File No. 260426 **Committee Item No.** 6
Board Item No. 18

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee **Date** May 6, 2026
Board of Supervisors Meeting **Date** May 12, 2026

Cmte Board

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- **Draft Regulatory Agreement**
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☒	☒	**Form 126 – Ethics Commission**
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☒	☒	TEFRA Hearing Notice 2/3/2026
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Completed by: Brent Jalipa **Date** April 30, 2026
Completed by: Brent Jalipa **Date** May 7, 2026

[Multifamily Housing Revenue Notes - Mercy Housing California 120, L.P. - 1687 Market Residences - Not to Exceed $30,000,000]

Resolution authorizing the execution and delivery of multifamily housing revenue notes in one or more series in an aggregate principal amount not to exceed $30,000,000 for the purpose of providing financing for the construction of a 94-unit multifamily rental housing project known as "1687 Market Residences"; approving the form of and authorizing the execution of a funding loan agreement providing the terms and conditions of the construction loan from the funding lender to the City, and the execution and delivery of the notes; approving the form of and authorizing the execution of a borrower loan agreement providing the terms and conditions of the construction loan from the City to the borrower; approving the form of and authorizing the execution of a regulatory agreement and declaration of restrictive covenants for the project; authorizing the collection of certain fees; approving, for purposes of the Internal Revenue Code of 1986, as amended, the issuance and sale of residential mortgage revenue notes by the City in an aggregate principal amount not to exceed $30,000,000; approving modifications, changes and additions to the documents; ratifying and approving any action heretofore taken in connection with the funding loan, the borrower loan, the notes and the project; granting general authority to City officials to take actions necessary to implement this Resolution; and related matters, as defined herein.

WHEREAS, The Board of Supervisors of the City and County of San Francisco (the "Board") desires to provide for the financing of a portion of the costs of the acquisition and new construction by Mercy Housing California 120, L.P., a California limited partnership (the "Borrower"), of a 94-unit residential rental development project known as "1687 Market

Residences" (the "Project") located at 1687 Market Street, in San Francisco, California, to provide housing for low-income persons and families through the issuance of multifamily housing revenue notes, in one or more series which may be taxable or tax-exempt (collectively, the "Notes"); and

WHEREAS, The City and County of San Francisco (the "City") is authorized to issue revenue notes for such purpose pursuant to the Charter of the City, Article I of Chapter 43 of the Administrative Code of the City and, to the extent applicable, Chapter 7 of Part 5 of Division 31 (commencing with Section 52075) of the California Health and Safety Code ("Health and Safety Code"), as now in effect and as it may from time to time hereafter be amended or supplemented (collectively, the "Act"); and

WHEREAS, On January 24, 2023, the Board adopted its Resolution No. 009-23, authorizing the Mayor of the City (the "Mayor") to execute and deliver a certificate or other written instrument in the name of and on behalf of the City (an "Inducement Certificate"), without further action of the Board, for the purposes of (i) declaring the intent of the City to reimburse certain expenditures of a multifamily rental housing project from proceeds of future bonded indebtedness, and (ii) authorizing the Director (the "Director") of the Mayor's Office of Housing and Community Development ("MOHCD") to submit an application to the California Debt Limit Allocation Committee ("CDLAC") to permit the issuance of bonded indebtedness for a multifamily rental housing project, and the Mayor approved such resolution on February 3, 2023; and

WHEREAS, On August 15, 2025, the Mayor executed and delivered an Inducement Certificate declaring the intent of the City to reimburse certain Project expenditures from proceeds of future tax-exempt multifamily housing revenue bonds for purposes of Section 1.150-2 of the U.S. Treasury Regulations, and authorizing the Director to submit an application to CDLAC to permit the issuance of tax-exempt bonded indebtedness; and

WHEREAS, On December 10, 2025, CDLAC adopted its Resolution No. 25-355, allocating an amount not to exceed $26,102,000 (the "Allocation Amount") in qualified private activity bond volume cap to the Project; and

WHEREAS, The interest on the Notes may qualify for federal tax exemption under the Internal Revenue Code of 1986, as amended (the "Code"), only if the Notes are approved in accordance with the Section 147(f) of the Code; and

WHEREAS, The Board is the elected legislative body of the City and is the applicable elected representative authorized to approve the execution and delivery of the Notes within the meaning of Section 147(f) of the Code; and

WHEREAS, The Project is located wholly within the City; and

WHEREAS, On January 26, 2026, the City caused a notice stating that a public hearing with respect to the issuance of multifamily affordable housing mortgage revenue notes and their respective projects, pursuant to plans of financing, would be held by the MOHCD on February 3, 2026, to be published and appear in the Notices section of the MOHCD's website (at https://sf.gov/information/mohcd-department-notices), which is on file with the Clerk of the Board and incorporated herein by reference; and

WHEREAS, At the date and time and the location specified in such notice the MOHCD held such public hearing at which an opportunity was provided for persons to comment on the plan of financing; and

WHEREAS, The minutes of such public hearing were provided to this Board prior to this meeting; and

WHEREAS, The documentation required for the execution and delivery of the Notes is on file with the Clerk of the Board of Supervisors (the "Clerk of the Board"); and

WHEREAS, Each of the documents now before the Board in File No. 260426 is substantially in final form and is an appropriate instrument to be executed and delivered for the purposes intended; and

WHEREAS, The Board finds that the public interest and necessity require that the City at this time make arrangements for the funding loan, the borrower loan, and the execution and delivery of the Notes; and

WHEREAS, The Notes will be limited obligations of the City, the sole source of repayment of which shall be payments made by the Borrower under the Borrower Loan Agreement (as hereinafter defined), together with investment income, if any, of certain funds and accounts held under the Funding Loan Agreement (as hereinafter defined); and

WHEREAS, The City has engaged Jones Hall LLP as bond counsel with respect to the Notes ("Bond Counsel"); and

WHEREAS, Bank of America, N.A. (or an affiliate thereof) (the "Funding Lender") intends to make the construction funding loan, to be evidenced by the Notes, and in connection therewith, the City, the Funding Lender, and the Borrower are to enter into certain documents for the construction funding loan, including without limitation the Funding Loan Agreement, the Borrower Loan Agreement, and certain assignments, allonges, and other ancillary documents; and

WHEREAS, The Borrower provided to the City the following information as a good faith estimate of the cost of the Notes financing and the City disclosed such information in accordance with Section 5852.1 of the California Government Code: (i) the true interest cost of the Notes, (ii) the finance charge of the Notes, including all third party expenses, (iii) the amount of proceeds received by the City for the execution and delivery of the Notes less the finance charge of the Notes and any reserves or capitalized interest paid or funded with the proceeds of the Notes and (iv) the total payment amount (the "Financing Information"); and

WHEREAS, Such Financing Information has been disclosed in connection with the Board meeting in which this Resolution is approved; now, therefore, be it

RESOLVED, By this Board of Supervisors of the City and County of San Francisco as follows:

Section 1. Approval of Recitals. The Board hereby finds and declares that the above recitals are true and correct.

Section 2. Approval of Execution and Delivery of Notes. The Board, as the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project is located, hereby approves the plan of financing and the execution and delivery of its multifamily housing revenue Notes in one or more series, pursuant to and for purposes of Section 147(f) of the Code. It is intended that this Resolution constitute approval of the Notes by the applicable elected representative of the issuer of the Notes and the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project is located, in accordance with said Section 147(f). Additionally, in accordance with the Act and the Funding Loan Agreement, the City is hereby authorized to execute and deliver the Notes in one or more series designated as "City and County of San Francisco Multifamily Housing Revenue Notes (1687 Market Residences), Series 2026C" or such other or such additional designations as may be necessary or appropriate to distinguish such series from every other series of bonds or notes, in an aggregate principal amount not to exceed $30,000,000, provided that any tax-exempt portion of the Notes shall not exceed the Allocation Amount. The Notes shall bear interest at a rate not to exceed twelve percent (12%) per annum, and shall have a final maturity date not later than forty (40) years from their date of execution and delivery. The Notes shall be in the forms set forth in and otherwise in accordance with the Funding Loan Agreement, and shall be executed by the manual or facsimile signature of the Mayor.

Section 3. Approval of Funding Loan Agreement. The Funding Loan Agreement (the "Funding Loan Agreement") in the form presented to the Board, a copy of which is on file with the Clerk of the Board in File No. 260426, is hereby approved. The Funding Loan Agreement shall be entered into by and among the City, the Funding Lender and U.S. Bank Trust Company, National Association, as Fiscal Agent (the "Fiscal Agent"). Each of the Mayor, the Director, the Deputy Director of Housing of MOHCD, and any other Authorized Officer of the Governmental Lender (as such terms are defined in the Funding Loan Agreement), acting individually or collectively (each, an "Authorized City Representative"), is hereby authorized to execute the Funding Loan Agreement, approved as to form by the City Attorney of the City (the "City Attorney"), in substantially said form, together with such additions thereto and changes therein as the City Attorney and Bond Counsel may approve or recommend in accordance with Section 7 hereof.

Section 4. Approval of Borrower Loan Agreement. The Borrower Loan Agreement (the "Borrower Loan Agreement") by and among the City, the Fiscal Agent and the Borrower, in the form presented to the Board, a copy of which is on file with the Clerk of the Board in File No. 260426, is hereby approved. Each Authorized City Representative is hereby authorized to execute the Borrower Loan Agreement in substantially said form, together with such additions thereto and changes therein as the City Attorney and Bond Counsel may approve or recommend in accordance with Section 7 hereof.

Section 5. Approval of Regulatory Agreement and Declaration of Restrictive Covenants. The Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement" and, together with the Funding Loan Agreement and the Borrower Loan Agreement, the "City Documents"), between the City and the Borrower, in the form presented to the Board, a copy of which is on file with the Clerk of the Board in File No. 260426, is hereby approved. Each Authorized City Representative is hereby authorized

to execute the Regulatory Agreement, approved as to form by the City Attorney, in substantially said form, together with such additions thereto and changes therein as the City Attorney and Bond Counsel may approve or recommend in accordance with Section 7 hereof.

Section 6. Issuer Fees. The City, acting through MOHCD, shall charge an issuance fee and an annual issuer fee for monitoring compliance by the Borrower with certain provisions of the Regulatory Agreement up to the amounts provided for under its standard issuer fee policies, or at some lesser amount if required upon the advice of Bond Counsel that such lesser amount is necessary or advisable under the Code. The annual monitoring fee due during the construction period may be payable at funding loan closing. The Board hereby authorizes MOHCD to charge and collect the fees described in this section.

Section 7. Modifications, Changes, Additions. Any Authorized City Representative executing the City Documents, in consultation with the City Attorney and Bond Counsel, is hereby authorized to approve and make such modifications, amendments, changes or additions to the City Documents as may be necessary or advisable, including, without implied limitation, changes to the titles of any City Documents, provided that such modification does not authorize an aggregate principal amount of the Notes in excess of $30,000,000 or an aggregate principal amount of the tax-exempt portion of the Notes in excess of the Allocation Amount, provide for a final maturity of the Notes later than forty (40) years from the date of execution and delivery thereof, or provide for the Notes to bear interest at a rate in excess of twelve percent (12%) per annum. The approval of any modification, addition or change to any of the aforementioned documents shall be evidenced conclusively by the execution and delivery of the document in question.

Section 8. Execution of Documents. Any document authorized herein may be executed in multiple counterparts, and any document authorized herein may be executed

using electronic means, to the extent permitted by applicable law and in consultation with the City Attorney and Bond Counsel.

Section 9. Ratification. All actions heretofore taken by the officers and agents of the City with respect to the Project, the funding loan, the borrower loan, and the execution and delivery of the Notes consistent with the purposes of this resolution and the City Documents are hereby approved, confirmed and ratified.

Section 10. General Authority. The proper officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements (including, without implied limitation, any tax-exemption documents, assignments, allonges, endorsements, subordinations and such other agreements to provide adequate or additional security or indemnities as required by lenders to consummate the financing) and other documents and amendments, including but not limited to those documents described in the City Documents, which they, or any of them, in consultation with the City Attorney, may deem necessary or advisable in order to consummate the lawful execution and delivery of the Notes and to effectuate the purposes thereof and of the City Documents. Any such actions are solely intended to further the purposes of this Resolution, and are subject in all respects to the terms of the Resolution. No such actions shall increase the risk to the City or require the City to spend any resources not otherwise contemplated herein. Final versions of such documents shall be provided to the Clerk of the Board for inclusion in the official file within 30 days of execution by all parties.

Section 11. File. All documents referenced herein as being on file with the Clerk of the Board are located in File No. 260426, which is hereby declared to be a part of this Resolution as if set forth fully herein.

Section 12. Effective Date. This Resolution shall take effect from and after its adoption by the Board and approval by the Mayor.

APPROVED AS TO FORM:
DAVID CHIU
City Attorney

By: /s/ Kenneth David Roux
Kenneth David Roux
Deputy City Attorney

[No Fee Recording (Pursuant to
Government Code Section 27383)

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Ronald Lee, Esq.
Jones Hall LLP
4 West 4th Avenue, Suite 406
San Mateo, CA 94402

APN: Lot [___], Block [____]

REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

by and between the

CITY AND COUNTY OF SAN FRANCISCO

and

MERCY HOUSING CALIFORNIA 120, L.P.
a California limited partnership

Dated as of [May] 1, 2026

Relating to:

City and County of San Francisco, California
Multifamily Housing Revenue Note
(1687 Market Residences)
Series 2026C-1

and

City and County of San Francisco, California
Multifamily Housing Revenue Note
(1687 Market Residences)
Series 2026C-2 (Taxable)

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REGULATORY AGREEMENT AND DECLARATION OF
RESTRICTIVE COVENANTS

This REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (this "Regulatory Agreement") is made and entered into as of [May] 1, 2026, by and between the City and County of San Francisco, a municipal corporation and chartered city and county, duly organized and validly existing under its City Charter and the Constitution and laws of the State of California (together with any successor to its rights, duties and obligations, the "City"), acting by and through the Mayor's Office of Housing and Community Development, and Mercy Housing California 120, L.P., a California limited partnership (together with any permitted successors or assigns, the "Owner"), owner of a leasehold interest in the land described in Exhibit A attached hereto.

RECITALS

A. WHEREAS, pursuant to the Charter of the City, Article I of Chapter 43 of the Administrative Code of the City and County of San Francisco Municipal Code and Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code, as now in effect and as may be amended and supplemented (collectively, the "Act"), the City is authorized to issue revenue bonds, notes and other evidences of indebtedness to finance the acquisition, construction, rehabilitation and development of multifamily rental housing; and

B. WHEREAS, the Board of Supervisors of the City has authorized the execution and delivery of multifamily mortgage revenue notes under the Act in connection with the acquisition, construction, development and equipping of an affordable multifamily residential rental housing development located at Assessor's Parcel Number Lot [___], Block [___], San Francisco, California, and known as "1687 Market Residences" (the "Project"), as further described herein, which shall be subject to the terms and provisions hereof; and

C. WHEREAS, simultaneously with the delivery of this Regulatory Agreement, the City is entering into a Funding Loan Agreement (the "Funding Loan Agreement") with Bank of America, N.A., a national banking association, in its capacity as initial funding lender ("Initial Funding Lender" and together with any additional funding lender, the "Funding Lender"), and the Fiscal Agent (defined herein), pursuant to which the Funding Lender (i) will advance funds (the "Funding Loan") to or for the account of the City, and (ii) the City will apply the proceeds of the Funding Loan to make one or more loans (collectively, the "Borrower Loan") to the Owner to finance the acquisition, construction and development of the Project; and

D. WHEREAS, in furtherance of the purposes of the Act and as a part of the City's plan of financing affordable housing, and to evidence its obligation to make the payments due to the Funding Lender under the Funding Loan, the City is executing and delivering to the Funding Lender its revenue note designated "City and County of San Francisco, California, Multifamily Housing Revenue Note (1687 Market Residences), Series 2026C-1" (the "Tax-Exempt Note") and its revenue note designated "City and County of San Francisco, California, Multifamily Housing Revenue Note (1687 Market Residences), Series 2026C-2 (Taxable)" (the "Taxable Note" and, together with the Tax-Exempt Note, the "Notes"), pursuant to the Issuance Resolution (defined herein); and

E. WHEREAS, in connection with the Notes and the financing of the Project, the City and Owner are entering into this Regulatory Agreement with respect to the site located at Assessor's Parcel Number Lot [___], Block [___], in San Francisco, California (the "Site"), on which the Project is located; and

F. WHEREAS, simultaneously with the delivery of this Regulatory Agreement, the City, the Fiscal Agent and the Owner will enter into a Borrower Loan Agreement dated as of the date hereof (the "Borrower Loan Agreement"), whereby the City will make the Borrower Loan to the Owner and the Owner agrees to make loan payments to the City in amounts which will be sufficient to enable the City to repay the Funding Loan and to pay all costs and expenses related thereto when due; and

G. WHEREAS, the City hereby certifies that all things necessary to make the Notes, when executed and delivered as provided in the Issuance Resolution and the Funding Loan Agreement, the valid, binding and limited obligations of the City have been done and performed, and the execution and delivery of the Notes, subject to the terms thereof, in all respects have been duly authorized; and

H. WHEREAS, the Code (as defined herein) and the regulations and rulings promulgated with respect thereto and the Act prescribe that the use and operation of the Project be restricted in certain respects and in order to ensure that the Project will be constructed, equipped, used and operated in accordance with the Code and the Act, the City and the Owner have determined to enter into this Regulatory Agreement in order to set forth certain terms and conditions relating to the construction, development and operation of the Project.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and undertakings set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the City and the Owner agree as follows:

1. Definitions and Interpretation. Capitalized terms used herein have the meanings assigned to them in this Section 1, unless the context in which they are used clearly requires otherwise:

"Act" has the meaning set forth in Recital A of this Regulatory Agreement.

"Adjusted Income" – The adjusted income of a person (together with the adjusted income of all persons of the age of 18 years or older who intend to reside with such person in one residential unit) as calculated in the manner prescribed pursuant to Section 8 of the Housing Act, or, if said Section 8 is terminated, as prescribed pursuant to said Section 8 immediately prior to its termination or as otherwise required under Section 142 of the Code and the Act.

"Affiliated Party" – (a) a Person whose relationship with the Owner would result in a disallowance of losses under Section 267 or 707(b) of the Code, (b) a Person who together with the Owner are members of the same controlled group of corporations (as defined in Section 1563(a) of the Code, except that "more than 50 percent" shall be substituted for "at least 80 percent" each place it appears therein), (c) a partnership and each of its partners (and their

spouses and minor children) whose relationship with the Owner would result in a disallowance of losses under Section 267 or 707(b) of the Code, and (d) an S corporation and each of its shareholders (and their spouses and minor children) whose relationship with the Owner would result in a disallowance of losses under Section 267 or 707(b) of the Code.

"Annual Monitoring Report" has the meaning set forth in Section 5(l) of this Regulatory Agreement.

"Area" – The HUD Metro Fair Market Rent Area (HMFA), or the successor area determined by HUD in which the Project is located.

"Authorized Owner Representative" – Any person who at the time and from time to time may be designated as such by written certificate furnished to the City and the Fiscal Agent containing the specimen signature of such person and signed on behalf of the Owner by the General Partner(s) of the Owner, which certificate may designate an alternate or alternates.

"Available Units" – Residential units in the Project (except for not more than one unit set aside for a resident manager) that are actually occupied and residential units in the Project that are vacant and have been occupied at least once after becoming available for occupancy, provided that (a) a residential unit that is vacant on the later of (i) the date the Project is constructed or (ii) the date of the execution and delivery of the Notes is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after such date, and (b) a residential unit that is not available for occupancy due to renovations is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after the completion of the renovations.

"Borrower Loan" has the meaning set forth in Recital C of this Regulatory Agreement.

"Borrower Loan Agreement" has the meaning set forth in Recital F of this Regulatory Agreement.

"CDLAC" – The California Debt Limit Allocation Committee.

"CDLAC Requirements" – The requirements described in Section 4(a)(iii) of this Regulatory Agreement.

"CDLAC Resolution" – The resolution described in Section 4(a)(iii) of this Regulatory Agreement.

"Certificate of Continuing Program Compliance" – The Certificate with respect to the Project to be filed by the Owner with the City and the Program Administrator, which shall be substantially in the form attached to this Regulatory Agreement as Exhibit D, or such other form as is provided by the City and executed by an Authorized Owner Representative.

"Certificate of Preference" – A residential Certificate of Preference issued by the City pursuant to the City's Certificate of Preference Program, as further described in the Operational Rules attached hereto as Exhibit I.

"City" has the meaning set forth in the introductory paragraph of this Regulatory Agreement.

"City 50% Tenant" means any Tenant whose Adjusted Income does not exceed fifty percent (50%) of the City Median Income; provided, however, if all the occupants of a unit are students (as defined under Section 152(f)(2) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code or who fail to be described in Section 42(i)(3)(D) of the Code, such occupants shall not qualify as City 50% Tenants. The determination of a Tenant's status as a City 50% Tenant shall initially be made by the Owner on the basis of the Income Certification Form executed by the Tenant upon such Tenant's occupancy of a Restricted Unit in the Project and upon annual recertification thereafter. In determining if any Tenant is a City 50% Tenant for purposes of any requirement of the City hereunder, the maximum Adjusted Income shall be based on the applicable percentage of the City Median Income.

"City 50% Unit" – A dwelling unit in the Project required to be rented to, or designated for occupancy by, City 50% Tenants pursuant to Section 5 of this Regulatory Agreement.

"City 80% Tenant" means any Tenant whose Adjusted Income does not exceed eighty percent (80%) of the City Median Income; provided, however, if all the occupants of a unit are students (as defined under Section 152(f)(2) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code or who fail to be described in Section 42(i)(3)(D) of the Code, such occupants shall not qualify as City 80% Tenants. The determination of a Tenant's status as a City 80% Tenant shall initially be made by the Owner on the basis of the Income Certification Form executed by the Tenant upon such Tenant's occupancy of a Restricted Unit in the Project and upon annual recertification thereafter. In determining if any Tenant is a City 80% Tenant for purposes of any requirement of the City hereunder, the maximum Adjusted Income shall be based on the applicable percentage of the City Median Income.

"City 80% Unit" – A dwelling unit in the Project required to be rented to, or designated for occupancy by, City 80% Tenants pursuant to Section 5 of this Regulatory Agreement.

"City 120% Tenant" means any Tenant whose Adjusted Income does not exceed one hundred and twenty percent (120%) of the City Median Income; provided, however, if all the occupants of a unit are students (as defined under Section 152(f)(2) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code or who fail to be described in Section 42(i)(3)(D) of the Code, such occupants shall not qualify as City 120% Tenants. The determination of a Tenant's status as a City 120% Tenant shall initially be made by the Owner on the basis of the Income Certification Form executed by the Tenant upon such Tenant's occupancy of a Restricted Unit in the Project and upon annual recertification thereafter. In determining if any Tenant is a City 120% Tenant for purposes of any requirement of the City hereunder, the maximum Adjusted Income shall be based on the applicable percentage of the City Median Income.

"City 120% Unit" – A dwelling unit in the Project required to be rented to, or designated for occupancy by, City 120% Tenants pursuant to Section 5 of this Regulatory Agreement.

"City Median Income" – The "Maximum Income by Household Size" derived by the Mayor's Office of Housing and Community Development and published annually, based on the

unadjusted area median income for the Area, as determined annually by HUD in a manner consistent with determinations of area median gross income under Section 8 of the Housing Act and Section 3009a of the Housing and Economic Recovery Act of 2008 or, if said Section 8 is terminated, as prescribed pursuant to said Section 8 immediately prior to its termination, and being adjusted for household size but unadjusted for high housing costs.

"Closing Date" – The date of the execution and delivery of the Notes, being on or about [May ____, 2026].

"CNA" means a 20-year capital needs assessment or analysis of replacement reserve requirements, as further described in the CNA Policy.

"CNA Policy" means MOHCD's Policy for Capital Needs Assessment dated November 5, 2013, as it may be amended from time to time.

"Code" – The Internal Revenue Code of 1986, as in effect on the date of execution and delivery of the Notes or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of the execution and delivery of the Notes, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Completion Certificate" – The certificate of completion of the construction of the Project required to be executed by an Authorized Owner Representative and delivered to the City and the Funding Lender by the Owner pursuant to Section 2(e) of this Regulatory Agreement, which shall be substantially in the form attached to this Regulatory Agreement as Exhibit C.

"Completion Date" – The date of completion of the construction of the Project, as that date shall be certified as provided in Section 2 of this Regulatory Agreement.

"Costs of Issuance" – The issuance costs for purposes of Section 147(g) of the Code incurred with respect to the issuance of the Notes (as further defined in the Funding Loan Agreement), but does not include fees charged by the City with respect thereto (i.e., the issuance fee and the annual fee). In the event of a conflict between this definition and the requirements of the Tax Certificate, the Tax Certificate shall control.

"CTCAC" – The California Tax Credit Allocation Committee.

"Extremely Low-Income Tenant" – Any Tenant whose Adjusted Income does not exceed thirty percent (30%) of the Median Income for the Area; provided, however, if all the occupants of a unit are students (as defined under Section 152(f)(2) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code or who fail to be described in Section 42(i)(3)(D) of the Code, such occupants shall not qualify as Extremely Low-Income Tenants. The determination of a Tenant's status as an Extremely Low-Income Tenant shall initially be made by the Owner on the basis of the Income Certification Form executed by the Tenant upon such Tenant's occupancy of a Restricted Unit in the Project and upon annual recertification thereafter. In determining if any Tenant is an Extremely Low-Income Tenant for purposes of any requirement of the City hereunder, the maximum Adjusted Income shall be based on the applicable percentage of the Median Income for the Area.

"Extremely Low-Income Unit" – A dwelling unit in the Project required to be rented to, or designated for occupancy by, Extremely Low-Income Tenants pursuant to Section 4 of this Regulatory Agreement.

"Facilities" – The multifamily buildings, structures and other improvements on the Site to be constructed, improved, developed and equipped, and all fixtures and other property owned by the Owner and located on the Site, or used in connection with, such buildings, structures and other improvements.

"Fiscal Agent" – U.S. Bank Trust Company, National Association, and its successors and assigns.

"Funding Lender" has the meaning set forth in Recital C of this Regulatory Agreement.

"Funding Loan" has the meaning set forth in Recital C of this Regulatory Agreement.

"Funding Loan Agreement" has the meaning set forth in Recital C of this Regulatory Agreement.

"General Partners" – Mercy Housing California 120 LLC, a California limited liability company, and/or any other Person that the partners of Owner, with the prior written approval of City, and the Funding Lender (to the extent required pursuant to the Loan Documents), have selected to be a general partner of Owner, and any successor general partner of the Owner, in each case to the extent permitted under the Loan Documents and hereunder.

"Housing Act" – 42 U.S.C. Section 1437, known as the United States Housing Act of 1937, as amended.

"Housing Authority" – The Housing Authority of the City and County of San Francisco and any of its successors.

"Housing Law" – Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code, as amended.

"HUD" – The United States Department of Housing and Urban Development, its successors and assigns.

"Income Certification Form" – A fully completed and executed Income Certification Form substantially in the form designated in Exhibit B, or such other form as may be provided by the City.

"Investor Limited Partner" – Collectively, Bank of America, N.A., a national banking association, and any successor or assignee that has been admitted as an investor limited partner of the Owner in accordance with the Partnership Agreement.

"Issuance Resolution" – The resolution adopted by the Board of Supervisors of the City on [May 12, 2026], and approved by the Mayor on [May ___, 2026], approving the issuance of the Notes to finance a portion of the Project.

"Life of the Project" – The period of time from completion of the Project and initial occupancy and thereafter for so long as the Project continues to operate as a multi-family residential project in accordance with the terms hereof.

"Loan" – The loan of the proceeds of the Notes made to the Owner pursuant to the Borrower Loan Agreement to provide financing for the acquisition, construction and development of the Project.

"Loan Documents" – The Funding Loan Agreement and the Borrower Loan Documents as defined in the Funding Loan Agreement.

"Low-Income Tenant" – Any Tenant whose Adjusted Income does not exceed sixty percent (60%) of the Median Income for the Area; provided, however, if all the occupants of a unit are students (as defined under Section 152(f)(2) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code or who fail to be described in Section 42(i)(3)(D) of the Code, such occupants shall not qualify as Low-Income Tenants. The determination of a Tenant's status as a Low-Income Tenant shall initially be made by the Owner on the basis of the Income Certification Form executed by the Tenant upon such Tenant's occupancy of a Restricted Unit in the Project and upon annual recertification thereafter. In determining if any Tenant is a Low-Income Tenant for purposes of any requirement of the City hereunder, the maximum Adjusted Income shall be based on the applicable percentage of the Median Income for the Area.

"Low-Income Unit" – A dwelling unit in the Project required to be rented to, or designated for occupancy by, Low-Income Tenants pursuant to Section 4 of this Regulatory Agreement.

"Median Income for the Area" – The median gross income for the Area, as determined in a manner consistent with determinations of area median gross income under Section 8 of the Housing Act and Section 3009(a) of the Housing and Economic Recovery Act of 2008 (Pub. L. 110-289, 122 Stat 2654) or, if said Section 8 is terminated, as prescribed pursuant to said Section 8 immediately prior to its termination or as otherwise required under Section 142 of the Code and the Act, including adjustments for household size and high housing cost area.

"MOHCD" – The City's Mayor's Office of Housing and Community Development.

"Notes" has the meaning set forth in Recital D of this Regulatory Agreement.

"Operational Rules" – The Operational Rules for San Francisco Housing Lotteries and Rental Lease Up Activities that are referenced in Exhibit I and incorporated herein.

"Owner" has the definition given to it in the introductory paragraph of this Regulatory Agreement.

"Partnership Agreement" – The Amended and Restated Agreement of Limited Partnership, relating to Owner, by and among the General Partner, the Investor Limited Partner, the special limited partner, and the withdrawing limited partner.

"Permitted Encumbrances" – has the definition given to it in the Security Instrument.

"Person" – Any individual, for-profit or not for profit corporation, partnership, joint venture, association, limited liability company, limited liability partnership, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Program Administrator" – A governmental agency, a financial institution, a certified public accountant, an apartment management firm, a mortgage insurance company or other business entity performing similar duties or otherwise experienced in the administration of restrictions on multifamily housing projects financed with bonds or notes, which shall be the City initially and, at the City's election, any other person or entity appointed by the City who shall enter into an administration agreement in a form acceptable to the City.

"Project" – The Facilities and the Site.

"Project Costs" – To the extent authorized by the Code, the Regulations and the Act, any and all costs, fees and expenses incurred by the Owner associated with the construction and equipping of the Project for use as affordable rental housing, including but not limited to the cost of materials, appliances, equipment, and other items of tangible personal property, the fees and expenses of architects, contractors, engineers, attorneys, accountants, developers, surveyors, payment of capitalized interest, payment of certain costs and expenses incidental to the issuance of the Notes and payment of any other costs shown on the Development Budget.

"Qualified Project Costs" – The Project Costs paid with respect to the Facilities that meet each of the following requirements: (i) the costs are properly chargeable to capital account (or would be so chargeable with a proper election by the Owner or but for a proper election by the Owner to deduct such costs) in accordance with general Federal income tax principles and in accordance with Regulations §1.103-8(a)(1), provided, however, that only such portion of interest accrued during rehabilitation or construction of the Project's Facilities (in the case of rehabilitation, with respect to vacated units only) shall be eligible to be a Qualified Project Cost as bears the same ratio to all such interest as the Qualified Project Costs bear to all Project Costs; and provided further that interest accruing after the date of completion of the construction or rehabilitation of the Facilities shall not be a Qualified Project Cost; and provided still further that if any portion of the Facilities is being constructed or rehabilitated by an Affiliated Party or persons or entities treated as related to the Owner within the meaning of Sections 1504, 267 and 707 of the Code (whether as a general contractor or a subcontractor), Qualified Project Costs shall include only (A) the actual out-of-pocket costs incurred by such Affiliated Party in constructing or rehabilitating the Facilities (or any portion thereof), (B) any reasonable fees for supervisory services actually rendered by the Affiliated Party, and (C) any overhead expenses incurred by the Affiliated Party, which are directly attributable to the work performed on the Facilities, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the rehabilitation or construction of the Facilities or payments received by such Affiliated Party due to early completion of the Facilities (or any portion thereof); (ii) the costs are paid with respect to a qualified residential rental project or projects within the meaning of Section 142(d) of the Code, (iii) the costs are paid after the earlier of 60 days prior to the date of a declaration of "official intent" to reimburse costs paid with respect to the Facilities (within the meaning of §1.150-2 of the United States Treasury Regulations) or the date of issue of the Tax-Exempt Note, and (iv) if the Project Costs were previously paid and are to be reimbursed with proceeds of the Tax-Exempt Note such costs were

(A) costs of issuance of the Tax-Exempt Note, (B) preliminary capital expenditures (within the meaning of Regulations §1.150-2(f)(2)) with respect to the Facilities (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or construction of the Facilities that do not exceed twenty percent (20%) of the issue price of the Tax-Exempt Note (as defined in Regulations §1.148-1), or (C) were capital expenditures with respect to the Facilities that are reimbursed no later than eighteen (18) months after the later of the date the expenditure was paid or the date the construction or rehabilitation of the Facilities is placed in service (but no later than three (3) years after the expenditure is paid).

"Qualified Project Period" – The period beginning on the later of the Closing Date or the first day on which at least ten percent (10%) of the units in the Project are first occupied, and ending on the later of the following:

(a) the date that is fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied;

(b) the first date on which no Tax-Exempt private activity bonds or notes with respect to the Project are outstanding;

(c) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates;

(d) the date that is the later of (i) seventy-five (75) years after the Closing Date or (ii) the end of the Life of the Project; provided, however, that if the Life of the Project is less than seventy-five (75) years due to casualty, then the end date of the Life of the Project controls; or

(e) such later date, if any, as may be provided in Section 5, Section 6 or Section 4(a)(iii) hereof.

"Qualified Tenant" – A Low-Income Tenant or an Extremely Low-Income Tenant.

"Regulations" – The income tax regulations promulgated by the Internal Revenue Service or the United States Department of the Treasury pursuant to the Code from time to time.

"Regulatory Agreement" – This Regulatory Agreement and Declaration of Restrictive Covenants, together with any amendments hereto or supplements hereof.

"Restricted Unit" – A Low-Income Unit or an Extremely Low-Income Unit.

"Section 8" – Section 1437f of the Housing Act, unless explicitly referring to a section of this Regulatory Agreement (e.g., "Section 8 hereof").

"Security Instrument" – The Construction Deed of Trust, Security Agreement, Assignment of Leases and Rents, and Fixture Filing, dated as of [_____, 2026], executed by Owner in favor of the City, and assigned to the Fiscal Agent in trust for the benefit of the Funding Lender to secure the Funding Loan, encumbering the Project.

"Site" – The parcel or parcels of real property owned by the Owner and described in Exhibit A, which is attached hereto, and all rights and appurtenances thereto.

"SSI" – Supplemental Security Income administered pursuant to P.L. 74-271, approved August 14, 1935, 49 Stat. 620, as now in effect and as it may from time to time hereafter be amended or supplemented.

"State" – The State of California.

"TANF" – The Temporary Assistance for Needy Families program administered pursuant to 42 U.S.C. Sections 601-687.

"Tax Certificate" – The Certificate as to Arbitrage, dated the Closing Date, executed and delivered by the City and the Owner.

"Tax Counsel" – An attorney or a firm of attorneys of nationally recognized standing in matters pertaining to the tax status of interest on bonds issued by states and their political subdivisions, who is selected by the City and duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

"Tax-Exempt" – With respect to the status of interest on the Tax-Exempt Note, the exclusion of interest thereon from gross income of the holder of the Tax-Exempt Note for federal income tax purposes pursuant to Section 103(a) of the Code (other than interest on any portion of the Tax-Exempt Note owned by a "substantial user" of the Project or a "related person" within the meaning of Section 147 of the Code).

"Tenant" – At any time of determination thereof, all persons who together occupy a single residential unit in the Project, and upon the occupancy of a unit by any individual in addition to the previous Tenant of such unit, such unit shall be deemed to be occupied by a new Tenant.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of the masculine, feminine or neuter gender used in this Regulatory Agreement shall be construed to include each other gender when appropriate and words of the singular number shall be construed to include the plural number, and vice versa, when appropriate. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The defined terms used in the preamble and recitals of this Regulatory Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all defined terms shall be determined by reference to this Section 1 notwithstanding any contrary definition in the preamble or recitals hereof. The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

2. Construction of the Project. The Owner hereby represents, as of the date hereof, and covenants, warrants and agrees as follows:

(a) The Owner has incurred, or will incur within six (6) months after the Closing Date, a substantial binding obligation to a third party to commence the construction of the Project, pursuant to which the Owner is or will be obligated to expend at least the lesser of (i) five percent (5%) of the aggregate principal amount of the Notes or (ii) $100,000 for the payment of Qualified Project Costs.

(b) The Owner's reasonable expectations respecting the total cost of the construction of the Project and the disbursement of proceeds of the Tax-Exempt Note are accurately set forth in the Tax Certificate, which has been delivered to the City on the Closing Date.

(c) The Owner will proceed with due diligence to complete the construction and development of the Project and expects to expend the maximum authorized amount of the Borrower Loan for Project Costs within three (3) years of the Closing Date.

(d) The Owner shall prepare and submit to the City a final allocation of the proceeds of the Tax-Exempt Note to the payment of Qualified Project Costs, which allocation shall be consistent with the cost certification (as such term is used in the Partnership Agreement) within sixty (60) days after the Completion Date, but in any event no later than the earlier of (1) eighteen (18) months from the placed in service date for the Project, (2) the Maturity Date with respect to the Funding Loan (as defined in the Funding Loan Agreement) or (3) the fifth anniversary of the Closing Date.

(e) No later than five (5) days after the Completion Date, the Owner will submit to the City and the Funding Lender a duly executed and completed Completion Certificate.

(f) On the date on which fifty percent (50%) of the units in the Project are first rented, the Owner will submit to the City and the Funding Lender a duly executed and completed Certificate as to Commencement of Qualified Project Period, in the form of Exhibit E attached hereto.

(g) Money on deposit in any fund or account in connection with the Tax-Exempt Note, whether or not such money was derived from other sources, shall not be used by or under the direction of the Owner in a manner which would cause the Tax-Exempt Note to be an "arbitrage bond" within the meaning of Section 148 of the Code, and the Owner specifically agrees that the investment of money in any such fund shall be restricted as may be necessary to prevent the Tax-Exempt Note from being an "arbitrage bond" under the Code.

(h) The Owner (and any person related to it within the meaning of Section 147(a)(2) of the Code) will not take or omit to take any action if such action or omission would in any way cause the proceeds from the sale of the Tax-Exempt Note to be applied in a manner contrary to the requirements of the Funding Loan Agreement, the Borrower Loan Agreement or this Regulatory Agreement.

(i) On or concurrently with the final draw by the Owner of amounts representing proceeds of the Tax-Exempt Note, the expenditure of such draw, when added to all previous disbursements representing proceeds of the Tax-Exempt Note, will result in not less than ninety-five percent (95%) of all disbursements of the proceeds of the Tax-Exempt Note having

been used to pay or reimburse the Owner for Qualified Project Costs and less than twenty-five percent (25%) of all disbursements having been used to pay for the acquisition of land or any interest therein.

(j) The statements made in the various certificates to be delivered by the Owner to the City on the Closing Date in connection with the execution and delivery of the Notes will be true and correct.

(k) All of the amounts received by the Owner from the proceeds of the Notes and earnings from the investment of such proceeds will be used to pay Project Costs; and no more than two percent (2%) of the proceeds of the Tax-Exempt Note shall be used to pay Costs of Issuance of the Tax-Exempt Note.

(l) The Owner will not knowingly take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the Tax-Exempt status of the interest on the Tax-Exempt Note, and, if it should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof.

(m) The Owner will take such action or actions as may be necessary, in the written opinion of Tax Counsel to the City, to comply fully with the Act, the Code and all applicable rules, rulings, policies, procedures, Regulations or other official statements promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service to the extent necessary to maintain the Tax-Exempt status of interest on the Tax-Exempt Note.

(n) No portion of the proceeds of the Notes shall be used to provide any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises. No portion of the proceeds of the Notes shall be used for an office unless (i) the office is located on the premises of the facilities constituting the Project and (ii) not more than a de minimis amount of the functions to be performed of such office is not related to the day-to-day operations of the Project.

(o) In accordance with Section 147(b) of the Code, the average maturity of the Notes does not exceed one hundred twenty percent (120%) of the average reasonably expected economic life of the facilities being financed by the Notes.

3. Qualified Residential Rental Property. The Owner hereby acknowledges and agrees that the Project will be owned, managed and operated as a "qualified residential rental project" (within the meaning of Section 142(d) of the Code). The City hereby elects to have the Project meet the requirements of Section 142(d)(1)(B) of the Code and the Owner hereby elects and covenants to comply with Section 142(d)(1)(B) of the Code with respect to the Project. To that end, and for the Term of this Regulatory Agreement, the Owner hereby represents, as of the date hereof, and covenants, warrants and agrees as follows:

(a) The Project is being constructed for the purpose of providing multifamily residential rental property, including certain facilities related thereto, and the Owner shall own, manage and operate the Project as a project to provide multifamily residential rental property

comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with applicable provisions of Section 142(d) of the Code and Section 1.103-8(b) of the Regulations, and the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the residential dwelling units in the Project will be similarly constructed units, and, to the extent required by the Code and the Regulations, each residential dwelling unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range (which may be a countertop cooking range), refrigerator and sink.

(c) None of the residential dwelling units in the Project will at any time be used on a transient basis (e.g., subject to leases that are less than thirty (30) days in duration) (including use as a corporate suite), or be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home, retirement house or trailer court or park.

(d) No part of the Project will at any time be owned as a condominium or by a cooperative housing corporation, nor shall the Owner take any steps in connection with a conversion to such ownership or uses. Other than obtaining a final subdivision map on the Project and a Final Subdivision Public Report from the California Department of Real Estate, the Owner shall not take any steps in connection with a conversion of the Project to a condominium ownership except with the prior written opinion of Tax Counsel that the Tax-Exempt status of the interest on the Tax-Exempt Note will not be adversely affected thereby.

(e) All of the residential dwelling units in the Project will be available for rental on a continuous basis to members of the general public and the Owner will not give preference to any particular class or group in renting the residential dwelling units in the Project, except to the extent required by (i) this Regulatory Agreement, (ii) any other regulatory or restrictive use agreement to which the Project is or becomes subject pursuant to Section 42 of the Code, (iii) any additional tenant income and rent restrictions imposed by the City, (iv) any other federal, State or local governmental agencies that imposes any additional tenant income and rent restrictions, and (v) any other legal or contractual requirement not excepted by clauses (i) through (iv) of this subsection, upon receipt by the Owner, the Funding Lender and the City of an opinion of Tax Counsel to the effect that compliance with such other requirement will not adversely affect the Tax-Exempt status of interest on the Tax-Exempt Note.

(f) The Site consists of a parcel or parcels that are contiguous and all of the Facilities will comprise a single geographically and functionally integrated project for residential rental property (including the portions of the common areas allocated to the Project), as evidenced by the ownership, management, accounting and operation of the Project.

(g) No residential dwelling unit in the Project shall be occupied by the Owner. Notwithstanding the foregoing, if any building in the Project contains five (5) or more residential dwelling units, this subsection shall not be construed to prohibit occupancy of residential dwelling

units in such building by one or more resident managers or maintenance personnel any of whom may be the Owner; provided that the number of such managers or maintenance personnel is not unreasonable given industry standards in the area for the number of residential dwelling units in the Project.

(h) The Owner shall not discriminate on the basis of race, creed, religion, color, sex, source of income (*e.g.*, TANF, Section 8 or SSI), physical disability (including HIV/AIDS), age, national origin, ancestry, marital or domestic partner status, sexual preference or gender identity in the rental, lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the construction, operation and management of the Project, except to the extent required hereby.

(i) Should involuntary noncompliance with the provisions of Section 1.103-8(b) of the Regulations be caused by fire, seizure, requisition, foreclosure, transfer of title by assignment of the leasehold interest in the Project in lieu of foreclosure, change in a federal law or an action of a federal agency after the Closing Date which prevents the City from enforcing the requirements of the Code and the Regulations, or condemnation or similar event, the Owner covenants that, within a "reasonable period" determined in accordance with the Regulations, it will either prepay the Notes or, if permitted under the provisions of the Security Instrument and the Funding Loan Agreement, apply any proceeds received as a result of any of the preceding events to reconstruct the Project to meet the requirements of Section 142(d) of the Code and the Regulations.

(j) The Owner agrees to maintain the Project, or cause the Project to be maintained, during the term of this Regulatory Agreement (i) in a reasonably safe condition and (ii) in good repair and in good operating condition, ordinary wear and tear excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof such that the Project shall be in substantially the same condition at all times as the condition it is in at the time of the completion of the construction of the Project with the proceeds of the Notes. Notwithstanding the foregoing, the Owner's obligation to repair or rebuild the Project in the event of casualty or condemnation shall be subject to the terms of the Borrower Loan Agreement and the Security Instrument.

(k) The Project will have and continue to have ninety-four (94) residential dwelling units, one (1) of which will be a manager's unit.

(l) The Owner will not sell dwelling units within the Project.

4. Restricted Units. The Owner hereby represents, as of the date hereof, and warrants, covenants and agrees with respect to the Project as follows:

(a) Income and Rent Restrictions. In addition to the requirements of Section 5, hereof, the Owner with respect to the Project shall comply with the income and rent restrictions of this Section 4(a), and any conflict or overlap between any two (2) or more of such provisions shall be resolved in favor of the most restrictive of such provisions, that is, in favor of the lowest income and rent restriction.

(i) Low-Income Units. Fifty-eight (58) of the Available Units in the Project shall be rented to and continuously occupied by households who qualify as Low-Income Tenants. The monthly rent charged for all the Low-Income Units shall not exceed one-twelfth of the amount obtained by multiplying 30% times 60% of the Median Income for the Area, less the utility allowance.

(ii) Extremely Low-Income Units. Nineteen (19) of the Available Units in the Project shall be rented to and continuously occupied by households who qualify as Extremely Low-Income Tenants. The monthly rent charged for all the Extremely Low-Income Units shall not exceed one-twelfth of the amount obtained by multiplying 30% times 30% of the Median Income for the Area, less the utility allowance.

(iii) CDLAC Requirements. In addition to the other requirements set forth herein and to the extent not prohibited by the requirements set forth in Sections 2 through 6 hereof, the Owner hereby agrees: (i) to comply with the CDLAC Resolution (defined herein); (ii) that the construction and operation of the Project, and the financing thereof, is and shall be in compliance with the conditions set forth in Exhibit A ("CDLAC Requirements") to CDLAC Resolution No. 25-355 adopted on December 10, 2025, attached hereto as Exhibit F (the "CDLAC Resolution"), which CDLAC Requirements are incorporated herein by this reference; and (iii) that the Owner will cooperate fully with the City in connection with the City's monitoring and reporting requirements as provided herein. Compliance with the terms of the CDLAC Requirements not specifically set forth in this Regulatory Agreement but referred to in the CDLAC Requirements is the responsibility of the Owner to report to the City.

After the Notes are executed and delivered, the terms and conditions set forth in the CDLAC Resolution shall be enforceable by CDLAC (or in its sole discretion the City) through an action for specific performance or any other available remedy. In addition, after the Notes are issued, changes to the CDLAC Requirements shall require the approval of CDLAC or the Executive Director of CDLAC for the term of the commitment.

In addition to its obligations to CDLAC set forth in the CDLAC Requirements, annually, on March 1st, until construction of the Project has been completed and the Owner has submitted to the City the Certificate of Completion, and thereafter on March 1st every three years, the Owner shall prepare and submit to the City a Certificate of Compliance II in the form required by CDLAC and referenced in the CDLAC Resolution, executed by an Authorized Owner Representative.

Any of the foregoing requirements of CDLAC contained in this Section 4(a)(iii) may be expressly waived by CDLAC, in its sole discretion, in writing, but (i) no waiver of CDLAC of any requirement of this Section 4(a)(iii) shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement, except to the extent that the City has received an opinion of Tax Counsel that any such provision is not required by the Act or the Code and may be waived without adversely affecting the Tax-Exempt status of interest on the Tax-Exempt Note for federal income tax purposes; and (ii) any requirement of this Section 4(a)(iii) shall be void and of no force and effect if the City and the Owner receive a written opinion of Tax Counsel to the effect that compliance with any such

requirement would cause interest on the Tax-Exempt Note to cease to be Tax-Exempt or to the effect that any compliance with such requirement would be in conflict with the Act, the Code or any other state or federal law.

(iv) [Reserved].

(v) Income Restrictions Pursuant to the Requirements of the City and the Code. Pursuant to the requirements of the City and Section 142(d) of the Code, for the Qualified Project Period, not less than forty percent (40%) of the total number of completed units in the Project, or thirty-eight (38) units, shall be designated as affordable units and during the Qualified Project Period shall be rented to and continuously occupied by Low-Income Tenants.

