

BORROWER LOAN AGREEMENT

by and among

CITY AND COUNTY OF SAN FRANCISCO

as Governmental Lender,

UNION BANK, N.A.,

as Funding Lender

and

TENDERLOIN FAMILY HOUSING, L.P.

a California limited partnership,

as Borrower

Dated: December 1, 2013

relating to:

\$20,915,874

**City and County of San Francisco
Multifamily Housing Revenue Note,
(Tenderloin Family Housing)
2013 Series C**

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BORROWER LOAN AGREEMENT

THIS BORROWER LOAN AGREEMENT (this “Borrower Loan Agreement” or this “Agreement”) is entered into as of December 1, 2013 among the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation organized and existing under the laws of the State of California (together with its successors and assigns, the “Governmental Lender”), TENDERLOIN FAMILY HOUSING, L.P., a California limited partnership (together with its successors and assigns, the “Borrower”), and UNION BANK, N.A., in its capacity as the funding lender hereunder (together with any successor to its rights, duties and obligations hereunder, the “Funding Lender”).

RECITALS

WHEREAS, Borrower has requested that Governmental Lender provide a construction and permanent loan to Borrower to finance the construction of the Improvements on the Real Property; and

WHEREAS, Borrower owns or will own, concurrently with the first loan disbursement under this Agreement, the Real Property; and

WHEREAS, Borrower intends to construct an affordable housing apartment project on the Real Property; and

WHEREAS, Governmental Lender, Funding Lender, in its capacity as funding lender, and Union Bank, N.A., in its capacity as fiscal agent, have entered into the Funding Loan Agreement, dated as of December 1, 2013 (the “Funding Loan Agreement”) whereby Funding Lender has agreed to make the Funding Loan to Governmental Lender for the sole purpose of making funds available to the Governmental Lender to make the Borrower Loan to Borrower pursuant to this Agreement in the manner and on the terms set forth in the Funding Loan Agreement, which terms include, without limitation, the obligation of the Governmental Lender to make loan payments to the Funding Lender for amounts received by Governmental Lender from Borrower pursuant to this Agreement and the Borrower Note in repayment of the amounts loaned to Governmental Lender under the Funding Loan Agreement as evidenced by the Governmental Lender Note. Governmental Lender has irrevocably pledged and assigned to Funding Lender, as security for Governmental Lender’s obligations to repay amounts due under the Governmental Lender Note and its obligations under the Funding Loan Agreement, all right, title and interest to the Borrower Loan Documents (other than the Reserved Rights, as defined in the Funding Loan Agreement), including all rights to payments with respect to the Borrower Note. Upon the execution of the Governmental Lender Note, all right, title and interest of Governmental Lender under and in the Borrower Loan (other than the Reserved Rights, as defined in the Funding Loan Agreement) will be assigned by Governmental Lender to Funding Lender pursuant to the Funding Loan Agreement and the Assignment of Deed of Trust; and

WHEREAS, All of the rights, powers, elections, determinations, remedies, duties and functions of Governmental Lender hereunder (other than the Reserved Rights, as defined in the Funding Loan Agreement) may be exercised and performed on behalf of Governmental Lender by Funding Lender unless and until the assignment to Funding Lender is terminated, modified,

assigned, in whole or in part, or otherwise amended in accordance with the provisions of the Funding Loan Agreement; and

WHEREAS, Subject to the execution of the Funding Loan Agreement and the terms and conditions of this Agreement, Governmental Lender is willing to make the Borrower Loan to Borrower; and

NOW, THEREFORE, in consideration of the premises and the mutual representations, covenants and agreements herein contained, the parties hereto do hereby agree as follows:

ARTICLE I **DEFINITIONS**

1.1 **Specific Definitions.** For all purposes of this Borrower Loan Agreement, except as otherwise expressly provided or unless the context otherwise requires:

1.1.1 Unless specifically defined herein, all capitalized terms shall have the meanings ascribed to thereto in the Funding Loan Agreement.

1.1.2 All references in this instrument to designated “Articles,” “Sections” and other subdivisions are to the designated Articles, Sections and subdivisions of this instrument as originally executed.

1.1.3 All references in this instrument to a separate instrument are to such separate instrument as the same may be amended or supplemented from time to time pursuant to the applicable provisions thereof.

1.1.4 Unless otherwise specified, (i) all references to sections and schedules are to those in this Borrower Loan Agreement, (ii) the words “hereof,” “herein” and “hereunder” and words of similar import refer to this Borrower Loan Agreement as a whole and not to any particular provision, (iii) all definitions are equally applicable to the singular and plural forms of the terms defined and (iv) the word “including” means “including but not limited to.”

“**Acceptable Unit Lease**” means a lease agreement on a lease form approved by Funding Lender which is entered into by and between Borrower and the lessee of a Unit and the terms (including the amount of rent payments) of which comply with the provisions of all Regulatory Agreements and the Subordinate Lender Documents.

“**Act**” shall mean the Charter of the City and County of San Francisco, Article I of Chapter 43 of the Administrative Code of the City of County of San Francisco Municipal Code and Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code, as amended.

“**Advance**” means each disbursement of proceeds of the Borrower Loan made pursuant to this Agreement.

“**Aggregate Change Order Limit**” means \$100,000.

“**Agreement**” means this Borrower Loan Agreement, dated as of December 1, 2013, among the Borrower, the Governmental Lender, and the Funding Lender.

“**Agreement to Furnish Insurance**” means the Agreement to Furnish Insurance dated as of the Contract Date executed by Borrower in favor of Governmental Lender and Funding Lender, as the same may from time to time be amended, modified or supplemented.

“**Allocation Committee**” means the California Tax Credit Allocation Committee and any successor governmental agency appointed to carry out the obligations of the Allocation Committee.

“**Amortization Date**” means the first day of the calendar month after the Outside Conversion Date.

“**Appraisal**” means an appraisal or reappraisal of the Property (complying with Funding Lender’s appraisal policy) performed or to be performed by a certified real estate appraiser engaged by Funding Lender.

“**Appraised Value**” means the market value of the Property as determined by Funding Lender in its business judgment, reasonably exercised, based upon an Appraisal.

“**Architect**” means Paulett Taggart Architects or such other architect as may be approved by Funding Lender.

“**Architect’s Agreement**” means the agreement between Borrower and Architect relating to the design and construction of the Improvements.

“**Assignment of Construction Contract**” means the Assignment of Construction Contract dated as of the Contract Date executed by Borrower in favor of Governmental Lender and Funding Lender, as the same may from time to time be amended, modified or supplemented.

“**Assignment of Hedge**” is defined in Section 7.49.5.

“**Assignment of Partnership Interest (GP)**” means an Assignment of Partnership Interest dated as of the Contract Date executed by each General Partner in favor of Governmental Lender and Funding Lender as additional collateral security for the performance of the Borrower’s obligations under the Borrower Loan Documents, assigning to Governmental Lender and Funding Lender all of each such General Partner’s rights as a general partner in Borrower.

“**Assignment of Plans and Specifications**” means the Assignment of Architect’s Agreement, Plans and Specifications dated as of the Contract Date executed by Borrower, in favor of Governmental Lender and Funding Lender, as the same may from time to time be amended, modified or supplemented.

“**Assignment of Tax Credits and Partnership Interests**” means an Assignment of Rights to Tax Credits and Partnership Interest dated as of the Contract Date executed by Borrower in favor of Governmental Lender and Funding Lender as additional collateral security

for the performance of Borrower's obligations under the Borrower Loan Documents, assigning to Governmental Lender and Funding Lender all of Borrower's rights under the Tax Credit Allocation Documents including, without limitation, the right to receive the Tax Credits set forth under the Tax Credit Allocation Documents and any interest Borrower may have in any partnership interest of Tax Credit Investor in the Borrower.

"Bonded Work" means offsite, common area, or other improvements required by a Governmental Authority or for which bonds may be required in connection with the development of the Real Property.

"Borrower" means Tenderloin Family Housing, L.P., and its successors and assigns.

"Borrower's Equity" means as of any date of determination, Borrower's funds expended on Project costs in accordance with this Agreement as of such date, including Borrower's Funds and capital contributions made by the Tax Credit Investor, but excluding proceeds of the Borrower Loan, as determined by Funding Lender in its sole discretion.

"Borrower's Funds" means all funds of Borrower deposited into Borrower's Funds Account pursuant to the terms of this Agreement, to be disbursed in payment of Construction Costs as more particularly set forth in this Agreement.

"Borrower's Funds Account" means an account with Funding Lender into which Borrower's Funds shall be deposited as provided for in Section 7.2 or any other provision of this Agreement.

"Borrower Loan" means the loan in the maximum principal amount of \$20,915,874 made by the Governmental Lender to Borrower pursuant to this Agreement.

"Borrower Loan Documents" means this Agreement, the Note, the Tax-Exempt Regulatory Agreement, the Deed of Trust, the Guaranty, the ECA, the Security Documents, the Financing Statements, the Agreement to Furnish Insurance, any Hedge Documents, the Indemnity Agreement and all other agreements, instruments and documents (together with amendments, supplements and replacements thereto) now or hereafter executed and delivered to Governmental Lender or Funding Lender in connection with the Borrower Loan.

"Borrower Note" means the Promissory Note (Multifamily Housing Back to Back Loan Program) dated as of the Contract Date from Borrower, as maker, in favor of Governmental Lender in the original principal amount of the Borrower Loan.

"Business Day" means (i) Except as otherwise provided in clause (ii) below, a day which is not a Saturday or Sunday on which banks in the State of California are open for business for the funding of corporate loans, or (ii) for use only in connection with the definition of LIBOR Rate, a day which is both a New York Banking Day and a London Banking Day.

"Capital Improvement Reserve Account" means a non-interest bearing account established with Funding Lender by Borrower at the time of Conversion for the purpose of

funding any capital improvements which are necessary for the continued operation of the Property.

“**Cash Collateral Assignment and Security Agreement**” shall mean that certain Cash Collateral Assignment and Security Agreement dated December 1, 2013, by and among Borrower, Sponsor, Funding Lender, and Union Bank, N.A., as escrow agent, whereby the Sponsor will deposit with the escrow agent \$[1,000,000] of Sponsor Loan funds pursuant to the terms thereof.

“**Certification of Plans and Specifications**” means the Certification of Plans and Specifications dated as of the Contract Date from Borrower to Governmental Lender and Funding Lender, as the same may from time to time be amended, modified or supplemented.

“**Change Order**” means any change or supplement to the Plans, Construction Contract or subcontract as permitted by this Agreement.

“**Closing Date**” shall mean the date on which the Deed of Trust is recorded and the Initial Advance is made.

“**Code**” means the Internal Revenue Code of 1986, as amended; including (a) any successor internal revenue law and (b) the applicable regulations promulgated thereunder whether final, temporary or proposed under the Code or such successor law.

“**Collateral Agent**” shall mean the collateral agent pursuant to the Cash Collateral Assignment and Security Agreement.

“**Commercial Master Lease Agreement**” means the Commercial Master Lease Agreement [CHECK] by and between Borrower, as landlord, and Commercial Tenant, as tenant, covering the portion of the Project to be used as commercial retail space.

“**Commercial Master Lease Subordination Agreement**” means the Subordination Agreement executed by Borrower and Commercial Tenant in favor of Funding Lender and Governmental Lender pursuant to which the Commercial Master Lease Agreement is subordinated to the lien and effect of the Deed of Trust.

“**Commercial Tenant**” means _____. [CHECK]

“**Completion Date**” means the date of Project Completion, which date shall not be later than December 31, 2014. [CHECK]

“**Conditions to Conversion**” means the conditions precedent to Conversion as listed in Section 3.2.2 below.

“**Consent to Assignment (LP)**” means a Consent to Assignment of Partnership Interest of even date of the Agreement executed by the Tax Credit Investor, consenting to the General Partner’s assignment to Governmental Lender and Funding Lender of its general partnership interest in the Borrower as additional collateral security for the performance of the Borrower’s obligations under the Borrower Loan Documents.

“**Construction Contract**” means the agreement between Borrower and Contractor relating to the construction of the Improvements.

“**Construction Costs**” means all costs approved by Funding Lender relating to the construction of the Improvements or otherwise pertaining to the Property, as set forth in the Detailed Cost Breakdown.

“**Construction Phase**” means the period from the Closing Date through and including the date immediately preceding the Conversion Date.

“**Contract Date**” means December 1, 2013.

“**Contractor**” means James E. Roberts-Obayashi Corporation, or such other contractor as may be approved by Funding Lender, or Borrower acting in the capacity of general contractor.

“**Conversion**” means the conversion of the Borrower Loan from the Construction Phase to the Permanent Phase.

“**Conversion Date**” means the date on which all Conditions to Conversion have been satisfied, as such date is established by Funding Lender in the Conversion Notice. The Conversion Date shall be the first day of the calendar month following the month in which Funding Lender issues the Conversion Notice, but in no event later than the Outside Conversion Date.

“**Conversion Election Notice**” means written notice delivered by Borrower to Funding Lender that Borrower has elected to convert the Borrower Loan from the Construction Phase to the Permanent Phase.

“**Conversion Notice**” means written notice delivered by Funding Lender to Borrower that the Conditions to Conversion have been fully satisfied.

“**Debt Coverage Ratio**” means the ratio of (i) the annual stabilized Net Operating Income for the Property during a particular period of time, to (ii) the assumed combined interest and principal payment for the Permanent Phase that would be required based upon the projected outstanding principal balance of the Note as of the Conversion Date, a fixed interest rate on the Borrower Note equal to the fixed rate of the Hedge (inclusive of the Margin) and monthly amortization payments on the Borrower Note based upon a three hundred sixty (360) month amortization period and any secondary financing permitted pursuant to the Borrower Loan Documents which is not payable solely from cash flows of the Project.

“**Deed of Trust**” means the Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Construction Trust Deed) (Multifamily Housing Back to Back Loan Program) dated as of the Contract Date from Borrower, as trustor, for the benefit of Governmental Lender and Funding Lender, as beneficiary, as the same may from time to time be amended, modified or supplemented.

“**Deed of Trust Assignment**” means the Assignment of Deed of Trust and Related Documents dated as of the Contract Date by Governmental Lender in favor of Funding Lender.

“**Default Rate**” means a rate equal to 5% more than the Variable Rate.

“**Detailed Cost Breakdown**” means an itemized schedule on a component, unit and trade breakdown basis showing all costs and expenses required for construction of the Improvements in accordance with the Plans, which has been submitted to and approved by Funding Lender.

“**Disbursement Schedule**” means the schedule or schedules for disbursement of the Advances and of Borrower’s Funds, if any, set forth on Exhibit B, which may be amended from time to time by reallocations made in accordance with Section 5.5.

“**Draw Request**” means the certified invoice to be delivered by Borrower to Funding Lender as a condition to Governmental Lender making an Advance, in such form and certified by such parties as required by Funding Lender, together with such schedules, affidavits, releases, waivers, statements, invoices, bills, and other documents, certificates and information as may be required by Funding Lender.

“**ECA**” means the Environmental Compliance Agreement, dated as of the Contract Date by Borrower in favor of Governmental Lender and Funding Lender, as the same may from time to time be amended, modified or supplemented.

“**Event of Default**” is defined in Section 8.

“**Extended Use Agreement**” means an “extended low-income housing commitment” as defined in Section 42(h)(6)(B) of the Code.

“**Financial Statements**” means balance sheets, income statements, statements of retained earnings with supporting schedules and such other financial reports as Funding Lender may require, in form and content acceptable to Funding Lender.

“**Financing Statements**” means all UCC financing statements required in connection with the Borrower Loan.

“**First Payment Date**” means January 1, 2014.

“**Fiscal Agent**” means the Fiscal Agent from time to time under the Funding Loan Agreement. Initially the Fiscal Agent shall be Union Bank, N.A.

“**Funding Date**” means the date on which the Initial Disbursement is made.

“**Funding Lender**” means Union Bank, N.A. (i) acting in its capacity as owner of the Governmental Lender Note and as assignee of and agent under this Agreement for the Governmental Lender pursuant to the Funding Loan Agreement, and (ii) its successors and assigns.

“**Funding Loan Agreement**” means the Funding Loan Agreement dated as of December 1, 2013 among the Governmental Lender, the Funding Lender and Fiscal Agent in connection with the issuance of the Governmental Lender Note.

“**Funding Loan Documents**” is defined in the Funding Loan Agreement.

“**Governmental Lender Note**” is defined in the Funding Loan Agreement.

“**General Partner(s)**” means Tenderloin Family Housing LLC, a California limited liability company.

“**Governmental Authority**” means any federal, state or local governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality or public body, court, administrative tribunal or public or private utility having authority over the Property or its utilization.

“**Governmental Lender**” means the City and County of San Francisco.

“**Governmental Requirement**” means any law, statute, order, ordinance, rule, regulation, permit or act of a Governmental Authority.

“**Gross Operating Income**” means the sum of any and all payments, fees, rentals, additional rentals (but specifically excluding any amounts received from tenant-based vouchers or other rent subsidies in excess of then maximum rents permitted under the Regulatory Agreements), expense reimbursements (including, without limitation, all reimbursements by tenants, subtenants, licensees and other users of the Property), income, interest, and other monies received directly or indirectly by or on behalf of Borrower from any Person with respect to Borrower’s ownership, use, development or operation of the Property, including, without limitation, any leasing or licensing of the Property. Gross Operating Income shall be computed on a cash basis and shall include for each monthly statement all amounts actually received in such month whether or not such amounts are attributable to a charge arising in such month.

“**Guarantor**” means any Person who executes a Guaranty in connection with the Borrower Loan.

“**Guaranty**” means Funding Lender’s standard form Loan and Completion Guaranty, Loan Guaranty, Completion Guaranty or Interest and Maintenance Guaranty, as the case may be entered into in connection with the Borrower Loan.

“**Hedge**” is defined in Section 7.49.

“**Hedge Documents**” is defined in Section 7.49.

“**Improvements**” shall mean the 175-unit multifamily residential project to be constructed, equipped and improved upon the Real Property and known or to be known as Tenderloin Family Housing, and all other buildings, structures, fixtures, wiring, systems, equipment and other improvements and personal property to be constructed and/or installed at or on the Land in accordance with the Detailed Cost Breakdown and the Plans.

“**Indemnified Parties**” shall have the meaning ascribed to it in Section 7.24 below.

“**Indemnity Agreement**” means any Indemnity Agreement entered into in connection with the Borrower Loan.

“**Initial Disbursement**” means the initial Advance made by Governmental Lender to Borrower pursuant to this Agreement.

“**Interest Change Date**” means the First Payment Date and the first day of each calendar month thereafter.

“**Interest Period**” means the period of time from one Interest Change Date to (but excluding) the next Interest Change Date or the Maturity Date, as the case may be.

“**Interest Reserve**” means the portion of the Project Budget allocated for the payment of interest due under this Agreement.

“**Late Charge**” means an amount equal to 6% of any delinquent payment of amounts due from Borrower under the Borrower Loan Documents.

“**Leases**” means all leases of any portion of the Property and all amendments, guaranties and subleases relating thereto.

“**LIBOR Rate**” means as of any given date, a per annum rate of interest equal to the rate for U.S. Dollar deposits for a period of one month or, for the Stub Period, for a period equal to the number of days in the Stub Period which appears on the Reuters Screen LIBOR01 Page as of 11:00 a.m., London time, on the day that is two Business Days preceding such date. Should the LIBOR Rate cease to be available for any reason, then said rate shall be replaced by a rate which, in the sole discretion of Funding Lender, most closely approximates the unavailable LIBOR Rate.

“**Limited Partner**” means Union Bank, N.A.

“**Liquid Assets**” means immediately available cash, bank deposits, accounts and mutual funds; obligations of or guaranteed by the U.S. government or an agency thereof; and stocks, bonds and other debt instruments regularly traded on the New York, American or NASDAQ stock exchange which can be readily converted into cash.

“**Loan Fee**” means \$135,953.18. [CHECK]

“**Loan Party**” means any general partner, managing member, joint venturer, trustee or trustor of Borrower, as applicable and any Guarantor.

“**Loan-to-Value Ratio**” means the ratio of (i) then outstanding indebtedness in connection with the Borrower Loan and any secondary financing permitted pursuant to the Borrower Loan Documents to (ii) the Appraised Value of the Property.

“**London Banking Day**” means a day in which dealings in U.S. Dollar deposits in London, England may be carried on by Funding Lender.

“**Margin**” means 1.5% prior to the Conversion Date and 2.00% on and after the Conversion Date.

“**Maturity Date**” means June 1, 2030. [CHECK]

“**Maximum Lawful Rate**” 12%.

“**MOH**” means the City of San Francisco Mayor’s Office of Housing.

“**MOH Deed of Trust**” means the deed of trust executed by Borrower for the benefit of MOH, encumbering the Project and securing repayment of amounts owing under the MOH Note, the lien of which is to be subject and subordinate to the lien of the Deed of Trust.

“**MOH Documents**” means the MOH Note, the MOH Deed of Trust, the MOH Subordination Agreement, the MOH Loan Agreement, the MOH Restrictions and all other documents and instruments evidencing, securing or pertaining to the MOH Loan.

“**MOH Loan**” means the \$660,000 [CHECK] loan made by MOH to Borrower pursuant to the terms of the MOH Loan Agreement to cover, among other things, certain _____ [CHECK] costs for the Project.

“**MOH Loan Agreement**” means the Loan Agreement [CHECK] entered into by and between Borrower and MOH pursuant to the terms of which MOH shall make to Borrower the MOH Loan.

“**MOH Note**” means the \$660,000 [CHECK] Promissory Note Secured by Deed of Trust [CHECK], made by Borrower to the order of the MOH, evidencing all amounts disbursed under the MOH Loan.

“**MOH Restrictions**” That certain _____ [CHECK] dated _____, [CHECK] executed by Borrower for the benefit of MOH in connection with the MOH’s making the MOH Loan.

“**MOH Subordination Agreement**” means a Subordination Agreement in form and substance satisfactory to Funding Lender, executed by MOH and Funding Lender, and joined by Borrower, pursuant to which MOH shall unconditionally subordinate the lien and effect of the MOH Deed of Trust and the MOH Restrictions to the lien and effect of the Deed of Trust.

“**Net Operating Income**” means Gross Operating Income less Operating Expenses.

“**New York Banking Day**” means a day which is not a Saturday or Sunday on which banks in New York City, New York are open for business for the funding of corporate loans.

“**Offsite Materials**” means materials to be incorporated into the Improvements or used in connection with the construction of the Improvements that are stored at a location other than the Real Property.

“**Onsite Materials**” means materials to be incorporated into the Improvements or used in connection with the construction of the Improvements that are stored on the Real Property.

