the defined term "Permitted Encumbrances" shall have the same meaning ascribed thereto in the Deeds of Trust.

EXHIBIT "E"

DISBURSEMENT REQUEST

Disbursement No. _____

The undersigned, on behalf of Borrower, hereby requests a Disbursement in the amount, and on the date, set forth below, pursuant to that certain Loan Agreement ("Agreement") dated May __, 2010, among the CITY OF SAN JOSÉ, a municipal corporation and chartered city, duly organized and existing under the laws of the State of California ("Issuer" and "Lender"), FOURTH STREET APARTMENTS, L.P., a California limited partnership ("Borrower"), and U.S. BANK NATIONAL ASSOCIATION ("Bondholder" and "Bondowner Representative"). Capitalized terms used and not otherwise defined herein shall have the meanings set forth for them in the Agreement.

REQUESTED AMOUNT: _____

REQUESTED DATE: _____

ACCOUNT NUMBER: _____

Borrower hereby represents and warrants to Bondowner Representative that:

1. The requested Disbursement is for a portion of the proceeds of the [Construction] [Convertible] Loan (as defined in the Agreement) and shall be applied to pay Project Costs in accordance with the Approved Budget and the itemized payment request attached hereto.
2. All costs shown in all prior Disbursement Requests (and payment requests) have been paid in full, Borrower has received valid lien releases or waivers from all contractors, subcontractors and materialmen with respect to all payments made for work and materials, and Borrower has no knowledge of any mechanic's lien claims (or any basis therefor) against the Property.
3. The Project is being constructed in accordance with the Plans, all recommendations in the approved soils report, and all applicable governmental requirements, and work on the Project has progressed to the point indicated on the attached payment request.
4. The attached payment request is an accurate and complete statement of all amounts previously paid or now due and all amounts expected to be incurred in connection with the completion of the Project.
5. All changes in the Plans, if any, have been made in accordance with the Agreement and there has been no changes in the Approved Budget or the expectations of the Borrower that the Project will be timely completed and within the scope of the Approved Budget.
6. All representations and warranties in the Agreement are true and correct as of the date of this request, including without limitation, the tax covenants set forth in Section 8.17 of the

Agreement, no Event of Default remains uncured, and no event has occurred which, with the giving of notice or the passage of time or both, would constitute an Event of Default.

DATE: _____

Designated Representative

Contractor hereby certifies that the representations, warranties and certifications set forth in Paragraphs 1 through 6 above, are true and correct to the best of Contractor's knowledge after due investigation and verification.

Contractor

CONSENTED TO BY
BONDOWNER REPRESENTATIVE:

APPROVED BY
[ENGINEER] [ARCHITECT]:

[APPROVED CHANGE ORDERS:]

[Order No. Work Item Amount Approved Date]

EXHIBIT "F"

LOAN DOCUMENTS

The instruments and documents required to be executed, acknowledged (if necessary for recording) and delivered to Lender and Bondowner Representative, in each case in form and content satisfactory to Lender and Bondowner Representative, are as follows:

1. Documents to be executed and delivered by Borrower:
 - (a) Bond Purchase Agreement;
 - (b) Supplemental Agreement;
 - (c) Agreement;
 - (d) Construction Note;
 - (e) Convertible Note;
 - (a) Ground Leasehold Deed of Trust;
 - (b) Assignment of Leases;
 - (c) Disbursement Agreement;
 - (d) Hazardous Materials Agreement;
 - (e) Access Laws Certificate and Indemnity;
 - (f) Judicial Reference Agreement;
 - (g) Assignment of Construction Contract;
 - (h) Assignment of Architect's Contract and Plans and Specifications;
 - (i) Assignment to Borrower of Architect's Contract;
 - (j) Assignment of Development Agreement;
 - (k) Assignment of Property Management Contract;
 - (l) Collateral Assignment of Rights to Tax Credits;
 - (m) Subordination Agreements;
 - (n) Tri-Party Agreements; and
 - (o) [Swap Agreement.]

2. Documents to be executed by Guarantor:
 - (a) Guaranty executed by Guarantor;
 - (b) Judicial Reference Agreement;
 - (c) Hazardous Materials Agreement; and
 - (d) Access Laws Certificate and Indemnity.
3. Other documents to be executed by third parties:
 - (a) Bond Purchase Agreement;
 - (b) Fee Deed of Trust;
 - (c) Assignment Deeds of Trust;
 - (d) Consent to Assignment of Contractor's Contract, executed by Contractor;
 - (e) Consent to Assignment of Architect's Contract, executed by Architect;
 - (f) Consent to Assignment of Development Agreement, executed by Developer;
 - (g) Consent to Property Management Agreement, executed by Property Manager;
 - (h) Subordination Agreements;
 - (i) Tri-Party Agreements; and
 - (j) Architect's and Surveyor's Certificates.
4. Formation and authorization-related documents:
 - (a) a partnership borrowing authorization pursuant to which all of the General Partners authorize the execution, delivery and performance of the Loan Documents;
 - (b) copies of Borrower's amended and restated limited partnership agreement, the certificate of limited partnership that has been recorded, the certificate of limited partnership that has been filed with the Secretary of State, the partnership agreement and applicable statement or certificates of partnership or articles and by-laws of any General Partner that is a partnership or corporation,

and all modifications to any of them, all certified to be true and complete by each General Partner;

- (c) a certificate of all of the partners of any partnership that is a General Partner, and a certified copy of a corporate resolution of any corporation that is a General Partner, in each case authorizing such partnership or corporation to serve as a General Partner and to sign the Loan Documents as a General Partner;
- (d) a certificate of the secretary or an assistant secretary of any corporation that is a General Partner with respect to the incumbency of the officers who sign the Loan Documents; and
- (e) copies of all organizational documents, certification, authorizations, and other evidence of similar importance as described in subparagraph (a) through (d) above with respect to the Guarantor.

5. Other documents:

- (a) all financial statements of Borrower, each General Partner and Guarantor (i) required by Lender or Bondowner Representative or (ii) necessary to provide Lender and Bondowner Representative with a true and complete knowledge of the financial condition of Borrower and Guarantor; and
- (b) all other documents, opinions, instruments, certificates and other materials reasonably required by Lender or Bondowner Representative, including without limitation, judgment and lien searches in appropriate jurisdictions for the Borrower, its Partners and the Guarantor.

EXHIBIT "G"

SCHEDULE OF REQUIRED EQUITY CONSTRUCTION DEPOSITS*

Installment	Amount of Installment	Due Date of Contribution
1	\$	Issuance Date
2	\$	Per Section ____ of the Partnership Agreement
3	\$	Per Section ____ of the Partnership Agreement
4	\$	Per Section ____ of the Partnership Agreement
Total	\$	

* Subject to the operative terms and conditions of the Partnership Agreement set forth in the Partnership Agreement as of the Issuance Date (as defined in this Agreement). Unless otherwise specified, terms with initial capital letters in this Exhibit "G" shall have the meanings ascribed thereto in the Partnership Agreement.

EXHIBIT "H"
APPROVED BUDGET

EXHIBIT "I"
SOURCES OF CONSTRUCTION FUNDS SCHEDULE