(vi) Income and Rent Restrictions Pursuant to Requirements of the City and the Housing Law. Pursuant to the requirements of the City and Section 52080(a)(1)(B) of the Housing Law, for the Qualified Project Period, not less than forty percent (40%) of the total number of completed units in the Project, or thirty-eight (38) units, shall be designated as affordable units and during the Qualified Project Period shall be rented to and continuously occupied by Low-Income Tenants. Pursuant to the requirements of Section 52080(a)(1)(B) of the Housing Law, the monthly rent charged for such units shall not exceed (a) one-twelfth ($1/12^{th}$) of the amount obtained by multiplying thirty percent (30%) times sixty percent (60%) of the Median Income for the Area (excluding any supplemental rental assistance from the State, the Federal government, or any other public agency to those occupants or on behalf of those units), (b) less the utility allowance.

(vii) [Income and Rent Restrictions in the Event of Full Repayment. To the extent Owner needs to repay the full outstanding balance of the Loan by the Maturity Date, for the period from and after 55 years from the Conversion date, the income and rent restrictions above may be increased up to [sixty percent (60%)] of Median Income for the Area, but only to the extent necessary for the Project to refinance and repay the full outstanding loan balance by the Maturity Date, as determined in City's reasonable discretion. In such event, Owner will provide the City with a written request no less than one year prior to the Maturity Date, and the City will use good faith efforts to meet with Owner within fifteen (15) days after Owner's first request to meet. To the extent financially feasible, as mutually determined by the Parties, any such rent increase will be limited to (or will be first implemented with) any vacant units. Any Unit with an increased income and rent restriction will at all times be occupied by Qualified Households whose household income does not exceed[sixty percent (60%) of Median Income for the Area, and the monthly rent paid by the Qualified Tenants will not exceed (a) thirty percent (30%) of sixty percent (60%)] of Median Income for the Area (b) less utility allowance.]

(viii) Income and Rent Restrictions in Event of Foreclosure. In the event of foreclosure, the occupancy and rent restrictions set forth in Subsection 4(a)(i) and Subsection 4(a)(ii) may be altered, but only to the minimum extent required for the financial feasibility of the Project, as determined by the City in its reasonable discretion in accordance with substantially similar underwriting criteria used by the City to evaluate the

Project's financial feasibility prior to the Closing Date, provided that, in any event, one hundred percent (100%) of the units formerly restricted under this Regulatory Agreement, as applicable, must at all times be occupied by Qualified Tenants whose Adjusted Income does not exceed eighty percent (80%) of the Median Income for the Area and the monthly rent paid by the Qualified Tenants may not exceed (a) thirty percent (30%) of eighty percent (80%) of the Median Income for the Area, and provided, further, the Owner first obtains and delivers to the Fiscal Agent and the City an opinion of Tax Counsel, acceptable to the City in its sole discretion, to the effect that such alteration would not adversely affect any exclusion of interest on the Tax-Exempt Note from gross income for federal tax purposes or the CDLAC Resolution, as applicable. To the extent financially feasible, as mutually determined by the parties, any such rent increase will be limited to (or will be first implemented with) any vacant units. In such event, the City shall use good faith efforts to meet with Owner, within fifteen (15) business days after Owner's written request to meet, in order to determine the amount of any rent increase. The relief provided by this section shall not be construed as authorizing the Owner to exceed any income or rent restrictions imposed on the Project by CDLAC, CTCAC, MOHCD or the other agreements, and the Owner represents and warrants that it shall have obtained any necessary approvals or relief from any other applicable income and rent limitations prior to implementing the relief provided by this Section 4(a)(viii).

(ix) [Reserved].

(x) For the avoidance of doubt, the requirements of any subparagraph of this Section 4(a) shall not be construed to replace, obviate, diminish or abrogate any other applicable legal or contractual requirement, including the other requirements of this Section 4, the requirements of any other governmental authority, or the requirements of any applicable ordinance, regulation, law or court order; provided, however, it is expressly agreed that the requirements of any subparagraph of this Section 4(a) may be satisfied simultaneously with any or all of the aforesaid other requirements, such that the satisfaction of a more restrictive requirement shall be deemed to satisfy simultaneously any less restrictive requirement of the same subject.

(b) Over-Income Tenants. Notwithstanding the foregoing provisions of Section 4(a), no Tenant who satisfies the applicable income limit for a Restricted Unit upon initial occupancy shall be denied continued occupancy of a Restricted Unit in the Project because, after admission, the aggregate Adjusted Income of all Tenants in the Restricted Unit increases to exceed the qualifying limit for such Restricted Unit. Should the aggregate Adjusted Income of Tenants in a Restricted Unit, as of the most recent determination thereof, exceed one hundred forty percent (140%) of the applicable income limit for such Restricted Unit occupied by the same number of Tenants, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) a Low Income Tenant or an Extremely Low Income Tenant, as applicable. The unit occupied by such Tenants whose aggregate Adjusted Income exceeds such applicable income limit shall continue to be treated as occupied by a Low Income Tenant or an Extremely Low Income Tenant, as applicable, for purposes of the requirements of Section 4(a) hereof unless and until an Available Unit of comparable or smaller size is rented to persons other than Low Income Tenants or Extremely Low Income Tenants, ,as applicable. Moreover, a unit previously occupied by a Low Income Tenant or an Extremely Low Income

Tenant, as applicable, and then vacated shall be considered occupied by a Low Income Tenant or an Extremely Low Income Tenant, as applicable, until reoccupied, other than a reoccupation for a temporary period, at which time the character of the unit shall be re-determined. In no event shall such temporary period exceed thirty-one (31) days

(c) Income Certifications. The Owner will obtain, complete and maintain on file Income Certification Forms for each Tenant (i) immediately prior to the initial occupancy of a Restricted Unit by such Tenant, and (ii) thereafter, annually, in each case in the form attached hereto as Exhibit B, together with such information, documentation and certifications as are required therein or by the City, in its discretion, to substantiate the Tenant's income. In addition, the Owner will provide such further information as may be required in the future by the State, CDLAC, the City (on a reasonable basis), the Program Administrator and by the Act, Section 142(d) of the Code or the Regulations, as the same may be amended from time to time, and in such other form and manner as may be required by applicable rules, rulings, policies, procedures or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to obligations issued under Section 142(d) of the Code.

(d) Certificate of Continuing Program Compliance. Upon the commencement of the Qualified Project Period, and on each February 1st thereafter (or such other date as shall be requested in writing by the City or the Program Administrator) during the term of this Regulatory Agreement, the Owner shall advise the Program Administrator of the status of the occupancy of the Project by delivering to the Program Administrator (with a copy to the Fiscal Agent) an executed Certificate of Continuing Program Compliance (in the form of that which is attached hereto as Exhibit D). The Owner shall also timely provide to the City such information as is requested by the City to comply with any reporting requirements applicable to it with respect to the Notes or the Project under any federal or State law or regulation, including without limitation, CDLAC regulations (Division 9.5 of Title 4 of the California Code of Regulations).

(e) Recordkeeping. The Owner will maintain complete and accurate records pertaining to the Restricted Units, and will permit any duly authorized representative of the City, the Program Administrator (if other than the City), the Fiscal Agent, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Owner pertaining to the Project upon reasonable notice during normal business hours, including those records pertaining to the occupancy of the Restricted Units, but specifically excluding any material which may be legally privileged.

(f) Annual Certification to Secretary of Treasury. The Owner shall submit to the Secretary of the Treasury annually on or before March 31 of each year, or such other date as is required by the Secretary of the Treasury, a completed Internal Revenue Service Form 8703, and shall provide a copy of each such form to the Program Administrator and the Fiscal Agent. Failure to comply with the provisions of this Subsection will subject the Owner to penalty, as provided in Section 6652(j) of the Code.

(g) Lease Provisions Regarding Income Certification Reliance. All leases pertaining to Restricted Units do and shall contain clauses, among others, wherein each Tenant who occupies a Restricted Unit: (i) certifies the accuracy of the statements made in the Income

Certification Form, (ii) agrees that the family income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy of such Tenant, that such Tenant will comply promptly with all requests for information with respect thereto from the Owner or the Program Administrator on behalf of the City, and that the failure to provide accurate information in the Income Certification Form or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the tenancy of such Tenant; (iii) acknowledges that the Owner has relied on the Income Certification Form and supporting information supplied by the Tenant in determining qualification for occupancy of the Restricted Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement; and (iv) agrees that the Tenant's income is subject to annual certification in accordance with Subsection 4(c) hereof and that failure to cooperate with the annual recertification process reasonably instituted by the Owner pursuant to Subsection 4(c) above may provide grounds for termination of the lease.

(h) Maintenance of Tenant Lists and Applications. All tenant lists, applications and waiting lists relating to the Project shall at all times be kept separate and identifiable from any other business which is unrelated to the Project and shall be maintained, as required from time to time by the Program Administrator on behalf of the City, in a reasonable condition for proper audit and subject to examination during normal business hours by representatives of the City or the Fiscal Agent. Failure to keep such lists and applications or to make them available to the City or the Fiscal Agent shall be a default hereunder.

(i) Tenant Lease Subordination. All tenant leases or rental agreements shall be subordinate to this Regulatory Agreement.

(j) No Encumbrance, Demolition or Non-Rental Residential Use. The Owner shall not take any of the following actions:

(i) Except for the Permitted Encumbrances or as otherwise previously approved by the City, encumber any portion of the Project or grant commercial leases or subleases of any part thereof or permit the conveyance, transfer or encumbrance of any part of the Project (except for apartment leases), except (a) pursuant to the provisions of this Regulatory Agreement and on a basis subordinate to the provisions of this Regulatory Agreement, to the extent applicable, (b) upon receipt by the Owner, the Fiscal Agent and the City of an opinion of Tax Counsel that such action will not adversely affect the Tax-Exempt status of interest on the Tax-Exempt Note, or (c) upon a sale, transfer or other disposition of the Project in accordance with the terms of this Regulatory Agreement;

(ii) demolish any part of the Project or substantially subtract from any real or personal property of the Project (other than in the ordinary course of business); or

(iii) permit the use of the dwelling accommodations of the Project for any purpose except rental residences.

(k) Compliance with Regulatory Agreement. The Owner shall exercise reasonable diligence to comply, or cause compliance, with the requirements of this Regulatory

Agreement and shall notify the City within fifteen (15) days and correct any noncompliance within sixty (60) days after such noncompliance is first discovered by the Owner or would have been discovered by the exercise of reasonable diligence, unless such noncompliance is not reasonably susceptible to correction within sixty (60) days and, in the opinion of Tax Counsel acceptable to the City, in its sole discretion, such noncompliance would not have an adverse effect on any exclusion of interest on the Tax-Exempt Note from gross income for federal income tax purposes, in which event the Owner shall have such additional time as the City determines to be reasonably necessary to effect such correction provided the Owner has commenced such correction after discovery, is diligently prosecuting such correction and is keeping the City updated on the progress.

5. Additional Requirements of the City.

(a) Minimum Lease Term. The term of the lease for any Restricted Unit shall not be less than one (1) year.

(b) Limitation on Rent Increases. Annual rent increases on a Restricted Unit shall be limited to the percentage of the annual increase in the Median Income for the Area, as applicable. Rent increases which are permitted but not made in a given year may not be carried forward and made in any subsequent year. Notwithstanding the foregoing, any Restricted Unit that benefits from a Section 8 rental subsidy shall not be subject to the limitations set forth in this Section 5(b), but rather shall be subject to the restrictions established by the San Francisco Housing Authority.

(c) Appointment of Program Administrator. The Owner acknowledges that the City may appoint a Program Administrator (other than the City), at the sole cost and expense of the City, to administer this Regulatory Agreement and to monitor performance by the Owner of the terms, provisions and requirements hereof. In such event, the Owner shall comply with any reasonable request by the City and the Program Administrator to deliver to any such Program Administrator, in addition to or instead of the City, any reports, notices or other documents required to be delivered pursuant hereto, and to make the Project and the books and records with respect thereto available for inspection during normal business hours with reasonable notice by the Program Administrator as an agent of the City. The City may change the Program Administrator at its sole and exclusive discretion. The Owner shall have the right to rely on any consent or direction given by the Program Administrator on the same basis as if given by the City.

(d) Management Agent. The Owner shall not enter into any agreement providing for the management or operation of the Project with any party other than Mercy Housing Management Group without the prior written consent of the City, which consent shall not be unreasonably withheld or delayed.

(e) Certificate of Preference Program. To the fullest extent permitted by law, the Owner shall comply with the City's Certificate of Preference Program pursuant to San Francisco Administrative Code Section 24.8 and the Operational Rules referenced in Exhibit I, to the extent such compliance is not in conflict with any other requirements imposed on the Project pursuant to Sections 42 and 142(d) of the Code, the Act, the CDLAC Resolution, CTCAC requirements or other applicable Federal or State law.

(f) Nondiscrimination Based on Section 8, Household Size, or Source of Income. The Owner shall accept as Tenants, on the same basis as all other prospective Tenants, persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the Housing Act, or any successor program or similar federal, State or local governmental assistance program. The Owner shall not apply selection criteria to Section 8 certificate or voucher holders that are more burdensome than criteria applied to all other prospective tenants and the Owner shall not refuse to rent to any tenant on the basis of household size as long as such household size does not exceed two (2) persons for a studio unit; three (3) persons for a one-bedroom unit; five (5) persons for a two-bedroom unit and seven (7) persons for a three-bedroom unit. The Owner shall not collect any additional fees or payments from such a tenant except security deposits or other deposits required of all Tenants. The Owner shall not collect security deposits or other deposits from Section 8 certificate or voucher holders in excess of that allowed under the Section 8 program. The Owner shall not discriminate against Tenant applicants on the basis of legal source of income (e.g., TANF, Section 8 or SSI). Further, Owner shall comply with all notice provisions set forth in the Housing Act prior to terminating any lease to which any Tenant is a party. The Owner acknowledges that (i) federal notice requirements under the Housing Act are distinct from those under State law or City law and the Owner shall comply with all Federal, State and local laws in connection with any such notice requirements, and (ii) compliance with the law of one jurisdiction shall not be deemed compliance with the laws of all jurisdictions.

(g) Income Provisions after Expiration of Qualified Project Period. Notwithstanding the provisions of Subsection 6(f), the parties agree, from and after the expiration of the Qualified Project Period, (i) that Subsection 6(f)(i) shall not apply and (ii) that units reserved for occupancy as required by Subsection 4(a)(vi) shall remain available to any eligible Tenant occupying a Restricted Unit at the date of such expiration or termination, at the rent determined by Subsection 4(a)(vi), and such expiration or termination shall not be the cause for termination of a Tenant's tenancy in a Restricted Unit, except as expressly provided in Subsection 6(f)(ii), Subsection 6(f)(iii), except that the reference to 30 years shall be seventy-five (75) years, and Subsection 6(f)(iv).

(h) Consideration for Restrictions. It is hereby acknowledged and agreed that any restrictions imposed on the operation of the Project herein and which are in addition to those imposed pursuant to Section 142(d) of the Code or the Act are voluntarily agreed to by the Owner in consideration of financial assistance from the City and an allocation of private activity bond volume cap from CDLAC.

(i) Amendment or Waiver by City; Conflicting Provisions. The requirements of Section 5 hereof may be amended, modified or waived (but not increased or made more onerous), at the City's sole discretion, by written amendment signed by the City and the Owner, or expressly waived by the City in writing, but no such waiver by the City shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement except to the extent the City and the Fiscal Agent have received an opinion of Tax Counsel to the effect that any such provision is not required by the Code or the Act and may be waived without adversely affecting the Tax-Exempt status of interest on the Tax-Exempt Note. Any requirement of Section 5 shall be void and of no force and effect if the City, the Fiscal Agent and the Owner receive a written opinion

of Tax Counsel to the effect that compliance with such requirement would be in conflict with the Act or any other applicable state or federal law.

(j) Extension of Qualified Project Period. Notwithstanding any other provision herein, the Qualified Project Period shall not expire earlier than, and the requirements of this Section 5 shall be in effect until the date that is the later of (i) seventy-five (75) years from the Closing Date or (ii) the end of the Life of the Project, provided, however, that if the Life of the Project is less than 75 years due to casualty, then the term of the Life of the Project controls; provided that certain provisions of this Section 5 shall survive and remain in full force and effect following the end of the Qualified Project Period, as specified in Section 11 hereof.

(k) Marketing and Tenant Selection Plan. Owner will market the Restricted Units in accordance with the Marketing and Tenant Selection Plan approved by the City, which shall be substantially in the form referred to in Exhibit J, as may be updated by the City from time to time.

(l) Annual Reporting. Owner must file with the City annual reports (the "Annual Monitoring Report") no later than one hundred twenty (120) days after the end of Owner's fiscal year. The Annual Monitoring Report must be in substantially the form referenced in Exhibit H, as may be updated by the City from time to time. Thereafter and for the remainder of the Life of the Project, the Owner shall maintain sufficient records of the information generally requested in the Annual Monitoring Report.

(m) Capital Needs Assessment. Owner must file with the City a CNA every five (5) years, with the initial CNA due 5 years from the Completion Date. The CNA must be in the form referenced in Exhibit H, as may be updated or revised by the City from time to time.

(n) Income and Rent Restrictions of the City. The Owner with respect to the Project shall comply with the following income and rent restrictions:

(i) Nineteen (19) of the of the Available Units in the Project shall be rented to and continuously occupied by households who qualify as City 50% Tenants. The monthly rent charged for all the City 50% Units shall not exceed one-twelfth of the amount obtained by multiplying 30% times 50% of the City Median Income, less the utility allowance.

(ii) Fifty-eight (58) of the Available Units in the Project shall be rented to and continuously occupied by households who qualify as City 80% Tenants. The monthly rent charged for all the City 80% Units shall not exceed one-twelfth of the amount obtained by multiplying 30% times 80% of the City Median Income, less the utility allowance.

(iii) Sixteen (16) of the Available Units in the Project shall be rented to and continuously occupied by households who qualify as City 120% Tenants. The monthly rent charged for all the City 120% Units shall not exceed one-twelfth of the amount obtained by multiplying 30% times 120% of the City Median Income, less the utility allowance.

6. Additional Requirements of State Law. In addition to the requirements set forth herein, pursuant to Section 52080 of the Housing Law, the Owner hereby agrees that it shall also

comply with each of the following requirements, in each case, for the Term of this Regulatory Agreement, including the following:

(a) Tenants Under Section 8 of the Housing Act. The Owner shall accept as Tenants, on the same basis as all other prospective Tenants, low-income persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the Housing Act, and shall not permit any selection criteria to be applied to Section 8 certificate or voucher holders that is more burdensome than the criteria applied to all other prospective tenants.

(b) Availability on Priority Basis. The Restricted Units shall remain available on a priority basis for occupancy at all times by Qualified Tenants.

(c) Binding Covenants and Conditions. The covenants and conditions of this Regulatory Agreement shall be binding upon successors in interest of the Owner.

(d) Recordation of Regulatory Agreement. This Regulatory Agreement shall be recorded in the office of the county recorder of the City and County of San Francisco, California, and shall be recorded in the grantor-grantee index under the name of the Owner as grantor and to the name of the City as grantee.

(e) Restricted Income Units of Comparable Quality. The Restricted Units shall be of comparable quality and offer a range of sizes and number of bedrooms comparable to those units which are available to other tenants and shall be distributed throughout the Project.

(f) Availability Following Expiration of Qualified Project Period. Following the expiration or termination of the Qualified Project Period, except in the event of foreclosure and redemption of the Notes, assignment of the leasehold interest in the Project in lieu of foreclosure, eminent domain, or action of a federal agency preventing enforcement, units reserved for occupancy by an eligible Tenant as required by Section 4(a)(vi) shall remain available to any eligible Tenant occupying a Restricted Unit at the date of such expiration or termination, at the rent determined by Section 4(a)(vi), until the earliest of (i) the household's income exceeds one hundred forty percent (140%) of the maximum eligible income specified therein (except as otherwise specified in Subsection 5(g)), (ii) the household voluntarily moves or is evicted for good cause, as defined in the Housing Law, (iii) thirty (30) years after the date of the commencement of the Qualified Project Period (except as otherwise specified in Subsection 5(g)), and (iv) the Owner pays the relocation assistance and benefits to households if required by, and as provided in, Section 7264(b) of the California Government Code.

(g) Availability Preceding Expiration of Qualified Project Period. During the three (3) years prior to the expiration of the Qualified Project Period, the Owner shall continue to make available to Qualified Tenants Restricted Units that have been vacated to the same extent that non-Restricted Units, if any, are made available to non-eligible households. Nothing in this Subsection 6(g) or in Subsection 6(f) shall be interpreted to require the City to monitor Owner's compliance herewith or with Subsection 6(f).

(h) Notice and Other Requirements. The Owner shall comply with all applicable requirements of Section 65863.10 of the California Government Code, including the

requirements for providing notices in Sections (b), (c), (d) and (e) thereof, and shall comply with all applicable requirements of Section 65863.11 of the California Government Code.

(i) Syndication of the Project. As provided in Section 52080(e) of the Housing Law, the City hereby approves the syndication of tax credits with respect to the Project, pursuant to Section 42 of the Code, to the Investor Limited Partner, or any affiliate thereof or successor thereto, pursuant to the terms of the Partnership Agreement. Any subsequent syndication of tax credits with respect to the Project to an affiliate of the Investor Limited Partner shall not require the prior written approval of the City if the Partnership Agreement will not be amended, modified or supplemented in connection with such syndication except to reflect such transfer of limited partnership interests and other non-material corrections or adjustments related to such transfer; provided, however, that the Owner shall provide to the City, at least five (5) business days prior to the effective date of any such syndication, written notice of such subsequent syndication certifying that no other amendment, modification or supplement to the Partnership Agreement will be effected in connection with such syndication except to the extent necessary to reflect such syndication, together with copies of any assignments of limited partnership interests and any other syndication documents; provided, further, that any such subsequent syndication of tax credits with respect to the Project must comply with said Section 52080(e). Any other syndication of the Project shall be subject to the prior written approval of the Director of MOHCD, which approval shall be granted only after the City determines that the terms and conditions of such syndication (i) shall not reduce or limit any of the requirements of the Act or regulations adopted or documents executed pursuant to the Act, (ii) shall not cause any of the requirements of the City set forth in this Section 6 to be subordinated to the syndication agreement, and (iii) shall not result in the provision of fewer Restricted Units, or the reduction of any benefits or services, than were in existence prior to the syndication agreement.

7. Indemnification. The Owner hereby releases the City (which includes MOHCD), the Fiscal Agent and the Funding Lender and their respective officers, members, directors, officials and employees from, and covenants and agrees, to the fullest extent permitted by law, to indemnify, hold harmless and defend the City, the Fiscal Agent, the Funding Lender and the officers, members, directors, officials, agents and employees of each of them (collectively, the "Indemnified Parties," and each an "Indemnified Party") from and against any and all claims, losses, costs, damages, demands, expenses, taxes, suits, judgments, actions and liabilities of whatever nature, joint and several (including, without limitation, costs of investigation, reasonable attorneys' fees and expenses, litigation and court costs, amounts paid in settlement, and amounts paid to discharge judgments), directly or indirectly (a) by or on behalf of any person arising from any cause whatsoever in connection with transactions contemplated hereby or otherwise in connection with the Project, Borrower Loan or Notes, or the execution or amendment of any document relating thereto; (b) arising from any cause whatsoever in connection with the approval of financing for the Project or the making of the Borrower Loan, the Funding Loan or otherwise, including without limitation, any advances of the Borrower Loan or Funding Loan or any failure of the Funding Lender to make any advance thereunder; (c) arising from any act or omission of the Owner or any of its agents, servants, employees or licensees, in connection with the Borrower Loan or the Project; (d) arising in connection with the issuance and sale, resale or reissuance of any note or bond, including any secondary market transaction with respect thereto, or any certifications or representations made by any person other than the City or the party seeking indemnification in connection therewith and the carrying out by the Owner of any of the

transactions contemplated by the Borrower Loan Agreement, the Funding Loan Agreement and this Regulatory Agreement; (e) arising in connection with the operation and management of the Project, or the conditions, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation, or construction of, the Project or any part thereof; and (f) arising out of or in connection with the exercise by the City, the Funding Lender or the Fiscal Agent of their powers or duties under the Borrower Loan Agreement, the Funding Loan Agreement, this Regulatory Agreement or any other agreements in connection therewith to which either of them is a party or assignee; provided, however, that this provision shall not require the Owner to indemnify (i) the Funding Lender from any claims, costs, fees, expenses or liabilities arising from the negligence or willful misconduct of the Funding Lender or (ii) the City for any claims, costs, fees, expenses or liabilities arising solely from the willful misconduct of the City. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Owner, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the engagement of counsel selected by the Indemnified Party (which may include the City Attorney of the City); and the Owner shall assume the payment of all reasonable fees and expenses related thereto (provided however that if the Indemnified Party is the City, the selection of the counsel rests in the sole discretion of the City Attorney and the Owner shall assume the payment of all attorneys' fees and expenses related thereto), with full power to litigate, compromise or settle the same in its discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Notwithstanding the foregoing, no indemnification obligation shall give rise to an obligation to pay principal and interest on the Loan, which is not otherwise set forth in the Funding Loan Agreement, the Borrower Loan Agreement, the Notes or any other agreement relating to the Notes.

Additionally, the Owner shall, to the fullest extent permitted by law, pay and discharge, and shall indemnify and hold harmless, the City, the Fiscal Agent and the Funding Lender from (i) any lien or charge upon payments by the Owner to the City, the Fiscal Agent and the Funding Lender hereunder and (ii) any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges in respect of any portion of the Project. If any such claim is asserted, or any such lien or charge upon payments, or any such taxes, assessments, impositions or other charges, are sought to be imposed, the City, the Fiscal Agent or the Funding Lender shall give prompt notice to the Owner, and the Owner shall have the sole right and duty to assume, and will assume, the defense thereof, including the engagement of counsel approved by the Indemnified Party and the payments of all reasonable fees and expenses related thereto (provided that if the Indemnified Party is the City, the selection of counsel (which may be or include the City Attorney of the City) rests in the sole discretion of the City Attorney) and the Owner shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. If a potential conflict exists between the Owner's defense and the interests of an Indemnified Party, then such Indemnified Party shall have the right to engage separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Owner shall pay the reasonable fees and expenses (and in the case of the City, all such fees and expenses) of such separate counsel.

Notwithstanding any transfer of the Project to another Owner in accordance with the provisions of Section 10 of this Regulatory Agreement, the Owner shall remain obligated to

indemnify the City pursuant to this Section 7 if such subsequent Owner fails to so indemnify the City, unless at the time of transfer the City has consented to the transfer to the extent such consent is required hereunder.

The provisions of this Section 7 shall survive the term of the Notes and this Regulatory Agreement, including the termination of this Regulatory Agreement pursuant to the second paragraph of Section 11 hereof and the earlier removal or resignation of the Fiscal Agent.

The obligations of the Owner under this Section are independent of any other contractual obligation of the Owner to provide indemnity to the Indemnified Parties or otherwise, and the obligation of the Owner to provide indemnity hereunder shall not be interpreted, construed or limited in light of any other separate indemnification obligation of the Owner. The Indemnified Parties shall be entitled simultaneously to seek indemnity under this Section and any other provision under which they are entitled to indemnification.

In addition thereto, the Owner will pay upon demand all of the fees and expenses paid or incurred by the Indemnified Parties in enforcing the provisions hereof.

8. Consideration. The City has issued the Notes and made the Loan to provide funds for the purpose of financing the Project, all for the purpose, among others, of inducing the Owner to construct, develop, equip and operate the Project. In consideration of the making of the Borrower Loan by the City, the Owner has entered into this Regulatory Agreement and has agreed to restrict the use of the Project on the terms and conditions set forth herein.

9. Reliance. The City and the Owner hereby recognize and agree that the representations, warranties, covenants and agreements set forth herein may be relied upon by all persons interested in the legality and validity of the Notes, and in the Tax-Exempt status of the interest on the Tax-Exempt Note. In performing its duties and obligations hereunder, the City may rely upon statements and certificates of the Owner and the Tenants, and upon audits of the books and records of the Owner pertaining to the Project. In addition, the City may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the City hereunder in good faith and in conformity with such opinion.

10. Sale or Transfer of the Project. The Owner intends to hold the Project for its own account, has no current plans to sell, transfer or otherwise dispose of the Project (except in accordance with the Purchase Option and the Right of First Refusal Agreement (each as described in the Partnership Agreement)) and, except as otherwise provided herein, hereby covenants and agrees not to sell, transfer or otherwise dispose of the Project, or any portion thereof or interest therein, including any interest in the Owner, without obtaining the prior written consent of the City, which consent shall not be unreasonably withheld, and receipt by the City of (i) evidence satisfactory to the City that the Owner's purchaser or transferee has assumed in writing and in full, the Owner's duties and obligations under this Regulatory Agreement, (ii) an opinion of counsel of the transferee that the transferee has duly assumed the obligations of the Owner under this Regulatory Agreement and that such obligations and this Regulatory Agreement are binding on the transferee, (iii) evidence acceptable to the City that either (A) the purchaser or assignee has experience in the ownership, operation and management of rental housing projects in the City such

as the Project without any record of material violations of discrimination restrictions or other state or federal laws or regulations applicable to such projects, or (B) the purchaser or assignee agrees to retain a property management firm with the experience and record described in subparagraph (A) above or (C) if the purchaser or assignee does not have management experience, the City may cause the Program Administrator to provide on-site training in program compliance if the City determines such training is necessary, (iv) evidence satisfactory to the City that no event of default exists under this Regulatory Agreement, the Borrower Loan Agreement or any document related to the Borrower Loan, and payment of all fees and expenses of the City and the Fiscal Agent due under any of such documents is current, and (v) an opinion of Tax Counsel to the effect that such transfer will not, in itself, cause interest on the Tax-Exempt Note to become includable in the gross income of the recipients thereof for federal income tax purposes except to the extent held by a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code. It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this Section 10 shall be null, void and without effect, shall cause a reversion of title to the Owner, and shall be ineffective to relieve the Owner of its obligations under this Regulatory Agreement. Nothing in this Section 10 shall affect any provision of any other document or instrument between the Owner and any other party, which requires the Owner to obtain the prior written consent of such other party in order to sell, transfer or otherwise dispose of the Project. Not less than sixty (60) days prior to consummating any sale, transfer or disposition of any interest in the Project, the Owner shall deliver to the City a notice in writing explaining the nature of the proposed transfer and providing relevant information regarding the proposed transfer.

Notwithstanding the foregoing, the provisions of this Section 10 shall not apply to the granting of the Security Instrument (or the exercise of remedies thereunder following an uncured event of default, including any foreclosure, exercise of power of sale or assignment of leasehold interest under the Security Instrument) or transfer of all or any portion of (a) the limited partner interest of the Investor Limited Partner in the Owner (which is instead subject to paragraph (i) of Section 6), (b) the General Partner interest to an affiliate of the General Partner or Investor Limited Partner if the Investor Limited Partner has removed and replaced the General Partner for cause pursuant to the Partnership Agreement, or (c) the transfer of any non-managing member or limited partner interest in the Investor Limited Partner; provided however that such grant, exercise or transfer will not adversely affect the Tax-Exempt status of the interest on the Tax-Exempt Note or the exemption from State personal income taxation of the interest on the Notes. Notwithstanding the foregoing sentence, promptly upon the occurrence of any of such transfer, grant, or exercise of remedies under the Security Instrument (including, but not limited to a foreclosure), the transferee or subsequent owner shall provide to the City evidence satisfactory to the City that such transferee or new owner has acknowledged in writing, and in full, that the duties and obligations of the "Owner" under Sections 3, 4, 5 and 6 of this Regulatory Agreement and any provisions thereof relating to the enforcement of such provisions or remedies resulting from any breach thereof shall survive and continue to constitute an encumbrance on the Project.

11. Term. Subject to the following paragraph of this Section 11, Section 7 hereof and to any other provision expressly agreed herein to survive the termination of this Regulatory Agreement, this Regulatory Agreement and all of the terms hereof shall become effective upon its execution and delivery and shall remain in full force and effect until the later of (a) the end of the

Qualified Project Period or (b) seventy-five (75) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied.

The terms of this Regulatory Agreement to the contrary notwithstanding, this Regulatory Agreement shall terminate and be of no further force and effect in the event of (i) involuntary noncompliance with the provisions of this Regulatory Agreement caused by events such as fire, seizure, requisition, change in a federal law or an action of a federal agency after the Closing Date, which prevents the City from enforcing such provisions, or (ii) foreclosure, exercise of power of sale, transfer of title by assignment of the leasehold interest in the Project in lieu of foreclosure, or condemnation or a similar event, but only if, in the case of the events described in either clause (i) or (ii) above within a reasonable period, either the Notes are paid in full or cancelled or amounts received as a consequence of such event are used to provide a project that meets the requirements hereof; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure, exercise of power of sale, or the delivery of an assignment of the leasehold interest in the Project in lieu of foreclosure or a similar event, the Owner or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes. The Owner hereby agrees that, following any foreclosure, exercise of power of sale, transfer of title by assignment of the leasehold interest in the Project in lieu of foreclosure or similar event, neither the Owner nor any such related person as described above will obtain an ownership interest in the Project for federal tax purposes. The Owner shall provide written notice of any termination of this Regulatory Agreement to the City in the event of the occurrence of any of the events described herein above. Notwithstanding the preceding provisions of this Section, Owner, including without limitation, any successor to any Owner pursuant to an event set forth in clause (ii), above, of this paragraph, agrees that Sections 3, 4 and 5 of this Regulatory Agreement (and any provisions relating to the enforcement of such provisions or remedies resulting from any breach thereof) shall survive the termination of this Regulatory Agreement pursuant to the preceding provisions of this paragraph and remain in full force and effect until the end of the Qualified Project Period. Notwithstanding any other provisions of this Regulatory Agreement to the contrary, this entire Regulatory Agreement, or any of the provisions or sections hereof, may be terminated upon agreement by the City and the Owner subject to compliance with any of the provisions contained in this Regulatory Agreement only if there shall have been received by the City an opinion of Tax Counsel that such termination will not adversely affect the Tax-Exempt status of the interest on the Tax-Exempt Note or the exemption from State personal income taxation of the interest on the Notes. The Owner shall provide written notice of any termination of this Regulatory Agreement to the City in the event of the occurrence of any of the events described hereinabove.

Upon the expiration or termination of this Regulatory Agreement or certain terms hereof, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of said expired or terminated terms; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms.

12. Covenants to Run with the Land. The Owner hereby subjects the Project to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The City and the Owner hereby declare their express intent that the covenants, reservations and restrictions set forth

herein shall be deemed covenants running with the land and shall pass to and be binding upon the Owner's successors in title to the Project; provided, however, that on the expiration or termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire except those terms which are expressly intended to survive expiration or termination. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments. No breach of any of the provisions of this Regulatory Agreement shall defeat or render invalid the lien of a mortgage made in good faith and for value encumbering the Site, provided however that the foregoing shall not be interpreted to imply the City's consent to any such lien unless expressly provided in writing.

13. Burden and Benefit. The City and the Owner hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Owner's legal interest in the Project is rendered less valuable thereby. The City and the Owner hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Qualified Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Notes were issued.

14. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use, development and improvement of the Site.

15. Enforcement. If the Owner defaults in the performance or observance of any covenant, agreement or obligation of the Owner set forth in this Regulatory Agreement, and if such default remains uncured for a period of sixty (60) days (the "Cure Period") after written notice thereof shall have been given by the City to the Owner and the Investor Limited Partner (and a copy of such notice shall also be given to the Funding Lender and the Fiscal Agent, provided however that the failure of the City to provide such copy to the Funding Lender and the Fiscal Agent shall have no effect on the sufficiency of the notice to the Owner), the City may, as its sole option, extend the Cure Period (provided, however, that the City may at its sole option extend such period if the default is of the nature which would reasonably require more than 60 days to cure and if the Owner provides the City, if requested by the City, with an opinion of Tax Counsel to the effect that such extension will not adversely affect the Tax-Exempt status of interest on the Tax-Exempt Note). Upon the expiration of the Cure Period, as the same may be extended, then the City may declare an "event of default" to have occurred hereunder, and, subject to the provisions of the Funding Loan Agreement, may take any one or more of the following steps:

(a) by mandamus or other suit, action or proceeding at law or in equity, require the Owner to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the City hereunder; or

(b) have access to and inspect, examine and make copies of all of the books and records of the Owner pertaining to the Project; or

(c) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Owner hereunder, subject, however, to those limits on exercising remedies set forth in Article VII of the Borrower Loan Agreement.

Notwithstanding anything contained in this Regulatory Agreement to the contrary, the occurrence of an event of default under this Regulatory Agreement shall not be deemed, under any circumstances whatsoever, to be a default under the Security Instrument, except as may be otherwise specified in the Security Instrument.

Notwithstanding anything contained in this Regulatory Agreement to the contrary, the City agrees that any cure of any default made or tendered by the Investor Limited Partner shall be deemed to be a cure by the Owner and shall be accepted or rejected on the same basis as if made or tendered by the Owner.

16. Recording and Filing. The Owner shall cause this Regulatory Agreement and all amendments and supplements hereto and thereto, to be recorded and filed in the real property records of the City and County of San Francisco, California and in such other places as the City may reasonably request. The Owner shall pay all fees and charges incurred in connection with any such recording.

17. Payment of Fees. The Owner shall pay to the City, or to the Fiscal Agent at the direction of the City, on the Closing Date, an initial issuance fee of $[____] (which is equal to one quarter of one percent (0.25%) of the maximum principal amount of the Governmental Lender Notes (the "Issuance Fee"). The Owner shall pay to the City, or to the Fiscal Agent at the direction of the City an annual fee (the "Annual Fee") equal to (a), (x) on the Closing Date, one-eighth of one percent (0.125%) of the maximum principal amount of the Governmental Lender Notes and, (y) on each anniversary date of the Closing Date that occurs during the term of this Regulatory Agreement, one-eighth of one percent (0.125%) of the maximum principal amount of the Governmental Lender Notes that was outstanding during the prior year (as applicable, the "Maximum Annual Fee"); provided, that, if the Governmental Lender Notes are no longer outstanding on any such anniversary date, the Annual Fee due on such anniversary date shall be $2,500 (the "Minimum Annual Fee"); provided further, however, that (b) the Annual Fee, as calculated under clause (a) above, shall be lowered, from time to time, by a sum equal to (i) the amount, if any, by which the previous Annual Fee, prior to any adjustment under this clause (b), exceeded the Maximum Annual Fee allowable for such period, plus (ii) any amounts by which any other previous Annual Fees exceeded the respective Maximum Annual Fees, for which no subsequent Annual Fee had been lowered pursuant to this Section 17, all as calculated by the City's financial advisor and confirmed prior to maturity of the Notes by a Rebate Analyst approved by the City. For purposes of the preceding sentence, the "average outstanding aggregate principal amount of the Notes in the previous twelve (12) months" shall be calculated by summing the actual outstanding aggregate principal amounts of the Notes as of the 14th day of each of the twelve (12) calendar months preceding the due date of the subject Annual Fee, and dividing such sum by twelve (12). Notwithstanding any prepayment of the Funding Loan or the Borrower Loan and notwithstanding a discharge of the Funding Loan Agreement and/or the Borrower Loan Agreement, the Owner shall continue to pay the City's Annual Fee as calculated and described above. Upon the occurrence of an event of default hereunder, the Owner shall continue to pay to

the City compensation for any services rendered by it hereunder and reimbursement for all expenses incurred by it in connection therewith.

In case any action at law or in equity, including an action for declaratory relief, is brought against the Owner to enforce the provisions of this Regulatory Agreement, the Owner agrees to pay reasonable attorney's fees and other reasonable expenses incurred by the City, the Funding Lender, the Fiscal Agent, CDLAC and/or the Program Administrator in connection with such action.

18. Governing Law. This Regulatory Agreement shall be governed by the laws of the State of California.

19. Amendments. To the extent any amendments to the Act, the Regulations or the Code shall, in the written opinion of Tax Counsel filed with the City, the Fiscal Agent and the Owner, impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement, which must be complied with in order to maintain the Tax-Exempt status of interest on the Tax-Exempt Note, this Regulatory Agreement shall be deemed to be automatically amended to impose such additional or more restrictive requirements. Otherwise, this Regulatory Agreement shall be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the City and County of San Francisco, California, provided that any amendment to the CDLAC Requirements shall also be subject to the consent of CDLAC, and provided further, that any amendment to Sections 3 and 4 hereof shall require an opinion of Tax Counsel filed with the City, the Fiscal Agent, the Funding Lender and the Owner, to the effect that such amendment will not adversely affect the Tax-Exempt status of interest on the Tax-Exempt Note.

20. City Contracting Provisions. The Owner covenants and agrees to comply with the City Contracting Provisions set forth in Exhibit G to this Regulatory Agreement, which are incorporated in and made a part of this Regulatory Agreement by this reference.

21. Notice. All notices, certificates or other communications shall be sufficiently given and shall be deemed given (i) on the date personally delivered or (ii) on the second business day following the date on which the same have been mailed by first class mail, postage prepaid, or (iii) by telecopier or other electronic means (including email), and deemed given one business day after such facsimile or electronic transmission, but only upon prompt receipt of such notice by first class or overnight mail, or (iv) the business day following delivery by a recognized overnight delivery service, addressed as follows:

If to the City:

City and County of San Francisco
Mayor's Office of Housing and Community Development
1 South Van Ness Avenue, 5th Floor
San Francisco, California 94103
Attention: Director

With copies to: (None of which copies shall constitute notice to the City)	City and County of San Francisco City Hall, 1 Dr. Carlton B. Goodlett Place, Room 140 San Francisco, California 94102 Attention: City Treasurer City and County of San Francisco City Hall, 1 Dr. Carlton B. Goodlett Place, Room 316 San Francisco, California 94102 Attention: City Controller Office of the City Attorney City Hall, 1 Dr. Carlton B. Goodlett Place, Room 234 San Francisco, California 94102 Attention: Finance Team Email: cityattorney@sfgov.org
If to the Owner:	Mercy Housing California 120, L.P. c/o Mercy Housing California 1256 Market Street, 2nd Floor San Francisco CA 94102
With a copy to:	Gubb & Barshay LLP 235 Montgomery Street, Suite 1110 San Francisco, CA 94104 Attn: Evan Gross Email: egross@gubbandbarshay.com
If to the Investor Limited Partner:	Bank of America, N.A. 100 Federal Street MA5-100-04-11 Boston, MA 02110 Attention: Asset Management Facsimile: (617) 346-2257
With a copy to:	Buchalter, a Professional Corporation 1000 Wilshire Boulevard, Suite 1500 Los Angeles, CA 90017 Attn: Mercedes Martin, Esq. Email: mmartin@buchalter.com Facsimile: (213) 630-5799 Matter No: B0965-0899

If to the initial Funding Lender:	Bank of America, N.A. 4500 Amon Carter Blvd., 2nd Floor Fort Worth, TX 76155 TX2-979-02-22 Attn: Construction Servicing (Real Estate) Loan Administration Manager
With a copy to:	Buchalter, a Professional Corporation 1000 Wilshire Boulevard, Suite 1500 Los Angeles, CA 90017 Attn: Scott Salomon, Esq. Email: ssalomon@buchalter.com Facsimile: (213) 630-5799 Matter No: [_____]
If to the Fiscal Agent:	U.S. Bank Trust Company, National Association One California Street, Suite 1000 San Francisco, CA 94111 Attention: Andrew Fung Facsimile: (415) 677-3769 Email: andrew.fung@usbank.com
With a copy to:	Dorsey & Whitney LLP 51 West 52nd Street New York, NY 10019-6119 Attention: Mark Jutsen Facsimile: (212) 953-7201 Email: jutsen.mark@dorsey.com

Any of the foregoing parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, documents or other communications shall be sent.

22. Interpretation. The parties to this Regulatory Agreement acknowledge that each party and their respective counsel have participated in the drafting of this Regulatory Agreement. Accordingly, the parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Regulatory Agreement or any supplement or exhibit hereto.

23. Severability. If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

24. Third-Party Beneficiaries. The parties to the Regulatory Agreement recognize and agree that the terms of this Regulatory Agreement and the enforcement of those terms are entered

into for the benefit of various parties, and the parties hereto acknowledge that the Fiscal Agent and CDLAC are third party beneficiaries of this Regulatory Agreement. CDLAC shall accordingly have contractual rights in this Regulatory Agreement and shall be entitled (but not obligated) to enforce, in accordance with Section 15 hereof, the terms hereof and the terms of the CDLAC Resolution. Notwithstanding the above, CDLAC shall be entitled solely to enforce the terms of the CDLAC Resolution, and any enforcement of the terms and provisions of the CDLAC Resolution by CDLAC shall not adversely affect the interests of the Fiscal Agent, and shall otherwise be subject to the terms, conditions and limitations otherwise applicable to the enforcement of remedies under this Regulatory Agreement. Pursuant to Section 52080(k) of the Housing Law, the provisions of Subsection 4(a)(vi) and Section 6 hereof may be enforced either in law or in equity by any resident, local agency, entity, or by any other person adversely affected by the Owner's failure to comply with that Section or Subsection.

25. Multiple Counterparts. This Regulatory Agreement may be executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

26. California Debt and Investment Advisory Commission Reporting Requirements. No later than January 31 of each calendar year (commencing January 31, 2027), the Owner, on behalf of the City, agrees to provide the California Debt and Investment Advisory Commission, by any method approved by such Commission, with a copy to the City, the annual report information required by Section 8855(k)(1) of the California Government Code. This covenant shall remain in effect until the later of the date (i) the Notes are no longer outstanding or (ii) the proceeds of the Notes and the Funding Loan have been fully spent.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the City and the Owner have executed this Regulatory Agreement by their duly authorized representatives, all as of the date first written hereinabove.

CITY AND COUNTY OF SAN FRANCISCO,
acting by and through the Mayor's Office of
Housing and Community Development

By:_____
Daniel Adams
Director, Mayor's Office of Housing and
Community Development

Approved as to Form:

DAVID CHIU
City Attorney

By _____
Kenneth David Roux
Deputy City Attorney

[Signatures Continue on Following Page]

OWNER:

MERCY HOUSING CALIFORNIA 120, L.P.,
a California limited partnership

By: Mercy Housing California 120 LLC,
a California limited liability company,
its general partner

By: Mercy Housing Calwest,
a California nonprofit public benefit corporation,
its sole member/manager

By: _____
Ramie Dare,
Vice President

[SIGNATURE PAGE TO REGULATORY AGREEMENT – 1687 MARKET RESIDENCES]

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, before me, _____ , Notary Public,
(Print Name of Notary Public)

personally appeared _____
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.
I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____
Signature of Notary Public

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

☐ Individual
☐ Corporate Officer

_____
Title(s)

☐ Partner(s) ☐ Limited ☐ General
☐ Attorney-In-Fact
☐ Fiscal Agent(s)
☐ Guardian/Conservator
☐ Other:_____

Signer is representing:
Name Of Person(s) Or Entity(ies)

_____

_____

DESCRIPTION OF ATTACHED DOCUMENT

_____
Title Or Type Of Document

_____
Number Of Pages

_____
Date Of Documents

_____
Signer(s) Other Than Named Above

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, before me, _____ , Notary Public,
(Print Name of Notary Public)

personally appeared _____
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.
I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____
Signature of Notary Public

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

☐ Individual
☐ Corporate Officer

_____
Title(s)

☐ Partner(s) ☐ Limited ☐ General
☐ Attorney-In-Fact
☐ Fiscal Agent(s)
☐ Guardian/Conservator
☐ Other:_____

Signer is representing:
Name Of Person(s) Or Entity(ies)

_____

_____

DESCRIPTION OF ATTACHED DOCUMENT

_____
Title Or Type Of Document

_____
Number Of Pages

_____
Date Of Documents

_____
Signer(s) Other Than Named Above

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, before me, _____ , Notary Public,
(Print Name of Notary Public)

personally appeared _____
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.
I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____
Signature of Notary Public

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

☐ Individual
☐ Corporate Officer

_____
Title(s)

☐ Partner(s) ☐ Limited ☐ General
☐ Attorney-In-Fact
☐ Fiscal Agent(s)
☐ Guardian/Conservator
☐ Other:_____

Signer is representing:
Name Of Person(s) Or Entity(ies)

_____

_____

DESCRIPTION OF ATTACHED DOCUMENT

_____
Title Or Type Of Document

_____
Number Of Pages

_____
Date Of Documents

_____
Signer(s) Other Than Named Above

EXHIBIT A

LEGAL DESCRIPTION OF THE SITE

[See Attached]

EXHIBIT B

INCOME CERTIFICATION FORM

A current version of the CTCAC form may be downloaded from the State Treasurer's website at the following link: http://www.treasurer.ca.gov/ctcac/compliance/tic.pdf.

EXHIBIT C

COMPLETION CERTIFICATE

CITY AND COUNTY OF SAN FRANCISCO
Mayor's Office of Housing and Community Development
1 South Van Ness Avenue, 5th Floor
San Francisco, California 94103
Attention: Director

Re: City and County of San Francisco, California
Multifamily Housing Revenue Note (1687 Market Residences) Series 2026C-1

The undersigned (the "Owner") hereby certifies that all aspects of the construction of the Project (as that term is used in the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of [May] 1, 2026, by and between the City and County of San Francisco and the Owner (the "Regulatory Agreement"), were substantially completed and available for occupancy by tenants in the Project as of _____.