“**Operating Expenses**” means the following expenses to the extent that such expenses are reasonable in amount and customary for properties of a type similar to the Property, as determined by Funding Lender in its sole discretion: (A) real property taxes and assessments imposed upon the Property, (B) premiums for insurance of the Property, including casualty and liability insurance, (C) reserves for capital expenditures, leasing commissions and tenant improvements, as determined by Funding Lender in its business judgment, reasonably exercised, and (D) the greater of (i) operating expenses actually incurred by Borrower in connection with the management, operation, cleaning, leasing, maintenance and repair of the Property or any part thereof, and (ii) the operating expenses set forth in the Appraisal. Operating Expenses shall be calculated on an accrual basis and shall not include any interest or principal payments due in respect of the Borrower Loan or any allowance for depreciation and similar noncash charges.

“**Operating Statement**” means a monthly, quarterly or annual statement that shows in detail the amounts and sources of Gross Operating Income, the amounts and nature of Operating Expenses, and Net Operating Income, in each case for the preceding calendar month, quarter or year. The Operating Statement shall be prepared in accordance with accounting practices and principles acceptable to Funding Lender and consistently applied and in a form satisfactory to Funding Lender.

“**Outside Conversion Date**” means June 1, 2015.

“**Partnership Agreement**” means Borrower’s agreement of limited partnership, as the same may be amended from time to time.

“**Paydown Amount**” means the amount by which (a) the current outstanding principal amount of the Note, plus all accrued but unpaid interest thereon, exceeds (b) the lesser of (i) the Projected Permanent Phase Loan Amount and (ii) the maximum outstanding principal balance of the Borrower Loan in order for the Property to satisfy the Debt Coverage Ratio pursuant to Exhibit D (o) as of the Conversion Date, which Paydown Amount shall be applied towards the payment of principal balance outstanding and accrued and unpaid interest under the Borrower Loan and all other amounts due and owing under the Borrower Loan Documents and the Funding Loan Documents.

“**Permanent Phase**” means the period from the Conversion Date and ending on the Maturity Date.

“**Permitted Liens**” means any easements and restrictions listed in a schedule of exceptions to coverage in the Title Policy as required by the Borrower Loan Documents.

“**Person**” means any natural person or entity, including any corporation, partnership, joint venture, limited liability company, trust, trustee, unincorporated organization or Governmental Authority.

“**Personal Property**” means any tangible or intangible personal property described in the Deed of Trust or Security Documents that is security for the Borrower Loan.

“**Plans**” means the final plans and specifications for construction of the Improvements (including any applicable general conditions), prepared by Architect and approved by Funding Lender as required herein, and all amendments and modifications thereof made pursuant to Change Orders.

“**Preliminary Reservation**” means that certain Tax Exempt Reservation Letter dated December 12, 2012, issued by the Allocation Committee.

“**Project Budget**” means the cost itemization (set forth in Exhibit B-1 hereto) of the total amount needed by Borrower to construct the Improvements and to perform Borrower’s other obligations under the Borrower Loan Documents, which itemization may be amended from time to time in accordance with this Agreement.

“**Project Completion**” means the date of completion of construction of the Project and issuance of all licenses and permits necessary for the occupancy and use of the Units such that the Project shall be considered “placed in service” for purposes of the provisions of Section 42 of the Code, which date of completion shall not be later than the Completion Date.

“**Projected Permanent Phase Loan Amount**” means \$7,159,000.

“**Property or Project**” means the Real Property, the Improvements and the Personal Property.

“**Qualified Allocation Plan**” means the Qualified Allocation Plan adopted by the Allocation Committee from time to time in accordance with the provisions of Section 42(m) of the Code.

“**R&T Code**” means the California Revenue and Taxation Code, as amended from time to time thereto. Any reference to a particular provision of the R&T Code shall include any amendment of such provision.

“**Real Property**” means that certain real property described in Exhibit A hereto.

“**Recorded Documents**” means the Regulatory Agreements, the Deed of Trust, the Deed of Trust Assignment, and the Subordination Agreements.

“**Regulatory Agreements**” means all regulatory agreements and restrictions (including, without limitation, the Tax-Exempt Regulatory Agreement, the Extended Use Agreement, the MOH Restrictions, the TCAC Regulatory Agreement and the RHCP Restrictions) now or hereafter encumbering the Property setting forth restrictions with respect to the leasing, maintenance and use of the Units.

“Rent Restrictions” The occupancy and rent restrictions contained in the Regulatory Agreements.

“RHCP Assignment and Assumption Agreement” shall mean that certain assignment and assumption agreement whereby Seller assigned, and Borrower assumed, all of its right, title and interest in the RHCP Documents to Borrower.

“RHCP Lender” means the State of California Housing and Community Development Department.

“RHCP Deed of Trust” means the deed of trust executed by Seller for the benefit of RHCP Lender, encumbering the Project and securing repayment of amounts owing under the RHCP Note, the lien of which is to be subject and subordinate to the lien of the Deed of Trust.

“RHCP Documents” means the RHCP Note, the RHCP Deed of Trust, the RHCP Subordination Agreement, the RHCP Loan Agreement, RHCP Restrictions, RHCP Assignment and Assumption Agreement and all other documents and instruments evidencing, securing or pertaining to the RHCP Loan.

“RHCP Loan” means the \$14,445,456 [CHECK] loan made by RHCP Lender to Seller pursuant to the terms of the RHCP Loan.

“RHCP Loan Agreement” means the Loan Agreement [CHECK] entered into by and between Seller and RHCP Lender pursuant to the terms of which RHCP Lender made to Seller the RHCP Loan.

“RHCP Note” means the \$14,445,456 [CHECK] Promissory Note Secured by Deed of Trust [CHECK], made by Seller to the order of the RHCP Lender, evidencing all amounts disbursed under the RHCP Loan.

“RHCP Restrictions” That certain Rental Housing Construction Program Regulatory Agreement dated June 8, 1992, executed Seller, for the benefit of RHCP Lender, and recorded on June 10, 1994, in Reel F645, Image 1055 under Recorder’s Serial Number F136624, in the official records of San Francisco County, California, as amended. in connection with the RHCP Lender’s making the RHCP Loan.

“RHCP Subordination Agreement” means a Subordination Agreement in form and substance satisfactory to Funding Lender, executed by RHCP Lender and Funding Lender, and joined by Borrower, pursuant to which RHCP Lender shall unconditionally subordinate the lien and effect of the RHCP Deed of Trust and RHCP Restrictions to the lien and effect of the Deed of Trust.

“Security Documents” means any agreements granting a security interest in collateral securing the Borrower Loan other than the Deed of Trust, including without limitation, assignments and consents to assignments of the Architect’s Agreement, Construction Contract, if any, Plans, any property management agreement or asset management agreement, the Assignment of Tax Credits and Partnership Interests, the Assignment of Partnership Interest

(GP), the Cash Collateral Assignment and Security Agreement, and the Assignment of Hedge (if any).

“**Seller**” means 201 Turk Street, L.P., a California limited partnership.

“**Seller Deed of Trust**” means the deed of trust executed by Borrower for the benefit of Seller, encumbering the Project and securing repayment of amounts owing under the Seller Note, the lien of which is to be subject and subordinate to the lien of the Deed of Trust.

“**Seller Documents**” means the Seller Note, the Seller Deed of Trust, the Seller Subordination Agreement, and all other documents and instruments evidencing, securing or pertaining to the Seller Loan.

“**Seller Loan**” means the \$1,000,000 [**CHECK**] loan made by Seller to Borrower, which loan funds shall be sourced from an AHP loan to Seller, pursuant to the terms of the Seller Documents to cover, among other things, certain acquisition costs for the Project.

“**Seller Note**” means the \$1,000,000 [**CHECK**] Seller Carryback Note [**CHECK**], made by Borrower to the order of the Seller, evidencing all amounts disbursed under the Seller Loan.

“**Seller Subordination Agreement**” means a Subordination Agreement in form and substance satisfactory to Funding Lender, executed by Seller and Funding Lender, and joined by Borrower, pursuant to which Seller shall unconditionally subordinate the lien and effect of the Seller Deed of Trust to the lien and effect of the Deed of Trust.

“**Set Aside Letter**” means any letter or letters to any Governmental Authority or Surety whereby Funding Lender agrees to allocate proceeds of the Borrower Loan for construction of Bonded Work.

“**Single Change Order Limit**” means \$50,000.

“**Sponsor**” means the Chinatown Community Development Center, Inc., a California nonprofit public benefit corporation.

“**Sponsor Deed of Trust**” means the Deed of Trust with Assignment of Rents executed by Borrower for the benefit of Sponsor, encumbering the Project and securing repayment of amounts owing under the Sponsor Note, the lien of which is to be subject and subordinate to the lien of the Deed of Trust.

“**Sponsor Documents**” means the Sponsor Note, the Sponsor Deed of Trust, the Sponsor Subordination Agreement, the Sponsor Loan Agreement and all other documents and instruments evidencing, securing or pertaining to the Sponsor Loan.

“**Sponsor Loan**” means the \$1,531,950 [**CHECK**] loan made by Sponsor to Borrower pursuant to the terms of the Sponsor Loan Agreement to cover, among other things, certain costs for the Project.

“**Sponsor Loan Agreement**” means the Loan Agreement entered into by and between Borrower and Sponsor pursuant to the terms of which Sponsor shall make to Borrower the Sponsor Loan.

“**Sponsor Note**” means the \$1,531,950 [CHECK] Promissory Note Secured by Deed of Trust, made by Borrower to the order of the Sponsor, evidencing all amounts disbursed under the Sponsor Loan.

“**Sponsor Subordination Agreement**” means a Subordination Agreement in form and substance satisfactory to Funding Lender, executed by Sponsor and Funding Lender, and joined by Borrower, pursuant to which Sponsor shall unconditionally subordinate the lien and effect of the Sponsor Deed of Trust to the lien and effect of the Deed of Trust.

“**Stub Period**” means the period from the Funding Date through (but excluding) the first day of the calendar month following such date.

“**Subordination Agreement(s)**” means, collectively, the RHCP Subordination Agreement, MOH Subordination Agreement, Seller Subordination Agreement, Sponsor Subordination Agreement, TCAC Subordination Agreement and Master Lease Subordination Agreement.

“**Subordinate Lender**” means, collectively, MOH, RHCP Lender, Seller, and Sponsor.

“**Subordinate Lender Document(s)**” means, collectively, the RHCP Documents, MOH Documents, Seller Documents and Sponsor Documents.

“**Subordinate Lender Loan**” means, collectively, the RHCP Loan, MOH Loan, Seller Loan and Sponsor Loan.

“**Surety**” means the bonding company that issues the bonds covering the Bonded Work.

“**Tax Certificate**” means the Tax Certificate and Agreement, dated the Closing Date, between the Borrower and the Governmental Lender.

“**Tax Counsel**” means (a) Orrick, Herrington & Sutcliffe LLP, or (b) any attorney at law or other firm of attorneys selected by the Borrower and acceptable to the Governmental Lender and Funding Lender of nationally recognized standing in matters pertaining to the federal tax status of interest on tax exempt obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America, but shall not include counsel for the Borrower.

“**Tax Credit Allocation Documents**” means the Tax Credit Application, the Preliminary Reservation, IRS Form 8609 to be hereafter executed by the Allocation Committee and all other documents heretofore and hereafter submitted to, and received by the Borrower from, the Allocation Committee, and all amendments, extensions and modifications thereto.

“**Tax Credit Application**” means the 2012 Low-Income Housing Tax Credit Application submitted to the Allocation Committee to apply for Tax Credits with respect to the Project.

“**Tax Credit Investor**” means Union Bank, N.A.

“**Tax Credits**” means low income housing tax credits to be allocated under Section 42 of the Code pursuant to the terms of the Tax Credit Documents.

“**Tax-Exempt Regulatory Agreement**” means the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of December 1, 2013, by and between the Governmental Lender and the Borrower, as amended and supplemented from time to time in accordance with its terms.

“**TCAC Regulatory Agreement**” means that certain Regulatory Agreement dated December 15, 1993, by and between the Allocation Committee and Seller, whose interest was subsequently assigned to Borrower, [CHECK] and recorded on September 9, 1994, as Document No. 94-F668177-00 in the official records of San Francisco County, California, as amended.

“**TCAC Subordination Agreement**” means a Subordination Agreement in form and substance satisfactory to Funding Lender, executed by TCAC and Funding Lender, and joined by Borrower, pursuant to which TCAC shall unconditionally subordinate the lien and effect of the TCAC Regulatory Agreement to the lien and effect of the Deed of Trust.

“**Title Insurer**” means Old Republic Title Company.

“**Title Policy**” means an ALTA LP-10 Policy of Title Insurance or its equivalent acceptable to Funding Lender, naming Governmental Lender and Funding Lender as insured, with a liability limit of not less than the amount of the Borrower Loan, issued by Title Insurer, insuring that the Deed of Trust constitutes a valid first lien on the Real Property and Improvements, with only such exceptions from its coverage as shall have been approved in writing by Funding Lender, with such reinsurance or coinsurance agreements or endorsements to such policy as Funding Lender may require.

“**Transfer**” means any sale, lease or other transfer of any interest to any other Person.

“**Unit(s)**” means the 175 apartment units constituting the Improvements.

“**Variable Rate**” means a rate of Interest which bears interest with reference to a LIBOR Rate, pursuant to Section 3.1.2.

“**Variable Rate Principal**” means the outstanding principal balance of the Borrower Loan that is bearing interest at a Variable Rate.

ARTICLE II

LOAN

2.1 Purpose. The purpose of the Borrower Loan is to finance the acquisition of the Real Property and construction of the Improvements and other costs related thereto and to provide permanent financing for the Project.

2.2 Loan Terms and Conditions. Subject to the terms and conditions contained in this Agreement, as may be modified by the provisions of Exhibit C and Section 3.03 [CHECK] of the Funding Loan Agreement, Governmental Lender agrees to make the Borrower Loan to Borrower. The repayment of all amounts due in connection with the Borrower Loan shall be secured by, among other things, the Deed of Trust, the Security Documents and such other collateral as may be required by Funding Lender. Interest shall accrue and principal and interest shall be payable in accordance with the terms of this Agreement.

2.3 Loan Fee. Borrower shall pay the Loan Fee to Funding Lender in immediately available funds on or before the Closing Date. The Loan Fee shall be nonrefundable.

2.4 Full Payment and Reconveyance. Upon Governmental Lender's and Funding Lender's receipt, as applicable, of all sums owing and outstanding under the Borrower Loan Documents and under any other note or notes or any other obligation secured by the Deed of Trust, Funding Lender shall issue a full reconveyance of the Property and Improvements from the lien of the Deed of Trust; provided, however, that all of the following conditions shall be satisfied at the time of, and with respect to, such reconveyance: (a) Funding Lender shall have received all escrow, closing and recording costs, the costs of preparing and delivering such reconveyance and any sums then due and payable under the Borrower Loan Documents and the Funding Loan Documents; and (b) Funding Lender shall have received a written release satisfactory to Funding Lender of any Set Aside Letter, letter of credit or other form of undertaking that Funding Lender has issued to any Surety, Governmental Authority or any other party in connection with the Borrower Loan and/or the Property. As of the earlier of the last day of disbursement of the Funding Loan under Section 3.4(d) of the Funding Loan Agreement, or date of repayment in full of the Borrower Loan, Governmental Lender's obligation to make further disbursements under the Borrower Loan shall terminate as to any portion of the Borrower Loan undisbursed, and any commitment of Governmental Lender to lend any undisbursed portion of the Borrower Loan shall be cancelled.

2.5 Assignment of Borrower Loan Documents to Funding Lender. Borrower acknowledges that the Governmental Lender has made an assignment to the Funding Lender of all right, title and interest of the Governmental Lender in this Borrower Loan Agreement (except for the Reserved Rights, as defined in the Funding Loan Agreement), the Borrower Note, the Deed of Trust and the other Borrower Loan Documents and has appointed the Funding Lender as its agent to collect payments from the Borrower with respect to the Borrower Loan and to take all actions on behalf of Governmental Lender with respect to the Borrower Loan and the Borrower Loan Documents. Borrower hereby consents to all such assignments and the appointment of Funding Lender as agent for the Governmental Lender.

ARTICLE III **PAYMENTS; CONVERSION**

3.1 Payments.

3.1.1 General Obligation. To induce Governmental Lender to issue the Governmental Lender Note, Borrower shall pay to Funding Lender all amounts, including principal, interest and premium (if any) that become due and payable on the Governmental Lender Note, as and when such amounts become due and payable under the Governmental Lender Note. Without limitation on the foregoing, Borrower shall also pay to Funding Lender when due all other amounts described in this Agreement, as and when due and payable under this Agreement. Each such payment shall be made to the Fiscal Agent by deposit to such account as the Fiscal Agent shall designate by written notice to the Borrower.

3.1.2 Interest.

(a) At all times from and after the Funding Date to (but excluding) the Conversion Date, the outstanding principal balance of the Borrower Loan shall accrue interest at a rate which is the LIBOR Rate plus the Margin (applicable during the Construction Phase) for the then current Interest Period. The Variable Rate for the next Interest Period shall change on each Interest Change Date based on changes in the LIBOR Rate. There is no limit on the amount the Variable Rate may increase or decrease during the term of the Borrower Loan.

(b) At all times from and after the Conversion Date, the outstanding principal balance of the Borrower Loan shall accrue interest at a rate which is the LIBOR Rate plus the Margin (applicable during the Permanent Phase) for the then current Interest Period. The Variable Rate for the next Interest Period shall change on each Interest Change Date based on changes in the LIBOR Rate. There is no limit on the amount the Variable Rate may increase or decrease during the term of the Borrower Loan.

(c) At all times after the occurrence and during the continuance of an Event of Default, all principal outstanding under the Borrower Note shall accrue interest at the Default Rate.

3.1.3 Monthly Payments.

(a) Commencing on the First Payment Date and continuing on the 1st day of each calendar month thereafter through and including the Outside Conversion Date, payments in respect of the Borrower Loan shall be interest only, in arrears, on the outstanding principal of the Borrower Note at the Variable Rate. Interest shall be calculated on the basis of a year of 360 days, for actual days elapsed, prior to the Outside Conversion Date.

(b) Commencing on the Amortization Date and on the 1st day of each calendar month thereafter through the Maturity Date, Borrower shall pay to Funding Lender monthly installments of principal with respect to the Borrower Note as set forth on Schedule 1 to be attached hereto and incorporated herein by this reference (the "Principal Payments"), plus interest accrued for the applicable Interest Period on the principal balance outstanding from time to time on the Borrower Note at the Variable Rate. Said principal and interest payments are hereinafter collectively referred to as the "Regular Payments" and are subject to change as and when the Variable Rate changes. The Regular Payments will be applied first to accrued but unpaid interest then due, and then to principal. A payment will be treated as made on the date it is received. At Conversion, Schedule 1 shall be prepared by Funding Lender and attached to this

Agreement and shall consist of a schedule of the monthly installments of principal required to fully amortize the outstanding principal balance of the Borrower Note owing on the Conversion Date, assuming equal monthly payments of principal and interest, an amortization period of three hundred sixty (360) months and a fixed rate of interest equal to the fixed rate or maximum interest rate of the Hedge in effect as of the Conversion Date. Funding Lender shall provide Borrower with a copy of Schedule 1 once it is prepared by Funding Lender, but the effectiveness and date of such payment shall not be affected by such notice or lack thereof. Funding Lender's determination of said Regular Payments shall be conclusive absent manifest error. All computations of interest shall be made on the basis of a year of 360 days, for actual days elapsed. On the Maturity Date, all principal and accrued interest then outstanding shall be immediately due and payable.

3.2 Conversion; Termination.

3.2.1 Not later than 30 days prior to the earlier to occur of the proposed Conversion Date or the Outside Conversion Date, Borrower shall deliver the Conversion Election Notice to Funding Lender. The Conversion Election Notice shall be accompanied by (a) a written certification by Borrower to Funding Lender that all of the Conditions to Conversion have been fully satisfied; (b) a rent roll covering the Property for each of the three full calendar months immediately preceding the date of the Conversion Election Notice, certified by Borrower as true, correct and complete; (c) and operating statements for the Property for each of such three calendar months, in the form required by Funding Lender, and certified by Borrower to be true, correct and complete.

3.2.2 The Conditions to Conversion specified in Exhibit D shall be applicable to the Conversion. Funding Lender shall have the right to waive any Condition to Conversion set forth in Exhibit D in Funding Lender's sole and absolute discretion.

3.2.3 If, based upon the information delivered pursuant to Section 3.2.1 and such other information as Funding Lender may require as evidence of satisfaction of the Conditions to Conversion, Funding Lender determines that the Conditions to Conversion have been fully satisfied, Funding Lender shall deliver the Conversion Notice, which Conversion Notice shall state the Conversion Date.

3.2.4 Upon Conversion (and so long as all Conditions to Conversion are satisfied) the following documents shall be deemed automatically terminated and shall have no further force or effect without any further action by any Loan Party: (i) the Guaranty (except for the Indemnity Agreement); (ii) the Assignment of Tax Credits and Partnership Interests, and (iii) the Assignment of Partnership Interest (GP).

3.2.5 If the Conditions to Conversion have not been fully satisfied prior to the Outside Conversion Date, as such date may be extended in accordance with this Agreement, Borrower shall pay to Funding Lender, on the Outside Conversion Date, the entire outstanding principal balance of the Borrower Loan, together with all accrued and unpaid interest thereon and other accrued and unpaid fees, costs and expenses owing under the Borrower Loan Documents and the Funding Loan Documents.

3.2.6 Non-Recourse After Conversion Date. From and after the Conversion Date, Governmental Lender and Funding Lender agree that Governmental Lender's and Funding Lender's recovery against Borrower in the event of a default under this Agreement, the Borrower Note or under any of the other Borrower Loan Documents shall be limited solely to, and Governmental Lender and Funding Lender shall only proceed against, the Trust Estate (as defined in the Deed of Trust), together with the rents, issues, profits and income therefrom and proceeds and products thereof, and any other collateral given as security for Borrower's performance under the Borrower Loan Documents, and in no event shall (i) Borrower be personally liable for the payment of the Borrower Note or for the payment of any deficiency established upon foreclosure and the sale of the Trust Estate, or (ii) any other assets of Borrower (or any general partner of Borrower) be subject to levy, execution or other enforcement procedure in connection with any such default. Notwithstanding the foregoing, Borrower (and each general partner of Borrower) shall be fully and personally liable to Governmental Lender and Funding Lender for the costs or damages arising from any of the following:

(a) gross negligence, fraud, willful misrepresentation or waste by Borrower, to the full extent of Governmental Lender's and Funding Lender's loss attributable thereto;

(b) any inaccuracy in or breach of any representation or warranty pertaining to any Hazardous Substances (as that term is defined in that certain Environmental Compliance Agreement (the "ECA") executed in favor of Governmental Lender and Funding Lender by Borrower concurrently herewith), any failure in the due, prompt and complete observance and performance of any covenant or other obligation imposed under or pursuant to the ECA, or the presence of any Hazardous Substance on, under or about the Trust Estate, whenever arising;

(c) failure to pay taxes, assessments or other charges which can create liens on any portion of the Trust Estate (to the full extent of any such taxes, assessments or other charges);

(d) any loss which would have been covered by insurance required to be maintained under the terms of any of the Borrower Loan Documents, which Borrower failed to maintain;

(e) failure to deliver to Funding Lender any funds which should have been paid to Funding Lender under the terms of the Borrower Loan Documents or the distribution of earnings or income from the Trust Estate in violation of the Borrower Loan Documents; or

(f) any loss resulting from any claim or cause of action by a contractor, material supplier or other person or entity entitled to file a mechanic's lien against the Trust Estate.

In addition, Borrower shall be fully and personally liable to Governmental Lender and Funding Lender for the full amount of the Borrower Loan and all other obligations evidenced by the Borrower Loan Documents in the event (i) all or any part of the Trust Estate, other assets of

Borrower or any ownership interest in Borrower is transferred in violation of the Borrower Loan Documents; or (ii) any voluntary or involuntary proceeding under any laws relating to bankruptcy, insolvency, reorganization, arrangement, debt adjustment or debtor relief is commenced by or against Borrower and, as to involuntary proceedings, is not dismissed within sixty (60) days.

The provisions hereof shall not be deemed to constitute a waiver of any obligation of Borrower or any other party or limitation of any kind of any right of Governmental Lender or Funding Lender at law or equity or under any guaranty or other Borrower Loan Documents, provided that the assertion by Governmental Lender or Funding Lender of any such right shall not result in a monetary claim upon the general unsecured assets of Borrower except as provided herein.

3.3 Maturity Date. All unpaid principal and interest on the Borrower Loan and other amounts due under the Borrower Loan Documents and the Funding Loan Documents shall be due and payable in full on the Maturity Date, as such date may be extended or accelerated.

3.4 Application of Payments. All payments and prepayments received by Governmental Lender or Funding Lender pursuant to the terms hereof shall be applied in the following manner: first, to the payment of any Late Charge then due; second to the payment of all expenses, charges, costs and fees (including, but not limited to, the Prepayment Fee) incurred by or payable to Governmental Lender or Funding Lender by Borrower pursuant to the terms of the Borrower Loan Documents (in such order and manner as Funding Lender, in its sole discretion, may elect); third to the payment of all interest accrued to the date of such payment; and fourth, to the payment of principal. Notwithstanding anything to the contrary contained herein, after the occurrence and during the continuation of an Event of Default, all amounts received by Governmental Lender and Funding Lender from any party shall be applied in such order as Funding Lender in its sole discretion, may elect.

3.5 Acceleration. If any of the payments required by the terms hereof shall not be paid when due and such failure shall continue beyond any applicable notice and cure periods, or if the payment due on the Maturity Date is not paid when due, whether by acceleration or otherwise, or if an Event of Default occurs, then, or at any time thereafter, the whole of the unpaid principal and interest owing on the Borrower Loan shall, at the option of Funding Lender and without notice, become immediately due and payable. This acceleration option may be exercised at any time after any such event and the acceptance of one or more installments or other payments from any Person thereafter shall not constitute a waiver of Funding Lender's acceleration option. Funding Lender's failure to exercise such acceleration option in connection with any particular event or series of events shall not be construed as a waiver of the provisions hereof as regards such events or any subsequent events. The other Borrower Loan Documents may contain provisions that provide for the automatic acceleration of amounts owing in connection with the Borrower Loan upon the occurrence of certain specified events. Funding Lender shall have, and be entitled to exercise, upon the occurrence of any Event of Default or other event described above, all rights and remedies available to Funding Lender hereunder, under the other Borrower Loan Documents or Funding Loan Documents or at law or in equity. All such rights and remedies shall be cumulative.

3.6 Late Charge; Default Interest. Borrower recognizes that any default by Borrower in making the payments required under the Borrower Loan Documents when due will result in Governmental Lender and Funding Lender incurring additional expense in servicing the Borrower Loan, in loss of the use of the money due and in frustration of meeting commitments under the Funding Loan Documents. Borrower agrees that, if for any reason Borrower fails to pay when due any payment due under this Agreement or under any of the other Borrower Loan Documents, any amount advanced under the Deed of Trust or the amount due on the Maturity Date, or the accelerated Maturity Date, whichever shall first occur, Funding Lender shall be entitled to damages for the detriment caused thereby, but that it is extremely difficult and impractical to ascertain the extent of such damages. Borrower therefore agrees that a reasonable estimate of such damages to Funding Lender is as follows:

3.6.1 In the event Borrower fails to pay any installment of principal and interest (other than payment on the Maturity Date) within ten days after the same is due, then Borrower shall pay to Funding Lender a Late Charge.

3.6.2 In the event Borrower fails to reimburse Funding Lender for any amount advanced under the Deed of Trust within ten days after written notice of such advance is made by Funding Lender to Borrower, then such unreimbursed amount shall thereafter bear interest at the Default Rate until paid, such interest to be compounded annually.

3.6.3 In the event the payment of principal and accrued but unpaid interest due on the Maturity Date, or the accelerated Maturity Date, as applicable, is not made in full when due, then such amounts shall thereafter bear interest at the Default Rate, until paid, such interest to be compounded annually.

3.7 Prepayment. Pursuant to the terms of this Section 3.7, the Borrower Loan may be prepaid by Borrower when and to the extent that the Governmental Lender Note is susceptible to prepayment under the Funding Loan Documents, provided that Borrower shall in no event voluntarily or involuntarily prepay the Borrower Loan in whole or in part unless Borrower pays to Funding Lender, concurrently with such prepayment, a prepayment fee as calculated below.

3.7.1 **Variable Rate Principal.** Any Variable Rate Principal may be prepaid prior to the scheduled payment date, whether voluntary or involuntary, in whole or in part, provided Borrower has given Funding Lender not less than five (5) business days prior written notice of Borrower's intention to make such prepayment and pays to Funding Lender the prepayment fee due as a result. The prepayment fee shall be an amount equal to the present value of the product of: (i) the difference (but not less than zero) between (a) the Variable Rate applicable to the principal amount which is being prepaid, and (b) the return which Funding Lender could obtain if it used the amount of such prepayment of principal to purchase a bid price regularly quoted securities issued by the United States having a Maturity Date most closely coinciding with the last day of the relevant Interest Period and such securities were held by Funding Lender until the last day of the relevant Interest Period ("Yield Rate"); (ii) a fraction, the numerator of which is the number of days in the period between the date of prepayment and the relevant Interest Period, and the denominator of which is 360, and (iii) the amount of principal so prepaid. The present value shall be determined by discounting the above product to present value using the Yield Rate as the annual discount factor. Funding Lender shall provide

Borrower a statement of the amount payable on account of prepayment. Borrower acknowledges that (i) Funding Lender establishes a Variable Rate upon the understanding that it apply to the Variable Rate Principal for the entire Interest Period, and (ii) Governmental Lender would not lend to Borrower at a Variable Rate without Debtor's express agreement to pay the prepayment fee described above.

3.7.2 No Prepayment Fee Due. Notwithstanding Section 3.7.1 above, no prepayment fee shall be payable (i) in connection with the prepayment of Variable Rate Principal in connection with the prepayment of principal during the ninety (90) day period immediately preceding the Outside Conversion Date or Maturity Date.

3.7.3 No Refund. In no event shall Funding Lender be obligated to make any payment or refund to Borrower, nor shall Borrower be entitled to any setoff or other claim against Funding Lender, should the return which Funding Lender could obtain under the prepayment formula exceed the interest that Governmental Lender would have received if no prepayment had occurred.

3.7.4 Payment of Accrued Interest. All prepayments shall include payment of accrued interest on the principal amount so prepaid, shall be applied to payment of interest before application to principal, and shall be applied to the most remote principal installment or installments then unpaid (i.e., the principal balance due on the Maturity Date and then against installments due closest to the Maturity Date).

3.7.5 Involuntary Prepayment. Such prepayment fee shall also be payable if prepayment occurs as the result of any involuntary prepayment (e.g., proceeds of insurance or condemnation or any prepayment required in order to satisfy the Conditions to Conversion) or the acceleration of the principal hereof by Funding Lender because of any default by Borrower (including any transfer or conveyance of any right, title or interest in the real property encumbered by the Deed of Trust) that gives Funding Lender the right to accelerate the maturity of the Borrower Loan pursuant to the terms of the Deed of Trust. If, following any such acceleration, all or any portion of the unpaid principal is satisfied, whether through sale of the property encumbered by the Deed of Trust or other agreement securing the Borrower Loan at a foreclosure held thereunder or through the tender of payment at any time following such acceleration, but prior to such a foreclosure sale, then such satisfaction of principal shall be deemed an evasion of the prepayment provisions hereof, and Funding Lender shall, automatically and without notice or demand, be entitled to receive, concurrently with such satisfaction of principal the prepayment fee set forth above, and the obligation to pay such prepayment fee shall be added to the principal hereof.

BORROWER HEREBY ACKNOWLEDGES AND AGREES THAT GOVERNMENTAL LENDER WOULD NOT LEND TO BORROWER THE BORROWER LOAN EVIDENCED BY THE BORROWER NOTE WITHOUT BORROWER'S AGREEMENT TO PAY BANK A PREPAYMENT FEE AS SET FORTH ABOVE. BORROWER EXPRESSLY WAIVES ANY RIGHT UNDER CALIFORNIA CIVIL CODE SECTION 2954.10 OR OTHERWISE TO PREPAY THE BORROWER LOAN WITHOUT A PREPAYMENT FEE AS HEREINABOVE SET FORTH. BORROWER ACKNOWLEDGES THAT PREPAYMENT OF THE BORROWER LOAN

MAY RESULT IN GOVERNMENTAL LENDER AND BANK INCURRING ADDITIONAL COSTS, EXPENSES OR LIABILITIES. BORROWER THEREFORE AGREES THAT THE PREPAYMENT FEE HEREIN PROVIDED FOR REPRESENTS A REASONABLE ESTIMATE OF THE PREPAYMENT COSTS, EXPENSES OR LIABILITIES GOVERNMENTAL LENDER AND BANK MAY INCUR ON A PREPAYMENT. BORROWER AGREES THAT GOVERNMENTAL LENDER'S WILLINGNESS TO OFFER THE FIXED INTEREST RATE DESCRIBED ABOVE TO BORROWER IS SUFFICIENT AND INDEPENDENT CONSIDERATION, GIVEN INDIVIDUAL WEIGHT BY GOVERNMENTAL LENDER AND BANK FOR THIS WAIVER. BORROWER UNDERSTANDS THAT GOVERNMENTAL LENDER WOULD NOT OFFER SUCH AN INTEREST RATE TO BORROWER ABSENT THIS WAIVER. BORROWER HAS CAUSED THOSE PERSONS SIGNING THIS AGREEMENT ON ITS BEHALF TO SEPARATELY INITIAL THIS PARAGRAPH BY PLACING THEIR INITIALS BELOW:

BORROWER INITIALS HERE: _____

3.7.6 Certification. A certificate as to the amount of any prepayment fee payable under this Section, setting forth the basis for such fee, prepared by Funding Lender and submitted to Borrower shall be conclusive as to the matters set forth therein, and the Borrower Loan shall not be deemed to have been fully paid or satisfied until such fee shall have been paid.

3.7.7 Effect of Prepayment on Hedge. Borrower and Funding Lender hereby agree that, in accordance with and subject to the terms of any Hedge Documents, any Hedge entered into between Borrower and Funding Lender in connection with the Borrower Loan shall, upon the making of any prepayment of amounts outstanding under the Borrower Loan, be subject to an Additional Termination Event (as defined in such Hedge Documents) and may be terminated as and to the extent more particularly provided in the documents and agreements evidencing such Hedge. Any amounts (which may be substantial) payable by Borrower to Funding Lender, or by Funding Lender to Borrower in respect of such full or partial termination of such Hedge shall be determined under the terms and conditions of the Hedge Documents relating to such Hedge.

3.8 Additional Fee Payment Obligations. All payments to fund taxes, insurance or any other escrow or reserve required to be established, funded or created pursuant to any Loan Document or Funding Loan Document, shall be due and payable by Borrower to Funding Lender the date monthly payments are due pursuant to Section 3.1.3 commencing in the month following the month in which the Conversion Date occurs in accordance with the applicable Loan Document or Funding Loan Document. Borrower shall pay to Fiscal Agent Fiscal Agent's Fees (as defined in the Funding Loan Agreement) in accordance with the terms of the Funding Loan Agreement.

ARTICLE IV
CONDITIONS PRECEDENT

4.1 Conditions to Closing of the Borrower Loan. Prior to the Closing Date, Funding Lender shall have received all of the following documents, instruments and other items (each of which, in the case of documents or instruments, shall be fully and properly executed and, where required by Funding Lender, acknowledged by all parties thereto), each in form and content acceptable to Funding Lender:

4.1.1 The original Borrower Loan Documents.

4.1.2 Copies of organizational documents of Borrower and all Loan Parties, duly filed and/or recorded in the appropriate jurisdiction and certified as required by Funding Lender, including without limitation, and as applicable, (a) articles of organization and operating agreements, (b) certificates of limited partnership, statements of partnership and partnership agreements, (c) statements of joint venture and joint venture agreements, (d) articles of incorporation, (e) trust agreements, and (f) any amendments to any of the foregoing.

4.1.3 Evidence that the insurance required by the Agreement to Furnish Insurance is in full force and effect.

4.1.4 All Borrower's Funds required under this Agreement.

4.1.5 Copies of the Detailed Cost Breakdown, the Project Budget, the Plans, the Construction Contract (if any), the Architect's Agreement, and any other agreements that Funding Lender determines are material to construction of the Improvements, all certified as required by Funding Lender.

4.1.6 Copies of the building permits and any other authorizations required from any Governmental Authority in connection with construction of the Improvements.

4.1.7 If required by Funding Lender, a current ALTA survey of the Real Property, including dimensions and delineation and location of all easements thereon, certified to and satisfactory to Funding Lender and Title Insurer.

4.1.8 If required by Funding Lender, letters from local utility companies and any Governmental Authority stating that electric, gas, sewer, water, cable and telephone facilities are or will be available to the Real Property upon completion of the Improvements.

4.1.9 Written results of such due diligence investigations with respect to Borrower, any Loan Party and the Property as Funding Lender deems necessary, including without limitation, environmental reviews, engineering inspections, seismic studies and financial analysis.

4.1.10 An opinion of Borrower's counsel as to (a) the proper formation, valid existence and good standing of Borrower and all Loan Parties, (b) the due authorization and execution of all Borrower Loan Documents and any Hedge Documents with Funding Lender by Borrower and all Loan Parties, (c) whether all necessary consents have been obtained with respect to the Borrower Loan and any Hedge Documents with Funding Lender, (d) the absence of any threatened or pending actions, suits or proceedings against or affecting the Property, Borrower or any Loan Party, (e) the violation of any agreements to which Borrower or any Loan

Party is bound, and (f) such other matters as Funding Lender may determine to be necessary or appropriate.

4.1.11 A performance bond naming Governmental Lender and Funding Lender as co-obligee and a labor and material payment bond, in an amount equal to the amount of the Construction Contract, or if there is no Construction Contract, then in such amounts as Funding Lender may require, issued by a surety acceptable to Funding Lender and otherwise in form and content acceptable to Funding Lender. The performance and the labor and material bonds shall have been recorded in the official records of the county in which the Real Property is located prior to the commencement of work on the Improvements.

4.1.12 Copies of the Subordinate Lender Documents in a form acceptable to Funding Lender, duly executed by the Borrower and applicable Subordinate Lenders.

4.1.13 Borrower shall have entered into one or more Hedges, in form and content and from a counterparty complying with the provisions contained in Section 7.49, with respect to the Borrower Note in an amount not less than \$7,159,000, [CHECK] which provides for a fixed rate of interest on the Borrower Note not to exceed (or otherwise protects against the interest rate on the Borrower Note exceeding ____ percent (____)% [CHECK] (including the Margin) for the period commencing on the Closing Date through the Maturity Date.

4.1.14 Such other documentation, certifications, opinions and information as may be reasonably required by Governmental Lender or Funding Lender.

4.1.15 Any special conditions set forth in the Special Conditions attached hereto as Exhibit C shall have been satisfied.

4.1.16 A copy of the Cash Collateral Assignment and Security Agreement, in a form acceptable to Funding Lender, executed by Sponsor and Borrower.

4.1.17 A copy of the Commercial Master Lease Agreement, in form and substance reasonably acceptable to Funding Lender, duly executed by all parties thereto, and Commercial Master Lease Subordination Agreement duly executed by Borrower and Commercial Tenant.

4.2 Conditions to Issuance of the Governmental Lender Note. Governmental Lender's obligation to executed the Governmental Lender Note, and Governmental Lender's and Funding Lender's obligation to enter into this Agreement, the other Borrower Loan Documents and the Funding Loan Documents, and to make the Initial Disbursement, are subject to the satisfaction, or waiver by Governmental Lender or Funding Lender, as applicable, each of the conditions in Section 4.1 and of all of the following conditions precedent:

4.2.1 Governmental Lender and Funding Lender shall have received fully executed originals of each of the Borrower Loan Documents and the Funding Loan Documents.

4.2.2 The Tax-Exempt Regulatory Agreement shall have been duly executed, acknowledged and delivered by Borrower to Governmental Lender and Funding Lender.

4.2.3 Each of the Recorded Documents shall have been recorded in the Official Records of the county in which the Real Property is located.

4.2.4 The Financing Statements have been filed with the Secretary of State of California, and Funding Lender shall have received a certificate of the Secretary of State showing such Financing Statements to be subject to no prior filings (other than filings perfecting Permitted Liens) except as otherwise agreed to by Funding Lender.

4.2.5 Title Insurer shall have committed to deliver to Funding Lender the Title Policy.

4.2.6 Funding Lender and Governmental Lender shall have received and approved an executed original of each of the following opinions or reliance letters, in each case addressed to each of Governmental Lender and Funding Lender and in each case in form and substance approved by Governmental Lender and Funding Lender: (a) the opinion of counsel to Borrower and the other Loan Parties, opining as to the due formation, qualification and good standing of Borrower and the other Loan Parties, the due authorization by Borrower and the Loan Parties of the execution, delivery and performance of the Borrower Loan Documents, and the enforceability of the Borrower Loan Documents, and covering such other matters as Funding Lender may require; and (b) an opinion of Tax Counsel and/or the City Attorney of the Governmental Lender, opining as to the due organization and valid existence of the Governmental Lender, due execution and delivery by the Governmental Lender of the Funding Loan Agreement, and this Agreement, the enforceability of the Funding Loan Agreement and this Agreement, and the exclusion of interest on the Governmental Lender Note from gross income for federal income tax purposes.

4.2.7 Funding Lender shall have received and approved such Financial Statements and other financial information as it may require regarding the financial condition of Borrower, the Loan Parties and/or the Property.

4.2.8 Funding Lender shall have received and approved a detailed sources and uses statement showing (i) all costs and expenses of issuance of the Governmental Lender Note, and (ii) all sources for payment of such costs and expenses.

4.2.9 To the extent not funded from the Initial Disbursement, Borrower shall have paid to Governmental Lender and Funding Lender, as applicable, in immediately available good funds (a) all costs and expenses incurred by Governmental Lender and Funding Lender in connection with the Funding Loan, the making of the Borrower Loan and the negotiation, preparation and closing of the Borrower Loan Documents and Funding Loan Documents, (b) the Tax Counsel fees and expenses due and payable; (c) all of fees to Governmental Lender then due and payable; and (d) the initial Fiscal Agent's Fees (as defined in the Funding Loan Agreement).

4.2.10 Borrower shall have delivered to Funding Lender, and Funding Lender shall have approved such information, and/or documentation as Funding Lender may require to evidence that paragraph (1) of Section 42(h) of the Code does not apply to the Tax Credits by virtue of the provisions set forth in subparagraph (4)(B) of Section 42(h) of the Code.

4.2.11 Any special conditions set forth in the Special Conditions attached hereto as Exhibit C shall have been satisfied.

ARTICLE V DISBURSEMENTS

5.1 Initial Disbursement.

5.1.1 Prior to the Initial Disbursement, the following conditions shall have been satisfied in addition to the conditions set forth in Sections 4.1 and 4.2, as determined by Funding Lender:

(a) Borrower and all Loan Parties shall have performed to Funding Lender's satisfaction all covenants required to be performed under this Agreement, the other Borrower Loan Documents and the Funding Loan Documents on or before the Funding Date.

(b) No change shall have occurred that could have a material adverse effect on Borrower, any Loan Party, the Property or Funding Lender's right or ability to receive payment in full of the Borrower Loan, as determined by Funding Lender in its sole discretion.

(c) No Event of Default shall exist.

(d) The representations and warranties of Borrower in this Agreement and the other Borrower Loan Documents shall be true and correct on and as of the date of the disbursement with the same effect as if made on such date.

(e) Funding Lender shall have approved in its sole discretion, the Detailed Cost Breakdown, the Project Budget, the Plans, the Construction Contract (if any), the Architect's Agreement, and any other agreements that Funding Lender determines are material to the construction of the Improvements.

(f) Funding Lender shall have received satisfactory evidence that there are no liens on Personal Property, except as otherwise agreed to by Funding Lender.

(g) If required by Funding Lender, Funding Lender shall have received a list of the names and addresses of all suppliers, laborers and subcontractors with whom agreements have been made with Contractor and/or Borrower to deliver materials and/or perform work on the Improvements.

(h) Such evidence as Funding Lender may require evidencing expenditure of Borrower's Equity on Project costs in accordance with this Agreement is at least \$772,307. **[CHECK]**

(i) \$531,950 of Sponsor Loan proceeds have been expended on Project costs and \$1,000,000 of Sponsor Loan proceeds have been delivered to the Collateral Agent pursuant to the Cash Collateral Assignment and Security Agreement.

(j) The MOH Loan and Seller Loan have been fully funded to Borrower and all of the proceeds thereof have been expended on Project costs.

(k) Any special conditions set forth in the Special Conditions attached hereto as Exhibit C shall have been satisfied.