1. The undersigned hereby certifies that:

(a) the aggregate amount disbursed on the Loan (as that term is used in the Regulatory Agreement) to date is $_____;

(b) all amounts disbursed on the Loan have been applied to pay or reimburse the undersigned for the payment of Project Costs (as that term is used in the Regulatory Agreement) and none of the amounts disbursed on the Loan has been applied to pay or reimburse any party for the payment of costs or expenses other than Project Costs; and

(c) as shown on the attached sheet (showing the breakdown of expenditures for the Project and the source of the funds which were used to pay such costs), at least 95 percent of the amounts disbursed on the Loan (as that term is used in the Regulatory Agreement) have been applied to pay or reimburse the Owner for the payment of Qualified Project Costs (as that term is used in the Regulatory Agreement) and less than 25 percent of the amounts disbursed on the Loan, exclusive of amounts applied to pay the costs of issuing the Note, have been applied to pay or reimburse the Owner for the cost of acquiring land.

[Signature Page Follows.]

MERCY HOUSING CALIFORNIA 120, L.P.,
a California limited partnership

By: Mercy Housing California 120 LLC,
a California limited liability company,
its general partner

By: Mercy Housing Calwest,
a California nonprofit public benefit corporation,
its sole member/manager

By: _____
Ramie Dare,
Vice President

EXHIBIT D

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

Project Name: 1687 Market Residences

CDLAC Application Number(s): 25-809

CDLAC Resolution Number(s): 25-355

Property Address:

Project Completion Date (if completed, otherwise mark NA): _____

Name of Obligation: City and County of San Francisco, California
Multifamily Housing Revenue Note (1687 Market Residences), Series 2026C-1

The undersigned, being the authorized representatives of Mercy Housing California 120, L.P., a California limited partnership (the "Owner"), hereby certifies that he/she has read and is thoroughly familiar with the provisions of the various documents associated with the Owner's participation in the City and County of San Francisco (the "City") Multifamily Housing Program, such documents including:

1. the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of [May] 1, 2026 (the "Regulatory Agreement"), between the Owner and the City; and

2. the Borrower Loan Agreement, dated as of [May] 1, 2026, among the City, the Fiscal Agent and the Owner.

Terms used herein and not otherwise defined shall have the meaning ascribed thereto in the Regulatory Agreement.

The undersigned further certifies that:

A. There have been no changes to the ownership entity, principals or property management of the Project since the Note was executed and delivered, or since the last certification was provided (as applicable), except as described below:

(If so, please attach a request to revise the CDLAC Resolution, noting all pertinent information regarding the change, otherwise state "NONE")

If the Project has not yet been placed in service, mark N/A for the balance of the items below:

B. During the preceding twelve (12) months, (i) such Project was continually in compliance with the Regulatory Agreement executed in connection with such loan from the City and (ii) ___% of the units in the Project were occupied by Qualified Tenants (minimum of forty percent (40%), excluding the manager's unit).

C. As of the date of this Certificate, the following percentages of completed residential units in the Project (i) are occupied by Low-Income and Extremely Low-Income Tenants, or (ii) are currently vacant and being held available for such occupancy and have been so held continuously since the date a Low-Income or an Extremely Low-Income Tenant vacated such unit, as indicated below:

Occupied by Extremely Low-Income Tenants:

Studio units: _____ Unit Nos. _____

1 bedroom units: _____ Unit Nos. _____

2 bedroom units: _____ Unit Nos. _____

3 bedroom units: _____ Unit Nos. _____

4 bedroom units: _____ Unit Nos. _____

Total percentage occupied by Extremely Low-Income Tenants: _____

Held vacant for occupancy continuously since last occupied by an Extremely Low-Income Tenant:

_____%; Unit Nos. _____

Vacant Units:

_____%; Unit Nos. _____

Occupied by Low-Income Tenants:

Studio units: _____ Unit Nos. _____

1 bedroom units: _____ Unit Nos. _____

2 bedroom units: _____ Unit Nos. _____

3 bedroom units: _____ Unit Nos. _____

4 bedroom units: _____ Unit Nos. _____

Total percentage occupied by Low-Income Tenants: _____

Held vacant for occupancy continuously since last occupied by a Low-Income Tenant:

_____%; Unit Nos. _____

Vacant Units:

_____%; Unit Nos. _____

It hereby is confirmed that each tenant currently residing in a unit in the Project has completed an Income Certification Form in the form approved by the City and that since commencement of the Qualified Project Period, not less than 40% of the occupied units in the Project (excluding the manager's unit) have been rented to (or are vacant and last occupied by) Qualified Tenants. The

undersigned hereby certifies that the Owner is not in default under any of the terms and provisions of the above documents.

D. The units occupied by Low-Income Tenants and Extremely Low-Income Tenants are of similar size and quality to other units and are dispersed throughout the Project.

E. Select appropriate certification: [No unremedied default has occurred under the Regulatory Agreement, the Note, the Borrower Loan Agreement or the Security Instrument.] [A default has occurred under the _____. The nature of the default and the measures being taken to remedy such default are as follows: _____.]

F. There has been no change of use for the Project, except as follows: (please describe if any, or otherwise indicate "NONE")

G. Select appropriate certification: The undersigned hereby certifies that the Project [has satisfied all] [except as described below, has satisfied all] of the requirements memorialized in Exhibit A of the CDLAC Resolution, a copy of which is attached hereto (i.e. qualifying project completion, qualifying depreciable asset purchase, qualifying loan originations, the use of public funds, manager units, income rent restrictions, sustainable building methods, etc., as applicable), and thus has achieved all public benefit requirements (excluding service amenities) as presented to CDLAC.

[Describe any requirements not satisfied: _____]

H. As captured in Exhibit A of the CDLAC Resolution, the Project has committed to and is currently providing the following service amenities for a minimum of ten (10) years, on a regular and ongoing basis, which are provided free of charge (with the exception of day care services):

Please check the services that apply or write N/A where appropriate:

_____ After-school Programs

_____ Educational, health and wellness, or skill building classes

_____ Health and Wellness services and programs (not group classes)

_____ Licensed Childcare provided for a minimum of twenty (20) hours per week (Monday-Friday)

_____ Bona-Fide Service Coordinator/ Social Worker

1) For this reporting period, attached is evidence (i.e. MOUs, contracts, schedules, calendars, flyers, sign-up sheets, etc.) confirming that the above-listed services are being provided and have met the requirements of Exhibit A of the CDLAC Resolution.

2) If any of the above services requirements were not met, what corrective action is being taken to comply?

(Please also attach the completed project sponsor certification form as provided in the CDLAC Resolution)

(Please also attach the completed Occupancy and Rent Information form attached hereto)

I. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief, and the undersigned acknowledges and agrees that the City will be relying solely on the foregoing certifications and accompanying documentation, if any, in making its certification to CDLAC pursuant to Section 5013 of the CDLAC regulations (Division 9.5 of Title 4 of the California Code of Regulations), and agrees to provide to the City such documentation or evidence, in support of the foregoing certifications, as the City or CDLAC may request.

Capitalized terms used in this Certificate and not otherwise defined herein have the meanings given to them in the Regulatory Agreement.

[Signature Page Follows.]

DATED: _____

OWNER:

MERCY HOUSING CALIFORNIA 120, L.P.,
a California limited partnership

By: Mercy Housing California 120 LLC,
a California limited liability company,
its general partner

By: Mercy Housing Calwest,
a California nonprofit public benefit corporation,
its sole member/manager

By: _____
Ramie Dare,
Vice President

EXHIBIT E

CERTIFICATE AS TO COMMENCEMENT OF QUALIFIED PROJECT PERIOD

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

City and County of San Francisco
Mayor's Office of Housing and Community Development
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
Attention: Executive Director

City and County of San Francisco, California
Multifamily Housing Revenue Note (1687 Market Residences),
Series 2026C-1

The undersigned, being the authorized representative(s) of Mercy Housing California 120, L.P., a California limited partnership (the "Owner"), hereby certifies that: (complete blank information):

Ten percent (10%) of the dwelling units in the Project, as defined in the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of [May] 1, 2026, between the Owner and the City and County of San Francisco (the "Regulatory Agreement"), financed in part from the proceeds of the above-captioned Note were first occupied on _____; and

Fifty percent (50%) of the dwelling units in the Project financed in part from the proceeds of the above-captioned Note were first occupied on _____.

[Signature Page Follows.]

DATED: _____

OWNER:

MERCY HOUSING CALIFORNIA 120, L.P.,
a California limited partnership

By: Mercy Housing California 120 LLC,
a California limited liability company,
its general partner

By: Mercy Housing Calwest,
a California nonprofit public benefit corporation,
its sole member/manager

By: _____
Ramie Dare,
Vice President

Acknowledged:

City and County of San Francisco

By:_____
Name, Title

EXHIBIT F

CDLAC RESOLUTION

[See Attached]

EXHIBIT G

CITY AND COUNTY OF SAN FRANCISCO
MANDATORY CONTRACTING PROVISIONS

The following provisions shall apply to this Regulatory Agreement as if set forth in the text thereof. Capitalized terms used but not defined in this Exhibit shall have the meanings given in this Regulatory Agreement (referred to herein as "Agreement").

1. Nondiscrimination; Penalties.

(a) *Nondiscrimination in Contracts.* The Owner shall comply with the provisions of Chapters 12B and 12C of the San Francisco Administrative Code. The Owner shall incorporate by reference in any subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and shall require any subcontractors to comply with such provisions. The Owner is subject to the enforcement and penalty provisions in Chapters 12B and 12C.

(b) *Nondiscrimination in the Provision of Employee Benefits. San Francisco Administrative Code 12B.2.* The Owner does not as of the date of this Agreement, and will not during the term of this Agreement, in any of its operations in San Francisco, on real property owned by San Francisco, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of employee benefits between employees with domestic partners and employees with spouses and/or between the domestic partners and spouses of such employees, subject to the conditions set forth in San Francisco Administrative Code Section 12B.2.

2. MacBride Principles—Northern Ireland. The provisions of San Francisco Administrative Code §12F are incorporated by this reference and made part of this Agreement. By entering into this Agreement, the Owner confirms that it has read and understood that the City urges companies doing business in Northern Ireland to resolve employment inequities and to abide by the MacBride Principles, and urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

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

4. Alcohol and Drug-Free Workplace. The City reserves the right to deny access to, or require the Owner to remove from, City facilities personnel of the Owner who the City has reasonable grounds to believe has engaged in alcohol abuse or illegal drug activity which in any way impairs the City's ability to maintain safe work facilities or to protect the health and well-being of City employees and the general public. The City shall have the right of final approval for the entry or re-entry of any such person previously denied access to, or removed from, City facilities. Illegal drug activity means possessing, furnishing, selling, offering, purchasing, using or being under the influence of illegal drugs or other controlled substances for which the individual

lacks a valid prescription. Alcohol abuse means possessing, furnishing, selling, offering, or using alcoholic beverages, or being under the influence of alcohol.

5. Compliance with Laws Requiring Access for People with Disabilities. Owner acknowledges 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 people with disabilities. Owner shall provide the services specified in this Agreement in a manner that complies with the ADA and all other applicable federal, state and local disability rights legislation. Owner agrees not to discriminate against people with disabilities in the provision of services, benefits or activities provided under this Agreement and further agrees that any violation of this prohibition on the part of Owner, its employees, agents or assigns will constitute a material breach of this Agreement.

6. Sunshine Ordinance. Owner acknowledges that this Agreement and all records related to its formation, Owner's performance of services pursuant to this Agreement, and City's payment are subject to the California Public Records Act, (California Government Code § 7920 et seq.), and the San Francisco Sunshine Ordinance, (San Francisco Administrative Code Chapter 67). Such records are subject to public inspection and copying unless exempt from disclosure under federal, state, or local law.

7. Limitations on Contributions. By executing this Agreement, Owner acknowledges its obligations under Section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with, or is seeking a contract with, any department of 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, for a grant, loan or loan guarantee, or for a development agreement, from making any campaign contribution to (i) a City elected official if the contract must be approved by that official, a board on which that official serves, or the board of a state agency on which an appointee of that official serves; (ii) a candidate for that City elective office; or (iii) a committee controlled by such elected official or a candidate for that office, at any time from the submission of a proposal for the contract until the later of either the termination of negotiations for such contract or twelve months after the date City approves the contract. The prohibition on contributions applies to each prospective party to the contract; each member of Owner's board of directors; Owner's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than ten percent (10%) in Owner; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by Owner. Owner certifies that it has informed each such person of the limitation on contributions imposed by Section 1.126 by the time it submitted a proposal for the contract, and has provided the names of the persons required to be informed to the City department with whom it is contracting.

8. Minimum Compensation Ordinance. Labor and Employment Code Article 111 applies to this Agreement. Owner shall pay covered employees no less than the minimum compensation required by San Francisco Labor and Employment Code Article 111, including a minimum hourly gross compensation, compensated time off, and uncompensated time off. Owner is subject to the enforcement and penalty provisions in Article 111. Information about and the text of Article 111 is available on the web at http://sfgov.org/olse/mco. Owner is required

to comply with all of the applicable provisions of Article 111, irrespective of the listing of obligations in this Section. By signing and executing this Agreement, Owner certifies that it complies with Article 111.

9. Requiring Health Benefits for Covered Employees. Labor and Employment Code Article 121 applies to this contract. Owner shall comply with the requirements of Article 121. For each Covered Employee, Owner shall provide the appropriate health benefit set forth in Article 121.3 of the HCAO. If Owner chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission. Information about and the text of Article 121, as well as the Health Commission's minimum standards, is available on the web at http://sfgov.org/olse/hcao. Owner is subject to the enforcement and penalty provisions in Article 121.

10. Prohibition on Use of Public Funds for Political Activity. In performing services pursuant to this Agreement, Owner shall comply with San Francisco Administrative Code Chapter 12G, which prohibits funds appropriated by City for this Agreement from being expended to participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure. Owner is subject to the enforcement and penalty provisions in Chapter 12G.

11. Nondisclosure of Private, Proprietary or Confidential Information. If this Agreement requires City to disclose "Private Information" to Owner within the meaning of San Francisco Administrative Code Chapter 12M, Owner shall use such information only in accordance with the restrictions stated in Chapter 12M and in this Agreement and only as necessary in performing the services pursuant to this Agreement. Owner is subject to the enforcement and penalty provisions in Chapter 12M.

In the performance of its services, Owner may have access to, or collect on City's behalf, City Data, which may include proprietary or Confidential Information that if disclosed to third parties may damage City. If City discloses proprietary or Confidential Information to Owner, or Owner collects such information on City's behalf, such information must be held by Owner in confidence and used only in performing the Agreement. Owner shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary or Confidential Information.

12. Consideration of Criminal History in Hiring and Employment Decisions. Owner agrees to comply fully with and be bound by all of the provisions of Article 142, "City Contractor/Subcontractor Consideration of Criminal History in Hiring and Employment Decisions," of the San Francisco Labor and Employment Code ("Article 142"), including the remedies provided, and implementing regulations, as may be amended from time to time. The provisions of Article 142 are incorporated by reference and made a part of this Agreement as though fully set forth herein. The text of Article 142 is available on the web at http://sfgov.org/olse/fco. Owner is required to comply with all of the applicable provisions of Article 142, irrespective of the listing of obligations in this Section. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Article 142.

The requirements of Article 142 shall only apply to a Owner's operations to the extent those operations are in furtherance of the performance of this Agreement, shall apply only to applicants and employees who would be or are performing work in furtherance of this Agreement, and shall apply when the physical location of the employment or prospective employment of an individual is wholly or substantially within the City of San Francisco. Article 142 shall not apply when the application in a particular context would conflict with federal or state law or with a requirement of a government agency implementing federal or state law.

13. Submitting False Claims; Monetary Penalties. The full text of San Francisco Administrative Code Section 21.35, including the enforcement and penalty provisions, is incorporated into this Agreement. Any contractor or subcontractor who submits a false claim shall be liable to City for the statutory penalties set forth in that section.

14. Conflict of Interest. By executing this Agreement, Owner certifies that it does not know of any fact which constitutes a violation of Section 15.103 of the City's Charter; Article III, Chapter 2 of City's Campaign and Governmental Conduct Code; Title 9, Chapter 7 of the California Government Code (Section 87100 et seq.); or Title 1, Division 4, Chapter 1, Article 4 of the California Government Code (Section 1090 et seq.), and further agrees promptly to notify City if it becomes aware of any such fact during the term of this Agreement.

15. Food Service Waste Reduction Requirements. Owner shall comply with the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including but not limited to the remedies for noncompliance provided therein.

16. Laws Incorporated by Reference. The full text of the laws listed in this Appendix, including enforcement and penalty provisions, are incorporated by reference into this Agreement. The full text of the San Francisco Municipal Code provisions incorporated by reference in this Appendix and elsewhere in the Agreement ("Mandatory City Requirements") are available at http://www.amlegal.com/codes/client/san-francisco_ca/

17. First Source Hiring Program. Owner must comply with all of the applicable provisions of the First Source Hiring Program, Chapter 83 of the San Francisco Administrative Code, that apply to this Agreement; and Owner is subject to the enforcement and penalty provisions in Chapter 83.

18. Prevailing Wages. Services to be performed by Owner under this Agreement may involve the performance of work covered by the California Labor Code Sections 1720 and 1782, as incorporated within Section 6.22(e) of the San Francisco Administrative Code, or San Francisco Administrative Code Chapter 102 (collectively, "Covered Services"), which is incorporated into this Agreement as if fully set forth herein and will apply to any Covered Services performed by Owner.

19. Assignment. The Services to be performed by Owner are personal in character. This Agreement may not be directly or indirectly assigned, novated, or otherwise transferred unless first approved by City by written instrument executed and approved in the same manner

as this Agreement. Any purported assignment made in violation of this provision shall be null and void.

20. Cooperative Drafting. This Agreement has been drafted through a cooperative effort of City and Owner, and both Parties have had an opportunity to have the Agreement reviewed and revised by legal counsel. No Party shall be considered the drafter of this Agreement, and no presumption or rule that an ambiguity shall be construed against the Party drafting the clause shall apply to the interpretation or enforcement of this Agreement.

EXHIBIT H

FORM OF REPORTS

The form of the Annual Monitoring Report and the CNA (Fannie Mae Form 4327) may be downloaded from the Mayor's Office of Housing and Community Development website at the following link:

https://sf.gov/resource/2022/compliance-monitoring

EXHIBIT I

OPERATIONAL RULES FOR SAN FRANCISCO HOUSING LOTTERIES AND RENTAL LEASE UP ACTIVITIES

The Operational Rules for San Francisco Housing Lotteries and Rental Lease Up Activities may be found in the current version of the Housing Preferences and Lottery Procedures Manual which is incorporated herein by this reference and may be downloaded from the Mayor's Office of Housing and Community Development website at the following link:

https://sfmohcd.org/sites/default/files/Documents/MOH/Inclusionary%20Manuals/Preferences%20Manual%20-%20%203.31.2017_0.pdf

EXHIBIT J

MARKETING AND TENANT SELECTION PLAN

The Marketing Plan and Tenant Selection Plan (also referred to as "Resident Section Criteria") may be downloaded from the Mayor's Office of Housing and Community Development website at the following link:

https://sfmohcd.org/sites/default/files/Documents/MOH/Inclusionary%20Manuals/Preferences%20Manual%20-%20%203.31.2017_0.pdf

BORROWER LOAN AGREEMENT

by and among the

CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
as Governmental Lender,

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Fiscal Agent

and

MERCY HOUSING CALIFORNIA 120, L.P.,
a California limited partnership,
as Borrower

dated as of [May] 1, 2026

relating to:
$26,102,000
City and County of San Francisco, California
Multifamily Housing Revenue Note
(1687 Market Residences), Series 2026C-1

$[TAXABLE PAR]
City and County of San Francisco, California
Multifamily Housing Revenue Note
(1687 Market Residences), Series 2026C-2 (Taxable)

The interest of the Governmental Lender in this Borrower Loan Agreement (except for certain Unassigned Rights described herein) has been pledged and assigned to Bank of America, N.A., a national banking association, as funding lender (the "Funding Lender"), under that certain Funding Loan Agreement, of even date herewith, by and among City and County of San Francisco, California (the "Governmental Lender"), U.S. Bank Trust Company, National Association, as Fiscal Agent and the Funding Lender, under which the Funding Lender is originating a loan to the Governmental Lender the proceeds of which are to be used to fund the Borrower Loan made under this Borrower Loan Agreement.

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EXHIBIT A FORM OF COMPLIANCE CERTIFICATE
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EXHIBIT E MODIFICATIONS

BORROWER LOAN AGREEMENT

This Borrower Loan Agreement, dated as of [May] 1, 2026 (this "Borrower Loan Agreement") is entered into among the City and County of San Francisco, California, a municipal corporation duly organized and existing pursuant to its charter and the laws and constitution of the State of California (together with its successors and assigns, the "Governmental Lender"), U.S. Bank Trust Company, National Association, a national banking association organized and existing under the laws of the United States of America (together with any successor or assign, the "Fiscal Agent"), and Mercy Housing California 120, L.P., a California limited partnership (together with its successors and assigns, the "Borrower").

RECITALS:

WHEREAS, the Governmental Lender is authorized to provide financing for multifamily rental housing pursuant to and in accordance with Sections 1.101 and 9.107 of the Charter of the City and County of San Francisco, California, Article I of Chapter 43 of the Administrative Code of the City and County of San Francisco, California and, to the extent applicable, Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code, as amended (collectively, the "Act").

WHEREAS, the Governmental Lender is authorized: (a) to make loans to provide financing for residential rental developments located within the City and County of San Francisco, California (the "City") and intended to be occupied, in whole or in part, by persons of low and very-low income; (b) to incur indebtedness for the purpose of obtaining moneys to make such loans and provide such financing, to establish any required reserve funds and to pay administrative costs and other costs incurred in connection with the incurrence of such indebtedness of the Governmental Lender; and (c) to pledge all or any part of the revenues, receipts or resources of the Governmental Lender, including the revenues and receipts to be received by the Governmental Lender from or in connection with such loans, and to mortgage, pledge or grant security interests in such loans or other property of the Governmental Lender in order to secure the payment of such indebtedness of the Governmental Lender; and

WHEREAS, the Borrower has applied to the Governmental Lender for a loan (the "Borrower Loan"), for the construction of a 94-unit (including 1 manager's unit) multifamily residential rental project located in the City and County of San Francisco, California, known as 1687 Market Residences (the "Project"); and

WHEREAS, the Borrower's repayment obligations under this Borrower Loan Agreement are evidenced by the Borrower Notes, as defined herein; and

WHEREAS, the Borrower has requested that the Governmental Lender enter into that certain Funding Loan Agreement, of even date herewith (the "Funding Loan Agreement"), among the Governmental Lender, the Fiscal Agent and Bank of America, N.A., a national banking association (together with any successor thereunder, the "Funding Lender"), under which the Funding Lender will make a loan (the "Funding Loan") to the Governmental Lender, the proceeds of which will be loaned under this Borrower Loan Agreement to the Borrower to finance the acquisition and construction of the Project (as defined herein); and

WHEREAS, the Borrower Loan is secured by, among other things, that certain Construction Deed of Trust, with Assignment of Rents, Security Agreement, and Fixture Filing (Residential), dated as of [CLOSING DATE], 2026, to be made by the Borrower for the benefit of the Governmental Lender (as may be amended, restated and/or supplemented from time to time, the "Security Instrument"), and assigned without recourse to the Funding Lender to secure the Funding Loan, which encumber the Project, and will

be advanced to the Borrower pursuant to this Borrower Loan Agreement, the Funding Loan Agreement and the Construction Disbursement Agreement (as defined herein).

A G R E E M E N T :

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; PRINCIPLES OF CONSTRUCTION

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

(a) Unless specifically defined herein, all capitalized terms shall have the meanings ascribed thereto in the Security Instrument or, if not defined in the Security Instrument, in the Funding Loan Agreement.

(b) All accounting terms not otherwise defined herein shall have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with GAAP.

(c) 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.

(d) 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.

(e) 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."

Section 1.2 Definitions. The following terms, when used in this Borrower Loan Agreement (including when used in the above recitals), shall have the following meanings:

"Act" shall have the meaning given to it in the recitals to this Borrower Loan Agreement.

"Act of Bankruptcy" shall mean the filing of a petition in bankruptcy (or any other commencement of a bankruptcy or similar proceeding) under any applicable bankruptcy, insolvency, reorganization, or similar law, now or hereafter in effect; provided that, in the case of an involuntary proceeding, such proceeding is not dismissed within ninety (90) days after the commencement thereof.

"ADA" shall have the meaning set forth in Section 4.1.38 hereof.

"Additional Borrower Payments" shall mean all payments payable pursuant to Section 2.5 (Additional Borrower Payments), Section 2.6 (Overdue Payments; Payments in Default), and Section 5.14

(Expenses) of this Borrower Loan Agreement; Section 2.1 of the Funding Loan Agreement (other than principal, Prepayment Premium and interest on the Governmental Lender Notes); Section 3.3.3 of the Construction Disbursement Agreement; and Section 10 (Prepayments) of the Borrower Notes (Voluntary and Involuntary Prepayments).

"Agreement of Environmental Indemnification" shall mean the Environmental Indemnification Agreement, dated as of [CLOSING DATE], 2026, executed by the Borrower and the Guarantor for the benefit of the Funding Lender, the Servicer, the Fiscal Agent, the Governmental Lender and each of their respective successors and assigns.

"Appraisal" shall mean an appraisal of the Project and Improvements, which appraisal shall be (i) performed by a qualified appraiser licensed in the State selected by the Funding Lender, and (ii) satisfactory to the Funding Lender (including, without limitation, as adjusted pursuant to any internal review thereof by the Funding Lender) in all respects.

"Architect" shall mean any licensed architect, space planner or design professional that the Borrower may engage from time to time, with the Written Approval of the Funding Lender, to design any portion of the Improvements, including the preparation of the Plans and Specifications.

"Architect's Agreement" means any agreement that the Borrower and any Architect from time to time may execute pursuant to which the Borrower engages such Architect to design any portion of the Improvements, including the preparation of the Plans and Specifications, as approved by the Funding Lender.

"Authorized Borrower Representative" shall mean a person at the time designated and authorized to act on behalf of the Borrower by a Written Certificate furnished to the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer and containing the specimen signature of such person and signed on behalf of the Borrower by its Borrower Controlling Entity which certificate may designate one or more alternates.

"Bankruptcy Code" shall mean the United State Bankruptcy Reform Act of 1978, as amended from time to time, or any substitute or replacement legislation.

"Bankruptcy Event" shall mean the occurrence of any of the following; (i) if the Borrower, the General Partner, or any Guarantor files a voluntary petition in bankruptcy under Title 11 of the United States Code, or (ii) an order for relief shall be issued against any such Borrower, General Partner, or Guarantor in any involuntary petition in bankruptcy under Title 11 of the United States Code, or (iii) if the Borrower, the General Partner, or any Guarantor shall file any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future federal, state or other law or regulation relating to bankruptcy, insolvency or other relief of debtors, or (vi) if the Borrower, the General Partner, or any Guarantor shall seek or consent to or acquiesce in the appointment of any custodian, trustee, receiver, conservator or liquidator of the same, or of all or any substantial part of its respective property, or (v) if the Borrower, the General Partner, or any Guarantor shall make an assignment for the benefit of creditors, or (vi) if the Borrower, the General Partner, or any Guarantor shall give notice to any governmental authority or body of insolvency or pending insolvency or suspension of operation.

"Bankruptcy Proceeding" shall have the meaning set forth in Section 4.1.8 hereof.

"Beneficiary Parties" shall mean, collectively, the Funding Lender, the Servicer and the Governmental Lender.

"Borrower" shall have the meaning set forth in the recitals to this Borrower Loan Agreement.

"Borrower Affiliate" means, as to the Borrower, a general partner or the Guarantor, (i) any entity that directly or indirectly owns, controls, or holds with power to vote, twenty percent (20%) or more of the outstanding voting securities of the Borrower, a general partner or the Guarantor, (ii) any corporation twenty percent (20%) or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote by the Borrower, a general partner or the Guarantor, (iii) any partner, shareholder or, if a limited liability company, member of the Borrower, its general partner or the Guarantor, or (iv) any other person that is related (to the third degree of consanguinity) by blood or marriage to the Borrower, a general partner or the Guarantor (to the extent any of the Borrower, a general partner or the Guarantor is a natural person).

"Borrower Controlling Entity" shall mean, any general partner or managing general partner of the Borrower.

"Borrower Loan" shall mean the mortgage loan made by the Governmental Lender to the Borrower pursuant to this Borrower Loan Agreement, in the maximum principal amount of the Borrower Loan Amount, as evidenced by the Borrower Notes.

"Borrower Loan Agreement" shall mean this Borrower Loan Agreement, as the same may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"Borrower Loan Amount" shall mean $[TOTAL PAR], the maximum principal amount of the Borrower Notes.

"Borrower Loan Documents" shall mean this Borrower Loan Agreement, the Construction Disbursement Agreement, the Borrower Notes, the Security Instrument, the Agreement of Environmental Indemnification, the Guaranty, the Subordinate Loan Documents, and all other documents or agreements evidencing, securing, guarantying or relating to the Borrower Loan.

"Borrower Loan Payment Date" shall mean (i) the date upon which regularly scheduled Borrower Loan Payments are due pursuant to the Borrower Notes, or (ii) any other date on which the Borrower Notes are prepaid or paid, whether at the scheduled maturity, prepayment, upon the acceleration of the maturity thereof or otherwise.

"Borrower Loan Payments" shall mean the monthly loan payments payable pursuant to the Borrower Notes.

"Borrower Loan Proceeds" shall mean proceeds of the Borrower Loan, to be disbursed in accordance with Section 2.10 of this Borrower Loan Agreement, Section 7.7 of the Funding Loan Agreement, and the Construction Disbursement Agreement.

"Borrower Notes" shall mean the Tax-Exempt Borrower Note and the Taxable Borrower Note, and "Borrower Note" shall mean either of them, as the context requires.

"Borrower Payment Obligations" shall mean all payment obligations of the Borrower under the Borrower Loan Documents, including, but not limited to, the Borrower Loan Payments and the Additional Borrower Payments.

"Borrower Required Equity" shall mean the Equity Contributions to be made by the Equity Investor to the Borrower pursuant to the Partnership Agreement, in accordance with the following schedule and subject to the terms of the Partnership Agreement:

Amount	Date/Event
$	On or before the Closing Date
$	On or before latest of (a) Completion Date, (b) Investor Limited Partner has received a draft report by the Accountants evidencing the timely occurrence of the Twenty-Five Percent Test, or (c) [_____ 1, 20__]
$	On or before latest of (a) Final Closing, (b) achievement of [1.15] to 1.00 Debt Service Coverage Ratio for 3 consecutive months, (c) receipt of all permanent certificates of occupancy, (d) Initial Occupancy Date, (e) physical occupancy of at least 90% of the Low Income Units, or (f) [_____ 1, 20__]
$	On or before latest of (a) receipt by Investor Limited Partner of Form 8609, (b) receipt of recorded copy of Extended Use Agreement, (c) receipt of Cost Certification, Adjuster Model and determination by Accountants of Final tax Credit Amount, (d) receipt of tax credit compliance audit report, or (e) [_____ 1, 20__]
$	Total

Capitalized terms used in the foregoing table and not defined in this Borrower Loan Agreement have the meanings given to them in the Construction Disbursement Agreement.

"Business Day" shall mean any day other than (i) a Saturday or Sunday, or (ii) a day on which federally insured depository institutions in New York, New York, or the city where the Fiscal Agent is located, are authorized or obligated by law, regulation, governmental decree or executive order to be closed.

"Calendar Month" shall mean each of the twelve (12) calendar months of the year.

"CC&R's" shall mean any covenants, conditions, restrictions, maintenance agreements or reciprocal easement agreements affecting the Project or the Property.

"City" shall mean the City and County of San Francisco, California.

"Civil Asset Forfeiture Reform Act" means the Civil Asset Forfeiture Reform Act of 2000 (18 U.S.C. Sections 983 et seq.), as amended from time to time, and any successor statute.

"Closing Costs Fund" shall mean the Closing Costs Fund held by the Fiscal Agent created pursuant to the Funding Loan Agreement.

"Closing Date" means [CLOSING DATE], 2026, the date that the initial Borrower Loan Proceeds are disbursed hereunder.

"Code" shall mean the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Collateral" shall mean all collateral described in (i) this Borrower Loan Agreement (including, without limitation, all property in which the Governmental Lender or the Funding Lender is granted a security interest pursuant to any provision of this Borrower Loan Agreement or any other Borrower Loan Documents), (ii) the Security Instrument, or (iii) any other Security Document, which collateral shall include the Project, all of which collateral is pledged and assigned to the Funding Lender under the Funding Loan Agreement to secure the Funding Loan.

"Completion" shall have the meaning set forth in Section 5.25 hereof.

"Completion Date" shall have the meaning ascribed thereto in the Construction Disbursement Agreement.

"Computation Date" shall have the meaning ascribed thereto in Section 1.148-3(e) of the Regulations.

"Condemnation" shall mean any action or proceeding or notice relating to any proposed or actual condemnation or other taking, or conveyance in lieu thereof, of all or any part of the Project, whether direct or indirect.

"Construction Contract" shall mean any agreement that the Borrower and any Contractor from time to time may execute pursuant to which the Borrower engages the Contractor to construct any portion of the Improvements, as approved by the Funding Lender.

"Construction Disbursement Agreement" means that certain Construction Disbursement Agreement of even date herewith, between the Funding Lender, as agent for the Governmental Lender, and the Borrower, pursuant to which the Borrower Loan will be advanced by the Funding Lender (or the Servicer on its behalf), as agent of the Governmental Lender, to the Fiscal Agent for disbursement to the Borrower and setting forth certain provisions relating to disbursement of the Borrower Loan during construction, insurance and other matters, as such agreement may be amended, modified, supplemented and replaced from time to time.

"Construction Inspector" shall mean a third-party architect or engineer selected and retained by the Funding Lender, at the cost and expense of the Borrower, to monitor the progress of construction of the Project and to inspect the Improvements to confirm compliance with this Borrower Loan Agreement.

"Construction Phase Amount" shall mean $[TOTAL PAR].

"Construction Schedule" shall mean a schedule of construction progress with the anticipated commencement and completion dates of each phase of construction and the anticipated date and amounts of each Disbursement for the same, as approved by the Funding Lender, as assignee of the Governmental Lender.

"Contractor" shall mean any licensed general contractor or subcontractor that the Borrower may directly engage from time to time, with the Written Approval of the Funding Lender, to construct any portion of the Improvements.

"Contractual Obligation" shall mean, for any Person, any debt or equity security issued by that Person, and any indenture, mortgage, deed of trust, contract, undertaking, instrument or agreement (written or oral) to which such Person is a party or by which it is bound, or to which it or any of its assets is subject.

"Controlled Substances Act" means the Controlled Substances Act (21 U.S.C. Sections 801 et seq.), as amended from time to time, and any successor statute.

"Cost Breakdown" shall mean the schedule of costs for the Improvements, as set forth in the Construction Disbursement Agreement and as the same may be amended from time to time with the Funding Lender's Written Consent.

"Costs of Funding" shall mean the fees, costs, expenses and other charges incurred in connection with the funding of the Borrower Loan and the Funding Loan, the negotiation and preparation of the Funding Loan Documents and shall include, but shall not be limited to, the following: (i) counsel fees (including but not limited to Tax Counsel, counsel to the Governmental Lender, the Borrower's counsel, the Funding Lender's counsel and the Fiscal Agent's counsel); (ii) municipal advisor fees incurred in connection with the closing of the Borrower Loan and the Funding Loan; (iii) certifying and authenticating agent fees and expenses related to funding of the Funding Loan; (iv) any recording fees; (v) any additional fees charged by the Governmental Lender; (vi) any Fiscal Agent Fees; and (vii) costs incurred in connection with the required public notices generally and costs of the public hearing.

"Costs of Funding Deposit" shall mean the amount required to be deposited by the Borrower with the Fiscal Agent into the Closing Costs Fund to pay Costs of Funding in connection with the closing of the Borrower Loan and the Funding Loan on the Closing Date.

"Cost of Improvements" shall mean the costs for the construction of the Improvements, as set forth on the Cost Breakdown.

"County" shall mean the City and County of San Francisco, California.

"Date of Disbursement" shall mean the date of a Disbursement.

"Debt" shall mean, as to any Person, any of such Person's liabilities, including all indebtedness (whether recourse and nonrecourse, short term and long term, direct and contingent), all committed and unfunded liabilities, and all unfunded liabilities, that would appear upon a balance sheet of such Person prepared in accordance with GAAP.

"Default Rate" shall have the meaning given to that term in the respective Borrower Notes.

"Determination of Taxability" shall mean (i) a determination by the Commissioner or any District Director of the Internal Revenue Service, (ii) a private ruling or Technical Advice Memorandum concerning the Tax-Exempt Governmental Lender Note issued by the National Office of the Internal Revenue Service in which the Governmental Lender and the Borrower were afforded the opportunity to participate, (iii) a determination by any court of competent jurisdiction, (iv) the enactment of legislation or (v) receipt by the Funding Lender, at the request of the Governmental Lender, the Borrower or the Funding Lender, of an opinion of Tax Counsel, in each case to the effect that the interest on the Tax-Exempt Governmental Lender Note is includable in gross income for federal income tax purposes of any holder or any former holder of all or a portion of the Tax-Exempt Governmental Lender Note, other than a holder who is a "substantial user" of the Project or a "related person" (as such terms are defined in Section 147(a) of the Code); provided, however, that no such Determination of Taxability under clause (i) or (iii) shall be deemed to have occurred if the Governmental Lender (at the sole expense of the Borrower), the Funding Lender (at the sole expense

of the Borrower) or the Borrower is contesting such determination, has elected to contest such determination in good faith and is proceeding with all applicable dispatch to prosecute such contest until the earliest of (a) a final determination from which no appeal may be taken with respect to such determination, (b) abandonment of such appeal by the Governmental Lender or the Borrower, as the case may be, or (c) one (1) year from the date of initial determination.

"Developer" shall mean Mercy Housing California, a California nonprofit public benefit corporation.

"Developer Fee" shall mean the fees and/or compensation payable to the Developer pursuant to the [Development Agreement, as defined in and of even date with the Partnership Agreement, between the Borrower and the Developer], which fees and/or compensation shall not be paid prior to the Maturity Date except as otherwise permitted pursuant to Section 6.13(b) hereof.

"Disbursement" means a disbursement of the Borrower Loan Proceeds and Other Borrower Moneys pursuant to this Borrower Loan Agreement.

"Engineer" shall mean any licensed civic, structural, mechanical, electrical, soils, environmental or other engineer that the Borrower may engage from time to time, with the Written Approval of the Funding Lender, to perform any engineering services with respect to any portion of the Improvements.

"Engineer's Contract" shall mean any agreement that the Borrower and any Engineer from time to time may execute pursuant to which the Borrower engages the Engineer to perform any engineering services with respect to any portion of the Improvements, as approved by the Funding Lender.

"Equipment" shall have the meaning given to the term "Personalty" in the Security Instrument.

"Equity Contributions" shall mean the Borrower Required Equity and any other equity to be contributed by the Equity Investor to the Borrower, in accordance with and subject to the terms of the Partnership Agreement.

"Equity Investor" shall mean Bank of America, N.A. and any successors or assigns thereof.

"ERISA" shall mean the Employment Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated hereunder.

"ERISA Affiliate" shall mean all members of a controlled group of corporations and all trades and businesses (whether or not incorporated) under common control and all other entities which, together with the Borrower, are treated as a single employer under any or all of Section 414(b), (c), (m) or (o) of the Code.

"Event of Default" shall mean any Event of Default set forth in Section 7.1 of this Borrower Loan Agreement. An Event of Default shall "exist" if a Potential Default shall have occurred and be continuing beyond any applicable cure period.

"Excess Revenues" shall mean, for any period, the net cash flow of the Borrower available for distribution to shareholders, members or partners (as the case may be) for such period, after the payment of all interest expense, the amortization of all principal of all indebtedness coming due during such period (whether by maturity, mandatory prepayment, acceleration or otherwise), the payment of all fees, costs and expenses on an occasional or recurring basis in connection with the Borrower Loan or the Funding Loan, the payment of all operating, overhead, ownership and other expenditures of the Borrower directly or

indirectly in connection with the Project (whether any such expenditures are current, capital or extraordinary expenditures), and the setting aside of all reserves for taxes, insurance, water and sewer charges or other similar impositions, capital expenditures, repairs and replacements and all other amounts which the Borrower is required to set aside pursuant to any agreement, but excluding depreciation and amortization of intangibles.

"Exchange Act" shall mean the United States Securities Exchange Act of 1934, as amended.

"Expenses of the Project" shall mean, for any period, the current expenses, paid or accrued, for the operation, maintenance and current repair of the Project, as calculated in accordance with GAAP, and shall include, without limiting the generality of the foregoing, salaries, wages, employee benefits, cost of materials and supplies, costs of routine repairs, renewals, replacements and alterations occurring in the usual course of business, costs and expenses properly designated as capital expenditures (e.g. repairs which would not be payable from amounts on deposit in any repair and replacement fund held pursuant to the Borrower Loan Documents), a management fee (however characterized) not to exceed six percent (6%) of Gross Income, costs of billings and collections, costs of insurance, and costs of audits. Expenses of the Project shall not include any payments, however characterized, on account of any subordinate financing in respect of the Project or other indebtedness, allowance for depreciation, amortization or other non-cash items, gains and losses or prepaid expenses not customarily prepaid.

"Fair Market Value" shall mean the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Fiscal Service, or (iv) the investment is an interest in any commingled investment fund in which the Governmental Lender and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of investment.

"Fiscal Agent" shall mean the Fiscal Agent from time to time under and pursuant to the Funding Loan Agreement. Initially, the Fiscal Agent is U.S. Bank Trust Company, National Association.

"Fiscal Agent Fee" shall have the meaning set forth in the Funding Loan Agreement.

"Fitch" shall mean Fitch Ratings, Inc.

"Funding Lender" shall mean Bank of America, N.A., a national banking association, and any successor in its capacity of lender under the Funding Loan Agreement and the Borrower Loan Documents.

"Funding Loan" means the Funding Loan in the maximum principal amount of $[TOTAL PAR] made by the Funding Lender to the Governmental Lender under the Funding Loan Agreement, the proceeds of which are used by the Governmental Lender to make the Borrower Loan.

"Funding Loan Agreement" means the Funding Loan Agreement, of even date herewith, among the Governmental Lender, the Fiscal Agent and the Funding Lender, as it may from time to time be

supplemented, modified or amended by one or more amendments or other instruments supplemental thereto entered into pursuant to the applicable provisions thereof.

"Funding Loan Documents" shall mean the Funding Loan Agreement, the Borrower Loan Documents, the Regulatory Agreement, the Tax Certificate, all other documents evidencing, securing, governing or otherwise pertaining to the Funding Loan, and all amendments, modifications, renewals and substitutions of any of the foregoing.

"GAAP" shall mean generally accepted accounting principles as in effect on the date of the application thereof and consistently applied throughout the periods covered by the applicable financial statements.

"General Partner" shall mean (i) Mercy Housing California 120 LLC, a California limited liability company, and (ii) any other Person that the partners of the Borrower, with the prior Written Approval of the Funding Lender (or as otherwise permitted with the Funding Lender's Written Approval pursuant to the Borrower Loan Documents), selected to be a general partner of the Borrower.

"Governmental Authority" shall mean (i) any governmental municipality or political subdivision thereof, (ii) any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality or public body, or (iii) any court, administrative tribunal or public utility, agency, commission, office or authority of any nature whatsoever for any governmental unit (federal, state, county, district, municipal, city or otherwise), now or hereafter in existence.

"Governmental Lender" shall have the meaning set forth in the recitals to this Borrower Loan Agreement.

"Governmental Lender Notes" shall mean the Tax-Exempt Governmental Lender Note and the Taxable Governmental Lender Note, and "Governmental Lender Note" shall mean either of them, as the context requires.

"Gross Income" shall mean all receipts, revenues, income and other moneys received or collected by or on behalf of the Borrower and derived from the ownership or operation of the Project, if any, and all rights to receive the same, whether in the form of accounts, accounts receivable, contract rights or other rights, and the proceeds of such rights, and whether now owned or held or hereafter coming into existence and proceeds received upon the foreclosure sale of the Project. Gross Income shall not include loan proceeds, Equity Contributions, or tenant security deposits being held by the Borrower in accordance with applicable law.

"Gross Proceeds" shall mean, without duplication, the aggregate of:

(i) the net amount (after payment of all expenses of originating the Funding Loan) of the Funding Loan proceeds received by the Governmental Lender as a result of the origination of the Funding Loan;

(ii) all amounts received by the Governmental Lender as a result of the investment of the Funding Loan proceeds;

(iii) any amounts held in any fund or account to the extent that the Governmental Lender reasonably expects to use the amounts in such fund to pay any portion of the Funding Loan; and

(iv) any securities or obligations pledged by the Governmental Lender or by the Borrower as security for the payment of any portion of the Funding Loan.

"Ground Lease" shall mean the Ground Lease between the Office of Community Investment and Infrastructure, a public body organized and existing under the laws of the State of California, as Successor Agency to the Redevelopment Agency of the City and County of San Francisco, and the Borrower, as in effect on the Closing Date and as it may thereafter be amended or supplemented in accordance with its terms.

"Guarantor" shall mean Mercy Housing California, a California nonprofit public benefit corporation, and Mercy Housing, Inc., a Nebraska not-for-profit corporation, or any other person or entity which may hereafter become a guarantor of any of the Borrower's obligations under the Borrower Loan.

"Guaranty" shall mean, collectively, (i) the Completion Agreement, dated as of [CLOSING DATE], 2026, by the Guarantor for the benefit of the Beneficiary Parties, and (ii) the Payment Guaranty, dated as of [CLOSING DATE], 2026, by the Guarantor for the benefit of the Beneficiary Parties.

"Improvements" shall mean the 94-unit (including 1 manager's unit) multifamily residential rental project to be constructed upon the Land and known or to be known as 1687 Market Residences, 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 Cost Breakdown and the Plans and Specifications.

"Indemnified Party" shall have the meaning set forth in Section 5.15 hereof.

"Installment Computation Date" shall mean any Computation Date other than the first Computation Date or the final Computation Date.

"Interest Rate" shall mean the rate of interest accruing on the Borrower Loan pursuant to the respective Borrower Notes.

"Land" means the real property described on Exhibit A to the Security Instrument.

"Late Charge" shall mean the amount due and payable as a late charge on overdue payments under the Borrower Notes, as provided in Section 7 of the Borrower Notes and Sections 2.5 and 2.6 hereof.

"Legal Action" shall mean an action, suit, investigation, inquiry, proceeding or arbitration at law or in equity or before or by any foreign or domestic court, arbitrator or other Governmental Authority.

"Legal Requirements" shall mean statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions of the Governmental Authorities affecting all or part of the Project or any property (including the Project) or the construction, use, alteration or operation thereof, whether now or hereafter enacted and in force, and all permits, licenses and authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instrument, either of record or known to the Borrower, at any time in force affecting all or part of the Project, including any that may (i) require repairs, modifications or alterations in or to all or part of the Project, or (ii) in any way limit the use and enjoyment thereof. Legal Requirements shall include the Controlled Substances Act.

"Liabilities" shall have the meaning set forth in Section 5.15 hereof.

"Licenses" shall have the meaning set forth in Section 4.1.22 hereof.

"Lien" shall mean any interest, or claim thereof, in the Project securing an obligation owed to, or a claim by, any Person other than the owner of the Project, whether such interest is based on common law, statute or contract, including the lien or security interest arising from a deed of trust, mortgage, deed to secure debt, assignment, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" shall include reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting the Project.

"Management Agreement" shall mean the Management Agreement between the Borrower and the Manager, pursuant to which the Manager is to manage the Project, as same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Manager" shall mean the management company to be employed by the Borrower and approved by the Funding Lender in accordance with the terms of the Security Instrument, this Borrower Loan Agreement or any of the other Borrower Loan Documents.

"Material Adverse Change" means any set of circumstances or events which (a) has or could reasonably be expected to have any material adverse effect whatsoever upon the validity or enforceability of this Borrower Loan Agreement or any other Borrower Loan Document; (b) is or could reasonably be expected to be material and adverse to the business, properties, assets, financial condition, results of operations or prospects of the Borrower, the General Partner, the Guarantor or the Property; (c) could reasonably be expected to impair materially the ability of the Borrower, the General Partner or the Guarantor to duly and punctually pay or perform any of their respective obligations under any of the Borrower Loan Documents to which they are a party; or (d) impairs materially or could reasonably be expected to impair materially any rights of or benefits available to the Governmental Lender under this Borrower Loan Agreement or any other Borrower Loan Document, including, without limitation, the ability of the Governmental Lender or, upon the assignment of the Borrower Loan to it, of the Funding Lender, to the extent permitted, to enforce its legal remedies pursuant to this Borrower Loan Agreement or any other Borrower Loan Document.

"Moody's" shall mean Moody's Investors Service, Inc., or its successor.

"Net Operating Income" shall mean: (i) the Gross Income, less (ii) the Expenses of the Project.

"Nonpurpose Investment" shall mean any investment property (as defined in Section 148(b) of the Code) that is acquired with the Gross Proceeds of the Funding Loan and which is not acquired to carry out the governmental purpose of the Funding Loan.

"OFAC" means the U.S. Department of Treasury's Office of Foreign Assets Control.

"Ongoing Governmental Lender Fee" shall have the meaning set forth in the Funding Loan Agreement.

"Other Borrower Moneys" shall mean moneys of the Borrower other than the Borrower Loan Proceeds and includes, but is not limited to, the Subordinate Debt, the Net Operating Income, the Equity Contributions and any other funds contributed by or loaned to the Borrower for application to the Costs of the Improvements or other costs associated with the Project.