5.1.2 Upon satisfaction of the conditions contained in Sections 4.1, 4.2 and 5.1.1, Funding Lender, on behalf of Governmental Lender, shall make an Advance in accordance with the Project Budget and the Disbursement Schedule the amounts necessary to pay all costs, charges and expenses incurred or to be incurred (as estimated by Funding Lender) in connection with the Borrower Loan or payable pursuant to this Agreement or the other Borrower Loan Documents, excluding direct costs of labor and materials related to the Improvements, but including without limitation, the Loan Fee, service charges, fees and expenses of the Fiscal Agent, title charges, tax and lien service charges, recording fees, escrow fees, appraisal fees, legal fees, real property taxes and assessments, insurance premiums any amounts required to pay existing encumbrances affecting the Property, and any amounts required to complete purchase of the Real Property.

5.2 Subsequent Disbursements.

5.2.1 Prior to making any Advances after the Initial Disbursement, except for the final Advance, the following additional conditions shall have been satisfied, as determined by Funding Lender:

(a) All specific requirements for the disbursement set forth in the Disbursement Schedule shall have been satisfied.

(b) No Event of Default shall exist.

(c) The representations and warranties of Borrower in this Agreement and the other Borrower Loan Documents shall be true and correct on and as of the date of the disbursement with the same effect as if made on such date.

(d) The Improvements shall not have been damaged by fire or other casualty unless Funding Lender has determined that Funding Lender will receive proceeds sufficient in Funding Lender's judgment to effect the satisfactory restoration of the Improvements and permit Project Completion prior to the Completion Date.

(e) If required by Funding Lender, Funding Lender shall have received confirmation to its satisfaction that (A) to date, the Improvements have been constructed in accordance with the Plans and the Construction Contract (if any), and (B) the present state of construction of the Improvements will, barring the unforeseen and unknown delays, permit Project Completion on or before the Completion Date.

(f) If Funding Lender has determined that the undisbursed proceeds of the Borrower Loan, together with the undisbursed amount of the Subordinate Lender Loan (other than \$1,000,000 of the Sponsor Loan held by Collateral Agent pursuant to the Cash Collateral Assignment and Security Agreement) and Borrower's Funds (if any), are insufficient to pay all

costs to complete construction of the Improvements (and all other costs included within the Project Budget), Borrower shall have deposited into the Borrowers' Funds Account cash in the amount of such shortfall as provided in Section 7.2.

(g) If required by Funding Lender, (A) Title Insurer shall have issued its continuation endorsement to the Title Policy indicating that since the last preceding disbursement, there: (1) has been no change in the condition of title to the Real Property; and (2) are no intervening liens that may now or hereafter take priority over the disbursement to be made, and (B) upon completion of the foundation, Title Insurer shall have issued its foundation endorsement to the Title Policy insuring Funding Lender that the foundation is constructed wholly within the boundaries of the Real Property and does not encroach on any easements or violate any covenants, conditions or restrictions or any Governmental Requirement.

(h) Funding Lender shall have received satisfactory evidence that there are no liens on Personal Property, except as otherwise agreed to by Funding Lender.

(i) If required by Funding Lender, Funding Lender shall approve the subdivision map in final form as it was filed or recorded.

(j) All amounts deposited into the Borrower's Funds Account shall have been withdrawn by Borrower to cover Project costs in accordance with the terms and conditions of this Agreement, and the entire amount of the Subordinate Lender Loan shall have been fully disbursed (except for \$1,000,000 of the Sponsor Loan held by Collateral Agent pursuant to the Cash Collateral Assignment and Security Agreement) by Subordinate Lender to or for the account of Borrower and applied towards Project costs.

(k) If requested by Funding Lender, (a) Tax Credit Investor shall have executed and delivered to Funding Lender an estoppel certificate, which shall contain such certifications as Funding Lender shall reasonably require with respect to Tax Credit Investor's obligations under the Partnership Agreement, and (b) Subordinate Lender shall have executed and delivered to Funding Lender an estoppel certificate in a form and substance which shall contain such certifications as Funding Lender shall reasonably require with respect to the Subordinate Lender Documents.

(l) Any special conditions set forth in the Special Conditions attached hereto as Exhibit C shall have been satisfied.

5.2.2 Upon satisfaction of the conditions contained in Sections 5.2.1 and 5.4 (as applicable), on or about the first day of each calendar month following commencement of construction of the Improvements, Contractor shall submit to Borrower a Draw Request showing the estimated cost of labor performed on and materials incorporated into the Improvements, a pro-rata portion of Contractor's profit and that pro-rata portion of overhead of Contractor attributable to the construction of the Improvements. The original of such Draw Request, certified true and correct by Contractor and approved by Borrower, shall be submitted to Funding Lender for payment. Upon verification of the accuracy of the Draw Request by inspection of the Real Property and Improvements (if required by Funding Lender), Governmental Lender shall disburse the amount of the respective approved Draw Request in

accordance with the Disbursement Schedule (i) directly to Borrower or, upon the occurrence and during the continuance of an Event of Default, directly to Contractor or to such Persons as have actually supplied labor, materials or services in connection with the construction of the Improvements (at Funding Lender's option as to whom and in what amounts payments are to be made), or (ii) if specifically required by Funding Lender, through a fund control service acceptable to Funding Lender under a fund control agreement in form and content acceptable to Funding Lender.

5.2.3 Upon satisfaction of the conditions contained in Sections 5.2.1 and 5.4 (as applicable), after inspection by Funding Lender of the Real Property and Improvements (if required by Funding Lender), and at Funding Lender's option as to whom and in what amounts payments are to be made, progress payments shall be made (i) directly to Borrower or, at Funding Lender's option, directly to Contractor or to such Persons as have actually supplied labor, materials or services in connection with the construction of the Improvements, or (ii) if specifically required by Funding Lender, through a fund control service acceptable to Funding Lender under a fund control agreement in form and content acceptable to Funding Lender. Each progress payment shall be paid upon the occurrence of the conditions and in amounts equal to the percentage of such sum set forth on the Stage Draw Schedule attached as Exhibit B-2 to the Disbursement Schedule.

5.3 Final Disbursement.

5.3.1 Prior to making the final Advance, the conditions set forth in Sections 5.1, 5.2 and 5.4 (as applicable) and the following conditions shall have been satisfied, as determined by Funding Lender:

(a) Funding Lender shall have received confirmation to its satisfaction that the Improvements have been completed in accordance with the Plans and the Construction Contract (if any).

(b) If required by Funding Lender, Funding Lender shall have received a copy of the final certificate of occupancy (or its equivalent as determined by Funding Lender) issued by the appropriate Governmental Authority.

(c) Funding Lender shall have received evidence that Borrower has recorded a notice of completion (or its equivalent as determined by Funding Lender) with respect to the Improvements.

(d) Funding Lender shall have received (A) such endorsements to the Title Policy as Funding Lender may require which shall insure that the Improvements have been completed free of all mechanic's and materialmen's liens or claims thereof, or (B) such additional title policies with endorsements as Funding Lender may require, with a liability limit of not less than the principal amount of the Borrower Loan, issued by Title Insurer, with coverage and in form satisfactory to Funding Lender, insuring Governmental Lender's and Funding Lender's interest under the Deed of Trust as a first lien on the Real Property, excepting only such items as shall have been approved in writing by Funding Lender.

(e) If requested by Funding Lender, (a) Tax Credit Investor shall have executed and delivered to Funding Lender an estoppel certificate, which shall contain such certifications as Funding Lender shall reasonably require with respect to Tax Credit Investor's obligations under the Partnership Agreement, and (b) Subordinate Lender shall have executed and delivered to Funding Lender an estoppel certificate in a form and substance which shall contain such certifications as Funding Lender shall reasonably require with respect to the Subordinate Lender Documents.

5.3.2 The final disbursement shall consist of the payment of any monies retained from progress payments or disbursements as set forth in this Agreement. Subject to the provisions of this Agreement, the final disbursement shall be made only after Borrower has satisfied the conditions of Sections 5.3.1 and 5.4 (as applicable).

5.4 Additional Conditions to Advances. Funding Lender shall have the right to condition any Advance upon Funding Lender's receipt and approval of the following, each in form and content acceptable to Funding Lender:

5.4.1 The Draw Request.

5.4.2 Bills, invoices, documents of title, vouchers, statements, receipts and any other documents evidencing the total amount expended, incurred or due for any requested line item shown in the Project Budget.

5.4.3 Evidence of Borrower's use of a lien release, joint check or voucher system acceptable to Funding Lender for payments or disbursements to Contractor or to such Persons as have actually supplied labor, materials or services in connection with the construction of the Improvements.

5.4.4 Architect's, inspector's and/or engineer's periodic certifications of the percentage and/or stage of construction that has been completed and its conformance to the Plans and any Governmental Requirement based upon such architect's, inspector's and/or engineer's periodic physical inspections of the Real Property and Improvements.

5.4.5 Waivers and releases of any mechanic's lien, stop notice claim, equitable lien claim or other lien claim rights.

5.4.6 Any other documents, requirements, evidence or information that Funding Lender may request under any provision of the Borrower Loan Documents.

5.4.7 Evidence that any goods, materials, supplies, fixtures or other work in progress for which disbursement is requested have been incorporated into the Improvements.

5.4.8 In the event any Draw Request includes the cost of Offsite Materials, such Draw Request shall include each of the following: (a) evidence that the Offsite Materials have been purchased by Borrower, have been segregated from other materials in the facility where they are stored and have been appropriately marked to indicate Borrower's ownership thereof and Funding Lender's security interest therein; (b) evidence that the Offsite Materials are insured as required by this Agreement; and (c) at Funding Lender's request, a security agreement,

financing statement, acknowledgment, and/or subordination agreement in form and content satisfactory to Funding Lender executed by the supplier of the Offsite Materials, and/or such other Persons as Funding Lender determines may have an interest in or claim to the Offsite Materials, together with such other additional documentation and evidence as Funding Lender may reasonably require to assure itself that it has a perfected first priority lien on the Offsite Materials.

5.4.9 In the event any Draw Request includes the cost of Onsite Materials, such Draw Request shall include each of the following: (a) evidence that the Onsite Materials have been purchased by Borrower; (b) evidence that the Onsite Materials are insured as required hereunder; and (c) evidence that the Onsite Materials are stored in an area on the Real Property for which adequate security is provided against theft and vandalism.

5.5 Disbursement Limits.

5.5.1 Borrower hereby represents to Funding Lender that, as of the date of this Agreement, the Project Budget represents the total amount needed by Borrower to construct the Improvements and to perform Borrower's obligations under the Borrower Loan Documents and Funding Loan Documents. Funding Lender shall not be required to make any Advance for any Construction Costs or any other purpose that is not set forth in the Project Budget nor shall Funding Lender be required to make any Advance for any line item in the Project Budget in an amount that when added to the sum of all prior Advances for that line item would exceed the sum allocated in the Project Budget for that line item.

5.5.2 Funding Lender reserves and shall have the right to make Advances that are allocated to any line items in the Project Budget for such other purposes or in such different proportions as Funding Lender may, in its sole discretion, deem necessary or advisable. Borrower shall have no right whatsoever to reallocate Advances from one line item in the Project Budget to another or otherwise amend the Project Budget without the prior consent of Funding Lender.

5.5.3 All Advances shall be made in accordance with the applicable provisions of the Project Budget and the Disbursement Schedule. All funds disbursed to Borrower shall be received by Borrower in trust and Borrower agrees that such funds shall be used only for the payment of those items contemplated by the particular Advance.

5.5.4 Funding Lender shall not be required to disburse an aggregate amount of the proceeds of the Borrower Loan for labor furnished to and materials incorporated into the Improvements during any stage of construction that exceeds the lesser of (a) the value of such labor and materials, and (b) the amount allocated to that stage of construction in the Project Budget. In any event, Funding Lender shall not be required to disburse any amount that, in Funding Lender's opinion, will reduce that portion of the undisbursed proceeds of the Borrower Loan designated for completion of the Improvements below the amount needed to pay for the labor and materials necessary to complete the Improvements.

5.5.5 Notwithstanding anything to the contrary contained herein, disbursements of the Borrower Loan shall be made from the Project Fund held by the Fiscal Agent pursuant to the Funding Loan Agreement.

5.6 Disbursement Into Borrower's Funds Account. If the Borrower Loan has not been fully disbursed by January 1, 2017, the Funding Lender may, in its discretion, disburse all or any portion of the undisbursed portion of the Borrower Loan into the Borrower's Funds Account, at which time the Borrower Loan proceeds so advanced shall constitute Borrower's Funds, if Funding Lender obtains an opinion of Tax Counsel to the effect that the draw of Borrower Loan proceeds after January 1, 2017, will adversely affect the exclusion of interest on the Governmental Lender Note from gross income for federal income tax purposes. The portion of the Borrower Loan disbursed into the Borrower's Funds Account shall be deemed outstanding as of the date advanced into the Borrower's Funds Account and will immediately commence to accrue interest as provided in Section 3.1.2. All Borrower Loan funds disbursed into the Borrower's Funds Account as Borrower's Funds shall continue to be disbursed by Funding Lender pursuant to the provisions of this Section 5 and the Disbursement Schedule.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF BORROWER

Borrower makes the following representations and warranties for the benefit of Governmental Lender and Funding Lender, each of which is material and is relied upon by Governmental Lender in making the Borrower Loan and Governmental Lender and Funding Lender in executing this Agreement . Each of the following representations and warranties shall be true and accurate as of the Contract Date, the Closing Date and upon disbursement of the Initial Disbursement and each Advance. Borrower agrees that such representations and warranties shall survive and continue until full and final payment of all sums owed under the Borrower Loan Documents.

6.1 Formation/Authority. Borrower has complied with all laws and regulations concerning Borrower's organization, existence and the transaction of Borrower's business, and is in good standing in each state in which Borrower conducts business. Borrower is authorized to execute, deliver and perform Borrower's obligations under each of the Borrower Loan Documents and the Funding Loan Documents, and Borrower is authorized to construct the Improvements and to own and operate the Property.

6.2 No Defaults Under Existing Agreements. The transactions contemplated hereby and the performance by Borrower of Borrower's obligations under the Borrower Loan Documents and the Funding Loan Documents will not result in any breach of or default under any deed of trust, mortgage, lease, loan, security agreement or any other agreement to which Borrower is a party or may be bound or affected.

6.3 No Actions. There are no actions, suits or proceedings pending or, to the best knowledge of Borrower, threatened against or affecting Borrower or the Property or involving the validity, priority or enforceability of the Deed of Trust or any other Loan Document or Funding Loan Documents or affecting Funding Lender's right to receive payment in full of all amounts outstanding under this Agreement, the other Borrower Loan Documents or the Funding

Loan Documents. Borrower is not in default with respect to any order, writ, injunction, decree or demand of any court or any Governmental Authority. There (a) is no completed, pending or threatened bankruptcy, reorganization, receivership, insolvency or like proceeding, whether voluntary or involuntary, affecting the Property, the Borrower, or any Loan Party, and (b) has been no assertion or exercise of jurisdiction over the Property, the Borrower or any Loan Party by any court empowered to exercise bankruptcy powers. Borrower is not presently under any cease or desist order or other orders of a similar nature, temporary or permanent, of any Governmental Authority that would have the effect of preventing or hindering performance of its duties under this Agreement, any other Borrower Loan Documents or any Funding Loan Documents, nor are there any proceedings presently in progress or to its knowledge contemplated that would, if successful, lead to the issuance of any such order.

6.4 Other Liens. Borrower has made no contract or arrangement of any kind, the performance of which by the other party thereto would give rise to a lien on the Property, except for its arrangements with the Architect, the Contractor or the subcontractors if there is no Contractor.

6.5 Leases. All Leases are in full force and effect, there are no defaults under any of the provisions thereof by any party thereto, and all conditions to the effectiveness or continuing effectiveness of the Leases required to be satisfied as of the date hereof have been satisfied.

6.6 Financial Statements. The Financial Statements delivered to Funding Lender by Borrower and any Loan Party are true and correct in all material respects, have been prepared in accordance with accounting practices and principles acceptable to Funding Lender and consistently applied, and fairly present the financial condition(s) of the Person(s) referred to therein as of the respective dates; no materially adverse change has occurred in the financial condition reflected in any such financial statement since the date shown thereon, and no additional material liabilities have been incurred by any such Person since the date thereof other than the borrowing contemplated hereby or other borrowing disclosed in writing to and approved by Funding Lender.

6.7 Compliance With Laws. The Property and the actual use thereof by Borrower complies in all material respects with all Governmental Requirements. Borrower has received no notices of violations of any Governmental Requirement.

6.8 Permits, Approvals, Licenses. Borrower has obtained all licenses, permits and approvals necessary for the ownership, construction operation and management of the Property, including all approvals essential to the transactions contemplated by this Agreement, the Funding Loan Documents, the Borrower Loan Documents and any other documents contemplated hereby or thereby

6.9 Ownership of Real Property. Borrower has, or as of the Closing Date will have, and will continue to have fee simple title to Real Property, subject only to the Permitted Liens. The Borrower is the sole borrower under the Borrower Loan. Borrower shall make no changes to the Property, when it is built, or to the operation thereof that would affect the qualification of the Property under the Act. The Borrower intends to utilize the Property as multifamily rental

housing during the Qualified Project Period (as defined in the Tax-Exempt Regulatory Agreement).

6.10 Ownership of Personal Property. Borrower owns directly all of the Personal Property free and clear of all liens, encumbrances and adverse claims and the security interest of Funding Lender in the Personal Property shall be a first lien thereon.

6.11 Other Financing. Except for the loans made pursuant to the Subordinate Lender Documents, and as otherwise disclosed in writing to Funding Lender and approved by Funding Lender in writing prior to the Closing Date, Borrower has not received other financing for either the acquisition of the Property or the construction and installation of the Improvements.

6.12 Plans, Defects. The Plans are satisfactory to Borrower, and to the extent required by any Governmental Requirement or any effective restrictive covenant, have been approved by all applicable Governmental Authorities and the beneficiaries of any such covenant respectively; the Plans so approved have been approved by Borrower and Contractor as set forth in the Certification of Plans and Specifications delivered to Funding Lender by Borrower.

6.13 Utilities. All utility services necessary for the construction of the Improvements and the operation thereof for their intended purpose are either available at the boundaries of the Real Property or all necessary steps have been taken by Borrower and applicable Governmental Authorities to assure the complete construction and installation thereof, including water supply, storm drain and sanitary sewer facilities, and gas, electric, cable and telephone facilities.

6.14 Roads. All roads necessary for the full use of the Improvements for their intended purposes have been completed or the necessary rights-of-way therefore have either been acquired by the applicable Governmental Authority or dedicated to public use and accepted by such Governmental Authority. All necessary steps have been taken by Borrower and such Governmental Authority to assure the complete construction thereof.

6.15 CC&Rs, Zoning. Borrower has examined, is familiar with, and the Improvements will in all respects conform to and comply with, all covenants, conditions, restrictions, reservations and zoning ordinances affecting the Property.

6.16 Finder's Fees. Borrower has not dealt with any Person who is or may be entitled to any finder's fee, brokerage commission, loan commission or other sum in connection with the execution of this Agreement, consummation of the transactions contemplated hereby, or the making of the Borrower Loan to Borrower.

6.17 Draw Request. Each Draw Request shall be true, complete and accurate and the submission of same shall constitute a reaffirmation of the representations, warranties and covenants contained herein.

6.18 Other Information. No information, statement or report furnished in writing to Governmental Lender or Funding Lender by Borrower, any Loan Party or any of their respective representatives in connection with this Agreement, the Funding Loan Documents or the other Borrower Loan Documents or the consummation of the transactions contemplated hereby and thereby (including, without limitation, any information furnished by Borrower in connection

with the preparation of any materials related to the issuance, delivery or offering of the Governmental Lender Note) contains any material misstatement of fact or omits to state a material fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading; and the representations and warranties of Borrower and the statements, information and descriptions contained in Borrower's closing certificates, as of the Closing Date, are true, correct and complete, do not contain any untrue statement or misleading statement of a material fact, and do not omit to state a material fact required to be stated therein or necessary to make the certifications, representations, warranties, statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading; and the estimates and the assumptions contained herein and in any certificate of Borrower delivered as of the Closing Date are reasonable and based on the best information available to Borrower.

6.19 No Default. No event has occurred and no condition exists with respect to Borrower, any Loan Party or the Property that would constitute an Event of Default or with the giving of notice or passage of time, or both, if not cured would become an Event of Default.

6.20 Tax Certificate. Borrower has complied with all terms and conditions of the Tax Certificate, including the terms and conditions of the exhibits thereto, and the representations set forth in the Tax Certificate pertaining to Borrower and the Property are true and accurate.

6.21 Regulatory Agreement. Borrower is not in default under the Regulatory Agreements. The Property is, as of the Closing Date, in compliance with all requirements of the Regulatory Agreements, including all applicable requirements of the Act and the Code. Borrower intends to cause the residential units at the Property to be rented or available for rental on a basis that satisfies the requirements of the Regulatory Agreements, including all applicable requirements of the Act and the Code. All Leases will comply with all Governmental Requirements and the Regulatory Agreements. The Property meets the requirements of this Agreement, the Regulatory Agreements, the Act and the Code with respect to multifamily rental housing.

6.22 No Governmental Lender Relationships. To the best knowledge of Borrower, no member, officer, agent or employee of Governmental Lender has been or is in any manner interested, directly or indirectly, in that Person's own, name or in the name of any other Person, in the Governmental Lender Note, the Funding Loan Documents, the Borrower Loan Documents, Borrower, any Loan Party or the Property, in any contract for property or materials to be furnished or used in connection with the Property, or in any aspect of the transactions contemplated by the Funding Loan Documents or the Borrower Loan Documents.

6.23 Authorizations and Consents. No authorization, consent, approval, order, registration declaration or withholding of objection on the part of or filing of or with any Governmental Authority not already obtained or made (or to the extent not yet obtained or made Borrower has no reason to believe that such authorizations, consents, approvals, orders, registrations or declarations will not be obtained or made in a timely fashion) is required for the execution and delivery or approval, as the case may be, of this Agreement, the Funding Loan Documents, the Borrower Loan Documents or any other documents contemplated by this

Agreement, the Funding Loan Documents or the Borrower Loan Documents, or the performance of the terms and provisions hereof or thereof by the Borrower.

6.24 No Reliance. Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the financing of the Property; that it is familiar with the provisions of all of the documents and instruments relating to such financing to which it or Governmental Lender is a party or of which it is a beneficiary including, without limitation, the Funding Loan Agreement; that it understands the risks inherent in such transactions, including, without limitation, the risk of loss of the Property; and that it has not relied on the Governmental Lender or Funding Lender for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by this Agreement, the Funding Loan Agreement or otherwise relied on Governmental Lender, Funding Lender or Funding Lender in any manner.

6.25 Environmental Matters. Borrower has not received any notice that it or the Property is not in compliance with all provisions of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (“CERCLA”); the Resource Conservation and Recovery Act; the Superfund Amendments and Reauthorization Act of 1986; the Toxic Substances Control Act and all environmental laws of the State (collectively “Environmental Laws”), or with any rules, regulations and administrative orders of any Governmental Authority, or with any judgments, decrees or orders of any court of competent jurisdiction with respect thereto; and Borrower has not received any assessment, notice (primary or secondary) of liability or financial responsibility, and no notice of any action, claim or proceeding to determine such liability or responsibility, or the amount thereof, or to impose civil penalties with respect to a site listed on any federal or state listing of sites containing or believed to contain “hazardous materials” (as defined in the Environmental Laws), nor has Borrower received notification that any hazardous substances (as defined under CERCLA) that it has disposed of have been found in any site at which any governmental agency is conducting an investigation or other proceeding under any Environmental Law.

6.26 ERISA. Borrower has not received any notice that it is not in full compliance with the Employment Retirement Income Security Act of 1974, as amended, and the Department of Labor regulations thereunder, with the Code and with terms of such plan or plans with respect to each pension or welfare benefit plan to which Borrower is a party or makes any employer contributions with respect to its employees, for the current or prior plan years of such plans.

6.27 Tax Credit Allocation Documents Effective. The Tax Credit Allocation Documents are in full force and effect and have not been revoked, amended or modified in any way. Borrower knows of no reason why Project Completion could not occur on or before the Completion Date.

6.28 Satisfaction of Conditions Under Tax Credit Allocation Documents and Subordinate Lender Documents. Each and every covenant, condition and obligation contained in the Tax Credit Allocation Documents and the Subordinate Lender Documents required to be performed or satisfied as of the date hereof, and each and every matter required to be approved thereunder as of the date hereof, has been satisfied or approved, as applicable.

6.29 Tax Credits Not Subject to State Ceiling. Fifty Percent (50%) or more of the aggregate basis of the Improvements and Borrower's interest in the Property will be financed with proceeds from the Governmental Lender Note and, therefore, paragraph (1) of Section 42(h) of the Code will not apply to the Tax Credits by virtue of the provisions set forth in subparagraph (4)(B) of Section 42(h) of the Code.

ARTICLE VII BORROWER'S COVENANTS

Borrower covenants and agrees with Governmental Lender and Funding Lender that until the full and final payment of all sums owed under the Borrower Loan Documents and the Funding Loan Documents, unless Funding Lender waives compliance in writing:

7.1 Application of Advances. Borrower shall receive the Advances made hereunder in trust, strictly for the purpose of paying the costs identified in the request for such Advance.

7.2 Borrower's Funds. At the time and in amounts required by Funding Lender, Borrower shall deposit Borrower's Funds into the Borrower's Funds Account. Should it appear at any time in Funding Lender's judgment that the sum of undisbursed proceeds of the Borrower Loan and the then balance of the Borrower's Funds Account are insufficient to provide the financing for completion of the Improvements, Borrower shall pay to Funding Lender, within ten days following receipt of written demand by Funding Lender, an amount equal to such deficiency for deposit into the Borrower's Funds Account.

7.3 Lien Priority. At Borrower's sole cost and expense, Borrower shall maintain the Deed of Trust as a first lien on the Property.

7.4 Construction Start and Completion.

7.4.1 Borrower shall not commence construction of the Improvements, including, but not limited to, grading and site clearance, and shall not undertake any other act on the Real Property prior to recordation of the Deed of Trust, the result of which would cause any mechanics' or materialmen's lien thereafter filed to take priority over the lien of the Deed of Trust, unless prior arrangements satisfactory to both Funding Lender and Title Insurer have been made.

7.4.2 Borrower shall cause construction of the Improvements to be commenced not more than 30 days after the recordation of the Deed of Trust.

7.4.3 Borrower shall cause (a) the Improvements to be constructed in a good and workmanlike manner, with materials of high quality, and in accordance with the Plans, Governmental Requirements and sound building and engineering practices, (b) the construction of the Improvements to be prosecuted with diligence and continuity and completed in accordance with the Plans and to otherwise cause Project Completion to occur on or before the Completion Date, free and clear of liens or claims for liens, and (c) all licenses and permits necessary for the occupancy, use or sale of the Improvements to be issued. Borrower shall promptly commence and diligently proceed with the Project.

7.4.4 Borrower shall complete the construction of the Improvements on or before the Completion Date. 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 obligations to pay and discharge or cause the release of any mechanics' lien, (b) all work requiring inspection or certification by any Governmental Authority has been completed and all requisite certificates, approvals and other necessary authorizations (including any required certificates of occupancy) have been obtained, and (c) streets and offsite utilities located within or pertaining to the Property have been completed to the satisfaction of all applicable authorities.

7.5 Change Orders.

7.5.1 Borrower shall not permit any change in the Plans without Funding Lender's prior consent if any such change (a) constitutes a material change in material or equipment specifications, architectural or structural design, or the value or quality of the Improvements, or (b) would result in an increase or decrease in the cost of construction of the Improvements in excess of the Single Change Order Limit for any single change, or in excess of the Aggregate Change Order Limit for all changes.

7.5.2 Borrower shall submit any proposed change in the Plans to Funding Lender not later than ten Business Days prior to the commencement of construction relating to such change.

7.5.3 Borrower shall deliver to Funding Lender in connection with any proposed change requiring Funding Lender's prior written consent (a) a written request therefor, together with working drawings and a written description of the proposed change, submitted on a change order form acceptable to Funding Lender and executed by Borrower, Architect and Contractor, and (b) evidence satisfactory to Funding Lender as to the cost and time necessary to complete the proposed change.

7.5.4 Prior to permitting any change in the Plans requiring Funding Lender's consent, Borrower shall satisfy any condition of Funding Lender's consent, including, but not limited to, depositing funds to cover any increased Construction Costs into the Borrower's Funds Account as required by Funding Lender, which Funding Lender is authorized to disburse in accordance with the Project Budget and the Disbursement Schedule for payment of such Change Orders upon completion of such changes to Funding Lender's satisfaction.

7.6 Detailed Cost Breakdown. Borrower shall not modify the Project Budget or the Detailed Cost Breakdown without Funding Lender's prior written consent, which consent may be conditioned upon, among other things, (a) Funding Lender's receipt of evidence satisfactory to Funding Lender that the change in the Project Budget or the Detailed Cost Breakdown is reasonably necessary, and (b) Funding Lender's confirmation that, in the opinion of Funding Lender, sufficient funds remain in the undisbursed proceeds of the Borrower Loan (and in the Borrower's Funds Account, if any) to pay for all remaining direct or indirect costs to complete construction of the Improvements.

7.7 Contractor Covenants. Borrower shall (a) require from the Contractor (i) covenants similar to the covenants made by Borrower in Sections 7.3, 7.4 and 7.5, and (ii) a covenant that Contractor will, upon request, deliver to Funding Lender the names of all Persons with whom Contractor has contracted or intends to contract for construction of the Improvements or for furnishing of labor or materials therefore; and (b) cause the Contractor (or if no Contractor, the subcontractors) to cooperate with Funding Lender.

7.8 Construction Contract Only. Borrower shall not execute any contract or become party to any arrangement for the performance of work on the Real Property with any Person except Contractor, and if there is no Contractor, Borrower shall contract only with major subcontractors approved by Funding Lender for the performance of work on the Real Property.

7.9 Paid Vouchers. Borrower shall deliver to Funding Lender, on demand, any contracts, bills of sale, statements, receipted vouchers or agreements under which Borrower claims title to any materials, fixtures or articles incorporated in the Improvements.

7.10 Application of Disbursements. Borrower shall receive the disbursements to be made hereunder in trust, strictly for the purpose of paying the costs identified in the request for such disbursement.

7.11 Foundation Completion. Borrower shall notify Funding Lender immediately upon completion of the foundation of the Improvements and, if required by Funding Lender, deliver to Funding Lender, promptly after completion of the foundation, a foundation survey in form satisfactory to Funding Lender and Title Insurer.

7.12 Personal Property Installation. Without Funding Lender's written consent, Borrower shall not install materials, personal property, equipment, or fixtures subject to any security agreement or other agreement or contract giving any Person other than Borrower any right or title to such property.

7.13 Defect Corrections. Upon demand of Funding Lender, Borrower shall correct any defect in the Improvements or any departure from the Plans not approved by Funding Lender.

7.14 Stop Notices; Mechanic's Liens. If (a) a bonded stop notice is received by Funding Lender that Funding Lender believes requires the withholding of funds from any Advance or from any disbursement of proceeds from the Borrower's Funds Account, or (b) a mechanics' lien, material supplier's lien or other construction lien is recorded against the Real Property, then Borrower shall within 20 days of such receipt or recordation or within five days of Funding Lender's demand (whichever first occurs):

7.14.1 pay and discharge same;

7.14.2 effect the release of same by recording a surety bond in sufficient form and amount issued by a surety acceptable to Funding Lender; or

7.14.3 provide Funding Lender with such other assurance as Funding Lender, in its sole discretion, deems to be satisfactory for the payment of, and protection of Funding Lender from, such lien or bonded stop notice.

7.15 Record Keeping, Financial and Other Information. Borrower shall keep and maintain full and complete books of account and other records reflecting the results of operations of the Property in accordance with accounting practices and principles acceptable to Funding Lender and consistently applied, and shall furnish or cause to be furnished to Funding Lender such financial information concerning Borrower, each Loan Party and the Property as Funding Lender may require, including but not limited to:

7.15.1 within 45 days after the close of each quarter, except for the final quarter of each year, Borrower's and Guarantor's Financial Statement as of the close of such period,

7.15.2 within 120 days of the close of each fiscal year-end, the annual Financial Statements for Borrower and each Loan Party,

7.15.3 within 30 days after written request by Funding Lender, a copy of the most recent filed Federal income tax returns for Borrower and each Loan Party, together with all supporting schedules,

7.15.4 within 30 days after written request by Funding Lender, the Financial Statements of all affiliates and subsidiaries of Borrower and each Loan Party,

7.15.5 within 45 days after the close of each quarter, including the final quarter of each year, a certified statement of Liquid Assets for Guarantor,

7.15.6 within 30 days of the final quarter of each year, a projected cash flow statement for the next succeeding calendar year for Guarantor, and

7.15.7 Promptly, upon request, any other financial information requested by Governmental Lender and Funding Lender.

7.16 Post-Construction Financial Reporting. Upon completion of construction of the Improvements, Borrower shall furnish to Funding Lender, without prior request or demand:

7.16.1 Within thirty (30) days after the close of each calendar month prior to Conversion and, thereafter within thirty (30) days of written request by Funding Lender, a monthly or quarterly (as applicable) Operating Statement, a current rent roll and, if retail property, a schedule of gross sales; and

7.16.2 Within 120 days after the close of the operating year for the Property, an annual Operating Statement.

7.17 Audit and Inspection Rights. Borrower shall permit any representative of Governmental Lender or Funding Lender, at any reasonable time, to inspect, audit and examine and copy the books and records of Borrower and each Loan Party.

7.18 Dividends, Distributions. Following the occurrence and during the continuance of an Event of Default, Borrower shall not (a) make any distribution either in cash, stock or any other property, (b) redeem, retire, repurchase or otherwise acquire any shares or interest in

Borrower, or (c) repay any outstanding indebtedness or other advance to any shareholder, partner, member or, if a trust, any trustor or beneficiary of Borrower.

7.19 Payment of Lawful Claims. Borrower shall pay or discharge all lawful claims, including taxes, assessments and governmental charges or levies imposed upon Borrower or Borrower's income or profits or upon any property belonging to Borrower prior to the date upon which any penalties attach; provided that Borrower shall not be required to pay any such tax, assessment, charge or levy, the payment of which is being contested in good faith and by proper proceedings and for which Borrower is maintaining adequate reserves in accordance with generally accepted accounting principles.

7.20 Payment of Costs. Borrower shall pay all costs and expenses incurred by Funding Lender in connection with the enforcement by Funding Lender of any of Borrower's obligations under this Agreement or the other Borrower Loan Documents, and the preparation of this Agreement and the other Borrower Loan Documents, including but not limited to (a) all appraisal fees, cost engineering and inspection fees, legal fees and expenses (including the fees and costs of in-house counsel and legal staff), accounting fees, environmental consultant fees and costs of title insurance, survey, seismic, escrow and other fees and charges, and (b) all taxes and recording expenses, including stamp taxes, if any.

7.21 Approval of Easements and Other Documents. Borrower shall submit to Funding Lender for Funding Lender's approval all prospective easements, private or public dedications, and declarations of covenants, conditions and restrictions intended to affect the Real Property and Funding Lender's approval shall be obtained in writing prior to the execution or granting thereof by Borrower. Borrower's request for approval of any prospective easement or private or public dedication shall be accompanied by a drawing or survey showing the precise location of such prospective easement or private or public dedication. Borrower's request for approval of any prospective declaration of covenants, conditions and restrictions shall be accompanied by a description of the property affected thereby.

7.22 Compliance With Laws; Preservation of Rights. Borrower shall comply promptly with all Governmental Requirements, and shall obtain, preserve and maintain in good standing, as applicable, all rights, privileges and franchises necessary or desirable for the operation of the Property and the conduct of Borrower's business thereon and therefrom. If payment of the indebtedness secured by the Deed of Trust or any of the other Security Documents is to be insured or guaranteed by any governmental agency, Borrower shall comply with all rules, regulations, requirements and statutes relating thereto or provided in any commitment issued by any such agency to insure or guarantee payment of such indebtedness.

7.23 Notices. Borrower shall promptly notify Funding Lender and the Governmental Lender in writing of:

7.23.1 the occurrence of any Event of Default;

7.23.2 any litigation affecting Borrower, any Loan Party or the Property, or any other circumstance, event or occurrence that may reasonably be expected to result in a material adverse change in (a) the financial condition of Borrower or any Loan Party, (b) Borrower's

ability to timely perform any of Borrower's obligations under any of the Borrower Loan Documents and the Funding Loan Documents, (c) the physical condition or operation of the Property; or (d) the tax exempt status of the interest payable on the Governmental Lender Note. and

7.23.3 any notice that the Improvements or construction thereof, the Property or Borrower's business fails in any respect to comply with any applicable Governmental Requirement.

7.24 Indemnity.

7.24.1 In addition to its other obligations hereunder, and in addition to any and all rights of reimbursement, indemnification, subrogation and other rights of Governmental Lender, the Fiscal Agent or Funding Lender pursuant hereto and under law or equity, to the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Governmental Lender, the Funding Lender, the Fiscal Agent, and each of their respective partners, officers, directors, employees, attorneys and agents past, present or future (each an "Indemnified Party"), against any and all losses, damages, claims, actions, liabilities, reasonable costs and expenses of any nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement (to the extent that the Borrower has consented to such settlement) and amounts paid to discharge judgments) (hereinafter, the "Liabilities") to which the Indemnified Parties, or any of them, may become subject under federal or state securities laws or any other statutory law or at common law or otherwise, to the extent arising out of or based upon or in any way relating to:

(a) The Borrower Loan Documents and the Funding Loan Documents or the execution or amendment thereof or in connection with transactions contemplated thereby, including the sale, transfer or resale of the Borrower Loan or the Funding Loan;

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

(c) Any lien or charge upon payments by the Borrower to the Governmental Lender, the Fiscal Agent or the Funding Lender hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions on the Governmental Lender, the Fiscal Agent or the Funding Lender in respect of any portion of the Project (other than franchise taxes or income taxes based upon the capital or income of the Fiscal Agent or Funding Lender);

(d) Any violation of any environmental law, rule or regulation with respect to, or the presence or release of any toxic substance or hazardous materials from, the Project or any part thereof;

(e) The enforcement of, or any action taken by the Governmental Lender, the Fiscal Agent or the Funding Lender related to remedies under, this Borrower Loan Agreement and the other Borrower Loan Documents and the Funding Loan Documents;

(f) Any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact by the Borrower made in the course of Borrower's applying for the Borrower Loan or the Funding Loan or contained in any of the Borrower Loan Documents or Funding Loan Documents to which the Borrower is a party;

(g) Any breach (or alleged breach) by Borrower of any material representation, warranty or covenant made in or pursuant to this Borrower Loan Agreement or in connection with any written or oral representation, presentation, report, appraisal or other information given or delivered by Borrower or General Partner or their Affiliates to Governmental Lender, the Fiscal Agent, the Funding Lender, or any other Person in connection with Borrower's application for the Borrower Loan and the Funding Loan (including, without limitation, any breach or alleged breach by Borrower of any agreement with respect to the provision of any substitute credit enhancement, if applicable);

(h) Any failure (or alleged failure) by Borrower, the Funding Lender or the Governmental Lender to comply with applicable federal and state laws and regulations pertaining to the making of the Borrower Loan and the Funding Loan;

(i) The Project, or the condition, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation, construction of, the Project or any part thereof;

(j) The use of the proceeds of the Borrower Loan and the Funding Loan;

(k) Any finder's fee, brokerage commission, loan commission or other sum in connection with the consummation of the transactions contemplated hereby;

(l) The development of the Property, construction of the Improvements or the ownership, operation or use of the Property;

(m) Any declaration of taxability of interest on the Governmental Lender Note, or allegations (or regulatory inquiry) that interest on the Governmental Lender Note is taxable, for federal tax purposes;

(n) The issuance any Set Aside Letter, whether such matters are based on theories of derivative liability, comparative negligence or otherwise, at Borrower's own cost and with counsel approved by Bank, unless Bank elects to conduct its own defense at the expense of Borrower;

(o) The defeasance and/or redemption, in whole or in part, of the Borrower Note;

(p) Any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact by the Borrower contained in any closing certificate, offering statement or disclosure or continuing disclosure document for the Governmental Lender Note or any of the documents relating to the Governmental Lender Note to which the Borrower is a party, or any omission or alleged omission from any offering statement or disclosure or continuing disclosure document for the Governmental Lender Note of any material fact necessary to be stated therein in order to make the statements made therein by the Borrower, in the light of the circumstances under which they were made, not misleading; or

(q) The Bank's acceptance or administration of the Funding Loan Agreement, or the exercise or performance of any of its powers or duties as Bank thereunder or under any of the documents relating to the Governmental Lender Note to which it is a party.

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

7.24.3 Notwithstanding any transfer of the Project to another owner in accordance with the provisions of this Borrower Loan Agreement or the Tax Exempt Regulatory Agreement, the Borrower shall remain obligated to indemnify each Indemnified Party pursuant to this Section 7.24 if such subsequent owner fails to indemnify any party entitled to be indemnified hereunder, unless the Governmental Lender and the Funding Lender have consented in writing to such transfer and to the assignment of the rights and obligations of the Borrower hereunder.

7.24.4 The liability of Borrower under this indemnity shall not be limited or impaired in any way by (a) the release, reconveyance, foreclosure or other termination of the Deed of Trust, the payment in full of the Loan, any bankruptcy or other bankruptcy proceeding, or any other event whatsoever; (b) any provision in the Borrower Loan Documents or the Funding Loan Documents or applicable law limiting Borrower's liability or any Indemnified Party's recourse or rights to a deficiency judgment; or (c) any change, extension, release,

inaccuracy, breach or failure to perform by any party under the Borrower Loan Documents or the Funding Loan Documents. Borrower's liability hereunder is direct and primary and not secondary as a guarantor or surety.

7.24.5 This indemnity is not intended to give rise to, and shall not give rise to, a right of Bank to claim payment of the principal and accrued interest with respect to the Borrower Loan as a result of an claim under this Section 7.24.

7.24.6 The rights of any persons to indemnity hereunder shall survive the final payment or defeasance of the Borrower Loan and the Funding Loan and, in the case of Funding Lender or Fiscal Agent, any resignation. The provisions of this Section 7.24 shall survive the termination of this Borrower Loan Agreement.

7.25 Performance of Acts. Upon request by Funding Lender, Borrower shall perform all acts that may be necessary or advisable to perfect any lien or security interest provided for in the Borrower Loan Documents or the Funding Loan Documents to carry out the intent of the Borrower Loan Documents or the Funding Loan Documents.

7.26 Notice of Change. Borrower shall give Funding Lender prior written notice of any change in the location of Borrower's place of business (or Borrower's chief executive office if Borrower has more than one place of business) or Borrower's name, business structure or place of incorporation or other formation, and, unless otherwise approved by Funding Lender in writing, Borrower shall maintain all tangible Personal Property (other than the books and records) at the Real Property and all books and records at Borrower's place of business (or chief executive office if Borrower has more than one place of business).

7.27 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).

7.28 Funding Loan Documents. Borrower shall timely perform its obligations under the Funding Loan Documents.

7.29 Regulatory Agreements. Borrower hereby covenants and agrees (a) to comply with all provisions of the Regulatory Agreements; to advise Funding Lender and Governmental Lender in writing promptly upon learning of any default with respect to the covenants, obligations and agreements of Borrower set forth in the Regulatory Agreements; (b) upon written direction by Governmental Lender, to cooperate fully and promptly with Governmental Lender in enforcing the terms and provisions of the Tax-Exempt Regulatory Agreement; and (c) to file in accordance with the time limits established by the Regulatory Agreements all reports and certificates required thereunder, and the Certification to the Secretary of the Treasury required by the Tax-Exempt Regulatory Agreement. Neither Governmental Lender nor Funding Lender shall incur any liability in the event of any breach or violation of any of the Regulatory Agreements by Borrower, and Borrower agrees to indemnify the Indemnified Parties from any claim or liability for any such breach under the Regulatory Agreements.