"Other Charges" shall mean all maintenance charges, impositions other than taxes, and any other charges, including vault charges and license fees for the use of vaults, chutes and similar areas adjoining the Project, now or hereafter levied or assessed or imposed against the Project or any part thereof.

"Partnership Agreement" shall mean that certain Amended and Restated Agreement of Limited Partnership of the Borrower dated as of [CLOSING DATE], 2026, as the same may be amended, restated or modified in accordance with its terms.

"Patriot Act" shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT ACT) of 2001, as the same may be amended from time to time, and corresponding provisions of future laws.

"Patriot Act Offense" shall have the meaning set forth in Section 4.1.48 hereof.

"Permitted Encumbrances" shall have the meaning given to that term in the Security Instrument.

"Permitted Lease" shall mean a lease and occupancy agreement pursuant to the form approved by the Funding Lender, to a residential tenant in compliance with the Legal Requirements, providing for an initial term of not less than six (6) months nor more than two (2) years.

"Person" shall mean a natural person, a partnership, a joint venture, an unincorporated association, a limited liability company, a corporation, a trust, any other legal entity, or any Governmental Authority.

"Plan" shall mean (i) an employee benefit or other plan established or maintained by the Borrower or any ERISA Affiliate or to which the Borrower or any ERISA Affiliate makes or is obligated to make contributions and (ii) which is covered by Title IV of ERISA or Section 302 of ERISA or Section 412 of the Code.

"Plans and Specifications" shall mean the plans and specifications for the construction of the Project approved by the Funding Lender.

"Potential Default" shall mean the occurrence of an event which, under this Borrower Loan Agreement or any other Borrower Loan Document, would, but for the giving of notice or the passage of time, be an Event of Default.

"Prepayment Premium" shall mean any premium payable by the Borrower pursuant to the Borrower Loan Documents in connection with a prepayment of the Borrower Notes (including any prepayment premium as set forth in the Borrower Notes).

"Project" shall mean the Property (as defined in the Security Instrument) and the Improvements thereon owned by the Borrower and encumbered by the Security Instrument, together with all rights pertaining to such real property and Improvements, as more particularly described in the Granting Clauses of the Security Instrument and referred to therein as the "Property."

"Project Agreements and Licenses" shall mean any and all Construction Contracts, Engineer's Contracts and Management Agreements, and all other rights, licenses, permits, franchises, authorizations, approvals and agreements relating to use, occupancy, operation or leasing of the Project or the Property.

"Project Fund" shall mean the Project Fund held by the Fiscal Agent created pursuant to the Funding Loan Agreement.

"Property" shall have the meaning given to that term in the Security Instrument.

"Provided Information" shall have the meaning set forth in Section 8.1.1 (a) hereof.

"Qualified Project Costs" shall have the meaning given to it in the Regulatory Agreement.

"Rating Agency" shall mean any one and each of S&P, Moody's and Fitch or any other nationally recognized statistical rating agency approved by the Funding Lender.

"Rebate Amount" shall mean, for any given period, the amount determined by the Rebate Analyst as required to be rebated or paid as a yield reduction payment to the United States of America with respect to the Funding Loan.

"Rebate Analyst" shall mean a certified public accountant, financial analyst or bond counsel, or any firm of the foregoing, or financial institution experienced in making the arbitrage and rebate calculations required pursuant to Section 148 of the Code, selected and retained by the Borrower at the expense of the Borrower, with the prior written consent of the Governmental Lender, to make the rebate computations required under this Borrower Loan Agreement and the Funding Loan Agreement.

"Rebate Fund" shall mean the Rebate Fund held by the Fiscal Agent created pursuant to the Funding Loan Agreement.

"Regulations" shall mean with respect to the Code, the relevant U.S. Treasury regulations and proposed regulations thereunder or any relevant successor provision to such regulations and proposed regulations.

"Regulatory Agreement" shall mean that certain Regulatory Agreement and Declaration of Restrictive Covenants, dated as of the date hereof, by and between the Governmental Lender and the Borrower, as executed on the Closing Date and as it may thereafter be amended or modified in accordance with its terms.

"Related Documents" shall mean, collectively, any agreement or other document (other than the Borrower Loan Documents) granting a security interest (including each agreement that is the subject of any Borrower Loan Document), the Partnership Agreement, and any other agreement, instrument or other document (not constituting a Borrower Loan Document) relating to or executed in connection with the transactions contemplated by this Borrower Loan Agreement.

"Retainage" shall mean, the actual retainage required under such Construction Contract, which shall be released upon satisfaction of the conditions set forth in the Construction Disbursement Agreement.

"Sanctions" means, collectively, any sanctions administered or enforced by the United States Government, including OFAC, the United Nations Security Council, the European Union, Her Majesty's Treasury, or other relevant sanctions authority.

"Secondary Market Disclosure Document" shall have the meaning set forth in Section 8.1.2 hereof.

"Secondary Market Transaction" shall have the meaning set forth in Section 8.1.1 hereof.

"Securities" shall have the meaning set forth in Section 8.1.1 hereof.

"Securities Act" shall mean the United States Securities Act of 1933, as amended.

"Security Documents" shall mean the Security Instrument, this Borrower Loan Agreement, the Agreement of Environmental Indemnification, and such other assignment, pledge or security instruments or agreements that secure all or any portion of the Borrower Loan, including those more particularly described in the Construction Disbursement Agreement.

"Security Instrument" shall have the meaning set forth in the recitals to this Borrower Loan Agreement.

"Servicer" shall mean the Servicer contracting with or appointed by the Funding Lender to service the Borrower Loan. The initial Servicer shall be the Funding Lender.

"Servicing Agreement" shall mean any servicing agreement or master servicing agreement, between the Servicer and the Funding Lender relating to the servicing of the Borrower Loan and any amendments thereto or any replacement thereof.

"Stabilization" shall have the meaning given such term in the Construction Disbursement Agreement.

"Standard & Poor's" or "S&P" shall mean S&P Global Ratings, a Standard & Poor's Financial Services LLC business division, or its successors.

"State" shall mean the State of California.

"Subordinate Debt" shall mean the subordinate loan to the Borrower in the amount of $[_____] from the Subordinate Lender.

"Subordinate Lender" shall mean Artists Hub on Market, a California nonprofit public benefit corporation.

"Subordinate Loan Documents" shall mean, collectively, all instruments, agreements and other documents evidencing, securing or otherwise relating to the Subordinate Debt or executed and delivered by the Borrower and/or the Subordinate Lender in connection with the Subordinate Debt, as the same may be amended, restated, supplemented or otherwise with the Funding Lender's Written Consent.

"Substantial Completion Date" means the date that is three (3) months prior to the Completion Date.

"Substantially Complete" or "Substantially Completed" means the Funding Lender has determined that construction of the Improvements is sufficiently complete such that the Improvements can be occupied by tenants as a multifamily residential rental project.

"Tax-Exempt Borrower Note" shall mean that certain Promissory Note (Tax-Exempt) dated as of the Closing Date in the original maximum principal amount of $26,102,000 made by the Borrower and payable to the Governmental Lender, as endorsed and assigned to the Funding Lender without recourse, as executed by the Borrower on the Closing Date and as it may thereafter be amended, supplemented or replaced from time to time.

"Tax-Exempt Governmental Lender Note" shall mean that certain Governmental Lender Note dated the Closing Date in the original maximum principal amount of $26,102,000, made by the

Governmental Lender and payable to the Funding Lender, as it may be amended, supplemented or replaced from time to time.

"Tax Counsel" shall have the meaning set forth in the Funding Loan Agreement.

"Taxable Borrower Note" shall mean that certain Promissory Note (Taxable) dated as of the Closing Date in the original maximum principal amount of $[TAXABLE PAR] made by the Borrower and payable to the Governmental Lender, as endorsed and assigned to the Funding Lender without recourse, as executed by the Borrower on the Closing Date and as it may thereafter be amended, supplemented or replaced from time to time.

"Taxable Governmental Lender Note" shall mean that certain Governmental Lender Note dated the Closing Date in the original maximum principal amount of $[TAXABLE PAR], made by the Governmental Lender and payable to the Funding Lender, as it may be amended, supplemented or replaced from time to time.

"Taxes" shall mean all taxes, including real estate and personal property taxes, assessments, water rates or sewer rents, now or hereafter levied or assessed or imposed against all or part of the Project.

"Term" shall mean the term of this Borrower Loan Agreement pursuant to Section 9.14 hereof.

"Title Company" means Old Republic Title Company.

"Title Insurance Policy" shall mean the mortgagee title insurance policy, in form acceptable to the Funding Lender, issued with respect to the Property and insuring the lien of the Security Instrument.

"Transfer" shall have the meaning given to that term in the Security Instrument.

"UCC" shall mean the Uniform Commercial Code as in effect in the State.

"Unassigned Rights" shall have the meaning set forth in the Funding Loan Agreement.

"Unit" shall mean a residential apartment unit within the Improvements.

"Written Certificate," "Written Certification, "Written Consent," "Written Direction," "Written Notice," "Written Order," "Written Approval," "Written Registration," "Written Request," and "Written Requisition" shall mean a written certificate, direction, notice, order, request or requisition signed by an Authorized Borrower Representative, an Authorized Governmental Lender Representative, an authorized representative of the Servicer, an authorized representative of the Fiscal Agent or an authorized representative of the Funding Lender and delivered to the Funding Lender, the Servicer, the Fiscal Agent, the Governmental Lender or such other Person as required under the Funding Loan Documents.

"Yield" shall mean yield as defined in Section 148(h) of the Code and any regulations promulgated thereunder.

ARTICLE II

GENERAL

Section 2.1 Origination of the Borrower Loan. In order to provide funds for the purposes provided herein, the Governmental Lender agrees that it will, in accordance with the Act, enter into the

Funding Loan Agreement and accept the Funding Loan from the Funding Lender. The proceeds of the Funding Loan shall be advanced by the Funding Lender, on behalf of the Governmental Lender, to the Fiscal Agent in accordance with the terms of the Construction Disbursement Agreement and this Borrower Loan Agreement.

The Governmental Lender hereby appoints the Funding Lender as its agent with full authority and power to act on its behalf to disburse the Borrower Loan to the Fiscal Agent (which shall disburse any amounts so received to the Borrower) for the account of the Governmental Lender, to take certain actions and exercise certain remedies with respect to the Borrower Loan, and for the other purposes set forth in this Borrower Loan Agreement and to do all other acts necessary or incidental to the performance and execution thereof. This appointment is coupled with an interest and is irrevocable except as expressly set forth herein. Accordingly, references to the rights of the Funding Lender to take actions under this Borrower Loan Agreement shall refer to the Funding Lender in its role as agent of the Governmental Lender. The Funding Lender may designate Servicer to fulfill the rights and responsibilities granted by Governmental Lender to the Funding Lender pursuant to this Section 2.1. Notwithstanding the foregoing, disbursements of the Borrower Loan shall be made from the Project Fund held by the Fiscal Agent pursuant to the Funding Loan Agreement.

Section 2.2 Security for the Funding Loan.

(a) As security for the Funding Loan, the Governmental Lender has pledged and assigned to the Funding Lender under and pursuant to the Funding Loan Agreement (a) the Borrower Notes and all of its right, title and interest in and to this Borrower Loan Agreement and the other Borrower Loan Documents (except for the Unassigned Rights) and all revenues and receipts therefrom and the security therefor (including the Security Instrument) and (b) the amounts on deposit from time to time in any and all funds and accounts established under the Funding Loan Agreement (except the Expense Fund, the Rebate Fund and the Closing Costs Fund). All revenues and assets pledged and assigned thereby shall immediately be subject to the lien of such pledge without any physical delivery thereof or any further act, except in the case of the Borrower Notes, which shall be delivered to the Funding Lender. The Borrower hereby acknowledges and consents to such assignment to the Funding Lender.

(b) With respect to the Unassigned Rights, subject to the limitations set forth in this Section 2.2, the Governmental Lender may:

(i) Tax Covenants. Seek specific performance of, and enforce, the tax covenants in Section 8.7 of the Funding Loan Agreement, the provisions of the Regulatory Agreement, the Tax Certificate and the covenants of the Borrower in Section 5.34 of this Borrower Loan Agreement, seek injunctive relief against acts which may be in violation of any of the foregoing covenants, and enforce the Borrower's obligation under Section 5.35 to pay amounts for credit to the Rebate Fund;

(ii) Regulatory Agreement. Seek specific performance of the obligations of the Borrower or any other owner of the Project under the Regulatory Agreement and injunctive relief against acts which may be in violation of the Regulatory Agreement or otherwise in accordance with the provisions of the Regulatory Agreement; provided, however, that the Governmental Lender may enforce any right it may have under the Regulatory Agreement for monetary damages only against Excess Revenues, if any, of the Borrower, unless (a) the Funding Lender otherwise specifically consents in writing to the use of other funds or (b) the monetary damages are for unpaid amounts owed pursuant to Section 2.5, 5.11, 5.14, 5.15, or 5.35 hereof; and

(iii) Reserved Rights. Take whatever action at law or in equity which appears necessary or desirable to enforce the other Unassigned Rights, provided, however, that the

Governmental Lender or any person under its control may only enforce any right it may have for monetary damages against Excess Revenues, if any, of the Borrower, unless (a) the Funding Lender otherwise specifically consents in writing to the enforcement against other funds of the Borrower or (b) the monetary damages are for unpaid amounts owed pursuant to Section 2.5, 5.11, 5.14, 5.15, or 5.35 hereof, and nothing herein shall be construed to limit the rights of the Governmental Lender, the Fiscal Agent or the Indemnified Parties related to the Governmental Lender or the Fiscal Agent under Section 5.15 (each a "Related Indemnified Party") to enforce their respective rights against the Borrower under Sections 2.5, 5.11, 5.14, 5.15, or 5.35 hereof, provided that no obligation of the Borrower to the Governmental Lender, the Fiscal Agent or any Related Indemnified Party under such sections shall be secured by or in any manner constitute a lien on, or security interest in, the Project, whether in favor of the Governmental Lender, the Fiscal Agent or any Related Indemnified Party. Accordingly, none of the Governmental Lender, the Fiscal Agent or any Related Indemnified Party shall have the right to enforce any monetary obligation arising under such sections other than directly against the Borrower, without recourse to the Project. In addition, any such enforcement must not cause the Borrower to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Borrower under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law in effect now or in the future.

(c) In no event shall the Governmental Lender, except at the express Written Direction of the Funding Lender:

(i) prosecute its action to a lien on the Project; or

(ii) except in connection with actions under Section 2.2(b) above, take any action which may have the effect, directly or indirectly, of impairing the ability of the Borrower to timely pay the principal of, interest on, or other amounts due under, the Borrower Loan or of causing the Borrower to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Borrower under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law in effect now or in the future; or

(iii) interfere with the exercise by the Funding Lender, the Fiscal Agent or the Servicer of any of their rights under the Borrower Loan Documents upon the occurrence of an event of default by the Borrower under the Funding Loan Documents; or

(iv) take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Borrower Loan or the Funding Loan.

(d) The Governmental Lender shall provide Written Notice to the Funding Lender and the Servicer immediately upon taking any action at law or in equity to exercise any remedy or direct any proceeding under the Funding Loan Documents.

Section 2.3 Loan; Borrower Notes; Conditions to Closing.

(a) The Funding Loan shall be funded directly to the Fiscal Agent by the Funding Lender for disbursement by the Fiscal Agent to the Borrower pursuant to the Construction Disbursement Agreement, in one or more installments not to exceed the Borrower Loan Amount in accordance with the disbursement procedures set forth in the Construction Disbursement Agreement and the Funding Loan Agreement. Upon funding of each installment of the Funding Loan, the Governmental Lender shall be deemed to have made the Borrower Loan to the Borrower in a like principal amount. The Borrower Loan shall mature and be payable at the times and in the amounts required under the terms hereof and of the Borrower Notes. The

proceeds of the Borrower Loan shall be used by the Borrower to pay costs of the acquisition, construction, development and equipping of the Project. The Borrower hereby accepts the Borrower Loan and acknowledges that the Governmental Lender shall cause the Funding Lender to fund the Borrower Loan in the manner set forth herein and in the Funding Loan Agreement and the Construction Disbursement Agreement. The Governmental Lender acknowledges that the Borrower Loan shall be funded by the Funding Lender to the Fiscal Agent for the account of the Governmental Lender.

Notwithstanding the foregoing, proceeds of the initial funding of the Borrower Loan on the Closing Date with the Initial Disbursement under and as defined in Section 2.1(b) of the Funding Loan Agreement shall be disposed of by the Fiscal Agent as follows: (i) $[55,000] shall be transferred by the Fiscal Agent on the Closing Date by wire transfer to the Title Company pursuant to wire instructions provided by or on behalf of the Title Company to the Fiscal Agent, and (ii) $[0] shall be deposited to the Closing Costs Fund, all as described in Sections 7.6 and 7.7 of the Funding Loan Agreement. Proceeds of the Borrower Loan funded after the Closing Date will be deposited by the Funding Lender in the Note Proceeds Account and the Capitalized Interest Account of the Project Fund and Borrower Required Equity shall be deposited by the Borrower in the Borrower Equity Account and the Capitalized Interest Account of the Project Fund all to be held by the Fiscal Agent under the Funding Loan Agreement from time to time for disbursement by the Fiscal Agent to the Borrower upon receipt of a Written Requisition in accordance with the terms of the Funding Loan Agreement and the Construction Disbursement Agreement and approved by Funding Lender.

On or prior to the Closing Date, the Borrower shall use sources other than the proceeds of the Tax-Exempt Governmental Note to purchase an interest rate cap with respect to the Borrower Loan with a strike price of [___]% for the period beginning [_____ 1, 20__] and ending [_____ 1, 20__]. Any payments under such interest rate cap (the "Interest Cap Payments") shall be made to the Borrower's construction disbursement account at [U.S. Bank] ending in –[____] (the "Rate Cap Proceeds Account"), and the Borrower agrees to cause the provider of the interest rate cap to make such Interest Cap Payments solely to the Rate Cap Proceeds Account. Prior to the Maturity Date, the proceeds of the Interest Cap Payments may be used solely to make payments of interest on the Borrower Loan, or for payment of Costs of the Project, and shall not be used for any other purposes without the prior written consent of the Servicer. Any Requisition utilizing Interest Cap Payments on deposit in the Rate Cap Proceeds Account shall identify such Interest Cap Payments as the applicable source with a corresponding use for payment of interest under the Borrower Loan or Costs of the Project. On the Maturity Date, any remaining Interest Cap Payments on deposit in the Rate Cap Proceeds Account may be used to repay principal on the Borrower Loan. Upon Servicer's request, Borrower agrees to promptly provide Servicer with bank statements evidencing the Interest Cap Payments have been deposited to the Rate Cap Proceeds Account and such Interest Cap Payments have been used solely for the purposes contemplated in this Section.

(b) As evidence of its obligation to repay the Borrower Loan, simultaneously with the delivery of this Borrower Loan Agreement to the Governmental Lender, the Borrower hereby agrees to execute and deliver the Borrower Notes. The Borrower Loan shall mature and be payable at the times and in the amounts required under the terms hereof and of the Borrower Notes.

(c) Closing of the Borrower Loan on the Closing Date shall be conditioned upon satisfaction or waiver by the Governmental Lender and the Funding Lender, in their sole discretion, of each of the conditions precedent to closing set forth in the Funding Loan Agreement and this Borrower Loan Agreement, including but not limited to the following:

(i) evidence of proper recordation of the Security Instrument, an assignment of the Security Instrument from the Governmental Lender to the Funding Lender, the Regulatory Agreement, and each of the other documents specified for recording in instructions delivered to the Title Company by counsel to the Funding Lender (or that such documents have been delivered to

an authorized agent of the Title Company for recordation under binding recording instructions from the Funding Lender's counsel or such other counsel as may be acceptable to the Funding Lender);

(ii) delivery into escrow with the Fiscal Agent or the Title Company (or separate escrow company, if applicable) of all amounts required to be paid in connection with the origination of the Borrower Loan and the Funding Loan and any underlying real estate transfers or transactions, including any Borrower Required Equity, all as specified in written instructions delivered to the Title Company by counsel to the Funding Lender (or such other counsel as may be acceptable to the Funding Lender) and/or as specified in a closing memorandum of the Governmental Lender's Municipal Advisor;

(iii) payment of all fees payable in connection with the closing of the Borrower Loan including the initial fees and expense of the Fiscal Agent and the Funding Lender; and

(iv) delivery of an opinion of counsel to the Borrower and Guarantor addressed to the Governmental Lender, the Fiscal Agent and the Funding Lender, dated the Closing Date, regarding (among other things) the due execution by the Borrower and Guarantor of, and the enforceability against the Borrower and Guarantor of, the Funding Loan Documents to which the Borrower and Guarantor is a party.

Section 2.4 Borrower Loan Payments.

(a) The Borrower shall make Borrower Loan Payments in accordance with the Borrower Notes. Each Borrower Loan Payment made by the Borrower shall be made in funds immediately available to the Fiscal Agent by 2:00 p.m., New York City time, on the Borrower Loan Payment Date. Each such payment shall be made to the Fiscal Agent by deposit to such account as the Fiscal Agent may designate by Written Notice to the Borrower. Whenever any Borrower Loan Payment shall be stated to be due on a day that is not a Business Day, such payment shall be due on the first (1st) Business Day immediately thereafter. In addition, the Borrower shall make Borrower Loan Payments in accordance with the Borrower Notes in the amounts and at the times necessary to make all payments due and payable on the Funding Loan. All payments made by the Borrower hereunder or by the Borrower under the other Borrower Loan Documents, shall be made irrespective of, and without any deduction for, any set-offs or counterclaims, but such payment shall not constitute a waiver of any such set offs or counterclaims.

(b) The Funding Lender shall provide a copy of the debt service schedule (the "Debt Service Schedule") which it prepares in connection with the commencement of amortization of the Borrower Loan to the Fiscal Agent and Governmental Lender.

(c) Payments of principal and interest on the Borrower Notes shall be paid directly to the Fiscal Agent.

Section 2.5 Additional Borrower Payments.

(a) The Borrower shall pay on demand the following amounts:

(i) to the Fiscal Agent, the Rebate Amount then due, if any, to be deposited in the Rebate Fund as specified in Section 5.35 hereof and the Rebate Analyst's fee and any other costs incurred to calculate such Rebate Amount (to the extent such costs are not included in the Borrower Loan Payment);

(ii) to the Fiscal Agent, for payment to the Governmental Lender, the Ongoing Governmental Lender Fee;

(iii) to the Governmental Lender, any and, on demand, all fees, charges, costs, advances, indemnities and expenses, including agent and counsel fees, of the Governmental Lender incurred by the Governmental Lender at any time in connection with the Borrower Loan Documents, the Funding Loan Documents or the Project, including, without limitation, counsel fees and expenses incurred in connection with the interpretation, performance, or amendment and all counsel fees and expenses relating to the enforcement of the Borrower Loan Documents or the Funding Loan Documents or any other documents relating to the Project or the Borrower Loan or in connection with questions or other matters arising under such documents or in connection with any federal or state tax audit;

(iv) to the Fiscal Agent, the Fiscal Agent Fees and the Fiscal Agent's expenses incurred hereunder and under the other Funding Loan Documents (including, without limitation, legal fees and expenses);

(v) all Costs of Funding and fees, charges and expenses, including agent and counsel fees incurred in connection with the origination of the Borrower Loan and the Funding Loan, as and when the same become due;

(vi) to the Funding Lender, all charges, costs, advances, indemnities and expenses, including agent and counsel fees, of the Funding Lender incurred by the Funding Lender at any time in connection with the Borrower Loan, the Funding Loan or the Project, including, without limitation, reasonable counsel fees and expenses incurred in connection with the interpretation, performance, or amendment and all counsel fees and expenses relating to the enforcement of the Funding Loan Documents or any other documents relating to the Project or the Borrower Loan or in connection with questions or other matters arising under such documents or in connection with any federal or state tax audit. Borrower acknowledges that Funding Lender may receive a benefit, including a discount, credit or other accommodation, from outside counsel based on the fees such counsel receives on account of their relationship with Funding Lender, including fees paid pursuant hereto;

(vii) any Late Charge due and payable under the terms of the Borrower Notes and Section 2.6 hereof; provided, however, that all payments made pursuant to this subsection (vii) shall be made to the Servicer, and if there is no Servicer, such payments shall be made to the Funding Lender; and

(viii) to the Fiscal Agent, all fees, charges, costs, advances, indemnities and expenses, including agent and counsel fees, of Fiscal Agent incurred under the Borrower Loan Documents or the Funding Loan Documents as and when the same become due.

(b) The Borrower shall pay to the party entitled thereto as expressly set forth in this Borrower Loan Agreement or the other Funding Loan Documents:

(i) all expenses incurred in connection with the enforcement of any rights under this Borrower Loan Agreement or any other Borrower Loan Document, the Regulatory Agreement, or any Funding Loan Document by the Governmental Lender, the Fiscal Agent, the Funding Lender or the Servicer;

(ii) all other payments of whatever nature that the Borrower has agreed to pay or assume under the provisions of this Borrower Loan Agreement or any other Funding Loan Document; and

(iii) all expenses, costs and fees relating to inspections of the Project required by the Governmental Lender, the Fiscal Agent, the Funding Lender, the Servicer or the Construction Inspector, in accordance with the Funding Loan Documents or to reimburse such parties for such expenses, costs and fees.

Section 2.6 Overdue Payments; Payments in Default. If any Borrower Payment Obligation is not paid by or on behalf of the Borrower when due, the Borrower shall pay to the party to whom such payment is required to be made, a Late Charge in the amount and to the extent set forth in the Borrower Notes, if any.

Section 2.7 Calculation of Interest Payments. The Borrower acknowledges as follows: (a) calculation of all interest payments shall be made by the Funding Lender, and (b) deposits with respect to the Taxes and Other Charges shall be calculated by the Servicer or if there is no Servicer, the Funding Lender in accordance with the Security Instrument.

Section 2.8 Grant of Security Interest; Application of Funds. To the extent not inconsistent with the Security Instrument and as security for payment of the Borrower Payment Obligations and the performance by the Borrower of all other terms, conditions and provisions of the Borrower Loan Documents, the Borrower hereby pledges and assigns to the Funding Lender, and grants to the Funding Lender, a security interest in all the Borrower's right, title and interest in and to all rents and payments to or moneys held in the funds and accounts created and held by the Fiscal Agent, the Funding Lender or the Servicer for the Project. The Borrower also grants to the Funding Lender a continuing security interest in all rents in its possession prior to the payment of rents or any portion thereof to the Fiscal Agent, the Funding Lender or the Servicer (to the extent that the Borrower is required to pay such rents to the Fiscal Agent, the Funding Lender or the Servicer). Except for any subordinate pledges made in accordance with the terms of the Subordinate Loan Documents, the Borrower shall not, without obtaining the prior Written Consent of the Funding Lender, further pledge, assign or grant any security interest in the rents, or permit any Lien to attach thereto, or any levy to be made thereon, or any UCC-1 Financing Statements, except those naming the Funding Lender as the secured party, to be filed with respect thereto. This Borrower Loan Agreement is, among other things, intended by the parties to be a security agreement for purposes of the UCC. Upon the occurrence and during the continuance of an Event of Default hereunder, the Fiscal Agent, the Funding Lender, the Governmental Lender and the Servicer shall apply or cause to be applied any sums held by the Funding Lender, the Fiscal Agent, the Governmental Lender and the Servicer, as the case may be, with respect to the Project in any manner and in any order determined by the Funding Lender, in the Funding Lender's sole and absolute discretion.

Section 2.9 Marshalling; Payments Set Aside. The Governmental Lender, the Fiscal Agent and the Funding Lender shall be under no obligation to marshal any assets in favor of the Borrower or any other Person or against or in payment of any or all of the proceeds. To the extent that the Borrower makes a payment or payments or transfers any assets to the Fiscal Agent, the Governmental Lender or the Funding Lender, or the Governmental Lender, the Fiscal Agent or the Funding Lender enforces its liens, and such payment or payments or transfers, or the proceeds of such enforcement or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party in connection with any insolvency proceeding, or otherwise, then: (i) any and all obligations owed to the Fiscal Agent, the Governmental Lender or the Funding Lender and any and all remedies available to the Fiscal Agent, the Governmental Lender or the Funding Lender under the terms of the Funding Loan Documents or in law or equity against the Borrower, the Guarantor or the General Partner

and/or any of their properties shall be automatically revived and reinstated to the extent (and only to the extent) of any recovery permitted under clause (ii) below; and (ii) the Fiscal Agent, the Governmental Lender and the Funding Lender shall be entitled to recover (and shall be entitled to file a proof of claim to obtain such recovery in any applicable bankruptcy, insolvency, receivership or fraudulent conveyance or fraudulent transfer proceeding) either: (x) the amount of payments or the value of the transfer or (y) if the transfer has been undone and the assets returned in whole or in part, the value of the consideration paid to or received by the Borrower for the initial asset transfer, plus in each case any deferred interest from the date of the disgorgement to the date of distribution to the Fiscal Agent, the Governmental Lender or the Funding Lender in any bankruptcy, insolvency, receivership or fraudulent conveyance or fraudulent transfer proceeding, and any costs and expenses due and owing, including, without limitation, any reasonable attorneys' fees and expenses incurred by the Fiscal Agent, the Governmental Lender or the Funding Lender in connection with the exercise by the Fiscal Agent, the Governmental Lender or the Funding Lender of its rights under this Section 2.9.

Section 2.10 Borrower Loan Disbursements. The Borrower Loan shall be disbursed by the Funding Lender, as agent for the Governmental Lender, pursuant to the Construction Disbursement Agreement.

ARTICLE III

NO AMENDMENT; DETERMINATION BY FUNDING LENDER; RECYCLING

Section 3.1 No Amendment. Nothing contained in this Article III shall be construed to amend, modify, alter, change or supersede the terms and provisions of the Borrower Notes, the Security Instrument, the Construction Disbursement Agreement or any other Borrower Loan Document and, if there shall exist a conflict between the terms and provisions of this Article III and those of the Borrower Notes, the Security Instrument, the Construction Disbursement Agreement or other Borrower Loan Documents, then the terms and provisions of the Borrower Notes, the Security Instrument, the Construction Disbursement Agreement, and other Borrower Loan Documents shall control, provided, however, that in the event of a conflict between the terms and provisions of this Article III and those of the Borrower's loan application with the Funding Lender, the terms and provisions of this Article III shall control.

Section 3.2 Determinations by the Funding Lender. In any instance where the Written Consent or Written Approval of the Funding Lender may be given or is required, or where any determination, judgment or decision is to be rendered by the Funding Lender under this Article III, including in connection with the Construction Disbursement Agreement, the granting, withholding or denial of such Written Consent or Written Approval and the rendering of such determination, judgment or decision shall be made or exercised by the Funding Lender (or its designated representative), at its sole and exclusive option and in its sole and absolute discretion.

Section 3.3 Facilitation of Bond Preservation and Recycling Program; Notice to CDLAC in Connection with Conversion.

(a) In accordance with Section 14 of Resolution No. 25-355 (as amended) of the California Debt Limitation Allocation Committee ("CDLAC") relating to the Tax-Exempt Governmental Lender Note and the Project, principal payments or prepayments on the Funding Loan, the Tax-Exempt Governmental Lender Note, the Borrower Loan and the Tax-Exempt Borrower Note shall be permitted as transferred proceeds under a bond preservation and recycling programs as permitted by Section 146(i)(6) of the Code.

(b) In connection with payment at maturity, the Borrower agrees to give, or cause to be given, to CDLAC, notice no less than thirty (30) days prior to any payment of the Tax-Exempt Borrower Note and the Tax-Exempt Governmental Lender Note in connection with maturity.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1 Borrower Representations. To induce the Governmental Lender and the Fiscal Agent to execute this Borrower Loan Agreement and to induce the Funding Lender to approve Disbursements, the Borrower, and General Partner, as applicable, represents and warrants for the benefit of the Governmental Lender, the Fiscal Agent, the Funding Lender and the Servicer, that the representations and warranties set forth in this Section 4.1 are complete and accurate as of the Closing Date and will be complete and accurate, and deemed remade, as of the date of each Disbursement and as of the Maturity Date in accordance with the terms and conditions of the Borrower Notes. Subject to Section 4.2 hereof, the representations, warranties and agreements set forth in this Section 4.1 shall survive the making of the Borrower Loan, and shall remain in effect and true and correct in all material respects until the Borrower Loan and all other Borrower Payment Obligations have been repaid in full. Any representation by the General Partner herein shall be deemed made solely with respect to it.

Section 4.1.1 Organization; Special Purpose. The Borrower is in good standing under the laws of the State (and under the laws of the state in which the Borrower was formed if the Borrower was not formed under the laws of the State), has full legal right, power and authority to enter into the Borrower Loan Documents to which it is a party, and to carry out and consummate all transactions contemplated by the Borrower Loan Documents to which it is a party, and by proper corporate, limited partnership or limited liability company action, as appropriate, has duly authorized the execution, delivery and performance of the Borrower Loan Documents to which it is a party. The Authorized Borrower Representatives executing the Funding Loan Documents to which the Borrower is a party are fully authorized to execute the same. The Funding Loan Documents to which the Borrower is a party have been duly authorized, executed and delivered by the Borrower. The sole business of the Borrower is the ownership, management and operation of the Project.

Section 4.1.2 Proceedings; Enforceability. Assuming due execution and delivery by the other parties thereto, the Funding Loan Documents to which the Borrower is a party will constitute the legal, valid and binding agreements of the Borrower enforceable against the Borrower in accordance with their terms; except in each case as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity and by public policy.

Section 4.1.3 No Conflicts. The execution and delivery of the Funding Loan Documents to which the Borrower is a party, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the Partnership Agreement of the Borrower, its bylaws or to the best knowledge of the Borrower and with respect to the Borrower, any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Borrower is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the

consummation of the transactions contemplated by the Funding Loan Documents, or the financial condition, assets, properties or operations of the Borrower.

Section 4.1.4 Litigation; Adverse Facts. There is no Legal Action, nor is there a basis known to the Borrower for any Legal Action, before or by any court or federal, state, municipal or other Governmental Authority, pending, or to the knowledge of the Borrower, after reasonable investigation, threatened, against or affecting the Borrower, the General Partner or the Guarantor, or their respective assets, properties or operations which, if determined adversely to the Borrower or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, the Funding Loan Documents, upon the ability of each of the Borrower, the General Partner and the Guarantor to perform their respective obligations under the Funding Loan Documents and the Related Documents to which it is a party, or upon the financial condition, assets (including the Project), properties or operations of the Borrower, the General Partner or the Guarantor. None of the Borrower, the General Partner or the Guarantor is in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other Governmental Authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Funding Loan Documents, the ability of each of the Borrower, the General Partner and the Guarantor to perform their respective obligations under the Funding Loan Documents and the Related Documents to which it is a party, or the financial condition, assets, properties or operations of the Borrower, the General Partner or the Guarantor. None of the Borrower, the General Partner or the Guarantor are (a) in violation of any applicable law, which violation materially and adversely affects or may materially and adversely affect the business, operations, assets (including the Project), condition (financial or otherwise) or prospects of the Borrower, the General Partner or the Guarantor, as applicable; (b) subject to, or in default with respect to, any other Legal Requirement that would have a material adverse effect on the business, operations, assets (including the Project), condition (financial or otherwise) or prospects of the Borrower, the General Partner or the Guarantor, as applicable; or (c) in default with respect to any agreement to which the Borrower, the General Partner or the Guarantor, as applicable, are a party or by which they are bound, which default would have a material adverse effect on the business, operations, assets (including the Project), condition (financial or otherwise) or prospects of the Borrower, the General Partner or the Guarantor, as applicable; and (d) there is no Legal Action pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, the General Partner or the Guarantor questioning the validity or the enforceability of this Borrower Loan Agreement or any of the other Funding Loan Documents or of any of the Related Documents. All tax returns (federal, state and local) required to be filed by or on behalf of the Borrower have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by the Borrower in good faith, have been paid or adequate reserves have been made for the payment thereof which reserves, if any, are reflected in the audited financial statements described therein. The Borrower enjoys the peaceful and undisturbed possession of all of the premises upon which it is operating its facilities.

Section 4.1.5 Agreements; Consents; Approvals. Except as contemplated by the Funding Loan Documents, the Borrower is not a party to any agreement or instrument or subject to any restriction that would materially adversely affect the Borrower, the Project, or the Borrower's business, properties, operations or financial condition or business prospects, except the Permitted Encumbrances. The Borrower is not in default in any material respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any Permitted Encumbrance or any other agreement or instrument to which it is a party or by which it or the Project is bound.

No consent or approval of any trustee or holder of any indebtedness of the Borrower, and to the best knowledge of the Borrower and only with respect to the Borrower, no consent, permission, authorization, order or license of, or filing or registration with, any Governmental Authority (except no

representation is made with respect to any state securities or "blue sky" laws) is necessary in connection with the execution and delivery of the Funding Loan Documents, or the consummation of any transaction herein or therein contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect.

Section 4.1.6 Title. The Borrower shall have marketable fee simple title to the Project, free and clear of all Liens except the Permitted Encumbrances. The Security Instrument, when properly recorded in the appropriate records, together with any UCC financing statements required to be filed in connection therewith, will create (i) a valid, perfected first priority lien on the fee (or leasehold, if applicable) interest in the Project and (ii) perfected security interests in and to, and perfected collateral assignments of, all personalty included in the Project (including the leases), all in accordance with the terms thereof, in each case subject only to any applicable Permitted Encumbrances. To the Borrower's knowledge, there are no delinquent real property Taxes or assessments, including water and sewer charges, with respect to the Project, nor are there any claims for payment for work, labor or materials affecting the Project which are or may become a Lien prior to, or of equal priority with, the Liens created by the Funding Loan Documents.

Section 4.1.7 Survey. To the best knowledge of the Borrower, the survey for the Project delivered to the Governmental Lender and the Funding Lender does not fail to reflect any material matter affecting the Project or the title thereto.

Section 4.1.8 No Bankruptcy Filing. The Borrower is not contemplating either the filing of a petition by it under any state or federal bankruptcy or insolvency law or the liquidation of all or a major portion of its property (a "Bankruptcy Proceeding"), and the Borrower has no knowledge of any Person contemplating the filing of any such petition against it. As of the Closing Date, the Borrower has the ability to pay its debts as they become due.

Section 4.1.9 Full and Accurate Disclosure. No statement of fact made by the Borrower in any Borrower Loan Document or in any Funding Loan Document contains any untrue statement of a material fact or omits to state any material fact necessary to make statements made therein in light of the circumstances under which they were made, not misleading. There is no material fact or circumstance known to the Borrower that has not been disclosed to the Governmental Lender and the Funding Lender which materially and adversely affects the Project or the business, operations or financial condition or business prospects of the Borrower or the Borrower's ability to meet its obligations under this Borrower Loan Agreement and the other Funding Loan Documents to which it is a party in a timely manner.

Section 4.1.10 No Plan Assets. The Borrower is not an "employee benefit plan," as defined in Section 3(3) of ERISA, subject to Title I of ERISA, and none of the assets of the Borrower constitutes or will constitute "plan assets" of one or more such plans within the meaning of 29 C.F.R. Section 2510.3 101.

Section 4.1.11 Compliance. The Borrower, the Project and the use thereof will comply, to the extent required, in all material respects with all applicable Legal Requirements. The Borrower is not in default or violation of any order, writ, injunction, decree or demand of any Governmental Authority, the violation of which would materially adversely affect the financial condition or business prospects or the business of the Borrower. Neither the Borrower nor any Affiliate involved with the operation or use of the Project has committed any act or omission affording any Governmental Authority the right of forfeiture as against the Project or any part thereof or any moneys paid in performance of the Borrower's obligations under any Funding Loan Document.

Section 4.1.12 Contracts. All service, maintenance or repair contracts affecting the Project have been entered into at arm's length (except for such contracts between the Borrower and its affiliates or the affiliates of the Borrower Controlling Entity of the Borrower) in the ordinary course of the Borrower's

business and provide for the payment of fees in amounts and upon terms comparable to existing market rates.

Section 4.1.13 Financial Information. All financial data, including any statements of cash flow and income and operating expense, that have been delivered to the Governmental Lender or the Funding Lender in respect of the Project by or on behalf of the Borrower, to the best knowledge of the Borrower, (i) are accurate and complete in all material respects, (ii) accurately represent the financial condition of the Project as of the date of such reports, and (iii) to the extent prepared by an independent certified public accounting firm, have been prepared in accordance with GAAP consistently applied throughout the periods covered, except as disclosed therein. Other than pursuant to or permitted by the Funding Loan Documents or the Related Documents, the Borrower has no contingent liabilities, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments. Since the date of such financial statements, there has been no materially adverse change in the financial condition, operations or business of the Borrower from that set forth in said financial statements.

Section 4.1.14 Condemnation. No Condemnation or other proceeding has been commenced or, to the Borrower's knowledge, is contemplated, threatened or pending with respect to all or part of the Project or for the relocation of roadways providing access to the Project.

Section 4.1.15 Federal Reserve Regulations. No part of the proceeds of the Borrower Loan will be used for the purpose of purchasing or acquiring any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or for any other purpose that would be inconsistent with such Regulation U or any other regulation of such Board of Governors, or for any purpose prohibited by Legal Requirements or any Funding Loan Document.

Section 4.1.16 Utilities and Public Access. To the best of the Borrower's knowledge, the Project is or will be served by water, sewer, sanitary sewer and storm drain facilities adequate to service it for its intended uses. All public utilities necessary or convenient to the full use and enjoyment of the Project are or will be located in the public right-of-way abutting the Project, and all such utilities are or will be connected so as to serve the Project without passing over other property absent a valid easement. All roads necessary for the use of the Project for its current purpose have been or will be completed and dedicated to public use and accepted by all Governmental Authorities. Except for Permitted Encumbrances, the Project does not share ingress and egress through an easement or private road or share on-site or off-site recreational facilities and amenities that are not located on the Project and under the exclusive control of the Borrower, or where there is shared ingress and egress or amenities, there exists an easement or joint use and maintenance agreement under which (i) access to and use and enjoyment of the easement or private road and/or recreational facilities and amenities is perpetual, (ii) the number of parties sharing such easement and/or recreational facilities and amenities must be specified, (iii) the Borrower's responsibilities and share of expenses are specified, and (iv) the failure to pay any maintenance fee with respect to an easement will not result in a loss of usage of the easement.

Section 4.1.17 Not a Foreign Person. The Borrower is not a "foreign person" within the meaning of §1445(f)(3) of the Code.

Section 4.1.18 Separate Lots. Each parcel comprising the Land is a separate tax lot and is not a portion of any other tax lot that is not a part of the Land.

Section 4.1.19 Assessments. There are no pending or, to the Borrower's best knowledge, proposed special or other assessments for public improvements or otherwise affecting the Project, or any contemplated improvements to the Project that may result in such special or other assessments.

Section 4.1.20 Enforceability. The Funding Loan Documents are not subject to, and the Borrower has not asserted, any right of rescission, set-off, counterclaim or defense, including the defense of usury.

Section 4.1.21 Insurance. The Borrower has obtained the insurance required by this Borrower Loan Agreement, if applicable, and the Security Instrument and has delivered to the Servicer copies of insurance policies or certificates of insurance reflecting the insurance coverages, amounts and other requirements set forth in this Borrower Loan Agreement, if applicable, and the Security Instrument.

Section 4.1.22 Use of Property; Licenses. The Project will be used exclusively as a multifamily residential rental project and other appurtenant and related uses, which use is consistent with the zoning classification for the Project. All certifications, permits, licenses and approvals, including certificates of completion and occupancy permits required for the legal use or legal, nonconforming use, as applicable, occupancy and operation of the Project (collectively, the "Licenses") required at this time for the acquisition, construction, development and equipping of the Project have been obtained. To the Borrower's knowledge, all Licenses obtained by the Borrower have been validly issued and are in full force and effect. The Borrower has no reason to believe that any of the Licenses required for the future use and occupancy of the Project and not heretofore obtained by the Borrower will not be obtained by the Borrower in the ordinary course following the Completion Date. No Licenses will terminate, or become void or voidable or terminable, upon any sale, transfer or other disposition of the Project, including any transfer pursuant to foreclosure sale under the Security Instrument or deed in lieu of foreclosure thereunder. The Project does not violate any density or building setback requirements of the applicable zoning law except to the extent, if any, shown on the survey. No proceedings are, to the best of the Borrower's knowledge, pending or threatened that would result in a change of the zoning of the Project.

Section 4.1.23 Flood Zone. Either all Improvements will be constructed above the flood grade or the Borrower will obtain appropriate flood insurance as directed by the Servicer.

Section 4.1.24 Physical Condition. The Project, including all Improvements, parking facilities, systems, fixtures, Equipment and landscaping, are or, after completion of the construction will be in good and habitable condition in all material respects and in good order and repair in all material respects (reasonable wear and tear excepted). The Borrower has not received notice from any insurance company or bonding company of any defect or inadequacy in the Project, or any part thereof, which would adversely affect its insurability or cause the imposition of extraordinary premiums or charges thereon or any termination of any policy of insurance or bond. The physical configuration of the Project is not in material violation of the ADA, if required under applicable law.

Section 4.1.25 Encroachments. All of the Improvements included in determining the appraised value of the Project will lie wholly within the boundaries and building restriction lines of the Project, and no improvement on an adjoining property encroaches upon the Project, and no easement or other encumbrance upon the Project encroaches upon any of the Improvements, so as to affect the value or marketability of the Project, except those insured against by the Title Insurance Policy or disclosed in the survey of the Project as approved by the Servicer.

Section 4.1.26 State Law Requirements. The Borrower hereby represents, covenants and agrees to comply with the provisions of all applicable State laws relating to the Borrower Loan, the Funding Loan and the Project.

Section 4.1.27 Filing and Recording Taxes. All transfer taxes, deed stamps, intangible taxes or other amounts in the nature of transfer taxes required to be paid by any Person under applicable Legal Requirements in connection with the transfer of the Project to the Borrower have been paid. All mortgage, mortgage recording, stamp, intangible or other similar taxes required to be paid by any Person under

applicable Legal Requirements in connection with the execution, delivery, recordation, filing, registration, perfection or enforcement of any of the Funding Loan Documents have been or will be paid.

Section 4.1.28 Investment Company Act. The Borrower is not (i) an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended; or (ii) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 4.1.29 Fraudulent Transfer. The Borrower has not accepted the Borrower Loan or entered into any Funding Loan Document with the actual intent to hinder, delay or defraud any creditor, and the Borrower has received reasonably equivalent value in exchange for its obligations under the Funding Loan Documents. Giving effect to the transactions contemplated by the Funding Loan Documents, the fair saleable value of the Borrower's assets exceeds and will, immediately following the execution and delivery of the Funding Loan Documents, exceed the Borrower's total liabilities, including subordinated, unliquidated, disputed or contingent liabilities. The fair saleable value of the Borrower's assets is and will, immediately following the execution and delivery of the Funding Loan Documents, be greater than the Borrower's probable liabilities, including the maximum amount of its contingent liabilities or its debts as such debts become absolute and matured. The Borrower's assets do not and, immediately following the execution and delivery of the Funding Loan Documents will not, constitute unreasonably small capital to carry out its business as conducted or as proposed to be conducted. The Borrower does not intend to, and does not believe that it will, incur debts and liabilities (including contingent liabilities and other commitments) beyond its ability to pay such debts as they mature (taking into account the timing and amounts to be payable on or in respect of obligations of the Borrower).

Section 4.1.30 Ownership of the Borrower. Except as set forth in the Partnership Agreement of the Borrower, the Borrower has no obligation to any Person to purchase, repurchase or issue any ownership interest in it.

Section 4.1.31 Environmental Matters. To the best of the Borrower's knowledge, the Project is not in violation of any Legal Requirement pertaining to or imposing liability or standards of conduct concerning environmental regulation, contamination or clean-up, and will comply with covenants and requirements relating to environmental hazards as set forth in the Security Instrument. The Borrower will execute and deliver the Agreement of Environmental Indemnification on the Closing Date.

Section 4.1.32 Name; Principal Place of Business. Unless prior Written Notice is given to the Funding Lender, the Borrower does not use and will not use any trade name, and has not done and will not do business under any name other than its actual name set forth herein. The principal place of business of the Borrower is its primary address for notices as set forth in Section 9.1 hereof, and the Borrower has no other place of business, other than the Project and such principal place of business.

Section 4.1.33 Subordinated Debt. There is no secured or unsecured indebtedness with respect to the Project or any residual interest therein, other than Permitted Encumbrances and the permitted indebtedness described in Section 6.7 hereof, except an unsecured deferred developer fee not to exceed the amount permitted by the Funding Lender as determined on the Closing Date.

Section 4.1.34 Filing of Taxes. The Borrower has filed (or has obtained effective extensions for filing) all federal, state and local tax returns required to be filed and has paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments, if any, payable by the Borrower.

Section 4.1.35 General Tax. All representations, warranties and certifications of the Borrower set forth in the Regulatory Agreement and the Tax Certificate are incorporated by reference herein and the Borrower will comply with such as if set forth herein.