7.30 Prohibited Activities. Without Funding Lender's prior written consent Borrower shall not:

7.30.1 Engage in any business activities substantially different from Borrower's present business or liquidate or dissolve Borrower's business;

7.30.2 Suffer or permit any liens or encumbrances to be placed on the Property other than the Permitted Liens.

7.30.3 Transfer any interest in the Property (other than (1) the lease of residential units within the Property for a term of one-year or less and otherwise in compliance with the Regulatory Agreements, (2) the Commercial Master Lease Agreement, and (3) dispositions of Personal Property expressly permitted by the Borrower Loan Documents) without the prior written consent of Funding Lender, which consent may be withheld in Funding Lender's absolute discretion. In connection with the foregoing consent requirements, Borrower acknowledges that Funding Lender relied upon Borrower's particular expertise in entering into this Agreement and continues to rely on such expertise to ensure the satisfactory completion and operation of the Property. Transfers requiring Funding Lender's prior written consent shall include, without limitation, (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 Deed of Trust, the issuance, sale, assignment, disposition, encumbering or other transfer of any direct or indirect ownership interest in Borrower, any Loan Party or any general partner, member or shareholder of any Loan Party, whether voluntary or involuntary, by operation of law or otherwise. No sale, lease or other transfer shall relieve Borrower from primary liability for its obligations under the Borrower Loan Documents or the Funding Loan Documents, and Borrower shall deliver to Funding Lender all documents reasonably required by Governmental Lender to evidence its continuing liability. No consent by Funding Lender in connection with any Transfer shall constitute (x) a consent by Governmental Lender under the Tax-Exempt 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, or (y) a waiver by Governmental Lender of any term or condition of the Tax-Exempt Regulatory Agreement. Notwithstanding the foregoing, (a) Tax Credit Investor may transfer its limited partnership interests in Borrower to any limited partnership or limited liability company in which Union Bank, N.A., or an affiliate thereof is the general partner or managing member; provided that following such transfer, Tax Credit Investor shall remain jointly and severally liable for all contributions to be made by Tax Credit Investor under the Partnership Agreement, (b) the transfer of limited partnership interests or non-managing membership interest in Tax Credit Investor shall not constitute a "transfer" hereunder, and (c) subject to Funding Lender's consent, which shall not be unreasonably withheld, Tax Credit Investor may remove and replace the General Partner in accordance with the Partnership Agreement following a default by the General Partner thereunder.

7.30.4 Amend or modify in any material respect any organizational documents pertaining to Borrower or any Loan Party.

7.30.5 Cause or otherwise consent to the formation of any community facilities district that includes the Property or any part of the Property pursuant to the Mello-Roos Community Facilities Act of 1982, any assessment district that 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 that 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.

7.30.6 Enter into any new Funding Loan Documents, or amend, modify, supplement, cancel or terminate any Funding Loan Documents.

7.30.7 Take, or omit to take, any action that, if taken or omitted, would jeopardize or adversely affect the tax-exempt status of the interest payable on the Governmental Lender Note.

7.30.8 Accept any deed or other restriction or enter into any regulatory or other similar agreement regulating or restricting the use or operation of the Property or restricting the tenant income and/or rent levels for the Property in connection with the allocation to the Property of federal low-income housing tax credits or otherwise.

7.31 Set Aside Letters. In the event Funding Lender issues, at Borrower's request, any Set Aside Letter, Borrower represents, warrants and agrees as follows:

7.31.1 The sum that Borrower requests Funding Lender to allocate for Bonded Work shall be sufficient to pay for the costs of construction and completion of the Bonded Work in accordance with any agreement between Borrower and the Governmental Authority and a copy of such agreement shall be furnished to Funding Lender by Borrower as a condition precedent to the issuance by Funding Lender of any Set Aside Letter;

7.31.2 Funding Lender is irrevocably and unconditionally authorized to disburse to the Governmental Authority or Surety all or any portion of proceeds of the Borrower Loan upon a demand of the Governmental Authority or Surety made in accordance with the terms and conditions of the Set Aside Letter;

7.31.3 Any disbursement or payments that Funding Lender makes or may be obligated to make under any Set Aside Letter, whether made directly to the Governmental Authority, Surety, or to others for completion of all or part of the Bonded Work, shall be deemed an Advance to or for the benefit of Borrower; and

7.31.4 Funding Lender shall have no obligation to release any security under the Borrower Loan Documents unless and until Funding Lender has received a full and final written release of its obligations under each Set Aside Letter.

7.31.5 The fee for issuing each Set Aside Letter hereunder shall be determined when each Set Aside Letter is issued by Funding Lender.

7.32 Management of Property. Borrower shall not enter into any agreement providing for the management or operation of the Real Property or the Improvements without the prior written consent of Funding Lender.

7.33 Leases.

7.33.1 **Negative Covenants.** In addition to the provisions of the Deed of Trust, and regardless of whether or not Funding Lender's prior written approval is required, Borrower shall not, without Funding Lender's prior written consent: (a) grant to any tenant any right or option to purchase the Property or any portion thereof, or any other present or future interest in any portion of the Property other than the right to use and occupy the leased premises, (b) grant to any tenant the right to terminate its lease if the lease of one or more other tenant is terminated, or (c) accept payment of rent from any tenant in any form other than cash or cash equivalent.

7.33.2 **Affirmative Covenants.** In addition to the provisions of the Deed of Trust, Borrower shall (a) document all Leases covering any portion of the Property or the Improvements on a standard lease form approved by Funding Lender (with no material change), (b) not enter into any lease for any Unit with a potential tenant unless such lease is an Acceptable Unit Lease and the rent charged thereunder complies with the Governmental Documents, all Regulatory Agreements and is consistent with the rent proforma submitted by Borrower and approved by Funding Lender (c) other than the Commercial Master Lease Agreement, enter into Leases only with bona fide third party tenants in an arm's length transaction at the then current rate for comparable space in accordance with the Regulatory Agreements and on such other terms and conditions as are reasonably acceptable to Funding Lender, (d) whether or not Funding Lender's prior written approval is required, deliver to Funding Lender, within ten days of execution, all new Leases (together with all financial information obtained by Borrower regarding the tenant) and all modifications, amendments and consents to assignment or subletting of existing Leases, and (e) promptly notify Funding Lender in writing of (i) the termination, abandonment, or surrender of any Lease, and (ii) claims of any breach of any of Borrower's obligations as landlord under any Lease.

7.34 Compliance. Upon the request of Funding Lender from time to time and at any time certification of the matters set forth below is provided to Governmental Lender or any Governmental Authority, Borrower shall promptly provide to Funding Lender the following:

7.34.1 Borrower's certification of the Property's compliance with the rules qualifying the interest payable on the Governmental Lender Note for federal tax exemption pursuant to Section 142(d) of the Code and the regulations issued under Section 142(d) and the requirements of the Regulatory Agreements;

7.34.2 Property has received or receives a tax credit allocation, Borrower's certification of the Property's compliance with the requirements of Section 42 of the Code and the regulations issued under Section 42 and if the tax credits have not yet been syndicated, Borrower's report regarding progress in syndicating the tax credit allocation until the syndication is completed; and

7.34.3 Such other documents, certificates and other information as may be deemed necessary or appropriate to enable Funding Lender to perform the functions under this Agreement or the Funding Loan Agreement.

7.35 Property Reserves. Borrower shall establish and maintain such operating, replacement and/or tenant improvement reserves for the Property as required by Funding Lender, and Borrower hereby grants to Funding Lender a security interest in all such reserves. Borrower

agrees to execute such supplemental security documentation as Funding Lender may request confirming such security interest.

7.36 Intentionally Omitted.

7.37 Establishment of Capital Improvement Reserve Account.

7.37.1 Concurrently with the Conversion and as a condition precedent thereto, Borrower shall: (i) establish with Funding Lender the Capital Improvement Reserve Account and Borrower shall execute such documents as are necessary to evidence same and to create and perfect in favor of Funding Lender a security interest therein for the purpose of paying for any capital improvements which are necessary for the continued operation of the Property and which capital improvements are approved by Funding Lender, which approval will not be unreasonably withheld (“Capital Improvements”); and (ii) commencing after the Conversion Date, on the first day of the month in which Borrower is required to make its first principal and interest payment under the Note, and continuing on the first day of every month thereafter, deposit or cause to be deposited into the Capital Improvement Reserve Account an amount equal to no less than \$5,834.00 each month; provided, however, commencing on each anniversary of the Amortization Date, said amount shall increase by the percentage increase in the Consumer Price Index. All Urban Consumers (All Items) for the area in which the Project is located published by the United States Department of Labor, Bureau of Labor Statistics, for the calendar month three months prior to the Amortization Date and the applicable anniversary of the Amortization Date. If such index is no longer published, then such other comparable index designated by Funding Lender shall be used to calculate the increase.

7.37.2 Borrower shall be entitled to withdraw funds from the Capital Improvement Reserve Account from time to time (but no more often than once every thirty (30) days and in an amount of no less than \$1,000 for each such withdrawal) to cover Capital Improvements, but only upon ten (10) days prior written notice from Borrower to Funding Lender requesting to withdraw such funds and only so long as no Event of Default exists and no event has occurred that, with the giving of notice or the passage of time, or both, would constitute an Event of Default. Said written request shall set forth the amount of funds Borrower wishes to withdraw from the Capital Improvement Reserve Account, shall set forth with specificity those Capital Improvements for which the funds are to be used and shall be accompanied by copies of invoices or other evidence satisfactory to Funding Lender confirming the cost of such Capital Improvements. Funding Lender may also condition the withdrawal of funds from the Capital Improvement Reserve Account upon delivery by Borrower of such contractor’s affidavits, owner’s sworn statements, partial and final waivers of lien and other additional documentation Funding Lender may require to insure that the Capital Improvements have been completed free and clear of any claims of lien, and in a good and workmanlike manner and otherwise in accordance with all applicable legal requirements. The disbursement of funds withdrawn from the Capital Improvements Reserve Account may be made, in Funding Lender’s discretion, either directly to the parties entitled thereto or to Borrower to pay the same. If such funds are disbursed directly to Borrower, Borrower shall provide Funding Lender with evidence of the payment of the cost of the Capital Improvements within ten (10) days after the date such funds are withdrawn from the Capital Improvement Reserve Account.

7.37.3 Borrower shall diligently pursue completion of all Capital Improvements upon the commencement of the same. All Capital Improvements shall be made in a good and workmanlike manner and shall be completed free and clear of any mechanic's or materialman's liens and encumbrances. Borrower shall pay all costs necessary for completion of all Capital Improvements without regard to the sufficiency of the funds in the Capital Improvement Reserve Account. Borrower shall not commence construction of any Capital Improvement or other work prior to obtaining a building permit and all other governmental authorizations required with respect thereto, which Borrower shall provide to Funding Lender upon request. Once any construction work has commenced, Borrower shall cause same to be completed in accordance with the plans and specifications therefor and in compliance with all restrictive covenants applicable thereto, free and clear of liens or claims for liens, and shall correct all defects therein. No disbursement of funds from the Capital Improvement Reserve Account shall constitute a waiver of Funding Lender's right to require compliance with the foregoing covenants.]

7.38 Rent Restrictions. Borrower shall comply, and cause the tenants occupying the Units to comply, with the Rent Restrictions, including, without limitation, maintaining all appropriate records.

7.39 Preservation of Tax Credits. Borrower shall observe and perform all obligations imposed on Borrower for the purpose of obtaining, maintaining and utilizing the maximum amount of Tax Credits allocated pursuant to the Tax Credit Allocation Documents and to operate the Project, or to cause the appropriate parties to operate the Project, in accordance with all applicable provisions of the Code and the R&T Code, if applicable, and all other statutes and regulations governing the Tax Credits including, without limitation, the monitoring and reporting requirements set forth in the Qualified Allocation Plan.

7.40 Election of Credit Period. Borrower shall not make its election (electing whether the first year of the ten (10) year "credit period" shall commence in the year the Project is placed in service or the following year) under Section 42(f) of the Code without first obtaining Funding Lender's prior written consent to Borrower's election, which consent shall not be unreasonably withheld or delayed.

7.41 Compliance With Subordinate Lender Documents, Commercial Master Lease Agreement and Regulatory Agreements. Borrower shall observe and comply with all of the terms and conditions set forth in the Subordinate Lender Documents, Commercial Master Lease Agreement and all Regulatory Agreements.

7.42 Payment of Development Fee. Borrower shall pay Sponsor no more than \$300,000 of its development fee on the Closing Date and no more than \$433,951 of its development fee after the Closing Date and prior to Conversion (which amount shall be paid from Net Operating Income of the Project and not from Borrower Loan funds).

7.43 IRS Form 8609 and California FTB Form 3521A. Borrower shall deliver to Funding Lender the IRS Form 8609 and California FTB Form 3521A (if applicable) within five (5) business days following Borrower's receipt of the same from the Allocation Committee.

7.44 Obtaining and Maintaining Real Property Tax Exemption. Borrower shall cause Sponsor to maintain its status as an “eligible non-profit corporation” (as such term is used in Section 214(g) of the R&T Code) and take all actions and provide such certifications as may be necessary from time to time so that the Project (other than the portion of the Project subject to the Commercial Master Lease Agreement) shall be exempt from the payment of real property taxes in accordance with the provisions of Section 214(g) of the R&T Code.

7.45 Draws under Subordinate Lender Loan and Disbursement of Borrower’s Funds. Request and receive disbursements of the entire Subordinate Lender Loan (except for \$1,000,000 of the Sponsor Loan held by Collateral Agent pursuant to the Cash Collateral Assignment and Security Agreement) prior to requesting disbursements of Borrower’s Funds.

7.46 Draw Requests. Borrower shall furnish to Funding Lender such statements and other financial data as Funding Lender shall from time to time reasonably request in writing with respect to disbursements made under the Subordinate Lender Loan, if any. Borrower shall deliver, or cause to be delivered, to Funding Lender (concurrently with the delivery of the same to Subordinate Lender) copies of all draw requests (and accompanying back-up documentation), if any, submitted to the Subordinate Lender with respect to disbursements made under the Subordinate Lender Loan from time to time.

7.47 Progress Reports and Annual Project Status Reports; Allocation Committee Notices. Borrower shall promptly deliver to Funding Lender copies of all “Progress Reports” all “Annual Project Status Reports” and all other reports delivered by Borrower to the Allocation Committee or Subordinate Lender from time to time including, without limitation, those reports required by the terms and conditions of the Qualified Allocation Plan or as otherwise required under the terms of the Tax Credit Allocation Documents; such reports shall be delivered to Funding Lender concurrently with the delivery of the same to the Allocation Committee. Borrower shall promptly deliver to Funding Lender copies of all notices and/or correspondence it receives from time to time from the Allocation Committee to the extent the same relate to the allocation of Tax Credits as evidenced by the Carryover Allocation.

7.48 Release of \$1,000,000 of Sponsor Loan. Any Sponsor Loan funds released by the Collateral Agent pursuant to the terms of the Cash Collateral Assignment and Security Agreement shall be delivered to Funding Lender to paydown the outstanding balance of the Borrower Loan.

7.49 Hedge.

7.49.1 As a condition precedent to making the Borrower Loan, the Borrower shall enter into one or more interest rate caps, collars, swaps, swaptions, forward swaps or similar transactions designed to protect against fluctuations in the interest rate of each Borrower Note commencing no later than the Outside Conversion Date and expiring no earlier than the Maturity Date with a counterparty acceptable to Funding Lender (which counterparty may, but is not required to be, Funding Lender) (together, as modified from time to time, the “Hedge”). The notional amount of the Hedge must be the outstanding principal amount of the Borrower Note as of the Outside Conversion Date or, if later, the effective date of the Hedge. The Hedge shall provide for a fixed rate of interest not to exceed (or otherwise protect against the interest rate on

the Borrower Note exceeding) _____ percent (____)% [**CHECK**] (inclusive of the Margin). The cost of the Hedge must be paid in full on its effective date. The identity of the counterparty and the form and substance of the documents and agreements evidencing, securing, guarantying or otherwise governing the Hedge, including, without limitation, any ISDA Master Agreement and Schedule thereto, and any confirmations evidencing the Hedge (together, the “Hedge Documents”), shall be acceptable to Funding Lender in the Funding Lender’s sole discretion. In no event shall the counterparty have a rating by a national rating agency which is less than the rating assigned by such rating agency to Funding Lender. No Hedge Document shall be secured by the Project unless expressly consented to in writing by Funding Lender, which consent may be withheld in Funding Lender’s sole discretion.

7.49.2 On the Closing Date, the Borrower shall acquire a Hedge complying with the requirements of this Section 7.49 and Section 4.1.13. As a condition to the Conversion, the Hedge shall comply with the requirements of this Section 7.49.

7.49.3 The Borrower shall timely perform all of its obligations under the Hedge Document in accordance with its terms, including payment of all breakage and termination fees due under the applicable Hedge Documents. Unless Funding Lender is the counterparty, the Borrower may not exercise any right or remedy under any Hedge Document without the Funding Lender’s prior written consent and shall exercise its rights and remedies under the Hedge Documents as directed by the Funding Lender in writing.

7.49.4 So long as the Borrower is required to maintain a Hedge, the Borrower shall not terminate, transfer or consent to any termination or transfer of the Hedge without the Funding Lender’s prior written consent, which consent may be withheld in Funding Lender’s sole discretion. No Hedge shall be terminated for any reason unless Borrower enters into a new Hedge complying with the requirements of this Section 7.49; provided, that no Hedge undertaken with Funding Lender may be terminated, terminated and replaced or transferred by the Borrower without the consent of Funding Lender, which consent may be withheld by Funding Lender in its sole discretion. Each replacement Hedge must have a term which commences no later than the later of the Outside Conversion Date or the termination date of the preceding Hedge. If Borrower desires to transfer or terminate a Hedge, Borrower shall provide Funding Lender for Funding Lender’s approval written notice thereof at least sixty (60) days prior to termination of the existing Hedge, together with a description of the terms proposed for the replacement Hedge and the identity of the financial institutions who will bid to be the counterparty on the replacement Hedge. In addition, the Borrower shall provide the Funding Lender for Funding Lender’s approval the identity of the counterparty and copies of the proposed replacement Hedge Documents at least fourteen (14) business days prior to the termination of the existing Hedge; provided, however, that if a Hedge unexpectedly and unavoidably terminates on a date other than its scheduled expiration date, the Borrower shall, within fourteen (14) business days of such termination, obtain a new Hedge satisfying the requirements of this Section 7.49; provided that if such terminated Hedge is one provided by Funding Lender, Funding Lender shall be under no obligation to permit such replacement Hedge to be entered into or to forbear from exercising its creditor remedies during such time.

7.49.5 If Funding Lender is not (or is no longer) the counterparty to the Hedge, the Borrower shall assign each Hedge in effect from time to time to Governmental Lender and

Funding Lender pursuant to an assignment of hedge (“Assignment of Hedge”) in a form and content acceptable to Funding Lender in its sole discretion. The Assignment of Hedge must be entered into on or before the effective date of the Hedge. The Hedge Documents and the Assignment of Hedge shall direct the counterparty to make any payments on the Hedge directly to Funding Lender to be applied by Funding Lender to payments due under the Borrower Loan, provided that after the occurrence of an Event of Default, Funding Lender may apply such payments as may determine in its discretion.

7.50 Tax Covenants of the Borrower. The Borrower covenants and agrees that:

7.50.1 It will at all times comply with the terms of the Tax Certificate and the Regulatory Agreement;

7.50.2 It will not take, or permit to be taken on its behalf, any action which would cause the interest payable on the Governmental Lender Note to be included in gross income, for federal income tax purposes, and will take such action as may be necessary in the opinion of Tax Counsel to continue such exclusion from gross income, including, without limitation, 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 Tax-Exempt Regulatory Agreement);

7.50.3 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 Governmental Lender Note;

7.50.4 It will comply with the requirements of Section 148 of the Code and the Regulations issued thereunder throughout the term of the Governmental Lender Note and will not make any use of the proceeds of the Governmental Lender Note, or of any other funds which may be deemed to be proceeds of the Governmental Lender Note under the Code and the related regulations of the United States Treasury, which would cause the Governmental Lender Note to be “arbitrage bonds” within the meaning of Section 148 of the Code;

7.50.5 If the Borrower becomes aware of any situation, event or condition which would, to the best of its knowledge, result in the interest on the Governmental Lender Note becoming includable in gross income for purposes of federal income tax purposes, it will promptly give written notice of such circumstance, event or condition to the Governmental Lender, the Fiscal Agent, and the Funding Lender.

In the event of a conflict between the terms of this Section 7.50 and the Tax Certificate, the terms of the Tax Certificate shall control.

ARTICLE VIII EVENTS OF DEFAULT

The occurrence of any one or more of the following events shall constitute an “Event of Default” hereunder and at Funding Lender’s option, exercisable in its sole discretion, shall terminate any obligation of Funding Lender to make any Advance or disbursement of Borrower’s Funds. Upon the occurrence of an Event of Default, Funding Lender shall also have

the option, exercisable in its sole discretion, to declare the Borrower Loan immediately due and payable, without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demand of any kind or character; provided, however, upon the occurrence of any Event of Default that, under the terms of any Loan Document or Funding Loan Document results in the Borrower Loan becoming automatically due and payable, such occurrence shall result in automatic acceleration of payments of all principal and interest due under the Borrower Loan:

8.1 Borrower fails to (a) pay when due any sums payable under any Borrower Loan Document or Funding Loan Document after giving effect to any express curative provisions (if any) provided herein or therein, or (b) deposit with Funding Lender any of Borrower's Funds as and when required under this Agreement.

8.2 Borrower has breached, or defaulted under, any term, condition or provision contained in (a) any Loan Document that is not specifically referred to in this Section 8, (b) the Tax-Exempt Regulatory Agreement or other Funding Loan Document, or (c) any ground lease, if the Property is a leasehold estate.

8.3 Borrower or Contractor does not (a) commence construction of the Improvements within the time period required in this Agreement, (b) proceed diligently and continuously with the construction of the Improvements, or the construction of the Improvements is otherwise discontinued for a period of five consecutive Business Days or more, for any reason, or (c) complete the construction of the Improvements and cause the issuance of all licenses and permits necessary for the occupancy and use of the Improvements, on or before the Completion Date.

8.4 Any representation or warranty by Borrower or any Loan Party made hereunder or under any other Loan Document proves to be materially false or misleading.

8.5 Any person obtains an order or decree in any court of competent jurisdiction prohibiting the construction of the Improvements or Borrower or Governmental Lender and Funding Lender from performing this Agreement, and such order or decree is not vacated within ten days after the granting thereof.

8.6 Borrower neglects, fails or refuses to keep in full force and effect any permit or approval with respect to the construction of the Improvements or the use and occupancy thereof.

8.7 Any bonded notice to withhold in connection with the Borrower Loan is validly served on Governmental Lender or Funding Lender and within five days of the receipt of such service (a) is not discharged, or (b) if the amount claimed is disputed in good faith by Borrower or Contractor, an appropriate counter bond or equivalent acceptable to Funding Lender is not provided to Funding Lender.

8.8 The imposition, voluntary or involuntary, of any lien or encumbrance upon the Property without Funding Lender's written consent, unless an adequate counter bond is provided and such lien is accordingly released within ten days of the imposition of such lien.

8.9 Funding Lender fails to have an enforceable first lien on or security interest in any property given as security for the Borrower Loan, except as permitted by Funding Lender in writing.

8.10 An event or condition occurs or arises that materially impairs Borrower's intended use of the Property.

8.11 Borrower neglects, fails or refuses to keep in force and effect any insurance coverage required by Funding Lender.

8.12 Any Funding Loan Document, Subordinate Lender Document, Regulatory Agreement or the Commercial Master Lease Agreement is amended, modified or terminated without Funding Lender's prior written consent.