Section 4.1.36 Approval of the Funding Loan Documents. By its execution and delivery of this Borrower Loan Agreement, the Borrower approves the form and substance of the Funding Loan Documents, and agrees to carry out the responsibilities and duties specified in the Funding Loan Documents to be carried out by the Borrower. The Borrower acknowledges that (a) it understands the nature and structure of the transactions relating to the financing of the Project, (b) it is familiar with the provisions of all of the Funding Loan Documents, the Related Documents, the Security Documents and other documents and instruments relating to the financing, (c) it understands the risks inherent in such transactions, including without limitation the risk of loss of the Project, and (d) it has not relied on the Governmental Lender, the Funding Lender, the Fiscal Agent or the Servicer for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by the Funding Loan Documents or otherwise relied on the Governmental Lender, the Funding Lender, the Fiscal Agent or the Servicer in any manner.

Section 4.1.37 Funding Loan Agreement. The Borrower has read and accepts and agrees that it is bound by the Funding Loan Agreement and the other Funding Loan Documents.

Section 4.1.38 Americans with Disabilities Act. The Project, as designed, will conform in all material respects with all applicable zoning, planning, building and environmental laws, ordinances and regulations of Governmental Authorities having jurisdiction over the Project, including, but not limited to, the Americans with Disabilities Act of 1990 ("ADA"), to the extent required (as evidenced by an architect's certificate to such effect).

Section 4.1.39 Requirements of Act, Code and Regulations. The Project satisfies all requirements of the Act, the Code and the Regulations applicable to the Project.

Section 4.1.40 Regulatory Agreement. The Project is, as of the date of origination of the Funding Loan, in compliance with all requirements of the Regulatory Agreement to the extent such requirements are applicable; and the Borrower intends to cause the residential units in the Project to be rented or available for rental on a basis which satisfies the requirements of the Regulatory Agreement, including all applicable requirements of the Act and the Code and the Regulations, and pursuant to leases which comply with all applicable laws.

Section 4.1.41 Intention to Hold Project. The Borrower intends to hold the Project for its own account and has no current plans, and has not entered into any agreement, to sell the Project or any part of it; and the Borrower intends to occupy the Project or cause the Project to be occupied and to operate it or cause it to be operated at all times during the term of this Borrower Loan Agreement in compliance with the terms of this Borrower Loan Agreement and the Regulatory Agreement and does not know of any reason why the Project will not be so used by it in the absence of circumstances not now anticipated by it or totally beyond its control.

Section 4.1.42 Concerning the General Partner. Any representation by the General Partner herein shall be deemed made solely with respect to it.

(a) The General Partner of the Borrower is Mercy Housing California 120 LLC, a California limited liability company, duly organized and validly existing under the laws of the State. The General Partner has all requisite power and authority, rights and franchises to enter into and perform its obligations under the Funding Loan Documents to be executed by the General

Partner for its own account and on behalf of the Borrower, as General Partner of the Borrower, under this Borrower Loan Agreement and the other Funding Loan Documents.

(b) The General Partner has made all filings (including, without limitation, all required filings related to the use of fictitious business names) and is in good standing in the State and in each other jurisdiction in which the character of the property it owns or the nature of the business it transacts makes such filings necessary or where the failure to make such filings could have a material adverse effect on the business, operations, assets, condition (financial or otherwise) or prospects of the General Partner.

(c) The General Partner is duly authorized to do business in the State.

(d) The execution, delivery and performance by the Borrower of the Funding Loan Documents have been duly authorized by all necessary action of the General Partner on behalf of the Borrower, and by all necessary action on behalf of the General Partner.

(e) The execution, delivery and performance by the General Partner, on behalf of the Borrower, of the Funding Loan Documents will not violate (i) the General Partner's organizational documents; (ii) any other Legal Requirement affecting the General Partner or any of its properties; or (iii) any agreement to which the General Partner is bound or to which it is a party; and will not result in or require the creation (except as provided in or contemplated by this Borrower Loan Agreement) of any Lien upon any of such properties, any of the Collateral or any of the property or funds pledged or delivered to the Funding Lender pursuant to the Security Documents.

Section 4.1.43 Government and Private Approvals. All governmental or regulatory orders, consents, permits, authorizations and approvals required for the construction, use, occupancy and operation of the Improvements, that may be granted or denied in the discretion of any Governmental Authority, have been obtained and are in full force and effect (or, in the case of any of the foregoing that Borrower is not required to have as of the Closing Date, will be obtained), and will be maintained in full force and effect at all times during the construction of the Improvements. All such orders, consents, permits, authorizations and approvals that may not be denied in the discretion of any Governmental Authority shall be obtained prior to the commencement of any work for which such orders, consents, permits, authorizations or approvals are required, and, once obtained, such orders, consents, permits, authorizations and approvals will be maintained in full force and effect at all times during the construction of the Improvements. Except as set forth in the preceding two sentences, no additional governmental or regulatory actions, filings or registrations with respect to the Improvements, and no approvals, authorizations or consents of any trustee or holder of any indebtedness or obligation of the Borrower, are required for the due execution, delivery and performance by the Borrower or the General Partner of any of the Funding Loan Documents or the Related Documents executed by the Borrower or the General Partner , as applicable. All required zoning approvals have been obtained, and the zoning of the Land for the Project is not conditional upon the happening of any further event.

Section 4.1.44 Concerning the Guarantor. The Funding Loan Documents to which the Guarantor is a party or a signatory executed simultaneously with this Borrower Loan Agreement have been duly executed and delivered by the Guarantor and are legally valid and binding obligations of the Guarantor, enforceable against the Guarantor in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity.

Section 4.1.45 No Material Defaults. Except as previously disclosed to the Funding Lender in writing, there exists no material violation of or material default by the Borrower under, and, to the best

knowledge of the Borrower, no event has occurred which, upon the giving of notice or the passage of time, or both, would constitute a material default with respect to: (i) the terms of any instrument evidencing, securing or guaranteeing any indebtedness secured by the Project or any portion or interest thereof or therein; (ii) any lease or other agreement affecting the Project or to which the Borrower is a party; (iii) any license, permit, statute, ordinance, law, judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority, or any determination or award of any arbitrator to which the Borrower or the Project may be bound; or (iv) any mortgage, instrument, agreement or document by which Borrower or any of its respective properties is bound; in the case of any of the foregoing: (1) which involves any Funding Loan Document; (2) which involves the Project and is not adequately covered by insurance; (3) that might materially and adversely affect the ability of the Borrower, the General Partner or the Guarantor or to perform any of its respective obligations under any of the Funding Loan Documents or any other material instrument, agreement or document to which it is a party; or (4) which might adversely affect the priority of the Liens created by this Borrower Loan Agreement or any of the Funding Loan Documents.

Section 4.1.46 Payment of Taxes. Except as previously disclosed to the Funding Lender in writing: (i) all tax returns and reports of the Borrower, the General Partner and the Guarantor required to be filed have been timely filed, and all taxes, assessments, fees and other governmental charges upon the Borrower, the General Partner and the Guarantor, and upon their respective properties, assets, income and franchises, which are due and payable have been paid when due and payable; and (ii) Borrower knows of no proposed tax assessment against it or against the General Partner or the Guarantor that would be material to the condition (financial or otherwise) of the Borrower, the General Partner or the Guarantor, and neither the Borrower nor the General Partner have contracted with any Government Authority in connection with such taxes.

Section 4.1.47 Rights to Project Agreements and Licenses. The Borrower is the legal and beneficial owner of all rights in and to the Plans and Specifications and all existing Project Agreements and Licenses, and will be the legal and beneficial owner of all rights in and to all future Project Agreements and Licenses. The Borrower's interest in the Plans and Specifications and all Project Agreements and Licenses is not subject to any present claim (other than under the Funding Loan Documents or as otherwise approved by the Funding Lender in its sole discretion), set-off or deduction other than in the ordinary course of business.

Section 4.1.48 Patriot Act Compliance. The Borrower is not now, nor has ever been (i) listed on any Government Lists (as defined below), (ii) a person who has been determined by a Governmental Authority to be subject to the prohibitions contained in Presidential Executive Order No. 13224 (Sept. 23, 2001) or any other similar prohibitions contained in the rules and regulations of OFAC or in any enabling legislation or other Presidential Executive Orders in respect thereof, (iii) indicted for or convicted of any felony involving a crime or crimes of moral turpitude or for any Patriot Act Offense, or (iv) under investigation by any Governmental Authority for alleged criminal activity. For purposes hereof, the term "Patriot Act Offense" shall mean any violation of the criminal laws of the United States of America or of any of the several states, or that would be a criminal violation if committed within the jurisdiction of the United States of America or any of the several states, relating to terrorism or the laundering of monetary instruments, including any offense under (A) the criminal laws against terrorism; (B) the criminal laws against money laundering, (C) Bank Representative Secrecy Act, as amended, (D) the Money Laundering Control Act of 1986, as amended, or (E) the Patriot Act. "Patriot Act Offense" also includes the crimes of conspiracy to commit, or aiding and abetting another to commit, a Patriot Act Offense. For purposes hereof, the term "Government Lists" shall mean (1) the Specially Designated Nationals and Blocked Persons Lists maintained by the Office of Foreign Assets Control ("OFAC"), (2) any other list of terrorists, terrorist organizations or narcotics traffickers maintained pursuant to any of the Rules and Regulations of OFAC that Funding Lender notified the Borrower in writing is now included in "Government Lists", or (3) any similar lists maintained by the United States Department of State, the United States Department of

Commerce or any other Government Authority or pursuant to any Executive Order of the President of the United States of America that Funding Lender notified the Borrower in writing is now included in "Government Lists". Neither the Borrower nor any of its subsidiaries is located, organized or resident in a country or territory that is the subject of Sanctions.

Section 4.1.49 Rent Schedule. The Borrower has prepared a prospective Unit absorption and rent collection schedule with respect to the Project substantially in the form attached as an exhibit to the Construction Disbursement Agreement, which schedule takes into account, among other relevant factors (i) a schedule of minimum monthly rentals for the Units, and (ii) any and all concessions including free rent periods, and on the basis of such schedule, the Borrower believes it will collect rents with respect to the Project in amounts greater than or equal to debt service on the Borrower Loan.

Section 4.1.50 Other Documents. Each of the representations and warranties of the Borrower or the General Partner contained in any of the other Funding Loan Documents or the Related Documents is true and correct in all material respects (or, in the case of representations or warranties contained in any of the other Funding Loan Documents or the Related Documents that speak as of a particular date, were true and correct in all material respects as of such date). All of such representations and warranties are incorporated herein for the benefit of the Governmental Lender and the Funding Lender.

Section 4.1.51 Subordinate Loan Documents. The Subordinate Loan Documents are in full force and effect and the Borrower has paid all commitment fees and other amounts due and payable to the Subordinate Lender(s) thereunder. There exists no material violation of or material default by the Borrower under, and no event has occurred which, upon the giving of notice or the passage of time, or both, would constitute a material default under the Subordinate Loan Documents.

Section 4.2 Survival of Representations and Covenants. All of the representations and warranties in Section 4.1 hereof and elsewhere in the Borrower Loan Documents (i) shall survive for so long as any portion of the Borrower Payment Obligations remains due and owing and (ii) shall be deemed to have been relied upon by the Governmental Lender, the Funding Lender and the Servicer notwithstanding any investigation heretofore or hereafter made by the Governmental Lender, the Funding Lender or the Servicer or on its or their behalf, provided, however, that the representations, warranties and covenants set forth in Section 4.1.31 hereof shall survive in perpetuity and shall not be subject to the exculpation provisions of Section 10.1 hereof.

ARTICLE V

AFFIRMATIVE COVENANTS

During the term of this Borrower Loan Agreement, the Borrower hereby covenants and agrees with the Governmental Lender, the Fiscal Agent, the Funding Lender and the Servicer that:

Section 5.1 Existence. The Borrower shall (i) do or cause to be done all things necessary to preserve, renew and keep in full force and effect its existence and its material rights, and franchises, (ii) continue to engage in the business presently conducted by it, (iii) obtain and maintain all material Licenses, and (iv) qualify to do business and remain in good standing under the laws of the State.

Section 5.2 Taxes and Other Charges. The Borrower shall pay all Taxes and Other Charges as the same become due and payable and prior to their becoming delinquent in accordance with the Security Instrument, except to the extent that the amount, validity or application thereof is being contested in good faith as permitted by the Security Instrument.

The Borrower covenants to pay all taxes and Other Charges of any type or character charged to the Governmental Lender and/or the Funding Lender affecting the amount available to the Governmental Lender and/or the Funding Lender from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and Other Charges assessed or levied by any public agency or Governmental Authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Governmental Lender and/or the Funding Lender and taxes based upon or measured by the net income of the Governmental Lender and/or the Funding Lender, as the case may be; provided, however, that the Borrower shall have the right to protest any such taxes or Other Charges and to require the Governmental Lender and/or the Funding Lender, as the case may be, at the Borrower's expense, to protest and contest any such taxes or Other Charges levied upon them and that the Borrower shall have the right to withhold payment of any such taxes or Other Charges pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Governmental Lender and/or the Funding Lender. This obligation shall remain valid and in effect notwithstanding repayment of the Borrower Loan hereunder or termination of this Borrower Loan Agreement.

Section 5.3 Repairs; Maintenance and Compliance; Physical Condition. The Borrower shall cause the Project to be maintained in a good, habitable and safe (so as to not threaten the health or safety of the Project's tenants or their invited guests) condition and repair (reasonable wear and tear excepted) as set forth in the Security Instrument and shall not remove, demolish or materially alter the Improvements or Equipment (except for removal of aging or obsolete equipment or furnishings in the normal course of business), except as provided in the Security Instrument.

Section 5.4 Litigation. The Borrower shall give prompt Written Notice to the Governmental Lender, the Funding Lender and the Servicer of any litigation, governmental proceedings or claims or investigations regarding an alleged actual violation of a Legal Requirement pending or, to the Borrower's knowledge, threatened against the Borrower which might materially adversely affect the Borrower's condition (financial or otherwise) or business or the Project.

Section 5.5 Performance of Other Agreements. The Borrower shall observe and perform in all material respects each and every term to be observed or performed by it pursuant to the terms of any agreement or instrument affecting or pertaining to the Project.

Section 5.6 Notices. The Borrower shall promptly advise the Governmental Lender, the Funding Lender and the Servicer of (i) any Material Adverse Change in the Borrower's financial condition, assets, properties or operations other than general changes in the real estate market, (ii) any fact or circumstance affecting the Borrower or the Project that materially and adversely affects the Borrower's ability to meet its obligations hereunder or under any of the other Funding Loan Documents to which it is a party in a timely manner, or (iii) the occurrence of any Potential Default or Event of Default of which the Borrower has knowledge. If the Borrower becomes subject to federal or state securities law filing requirements, the Borrower shall cause to be delivered to the Governmental Lender, the Funding Lender and the Servicer any Securities and Exchange Commission or other public filings, if any, of the Borrower within two (2) Business Days of such filing.

Section 5.7 Cooperate in Legal Proceedings. The Borrower shall cooperate fully with the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer with respect to, and permit the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer at their option, to participate in, any proceedings before any Governmental Authority that may in any way affect the rights of the Governmental Lender, the Funding Lender, the Fiscal Agent and/or the Servicer under any Funding Loan Document.

Section 5.8 Further Assurances. The Borrower shall, at the Borrower's sole cost and expense (except as provided in Section 8.1 hereof), (i) furnish to the Servicer and the Funding Lender all instruments, documents, boundary surveys, footing or foundation surveys (to the extent that the Borrower's construction or renovation of the Project alters any existing building foundations or footprints), certificates, plans and specifications, appraisals, title and other insurance reports and agreements, reasonably requested by the Servicer or the Funding Lender for the better and more efficient carrying out of the intents and purposes of the Funding Loan Documents; (ii) execute and deliver to the Servicer and the Funding Lender such documents, instruments, certificates, assignments and other writings, and do such other acts necessary or desirable, to evidence, preserve and/or protect the Collateral at any time securing or intended to secure the Borrower Loan, as the Servicer, the Fiscal Agent (who has no duty to so require) and the Funding Lender may reasonably require from time to time; (iii) do and execute all and such further lawful and reasonable acts, conveyances and assurances for the better and more effective carrying out of the intents and purposes of the Funding Loan Documents, as the Servicer, the Fiscal Agent (who has no duty to so require) or the Funding Lender shall reasonably require from time to time; provided, however, with respect to clauses (i)-(iii) above, the Borrower shall not be required to do anything that has the effect of (A) changing the essential economic terms of the Borrower Loan or (B) imposing upon the Borrower greater personal liability under the Funding Loan Documents; and (iv) upon the Servicer's, the Fiscal Agent's (the Fiscal Agent having no duty to make such request) or the Funding Lender's request therefor given from time to time after the occurrence of any Potential Default or Event of Default for so long as such Potential Default or Event of Default, as applicable, is continuing, pay for (a) reports of UCC, federal tax lien, state tax lien, judgment and pending litigation searches with respect to the Borrower and (b) searches of title to the Project, each such search to be conducted by search firms reasonably designated by the Servicer, or the Funding Lender in each of the locations reasonably designated by the Servicer, or the Funding Lender.

Section 5.9 Delivery of Financial Information. After notice to the Borrower of the issuance of a Secondary Market Disclosure Document, the Borrower shall, concurrently with any delivery to the Funding Lender or the Servicer, deliver copies of all financial information required under Article VIII hereof.

Section 5.10 Environmental Matters. So long as the Borrower owns or is in possession of the Project, the Borrower shall (a) keep the Project in compliance with all Hazardous Materials Laws (as defined in the Security Instrument), (b) promptly notify the Funding Lender and the Servicer if the Borrower shall become aware that any Hazardous Materials (as defined in the Security Instrument) are on or near the Project in violation of Hazardous Materials Laws, and (c) commence and thereafter diligently prosecute to completion all remedial work necessary with respect to the Project required under any Hazardous Material Laws, in each case as set forth in the Security Instrument or the Agreement of Environmental Indemnification.

Section 5.11 The Governmental Lender's Fees, the Fiscal Agent's Fees and the Funding Lender's Fees. The Borrower covenants to pay the fees and expenses of the Governmental Lender (including the Ongoing Governmental Lender Fee), the Fiscal Agent (including the Fiscal Agent Fees) and the Funding Lender or any agents, attorneys, accountants, consultants selected by the Governmental Lender, the Fiscal Agent or the Funding Lender to act on its behalf in connection with this Borrower Loan Agreement and the other Funding Loan Documents, including, without limitation, any and all expenses incurred in connection with the making of the Borrower Loan or in connection with any litigation which may at any time be instituted involving the Borrower Loan, this Borrower Loan Agreement, the other Funding Loan Documents or any of the other documents contemplated thereby, or in connection with the supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of the foregoing. This obligation shall remain valid and in effect notwithstanding repayment of the Borrower Loan hereunder or termination of this Borrower Loan Agreement.

Section 5.12 Estoppel Statement. The Borrower shall furnish to the Funding Lender, the Fiscal Agent or the Servicer for the benefit of the Funding Lender or the Servicer within ten (10) days after request by the Funding Lender and the Servicer, with a statement, duly acknowledged and certified, setting forth (i) the unpaid principal of the Borrower Notes, (ii) the applicable Interest Rate, (iii) the date installments of interest and/or principal were last paid, (iv) any offsets or defenses to the payment of the Borrower Payment Obligations, and (v) that the Funding Loan Documents to which the Borrower is a party are valid, legal and binding obligations of the Borrower and have not been modified or, if modified, giving particulars of such modification, and no Event of Default exists thereunder or specify any Event of Default that does exist thereunder. The Borrower shall use commercially reasonable efforts to furnish to the Funding Lender or the Servicer, within thirty (30) days of a request by the Funding Lender or the Servicer, tenant estoppel certificates from each commercial tenant at the Project in form and substance reasonably satisfactory to the Funding Lender and the Servicer; provided that the Funding Lender and the Servicer shall not make such requests more frequently than twice in any year.

Section 5.13 Defense of Actions. The Borrower shall appear in and defend any action or proceeding purporting to affect the security for this Borrower Loan Agreement hereunder or under the Funding Loan Documents, and shall pay, in the manner required by Section 2.4 hereof, all costs and expenses, including the cost of evidence of title and attorneys' fees, in any such action or proceeding in which the Funding Lender may appear. If the Borrower fails to perform any of the covenants or agreements contained in this Borrower Loan Agreement or any other Funding Loan Document, or if any action or proceeding is commenced that is not diligently defended by the Borrower which affects the Funding Lender's interest in the Project or any part thereof, including eminent domain, code enforcement or proceedings of any nature whatsoever under any federal or state law, whether now existing or hereafter enacted or amended, then the Funding Lender may make such appearances, disburse such sums and take such action as the Funding Lender deems necessary or appropriate to protect its interests. Such actions include disbursement of attorneys' fees, entry upon the Project to make repairs or take other action to protect the security of the Project, and payment, purchase, contest or compromise of any encumbrance, charge or lien which in the judgment of the Funding Lender appears to be prior or superior to the Funding Loan Documents. The Funding Lender shall have no obligation to do any of the above. The Funding Lender may take any such action without notice to or demand upon the Borrower. No such action shall release the Borrower from any obligation under this Borrower Loan Agreement or any of the other Funding Loan Documents. In the event (i) that the Security Instrument is foreclosed in whole or in part or that any Funding Loan Document is put into the hands of an attorney for collection, suit, action or foreclosure, or (ii) of the foreclosure of any mortgage, deed of trust or deed to secure debt prior to or subsequent to the Security Instrument or any Funding Loan Document in which proceeding the Funding Lender is made a party or (iii) of the bankruptcy of the Borrower or an assignment by the Borrower for the benefit of its creditors, the Borrower shall be chargeable with and agrees to pay all costs of collection and defense, including actual attorneys' fees in connection therewith and in connection with any appellate proceeding or post-judgment action involved therein, which shall be due and payable together with all required service or use taxes.

Section 5.14 Expenses. The Borrower shall pay all expenses incurred by the Governmental Lender, the Fiscal Agent, the Funding Lender and the Servicer (except as provided in Section 8.1 hereof) in connection with the Borrower Loan and the Funding Loan, including fees and expenses of the Governmental Lender's, the Fiscal Agent's, the Funding Lender's and the Servicer's attorneys, environmental, engineering and other consultants, and fees, charges or taxes for the recording or filing of the Funding Loan Documents. The Borrower shall pay or cause to be paid all expenses of the Governmental Lender, the Fiscal Agent, the Funding Lender and the Servicer (except as provided in Section 8.1 hereof) in connection with the issuance or administration of the Borrower Loan and the Funding Loan, including audit costs, inspection fees, settlement of condemnation and casualty awards, and premiums for title insurance and endorsements thereto. The Borrower shall, upon request, promptly reimburse the Governmental Lender, the Fiscal Agent, the Funding Lender and the Servicer for all amounts expended,

advanced or incurred by the Governmental Lender, the Fiscal Agent, the Funding Lender and the Servicer to collect the Borrower Notes, or to enforce the rights of the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer under this Borrower Loan Agreement or any other Funding Loan Document, or to defend or assert the rights and claims of the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer under the Funding Loan Documents arising out of an Event of Default or with respect to the Project (by litigation or other proceedings) arising out of an Event of Default, which amounts will include all court costs, attorneys' fees and expenses, fees of auditors and accountants, and investigation expenses as may be reasonably incurred by the Governmental Lender, the Fiscal Agent, the Funding Lender and the Servicer in connection with any such matters (whether or not litigation is instituted), together with interest at the Default Rate on each such amount from the Date of Disbursement until the date of reimbursement to the Governmental Lender, the Fiscal Agent, the Funding Lender and the Servicer, all of which shall constitute part of the Borrower Loan and the Funding Loan and shall be secured by the Funding Loan Documents. The obligations and liabilities of the Borrower under this Section 5.14 shall survive the Term of this Borrower Loan Agreement and the exercise by the Governmental Lender, the Fiscal Agent, the Funding Lender or the Servicer, as the case may be, of any of its rights or remedies under the Funding Loan Documents, including the acquisition of the Project by foreclosure or a conveyance in lieu of foreclosure. Any obligations of the Borrower to pay for environmental inspections or audits will be governed by the Security Instrument.

Section 5.15 Indemnity. In addition to its other obligations hereunder, and in addition to any and all rights of reimbursement, indemnification, subrogation and other rights of the Governmental Lender, the Fiscal Agent or the 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 Fiscal Agent, the Funding Lender, the Servicer, the Beneficiary Parties and each of their respective officers, directors, employees, attorneys and agents (each an "Indemnified Party"), against any and all losses, damages, claims, actions, liabilities, reasonable costs and expenses of any nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement (to the extent that the Borrower has consented to such settlement) and amounts paid to discharge judgments) (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 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, except with respect to any Secondary Market Disclosure Document (other than any Borrower's obligations under Article VIII hereof);

(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 (other than a Permitted 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 and Other Charges imposed on the Governmental Lender, the Fiscal Agent or the Funding Lender in respect of any portion of the Project;

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

(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 Funding Loan Documents;

(f) [Reserved];

(g) 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 the Borrower's applying for the Borrower Loan or the Funding Loan or contained in any of the Funding Loan Documents to which the Borrower is a party;

(h) Any Determination of Taxability;

(i) Any breach (or alleged breach) by the Borrower of any 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 the Borrower, the General Partner , the Guarantor or their Affiliates to Governmental Lender, the Funding Lender, the Servicer, the Fiscal Agent or any other Person in connection with the Borrower's application for the Borrower Loan and the Funding Loan;

(j) any failure (or alleged failure) by the 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;

(k) 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 or construction of, the Project or any part thereof; or

(l) the use of the proceeds of the Borrower Loan and the Funding Loan,

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 except in the case of the foregoing indemnification of the Fiscal Agent, the Funding Lender or the Servicer or any Related Indemnified Party, to the extent such damages are caused by the gross negligence or willful misconduct of such Indemnified Party. Notwithstanding anything herein to the contrary, the Borrower's indemnification obligations to the parties specified in Section 8.1.4 hereof with respect to any securitization or Secondary Market Transaction described in Article VIII hereof shall be limited to the indemnity set forth in Section 8.1.4 hereof. 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 engagement 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 engage separate counsel in any such action or proceeding and to participate in the investigation and defense thereof. The Borrower shall pay the fees and expenses of such separate counsel; provided, however, that such

Indemnified Party may only engage 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.

Notwithstanding any transfer of the Project to another owner in accordance with the provisions of this Borrower Loan Agreement and the Regulatory Agreement, the Borrower shall remain obligated to indemnify each Indemnified Party pursuant to this Section 5.15 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.

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 the Servicer and the Fiscal Agent, any resignation or removal. The provisions of this Section 5.15 shall survive the termination of this Borrower Loan Agreement.

Section 5.16 No Warranty of Condition or Suitability by the Governmental Lender or the Funding Lender. Neither the Governmental Lender nor the Funding Lender makes any warranty, either express or implied, as to the condition of the Project or that it will be suitable for the Borrower's purposes or needs.

Section 5.17 Right of Access to the Project. The Borrower agrees that the Governmental Lender, the Funding Lender, the Servicer and the Construction Inspector, and their duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right, but no obligation, at all reasonable times during business hours and upon reasonable notice, to enter onto the Land (a) to examine, test and inspect the Project without material interference or prejudice to the Borrower's operations and (b) to perform such work in and about the Project made necessary by reason of the Borrower's default under any of the provisions of this Borrower Loan Agreement. The Governmental Lender, the Funding Lender, the Servicer, and their duly authorized agents, attorneys, accountants and representatives shall also be permitted, without any obligation to do so, at all reasonable times and upon reasonable notice during business hours, to examine the books and records of the Borrower with respect to the Project.

Section 5.18 Notice of Default. The Borrower will advise in writing, the Governmental Lender, the Fiscal Agent, the Funding Lender and the Servicer as soon as possible, and in any event not later than five (5) Business Days after the occurrence of any Potential Default or Event of Default hereunder, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto.

Section 5.19 Covenant with the Governmental Lender and the Funding Lender. The Borrower agrees that this Borrower Loan Agreement is executed and delivered in part to induce the purchase by others of the Governmental Lender Notes and, accordingly, all covenants and agreements of the Borrower contained in this Borrower Loan Agreement are hereby declared to be for the benefit of the Governmental Lender, the Funding Lender, the Fiscal Agent and any lawful owner, holder or pledgee of the Borrower Notes or the Governmental Lender Notes from time to time.

Section 5.20 Obligation of the Borrower to Construct the Project. The Borrower shall proceed with reasonable dispatch to construct, develop and equip the Project. If the proceeds of the Borrower Loan, together with the Other Borrower Moneys, available to be disbursed to the Borrower are not sufficient to pay the costs of such construction, development and equipping of the Project, the Borrower shall pay such additional costs from its own funds. The Borrower shall not be entitled to any reimbursement from the Governmental Lender, the Funding Lender, the Fiscal Agent or the Servicer in respect of any such costs or

to any diminution or abatement in the repayment of the Borrower Loan. The Governmental Lender, the Fiscal Agent and the Funding Lender shall not be liable to the Borrower or any other person if for any reason the Project is not completed or if the proceeds of the Borrower Loan are insufficient to pay all costs of the Project. The Governmental Lender, the Fiscal Agent and the Funding Lender do not make any representation or warranty, either express or implied, that moneys, if any, which will be made available to the Borrower will be sufficient to complete the Project, and the Governmental Lender, the Fiscal Agent and the Funding Lender shall not be liable to the Borrower or any other person if for any reason the Project is not completed.

Section 5.21 Maintenance of Insurance.

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

(b) The Borrower will provide the Governmental Lender and the Funding Lender with certificates evidencing such insurance upon the request of the Governmental Lender and the Funding Lender.

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

Section 5.22 Information; Statements and Reports. The Borrower shall furnish or cause to be furnished to the Governmental Lender and the Funding Lender:

(a) Event of Default. As soon as possible, and in any event not later than five (5) Business Days after the occurrence of any Event of Default or Potential Default, a statement of an Authorized Borrower Representative describing the details of such Event of Default or Potential Default and any curative action the Borrower proposes to take;

(b) Financial Reporting Requirements. The Borrower covenants and agrees to comply with the provisions set forth in Exhibit L of the Construction Disbursement Agreement as if fully set forth herein;

(c) Audit Reports. Promptly upon receipt thereof, copies of all reports, if any, submitted to the Borrower by independent public accountants in connection with each annual, interim or special audit of the financial statements of the Borrower made by such accountants, including the comment letter submitted by such accountants to management in connection with their annual audit;

(d) Notices; Certificates or Communications. Immediately upon giving or receipt thereof, copies of any notices, certificates or other communications delivered at the Project or to the Borrower or the General Partner naming the Governmental Lender or the Funding Lender as addressee or which could reasonably be deemed to affect the structural integrity of the Project or the ability of the Borrower to perform its obligations under the Funding Loan Documents;

(e) Certification of Non-Foreign Status. Promptly upon request of the Funding Lender from time to time, a certification of non-foreign status, executed on or after the date of such request by the Funding Lender;

(f) Compliance Certificates. Together with each of the documents required pursuant to Section 5.22 hereof submitted by or on behalf of the Borrower, a statement, in form and substance as set forth in Exhibit A attached to this Borrower Loan Agreement, to the effect that the Borrower is in compliance with all covenants, terms and conditions applicable to the Borrower, under or pursuant to the Funding Loan Documents and under or pursuant to any other Debt owing by the Borrower to any Person, and disclosing any noncompliance therewith, and any Event of Default or Potential Default, and describing the status of the Borrower's actions to correct such noncompliance, Event of Default or Potential Default, as applicable; and

(g) Other Items and Information. Such other information concerning the assets, business, financial condition, operations, property, prospects and results of operations of the Borrower, the General Partner, the Guarantor or the Project, as the Funding Lender or the Governmental Lender reasonably requests from time to time.

Section 5.23 Additional Notices. The Borrower will, promptly after becoming aware thereof, give notice to the Funding Lender and the Governmental Lender of:

(a) any Lien affecting the Project, or any part thereof, other than Liens expressly permitted under this Borrower Loan Agreement;

(b) any Legal Action which is instituted by or against the Borrower, the General Partner or the Guarantor, or any Legal Action which is threatened against the Borrower, the General Partner or the Guarantor which, in any case, if adversely determined, could have a materially adverse effect upon the business, operations, properties, prospects, assets, management, ownership or condition (financial or otherwise) of the Borrower, the General Partner , the Guarantor or the Project;

(c) any Legal Action which constitutes an Event of Default or a Potential Default or a default under any other Contractual Obligation to which the Borrower, the General Partner or the Guarantor is a party or by or to which the Borrower, the General Partner or the Guarantor, or any of their respective properties or assets, may be bound or subject, which default would have a material adverse effect on the business, operations, assets (including the Project), condition (financial or otherwise) or prospects of the Borrower, the General Partner or the Guarantor, as applicable;

(d) any default, alleged default or potential default on the part of the Borrower under any of the CC&R's (together with a copy of each notice of default, alleged default or potential default received from any other party thereto);

(e) any notice of default, alleged default or potential default on the part of the Borrower received from any tenant or occupant of the Project under or relating to its lease or

occupancy agreement (together with a copy of any such notice), if, in the aggregate, notices from at least fifteen percent (15%) of the tenants at the Project have been received by the Borrower with respect to, or alleging, the same default, alleged default or potential default;

(f) any change or contemplated change in (i) the location of the Borrower's or the General Partner 's executive headquarters or principal place of business; (ii) the legal, trade, or fictitious business names used by the Borrower or the General Partner ; or (iii) the nature of the trade or business of the Borrower; and

(g) any default, alleged default or potential default on the part of any general or limited partner (including, without limitation, the General Partner and the Equity Investor) under the Partnership Agreement.

Section 5.24 Compliance with Other Agreements; Legal Requirements.

(a) The Borrower shall timely perform and comply with, and shall cause the General Partner to timely perform and comply with the covenants, agreements, obligations and restrictions imposed on them under the Partnership Agreement, and the Borrower shall not do or permit to be done anything to impair any such party's rights or interests under any of the foregoing.

(b) The Borrower will comply and, to the extent it is able, will require others to comply with, all Legal Requirements of all Governmental Authorities having jurisdiction over the Project or construction of the Improvements, and will furnish the Funding Lender with reports of any official searches for or notices of violation of any requirements established by such Governmental Authorities. The Borrower will comply and, to the extent it is able, will require others to comply, with applicable CC&R's and all restrictive covenants and all obligations created by private contracts and leases which affect ownership, construction, equipping, fixturing, use or operation of the Project, and all other agreements requiring a certain percentage of the Units to be rented to persons of low or moderate income. The Improvements, when completed, shall comply with all applicable building, zoning and other Legal Requirements, and will not violate any restrictions of record against the Project or the terms of any other lease of all or any portion of the Project. The Funding Lender shall at all times have the right to audit, at the Borrower's expense, the Borrower's compliance with any agreement requiring a certain percentage of the Units to be rented to persons of low or moderate income, and the Borrower shall supply all such information with respect thereto as the Funding Lender may request and otherwise cooperate with the Funding Lender in any such audit. Without limiting the generality of the foregoing, the Borrower shall properly obtain, comply with and keep in effect (and promptly deliver copies to the Funding Lender of) all permits, licenses and approvals which are required to be obtained from the Governmental Authorities in order to construct, occupy, operate, market and lease the Project.

Section 5.25 Completion and Maintenance of Project. The Borrower shall cause the construction of the Improvements, to be prosecuted with diligence and continuity and completed substantially in accordance with the Plans and Specifications, and in accordance with the Construction Disbursement Agreement, free and clear of any liens or claims for liens (but without prejudice to the Borrower's rights of contest under Section 9.17 hereof) ("Completion") on or before the Completion Date. The Borrower shall thereafter maintain the Project as a residential apartment complex in good order and condition, ordinary wear and tear excepted. A maintenance program shall be in place at all times to assure the continuation of first class maintenance.

Section 5.26 Fixtures. The Borrower shall deliver to the Funding Lender, on demand, any contracts, bills of sale, statements, receipted vouchers or agreements under which the Borrower or any other Person claims title to any materials, fixtures or articles incorporated into the Improvements.

Section 5.27 Income from Project. The Borrower shall first apply all Gross Income to the Expenses of the Project, including all amounts then required to be paid under the Funding Loan Documents, before using or applying such Gross Income for any other purpose. The Borrower shall not make or permit any distributions or other payments of Net Operating Income to its partners, shareholders or members, as applicable, in each case, without the prior Written Consent of the Funding Lender.

Section 5.28 Leases and Occupancy Agreements.

(a) Lease Approval.

(i) The Borrower has submitted to the Funding Lender, and the Funding Lender has approved, the Borrower's standard form of tenant lease for use in the Project. The Borrower shall not materially modify that approved lease form without the Funding Lender's prior Written Consent in each instance, which consent shall not be unreasonably withheld or delayed. The Borrower may enter into leases of space within the Improvements (and amendments to such leases) in the ordinary course of business with bona fide third party tenants without the Funding Lender's prior Written Consent if:

(A) The lease is a Permitted Lease, and is executed in the form attached as an exhibit to the Construction Disbursement Agreement without material modification;

(B) The Borrower, acting in good faith following the exercise of due diligence, has determined that the tenant meets requirements imposed under any applicable CC&R and is financially capable of performing all of its obligations under the lease; and

(C) The lease conforms to the Rent Schedule attached as an exhibit to the Construction Disbursement Agreement and reflects an arm's-length transaction, subject to the requirement that the Borrower comply with any applicable CC&R.

(ii) If any Event of Default has occurred and is continuing, the Funding Lender may make written demand on the Borrower to submit all future leases for the Funding Lender's Written Approval prior to execution. The Borrower shall comply with any such demand by the Funding Lender.

(iii) No Written Approval of any lease by the Funding Lender shall be for any purpose other than to protect the Funding Lender's security for the Borrower Loan and to preserve the Funding Lender's rights under the Funding Loan Documents. No Written Approval by the Funding Lender shall result in a waiver of any default of the Borrower. In no event shall any Written Approval by the Funding Lender of a lease be a representation of any kind with regard to the lease or its enforceability, or the financial capacity of any tenant or guarantor.

(b) Landlord's Obligations. The Borrower shall perform all obligations required to be performed by it as landlord under any lease affecting any part of the Project or any space within the Improvements.

(c) Leasing and Marketing Agreements. Except as may be contemplated in the Management Agreement with the Manager, the Borrower shall not without the Written Approval of the Funding Lender enter into any leasing or marketing agreement and the Funding Lender reserves the right to approve the qualifications of any marketing or leasing agent.

Section 5.29 Project Agreements and Licenses. To the extent not heretofore delivered to the Funding Lender, the Borrower will furnish to the Funding Lender, as soon as available, true and correct copies of all Project Agreements and Licenses and the Plans and Specifications, together with assignments thereof to the Funding Lender and consents in writing to such assignments where required by the Funding Lender, all in form and substance acceptable to the Funding Lender. Neither the Borrower nor the General Partner has assigned or granted, or will assign or grant, a security interest in any of the Project Agreements and Licenses, other than to the Funding Lender and/or the Governmental Lender.

Section 5.30 Payment of Debt Payments. In addition to its obligations under the Borrower Notes, the Borrower will (i) duly and punctually pay or cause to be paid all principal of and interest on any Debt of the Borrower as and when the same become due on or before the due date; (ii) comply with and perform all conditions, terms and obligations of other instruments or agreements evidencing or securing such Debt; (iii) promptly inform the Funding Lender of any default, or anticipated default, under any such note, agreement or instrument; and (iv) forward to the Funding Lender a copy of any notice of default or notice of any event that might result in default under any such note, agreement or instrument, including Liens encumbering the Project, or any portion thereof, which have been subordinated to the Security Instrument (regardless of whether or not permitted under this Borrower Loan Agreement).

Section 5.31 ERISA. The Borrower will comply, and will cause each of its ERISA Affiliates to comply, in all respects with the provisions of ERISA.

Section 5.32 Patriot Act Compliance. The Borrower shall use its good faith and commercially reasonable efforts to comply with the Patriot Act and all applicable requirements of the Governmental Authorities having jurisdiction over the Borrower and/or the Project, including those relating to money laundering and terrorism. The Funding Lender shall have the right to audit the Borrower's compliance with the Patriot Act and all applicable requirements of the Governmental Authorities having jurisdiction over the Borrower and/or the Project, including those relating to money laundering and terrorism. In the event that the Borrower fails to comply with the Patriot Act or any such requirements of the Governmental Authorities, then the Funding Lender may, at its option, cause the Borrower to comply therewith and any and all costs and expenses incurred by the Funding Lender in connection therewith shall be secured by the Security Instrument and shall be immediately due and payable.

Section 5.33 Funds from Equity Investor. The Borrower shall cause the Equity Investor to fund all installments of the Equity Contributions in the amounts and at the times subject and according to the terms of the Partnership Agreement. All Borrower Required Equity shall be deposited in the Borrower Equity Account of the Project Fund held by the Fiscal Agent under the Funding Loan Agreement for disbursement to the Borrower upon receipt from the Borrower of a Written Requisition in accordance with the terms of the Funding Loan Agreement and the Construction Disbursement Agreement.

Section 5.34 Tax Covenants. The Borrower further represents, warrants and covenants as follows:

(a) General. The Borrower shall not take any action or omit to take any action which, if taken or omitted, respectively, would adversely affect the exclusion of interest on the Tax-Exempt Governmental Lender Note from gross income (as defined in Section 61 of the Code), for federal income tax purposes and, if it should take or permit any such action, the Borrower will take all lawful actions that it can take to rescind such action promptly upon having knowledge thereof and that the Borrower will take such action or actions, including amendment of this Borrower Loan Agreement, the Security Instrument and the Regulatory Agreement, as may be necessary, in the opinion of Tax Counsel, to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury

or the Internal Revenue Service applicable to the Tax-Exempt Governmental Lender Note, the Funding Loan or affecting the Project. Capitalized terms used in this Section 5.34 shall have the respective meanings assigned to them in the Regulatory Agreement or, if not defined therein, in the Funding Loan Agreement. With the intent not to limit the generality of the foregoing, the Borrower covenants and agrees that, prior to the final maturity of the Tax-Exempt Governmental Lender Note, unless it has received and filed with the Governmental Lender and the Funding Lender a Tax Counsel No Adverse Effect Opinion (other than with respect to interest on any portion of the Tax-Exempt Governmental Lender Note for a period during which such portion of the Tax-Exempt Governmental Lender Note is held by a "substantial user" of any facility financed with the proceeds of the Tax-Exempt Governmental Lender Note or a "related person," as such terms are used in Section 147(a) of the Code), the Borrower will comply with this Section 5.34.

(b) Use of Proceeds. The use of the net proceeds of the Tax-Exempt Governmental Lender Note at all times will satisfy the following requirements:

(i) Limitation on Net Proceeds. At least ninety-seven percent (97%) of the net proceeds of the Tax-Exempt Governmental Lender Note (within the meaning of the Code) actually expended shall be used to pay Qualified Project Costs that are costs of a "qualified residential rental project" (within the meaning of Sections 142(a)(7) and 142(d) of the Code) and property that is "functionally related and subordinate" thereto (within the meaning of Sections 1.103-8(a)(3) and 1.103-8(b)(4)(iii) of the Regulations).

(ii) Limit on Costs of Funding. The proceeds of the Tax-Exempt Governmental Lender Note will be expended for the purposes set forth in this Borrower Loan Agreement and in the Funding Loan Agreement and no portion thereof in excess of two percent (2%) of the proceeds of the Tax-Exempt Governmental Lender Note, within the meaning of Section 147(g) of the Code, will be expended to pay Costs of Funding.

(iii) Prohibited Facilities. The Borrower shall not use or permit the use of any proceeds of the Funding Loan or any income from the investment thereof to provide any airplane, skybox, or other private luxury box, health club facility, any facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

(iv) Limitation on Land. Less than twenty five percent (25%) of the net proceeds of the Tax-Exempt Governmental Lender Note actually expended will be used, directly or indirectly, for the acquisition of land or an interest therein, nor will any portion of the net proceeds of the Tax-Exempt Governmental Lender Note be used, directly or indirectly, for the acquisition of land or an interest therein to be used for farming purposes.

(v) Limitation on Existing Facilities. No portion of the net proceeds of the Tax-Exempt Governmental Lender Note will be used for the acquisition of any existing property or an interest therein unless (A) the first use of such property is pursuant to such acquisition or (B) the rehabilitation expenditures with respect to any building and the equipment therefor equal or exceed fifteen percent (15%) of the cost of acquiring such building financed with the proceeds of the Tax-Exempt Governmental Lender Note (with respect to structures other than buildings, this clause shall be applied by substituting one hundred percent (100%) for fifteen percent (15%)). For purposes of the preceding sentence, the term "rehabilitation expenditures" shall have the meaning set forth in Section 147(d)(3) of the Code.

(vi) Accuracy of Information. The information furnished by the Borrower and used by the Governmental Lender in preparing its certifications with respect to Section 148 of the Code and the Borrower's information statement pursuant to Section 149(e) of the Code is accurate and complete as of the date of origination of the Funding Loan.

(vii) Limitation of Project Expenditures. The acquisition, construction, rehabilitation, development and equipping of the Project were not commenced (within the meaning of Section 144(a) of the Code) prior to the sixtieth (60th) day preceding the adoption of the Declaration of Official Intent (1687 Market) of the Governmental Lender on August 15, 2025, and no obligation for which reimbursement will be sought from proceeds of the Tax-Exempt Governmental Lender Note relating to the acquisition and construction of the Project was paid or incurred prior to sixty (60) days prior to such date, except for permissible "preliminary expenditures", which include architectural, engineering surveying, soil testing, reimbursement bond issuance and similar costs incurred prior to the commencement of construction or acquisition of the Project.

(viii) Qualified Costs. The Borrower hereby represents, covenants and warrants that the proceeds of the Tax-Exempt Governmental Lender Note shall be used or deemed used exclusively to pay costs which are (A) capital expenditures (as defined in Section 1.150-1(a) of the Code's regulations) and (B) not made for the acquisition of existing property, to the extent prohibited in Section 147(d) of the Code and that for the greatest number of buildings the proceeds of the Tax-Exempt Governmental Lender Note shall be deemed allocated on a pro rata basis to each building in the Project and the land on which it is located so that each building and the land on which it is located will have been financed fifty percent (50%) or more by the proceeds of the Tax-Exempt Governmental Lender Note for the purpose of complying with Section 42(h)(4)(B) of the Code; provided however, the foregoing representation, covenant and warranty is made for the benefit of the Borrower and its partners and neither the Funding Lender nor the Governmental Lender shall have any obligation to enforce this statement nor shall they incur any liability to any person, including without limitation, the Borrower, the partners of the Borrower, any other affiliate of the Borrower or the holders or payees of the Tax-Exempt Governmental Lender Note and the Tax-Exempt Borrower Note for any failure to meet the intent expressed in the foregoing representation, covenant and warranty; and provided further, failure to comply with this representation, covenant and warranty shall not constitute a default or event of default under this Borrower Loan Agreement or the Funding Loan Agreement.

(c) Limitation on Maturity. The average maturity of the Tax-Exempt Governmental Lender Note does not exceed one hundred and twenty percent (120%) of the average reasonably expected economic life of the Project to be financed by the Tax-Exempt Governmental Lender Note, weighted in proportion to the respective cost of each item comprising the property the cost of which has been or will be financed, directly or indirectly, with the net proceeds of the Tax-Exempt Governmental Lender Note. For purposes of the preceding sentence, the reasonably expected economic life of property shall be determined as of the later of (A) the Closing Date for the Funding Loan or (B) the date on which such property is placed in service (or expected to be placed in service). In addition, land shall not be taken into account in determining the reasonably expected economic life of property.

(d) No Arbitrage. The Borrower shall not take any action or omit to take any action with respect to the Gross Proceeds of the Tax-Exempt Governmental Lender Note or of any amounts expected to be used to pay the principal thereof or the interest thereon which, if taken or omitted, respectively, would cause the Tax-Exempt Governmental Lender Note to be classified as

an "arbitrage bond" within the meaning of Section 148 of the Code. Except as provided in the Funding Loan Agreement and this Borrower Loan Agreement, the Borrower shall not pledge or otherwise encumber, or permit the pledge or encumbrance of, any money, investment, or investment property as security for payment of any amounts due under this Borrower Loan Agreement or the Tax-Exempt Borrower Note relating to the Tax-Exempt Governmental Lender Note, shall not establish any segregated reserve or similar fund for such purpose and shall not prepay any such amounts in advance of the payment date of an equal principal amount of the Tax-Exempt Governmental Lender Note, unless the Borrower has obtained in each case a Tax Counsel No Adverse Effect Opinion with respect to such action, a copy of which shall be provided to the Governmental Lender and the Funding Lender. The Borrower shall not, at any time prior to the final maturity of the Tax-Exempt Governmental Lender Note, invest or cause any Gross Proceeds to be invested in any investment (or to use Gross Proceeds to replace money so invested), if, as a result of such investment the Yield of all investments acquired with Gross Proceeds (or with money replaced thereby) on or prior to the date of such investment exceeds the Yield of the Tax-Exempt Governmental Lender Note to the Maturity Date, except as permitted by Section 148 of the Code and Regulations thereunder or as provided in the Regulatory Agreement. The Borrower further covenants and agrees that it will comply with all applicable requirements of said Section 148 and the rules and Regulations thereunder relating to the Tax-Exempt Governmental Lender Note and the interest thereon, including the employment of a Rebate Analyst acceptable to the Governmental Lender and the Funding Lender at all times from and after the Closing Date for the calculation of rebatable amounts to the United States Treasury Department. The Borrower agrees that it will cause the Rebate Analyst to calculate the rebatable amounts not later than forty-five (45) days after the fifth (5th) anniversary of the Closing Date and each five (5) years thereafter and not later than forty-five (45) days after the final Computation Date and agrees that the Borrower will pay all costs associated therewith. The Borrower agrees to provide evidence of the employment of the Rebate Analyst satisfactory to the Governmental Lender and the Funding Lender.

(e) No Federal Guarantee. Except to the extent permitted by Section 149(b) of the Code and the Regulations and rulings thereunder, the Borrower shall not take or omit to take any action which would cause the Tax-Exempt Governmental Lender Note to be "federally guaranteed" within the meaning of Section 149(b) of the Code and the Regulations and rulings thereunder.

(f) Representations. The Borrower has supplied or caused to be supplied to Tax Counsel all documents, instruments and written information requested by Tax Counsel, and all such documents, instruments and written information supplied by or on behalf of the Borrower at the request of Tax Counsel, which have been reasonably relied upon by Tax Counsel in rendering its opinion with respect to the exclusion from gross income of the interest on the Tax-Exempt Governmental Lender Note for federal income tax purposes, are true and correct in all material respects, do not contain any untrue statement of a material fact and do not omit to state any material fact necessary to be stated therein in order to make the information provided therein, in light of the circumstances under which such information was provided, not misleading, and the Borrower is not aware of any other pertinent information which Tax Counsel has not requested.

(g) Qualified Residential Rental Project. The Borrower hereby covenants and agrees that the Project will be operated as a "qualified residential rental project" within the meaning of Section 142(d) of the Code, on a continuous basis during the longer of the Qualified Project Period (as defined in the Regulatory Agreement) or any period during which any portion of the Tax-Exempt Governmental Lender Note remains outstanding, to the end that the interest on the Tax-Exempt Governmental Lender Note shall be excluded from gross income for federal income tax purposes. The Borrower hereby covenants and agrees, continuously during the Qualified Project Period, to comply with all the provisions of the Regulatory Agreement.

(h) Information Reporting Requirements. The Borrower will comply with the information reporting requirements of Section 149(e)(2) of the Code requiring certain information regarding the Tax-Exempt Governmental Lender Note to be filed with the Internal Revenue Service within prescribed time limits.

(i) Tax-Exempt Governmental Lender Note Not a Hedge Bond. The Borrower covenants and agrees that not more than fifty percent (50%) of the proceeds of the Tax-Exempt Governmental Lender Note will be invested in Nonpurpose Investments having a substantially guaranteed Yield for four (4) years or more within the meaning of Section 149(f)(3)(A)(ii) of the Code, and the Borrower reasonably expects that at least eighty five percent (85%) of the spendable proceeds of the Tax-Exempt Governmental Lender Note will be used to carry out the governmental purposes of the Funding Loan within the three (3) year period beginning on the Closing Date.

(j) Termination of Restrictions. Although the parties hereto recognize that, subject to the provisions of the Regulatory Agreement, the provisions of this Borrower Loan Agreement shall terminate in accordance with Section 9.14 hereof, the parties hereto recognize that pursuant to the Regulatory Agreement, certain requirements, including the requirements incorporated by reference in this Section, may continue in effect beyond the term hereof.

(k) Public Approval. The Borrower covenants and agrees that the proceeds of the Tax-Exempt Governmental Lender Note will not be used in a manner that deviates in any substantial degree from the Project described in the written notice of a public hearing regarding the Tax-Exempt Governmental Lender Note.

(l) 40/60 Test Election. The Borrower and the Governmental Lender hereby elect to apply the requirements of Section 142(d)(1)(B) to the Project. The Borrower hereby represents, covenants and agrees, continuously during the Qualified Project Period, to comply with all the provisions of the Regulatory Agreement.

(m) Modification of Tax Covenants. Subsequent to the origination of the Tax-Exempt Governmental Lender Note and prior to its payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Funding Loan Agreement), this Section 5.34 hereof may not be amended, changed, modified, altered or terminated except as permitted herein and by the Funding Loan Agreement and with the Written Consent of the Governmental Lender and the Funding Lender. Anything contained in this Borrower Loan Agreement or the Funding Loan Agreement to the contrary notwithstanding, the Governmental Lender, the Funding Lender, the Fiscal Agent and the Borrower hereby agree to amend this Borrower Loan Agreement and, if appropriate, the Funding Loan Agreement and the Regulatory Agreement, to the extent required, in the opinion of Tax Counsel, in order to maintain the tax-exempt status of the Tax-Exempt Governmental Lender Note. The party requesting such amendment, which may include the Funding Lender, shall notify the other parties to this Borrower Loan Agreement of the proposed amendment and send a copy of such requested amendment to Tax Counsel. After review of such proposed amendment, Tax Counsel shall render to the Funding Lender and the Governmental Lender an opinion as to the effect of such proposed amendment upon the tax-exempt status of the Tax-Exempt Governmental Lender Note. The Borrower shall pay all fees and expenses incurred with respect to such amendment. The Borrower, the Governmental Lender and, where applicable, the Funding Lender per written instructions from the Governmental Lender shall execute, deliver and, if applicable, the Borrower shall file of record, any and all documents and instruments, including without limitation, an amendment to the Regulatory Agreement, with a file-stamped copy to the Funding Lender, necessary to effectuate the intent of this Section 5.34, and the Borrower and

the Governmental Lender hereby appoint the Funding Lender as their true and lawful attorney-in-fact to execute, deliver and, if applicable, file of record on behalf of the Borrower or the Governmental Lender, as is applicable, any such document or instrument (in such form as may be approved by and upon instruction of Tax Counsel) if either the Borrower or the Governmental Lender defaults in the performance of its obligation under this Section 5.34; provided, however, that the Funding Lender shall take no action under this Section 5.34 without first notifying the Borrower or the Governmental Lender, as is applicable, in writing of its intention to take such action and providing the Borrower or the Governmental Lender, as is applicable, a reasonable opportunity to comply with the requirements of this Section 5.34.

The Borrower irrevocably authorizes and directs the Fiscal Agent and any other agent designated by the Governmental Lender to make payment of any fees and expenses incurred with respect to any amendment referenced above from funds of the Borrower, if any, held by the Fiscal Agent or the Funding Lender, or any agent of the Governmental Lender or the Funding Lender. The Borrower further covenants and agrees that, pursuant to the requirements of Treasury Regulation Section 1.148-1(b), it (or any related person contemplated by such regulations) will not purchase interests in the Funding Loan or the Tax-Exempt Governmental Lender Note in an amount related to the amount of the Borrower Loan.

(n) Compliance with Tax Certificate. In furtherance of the covenants in this section, the Borrower shall execute, deliver and comply with the provisions of the Tax Certificate, which are by this reference incorporated into this Borrower Loan Agreement and made a part of this Borrower Loan Agreement as if set forth in this Borrower Loan Agreement in full, and the terms of which shall control over any conflicting provisions of this Borrower Loan Agreement.

Section 5.35 Payment of Rebate.

(a) Arbitrage Rebate. The Borrower agrees to take all steps necessary to compute and pay any rebatable arbitrage relating to the Funding Loan or the Tax-Exempt Governmental Lender Note in accordance with Section 148(f) of the Code including:

(i) Delivery of Documents and Money on Computation Dates. The Borrower will deliver to the Fiscal Agent, with a copy to the Funding Lender, within fifty-five (55) days after each Computation Date:

(A) a statement, signed by the Borrower, stating the Rebate Amount as of such Computation Date;

(B) if such Computation Date is an Installment Computation Date, an amount that, together with any amount then held for the credit of the Rebate Fund, is equal to at least ninety percent (90%) of the Rebate Amount as of such Installment Computation Date, less any "previous rebate payments" made to the United States (as that term is used in Section 1.148-3(f)(1) of the Regulations), or (2) if such Computation Date is the final Computation Date, an amount that, together with any amount then held for the credit of the Rebate Fund, is equal to the Rebate Amount as of such final Computation Date, less any "previous rebate payments" made to the United States (as that term is used in Section 1.148-3(f)(1) of the Regulations); and

(C) an Internal Revenue Service Form 8038-T properly signed and completed as of such Computation Date.

(ii) Correction of Underpayments. If the Borrower shall discover or be notified as of any date that any payment paid to the United States Treasury pursuant to this Section 5.35 of an amount described in Section 5.35(a)(i)(A) or (B) above shall have failed to satisfy any requirement of Section 1.148-3 of the Regulations (whether or not such failure shall be due to any default by the Borrower, the Governmental Lender or the Funding Lender), the Borrower shall (1) pay to the Fiscal Agent (for deposit to the Rebate Fund) and cause the Fiscal Agent to pay to the United States Treasury from the Rebate Fund the underpayment of the Rebate Amount, together with any penalty and/or interest due, as specified in Section 1.148-3(h) of the Regulations, within one hundred and seventy five (175) days after any discovery or notice and (2) deliver to the Fiscal Agent an Internal Revenue Service Form 8038-T completed as of such date. If such underpayment of the Rebate Amount, together with any penalty and/or interest due, is not paid to the United States Treasury in the amount and manner and by the time specified in the Regulations, the Borrower shall take such steps as are necessary to prevent the Tax-Exempt Governmental Lender Note from becoming an arbitrage bond within the meaning of Section 148 of the Code.

(iii) Records. The Borrower shall retain all of its accounting records relating to the funds established under this Borrower Loan Agreement and all calculations made in preparing the statements described in this Section 5.35 for at least six (6) years after the later of the final maturity of the Tax-Exempt Governmental Lender Note or the date the Funding Loan is retired in full.

(iv) Costs. The Borrower agrees to pay all of the fees and expenses of a nationally recognized Tax Counsel, the Rebate Analyst a certified public accountant and any other necessary consultant employed by the Borrower or the Funding Lender in connection with computing the Rebate Amount.

(v) No Diversion of Rebatable Arbitrage. The Borrower will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the Gross Proceeds of the Funding Loan which is not purchased at Fair Market Value or includes terms that the Borrower would not have included if the Funding Loan were not subject to Section 148(f) of the Code.

(vi) Modification of Requirements. If at any time during the term of this Borrower Loan Agreement, the Governmental Lender, the Funding Lender or the Borrower desires to take any action which would otherwise be prohibited by the terms of this Section 5.35, such Person shall be permitted to take such action if it shall first obtain and provide to the other Persons named herein a Tax Counsel No Adverse Effect Opinion with respect to such action.

(b) Rebate Fund. The Fiscal Agent shall deposit or transfer to the credit of the Rebate Fund each amount delivered to the Fiscal Agent by the Borrower for deposit thereto and each amount directed by the Borrower to be transferred thereto.

(c) Within fifteen (15) days after each receipt or transfer of funds to the Rebate Fund, the Fiscal Agent shall withdraw from the Rebate Fund and pay to the United States of America the entire balance of the Rebate Fund.

(d) All payments to the United States of America pursuant to this Section 5.35 shall be made by the Fiscal Agent for the account and in the name of the Governmental Lender and shall be paid through the United States Mail (return receipt requested or overnight delivery), addressed to the appropriate Internal Revenue Service Center and accompanied by the appropriate Internal Revenue Service forms (such forms to be provided to the Fiscal Agent by the Borrower or the Rebate Analyst as set forth in this Section 5.35).

(e) The Borrower shall preserve all statements, forms and explanations received delivered pursuant this Section 5.35 and all records of transactions in the Rebate Fund until six (6) years after the retirement of the Funding Loan.

(f) Moneys and securities held in the Rebate Fund shall not be deemed funds of the Fiscal Agent, the Funding Lender or the Governmental Lender and are not pledged or otherwise subject to any security interest in favor of the Funding Lender to secure the Funding Loan or any other obligations.

(g) Notwithstanding anything to the contrary in this Borrower Loan Agreement, no payment shall be made to the United States if the Borrower shall furnish to the Governmental Lender and the Funding Lender an opinion of Tax Counsel to the effect that such payment is not required under Section 148(d) and (f) of the Code in order to maintain the tax-exempt status of the Tax-Exempt Governmental Lender Note. In such event, the Borrower shall be entitled to withdraw funds from the Rebate Fund to the extent the Borrower shall provide a Tax Counsel No Adverse Effect Opinion (as defined in the Funding Loan Agreement) to the Governmental Lender, the Fiscal Agent and the Funding Lender with respect to such withdrawal.

(h) Notwithstanding the foregoing, the computations and payments of the Rebate Amount referred to in this Section 5.35 need not be made to the extent that neither the Governmental Lender nor the Borrower will thereby fail to comply with any requirements of Section 148(f) of the Code based on a Tax Counsel No Adverse Effect Opinion, a copy of which shall be provided to the Funding Lender.

Section 5.36 Covenants under Funding Loan Agreement. The Borrower will fully and faithfully perform all the duties and obligations which the Governmental Lender has covenanted and agreed in the Funding Loan Agreement to cause the Borrower to perform and any duties and obligations which the Borrower is required in the Funding Loan Agreement to perform. The foregoing will not apply to any duty or undertaking of the Governmental Lender which by its nature cannot be delegated or assigned.

Section 5.37 Notice of Default. The Borrower will advise the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer promptly in writing of the occurrence of any Potential Default or Event of Default hereunder, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto.

ARTICLE VI

NEGATIVE COVENANTS

The Borrower hereby covenants and agrees as follows, which covenants shall remain in effect so long as any Borrower Payment Obligation or other obligation of the Borrower under any of the other Funding Loan Documents remains outstanding or unperformed. The Borrower covenants and agrees that it will not, directly or indirectly:

Section 6.1 Management Agreement. Without first obtaining the Funding Lender's prior Written Consent, enter into the Management Agreement, and thereafter the Borrower shall not, without the Funding Lender's prior Written Consent (which consent shall not be unreasonably withheld) and subject to the Regulatory Agreement: (i) surrender, terminate or cancel the Management Agreement or otherwise replace the Manager or enter into any other management agreement; (ii) reduce or consent to the reduction of the term of the Management Agreement; (iii) increase or consent to the increase of the amount of any charges under the Management Agreement; (iv) otherwise modify, change, supplement, alter or amend in any material respect, or waive or release in any material respect any of its rights and remedies under, the

Management Agreement; or (v) suffer or permit the occurrence and continuance of a default beyond any applicable cure period under the Management Agreement (or any successor management agreement) if such default permits the Manager to terminate the Management Agreement (or such successor management agreement).

Section 6.2 Dissolution. Dissolve or liquidate, in whole or in part, merge with or consolidate into another Person.

Section 6.3 Change in Business or Operation of Property. Enter into any line of business other than the ownership and operation of the Project, or make any material change in the scope or nature of its business objectives, purposes or operations, or undertake or participate in activities other than the continuance of its present business and activities incidental or related thereto or otherwise cease to operate the Project as a multifamily property or terminate such business for any reason whatsoever (other than temporary cessation in connection with construction of the Project).

Section 6.4 Debt Cancellation. Cancel or otherwise forgive or release any claim or debt owed to the Borrower by a Person, except for adequate consideration or in the ordinary course of the Borrower's business in its reasonable judgment.

Section 6.5 Assets. Purchase or own any real property or personal property incidental thereto other than the Project.

Section 6.6 Transfers. Make, suffer or permit the occurrence of any Transfer other than a transfer permitted under the Security Instrument and the Regulatory Agreement, nor transfer any material License required for the operation of the Project.

Section 6.7 Debt. Other than as expressly approved in writing by the Funding Lender, create, incur or assume any indebtedness for borrowed money (including subordinate debt) whether unsecured or secured by all or any portion of the Project or interest therein or in the Borrower or any partner thereof (including subordinate debt) other than (i) the Borrower Payment Obligations, (ii) the Subordinate Debt, (iii) secured indebtedness incurred pursuant to or permitted by the Funding Loan Documents, and (iv) trade payables incurred in the ordinary course of business.

Section 6.8 Assignment of Rights. Without the Funding Lender's prior Written Consent, attempt to assign the Borrower's rights or interest under any Funding Loan Document in contravention of any Funding Loan Document.

Section 6.9 Principal Place of Business. Change its principal place of business without providing thirty (30) days' prior Written Notice of the change to the Funding Lender and the Servicer.

Section 6.10 Partnership Agreement. Without the Funding Lender's prior Written Consent (which consent shall not be unreasonably withheld) surrender, terminate, cancel, modify, change, supplement, alter or amend in any material respect, or waive or release in any material respect, any of its rights or remedies under the Partnership Agreement; provided, however, the consent of the Funding Lender is not required for an amendment of the Partnership Agreement resulting solely from the "Permitted Transfer" of partnership interests of the Borrower as defined in and permitted by the Security Instrument.

Section 6.11 ERISA. Maintain, sponsor, contribute to or become obligated to contribute to, or suffer or permit any ERISA Affiliate of the Borrower to, maintain, sponsor, contribute to or become obligated to contribute to, any Plan, or permit the assets of the Borrower to become "plan assets," whether by operation of law or under regulations promulgated under ERISA.

Section 6.12 No Hedging Arrangements. Without the prior Written Consent of the Funding Lender or unless otherwise required by this Borrower Loan Agreement, the Borrower will not enter into or guarantee, provide security for or otherwise undertake any form of contractual obligation with respect to any interest rate swap, interest rate cap or other arrangement that has the effect of an interest rate swap or interest rate cap or that otherwise (directly or indirectly, derivatively or synthetically) hedges interest rate risk associated with being a debtor of variable rate debt or any agreement or other arrangement to enter into any of the above on a future date or after the occurrence of one or more events in the future.

Section 6.13 Loans and Investments; Distributions; Related Party Payments.

(a) Without the prior Written Consent of the Funding Lender in each instance, the Borrower shall not (i) lend money, make investments, or extend credit, other than in the ordinary course of its business as presently conducted; or (ii) repurchase, redeem or otherwise acquire any interest in the Borrower, any Affiliate or any other Person owning an interest, directly or indirectly, in the Borrower, or make any distribution, in cash or in kind, in respect of interests in the Borrower, any Affiliate or any other Person owning an interest, directly or indirectly, in the Borrower (except to the extent permitted by the Security Instrument and subject to the limitations set forth in Section 5.27 hereof).

(b) Disbursements for fees and expenses of any Affiliate of the Borrower or Developer Fee (however characterized) will only be paid to the extent that such fee or expense bears a proportionate relationship to the percentage of completion of the construction of the Improvements, as determined by the Construction Inspector, and only after deducting the applicable Retainage. Except as otherwise permitted hereunder or by the Funding Lender, no Disbursements for the Developer Fee or any deferred developer fee as determined by the Funding Lender on the Closing Date shall be made prior to the Maturity Date.

Section 6.14 Amendment of the Related Documents or CC&R's. Without the prior Written Consent of the Funding Lender in each instance, except as provided herein or in the Construction Disbursement Agreement, the Borrower shall not enter into or consent to any amendment, termination, modification, or other alteration of any of the Related Documents or any of the CC&R's (including, without limitation, those contained in this Borrower Loan Agreement, any Architect's Agreement or Engineer's Contract, any Construction Contract, and any Management Agreement, but excluding the Partnership Agreement, which is covered by Section 6.10 hereof), or any assignment, transfer, pledge or hypothecation of any of its rights thereunder, if any.

Section 6.15 Personal Property. The Borrower shall not install materials, personal property, equipment or fixtures subject to any security agreement or other agreement or contract wherein the right is reserved to any Person other than the Borrower to remove or repossess any such materials, equipment or fixtures, or whereby title to any of the same is not completely vested in the Borrower at the time of installation, without Funding Lender's prior Written Consent; provided, however, that this Section 6.15 shall not apply to laundry equipment or other equipment that is owned by a third-party vendor and commercial tenants.

Section 6.16 Fiscal Year. Without the Funding Lender's Written Consent, which shall not be unreasonably withheld, neither the Borrower nor the General Partner shall change the times of commencement or termination of its fiscal year or other accounting periods, or change its methods of accounting, other than to conform to GAAP.

Section 6.17 Publicity. Neither the Borrower nor the General Partner shall issue any publicity release or other communication to any print, broadcast or on-line media, post any sign or in any other way identify the Funding Lender or any of its Affiliates as the source of the financing provided for herein,

without the prior Written Approval of the Funding Lender in each instance (provided that nothing herein shall prevent the Borrower or the General Partner from identifying the Funding Lender or its Affiliates as the source of such financing to the extent that the Borrower or the General Partner are required to do so by disclosure requirements applicable to publicly held companies). The Borrower and the General Partner agree that no sign shall be posted on the Project in connection with the construction of the Improvements unless such sign identifies Citigroup and its affiliates as the source of the financing provided for herein or the Funding Lender consents in writing to not being identified on any such sign.

Section 6.18 Subordinate Loan Documents. Without the Funding Lender's prior Written Consent, the Borrower will not surrender, terminate, cancel, modify, change, supplement, alter, amend, waive, release, assign, transfer, pledge or hypothecate any of its rights or remedies under the Subordinate Loan Documents.

Section 6.19 [Reserved].

Section 6.20 Controlled Substances. Borrower shall not, and shall not suffer or permit a tenant under any lease to violate any Legal Requirements affecting the Property, including the Controlled Substances Act, or which could otherwise result in the occurrence of an Event of Default, including the commencement of any proceedings under the Civil Asset Forfeiture Reform Act. Upon learning of any conduct contrary to this Section, Borrower shall immediately take all actions reasonably expected under the circumstances to terminate any such use of the Property, including: (a) to give timely notice to an appropriate law enforcement agency of information that led Borrower to know such conduct had occurred, and (b) in a timely fashion to revoke or make a good faith attempt to revoke permission for those engaging in such conduct to use the Property or to take reasonable actions in consultation with a law enforcement agency to discourage or prevent the illegal use of the Property.

Section 6.21 Sanctions. Borrower shall not, directly or indirectly, use the proceeds of the Borrower Loan, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person, to fund the activities of or business with any Person, or in any country or territory, that, at the time of such funding, is the subject of Sanctions, or in any other manner that will result in a violation by any Person (including any Person participating in the transaction being financed by the Borrower Loan, whether as underwriter, advisor, investor or otherwise) of Sanctions.

ARTICLE VII

DEFAULTS

Section 7.1 Events of Default. Each of the following events shall constitute an "Event of Default" under this Borrower Loan Agreement:

(a) failure by the Borrower to pay any Borrower Loan Payment in the manner and on the date such payment is due in accordance with the terms and provisions of the Borrower Notes, or the failure by the Borrower to pay any Additional Borrower Payment on the date such payment is due in accordance with the terms and provisions of the Borrower Notes, the Security Instrument, this Borrower Loan Agreement or any other Funding Loan Document;

(b) failure by or on behalf of the Borrower to pay when due any amount (other than as provided in subsection (a) above or elsewhere in this Section 7.1) required to be paid by the Borrower under this Borrower Loan Agreement, the Borrower Notes, the Security Instrument or any of the other Funding Loan Documents, including a failure to repay any amounts that have been

previously paid but are recovered, attached or enjoined pursuant to any insolvency, receivership, liquidation or similar proceedings, which default remains uncured for a period of five (5) days after Written Notice thereof shall have been given to the Borrower;

(c) an Event of Default, as defined by the Borrower Notes, the Security Instrument or any other Funding Loan Document, occurs (or to the extent an "Event of Default" is not defined in any other Funding Loan Document, any default or breach by the Borrower or the Guarantor of its obligations, covenants, representations or warranties under such Funding Loan Document occurs and any applicable notice and/or cure period has expired);

(d) any representation or warranty made by any of the Borrower, the Guarantor or the General Partner in any Funding Loan Document to which it is a party, or in any report, certificate, financial statement or other instrument, agreement or document furnished by the Borrower, the Guarantor or the General Partner in connection with any Funding Loan Document, shall be false or misleading in any material respect as of the Closing Date;

(e) the Borrower shall make a general assignment for the benefit of creditors, or shall generally not be paying its debts as they become due;

(f) the Borrower Controlling Entity shall make a general assignment for the benefit of creditors, shall generally not be paying its debts as they become due, or an Act of Bankruptcy with respect to the Borrower Controlling Entity shall occur, unless in all cases the Borrower Controlling Entity is replaced with a substitute Borrower Controlling Entity that satisfies the requirements of Section 21 of the Security Instrument; which, in the case of a non-profit Borrower Controlling Entity, may be replaced within sixty (60) days of such event with another non-profit Borrower Controlling Entity acceptable to the Funding Lender, in which case no Event of Default shall be deemed to have occurred;

(g) any portion of the Borrower Required Equity to be made by the Equity Investor is not received in accordance with the Partnership Agreement after the expiration of all applicable notice and cure periods;

(h) the failure by the Borrower or any ERISA Affiliate of the Borrower to comply in all respects with ERISA, or the occurrence of any other event (with respect to the failure of the Borrower or any ERISA Affiliate to pay any amount required to be paid under ERISA or with respect to the termination of, or withdrawal of the Borrower or any ERISA Affiliate from, any employee benefit or welfare plan subject to ERISA) the effect of which is to impose upon Borrower (after giving effect to the tax consequences thereof) for the payment of any amount in excess of Fifty Thousand Dollars ($50,000);

(i) a Bankruptcy Event shall occur with respect to the Borrower, the General Partner or the Guarantor, or there shall be a change in the assets, liabilities or financial position of any such Person which has a material adverse effect upon the ability of such Person to perform such Person's obligations under this Borrower Loan Agreement, any other Funding Loan Document or any Related Document, provided that any such Bankruptcy Event with respect to a Guarantor shall not constitute an Event of Default: (i) if such Bankruptcy Event occurs on or after the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor), or (ii) if such Bankruptcy Event occurs prior to the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such

Guarantor) and the Borrower replaces such Guarantor with a person or entity satisfying the Funding Lender's mortgage credit standards for principals and acceptable to the Funding Lender in its sole and absolute discretion within thirty (30) days after notice thereof from the Funding Lender;

(j) all or any part of the property of the Borrower is attached, levied upon or otherwise seized by legal process, and such attachment, levy or seizure is not quashed, stayed or released: (i) prior to the Completion Date, within ten (10) days of the date thereof or (ii) after the Completion Date, within thirty (30) days of the date thereof;

(k) subject to Section 9.17 hereof, the Borrower fails to pay when due any monetary obligation (other than pursuant to this Borrower Loan Agreement) to any Person in excess of $100,000, and such failure continues beyond the expiration of any applicable cure or grace periods;

(l) any material litigation or proceeding is commenced before any Governmental Authority against or affecting the Borrower, the General Partner or the Guarantor, or property of the Borrower, the General Partner or the Guarantor, or any part thereof, and such litigation or proceeding is not defended diligently and in good faith by the Borrower, the General Partner or the Guarantor, as applicable, provided that any such material litigation or proceeding against a Guarantor shall not constitute an Event of Default: (i) if such material litigation is commenced on or after the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor), or (ii) if such material litigation or proceeding is commenced prior to the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor) and the Borrower replaces such Guarantor with a person or entity satisfying the Funding Lender's mortgage credit standards for principals and acceptable to the Funding Lender in its sole and absolute discretion within thirty (30) days after notice thereof from the Funding Lender;

(m) a final judgment or decree for monetary damages in excess of $50,000 or a monetary fine or penalty (not subject to appeal or as to which the time for appeal has expired) is entered against the Borrower, the General Partner or the Guarantor by any Governmental Authority, and such judgment, decree, fine or penalty is not paid and discharged or stayed (i) prior to the Completion Date, within ten (10) days after entry thereof or (ii) after the Completion Date, within thirty (30) days after entry thereof (or such longer period as may be permitted for payment by the terms of such judgment, fine or penalty) , provided that any such judgment, decree, fine or penalty against a Guarantor shall not constitute an Event of Default: (i) if such judgment, decree, fine or penalty is entered on or after the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor), or (ii) if such judgment, decree, fine or penalty is entered prior to the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor) and the Borrower replaces such Guarantor with a person or entity satisfying the Funding Lender's mortgage credit standards for principals and acceptable to the Funding Lender in its sole and absolute discretion within thirty (30) days after notice thereof from the Funding Lender;

(n) a final, un-appealable and uninsured money judgment or judgments, in favor of any Person other than a Governmental Authority, in the aggregate sum of $50,000 or more shall be rendered against the Borrower, the General Partner or the Guarantor, or against any of their respective assets, that is not paid, superseded or stayed (i) prior to the Completion Date, within ten

(10) days after entry thereof or (ii) after the Completion Date, within thirty (30) days after entry thereof (or such longer period as may be permitted for payment by the terms of such judgment); or any levy of execution, writ or warrant of attachment, or similar process, is entered or filed against the Borrower, the General Partner or the Guarantor, or against any of their respective assets (that is likely to have a material adverse effect upon the ability of the Borrower, the General Partner or the Guarantor to perform their respective obligations under this Borrower Loan Agreement, any other Funding Loan Document or any Related Document), and such judgment, writ, warrant or process shall remain unsatisfied, unsettled, unvacated, unhanded and unstayed (i) prior to the Completion Date, for a period of ten (10) days or (ii) after the Completion Date, for a period of thirty (30) days, or in any event later than five (5) Business Days prior to the date of any proposed sale thereunder, provided that any such judgment, levy, writ, warrant, attachment or similar process against a Guarantor shall not constitute an Event of Default: (i) if such judgment, levy, writ, warrant, attachment or similar process is entered on or after the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor), or (ii) if such judgment, levy, writ, warrant, attachment or similar process is entered prior to the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor) and the Borrower replaces such Guarantor with a person or entity satisfying the Funding Lender's mortgage credit standards for principals and acceptable to the Funding Lender in its sole and absolute discretion within thirty (30) days after notice thereof from the Funding Lender;

(o) the inability of the Borrower to satisfy any condition for the receipt of a Disbursement hereunder (other than an Event of Default specifically addressed in this Section 7.1) and failure to resolve the situation to the satisfaction of the Funding Lender for a period in excess of thirty (30) days after Written Notice from the Funding Lender unless (i) such inability shall have been caused by conditions beyond the control of the Borrower, including, without limitation, acts of God or the elements, fire, strikes and disruption of shipping; (ii) the Borrower shall have made adequate provision, acceptable to the Funding Lender, for the protection of materials stored on-site or off-site and for the protection of the Improvements to the extent then constructed against deterioration and against other loss or damage or theft; (iii) the Borrower shall furnish to the Funding Lender satisfactory evidence that such cessation of construction will not adversely affect or interfere with the rights of the Borrower under labor and materials contracts or subcontracts relating to the construction or operation of the Improvements; and (iv) the Borrower shall furnish to the Funding Lender satisfactory evidence that the completion of the construction of the Improvements can be accomplished by the Completion Date;

(p) the construction of the Improvements is abandoned or halted prior to the Completion Date for any period of thirty (30) consecutive days, except in the case of Force Majeure as permitted pursuant to Section 6.14 of the Construction Disbursement Agreement;

(q) the Borrower shall fail to keep in force and effect any material permit, license, consent or approval required under this Borrower Loan Agreement, or any Governmental Authority with jurisdiction over the Property or the Project orders or requires that construction of the Improvements be stopped, in whole or in part, or that any required approval, license or permit be withdrawn or suspended, and the order, requirement, withdrawal or suspension remains in effect for a period of thirty (30) days;

(r) failure by the Borrower to Substantially Complete the construction of the Improvements in accordance with this Borrower Loan Agreement on or prior to the Substantial Completion Date;

(s) failure by the Borrower to complete the construction of the Improvements in accordance with this Borrower Loan Agreement on or prior to the Completion Date;

(t) [reserved];

(u) failure by any Subordinate Lender to disburse the proceeds of its Subordinate Loan in such amounts and at such times as set forth in the Cost Breakdown and in the Subordinate Loan Documents;

(v) an "Event of Default" or "Default" (as defined in the applicable agreement) shall occur under any of the Subordinate Loan Documents, after the expiration of all applicable notice and cure periods;

(w) the Borrower fails to obtain all grading, foundation, building and all other construction permits, licenses and authorizations from all applicable Government Authorities or third parties necessary for the completion of the construction of the Improvements, and the operation of, and access to, the Project, within ten (10) days after the Closing Date;

(x) any failure by the Borrower to perform or comply with any of its obligations under this Borrower Loan Agreement (other than those specified in this Section 7.1), as and when required, which continues for a period of thirty (30) days after Written Notice of such failure by the Funding Lender or the Servicer on its behalf to the Borrower; provided, however, if such failure is susceptible of cure but cannot reasonably be cured within such thirty (30) day period, and the Borrower shall have commenced to cure such failure within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for an additional period of time as is reasonably necessary for the Borrower in the exercise of due diligence to cure such failure, such additional period not to exceed sixty (60) days. However, no such notice or grace period shall apply to the extent such failure could, in the Funding Lender's judgment, absent immediate exercise by the Funding Lender of a right or remedy under this Borrower Loan Agreement, result in harm to the Funding Lender, impairment of the Borrower Notes or this Borrower Loan Agreement or any security given under any other Funding Loan Document; or

(y) a judicial or nonjudicial forfeiture or seizure proceeding is commenced by a Governmental Authority and remains pending with respect to the Property or any part thereof, on the grounds that the Property or any part thereof had been used to commit or facilitate the commission of a criminal offense by any Person, including any tenant, pursuant to any Law, including under the Controlled Substances Act or the Civil Asset Forfeiture Reform Act, regardless of whether or not the Property or the Security Instrument shall become subject to forfeiture or seizure in connection therewith.

Section 7.2 Remedies.

Section 7.2.1 Acceleration. Upon the occurrence of an Event of Default (other than an Event of Default described in paragraph (e), (f) or (i) of Section 7.1 hereof) and at any time and from time to time thereafter, as long as such Event of Default continues to exist, in addition to any other rights or remedies available to the Governmental Lender pursuant to the Funding Loan Documents or at law or in equity, the

Funding Lender may, take such action (whether directly or by directing the actions of the Fiscal Agent), without notice or demand, as the Funding Lender deems advisable to protect and enforce its rights and/or the rights of the Governmental Lender against the Borrower and in and to the Project, including declaring the Borrower Payment Obligations to be immediately due and payable (including, without limitation, the principal of, Prepayment Premium, if any, and interest on and all other amounts due on the Borrower Notes to be immediately due and payable), without notice or demand, and apply such payment of the Borrower Payment Obligations in any manner and in any order determined by the Funding Lender, in the Funding Lender's sole and absolute discretion; and upon any Event of Default described in paragraph (e), (f) or (i) of Section 7.1 hereof, the Borrower Payment Obligations shall become immediately due and payable, without notice or demand, and the Borrower hereby expressly waives any such notice or demand, anything contained in any Funding Loan Document to the contrary notwithstanding. Notwithstanding anything herein to the contrary, enforcement of remedies hereunder and under the Funding Loan Agreement shall be controlled by the Funding Lender.

Section 7.2.2 Remedies Cumulative. Upon the occurrence of an Event of Default, all or any one or more of the rights, powers, privileges and other remedies available to the Funding Lender or the Fiscal Agent against the Borrower under the Funding Loan Documents or at law or in equity may be exercised by the Funding Lender or the Fiscal Agent, at any time and from time to time, whether or not all or any of the Borrower Payment Obligations shall be declared due and payable, and whether or not the Funding Lender shall have commenced any foreclosure proceeding or other action for the enforcement of its rights and remedies under any of the Funding Loan Documents. Any such actions taken by the Funding Lender shall be cumulative and concurrent and may be pursued independently, singly, successively, together or otherwise, at such time and in such order as the Funding Lender may determine in its sole discretion, to the fullest extent permitted by law, without impairing or otherwise affecting the other rights and remedies of the Funding Lender permitted by law, equity or contract or as set forth in the Funding Loan Documents. Without limiting the generality of the foregoing, the Borrower agrees that if an Event of Default is continuing, all Liens and other rights, remedies or privileges provided to the Funding Lender shall remain in full force and effect until they have exhausted all of its remedies, the Security Instrument has been foreclosed, the Project has been sold and/or otherwise realized upon satisfaction of the Borrower Payment Obligations or the Borrower Payment Obligations has been paid in full. To the extent permitted by applicable law, nothing contained in any Funding Loan Document shall be construed as requiring the Funding Lender to resort to any portion of the Project for the satisfaction of any of the Borrower Payment Obligations in preference or priority to any other portion, and the Funding Lender may seek satisfaction out of the entire Project or any part thereof, in its absolute discretion.

Notwithstanding any provision herein to the contrary, the Governmental Lender, the Fiscal Agent and the Funding Lender agree that any cure of any default made or tendered by the Equity Investor shall be deemed to be a cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower.

Section 7.2.3 Delay. No delay or omission to exercise any remedy, right, power accruing upon an Event of Default, or the granting of any indulgence or compromise by the Funding Lender or the Fiscal Agent shall impair any such remedy, right or power hereunder or be construed as a waiver thereof, but any such remedy, right or power may be exercised from time to time and as often as may be deemed expedient. A waiver of one Potential Default or Event of Default shall not be construed to be a waiver of any subsequent Potential Default or Event of Default or to impair any remedy, right or power consequent thereon. Notwithstanding any other provision of this Borrower Loan Agreement, the Funding Lender reserves the right to seek a deficiency judgment or preserve a deficiency claim, in connection with the foreclosure of the Security Instrument to the extent necessary to foreclose on the Project, the rents, the funds or any other Collateral.

Section 7.2.4 Set Off; Waiver of Set Off. Upon the occurrence of an Event of Default, the Funding Lender may, at any time and from time to time, without notice to the Borrower or any other Person (any such notice being expressly waived), set off and appropriate and apply (against and on account of any obligations and liabilities of the Borrower to the Funding Lender, the Governmental Lender or the Fiscal Agent arising under or connected with this Borrower Loan Agreement and the other Funding Loan Documents, irrespective of whether or not the Funding Lender or the Fiscal Agent shall have made any demand therefor, and although such obligations and liabilities may be contingent or unmatured), and the Borrower hereby grants to the Governmental Lender, the Funding Lender and the Fiscal Agent, as security for the Borrower Payment Obligations, a security interest in, any and all deposits (general or special, including but not limited to Debt evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts) and any other Debt at any time held or owing by the Funding Lender to or for the credit or the account of the Borrower.

Section 7.2.5 Assumption of Obligations. In the event that the Funding Lender or its assignee or designee shall become the legal or beneficial owner of the Project by foreclosure or deed in lieu of foreclosure, such party shall succeed to the rights and the obligations of the Borrower under this Borrower Loan Agreement, the Borrower Notes, the Regulatory Agreement, and any other Funding Loan Document to which the Borrower is a party. Such assumption shall be effective from and after the effective date of such acquisition and shall be made with the benefit of the limitations of liability set forth therein and without any liability for the prior acts of the Borrower.

Section 7.2.6 Accounts Receivable. Upon the occurrence of an Event of Default, the Funding Lender shall have the right, to the extent permitted by law, to impound and take possession of books, records, notes and other documents evidencing the Borrower's accounts, accounts receivable and other claims for payment of money, arising in connection with the Project, and to make direct collections on such accounts, accounts receivable and claims for the benefit of the Funding Lender.

Section 7.2.7 Defaults under Other Documents. The Funding Lender shall have the right to cure any default under any of the Related Documents and the Subordinate Loan Documents, but shall have no obligation to do so.

Section 7.2.8 Abatement of Disbursements. Notwithstanding any provision to the contrary herein or any of the other Funding Loan Documents, the Funding Lender's obligation to make further Disbursements shall abate (i) during the continuance of any Potential Default, (ii) after any disclosure to the Funding Lender of any fact or circumstance that, absent such disclosure, would cause any representation or warranty of the Borrower to fail to be true and correct in all material respects, unless and until the Funding Lender elects to permit further Disbursements notwithstanding such event or circumstance; and (iii) upon the occurrence of any Event of Default.

Section 7.2.9 Completion of Improvements. Upon the occurrence of any Event of Default, the Funding Lender shall have the right to cause an independent contractor selected by the Funding Lender to enter into possession of the Project and to perform any and all work and labor necessary for the completion of the Project substantially in accordance with the Plans and Specifications, if any, and to perform the Borrower's obligations under this Borrower Loan Agreement. All sums expended by the Funding Lender for such purposes shall be deemed to have been disbursed to and borrowed by the Borrower and shall be secured by the Security Documents.

Section 7.2.10 Right to Directly Enforce. Notwithstanding any other provision hereof to the contrary, the Funding Lender shall have the right to directly enforce all rights and remedies hereunder with or without involvement of the Governmental Lender or the Fiscal Agent, provided that only the Governmental Lender may enforce the Unassigned Rights. In the event that any of the provisions set forth

in this Section 7.2.10 are inconsistent with the covenants, terms and conditions of the Security Instrument, the covenants, terms and conditions of the Security Instrument shall prevail.

Section 7.2.11 Power of Attorney. Effective upon the occurrence of an Event of Default, and continuing until and unless such Event of Default is cured or waived, the Borrower hereby constitutes and appoints the Funding Lender, or an independent contractor selected by the Funding Lender, as its true and lawful attorney-in-fact with full power of substitution, for the purposes of completion of the Project and performance of the Borrower's obligations under this Borrower Loan Agreement in the name of the Borrower, and hereby empowers said attorney-in-fact to do any or all of the following upon the occurrence and continuation of an Event of Default (it being understood and agreed that said power of attorney shall be deemed to be a power coupled with an interest which cannot be revoked until full payment and performance of all obligations under this Borrower Loan Agreement and the other Funding Loan Documents):

(a) to use any of the funds of the Borrower or the General Partner , including any balance of the Borrower Loan, as applicable, and any funds which may be held by the Funding Lender for the Borrower (including all funds in all deposit accounts in which the Borrower has granted to the Funding Lender a security interest), for the purpose of effecting completion of the construction of the Improvements, in the manner called for by the Plans and Specifications;

(b) to make such additions, changes and corrections in the Plans and Specifications as shall be necessary or desirable to complete the Project in substantially the manner contemplated by the Plans and Specifications;

(c) to employ any contractors, subcontractors, agents, architects and inspectors required for said purposes;

(d) to employ attorneys to defend against attempts to interfere with the exercise of power granted hereby;

(e) to pay, settle or compromise all existing bills and claims which are or may be liens against the Project, the Improvements or the Project, or may be necessary or desirable for the completion of the construction of the Improvements, or clearance of objections to or encumbrances on title;

(f) to execute all applications and certificates in the name of the Borrower, which may be required by any other construction contract;

(g) to prosecute and defend all actions or proceedings in connection with the Project and to take such action, require such performance and do any and every other act as is deemed necessary with respect to the completion of the construction of the Improvements, which the Borrower might do on its own behalf;

(h) to let new or additional contracts to the extent not prohibited by their existing contracts;

(i) to employ watchmen and erect security fences to protect the Project from injury; and

(j) to take such action and require such performance as it deems necessary under any of the bonds or insurance policies to be furnished hereunder, to make settlements and compromises

with the sureties or insurers thereunder, and in connection therewith to execute instruments of release and satisfaction.

It is the intention of the parties hereto that upon the occurrence and continuance of an Event of Default, rights and remedies may be pursued pursuant to the terms of the Funding Loan Documents. The parties hereto acknowledge that, among the possible outcomes to the pursuit of such remedies, is the situation where the Funding Lender assignees or designees become the owner of the Project and assume the obligations identified above, and the Borrower Notes, the Borrower Loan and the other Funding Loan Documents remain outstanding.

ARTICLE VIII

SPECIAL PROVISIONS

Section 8.1 Sale of Notes and Secondary Market Transaction.

Section 8.1.1 Cooperation. Subject to the restrictions of Section 2.4 of the Funding Loan Agreement, at the Funding Lender's or the Servicer's request (to the extent not already required to be provided by the Borrower under this Borrower Loan Agreement), the Borrower shall use reasonable efforts to satisfy the market standards to which the Funding Lender or the Servicer customarily adheres or which may be reasonably required in the marketplace or by the Funding Lender or the Servicer in connection with one or more sales or assignments of all or a portion of the Governmental Lender Notes and the Funding Loan or participations therein or securitizations of single or multi-class securities (the "Securities") secured by or evidencing ownership interests in all or a portion of the Governmental Lender Notes and the Funding Loan (each such sale, assignment and/or securitization, a "Secondary Market Transaction"); provided that the Borrower shall not incur any third party or other out-of-pocket costs and expenses in connection with a Secondary Market Transaction, including the costs associated with the delivery of any Provided Information or any opinion required in connection therewith, and all such costs shall be paid by the Funding Lender or the Servicer, and shall not materially modify the Borrower's rights or obligations. Without limiting the generality of the foregoing, the Borrower shall, so long as the Borrower Loan is still outstanding:

(a) (i) provide such financial and other information with respect to the Borrower Loan, and with respect to the Project, the Borrower, the Manager, the contractor of the Project or the Borrower Controlling Entity, (ii) provide financial statements, audited, if available, relating to the Project with customary disclaimers for any forward looking statements or lack of audit, and (iii), at the expense of the Funding Lender or the Servicer, perform or permit or cause to be performed or permitted such site inspection, appraisals, surveys, market studies, environmental reviews and reports (Phase I's and, if appropriate, Phase II's), engineering reports and other due diligence investigations of the Project, as may be reasonably requested from time to time by the Funding Lender or the Servicer or the Rating Agencies or as may be necessary or appropriate in connection with a Secondary Market Transaction or Exchange Act requirements (the items provided to the Funding Lender or the Servicer pursuant to this paragraph (a) being called the "Provided Information"), together, if customary, with appropriate verification of and/or consents to the Provided Information through letters of auditors or opinions of counsel of independent attorneys acceptable to the Funding Lender or the Servicer and the Rating Agencies;

(b) make such representations and warranties as of the closing date of any Secondary Market Transaction with respect to the Project, the Borrower, the Funding Loan Documents reasonably acceptable to the Funding Lender or the Servicer, consistent with the facts covered by such representations and warranties as they exist on the date thereof; and

(c) execute such amendments to the Funding Loan Documents to accommodate such Secondary Market Transaction so long as such amendment does not affect the material economic terms of the Funding Loan Documents and is not otherwise adverse to the Borrower in its reasonable discretion.

Section 8.1.2 Use of Information. The Borrower understands that certain Provided Information and the required records may be included in disclosure documents in connection with a Secondary Market Transaction, including a prospectus or private placement memorandum (each, a "Secondary Market Disclosure Document"), or provided or made available to investors or prospective investors in the Securities, the Rating Agencies and service providers or other parties relating to the Secondary Market Transaction. In the event that the Secondary Market Disclosure Document is required to be revised, the Borrower shall cooperate, subject to Section 8.1.1(c) hereof, with the Funding Lender and the Servicer in updating the Provided Information or required records for inclusion or summary in the Secondary Market Disclosure Document or for other use reasonably required in connection with a Secondary Market Transaction by providing all current information pertaining to the Borrower and the Project necessary to keep the Secondary Market Disclosure Document accurate and complete in all material respects with respect to such matters. The Borrower hereby consents to any and all such disclosures of such information.

Section 8.1.3 Borrower Obligations Regarding Secondary Market Disclosure Documents. In connection with a Secondary Market Disclosure Document, the Borrower shall provide, or in the case of a Borrower-engaged third party such as the Manager, cause it to provide, information reasonably requested by the Funding Lender pertaining to the Borrower, the Project or such third party (and portions of any other sections reasonably requested by the Funding Lender pertaining to the Borrower, the Project or the third party). The Borrower shall, if requested by the Funding Lender and the Servicer, certify in writing that the Borrower has carefully examined those portions of such Secondary Market Disclosure Document, pertaining to the Borrower, the Project or the Manager, and such portions (and portions of any other sections reasonably requested and pertaining to the Borrower, the Project or the Manager) do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; provided that the Borrower shall not be required to make any representations or warranties regarding any Provided Information obtained from a third party except with respect to information it provided to such parties. Furthermore, the Borrower hereby indemnifies the Funding Lender and the Servicer for any Liabilities to which any such parties may become subject to the extent such Liabilities arise out of or are based upon the use of the Provided Information in a Secondary Market Disclosure Document.

Section 8.1.4 Borrower Indemnity Regarding Filings. In connection with filings under the Exchange Act or the Securities Act, the Borrower shall (i) indemnify the Funding Lender, the Governmental Lender, the Fiscal Agent, the Servicer and the underwriter group for any securities (the "Underwriter Group") for any Liabilities to which the Funding Lender, the Governmental Lender, the Fiscal Agent, the Servicer or the Underwriter Group may become subject insofar as the Liabilities arise out of or are based upon the omission or alleged omission to state in the Provided Information of a material fact required to be stated in the Provided Information in order to make the statements in the Provided Information, in the light of the circumstances under which they were made not misleading and (ii) reimburse the Funding Lender, the Governmental Lender, the Fiscal Agent, the Servicer, the Underwriter Group and other indemnified parties listed above for any legal or other expenses reasonably incurred by the Funding Lender, the Governmental Lender, the Fiscal Agent, the Servicer or the Underwriter Group in connection with defending or investigating the Liabilities; provided that the Borrower shall not provide any indemnification regarding any Provided Information obtained from unrelated third parties except with respect to information it provided to such parties.