8.13 Interest on the Governmental Lender Note is no longer excludable from the gross income of the holder thereof for federal income tax purposes.

8.14 The occurrence of an event of default by Borrower under the Subordinate Lender Documents, or Regulatory Agreement(s) (following the expiration of any curative periods set forth therein).

8.15 The failure of Borrower to comply with any of the terms and conditions of the Tax Credit Allocation Documents, the failure of Borrower to cause Project Completion to occur on or before the Completion Date, or the failure of Borrower to comply with any of the monitoring or reporting requirements set forth in the Qualified Allocation Plan.

8.16 The determination by Funding Lender (in Funding Lender's reasonable opinion) at any time that (i) paragraph (1) of Section 42(h) of the Code will apply to the allocation of the Tax Credits or (ii) Project Completion will not occur on or before the Completion Date.

8.17 The maximum amount of Tax Credits reserved by the Allocation Committee under the Preliminary Reservation is reduced by the Allocation Committee which results in a reduction of the Tax Credit Investor's capital contributions to Borrower which, together with other financing or equity investment permitted under the Borrower Loan Documents, would prevent Borrower from making the full Paydown Amount on or before the Outside Conversion Date, as determined by Funding Lender in its sole discretion.

8.18 Borrower shall fail to obtain the Hedge in accordance with the terms and provisions of Section 7.49. Borrower shall fail to perform any of its obligations under any agreement relating to any Hedge or Hedge Documents following the expiration of any applicable curative provision.

The Tax Credit Investor shall have the right to cure any default by Borrower hereunder within the time periods (if any) set forth herein for such cure and Funding Lender agrees to accept such cure as if cured by Borrower.

ARTICLE IX **REMEDIES**

If an Event of Default occurs under this Agreement:

9.1 Governmental Lender and Funding Lender (whether directly or by directing the actions of the Fiscal Agent) may exercise any right or remedy that it has under any of the Borrower Loan Documents, or that is otherwise available at law or in equity or by statute, and all of Governmental Lender's and Funding Lender's rights and remedies shall be cumulative.

9.2 Funding Lender shall have the right, in its sole discretion, to enter the Property and take possession of it, whether in person, by agent or by court-appointed receiver, to perform any and all work and labor necessary to complete the Improvements substantially in accordance with the Plans, and to collect rents and otherwise protect its collateral and exercise its rights and remedies under the Borrower Loan Documents. If Funding Lender exercises any of the rights or remedies provided in this Section, that exercise shall not make Funding Lender a partner or joint venturer of Borrower. All sums that are expended by Funding Lender in completing the Improvements or in preserving Funding Lender's collateral for the Borrower Loan shall be considered an additional loan to Borrower secured by the Deed of Trust and Security Documents and shall bear interest at the Default Rate.

9.3 Notwithstanding the exercise of any remedy described above or the existence of any Event of Default, Funding Lender, at its option, may make any Advance or disburse any or all of Borrower's Funds without (a) waiving Funding Lender's right to demand payment of the Borrower Loan, (b) incurring liability to make any other or further Advances, and (c) waiving Funding Lender's right to require compliance with Borrower's covenant to correct any defect in the Improvements or departure from the Plans not approved by Funding Lender.

ARTICLE X **POWER OF ATTORNEY**

Borrower hereby constitutes and appoints Funding Lender as Borrower's true and lawful attorney in fact with the power and authority, including full power of substitution upon the occurrence and during the continuance of an Event of Default, as follows:

10.1 To take possession of the Property and complete the Improvements.

10.2 To use any of Borrower's Funds and any undisbursed proceeds of the Borrower Loan for the purpose of completing the Improvements and for other costs related thereto.

10.3 To make such additions and changes and corrections in the Plans as may be necessary or desirable, as Funding Lender, in Funding Lender's sole discretion, deems proper to complete the Improvements.

10.4 To employ such contractors, subcontractors, agents, architects, engineers and inspectors as are required to complete the Improvements.

10.5 To employ security personnel to protect the Property from damage.

10.6 To pay, settle or compromise all existing bills and claims against Borrower's Funds or any undisbursed proceeds of the Borrower Loan as may be necessary or desirable or as

Funding Lender deems proper, in Funding Lender's sole discretion, for the completion of the Improvements, or for the protection or clearance of title to the Property, or for the protection of Funding Lender's interest with respect thereto.

10.7 To prosecute and defend all actions and proceedings in connection with the construction of the Improvements.

10.8 To record any notices of completion, cessation of labor and other notices that Funding Lender deems necessary to protect any interest of Funding Lender under the provisions of this Agreement, the Deed of Trust, any of the Security Documents, or any other Borrower Loan Document.

10.9 To execute, acknowledge, and deliver all instruments and documents in the name of Borrower that may be necessary or desirable or as Funding Lender deems proper, in Funding Lender's sole discretion, and to perform any and every act with respect to the construction of the Improvements that Borrower might perform on Borrower's own behalf.

This Power of Attorney is a power coupled with an interest and cannot be revoked. Any costs or expenses incurred by Funding Lender in connection with any acts performed by Funding Lender under or pursuant to this Section shall be paid by Borrower. If such costs are not paid by Borrower upon demand of Funding Lender, interest shall accrue thereon at the Default Rate. Any such advances made or costs or expenses incurred by Funding Lender shall be secured by the Deed of Trust and Security Documents.

ARTICLE XI

LIMITATIONS ON LIABILITY

11.1 Limitation on Liability of Governmental Lender. Notwithstanding anything herein or in any other instrument to the contrary, the Governmental Lender shall not be obligated to pay the principal or prepayment price of or interest on the Funding Loan, except from moneys and assets received by the Fiscal Agent or the Funding Lender on behalf of the Governmental Lender pursuant to this Borrower Loan Agreement. Neither the faith and credit nor the taxing power of the State, nor any public agency or political subdivision of the State, is pledged to the payment of the principal or prepayment price of or interest on the Funding Loan. The Governmental Lender shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Borrower Loan Agreement or the Funding Loan Agreement, except only to the extent amounts are received for the payment thereof from the Borrower under this Borrower Loan Agreement.

The Borrower hereby acknowledges that the Governmental Lender's sole source of moneys to repay the Funding Loan will be provided by the payments made by the Borrower pursuant to this Borrower Loan Agreement, together with investment income on certain funds and accounts held by the Fiscal Agent under the Funding Loan Agreement, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal or prepayment price of and interest on the Funding Loan as the same shall become due, whether by maturity, redemption, acceleration or otherwise, then upon notice from the Fiscal Agent, the

Borrower shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal or prepayment price of or interest on the Funding Loan, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Fiscal Agent, the Borrower, the Governmental Lender or any third party, subject to any right of reimbursement from the Fiscal Agent, the Governmental Lender or any such third party, as the case may be, therefor.

11.2 Waiver of Personal Liability. No member, officer, agent or employee of the Governmental Lender or any commissioner, officer, agent or employee of the Governmental Lender shall be individually or personally liable for the payment of any principal or prepayment price of or interest on the Funding Loan or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Borrower Loan Agreement; but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Borrower Loan Agreement.

11.3 Limitation on Liability of Funding Lender's Officers, Employees, Etc. Borrower assumes all risks of the acts or omissions of the Governmental Lender and the Funding Lender, provided, however, this assumption is not intended to, and shall not, preclude Borrower from pursuing such rights and remedies as it may have against the Governmental Lender and the Funding Lender at law or under any other agreement. None of Governmental Lender, the Fiscal Agent and the Funding Lender, nor any of its commissioners, officers, directors, employees or agents shall be liable or responsible for (i) any acts or omissions of the Governmental Lender and the Funding Lender; or (ii) the validity, sufficiency or genuineness of any documents, or endorsements, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged. In furtherance and not in limitation of the foregoing, the Governmental Lender and the Funding Lender may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, unless acceptance in light of such notice or information constitutes willful misconduct on the part of the Governmental Lender, or gross negligence or willful misconduct on the part of the Funding Lender.

None of the Governmental Lender, the Fiscal Agent, the Funding Lender, the other Beneficiary Parties or any of their respective officers, directors, employees or agents shall be liable to any contractor, subcontractor, supplier, laborer, architect, engineer or any other party for services performed or materials supplied in connection with the Project. The Governmental Lender and the Funding Lender shall not be liable for any debts or claims accruing in favor of any such parties against the Borrower or others or against the Project or the Mortgaged Property. The Borrower is not and shall not be an agent of the Governmental Lender and the Funding Lender for any purpose. The Governmental Lender and the Funding Lender are not joint venture partners with the Borrower or with each other in any manner whatsoever. Prior to default by the Borrower under this Borrower Loan Agreement and the exercise of remedies granted herein, the Governmental Lender and the Funding Lender shall not be deemed to be in privity of contract with any contractor or provider of services to the Project, nor shall any payment of funds directly to a contractor, subcontractor or provider of services be deemed to create any third party beneficiary status or recognition of same by the Governmental Lender and the Funding Lender. Approvals granted by the Governmental Lender and the Funding Lender for any matters covered

under this Borrower Loan Agreement shall be narrowly construed to cover only the parties and facts identified in any written approval or, if not in writing, such approvals shall be solely for the benefit of the Borrower.

Any obligation or liability whatsoever of the Governmental Lender and the Funding Lender that may arise at any time under this Borrower Loan Agreement or any other Borrower Loan Document shall be satisfied, if at all, out of the Funding Lender's assets only. No such obligation or liability shall be personally binding upon, nor shall resort for the enforcement thereof be had to, the Project or any of the Governmental Lender's or the Funding Lender's shareholders (if any), directors, officers, employees or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise.

11.4 City Contracting Provisions. The Borrower and the Funding Lender covenants and agrees to comply with the provisions set forth in Exhibit E to this Borrower Loan Agreement, which is incorporated in and made a part of this Borrower Loan Agreement by this reference.

ARTICLE XII **MISCELLANEOUS**

12.1 Disclaimer. WHETHER OR NOT GOVERNMENTAL LENDER OR BANK ELECT TO EMPLOY ANY OR ALL OF THE REMEDIES AVAILABLE TO GOVERNMENTAL LENDER OR BANK UPON THE OCCURRENCE OF AN EVENT OF DEFAULT, NEITHER GOVERNMENTAL LENDER NOR BANK SHALL BE LIABLE FOR THE CONSTRUCTION OF, OR FAILURE TO CONSTRUCT, COMPLETE OR PROTECT, THE IMPROVEMENTS.

12.2 Notices. All notices, demands, requests or other communications (including communications by facsimile transmission or e-mail) provided for or allowed hereunder shall be in writing and shall be effective only if the same is delivered by personal service, mailed (postage prepaid, return receipt requested), faxed, or e-mailed to the address given with the signatures at the end of this Agreement. Any such notice shall be deemed to have been received by the addressee, (a) if mailed, on the third day following the date of such mailing, or (b) if faxed or e-mailed, upon telephone confirmation of receipt. Any party may at any time change its address for such notices by delivery or mailing the other parties to this Agreement a notice of such change.

12.3 Waivers. Any forbearance, failure or delay by Funding Lender in exercising any right, power or remedy shall not be deemed a waiver thereof and any single or partial exercise of any power, right or remedy shall not preclude any further exercise thereof. No waiver of or consent to any breach of any of the covenants or conditions of this Agreement or any other Loan Document shall be construed to be a waiver of or a consent to any previous or subsequent breach of the same or any other condition or covenant. No waiver or consent shall be effective under any Loan Document unless it is in writing and signed by an officer of Funding Lender.

12.4 Governmental Lender's and Funding Lender's Expenses; Rights of Governmental Lender and Funding Lender.

12.4.1 Borrower shall promptly pay to Governmental Lender and Funding Lender, upon demand, with interest thereon from the date of demand at the Default Rate, reasonable attorneys' fees (including the fees and costs of Governmental Lender's, Fiscal Agent's and Funding Lender's in-house counsel and legal staff) and all costs and other expenses paid or incurred by Governmental Lender, Fiscal Agent and Funding Lender in exercising its rights or remedies provided for in this Agreement or any other Loan Document. If at any time Borrower fails to perform any of its obligations hereunder, Funding Lender shall have the right, but not the obligation, to perform such obligations at the expense of Borrower. The amount of any monies so expended or obligations so incurred by Governmental Lender, Fiscal Agent and Funding Lender, together with interest thereon at the Default Rate, shall be repaid to Governmental Lender, Fiscal Agent and Funding Lender promptly upon demand and payment thereof shall be secured by the Deed of Trust and Security Documents.

12.4.2 Governmental Lender and Funding Lender, and any of Governmental Lender's and Funding Lender's representatives, shall have the right, at any time and from time to time, and without notice, to enter upon the Property, to inspect the Improvements and all materials to be used in the construction thereof and to examine the Plans and all detailed plans and shop drawings that are or may be kept at the construction site.

12.5 No Third Party. This Agreement is made for the sole benefit of Borrower, Governmental Lender, Funding Lender and Governmental Lender's and Funding Lender's successors and assigns, and no other Person shall have any rights or remedies under or by reason of this Agreement or any right to exercise any right or power of Governmental Lender and Funding Lender hereunder or arising from any default by Borrower. Governmental Lender and Funding Lender shall owe no duty whatsoever to any claimant for labor performed or material furnished in connection with the construction of the Improvements nor any duty whatsoever to apply any undisbursed proceeds of the Borrower Loan to the payment of any such claim or to exercise any right or power of Funding Lender hereunder or arising from any default by Borrower.

12.6 Time of Essence. Time is of the essence of this Agreement and every part hereof.

12.7 Successors and Assigns. Neither this Agreement nor any right of Borrower to receive any sums, proceeds or disbursements hereunder, may be assigned, pledged, hypothecated, anticipated or otherwise encumbered by Borrower without the prior written consent of Funding Lender. Subject to the foregoing restriction and the restrictions contained in the Deed of Trust, this Agreement shall inure to the benefit of Governmental Lender and Funding Lender and Governmental Lender's and Funding Lender's successors and assigns and shall bind Borrower and Borrower's successors and assigns.

12.8 Participation or Syndication. Funding Lender shall have the right, in its sole discretion, to assign all or any part of Funding Lender's rights in the Borrower Loan and under the Borrower Loan Documents or the Funding Loan Documents, either through direct assignment or through participating interests, subject to the provisions of Section **[4.3]** **[CHECK]** of the Funding Loan Agreement. Funding Lender is hereby authorized to disclose to any prospective assignee or participant in the Borrower Loan any and all information regarding Borrower, any Loan Party, the Property or the Borrower Loan.

12.9 Governing Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the state in which the Property is located.

12.10 Entire Agreement. This Agreement and all other Borrower Loan Documents and the Funding Loan Documents constitute the entire understanding between the parties hereto with respect to the subject matter hereof, superseding all prior written or oral understandings. This Agreement and the other Borrower Loan Documents may be modified, amended or terminated only in writing signed by all parties hereto or thereto.

12.11 Joint and Several Liability. If Borrower consists of more than one Person, each shall be jointly and severally liable to Funding Lender for the performance of this Agreement and the other Borrower Loan Documents.

12.12 Publicity, Signs. Borrower hereby agrees that Funding Lender, at Funding Lender's expense, may publicize the financing of the Property (including the name of Borrower) and, in connection therewith, may use the project name and address, and a description, photograph or other illustrative drawing of the Property. Borrower hereby grants Funding Lender the right to erect or cause to be erected Funding Lender's sign or signs in size and location desired by Funding Lender on the Property so long as such sign or signs do not interfere with the construction of the Improvements. Borrower will exercise, and will cause Contractor and subcontractors to exercise, due care to protect said sign or signs from damage.

12.13 Credit Information and Reports. Borrower authorizes Funding Lender to release information concerning Borrower's financial condition to suppliers, other creditors, credit bureaus and other credit reporters, and to obtain such information from any third party at any time.

12.14 Headings. The various headings of this Agreement are included for convenience only and shall not affect the meaning or interpretation of this Agreement or any provision hereof.

12.15 Severability. Should any one or more provisions of this Agreement be determined to be illegal or unenforceable, all other provisions nevertheless shall be effective.

12.16 Counterparts. This Agreement and each other Loan Document may be executed in two or more counterparts, each of which shall be deemed an original but taken together shall be one and the same document.

12.17 USA Patriot Act. Funding Lender is subject to the USA Patriot Act and hereby notifies Borrower that pursuant to the requirements of that Act, Funding Lender is required to obtain, verify and record information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow Funding Lender to identify Borrower in accordance with the Act.

12.18 Waiver of Jury Trial. To the extent permitted by law, in connection with any action or proceeding, whether brought in state or federal court, the Borrower and Funding Lender hereby expressly, intentionally and deliberately waive any right they may otherwise have to trial by jury of any Claim (as defined below).

12.19 Judicial Reference. If the waiver of jury trial set forth hereinabove is not enforceable under the laws of the state in which the Property is located, then the Borrower and Funding Lender hereby agree that all Claims, including any and all questions of law or fact relating thereto, shall, at the written request of any party, be determined by Reference (as hereinafter defined) as set forth hereinbelow:

12.19.1 **Selection Or Appointment Of Referee**. The Funding Lender, Fiscal Agent and Borrower shall select a single neutral referee, who shall be a retired state or federal judge. In the event that the Funding Lender, Fiscal Agent and Borrower cannot agree upon a referee, the referee shall be appointed by the court.

12.19.2 **Conduct Of Reference**. Except as otherwise provided in this Agreement, the Reference shall be conducted pursuant to the laws of the state in which the Property is located. The referee shall determine all issues relating to the applicability, interpretation, legality and enforceability of the Borrower Loan Documents or Funding Loan Documents. The referee shall report a statement of decision to the court. The Funding Lender, Fiscal Agent and Borrower shall equally bear the fees and expenses of the referee, unless the referee otherwise provides in the statement of decision.

12.19.3 **Provisional Remedies, Self-Help And Foreclosure**. No provision of this Agreement shall limit the right of any party to (i) exercise self-help remedies including, without limitation, set-off, (ii) foreclose against or sell any collateral, by power of sale or otherwise or (iii) obtain or oppose provisional or ancillary remedies from a court of competent jurisdiction before, after or during the pendency of the Reference. The exercise of, or opposition to, any such remedy does not waive the right of any party to a Reference pursuant to this Agreement.

12.19.4 **No Decision By Jury**. The Funding Lender, Fiscal Agent and Borrower hereby acknowledge that if a referee is selected or appointed to determine the Claims, then the Claims will not be decided by a jury.

12.19.5 **Miscellaneous**. In the event that multiple Claims are asserted, some of which are not subject to this Section, the Funding Lender, Fiscal Agent and Borrower agree to stay the proceedings of the Claims not subject to this Section until all other Claims are resolved in accordance with this Section. In the event that Claims are asserted against multiple parties, some of whom are not subject to this Section, the Funding Lender, Fiscal Agent and Borrower agree to sever the Claims subject to this Section and resolve them in accordance with this Section.

12.19.6 **Claim**. "Claim" shall mean any claim, cause of action, action, dispute or controversy between or among the parties, whether sounding in contract, tort or otherwise, which arises out of or relates to: (i) any of the Borrower Loan Documents or the Funding Loan Documents; (ii) and negotiations or communications relating to any of the Borrower Loan Documents or the Funding Loan Documents, whether or not incorporated into the Borrower Loan Documents or the Funding Loan Documents or any indebtedness evidenced thereby; or (iii) any alleged agreements, promises, representations or transactions in connection therewith.

12.19.7 **Reference.** “Reference” shall mean a judicial reference conducted pursuant to this Agreement and in accordance with the laws of the state in which the Property is located, as in effect at the time the referee is selected or appointed.

12.20 Limitation on Damages. In the event that punitive damages are permitted under the laws of the state in which the Property is located, the amount thereof shall not exceed a sum equal to three times the amount of actual damages.

12.21 Exhibits. All exhibits attached hereto are incorporated herein as if fully set forth within this Agreement.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Borrower Loan Agreement as of the date and year first above written.

BORROWER:

TENDERLOIN FAMILY HOUSING, L.P.,
a California limited partnership

By: Tenderloin Family Housing, LLC,
a California limited liability company,
its general partner

By: Chinatown Community Development
Center, Inc.,
a California nonprofit public benefit
corporation
its sole member/manager

By: _____
Norman Fong
Executive Director

Address for Notice to Borrower:

Tenderloin Family Housing, L.P.
1525 Grant Avenue
San Francisco, CA 94133-3323
Attention: Executive Director
Facsimile: (415) 362-7992

and with a copy to:

Gubb and Barshay
505 14th Street, Suite 1050
Oakland, CA 94612
Attention: Scott Barshay
Facsimile: (415) 781-6967

BANK:

UNION BANK, N.A.

By: _____

Name: Fiona Hsu

Title: Vice President

Address for Notice to Funding Lender:

Union Bank

Attn: Manager

Commercial Real Estate Loan Administration

3151 E. Imperial Highway, 1st Floor

P.O. Box 2404

Brea, CA 92821

Fax No. (949) 553-7123

With a copy to

Union Bank, N.A.

Attn: Fiona Hsu

Community Development Finance

200 Pringle Avenue, Suite 355

Walnut Creek, CA 94596

Fax No. (925) 947-2455

Phone No. (925) 947-2449

E-mail address: fiona.hsu@unionbank.com

GOVERNMENTAL LENDER:

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Olson Lee, Director
Mayor's Office of Housing

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Deputy City Attorney

JOINDER REGARDING DEVELOPMENT FEE

The undersigned hereby acknowledges and agrees that the undersigned shall not be entitled to receive more than \$300,000 of the development fee to which it is entitled from Borrower on the Closing Date and shall not be entitled to receive more than \$433,951 of the development fee to which it is entitled from Borrower after the Closing Date and prior to Conversion (which amount shall be paid from Net Operating Income of the Project and not from Borrower Loan funds); any portion of such development fee received by the undersigned shall be remitted to Union Bank, N.A. to be held as additional collateral for the Borrower Loan and, upon an event of default with respect thereto, applied in reduction of amounts outstanding under the Borrower Loan in such amounts and in such order as Union Bank, N.A. shall elect in its sole and absolute discretion.

Chinatown Community Development Center, Inc.,
a California nonprofit public benefit corporation

By: _____
Norman Fong
Executive Director

Schedule 1

Post Conversion Date - Installments of Principal and Interest

[To be attached on the Conversion Date]

EXHIBIT A
LEGAL DESCRIPTION

This **Exhibit A** is attached to and a part of that certain Borrower Loan Agreement dated December 1, 2013 by and between Tenderloin Family Housing, L.P., a California limited partnership, City and County of San Francisco, a municipal corporation organized and existing under the laws of the State of California, and Union Bank, N.A.