Section 8.1.5 Indemnification Procedure. Promptly after receipt by an indemnified party under Sections 8.1.3 and 8.1.4 hereof of notice of the commencement of any action for which a claim for indemnification is to be made against the Borrower, such indemnified party shall notify the Borrower in writing of such commencement, but the omission to so notify the Borrower will not relieve the Borrower from any liability that it may have to any indemnified party hereunder except to the extent that failure to notify causes prejudice to the Borrower. In the event that any action is brought against any indemnified party, and it notifies the Borrower of the commencement thereof, the Borrower will be entitled, jointly with any other indemnifying party, to participate therein and, to the extent that it (or they) may elect by Written Notice delivered to the indemnified party promptly after receiving the aforesaid notice of commencement, to assume the defense thereof with counsel selected by the Borrower and reasonably satisfactory to such indemnified party in its sole discretion. After notice from the Borrower to such indemnified party under this Section 8.1.5, the Borrower shall not be responsible for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, the Borrower shall pay the fees and expenses of counsel subsequently incurred by the indemnified party if (i) the employment of such counsel has been authorized by the Borrower or, (ii) if the employment of separate counsel is due to the Fiscal Agent having been advised by counsel that there is a conflict on any issue between the Fiscal Agent and the Borrower. No indemnified party shall settle or compromise any claim for which the Borrower may be liable hereunder without the prior Written Consent of the Borrower.

Section 8.1.6 Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in Section 8.1.4 hereof is for any reason held to be unenforceable by an indemnified party in respect of any Liabilities (or action in respect thereof) referred to therein which would otherwise be indemnifiable under Section 8.1.4 hereof, the Borrower shall contribute to the amount paid or payable by the indemnified party as a result of such Liabilities (or action in respect thereof); provided, however, that no Person guilty of fraudulent misrepresentation (within the meaning of Section 10(f) of the Securities Act) shall be entitled to contribution from any Person not guilty of such fraudulent misrepresentation. In determining the amount of contribution to which the respective parties are entitled, the following factors shall be considered: (i) the indemnified parties and the Borrower's relative knowledge and access to information concerning the matter with respect to which the claim was asserted; (ii) the opportunity to correct and prevent any statement or omission; and (iii) any other equitable considerations appropriate in the circumstances. The parties hereto hereby agree that it may not be equitable if the amount of such contribution were determined by pro rata or per capita allocation.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Notices. All notices, consents, approvals and requests required or permitted hereunder or under any other Funding Loan Document (a "notice") shall be deemed to be given and made when delivered by hand, by recognized overnight delivery service, confirmed facsimile transmission (provided any telecopy or other electronic transmission received by any party after 4:00 p.m., local time, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day), or five (5) calendar days after deposited in the United States mail, registered or certified, postage prepaid, with return receipt requested, addressed as follows:

If to the Borrower: Mercy Housing California 120, L.P.
c/o Mercy Housing Calwest
1256 Market Street
San Francisco, CA 94102

with a copy to:	Gubb & Barshay 235 Montgomery Street, Suite 1110 San Francisco, CA 94104 Attention: Evan Gross Telephone: (415) 781-6600 x6 Facsimile: (415) 781-6967
and a copy to:	Bank of America, N.A. 100 Federal Street MA5-100-04-11 Boston, MA 02110 Attention: Asset Management Facsimile: (617) 346-2257
and a copy to:	Buchalter, A Professional Corporation 1000 Wilshire Boulevard, Suite 1500 Los Angeles, CA 90017 Attention: Mercedes Martin, Esq. Email: mmartin@buchalter.com Facsimile: (213) 630-5799 Matter No.: [_____]
If to the Governmental Lender:	City and County of San Francisco City Hall, 1 Dr. Carlton B. Goodlett Place Room 316 San Francisco, CA 94102 Attention: City Controller Telecopier: (415) 554-7466
with copies to (none of which copies shall constitute notice to the Governmental Lender):	City and County of San Francisco City Hall, 1 Dr. Carlton B. Goodlett Place Room 140 San Francisco, CA 94102 Attention: City Treasurer Telecopier: (415) 554-4672 City and County of San Francisco Mayor's Office of Housing and Community Development One South Van Ness, 5th Floor San Francisco, CA 94103 Attention: Director Telecopier: (415) 701-5501 Office of the City Attorney City Hall, 1 Dr. Carlton B. Goodlett Place Room 234 San Francisco, CA 94102 Attention: Finance Team Telecopier: (415) 554-4755

	City and County of San Francisco Office of Public Finance City Hall, 1 Dr. Carlton B. Goodlett Place Room 338 San Francisco, CA 94102 Attention: Finance Team Telecopier: (415) 554-4864
	City and County of San Francisco Office of Community Investment and Infrastructure One South Van Ness Avenue, 5th Floor San Francisco, CA 94103 Attention: Executive Director Telecopier: (415) 749-2400
If to the Fiscal Agent:	U.S. Bank Trust Company, National Association 1 California Street, Suite 1000 San Francisco, CA 94111 Attention: Global Corporate Trust Telephone: (415) 677-3593
If to the Funding Lender or the Servicer:	Bank of America, N.A. Dallas Infomart 1950 N. Stemmons Fwy, Suite 5049 Dallas, TX 75207 TX2-160-05-33 Attention: Construction Servicing (Real Estate) Loan Administration Manager
and a copy to:	Buchalter, A Professional Corporation 1000 Wilshire Boulevard, Suite 1500 Los Angeles, CA 90017 Attention: Mercedes Martin, Esq. Email: mmartin@buchalter.com Facsimile: (213) 630-5799 Matter No.: [_____]

Any party may change such party's address for the notice or demands required under this Borrower Loan Agreement by providing Written Notice of such change of address to the other parties by Written Notice as provided herein.

Section 9.2 Brokers and Financial Advisors. The Borrower hereby represents that it has dealt with no financial advisors, brokers, underwriters, placement agents, agents or finders in connection with the Borrower Loan, other than those disclosed to the Funding Lender and whose fees shall be paid by the Borrower pursuant to separate agreements. The Borrower and the Funding Lender shall indemnify and hold the other harmless from and against any and all claims, liabilities, costs and expenses of any kind in any way relating to or arising from a claim by any Person that such Person acted on behalf of the indemnifying party in connection with the transactions contemplated herein. The provisions of this Section 9.2 shall survive the expiration and termination of this Borrower Loan Agreement and the repayment of the Borrower Payment Obligations.

Section 9.3 Survival. This Borrower Loan Agreement and all covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the making by the Governmental Lender of the Borrower Loan and the execution and delivery to the Governmental Lender of the Borrower Notes and the assignment of the Borrower Notes to the Funding Lender, and shall continue in full force and effect so long as all or any of the Borrower Payment Obligations is unpaid. All the Borrower's covenants and agreements in this Borrower Loan Agreement shall inure to the benefit of the respective legal representatives, successors and assigns of the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer.

Section 9.4 Preferences. The Governmental Lender shall have the continuing and exclusive right to apply or reverse and reapply any and all payments by the Borrower to any portion of the Borrower Payment Obligations. To the extent the Borrower makes a payment to the Governmental Lender or the Servicer, or the Governmental Lender or the Servicer receives proceeds of any collateral, which is in whole or part subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds received, the Borrower Payment Obligations or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment or proceeds had not been received by the Governmental Lender or the Servicer.

Section 9.5 Waiver of Notice. The Borrower shall not be entitled to any notices of any nature whatsoever from the Funding Lender, the Fiscal Agent or the Servicer except with respect to matters for which this Borrower Loan Agreement or any other Funding Loan Document specifically and expressly provides for the giving of notice by the Funding Lender, the Fiscal Agent or the Servicer, as the case may be, to the Borrower and except with respect to matters for which the Borrower is not, pursuant to applicable Legal Requirements, permitted to waive the giving of notice. The Borrower hereby expressly waives the right to receive any notice from the Funding Lender, the Fiscal Agent or the Servicer, as the case may be, with respect to any matter for which no Funding Loan Document specifically and expressly provides for the giving of notice by the Funding Lender, the Fiscal Agent or the Servicer to the Borrower.

Section 9.6 Offsets, Counterclaims and Defenses. The Borrower hereby waives the right to assert a counterclaim, other than a compulsory counterclaim, in any action or proceeding brought against it by the Funding Lender or the Servicer with respect to a Borrower Loan Payment. Any assignee of the Funding Lender's interest in and to the Funding Loan Documents shall take the same free and clear of all offsets, counterclaims or defenses that are unrelated to the Funding Loan Documents which the Borrower may otherwise have against any assignor of such documents, and no such unrelated offset, counterclaim or defense shall be interposed or asserted by the Borrower in any action or proceeding brought by any such assignee upon such documents, and any such right to interpose or assert any such unrelated offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by the Borrower.

Section 9.7 Publicity. The Funding Lender and the Servicer (and any Affiliates of either party) shall have the right to issue press releases, advertisements and other promotional materials describing the Funding Lender's or the Servicer's participation in the making of the Borrower Loan or the Borrower Loan's inclusion in any Secondary Market Transaction effectuated by the Funding Lender or the Servicer or one of its or their Affiliates. All news releases, publicity or advertising by the Borrower or its Affiliates through any media intended to reach the general public, which refers to the Funding Loan Documents, the Borrower Loan, the Funding Lender or the Servicer in a Secondary Market Transaction, shall be subject to the prior Written Consent of the Funding Lender or the Servicer, as applicable.

Section 9.8 Construction of Documents. The parties hereto acknowledge that they were represented by counsel in connection with the negotiation and drafting of the Funding Loan Documents and

that the Funding Loan Documents shall not be subject to the principle of construing their meaning against the party that drafted them.

Section 9.9 No Third Party Beneficiaries. The Funding Loan Documents are solely for the benefit of the Governmental Lender, the Funding Lender, the Servicer and the Borrower and, with respect to Sections 8.1.3 and 8.1.4 hereof, the Underwriter Group, and nothing contained in any Funding Loan Document shall be deemed to confer upon anyone other than the Governmental Lender, the Funding Lender, the Servicer, and the Borrower any right to insist upon or to enforce the performance or observance of any of the obligations contained therein.

Section 9.10 Assignment. The Borrower Loan, the Security Documents, the Funding Loan Documents and all the Funding Lender's rights, title, obligations and interests therein may be assigned by the Funding Lender, at any time in the Funding Lender's sole discretion, whether by operation of law (pursuant to a merger or other successor in interest) or otherwise. Upon such assignment, all references to the Funding Lender in this Borrower Loan Agreement and in any other Funding Loan Document shall be deemed to refer to such assignee or successor in interest and such assignee or successor in interest shall thereafter stand in the place of the Funding Lender. The Borrower shall accord full recognition to any such assignment, and all rights and remedies of the Funding Lender in connection with the interest so assigned shall be as fully enforceable by such assignee as they were by the Funding Lender before such assignment. In connection with any proposed assignment, the Funding Lender may disclose to the proposed assignee any information that the Borrower has delivered, or caused to be delivered, to the Funding Lender with reference to the Borrower, the General Partner, the Guarantor or any Affiliate, or the Project, including information that the Borrower is required to deliver to the Funding Lender pursuant to this Borrower Loan Agreement, provided that such proposed assignee agrees to treat such information as confidential. The Borrower may not assign its rights, interests or obligations under this Borrower Loan Agreement or under any of the other Funding Loan Documents, or the Borrower's interest in any moneys to be disbursed or advanced hereunder, except only as may be expressly permitted hereby.

Section 9.11 [Reserved]**.**

Section 9.12 The Governmental Lender, the Fiscal Agent, the Funding Lender and the Servicer Not in Control; No Partnership. None of the covenants or other provisions contained in this Borrower Loan Agreement shall, or shall be deemed to, give the Governmental Lender, the Fiscal Agent, the Funding Lender or the Servicer the right or power to exercise control over the affairs or management of the Borrower, the power of the Governmental Lender, the Fiscal Agent, the Funding Lender and the Servicer being limited to the rights to exercise the remedies referred to in the Funding Loan Documents. The relationship between the Borrower and the Governmental Lender, the Fiscal Agent, the Funding Lender and the Servicer is, and at all times shall remain, solely that of debtor and creditor. No covenant or provision of the Funding Loan Documents is intended, nor shall it be deemed or construed, to create a partnership, joint venture, agency or common interest in profits or income between the Borrower and the Governmental Lender, the Fiscal Agent, the Funding Lender or the Servicer or to create an equity in the Project in the Governmental Lender, the Fiscal Agent, the Funding Lender or the Servicer. Neither the Governmental Lender, the Fiscal Agent, the Funding Lender nor the Servicer undertakes or assumes any responsibility or duty to the Borrower or to any other person with respect to the Project or the Borrower Loan, except as expressly provided in the Funding Loan Documents; and notwithstanding any other provision of the Funding Loan Documents: (1) the Governmental Lender, the Fiscal Agent, the Funding Lender and the Servicer are not, and shall not be construed as, a partner, joint venturer, alter ego, manager, controlling person or other business associate or participant of any kind of the Borrower or its stockholders, members, or partners and the Governmental Lender, the Fiscal Agent, the Funding Lender and the Servicer do not intend to ever assume such status; (2) the Governmental Lender, the Fiscal Agent, the Funding Lender and the Servicer shall in no event be liable for any the Borrower Payment Obligations, expenses or losses

incurred or sustained by the Borrower; and (3) the Governmental Lender, the Fiscal Agent, the Funding Lender and the Servicer shall not be deemed responsible for or a participant in any acts, omissions or decisions of the Borrower, the Borrower Controlling Entities or its stockholders, members, or partners. The Governmental Lender, the Fiscal Agent, the Funding Lender, the Servicer and the Borrower disclaim any intention to create any partnership, joint venture, agency or common interest in profits or income between the Governmental Lender, the Fiscal Agent, the Funding Lender, the Servicer and the Borrower, or to create an equity in the Project in the Governmental Lender, the Fiscal Agent, the Funding Lender or the Servicer, or any sharing of liabilities, losses, costs or expenses.

Section 9.13 Release. The Borrower hereby acknowledges that it is executing this Borrower Loan Agreement and each of the Funding Loan Documents to which it is a party as its own voluntary act free from duress and undue influence.

Section 9.14 Term of the Borrower Loan Agreement. This Borrower Loan Agreement shall be in full force and effect until all Borrower Payment Obligations hereunder have been paid in full and the Borrower Loan and the Funding Loan have been retired or the payment thereof has been provided for; except that on and after payment in full of the Borrower Notes, this Borrower Loan Agreement shall be terminated, without further action by the parties hereto; provided, however, that the obligations of the Borrower under Sections 5.11 (The Governmental Lender's, the Funding Lender's and the Fiscal Agent's Fees), 5.14 (Expenses), 5.15 (Indemnity), 8.1.3, 8.1.4, 8.1.5, 8.1.6 and 9.16 (Reimbursement of Expenses) hereof, as well as under Section 5.7 of the Construction Disbursement Agreement, shall survive the termination of this Borrower Loan Agreement.

Section 9.15 Facilitation of Bond Preservation and Recycling Program. In accordance with Section 14 of Resolution No. 25-355 (as amended) of the California Debt Limitation Allocation Committee relating to the Tax-Exempt Governmental Lender Note and the Project, principal payments or prepayments on the Funding Loan, the Tax-Exempt Governmental Lender Note, the Borrower Loan and the Tax-Exempt Borrower Note shall be permitted as transferred proceeds under a bond preservation and recycling programs as permitted by Section 146(i)(6) of the Code.

Section 9.16 Reimbursement of Expenses. If, upon or after the occurrence of any Event of Default or Potential Default, the Governmental Lender, the Fiscal Agent, the Funding Lender or the Servicer shall employ attorneys or incur other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the Borrower contained herein, the Borrower will on demand therefor reimburse the Governmental Lender, the Fiscal Agent, the Funding Lender and the Servicer for fees of such attorneys and such other expenses so incurred.

The Borrower's obligation to pay the amounts required to be paid under this Section 9.16 shall be subordinate to its obligations to make payments under the Borrower Notes.

Section 9.17 Permitted Contests. Notwithstanding anything to the contrary contained in this Borrower Loan Agreement, the Borrower shall have the right to contest or object in good faith to any claim, demand, levy or assessment (other than in respect of Debt or Contractual Obligations of the Borrower under any Borrower Loan Document or Related Document) by appropriate legal proceedings that are not prejudicial to the Funding Lender's rights, but this shall not be deemed or construed as in any way relieving, modifying or providing any extension of time with respect to the Borrower's covenant to pay and comply with any such claim, demand, levy or assessment, unless the Borrower shall have given prior Written Notice to the Governmental Lender and the Funding Lender of the Borrower's intent to so contest or object thereto, and unless (i) the Borrower has, in the Governmental Lender's and the Funding Lender's judgment, a reasonable basis for such contest, (ii) the Borrower pays when due any portion of the claim, demand, levy or assessment to which the Borrower does not object, (iii) the Borrower demonstrates to the Funding

Lender's satisfaction that such legal proceedings shall conclusively operate to prevent enforcement prior to final determination of such proceedings, (iv) the Borrower furnishes such bond, surety, undertaking or other security in connection therewith as required by law, or as requested by and satisfactory to the Funding Lender, to stay such proceeding, which bond, surety, undertaking or other security shall be issued by a bonding company, insurer or surety company reasonably satisfactory to the Funding Lender and shall be sufficient to cause the claim, demand, levy or assessment to be insured against by the Title Company or removed as a lien against the Project, (v) the Borrower at all times prosecutes the contest with due diligence, and (vi) the Borrower pays, promptly following a determination of the amount of such claim, demand, levy or assessment due and owing by the Borrower, the amount so determined to be due and owing by the Borrower. In the event that the Borrower does not make, promptly following a determination of the amount of such claim, demand, levy or assessment due and owing by the Borrower, any payment required to be made pursuant to clause (vi) of the preceding sentence, an Event of Default shall have occurred, and the Funding Lender may draw or realize upon any bond or other security delivered to the Funding Lender in connection with the contest by the Borrower, in order to make such payment.

Section 9.18 The Funding Lender's Approval of Instruments and Parties. All proceedings taken in accordance with transactions provided for herein, and all surveys, appraisals and documents required or contemplated by this Borrower Loan Agreement and the persons responsible for the execution and preparation thereof, shall be satisfactory to and subject to Written Approval by the Funding Lender. The Funding Lender's Written Approval of any matter in connection with the Project shall be for the sole purpose of protecting the security and rights of the Funding Lender. No such Written Approval shall result in a waiver of any default of the Borrower. In no event shall the Funding Lender's Written Approval be a representation of any kind with regard to the matter being approved.

Section 9.19 The Funding Lender's Determination of Facts. The Funding Lender shall at all times be free to establish independently, to its reasonable satisfaction, the existence or nonexistence of any fact or facts, the existence or nonexistence of which is a condition of this Borrower Loan Agreement.

Section 9.20 Calendar Months. With respect to any payment or obligation that is due or required to be performed within a specified number of Calendar Months after a specified date, such payment or obligation shall become due on the day in the last of such specified number of Calendar Months that corresponds numerically to the date so specified; provided, however, that with respect to any obligation as to which such specified date is the 29th, 30th or 31st day of any Calendar Month: if the Calendar Month in which such payment or obligation would otherwise become due does not have a numerically corresponding date, such obligation shall become due on the first (1st) day of the next succeeding Calendar Month.

Section 9.21 Determinations by the Governmental Lender and/or the Funding Lender. Except to the extent expressly set forth in this Borrower Loan Agreement to the contrary, in any instance where the Written Consent or Written Approval of the Governmental Lender and the Funding Lender may be given or is required, or where any determination, judgment or decision is to be rendered by the Governmental Lender and the Funding Lender under this Borrower Loan Agreement, the granting, withholding or denial of such Written Consent or Written Approval and the rendering of such determination, judgment or decision shall be made or exercised by the Governmental Lender and the Funding Lender, as applicable (or its designated representative) at its sole and exclusive option and in its sole and absolute discretion.

Section 9.22 Governing Law. This Borrower Loan Agreement shall be governed by and enforced in accordance with the laws of the State, without giving effect to the choice of law principles of the State that would require the application of the laws of a jurisdiction other than the State.

Section 9.23 Consent to Jurisdiction and Venue. The Borrower agrees that any controversy arising under or in relation to this Borrower Loan Agreement shall be litigated exclusively in the State. The state and federal courts and authorities with jurisdiction in the State shall have exclusive jurisdiction over all controversies which shall arise under or in relation to this Borrower Loan Agreement. The Borrower irrevocably consents to service, jurisdiction, and venue of such courts for any such litigation and waives any other venue to which it might be entitled by virtue of domicile, habitual residence or otherwise. However, nothing herein is intended to limit Beneficiary Parties' right to bring any suit, action or proceeding relating to matters arising under this Borrower Loan Agreement against the Borrower or any of the Borrower's assets in any court of any other jurisdiction.

Section 9.24 Successors and Assigns. This Borrower Loan Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors, successors-in-interest and assigns, as appropriate. The terms used to designate any of the parties herein shall be deemed to include the heirs, legal representatives, successors, successors-in-interest and assigns, as appropriate, of such parties. References to a "person" or "persons" shall be deemed to include individuals and entities.

Section 9.25 Severability. The invalidity, illegality or unenforceability of any provision of this Borrower Loan Agreement shall not affect the validity, legality or enforceability of any other provision, and all other provisions shall remain in full force and effect.

Section 9.26 Entire Agreement; Amendment and Waiver. This Borrower Loan Agreement contains the complete and entire understanding of the parties with respect to the matters covered. This Borrower Loan Agreement may not be amended, modified or changed, nor shall any waiver of any provision hereof be effective, except by a written instrument signed by the party against whom enforcement of the waiver, amendment, change, or modification is sought, and then only to the extent set forth in that instrument. No specific waiver of any of the terms of this Borrower Loan Agreement shall be considered as a general waiver. Without limiting the generality of the foregoing, no Disbursement shall constitute a waiver of any conditions to the Governmental Lender's or the Funding Lender's obligation to make further Disbursements nor, in the event the Borrower is unable to satisfy any such conditions, shall any such waiver have the effect of precluding the Governmental Lender or the Funding Lender from thereafter declaring such inability to constitute a Potential Default or Event of Default under this Borrower Loan Agreement.

Section 9.27 Counterparts. This Borrower Loan Agreement may be executed in multiple counterparts, each of which shall constitute an original document and all of which together shall constitute one agreement.

Section 9.28 Captions. The captions of the sections of this Borrower Loan Agreement are for convenience only and shall be disregarded in construing this Borrower Loan Agreement.

Section 9.29 Servicer. The Borrower hereby acknowledges and agrees that, pursuant to the terms of Section 39 of the Security Instrument: (a) from time to time, the Governmental Lender or the Funding Lender may appoint a servicer to collect payments, escrows and deposits, to give and to receive notices under the Borrower Notes, this Borrower Loan Agreement or the other Funding Loan Documents, and to otherwise service the Borrower Loan and (b) unless the Borrower receives Written Notice from the Governmental Lender or the Funding Lender to the contrary, any action or right which shall or may be taken or exercised by the Governmental Lender or the Funding Lender may be taken or exercised by such servicer with the same force and effect.

Section 9.30 Beneficiary Parties as Third Party Beneficiary. Each of the Beneficiary Parties shall be a third party beneficiary of this Borrower Loan Agreement for all purposes.

Section 9.31 [RESERVED]

Section 9.32 Time of the Essence. Time is of the essence with respect to this Borrower Loan Agreement.

Section 9.33 Modifications. Modifications (if any) to this Borrower Loan Agreement ("Modifications") are set forth on Exhibit E attached to this Borrower Loan Agreement. In the event of a Transfer under the terms of the Security Instrument, some or all of the Modifications to this Borrower Loan Agreement may be modified or rendered void by the Governmental Lender or the Funding Lender at its option by notice to the Borrower or such transferee.

Section 9.34 Reference Date. This Borrower Loan Agreement is dated for reference purposes only as of the first (1st) day of [May], 2026, and will not be effective and binding on the parties hereto unless and until the Closing Date (as defined herein) occurs.

Section 9.35 Electronic Communications.

(a) Electronic Transmission of Data. Governmental Lender, Fiscal Agent and Borrower agree that certain data related to the Borrower Loan and/or the Funding Loan (including confidential information, documents, applications and reports) may be transmitted electronically, including transmission over the Internet. This data may be transmitted to, received from or circulated among agents and representatives of Borrower, Governmental Lender, Funding Lender and/or Fiscal Agent and its or their respective affiliates and other Persons involved with the subject matter of this Agreement and/or any of the other Funding Loan Documents.

(b) Borrower Controlled Websites. Borrower may elect to deliver documentation required pursuant to this Agreement and/or any of the other Funding Loan Documents electronically, and if so delivered, such documentation shall be deemed to have been delivered on the date (i) on which Borrower posts such documents, or provides a link thereto on Borrower's website on the Internet at the website address listed on Borrower's signature page to this Agreement; or (ii) on which such documents are posted on Borrower's behalf on an Internet or intranet website, if any, to which Governmental Lender, Funding Lender and Fiscal Agent have access (whether a commercial, third-party website or whether sponsored by Governmental Lender, Funding Lender and/or Fiscal Agent); provided that: (i) Borrower shall deliver paper copies of such documents to Governmental Lender, Funding Lender and Fiscal Agent upon its or their request to Borrower to deliver such paper copies until a written request to cease delivering paper copies is given by Governmental Lender, Funding Lender and/or Fiscal Agent, and (ii) Borrower shall notify Governmental Lender, Funding Lender and Fiscal Agent (by facsimile or electronic mail) of the posting of any such documents and provide to Governmental Lender, Funding Lender and Fiscal Agent by electronic mail electronic versions (i.e., soft copies) of such documents. Borrower agrees that in the event that Borrower would like to update or revise a document previously posted to the Borrower controlled website, Borrower shall notify Governmental Lender, Funding Lender and Fiscal Agent (by facsimile or electronic mail) that such document has been revised and an updated version has been posted.

(c) Assumption of Risks; Indemnification. Borrower acknowledges and agrees that (i) there are risks associated with the use of electronic transmission and Borrower controlled websites and that Governmental Lender, Funding Lender and/or Fiscal Agent does not control the method of transmittal, the service providers or the operational or technical issues that could occur; (ii) none of Governmental Lender, Funding Lender nor Fiscal Agent has any obligation or responsibility whatsoever and assumes no duty or obligation for the security, receipt or third party interception of any such electronic transmission of data or Borrower controlled website, or any operational or technical issues that may occur with the electronic

transmission of data or the Borrower controlled website; and (iii) Borrower will release, hold harmless and indemnify Governmental Lender, Funding Lender and Fiscal Agent from any claim, damage or loss, including that arising in whole or part from Governmental Lender's, Funding Lender's and Fiscal Agent's strict liability or sole, comparative or contributory negligence, which is related to the electronic transmission of data or the Borrower controlled website.

Section 9.36 City Contracting Provisions. The Borrower covenants and agrees to comply with the provisions set forth in Section 21 of the Regulatory Agreement as if fully set forth herein.

ARTICLE X

LIMITATIONS ON LIABILITY

Section 10.1 Limitation on Liability. Notwithstanding anything to the contrary herein, the liability of the Borrower hereunder and under the other Funding Loan Documents shall be limited to the extent set forth in the Borrower Notes.

Section 10.2 Limitation on Liability of the Governmental Lender. 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, or any political subdivision thereof, nor the faith and credit of the Governmental Lender 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 Funding Lender 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, mandatory prepayment, acceleration or otherwise), then upon notice from the Funding Lender or the Servicer, 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 Funding Lender, the Borrower, the Governmental Lender, the Fiscal Agent or any third party, subject to any right of reimbursement from the Funding Lender, the Governmental Lender, the Fiscal Agent or any such third party, as the case may be, therefor.

Section 10.3 Waiver of Personal Liability. No member of the Board of Supervisors, officer, agent or employee of the Governmental Lender or any director, 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.

Section 10.4 Limitation on Liability of the Funding Lender's Officers, Employees, Etc.

(a) The Borrower assumes all risks of the acts or omissions of the Governmental Lender, the Fiscal Agent and the Funding Lender, provided, however, this assumption is not intended to, and shall not, preclude the Borrower from pursuing such rights and remedies as it may have against the Governmental Lender, the Fiscal Agent and the Funding Lender at law or under any other agreement. None of the Governmental Lender, the Fiscal Agent and the Funding Lender, nor the other Beneficiary Parties or their respective Supervisors, officers, directors, employees or agents shall be liable or responsible for (i) for any acts or omissions of the Governmental Lender, the Fiscal Agent 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, the Fiscal Agent 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 written notice or written information constitutes gross negligence or willful misconduct on the part of the Governmental Lender, the Fiscal Agent and the Funding Lender.

(b) None of the Governmental Lender, the Fiscal Agent, the Funding Lender, the other Beneficiary Parties or any of their respective commissioners, 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, the Fiscal Agent 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. The Borrower is not and shall not be an agent of the Governmental Lender, the Fiscal Agent and the Funding Lender for any purpose. None of the Governmental Lender, the Fiscal Agent or the Funding Lender is a joint venture partner with the Borrower 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, the Fiscal Agent 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, the Fiscal Agent and the Funding Lender. Written Approvals granted by the Governmental Lender, the Fiscal Agent 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.

(c) Any obligation or liability whatsoever of the Governmental Lender, the Fiscal Agent 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, the Fiscal Agent's or the Funding Lender's commissioners, shareholders (if any), directors, officers, employees or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise.

Section 10.5 Delivery of Reports, Etc. The delivery of reports, information and documents to the Governmental Lender, the Fiscal Agent and the Funding Lender as provided herein is for informational purposes only and the Governmental Lender's, the Fiscal Agent's and the Funding Lender's receipt of such shall not constitute constructive knowledge of any information contained therein or determinable from information contained therein. The Governmental Lender, the Fiscal Agent and the Funding Lender shall have no duties or responsibilities except those that are specifically set forth herein, and no other duties or obligations shall be implied in this Borrower Loan Agreement against the Governmental Lender, the Fiscal Agent and the Funding Lender.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Borrower Loan Agreement, all as of the date first set forth above.

Mercy Housing California 120, L.P.,
a California limited partnership

By: Mercy Housing California 120 LLC
a California limited liability company,
its managing general partner

By: Mercy Housing Calwest,
a California nonprofit public benefit corporation,
its sole member/manager

By: _____
Ramie Dare,
Vice President

CITY AND COUNTY OF SAN FRANCISCO,
as Governmental Lender

By: _____
Daniel Adams, Director,
Mayor's Office of Housing and
Community Development

Approved as to form:

DAVID CHIU
City Attorney

By: _____
Kenneth D. Roux
Deputy City Attorney

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION

By: _____
Authorized Officer

Agreed to and Acknowledged by:

BANK OF AMERICA, N.A.

By: _____
[NAME], [TITLE]

EXHIBIT A

FORM OF COMPLIANCE CERTIFICATE

[Date]

Mercy Housing California 120, L.P.
1256 Market Street
San Francisco, California 94102

and

Bank of America N.A.
2000 Clayton Road, 6th Floor
Concord, California 94520-2405
Attention: Loan Administration Manager

Re: _____

Ladies and Gentlemen:

This annual compliance certificate (this "Certificate") is being delivered pursuant to that certain Borrower Loan Agreement dated as of [May] 1, 2026, by and among the undersigned ("Borrower"), U.S. Bank Trust Company, National Association ("Fiscal Agent") and the City and County of San Francisco, California ("Governmental Lender") (as the same may have been or may hereafter be amended, modified, supplemented, restated and replaced from time to time, the "Borrower Loan Agreement"). All capitalized terms used but not defined in this Certificate shall have the meanings given in the Borrower Loan Agreement.

This Certificate is being given for the period of time ending on _____. Borrower hereby certifies to the Governmental Lender as follows:

1. The debt service coverage ratio for the three (3) consecutive full Calendar Months ending on the date referred to above was _____:1.0, determined as follows:

(a) Net Operating Income: _____
  (i) Actual operating revenue: _____
  (ii) Operating expenses: _____

(b) Debt service: _____
  (i) actual principal (if any) and interest payable under the Borrower Loan during such period (giving effect to any swap contract in effect): _____

2. The required debt service coverage ratio for the three (3) consecutive full Calendar Months ending on such date was ___:1.00.

The calculations made and the information contained herein are complete and correct and fairly present the financial position and results of operations of the Borrower in accordance with accounting principles consistently applied, and correctly reflect the books and records of the Borrower.

Should you require any further documentation or have any questions, please contact _____.

THE BORROWER:

Mercy Housing California 120, L.P.,
a California limited partnership

By: Mercy Housing California 120 LLC
a California limited liability company,
its managing general partner

By: Mercy Housing Calwest,
a California nonprofit public benefit corporation,
its sole member/manager

By: _____
Ramie Dare,
Vice President

EXHIBIT B

SCHEDULE OF INSURANCE REQUIREMENTS

See Exhibit K to the Construction Disbursement Agreement

EXHIBIT C

FORM OF MONTHLY LEASE UP REPORT
MOVE IN DATABASE

Building #	Apt. #	# of BR's	# of BA's	Set-Aside	Security Deposit	Lease Rent	Certified or Move in Date	Lease Expiration	Total Value of Concessions	Description of Concession	Concession Given at Move In (Y/N)

MOVE OUT DATABASE

Building #	Apt. #	# of BR's	# of BA's	Set-Aside	Total Security Deposit	Security Deposit to Tenant	Lease Rent	Move Out Date	Certified or Move in Date	Lease (enter an "x")			
										Skip	Evicted	Expired	Other

EXHIBIT D

[intentionally omitted]

EXHIBIT E

MODIFICATIONS

None.

FUNDING LOAN AGREEMENT

by and among

BANK OF AMERICA, N.A.,
as Funding Lender

CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA,
as Governmental Lender

and

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Fiscal Agent

dated as of [May] 1, 2026

relating to:
$26,102,000
City and County of San Francisco
Multifamily Housing Revenue Note
(1687 Market Residences), Series 2026C-1

$[TAXABLE PAR]
City and County of San Francisco
Multifamily Housing Revenue Note
(1687 Market Residences), Series 2026C-2 (Taxable)

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FUNDING LOAN AGREEMENT

This Funding Loan Agreement, dated as of [May] 1, 2026 (this "Funding Loan Agreement"), is entered into by BANK OF AMERICA N.A., a national banking association organized and existing under the laws of the United States of America (together with any successor hereunder, the "Funding Lender"), U.S. Bank Trust Company, National Association, a national banking association organized and operating under the laws of the United States of America, having a corporate trust office in San Francisco, California, as Fiscal Agent (together with any successor or assign, the "Fiscal Agent") and the CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA, a municipal corporation duly organized and existing pursuant to its charter and the laws and constitution of the State of California (together with its successors and assigns, the "Governmental Lender").

R E C I T A L S :

WHEREAS, the Governmental Lender is authorized to provide financing for multifamily rental housing pursuant to and in accordance with Sections 1.101 and 9.107 of the Charter of the City and County of San Francisco, California, Article I of Chapter 43 of the Administrative Code of the City and County of San Francisco, California and, to the extent applicable, Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code, as amended (collectively, the "Act").

WHEREAS, the Governmental Lender is authorized: (a) to make loans to provide financing for residential rental developments located within the City and County of San Francisco, California (the "City") and intended to be occupied, in whole or in part by persons of low and very-low income; (b) to incur indebtedness for the purpose of obtaining moneys to make such loans and provide such financing, to establish any required reserve funds and to pay administrative costs and other costs incurred in connection with the incurrence of such indebtedness of the Governmental Lender; and (c) to pledge all or any part of the revenues, receipts or resources of the Governmental Lender, including the revenues and receipts to be received by the Governmental Lender from or in connection with such loans, and to mortgage, pledge or grant security interests in such loans or other property of the Governmental Lender in order to secure the payment of such indebtedness of the Governmental Lender; and

WHEREAS, Mercy Housing California 120, L.P., a California limited partnership (the "Borrower"), has requested that the Governmental Lender enter into this Funding Loan Agreement under which the Funding Lender will advance funds (the "Funding Loan") to or for the account of the Governmental Lender, and the Governmental Lender will apply the proceeds of the Funding Loan to make a loan (the "Borrower Loan") to the Borrower to finance the acquisition and construction of a multifamily residential rental housing development located within the City, known as 1687 Market Residences (the "Project"); and

WHEREAS, simultaneously with the delivery of this Funding Loan Agreement, the Governmental Lender, the Fiscal Agent and the Borrower will enter into a Borrower Loan Agreement of even date herewith (as it may be supplemented or amended, the "Borrower Loan Agreement"), whereby the Borrower agrees to make loan payments to the Governmental Lender in an amount which, when added to other funds available under this Funding Loan Agreement, will be sufficient to enable the Governmental Lender to repay the Funding Loan and to pay all costs and expenses related thereto when due; and

WHEREAS, to evidence its payment obligations under the Borrower Loan Agreement, the Borrower will execute and deliver to the Governmental Lender its Promissory Notes (the "Borrower Notes") and the obligations of the Borrower under the Borrower Notes will be secured by a lien on and security interest in the Project pursuant to a Construction Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing, dated as of [CLOSING DATE], 2026, made by the Borrower in favor of the

Governmental Lender (as it may be amended, restated and/or supplemented from time to time, the "Security Instrument"), assigned by the Governmental Lender without recourse to the Funding Lender, to secure the performance by the Governmental Lender of its obligations under the Funding Loan; and

WHEREAS, the Governmental Lender has executed and delivered to the Funding Lender its Multifamily Housing Revenue Note (1687 Market Residences), Series 2026C-1 (the "Tax-Exempt Governmental Lender Note") and its Multifamily Housing Revenue Note (1687 Market Residences), Series 2026C-2 (Taxable) (the "Taxable Governmental Lender Note" and, together with the Tax-Exempt Governmental Lender Note, the "Governmental Lender Notes") evidencing its obligation to make the payments due to the Funding Lender under the Funding Loan as provided in this Funding Loan Agreement; and

WHEREAS, the Governmental Lender is entering into this Funding Loan Agreement and the Borrower Loan Agreement solely as a "conduit lender" and the Funding Loan and the Governmental Lender Notes will be limited obligations of the Governmental Lender as described in Section 5.1 hereof; and

WHEREAS, the Fiscal Agent has the power and authority to enter into this Funding Loan Agreement, including corporate trust powers to accept the trusts hereunder and to accept and assume its other responsibilities hereunder as Fiscal Agent as evidenced by its execution of this Funding Loan Agreement; and

WHEREAS, all things necessary to make this Funding Loan Agreement the valid, binding and legal limited obligation of the Governmental Lender have been done and performed and the execution and delivery of this Funding Loan Agreement and the execution and issuance of the Governmental Lender Notes, subject to the terms hereof, have in all respects been duly authorized.

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; PRINCIPLES OF CONSTRUCTION

Section 1.1. Definitions. For all purposes of this Funding Loan Agreement, except as otherwise expressly provided or unless the context otherwise clearly requires, the following capitalized terms shall have the following meanings:

"Act" shall have the meaning assigned to such term in the recitals above.

"Additional Borrower Payments" shall have the meaning given such term in the Borrower Loan Agreement.

"Affiliate" shall mean, as to any Person, any other Person that, directly or indirectly, is in Control of, is Controlled by or is under common Control with such Person.

"Approved Transferee" means (a) a "qualified institutional buyer" ("QIB") as defined in Rule 144A promulgated under the Securities Act of 1933, as in effect on the date hereof (the "Securities Act") that is a financial institution or commercial bank having capital and surplus of $5,000,000,000 or more, (b) an affiliate of the Funding Lender, (c) a trust or custodial arrangement established by the Funding Lender or one of its affiliates the beneficial interests in which will be owned only by QIBs, or (d) a nonprofit

corporation or nonprofit organization, all of whose shareholders or members are QIBs, and which invests in obligations of the same type as the Governmental Lender Notes as a principal aspect of its business.

"Authorized Amount" shall mean $[TOTAL PAR], the maximum principal amount of the Funding Loan under this Funding Loan Agreement.

"Authorized Representative" shall mean (a) when used with respect to the Governmental Lender, the Mayor, the Director of the Mayor's Office of Housing and Community Development, the Director of Housing Development and the Deputy Director of the Mayor's Office of Housing and Community Development of the Governmental Lender and such additional Person or Persons, if any, duly designated by any of the foregoing in writing to act on behalf of the Governmental Lender, as evidenced by a written certificate furnished to the Funding Lender, the Fiscal Agent and the Borrower containing the specimen signature of such person and signed on behalf of the Governmental Lender, which certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of such Authorized Representative; (b) when used with respect to the Borrower, any "Authorized Borrower Representative" as defined in the Borrower Loan Agreement; (c) when used with respect to the Fiscal Agent, any authorized signatory of the Fiscal Agent, or any Person who is authorized in writing to take the action in question on behalf of the Fiscal Agent; (d) when used with respect to the Servicer, any Person or Persons duly designated by the Servicer in writing to act on its behalf; and (e) when used with respect to the Funding Lender, any Person who is authorized in writing to take the action in question on behalf of the Funding Lender.

"Borrower" shall mean Mercy Housing California 120, L.P., a California limited partnership, and its successors and assigns.

"Borrower Controlling Entity" shall mean any general partner or managing general partner of the Borrower.

"Borrower Equity Account" means the Borrower Equity Account of the Project Fund established under Section 7.3(b)(iii) hereof.

"Borrower Loan" shall mean the mortgage loan made by the Governmental Lender to the Borrower pursuant to the Borrower Loan Agreement in the maximum principal amount of the Borrower Loan Amount, as evidenced by the Borrower Notes.

"Borrower Loan Agreement" shall mean the Borrower Loan Agreement, of even date herewith, among the Governmental Lender, the Fiscal Agent and the Borrower, as supplemented, amended or replaced from time to time in accordance with its terms.

"Borrower Loan Agreement Default" shall mean any "Event of Default" as set forth in Section 7.1 of the Borrower Loan Agreement. A Borrower Loan Agreement Default shall "exist" if a Borrower Loan Agreement Default shall have occurred and be continuing beyond any applicable cure period.

"Borrower Loan Amount" shall mean $[TOTAL PAR], the maximum principal amount of the Borrower Loan.

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

"Borrower Loan Payments" shall mean the monthly loan payments by the Borrower payable pursuant to the Borrower Notes.

"Borrower Notes" shall have the meaning given such term in the Borrower Loan Agreement.

"Borrower Required Equity" shall have the meaning given such term in the Borrower Loan Agreement.

"Business Day" shall mean any day other than (a) a Saturday or a Sunday, or (b) a day on which federally insured depository institutions in New York, New York or the city where the Fiscal Agent is located are authorized or obligated by law, regulation, governmental decree or executive order to be closed.

"Capitalized Interest Account" means the Capitalized Interest Account of the Project Fund established under Section 7.3(b)(ii) hereof.

"City" means the City and County of San Francisco, California.

"Closing Costs Fund" shall mean the fund of that name established under Section 7.3(d) hereof.

"Closing Date" shall mean [CLOSING DATE], 2026, the date that initial Funding Loan proceeds are disbursed hereunder.

"Closing Flow of Funds Memorandum" means the Closing Flow of Funds Memorandum provided by the Governmental Lender's Municipal Advisor on the Closing Date.

"Code" shall mean the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Completion Deadline" shall have the meaning given such term in the Construction Disbursement Agreement.

"Construction Disbursement Agreement" means that certain Construction Disbursement Agreement, dated as of [CLOSING DATE], 2026, between the Funding Lender, as agent for the Governmental Lender, and the Borrower, pursuant to which the Borrower Loan will be advanced by the Funding Lender (or the Servicer on its behalf), as agent of the Governmental Lender, to the Fiscal Agent for disbursement to the Borrower and setting forth certain provisions relating to disbursement of the Borrower Loan during construction, insurance and other matters, as such agreement may be amended, modified, supplemented and replaced from time to time.

"Control" shall mean, with respect to any Person, either (a) ownership directly or through other entities of more than fifty percent (50%) of all beneficial equity interest in such Person, or (b) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities, by contract or otherwise.

"Costs of Funding" shall have the meaning given such term in the Borrower Loan Agreement.

"Costs of Funding Deposit" shall have the meaning given such term in the Borrower Loan Agreement.

"Default" shall mean the occurrence of an event, which, under any Funding Loan Document, would, but for the giving of notice or passage of time, or both, be an "Event of Default" as defined in the applicable Funding Loan Document.

"Draw-Down Notice" shall mean a notice described in Section 2.1 hereof regarding the conversion of the Funding Loan from a draw down loan to a fully funded loan.

"Equity Contributions" shall have the meaning given such term in the Borrower Loan Agreement.

"Event of Default" shall have the meaning ascribed thereto in Section 9.1 hereof.

"Expense Fund" shall mean the fund of that name established under Section 7.3(c) hereof.

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

"Fiscal Agent" shall mean U.S. Bank Trust Company, National Association, as fiscal agent hereunder, and any successor fiscal agent or co-fiscal agent appointed under this Funding Loan Agreement.

"Fiscal Agent Fee" shall mean the annual fee of the Fiscal Agent in the amount of $[4,000] annually, payable in annual installments in arrears by the Borrower to the Fiscal Agent commencing on the first anniversary of the Closing Date and then on each June 30th thereafter.

"Fitch" shall mean Fitch Ratings, Inc.

"Funding Lender" shall mean (a) initially, Bank of America, N.A., a national banking association, and (b) any successor thereto under this Funding Loan Agreement and the Borrower Loan Documents.

"Funding Loan Agreement" shall mean this Funding Loan Agreement, as executed on the Closing Date and as it may from time to time be supplemented, modified or amended by one or more amendments or other instruments supplemental hereto entered into pursuant to Section 10.1 hereof.

"Funding Loan Documents" shall mean this Funding Loan Agreement, the Borrower Loan Documents, the Regulatory Agreement, the Tax Certificate, all other documents evidencing, securing, governing or otherwise pertaining to the Funding Loan, and all amendments, modifications, renewals and substitutions of any of the foregoing.

"Funding Loan Payment Fund" shall mean the fund of that name established under Section 7.3(a) hereof.

"Government Obligations" shall mean noncallable, nonprepayable (a) direct, general obligations of the United States of America, or (b) any obligations unconditionally guaranteed as to the full and timely payment of all amounts due thereunder by the full faith and credit of the United States of America (including obligations held in book entry form), but specifically excluding any mutual funds or unit investment trusts invested in such obligations.

"Governmental Lender" shall mean the City and County of San Francisco, California, and its successors and assigns.

"Governmental Lender Notes" shall mean the Governmental Lender Notes described in the recitals of this Funding Loan Agreement.

"Initial Funding Lender" shall mean Bank of America, N.A., a national banking association, or any of its successors or assigns.

"Maturity Date" shall mean, (i) with respect to the Tax-Exempt Governmental Lender Note, [_____, 20__], and (ii) with respect to the Taxable Governmental Lender Note, [_____, 20__].

"Maximum Rate" shall mean the lesser of (a) twelve percent (12%) per annum, and (b) the maximum interest rate that may be paid on the Funding Loan under State law.

"Moody's" shall mean Moody's Investors Service, Inc., or its successor.

"Note Proceeds Account" means the Note Proceeds Account of the Project Fund established under Section 7.3(b)(i) hereof.

"Noteowner" or "owner of the Governmental Lender Notes" means the owner, or as applicable, collectively the owners, of the Governmental Lender Notes as shown on the registration books maintained by the Fiscal Agent pursuant to Section 2.4(a) hereof.

"Ongoing Governmental Lender Fee" shall mean the annual administrative fee of the Governmental Lender due and payable by the Borrower pursuant to Section 17 of the Regulatory Agreement.

"Opinion of Counsel" shall mean a written opinion from an attorney or firm of attorneys, acceptable to the Funding Lender and the Governmental Lender with experience in the matters to be covered in the opinion; provided that whenever an Opinion of Counsel is required to address the exclusion of interest on the Tax-Exempt Governmental Lender Note from gross income for purposes of federal income taxation, such opinion shall be provided by Tax Counsel.

"Permitted Investments" shall mean any of the following (including any funds comprised of the following, which may be funds maintained or managed by the Fiscal Agent and its affiliates), but only to the extent that the same are acquired at Fair Market Value:

(a) direct and general obligations of the United States of America fully and unconditionally guaranteed as to the timely payment of principal and interest;

(b) obligations of any agency or instrumentality of the United States of America the timely payment of the principal of and interest on which are fully unconditionally guaranteed by the full faith and credit of the United States of America;

(c) senior debt obligations of the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association, each a shareholder owned government sponsored enterprise organized and existing under the laws of the United States of America, and its successors and assigns;

(d) demand deposits or time deposits with, or certificates of deposit (including those placed by a third party pursuant to a separate agreement between the Borrower and the Fiscal Agent (and approved by the Funding Lender)), bank deposit products, trust funds, trust accounts, interest bearing deposits, interest bearing money market accounts, overnight bank deposits or bankers' acceptances issued by the Fiscal Agent or its affiliates or any bank organized under the laws of the United States of America or any state or the District of Columbia which has combined capital, surplus and undivided profits of not less than $50,000,000; provided that the Fiscal Agent or such other institution has been rated at least "VMIG-1"/""A-1+" by Moody's or S&P which deposits or certificates are fully insured by the Federal Deposit Insurance Corporation or collateralized pursuant to the requirements of the Office of the Comptroller of the Currency;

(e) shares or units in any money market mutual fund rated "Aaa"/"AAA" by Moody's or S&P (or if a new rating scale is implemented, the equivalent rating category given by the Rating Agency for that general category of security) (including mutual funds of the Fiscal Agent or its affiliates or for which the Fiscal Agent or an affiliate thereof serves as investment advisor, custodian, transfer agent or provides other services to such mutual fund and receives and retains a fee for providing such services) registered under the Investment Company Act of 1940, as amended, whose investment portfolio consists solely of (i) direct obligations of the government of the United States of America, or (ii) tax-exempt obligations;

(f) (i) tax-exempt obligations rated in the highest short-term rating category by Moody's or S&P, or (ii) shares of a tax-exempt municipal money market mutual fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the federal Securities Act of 1933, having assets of at least $100,000,000, and having a rating of "Aaa"/"AAA" by Moody's or S&P (or if a new rating scale is implemented, the equivalent rating category given by the Rating Agency for that general category of security), for which at least 95% of the income paid to the holders on interest in such money market fund will be excludable from gross income under Section 103 of the Code, including money market funds for which the Fiscal Agent or its affiliates receive a fee for investment advisory, transfer agency, custodial or other services to the fund;

(g) the Pooled Investment Fund of the City; or

(h) any other investments approved in writing by an Authorized Representative of the Funding Lender, with the written consent of the Governmental Lender.