The land referred to is situated in the County of San Francisco, City of San Francisco, State of California, and is described as follows:

All that certain real property, as shown on that certain Map entitled "Parcel Map, being a merger of Lots 1 and 8, portion of Assessor's Block 344 San Francisco, California" which Map was filed for record in the Office of the Recorder of the City and County of San Francisco, State of California, on 2-7-92 in Book 41 of Parcel Maps at Page 10.

Assessor's Lot 010; Block 0344

EXHIBIT B
DISBURSEMENT SCHEDULE

This **Exhibit B** is attached to and a part of that certain Borrower Loan Agreement dated December 1, 2013 by and between Tenderloin Family Housing, L.P., a California limited partnership, City and County of San Francisco, a municipal corporation organized and existing under the laws of the State of California, and Union Bank, N.A.

[CHECK – to be attached]

EXHIBIT B-1
PROJECT BUDGET

This **Exhibit B-1** is attached to and a part of that certain Borrower Loan Agreement dated December 1, 2013 by and between Tenderloin Family Housing, L.P., a California limited partnership, City and County of San Francisco, a municipal corporation organized and existing under the laws of the State of California, and Union Bank, N.A.

[CHECK - To be attached]

EXHIBIT B-2
STAGE DRAW SCHEDULE

This **Exhibit B-2** is attached to and a part of that certain Borrower Loan Agreement dated December 1, 2013 by and between Tenderloin Family Housing, L.P., a California limited partnership, City and County of San Francisco, a municipal corporation organized and existing under the laws of the State of California, and Union Bank, N.A.

[CHECK – to be attached]

EXHIBIT C
SPECIAL CONDITIONS

1. The following representations and warranties are incorporated by reference in Section 6 of the Borrower Loan Agreement:

EXHIBIT D
CONDITIONS TO CONVERSION

The following shall be the conditions precedent to conversion:

Conditions to Conversion	Check When Satisfied
(a) The final disbursement shall have occurred.	<input type="checkbox"/>
(b) All indebtedness incurred by the Borrower in connection with the Project, including, but not limited to, the Borrower Loan and Subordinate Lender Loans (including the entire Sponsor Loan), shall be completely funded and, if applicable, converted to permanent financing.	<input type="checkbox"/>
(c) No material adverse change has occurred in the financial condition of Borrower or any other Loan Party, as evidenced by current Financial Statements provided by Borrower to Funding Lender.	<input type="checkbox"/>
(d) All representations and warranties made by Borrower in the Borrower Loan Documents and the Funding Loan Documents shall be true and correct on and as of the Conversion Date as if made on and as of the Conversion Date (and, if required by Funding Lender, Funding Lender shall have received a certificate of Borrower to that effect).	<input type="checkbox"/>
(e) The Improvements shall not have been materially injured or damaged by fire or other casualty.	<input type="checkbox"/>
(f) Funding Lender shall have received (A) such endorsements to the Title Policy as Funding Lender may require which shall insure that the Improvements have been completed free of all mechanic's and materialmen's liens or claims thereof, or (B) such additional title policies with endorsements as Funding Lender may require, with a liability limit of not less than the principal amount of the Borrower Loan, issued by Title Insurer, with coverage and in form satisfactory to Funding Lender, insuring Governmental Lender's and Funding Lender's interest under the Deed of Trust as a first lien on the Real Property, excepting only such items as shall have been approved in writing by Funding Lender.	<input type="checkbox"/>

Conditions to Conversion		Check When Satisfied
(g)	Borrower delivers to Funding Lender fully executed copies of any amendments or assignments affecting the formation documents of Borrower and, if applicable, its constituent general partners or members, to the extent not previously provided to and approved by Funding Lender.	<input type="checkbox"/>
(h)	Borrower provides Funding Lender with current evidence of the insurance coverage required pursuant to this Agreement, provided that Borrower need not provide evidence of course of construction insurance and Borrower shall in addition provide evidence of business interruption and/or rental interruption insurance, as applicable.	<input type="checkbox"/>
(i)	Funding Lender shall have received the Paydown Amount in cash or current funds.	<input type="checkbox"/>
(j)	During each month of the three-month period immediately preceding the Conversion Date; at least ninety percent (90%) of the Units within the Property shall have been leased to, and occupied by, third-party residential tenants under Acceptable Unit Leases executed by Borrower in strict compliance with the terms and conditions of this Agreement and the Regulatory Agreements.	<input type="checkbox"/>
(k)	The Improvements shall have been completed in substantial accordance with the Plans free and clear of all liens other than Permitted Liens and Funding Lender shall have received copies of the final certificates of occupancy for each Unit within the Property.	<input type="checkbox"/>
(l)	As of the Conversion Date, no Event of Default and no other event or condition that, with the giving of notice or the passage of time, or both, would become an Event of Default, shall have occurred and be continuing.	<input type="checkbox"/>
(m)	If required by Funding Lender, a current survey of the Real Property, including dimensions and delineation of all the Improvements and location of all easements thereon, certified to and satisfactory to Funding Lender and Title Insurer.	<input type="checkbox"/>

Conditions to Conversion		Check When Satisfied
(n)	Guarantor has executed and delivered to Governmental Lender and Funding Lender the Indemnity Agreement.	<input type="checkbox"/>
(o)	During each month of the three-month period immediately preceding the Conversion Date, the Debt Coverage Ratio for the Property shall have been at least 1.30 to 1.00.	<input type="checkbox"/>
(p)	Borrower shall have established with Funding Lender the Capital Improvement Reserve Account and collaterally assigned such account to Funding Lender.	<input type="checkbox"/>
(q)	Borrower shall have paid to Funding Lender all reasonable costs and expenses incurred by Funding Lender and Fiscal Agent in connection with the Conversion.	<input type="checkbox"/>
(t)	Borrower delivers to Funding Lender such other documentation, certifications, opinions and information as may be required by Funding Lender.	<input type="checkbox"/>

EXHIBIT E
CONDITIONS TO CONVERSION

The following provisions shall apply to this Borrower Loan Agreement as if set forth in the body thereof. Capitalized terms used but not defined in this Exhibit E shall have the meanings given in this Borrower Loan Agreement.

Section 1. Nondiscrimination; Penalties.

(i) *Nondiscrimination.* In the performance of this Borrower Loan Agreement, the Borrower and the Funding Lender agree not to discriminate against any employee, City employee working with the Borrower or the Funding Lender, applicant for employment with the Borrower or the Funding Lender, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(ii) *Subcontracts.* The Borrower and the Funding Lender shall incorporate by reference in all subcontracts the provisions of §§12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from the City) and shall require all subcontractors to comply with such provisions. The Borrower or the Funding Lender's failure to comply with the obligations in this subsection shall constitute a material breach of this Borrower Loan Agreement.

(iii) *Nondiscrimination in Benefits.* The Borrower and the Funding Lender do not as of the date of this Borrower Loan Agreement and will not during the term of this Borrower Loan Agreement, in any of its operations in San Francisco, on real property owned by the City, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in §12B.2(b) of the San Francisco Administrative Code.

(iv) *Condition to Contract.* As a condition to this Borrower Loan Agreement, the Borrower and the Funding Lender shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

(v) *Incorporation of Administrative Code Provisions by Reference.* The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section

by reference and made a part of this Borrower Loan Agreement as though fully set forth herein. The Borrower and the Funding Lender shall comply fully with and be bound by all of the provisions that apply to this Borrower Loan Agreement under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, the Borrower and the Funding Lender understand that pursuant to §§12B.2(h) and 12C.3(g) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Borrower Loan Agreement may be assessed against the Borrower or the Funding Lender and/or deducted from any payments due the Borrower or the Funding Lender.

Section 2. Local Business Enterprise Utilization; Liquidated Damages.

(i) *The LBE Ordinance.* As a condition to this Borrower Loan Agreement, the Borrower and the Funding Lender shall comply with all the requirements of the Local Business Enterprise and Non-Discrimination in Contracting Ordinance set forth in Chapter 14B of the San Francisco Administrative Code as it now exists or as it may be amended in the future (collectively the “LBE Ordinance”), provided such amendments do not materially increase Borrower or the Funding Lender’s obligations or liabilities, or materially diminish Borrower or the Funding Lender’s rights, under this Borrower Loan Agreement. Such provisions of the LBE Ordinance are incorporated by reference and made a part of this Borrower Loan Agreement as though fully set forth in this section. Borrower or the Funding Lender’s willful failure to comply with any applicable provisions of the LBE Ordinance is a material breach of Borrower or the Funding Lender’s obligations under this Borrower Loan Agreement and shall entitle Governmental Lender, subject to any applicable notice and cure provisions set forth in this Borrower Loan Agreement, to exercise any of the remedies provided for under this Borrower Loan Agreement, under the LBE Ordinance or otherwise available at law or in equity, which remedies shall be cumulative unless this Borrower Loan Agreement expressly provides that any remedy is exclusive. In addition, Borrower and the Funding Lender shall comply fully with all other applicable local, state and federal laws prohibiting discrimination and requiring equal opportunity in contracting, including subcontracting.

(ii) *Compliance and Enforcement.* If Borrower or the Funding Lender willfully fails to comply with any of the provisions of the LBE Ordinance, the rules and regulations implementing the LBE Ordinance, or the provisions of this Borrower Loan Agreement pertaining to LBE participation, Borrower and the Funding Lender shall be liable for liquidated damages in an amount equal to Borrower or the Funding Lender’s net profit on this Borrower Loan Agreement, or 10% of the total amount of this Borrower Loan Agreement, or \$1,000, whichever is greatest. The Director of the Governmental Lender’s Human Rights Commission or any other public official authorized to enforce the LBE Ordinance (separately and collectively, the “Director of HRC”) may also impose other sanctions against Borrower or the Funding Lender authorized in the LBE Ordinance, including declaring the Borrower or the Funding Lender to be irresponsible and ineligible to contract with the Governmental Lender for a period of up to five years or revocation of the Borrower or the Funding Lender’s LBE certification. The Director of HRC will determine the sanctions to be imposed, including the amount of liquidated damages, after investigation pursuant to Administrative Code §14B.17.

By entering into this Borrower Loan Agreement, Borrower and the Funding Lender acknowledge and agree that any liquidated damages assessed by the Director of the HRC shall be payable to Governmental Lender upon demand. Borrower and the Funding Lender further acknowledge and agree that any liquidated damages assessed may be withheld from any monies due to Borrower or the Funding Lender on any contract with Governmental Lender.

Borrower and the Funding Lender agrees to maintain records necessary for monitoring its compliance with the LBE Ordinance for a period of three years following termination or expiration of this Borrower Loan Agreement, and shall make such records available for audit and inspection by the Director of HRC or the Controller upon request.

Section 3. Prevailing Wages. Every contract for the rehabilitation or construction of housing must contain a provision requiring the payment of not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (40 U.S.C. §§ 276a-276a-5), to all laborers and mechanics employed in the development of any part of the housing, and contracts involving their employment will be subject to the provisions, as applicable, of the Contract Work Hours and Safety Standards Act (40 U.S.C. §§ 327-332). The prevailing wage requirements of this Section apply to all laborers and mechanics employed in the development of the Project, including portions other than the assisted Units.

Section 4. MacBride Principles—Northern Ireland. Pursuant to San Francisco Administrative Code §12F.5, the City urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing this Borrower Loan Agreement, the person executing this Borrower Loan Agreement on behalf of the Borrower and the Funding Lender acknowledge and agree that he or she has read and understood this Section.

Section 5. Tropical Hardwood and Virgin Redwood Ban. Pursuant to §804(b) of the San Francisco Environment Code, the City urges contractors not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

Section 6. Drug-Free Workplace Policy. The Borrower and the Funding Lender acknowledge that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City premises. The Borrower and the Funding Lender agree that any violation of this prohibition by the Borrower or the Funding Lender, its employees, agents or assigns will be deemed a material breach of this Borrower Loan Agreement.

Section 7. Compliance with Americans with Disabilities Act. The Borrower and the Funding Lender acknowledge that, pursuant to the Americans with Disabilities Act (ADA), programs, services and other activities provided by a public entity to the public, whether directly or through a contractor, must be accessible to the disabled public. The Borrower and the Funding Lender shall provide the services specified in this Borrower Loan Agreement in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. The Borrower and the Funding Lender agree not to discriminate against disabled

persons in the provision of services, benefits or activities provided under this Borrower Loan Agreement and further agrees that any violation of this prohibition on the part of the Borrower or the Funding Lender, its employees, agents or assigns will constitute a material breach of this Borrower Loan Agreement.

Section 8. Sunshine Ordinance. In accordance with San Francisco Administrative Code §67.24(e), contracts, contractors' bids, responses to solicitations and all other records of communications between the City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

Section 9. Limitations on Contributions. Through execution of this Borrower Loan Agreement, the Borrower and the Funding Lender acknowledge that it is familiar with Section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. The Borrower and the Funding Lender acknowledge that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. The Borrower and the Funding Lender further acknowledge that the prohibition on contributions applies to each prospective party to the contract; each member of the Borrower or the Funding Lender's board of directors; the Borrower or the Funding Lender's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in the Borrower or the Funding Lender; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by the Borrower or the Funding Lender. Additionally, the Borrower and the Funding Lender acknowledge that the Borrower and the Funding Lender must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. The Borrower and the Funding Lender further agree to provide to the City the names of each person, entity or committee described above.

Section 10. Requiring Minimum Compensation for Covered Employees. The Borrower and the Funding Lender agree to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Sections 12P.5 and 12P.5.1 of Chapter 12P are incorporated herein by reference and made a part of this Borrower Loan Agreement as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco.

A partial listing of some of the Borrower and the Funding Lender's obligations under the MCO is set forth in this Section. The Borrower and the Funding Lender are required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

(i) The MCO requires the Borrower and the Funding Lender to pay the Borrower and the Funding Lender's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and the Borrower and the Funding Lender are obligated to keep informed of the then-current requirements. Any subcontract entered into by the Borrower or the Funding Lender shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is the Borrower and the Funding Lender's obligation to ensure that any subcontractors of any tier under this Borrower Loan Agreement comply with the requirements of the MCO. If any subcontractor under this Borrower Loan Agreement fails to comply, the City may pursue any of the remedies set forth in this Section against the Borrower and the Funding Lender.

(ii) The Borrower and the Funding Lender shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

(iii) The Borrower and the Funding Lender shall maintain employee and payroll records as required by the MCO. If the Borrower or the Funding Lender fails to do so, it shall be presumed that the Borrower and the Funding Lender paid no more than the minimum wage required under State law.

(iv) The City, upon reasonable notice to the Borrower and the Funding Lender, is authorized to inspect the Borrower and the Funding Lender's job sites during normal business hours, conduct interviews with employees and conduct audits of the Borrower and the Funding Lender.

(v) The Borrower and the Funding Lender's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Borrower Loan Agreement. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Borrower or the Funding Lender fails to comply with these requirements. The Borrower and the Funding Lender agree that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for the Borrower or the Funding Lender's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

(vi) The Borrower and the Funding Lender understand and agree that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of

this Borrower Loan Agreement for violating the MCO, the Borrower or the Funding Lender fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Borrower or the Funding Lender fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(vii) The Borrower and the Funding Lender represent and warrant that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(viii) If the Borrower or the Funding Lender is exempt from the MCO when this Borrower Loan Agreement is executed because the cumulative amount of agreements with the City for the fiscal year is less than \$25,000, but the Borrower or the Funding Lender later enters into an agreement or agreements that cause the Borrower or the Funding Lender to exceed that amount in a fiscal year, the Borrower or the Funding Lender shall thereafter be required to comply with the MCO under this Borrower Loan Agreement. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Borrower or the Funding Lender and the City to exceed \$25,000 in the fiscal year.

Section 11. Requiring Health Benefits for Covered Employees. The Borrower and the Funding Lender agree to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Section 12Q.5.1 of Chapter 12Q are incorporated by reference and made a part of this Borrower Loan Agreement as though fully set forth herein. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Borrower Loan Agreement shall have the meanings assigned to such terms in Chapter 12Q.

(i) For each Covered Employee, the Borrower and the Funding Lender shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If the Borrower or the Funding Lender chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(ii) Notwithstanding the above, if the Borrower or the Funding Lender is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with part (i) above.

(iii) The Borrower or the Funding Lender's failure to comply with the HCAO shall constitute a material breach of this Borrower Loan Agreement. The City shall notify the Borrower or the Funding Lender if such a breach has occurred. If, within 30 days after receiving City's written notice of a breach of this Borrower Loan Agreement for violating the HCAO, the Borrower or the Funding Lender fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Borrower or the Funding Lender fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5(f)(1-6). Each

of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(iv) Any Subcontract entered into by the Borrower or the Funding Lender shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. The Borrower and the Funding Lender shall notify City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. The Borrower and the Funding Lender shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against the Borrower or the Funding Lender based on the Subcontractor's failure to comply, provided that the City has first provided the Borrower or the Funding Lender with notice and an opportunity to obtain a cure of the violation.

(v) The Borrower and the Funding Lender shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the City or the City with regard to the Borrower or the Funding Lender's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(vi) The Borrower and the Funding Lender represent and warrant that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(vii) The Borrower and the Funding Lender shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the Borrower Loan Agreement.

(viii) The Borrower and the Funding Lender shall keep itself informed of the current requirements of the HCAO.

(ix) The Borrower and the Funding Lender shall provide reports to the City in accordance with any reporting standards promulgated by the City or the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(x) The Borrower and the Funding Lender shall provide the City with access to records pertaining to compliance with HCAO after receiving a written request from the City to do so and being provided at least ten business days to respond.

(xi) The Borrower and the Funding Lender shall allow the City to inspect the Borrower or the Funding Lender's job sites and have access to the Borrower or the Funding Lender's employees in order to monitor and determine compliance with HCAO.

(xii) The City may conduct random audits of the Borrower and the Funding Lender to ascertain its compliance with HCAO. The Borrower and the Funding Lender agree to cooperate with the City when it conducts such audits.

(xiii) If the Borrower or the Funding Lender is exempt from the HCAO when this Borrower Loan Agreement is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but the Borrower or the Funding Lender later enters into an agreement or agreements that cause the Borrower or the Funding Lender's aggregate amount of all agreements with the City to reach \$75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Borrower or the Funding Lender and the City to be equal to or greater than \$75,000 in the fiscal year.

Section 12. Prohibition on Political Activity with City Funds. In accordance with San Francisco Administrative Code Chapter 12.G, the Borrower and the Funding Lender may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Borrower Loan Agreement. The Borrower and the Funding Lender agree to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event the Borrower or the Funding Lender violates the provisions of this Section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Borrower Loan Agreement, and (ii) prohibit the Borrower and the Funding Lender from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider the Borrower or the Funding Lender's use of profit as a violation of this Section.

Section 13. Protection of Private Information. The Borrower and the Funding Lender have read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. The Borrower and the Funding Lender agree that any failure of the Borrower or the Funding Lender to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of this Borrower Loan Agreement. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate this Borrower Loan Agreement, bring a false claim action against the Borrower or the Funding Lender pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Borrower or the Funding Lender.

Section 14. Graffiti Removal. Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public

nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and its residents, and to prevent the further spread of graffiti.

The Borrower and the Funding Lender shall remove all graffiti from any real property owned or leased by the Borrower or the Funding Lender in the City and County of San Francisco within forty eight (48) hours of the earlier of the Borrower or the Funding Lender's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This Section is not intended to require the Borrower or the Funding Lender to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 et seq.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.).

Any failure by the Borrower or the Funding Lender to comply with this section of this Borrower Loan Agreement shall constitute a material breach of this Borrower Loan Agreement.

Section 15. Submitting False Claims; Monetary Penalties. Pursuant to San Francisco Administrative Code §21.35, any contractor, subcontractor or consultant who submits a false claim shall be liable to the City for penalties set forth in that Section. The text of Section 21.35, along with the entire San Francisco Administrative Code is available on the web at <http://www.municode.com/Library/clientCodePage.aspx?clientID=4201>. A contractor, subcontractor or consultant will be deemed to have submitted a false claim to the City if the contractor, subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

Section 16. Conflict of Interest. Through its execution of this Borrower Loan Agreement, the Borrower and the Funding Lender acknowledge that it is familiar with the provision of Section 15.103 of the City's Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitutes a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Borrower Loan Agreement.

Section 17. Food Service Waste Reduction Requirements. The Borrower and the Funding Lender agree to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Borrower Loan Agreement as though fully set forth. This provision is a material term of this Borrower Loan Agreement. By entering into this Borrower Loan Agreement, the Borrower and the Funding Lender agree that if it breaches this provision, the City will suffer actual damages that will be impractical or extremely difficult to determine; further, the Borrower and the Funding Lender agree that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that the City will incur based on the violation, established in light of the circumstances existing at the time this Borrower Loan Agreement was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by the City because of the Borrower or the Funding Lender's failure to comply with this provision.

Section 18. Proprietary or Confidential Information of City. The Borrower and the Funding Lender understand and agree that, in the performance of the work or services under this Borrower Loan Agreement or in contemplation thereof, the Borrower and the Funding Lender may have access to private or confidential information which may be owned or controlled by City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to City. The Borrower and the Funding Lender agree that all information disclosed by City to the Borrower or the Funding Lender shall be held in confidence and used only in the performance of the Borrower Loan Agreement. The Borrower and the Funding Lender shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary data.

Section 19. Earned Income Credit (EIC) Forms. Administrative Code Section 120 requires that employers provide their employees with IRS Form W-5 (The Earned Income Credit Advance Payment Certificate) and the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found. The Borrower and the Funding Lender shall provide EIC Forms to each Eligible Employee at each of the following times: (i) within thirty days following the date on which this Borrower Loan Agreement becomes effective (unless the Borrower or the Funding Lender has already provided such EIC Forms at least once during the calendar year in which such effective date falls); (ii) promptly after any Eligible Employee is hired by the Borrower or the Funding Lender; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Borrower Loan Agreement. Failure to comply with any requirement contained in subparagraph (a) of this Section shall constitute a material breach by the Borrower or the Funding Lender of the terms of this Borrower Loan Agreement. If, within thirty days after the Borrower or the Funding Lender receives written notice of such a breach, the Borrower or the Funding Lender fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty days, the Borrower or the Funding Lender fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Borrower Loan Agreement or under applicable law. Any Subcontract entered into by the Borrower or the Funding Lender shall require the

subcontractor to comply, as to the subcontractor's Eligible Employees, with each of the terms of this Section. Capitalized terms used in this Section and not defined in this Borrower Loan Agreement shall have the meanings assigned to such terms in Section 12O of the San Francisco Administrative Code.