For purposes of this definition, the "highest rating" shall mean a rating of at least "VMIG-1"/"A-1+" for obligations with less than one year maturity; at least "Aaa"/"VMIG-1"/"AAA"/"A-1+" for obligations with a maturity of one year or greater but less than three years; and at least "Aaa"/"AAA" for obligations with a maturity of three years or greater. Qualified Investments must be limited to instruments that have a predetermined fixed-dollar amount of principal due at maturity that cannot vary or change and interest, if tied to an index, shall be tied to a single interest rate index plus a single fixed spread, if any, and move proportionately with such index.

"Person" shall mean any individual, corporation, limited liability company, partnership, joint venture, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

"Pledged Revenues" shall mean the amounts pledged under this Funding Loan Agreement to the payment of the principal of, Prepayment Premium, if any, and interest on the Funding Loan and the Governmental Lender Notes, consisting of the following: (a) all income, revenues, proceeds and other amounts to which the Governmental Lender is entitled (other than amounts owed and available to, or received by, the Governmental Lender with respect to the Unassigned Rights) derived from or in connection with the Borrower Loan, the Project and the Funding Loan Documents, including all Borrower Loan Payments owing under the Borrower Loan Agreement and the Borrower Notes and all amounts obtained through the exercise of the remedies provided in the Funding Loan Documents and all receipts credited under the provisions of this Funding Loan Agreement against said amounts payable, and (b) moneys held in the funds and accounts established under this Funding Loan Agreement, together with investment earnings thereon (except any amounts on deposit in the Expense Fund, the Rebate Fund and Closing Costs Fund).

"Prepayment Premium" shall mean (a) any premium payable by the Borrower pursuant to the Borrower Loan Documents in connection with a prepayment of the Borrower Notes (including any Prepayment Premium as set forth in the Borrower Notes); or, as applicable, (b) any premium payable on the Governmental Lender Notes pursuant to this Funding Loan Agreement.

"Potential Default" shall mean the occurrence of an event which, under the Borrower Loan Agreement, would, but for the giving of notice or the passage of time, be an Event of Default thereunder.

"Project" shall have the meaning given such term in the Borrower Loan Agreement.

"Project Fund" shall mean the fund of that name established under Section 7.3(b) hereof.

"Qualified Project Costs" shall have the meaning given to such term in the Regulatory Agreement.

"Rating Agency" shall have the meaning given such term in the Borrower Loan Agreement.

"Rebate Amount" shall mean, for any given period, the amount determined by the Rebate Analyst as required to be rebated or paid as a yield reduction payment to the United States of America with respect to the Funding Loan.

"Rebate Analyst" shall mean a certified public accountant, financial analyst or bond counsel, or any firm of the foregoing, or financial institution experienced in making the arbitrage and rebate calculations required pursuant to Section 148 of the Code, selected and retained by the Borrower at the expense of the Borrower, with the prior written consent of the Governmental Lender, to make the rebate computations required under this Funding Loan Agreement and the Borrower Loan Agreement.

"Rebate Fund" shall mean the fund of that name established under Section 7.3(e) hereof.

"Regulations" shall mean with respect to the Code, the relevant U.S. Treasury regulations and proposed regulations thereunder or any relevant successor provision to such regulations and proposed regulations.

"Regulatory Agreement" shall mean that certain Regulatory Agreement and Declaration of Restrictive Covenants, dated as of the date hereof, by and between the Governmental Lender and the Borrower, as executed on the Closing Date, and as it may thereafter be amended or modified in accordance with its terms.

"Required Transferee Representations Letter" shall mean the representations in substantially the form attached to this Funding Loan Agreement as Exhibits B-1 and B-2, as applicable.

"Resolution" shall mean the resolution of the Governmental Lender authorizing the Funding Loan and the execution and delivery of the Funding Loan Documents to which the Governmental Lender is a party.

"Responsible Officer" shall mean any officer within the corporate services department (or any successor group) of the Fiscal Agent, including any managing director, director, vice president, assistant vice president, assistant secretary, senior associate, associate or any other officer or assistant officer of the Fiscal Agent within the Fiscal Agent's office described in Section 12.1 hereof or a successor corporate trust office (the "Corporate Trust Office") customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Corporate Trust Office because of such person's knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Funding Loan Agreement.

"Securities Act" shall mean the United States Securities Act of 1933, as amended.

"Security" shall mean the security for the performance by the Governmental Lender of its obligations under the Governmental Lender Notes and this Funding Loan Agreement as more fully set forth in Article IV hereof.

"Security Instrument" shall mean the Construction Deed of Trust With Assignment of Rents, Security Agreement and Fixture Filing (Residential), dated as of [CLOSING DATE], 2026, made by the Borrower in favor of the Governmental Lender, as assigned without recourse to the Funding Lender.

"Servicer" shall mean any Servicer appointed by the Funding Lender to perform certain servicing functions with respect to the Funding Loan and on the Borrower Loan pursuant to a separate servicing agreement to be entered into between the Funding Lender and the Servicer. Initially the Servicer shall be the Funding Lender pursuant to this Funding Loan Agreement.

"Servicing Agreement" shall mean any servicing agreement entered into between the Funding Lender and the Servicer with respect to the servicing of the Funding Loan and/or the Borrower Loan.

"Stabilization Date" shall have the meaning given such term in the Construction Disbursement Agreement.

"Stabilization Deadline" shall have the meaning given such term in the Construction Disbursement Agreement.

"Standard & Poor's" or "S&P" shall mean S&P Global Ratings, a Standard & Poor's Financial Services LLC business division, or its successors.

"State" shall mean the State of California.

"Tax Certificate" shall mean, collectively, (i) the Certificate as to Arbitrage executed by the Governmental Lender and the Borrower on the Closing Date, and (ii) the Certificate Regarding Use of Proceeds, executed by the Borrower on the Closing Date.

"Tax Counsel" shall mean (a) Jones Hall LLP or (b) any other firm of attorneys selected by the Governmental Lender that is experienced in matters relating to the issuance of obligations by states and their political subdivisions that is listed as a municipal bond attorney in The Bond Buyer's Municipal Marketplace.

"Tax Counsel Approving Opinion" shall mean an opinion of Tax Counsel substantially to the effect that the Tax-Exempt Governmental Lender Note constitutes a valid and binding obligation of the Governmental Lender and that, under existing law, the interest on the Tax-Exempt Governmental Lender Note is excludable from gross income for federal income tax purposes (subject to customary exceptions).

"Tax Counsel No Adverse Effect Opinion" shall mean an opinion of Tax Counsel to the effect that the taking of the action specified therein will not, in and of itself, adversely affect any exclusion of interest on the Tax-Exempt Governmental Lender Note from gross income for purposes of federal income taxation then in effect (subject to customary exceptions).

"UCC" shall mean the Uniform Commercial Code as in effect in the State.

"Unassigned Rights" shall mean all of the rights of the Governmental Lender and its directors, officers, commissioners, elected officials, attorneys, accountants, employees, agents and consultants under the Borrower Loan Documents or the Funding Loan Documents: (a) (i) to be held harmless and indemnified, (ii) to be paid its fees and expenses, (iii) to give or withhold consent to amendments, changes, modifications and alterations, (iv) to have access to the Project and Project records, (v) to give and receive notices, (vi) to enforce notice and reporting requirements and restrictions on transfer of ownership, (vii) to inspect and audit the books, records and premises of the Borrower and of the Project, and (viii) to specifically enforce the Borrower's covenants to comply with applicable federal tax law and State law (including the Act and the rules and regulations of the City); (b) the Governmental Lender's rights under the Regulatory Agreement, including but not limited to, rights to indemnification, and reimbursement and payment of its fees, costs and expenses; and (c) the right to enforce all of the foregoing, subject to Section 7.2.10 of the Borrower Loan Agreement.

"Written Certificate," "Written Certification, "Written Consent," "Written Direction," "Written Notice," "Written Order," "Written Registration," "Written Request," and "Written Requisition" shall mean a written certificate, direction, notice, order, request or requisition signed by an Authorized Borrower Representative and delivered to the Funding Lender, the Servicer, the Fiscal Agent, the Governmental Lender or such other Person as required under the Funding Loan Documents.

Section 1.2. Rules of Construction.

(a) Unless specifically defined herein, all capitalized terms shall have the meanings ascribed thereto in the Borrower Loan Agreement.

(b) The terms "herein, "hereof" and "hereunder" and other words of similar import refer to this Funding Loan Agreement as a whole and not to any particular Article, Section or other subdivision. The terms "agree" and "agreements" contained herein are intended to include and mean "covenant" and "covenants."

(c) All references made (i) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, and (ii) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well. Singular terms shall include the plural as well as the singular, and vice versa.

(d) All accounting terms not otherwise defined herein shall have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with GAAP. All references herein to "GAAP" refer to such principles as they exist at the date of application thereof.

(e) 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.

(f) 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.

(g) References to the Tax-Exempt Governmental Lender Note as "tax exempt" or to the "tax exempt status" of the Tax-Exempt Governmental Lender Note are to the exclusion of interest on the Tax-Exempt Governmental Lender Note (other than any portion of the Tax-Exempt Governmental Lender Note held by a "substantial user" of the Project or a "related person" within the meaning of Section 147 of the Code) from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

(h) The Article and Section headings herein and in the Table of Contents hereof are for convenience only and shall not affect the construction hereof.

Section 1.3. Date of Funding Loan Agreement. The date of this Funding Loan Agreement is intended as and for a date for the convenient identification of this Funding Loan Agreement and is not intended to indicate that this Funding Loan Agreement was executed and delivered on said date.

Section 1.4. Designation of Time for Performance. Except as otherwise expressly provided herein, any reference in this Funding Loan Agreement to the time of day shall mean the time of day in the city where the Funding Lender maintains its place of business for the performance of its obligations under this Funding Loan Agreement.

Section 1.5. Interpretation. The parties hereto acknowledge that each of them and their respective counsel have participated in the drafting and revision of this Funding Loan Agreement. Accordingly, the parties agree that any rule of construction that disfavors the drafting party shall not apply in the interpretation of this Funding Loan Agreement or any amendment or supplement or exhibit hereto.

ARTICLE II

TERMS; GOVERNMENTAL LENDER NOTES

Section 2.1. Terms.

(a) Principal Amount. The total principal amount of the Funding Loan is hereby expressly limited to the Authorized Amount.

(b) Draw-Down Funding. The Funding Loan is originated on a draw-down basis. The proceeds of the Funding Loan shall be advanced by the Funding Lender directly to the Fiscal Agent for the account of the Governmental Lender for disbursement to the Borrower as and when needed to make each advance in accordance with the disbursement provisions of the Borrower Loan Agreement and the Construction Disbursement Agreement. Upon each advance of principal under the Borrower Loan Agreement and the Construction Disbursement Agreement, a like amount of the Funding Loan shall be deemed concurrently and simultaneously advanced under this Funding Loan Agreement.

Subject to the terms and conditions of the Borrower Loan Agreement, the Funding Lender agrees to advance, on behalf of the Governmental Lender, to the Fiscal Agent for disbursement to the Borrower under the Borrower Loan Agreement $[55,000] on the Closing Date (the "Initial Disbursement"), and the Funding Lender agrees to correspondingly and simultaneously advance for the account of the Governmental Lender under this Funding Loan Agreement an equal amount as an advance on the Funding Loan. The Initial Disbursement shall be used by the Fiscal Agent to make a corresponding initial funding of the Borrower Loan as described and applied as set forth in Section 7.7(a) hereof and Section 2.3(a) of the Borrower Loan Agreement. The Initial Disbursement shall be advanced by the Funding Lender in the amount of $[55,000] on the Tax-Exempt Governmental Lender Note and $[0] on the Taxable Governmental Lender Note. Thereafter, all remaining disbursements of the Funding Loan shall be drawn on first on the Tax-Exempt Governmental Lender Note, until the available credit thereunder is exhausted, and then upon the Taxable Governmental Lender Note until the available credit thereunder is exhausted, but in no event shall the total of draws on the Governmental Lender Notes in aggregate exceed the Authorized Amount.

Notwithstanding anything in this Funding Loan Agreement to the contrary, no additional amounts of the Funding Loan may be drawn down and funded hereunder after December 31, 2029; provided, however, that upon the delivery of a Tax Counsel No Adverse Effect Opinion to the Governmental Lender and the Funding Lender such date may be changed to a later date as specified in such Tax Counsel No Adverse Effect Opinion.

(c) Early Draw-Down Event. Notwithstanding any provision herein to the contrary, in the event that the Funding Lender or the Borrower (each an "Interested Party") determines in good faith that legislative, judicial or other developments have occurred or other circumstances have emerged which could result in interest on installments of the portion of the Funding Loan relating to the Tax-Exempt Governmental Lender Note which have not been drawn to date (the "Remaining Authorized Amount"), not being tax-exempt, or otherwise determines that it is in its best interest to convert the Funding Loan into a fully funded obligation of the Governmental Lender in order to assure that interest on the Tax-Exempt Governmental Lender Note will remain tax-exempt, and, in the case of such determination by the Borrower, such action will resolve the uncertainty with respect to the tax-exempt status of the Tax-Exempt Governmental Lender Note and will not jeopardize receipt of previously committed unfunded debt or Equity Contributions for the Project, then such Interested Party may provide a Written Direction (a "Draw-Down Notice") to the other Interested Party, the Governmental Lender and the Fiscal Agent as provided herein to cause the Remaining Authorized Amount of the Funding Loan to be funded. The Draw-Down Notice, if given, shall take effect on the fifth (5th) Business Day following the date (or such greater number of Business Days to which the Borrower and the Funding Lender may agree in writing, with Written Notice to the Governmental Lender and the Fiscal Agent) on which either the Borrower or the Funding Lender sends Written Notice to the other Interested Party referencing the Draw-Down Notice and containing substantially the following words: "The [Borrower/Funding Lender] elects to [draw/fund] the Remaining Authorized Amount of the Funding Loan ($_____) effective _____ (the "Draw-Down Date")." The Draw-Down Notice will be delivered in the manner provided for notices hereunder and the Borrower Loan Agreement.

Promptly after receipt of a Draw-Down Notice, the Funding Lender shall advance proceeds of the Funding Loan in the Remaining Authorized Amount (the "Remaining Funding Loan Proceeds") into the Note Proceeds Account of the Project Fund to be held for disbursements to the Borrower pursuant to the Funding Loan Documents. The advance of the Remaining Funding Loan Proceeds shall be treated as an advance of the full remaining principal under this Funding Loan Agreement, and a like amount of the Borrower Loan shall be deemed concurrently and simultaneously advanced under the Borrower Loan Agreement and the Governmental Lender Notes shall be deemed to have been executed and delivered in the full Authorized Amount against payment by the Funding Lender (taking into account amounts of the Funding Loan previously funded) of the purchase price equal to the Remaining Authorized Amount.

If not otherwise accounted for in the Funding Loan Documents as confirmed in writing by the Funding Lender, the Borrower agrees to pay to the Fiscal Agent on the Draw-Down Date for deposit into the Capitalized Interest Account of the Project Fund, an amount of funds to be agreed upon by the Funding Lender and the Borrower prior to the Draw-Down Date to cover the expected interest due on the Funding Loan as a result of the Draw-Down Notice for the period between the Draw-Down Date and the date of each expected draw in accordance with the then-approved draw schedule under the Funding Loan Documents (the "Additional Interest Deposit").

The Borrower agrees to pay to the Fiscal Agent to be held hereunder, any amounts necessary to enable the Governmental Lender to pay when due, all amounts due with respect to the Funding Loan, to the extent payments made or required to be made under the Borrower Loan Agreement and the Borrower Notes are insufficient for such purpose.

(d) Origination Date; Maturity. The Funding Loan shall be originated on the Closing Date and shall mature on the Maturity Date at which time the entire principal amount, to the extent not previously paid, and all accrued and unpaid interest, shall be due and payable.

(e) Principal. The outstanding principal amount of the Governmental Lender Notes and of the Funding Loan as of any given date shall be the total amount advanced by the Funding Lender to or for the account of the Governmental Lender to fund corresponding advances under the Borrower Loan Agreement and the Construction Disbursement Agreement as proceeds of the Borrower Loan, less any payments of principal of the Governmental Lender Notes previously received upon payment of corresponding principal amounts under the Borrower Notes, including regularly scheduled principal payments and voluntary and mandatory prepayments. The principal amount of the Governmental Lender Notes and interest thereon shall be payable on the basis specified in this paragraph (e) and in paragraphs (f) and (g) of this Section 2.1.

The Fiscal Agent shall keep a record of the date and amount of each principal advance and any principal repayment made under the Governmental Lender Notes and shall, upon Written Request, provide the Governmental Lender and the Funding Lender with a statement of the outstanding principal balance of the Governmental Lender Notes and the Funding Loan.

(f) Interest. Interest shall be paid on the outstanding principal amount of the Governmental Lender Notes at the rate or rates set forth in the respective Borrower Notes and otherwise as set forth in the Borrower Loan Agreement. Notwithstanding any provision in this Funding Loan Agreement to the contrary, during any period that a Servicer is engaged with respect to the Loans, the Governmental Lender and the Fiscal Agent agree that all payments of principal of, Prepayment Premium, if any, and interest on the Funding Loan and all fees due hereunder and under the Borrower Loan Agreement shall be paid by the Borrower to the Servicer; provided, however, (i) the Fiscal Agent may make the debt service and fee payments out of the Project Fund as required under Section 7.7(a)(i) hereof, and (ii) the Funding Lender may fund draws on the Funding Loan directly to the Funding Lender, at the times, in the amounts and in payment of interest due on the Borrower Notes, without requisition or approval from any other person, and

such draws shall be deemed to be Funding Loan draws to fund corresponding draws on the Borrower Loan to the Borrower, and receipt by the Funding Lender thereof shall be deemed to be receipt of such payments of interest on the Borrower Loan by the Borrower to satisfy corresponding payments of interest on the Funding Loan. The Funding Lender shall promptly notify the Fiscal Agent and the Servicer in writing of the date and amount of any Funding Loan draws made directly to the Funding Lender for the payment of interest on the Borrower Notes as aforesaid. The Servicer shall remit all payments collected from the Borrower of principal of, Prepayment Premium, if any, and interest on the Funding Loan, together with other amounts due to the Funding Lender, directly to the Funding Lender (without payment through the Fiscal Agent) per the instructions of the Funding Lender Representative. The Servicer shall be entitled to retain its Servicing Fee (if any) collected from the Borrower and shall remit the Governmental Lender Fee to the Governmental Lender and shall remit the Fiscal Agent's Fees to the Fiscal Agent, together with any other amounts due to the Governmental Lender and the Fiscal Agent collected by the Servicer from the Borrower, in each case in accordance with their respective instructions. Any payment made in accordance with the provisions of this Section shall be accompanied by sufficient information to identify the source and proper application of such payment. The Servicer shall promptly notify the Fiscal Agent, the Funding Lender Representative and the Governmental Lender in writing of any failure of the Borrower to make any payment of principal of, Prepayment Premium, if any, and interest on the Funding Loan when due or to pay any fees due hereunder or under the Borrower Loan Agreement, and the Fiscal Agent and the Governmental Lender shall not be deemed to have any notice of such failure unless it has received such notice in writing.

(g) Corresponding Payments. The payment or prepayment of principal, interest and premium, if any, due on the Funding Loan and the Governmental Lender Notes shall be identical with and shall be made on the same dates, terms and conditions, as the principal, interest, premiums, late payment fees and other amounts due on the corresponding Borrower Notes. Any payment or prepayment made by the Borrower of principal, interest, premium, if any, due on the Borrower Notes shall be deemed to be like payments or prepayments of principal, interest and premium, if any, due on the Funding Loan and the corresponding Governmental Lender Notes. The Funding Lender agrees to provide copies of the final Borrower Notes and any amendments thereto, as well as of the Debt Service Schedule (as defined in Section 2.4(b) of the Borrower Loan Agreement) to the Fiscal Agent on the Closing Date, if applicable, or on the date an amendment to the Borrower Notes or Debt Service Schedule is executed or finalized, as applicable.

(h) Usury. The Governmental Lender intends to conform strictly to the usury laws applicable to this Funding Loan Agreement and the Governmental Lender Notes and all agreements made in the Governmental Lender Notes, this Funding Loan Agreement and the other Funding Loan Documents are expressly limited so that in no event whatsoever shall the amount paid or agreed to be paid as interest or the amounts paid for the use of money advanced or to be advanced hereunder or thereunder exceed the highest lawful rate prescribed under any law which a court of competent jurisdiction may deem applicable hereto. If, from any circumstances whatsoever, the fulfillment of any provision of the Governmental Lender Notes, this Funding Loan Agreement or the other Funding Loan Documents shall involve the payment of interest in excess of the limit prescribed by any law which a court of competent jurisdiction may deem applicable hereto, then the obligation to pay interest hereunder shall be reduced to the maximum limit prescribed by law. If from any circumstances whatsoever, the Funding Lender shall ever receive anything of value deemed interest, the amount of which would exceed the highest lawful rate, such amount as would be excessive interest shall be deemed to have been applied, as of the date of receipt by the Funding Lender, to the reduction of the principal remaining unpaid hereunder and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance, such excess shall be refunded to the Borrower. This paragraph shall control every other provision of the Governmental Lender Notes, this Funding Loan Agreement and all other Funding Loan Documents.

In determining whether the amount of interest charged and paid might otherwise exceed the limit prescribed by law, the Governmental Lender intends and agrees that (i) interest shall be computed upon the

assumption that payments under the Borrower Loan Agreement and other Funding Loan Documents will be paid according to the agreed terms, and (ii) any sums of money that are taken into account in the calculation of interest, even though paid at one time, shall be spread over the actual term of the Funding Loan.

Section 2.2. Form of the Governmental Lender Notes. As evidence of its obligation to repay the Funding Loan, simultaneously with the delivery of this Funding Loan Agreement to the Funding Lender, the Governmental Lender hereby agrees to execute and deliver the Governmental Lender Notes. The Governmental Lender Notes shall be substantially in the forms set forth in Exhibit A-1 and Exhibit A-2 attached hereto, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Funding Loan Agreement.

Section 2.3. Execution, Authentication and Delivery of the Governmental Lender Notes. The Governmental Lender Notes shall be executed on behalf of the Governmental Lender by the manual signature of an Authorized Officer of the Governmental Lender. The signature of an individual who was the proper officer of the Governmental Lender at the time of execution shall bind the Governmental Lender, notwithstanding that such individual shall have ceased to hold such office prior to the delivery of the Governmental Lender Notes or shall not have held such office as of the date of the Governmental Lender Notes.

The Governmental Lender Notes shall not be entitled to any benefit under this Funding Loan Agreement, or become valid or obligatory for any purpose unless a certificate of authentication on such Governmental Lender Notes, substantially in the respective forms set forth in Exhibit A-1 and Exhibit A-2 hereto, shall have been manually executed by the Fiscal Agent. The Fiscal Agent shall authenticate the Governmental Lender Notes by execution of the certificate of authentication on the Governmental Lender Notes, and the certificate of authentication so executed on the Governmental Lender Notes shall be conclusive evidence that they have been authenticated and delivered under this Funding Loan Agreement.

The Fiscal Agent shall deliver the authenticated Governmental Lender Notes to the Funding Lender on the Closing Date concurrently with the initial funding of the Funding Loan, as contemplated by Section 2.1(b) hereof.

Section 2.4. Required Transferee Representations; Participations; Sale and Assignment.

(a) The Governmental Lender Notes shall be fully registered as to principal and interest in the manner and with any additional designation as the Fiscal Agent deems necessary for the purpose of identifying the registered owner thereof. The Governmental Lender Notes shall be transferable only on the registration books of the Fiscal Agent. The Fiscal Agent shall maintain books or other records showing the name and date of registration, address and employer identification number of the registered owner of the Governmental Lender Notes, and any transfers of the Governmental Lender Notes, as provided herein, which books shall be maintained by the Fiscal Agent and which shall be open to inspection by the Governmental Lender. The Governmental Lender Notes shall initially be registered to the Initial Funding Lender.

(b) The Funding Lender may not sell or assign the Funding Loan and the Governmental Lender Notes, except in whole to a transferee who agrees to become the "Funding Lender" under the Funding Loan Documents and assume all of the obligations and perform all of the duties of the Funding Lender thereunder, but the Funding Lender shall have the right to sell participation interests in the Funding Loan or to grant a participation interest in the Funding Loan in a percentage of not less than twenty percent (20%) of the outstanding principal amount of the Funding Loan; provided that no participant shall hold more than fifty percent (50%) of the outstanding principal amount of the Funding Loan; and provided further that the

Funding Loan may be transferred, or any participation interest therein granted, only to an Approved Transferee that delivers a letter to the Governmental Lender and the Fiscal Agent substantially in the form attached hereto as Exhibit B-1 setting forth certain representations with respect to such Approved Transferee (the "Required Transferee Representations Letter"). In any event, only the owner of the Governmental Lender Notes, as shown on the Fiscal Agent's registration books for the Governmental Lender Notes, shall have any rights of the Noteowner hereunder and under any of the other Funding Loan Documents.

Notwithstanding the preceding paragraph, no Required Transferee Representations Letter shall be required for the Funding Lender Representative to, as certified in writing by the Funding Lender to the Governmental Lender and the Fiscal Agent: (i) transfer the Funding Loan to any affiliate or other party related to the Funding Lender that is an Approved Transferee or (ii) sell or transfer the Funding Loan to a special purpose entity, a trust or a custodial or similar pooling arrangement from which the Funding Loan or securitized interests therein are not expected to be sold or transferred except to (x) owners or beneficial owners thereof that are Approved Transferees who deliver to the Funding Lender, with a copy to the Governmental Lender, a Required Transferee Representations Letter. In connection with any sale, assignment or transfer of the Funding Loan, the Funding Lender shall give notice of such sale, assignment or transfer to the Fiscal Agent and the Fiscal Agent shall record such sale, assignment or transfer on its books or other records maintained for the registration of transfer of the Governmental Lender Notes.

(c) No service charge shall be made for any sale or assignment of any portion of the Funding Loan or the Governmental Lender Notes, but the Governmental Lender and the Fiscal Agent may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any such sale or assignment. Such sums shall be paid in every instance by the purchaser or assignee of the Funding Loan or portion thereof.

(d) The Funding Lender shall indemnify and defend the Governmental Lender and the Fiscal Agent against any claim brought by any transferor or transferee of the Governmental Lender Notes, or any owner of participation interests therein, in respect of the Funding Loan Documents or the Borrower Loan Documents in the event that the Funding Lender permits a transfer of the Governmental Lender Notes in violation of the restrictions in Sections 2.4(b) and (c) above.

Section 2.5. [Reserved].

ARTICLE III

PREPAYMENT

Section 3.1. Prepayment of the Governmental Lender Notes from Prepayment under the Borrower Notes. The Governmental Lender Notes are subject to voluntary and mandatory prepayment as follows:

(a) The Governmental Lender Notes shall be subject to voluntary prepayment in full or in part by the Governmental Lender, from funds of the Governmental Lender (consisting of a prepayment of the Borrower Loan) received by the Fiscal Agent, to the extent and in the manner and on any date that the corresponding Borrower Note is subject to voluntary prepayment as set forth therein, at a prepayment price equal to the principal balance of the corresponding Borrower Note to be prepaid, plus interest thereon to the date of prepayment and the amount of any Prepayment Premium payable under the corresponding Borrower Note; and as a condition to such

prepayment there shall have been paid any Additional Borrower Payments due and payable under the Borrower Loan Agreement through the date of prepayment.

The Borrower shall not have the right to voluntarily prepay all or any portion of the Borrower Notes, thereby causing the Governmental Lender Notes to be prepaid, except as specifically permitted by the Borrower Notes, without the prior Written Consent of the Funding Lender, which may be withheld in the Funding Lender's sole and absolute discretion.

(b) The Governmental Lender Notes shall be subject to mandatory prepayment in whole or in part upon prepayment of the corresponding Borrower Notes at the direction of the Funding Lender in accordance with the terms of the Borrower Notes at a prepayment price equal to the outstanding principal balance of the Borrower Notes prepaid, plus accrued interest; plus any other amounts payable under the Borrower Notes or the Borrower Loan Agreement.

Section 3.2. Notice of Prepayment. Notice of prepayment of the Governmental Lender Notes shall be deemed given to the extent that notice of prepayment of the Borrower Notes is timely and properly given to the Funding Lender, the Governmental Lender and the Fiscal Agent in accordance with the terms of the Borrower Notes and the Borrower Loan Agreement, and no separate notice of prepayment of the Governmental Lender Notes is required to be given. Notice of prepayment or payment at maturity of the Governmental Lender Notes shall be given to the California Debt Limit Allocation Committee as requested by the Borrower pursuant to Section 3.7 of the Borrower Loan Agreement.

ARTICLE IV

SECURITY

Section 4.1. Security for the Funding Loan. To secure the payment of the Funding Loan and the Governmental Lender Notes, to declare the terms and conditions on which the Funding Loan and the Governmental Lender Notes are secured, and in consideration of the premises and of the funding of the Funding Loan by the Funding Lender, the Governmental Lender by these presents does grant, bargain, sell, remise, release, convey, assign, transfer, mortgage, hypothecate, pledge, set over and confirm to the Funding Lender (except as limited herein), a lien on and security interest in the following described property (excepting, however, in each case, the Unassigned Rights) (said property, rights and privileges being herein collectively called, the "Security"):

(a) all right, title and interest of the Governmental Lender in, to and under the Borrower Loan, the Borrower Loan Agreement, the Borrower Notes and the other Borrower Loan Documents, including, without limitation, all rents, revenues and receipts derived by the Governmental Lender from the Borrower relating to the Project and including, without limitation, all Pledged Revenues, the Borrower Loan Payments and Additional Borrower Payments derived by the Governmental Lender under and pursuant to, and subject to the provisions of, the Borrower Loan Agreement;

(b) all right, title and interest of the Governmental Lender in, to and under, together with all rights, remedies, privileges and options pertaining to, the Funding Loan Documents, and all other payments, revenues and receipts derived by the Governmental Lender under and pursuant to, and subject to the provisions of, the Funding Loan Documents;

(c) any and all moneys and investments from time to time on deposit in, or forming a part of, all funds and accounts created and held by the Fiscal Agent under this Funding Loan

Agreement (other than the Rebate Fund), subject to the provisions of this Funding Loan Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein; and

(d) any and all other real or personal property of every kind and nature or description, which may from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien of this Funding Loan Agreement as additional security by the Governmental Lender or anyone on its part or with its consent, or which pursuant to any of the provisions hereof or of the Borrower Loan Agreement may come into the possession or control of the Fiscal Agent or the Funding Lender or a receiver appointed pursuant to this Funding Loan Agreement.

The Fiscal Agent and the Funding Lender are hereby authorized to receive any and all such property as and for additional security for the repayment of the Funding Loan and the Governmental Lender Notes and to hold and apply all such property subject to the terms hereof.

The pledge and assignment of and the security interest granted in the Security pursuant to this Section 4.1 for the payment of the principal of, premium, if any, and interest on the Governmental Lender Notes, in accordance with its terms and provisions, and for the payment of all other amounts due hereunder, shall attach and be valid and binding from and after the time of the delivery of the Governmental Lender Notes by the Governmental Lender. The Security so pledged and then or thereafter received by the Fiscal Agent or the Funding Lender shall immediately be subject to the lien of such pledge and security interest without any physical delivery or recording thereof or further act, and the lien of such pledge and security interest shall be valid and binding and prior to the claims of any and all parties having claims of any kind in tort, contract or otherwise against the Governmental Lender irrespective of whether such parties have notice thereof.

Section 4.2. Delivery of Security. To provide security for the payment of the Funding Loan and the Governmental Lender Notes, the Governmental Lender has pledged and assigned its right, title and interest in the Security to the Funding Lender. In connection with such pledge, assignment, transfer and conveyance, the Governmental Lender shall deliver to the Funding Lender the following documents or instruments promptly following their execution and, to the extent applicable, their recording or filing:

(a) the Borrower Notes endorsed without recourse by the Governmental Lender to the Funding Lender;

(b) an executed Borrower Loan Agreement and Regulatory Agreement;

(c) the executed Security Instrument and all other Funding Loan Documents existing at the time of delivery of the Borrower Notes as each such document is identified by the Funding Lender to the Governmental Lender prior to the Closing Date, and an assignment for security of the Security Instrument from the Governmental Lender to the Funding Lender, in a form provided by the Funding Lender;

(d) UCC financing statements or other chattel security documents giving notice of the Funding Lender's status as an assignee of the Governmental Lender's security interest in any personal property forming part of the Project, in a form provided by the Funding Lender; and

(e) UCC financing statements giving notice of the pledge by the Governmental Lender of the Security pledged under this Funding Loan Agreement, in a form provided by the Funding Lender.

The Governmental Lender shall deliver and deposit with the Funding Lender such additional documents, financing statements, and instruments as the Funding Lender may reasonably require from time to time for the better perfecting and assuring to the Funding Lender of its lien and security interest in and to the Security, at the expense of the Borrower.

ARTICLE V

LIMITED LIABILITY

Section 5.1. Source of Payment of Funding Loan and Other Obligations. The Funding Loan is a limited obligation of the Governmental Lender, payable solely from the Pledged Revenues and other funds and moneys and the Security pledged and assigned hereunder. None of the State, or any political subdivision thereof (except the Governmental Lender, to the limited extent set forth herein) nor any public agency shall in any event be liable for the payment of the principal of, premium (if any) or interest on the Funding Loan or for the performance of any pledge, obligation or agreement of any kind whatsoever with respect thereto except as set forth herein, and none of the Funding Loan or the Governmental Lender Notes or any of the Governmental Lender's agreements or obligations with respect to the Funding Loan, the Governmental Lender Notes, or hereunder, shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of or a moral obligation of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever. The making of the Funding Loan and the execution and delivery of the Governmental Lender Notes shall not directly, indirectly, or contingently obligate the City, the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment.

Notwithstanding the foregoing, the Governmental Lender shall not be liable for payment of the principal of, Prepayment Premium, if any, or interest on the Governmental Lender Notes or any other costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Funding Loan Agreement, the Governmental Lender Notes or any other document, except only to the extent of the Pledged Revenues.

Section 5.2. Exempt from Individual Liability. No covenant, condition or agreement contained herein shall be deemed to be a covenant, agreement or obligation of any present or future officer, director, employee or agent of the Governmental Lender in their individual capacity, and none of the officers, directors, employees or agents of the Governmental Lender executing the Governmental Lender Notes or this Funding Loan Agreement shall be liable personally on the Governmental Lender Notes or under any of the Funding Loan Documents or be subject to any personal liability or accountability by reason of the execution and delivery of the Governmental Lender Notes or the execution of any of the Funding Loan Documents.

ARTICLE VI

CLOSING CONDITIONS; APPLICATION OF FUNDS

Section 6.1. Conditions Precedent to Closing. Closing of the Funding Loan on the Closing Date shall be conditioned upon satisfaction or waiver by the Funding Lender and the Governmental Lender in their respective sole discretion of each of the conditions precedent to closing set forth in this Funding Loan Agreement, including but not limited to the following:

(a) receipt by the Funding Lender of the original Governmental Lender Notes;

(b) receipt by the Funding Lender of the original executed Borrower Notes, endorsed by the Governmental Lender without recourse to the Funding Lender;

(c) receipt by the Funding Lender and the Governmental Lender of executed counterparts of this Funding Loan Agreement, the Borrower Loan Agreement, the Construction Disbursement Agreement, the Regulatory Agreement, the Tax Certificate and the Security Instrument;

(d) receipt by the Funding Lender of a certified copy of the Resolution;

(e) receipt by the Governmental Lender of an executed Required Transferee Representations from the Funding Lender;

(f) delivery into escrow or to the Fiscal Agent, as appropriate, of all amounts required to be paid in connection with the origination of the Borrower Loan and the Funding Loan and any underlying real estate transfers or transactions, including the Costs of Funding Deposit, in accordance with Section 2.3(c)(ii) of the Borrower Loan Agreement;

(g) receipt by the Funding Lender and the Governmental Lender of a Tax Counsel Approving Opinion;

(h) delivery of an opinion of counsel to the Borrower addressed to the Governmental Lender and the Funding Lender to the effect that the Funding Loan Documents to which the Borrower is a party are valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their terms, subject to such exceptions and qualifications as are acceptable to the Governmental Lender and the Funding Lender, and as to such other matters and in such form as the Governmental Lender and the Funding Lender may require; and

(i) receipt by the Funding Lender of any other documents or opinions that the Funding Lender may require.

ARTICLE VII

FUNDS AND ACCOUNTS

Section 7.1. Authorization to Create Funds and Accounts. Except as provided in Section 7.3 hereof, no funds or accounts shall be established in connection with the Funding Loan at the time of closing and origination of the Funding Loan. The Funding Lender, the Fiscal Agent (as directed by the Funding Lender) and the Servicer, if any, are authorized to establish and create from time to time such other funds and accounts or subaccounts as may be necessary for the deposit of moneys (including, without limitation, insurance proceeds and/or condemnation awards), if any, received by the Governmental Lender, the Funding Lender, the Fiscal Agent or the Servicer pursuant to the terms hereof or any of the other Funding Loan Documents and not immediately transferred or disbursed pursuant to the terms of the Funding Loan Documents.

Section 7.2. Reserved**.**

Section 7.3. Establishment of Funds and Accounts. There are established with the Fiscal Agent the following funds and accounts:

(a) The Funding Loan Payment Fund;

(b) The Project Fund, and within the Project Fund (i) the Note Proceeds Account (with a Tax-Exempt Note Proceeds Subaccount and a Taxable Note Proceeds Subaccount), (ii) the Capitalized Interest Account and (iii) the Borrower Equity Account;

(c) The Expense Fund;

(d) The Closing Costs Fund; and

(e) The Rebate Fund.

All money required to be deposited with or paid to the Fiscal Agent for the account of the Funding Loan Payment Fund and the Project Fund and the accounts therein shall be held by the Fiscal Agent for the benefit of the Funding Lender, and shall, while held by the Fiscal Agent, constitute part of the Pledged Revenues and be subject to the lien hereof.

Section 7.4. Funding Loan Payment Fund. The Governmental Lender and the Borrower shall have no interest in the Funding Loan Payment Fund or the moneys therein, which shall always be maintained by the Fiscal Agent completely separate and segregated from all other moneys held hereunder and from any other moneys of the Governmental Lender and the Borrower.

The Fiscal Agent shall deposit into the Funding Loan Payment Fund any amounts received from the Borrower as payments of principal of, premium, if any, or interest on the Borrower Loan and any other amounts received by the Fiscal Agent that are subject to the lien and pledge of this Funding Loan Agreement, including any Pledged Revenues not required to be deposited to the Expense Fund or not otherwise specifically directed in writing to be deposited into other funds or accounts created by this Funding Loan Agreement.

The Fiscal Agent shall apply all amounts on deposit in the Funding Loan Payment Fund in the following order of priority:

First, to pay or provide for the payment of the interest then due on the Funding Loan;

Second, to pay or provide for the payment or the prepayment of principal (and premium, if any) on the Funding Loan, provided moneys have been transferred or deposited into the Funding Loan Payment Fund for such purpose; and

Third, to pay or provide for the payment of the Funding Loan on the Maturity Date or earlier prepayment or acceleration date.

Section 7.5. Expense Fund. The Fiscal Agent shall deposit in the Expense Fund the amounts required by the Regulatory Agreement or the Borrower Loan Agreement to be paid by the Borrower to the Governmental Lender or the Fiscal Agent. Amounts on deposit in the Expense Fund shall be used to pay the fees and expenses of the Governmental Lender, the Rebate Analyst and the Fiscal Agent, as and when the same become due. In that regard, moneys in the Expense Fund shall be withdrawn or maintained, as appropriate, by the Fiscal Agent to pay (i) the Ongoing Governmental Lender Fee, (ii) the Fiscal Agent Fee due, and (iii) the Rebate Analyst fee due.

In the event that the amounts on deposit in the Expense Fund are not equal to the amounts payable from the Expense Fund as provided in the preceding paragraph on any date on which such amounts are due and payable, the Fiscal Agent shall give notice to the Borrower of such deficiency and of the amount of such deficiency and request payment within two (2) Business Days to the Fiscal Agent of the amount of such deficiency.

Written Notice of any deficiency, which results in the Governmental Lender not receiving the Ongoing Governmental Lender Fee on the applicable due date, shall be provided by the Fiscal Agent to the Governmental Lender (with a copy to the Borrower and the Funding Lender) within five (5) Business Days of the respective due date.

Upon payment by the Borrower of such deficiency, the amounts for which such deficiency was requested shall be paid to the party entitled thereto by the Fiscal Agent.

Notwithstanding anything herein to the contrary, the Fiscal Agent, on behalf of the Governmental Lender, shall prepare and submit an invoice to the Borrower for payment of the Ongoing Governmental Lender Fee not later than thirty (30) days prior to the due date for payment of the Ongoing Governmental Lender Fee, and shall remit moneys received by the Borrower to the Governmental Lender for payment of such fee.

No amount shall be charged against the Expense Fund except as expressly provided in this Article VII hereof.

Section 7.6. Closing Costs Fund. On the Closing Date, the Fiscal Agent shall deposit in the Closing Costs Fund the amount set forth in Section 7.7(a) hereof and Section 2.3(a) of the Borrower Loan Agreement, and as described on Exhibit E hereto. Upon receipt by the Fiscal Agent of a Written Requisition in the form of Exhibit D, amounts in the Closing Costs Fund shall be disbursed by the Fiscal Agent to pay Costs of Funding on the Closing Date or as soon as practicable thereafter, provided that no requisition shall be required for the payment of Closing Costs set forth on the Closing Flow of Funds Memorandum. Any interest earnings on amounts on deposit in the Closing Costs Fund shall remain in the Closing Costs Fund. Any moneys remaining in the Closing Costs Fund (including investment proceeds) after the earlier of (a) the payment of all costs of issuance as certified in writing to the Governmental Lender and the Fiscal Agent by the Borrower or (b) a period of six (6) months after the Closing Date, shall be transferred to the Note Proceeds Account of the Project Fund and the Closing Costs Fund shall be closed.

Section 7.7. Project Fund.

(a) The Initial Disbursement (as defined in Section 2.1(b), shall be deposited by the Fiscal Agent to the Note Proceeds Account of the Project Fund, and immediately transferred by the Fiscal Agent as follows: (i) $[0] to the Closing Costs Fund, and (ii) $[55,000] to Old Republic Title Company, as provided in the Closing Flow of Funds Memorandum. Proceeds of the Funding Loan provided by the Funding Lender after the Closing Date shall be deposited to the Note Proceeds Account and the Capitalized Interest Account of the Project Fund as directed in writing by the Funding Lender. Borrower Required Equity shall be deposited to the Borrower Equity Account and the Capitalized Interest Account of the Project Fund on the Closing Date as set forth in Exhibit E and otherwise as directed in writing by the Funding Lender. The Fiscal Agent shall disburse moneys in the Note Proceeds Account, the Capitalized Interest Account and the Borrower Equity Account of the Project Fund for the acquisition, construction and equipping of the Project, to pay Qualified Project Costs and to pay other costs related to the Project as provided herein.

Except as otherwise provided in this Section, payments shall only be made from the Project Fund upon delivery to the Fiscal Agent of a Written Requisition substantially in the form attached hereto as Exhibit C and approved by the Funding Lender.

In addition to the above, in connection with any requisition or disbursement from the Project Fund:

(i) The Fiscal Agent shall disburse amounts in the Project Fund upon receipt of a Written Requisition signed only by the Funding Lender, without any need for any signature by an Authorized Borrower Representative, so long as the amount to be disbursed is to be used solely to make payments of principal, interest and/or fees due under the Funding Loan Documents.

(ii) Upon the occurrence of any mandatory prepayment of the Funding Loan pursuant to the terms hereof or upon the occurrence of an Event of Default, any amounts then remaining in the Project Fund may, at the Written Direction of the Funding Lender, be transferred to the Funding Loan Payment Fund to be applied to the prepayment of the Funding Loan without a Written Requisition.

(iii) The Fiscal Agent shall immediately provide Written Notice to the Borrower, the Funding Lender, the Servicer and the Governmental Lender if there are not sufficient funds available to or on deposit with the Fiscal Agent to make the disbursements as and when required by this Section.

(iv) The Fiscal Agent may conclusively rely on all Written Requisitions executed by the Authorized Borrower Representative and approved by the Funding Lender, as required by this Section, as conditions of payment from the Project Fund, and shall constitute to the Fiscal Agent irrevocable determinations that all conditions to payment of the specified amounts from the Project Fund have been satisfied. All Written Requisitions delivered to the Fiscal Agent shall be retained by the Fiscal Agent, subject at all reasonable times to examination by the Borrower, the Governmental Lender, the Funding Lender and the agents and representatives of each thereof upon reasonable notice to the Fiscal Agent. The Fiscal Agent is not required to make any independent investigation with respect to the matters set forth in any Written Requisition or other statements, orders, certifications and approvals received by the Fiscal Agent.

Upon receipt of each Written Requisition signed by the Authorized Borrower Representative and approved in writing by the Funding Lender, the Fiscal Agent shall promptly, but in any case within two (2) Business Days, make payment from the applicable account within the Project Fund in accordance with such Written Requisition. All such payments shall be made by check or draft payable, or by wire transfer, either (i) directly to the person, firm or corporation to be paid as provided in the Written Requisition, (ii) to the Borrower who shall then promptly pay such person, firm or corporation to be paid, or (iii) upon receipt by the Funding Lender of evidence that the Borrower has previously paid such amount, directly to the Borrower. Upon disbursement of the full Authorized Amount, the Fiscal Agent shall close the Project Fund.

(b) Amounts set aside to pay capitalized interest on the Funding Loan, including additional capitalized interest deposited by the Borrower in connection with any deposits made pursuant to Section 2.1 hereof or extension of the Completion Deadline or the Stabilization Deadline, shall be deposited in the Capitalized Interest Account of the Project Fund. On the last Business Day immediately preceding each Interest Payment Date up to and including the Stabilization Date, the Fiscal Agent shall transfer funds from the Capitalized Interest Account of the Project Fund or to the extent that insufficient funds are on deposit in the Capitalized Interest Account, from the Borrower Equity Account of the Project Fund, to the Funding Loan Payment Fund to pay the interest due on the Funding Loan on the following Interest Payment Date

without the need for a Written Requisition. After the Stabilization Date, any amounts remaining in the Capitalized Interest Account shall be transferred to the Note Proceeds Account of the Project Fund to the extent such amounts were funded with proceeds of the Funding Loan and to the Borrower Equity Account of the Project Fund to the extent such amounts were funded with Borrower Required Equity.

Section 7.8. Rebate Fund. The Fiscal Agent shall deposit or transfer to the credit of the Rebate Fund each amount delivered to the Fiscal Agent by the Borrower for deposit thereto and each amount directed by the Borrower or the Rebate Analyst to be transferred thereto pursuant to Section 5.35 of the Borrower Loan Agreement.

Section 7.9. Investments. Amounts on deposit in all funds and accounts established hereunder shall be invested in Permitted Investments as directed in writing by the Borrower. Investment income earned on amounts on deposit in each fund and account shall be retained in and credited to and become a part of the amounts on deposit in such fund or account. In giving such direction, the Borrower shall take into account that amounts held in any funds or accounts created under this Funding Loan Agreement shall be subject in all cases to any applicable restrictions in Section 8.7 hereof and in the Tax Certificate.

The Fiscal Agent may make any and all investments permitted under this Funding Loan Agreement through its own trust or banking department or any affiliate and may pay said department reasonable, customary fees for placing such investments. The Fiscal Agent and its affiliates may act as principal, agent, sponsor, advisor or depository with respect to Permitted Investments under this Funding Loan Agreement. The Fiscal Agent shall not be liable for any losses from investments made by the Fiscal Agent in accordance with this Funding Loan Agreement. The Fiscal Agent may rely conclusively on the investment direction of the Borrower as to the suitability and legality of the directed investments.

The Governmental Lender, the Funding Lender and the Borrower (by its execution of the Borrower Loan Agreement) acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Governmental Lender or the Funding Lender the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the Governmental Lender and the Funding Lender will not receive such confirmations to the extent permitted by law. The Fiscal Agent shall furnish the Borrower, the Funding Lender and the Governmental Lender (to the extent requested by such parties) periodic cash transaction statements which shall include detail for all investment transactions, if any, made by the Fiscal Agent hereunder.

The amounts received upon the sale of the Tax-Exempt Governmental Lender Note and interest and other investment earnings on those amounts shall be allocated and used by the Borrower for financing Qualified Project Costs of each building and related land in the Project so that the aggregate basis of each such building and related land, within the meaning of Section 42(h)(4) of the Code, shall be financed by twenty-five percent (25%) or more from those amounts.

ARTICLE VIII

REPRESENTATIONS AND COVENANTS

Section 8.1. General Representations. The Governmental Lender makes the following representations as the basis for the undertakings on its part herein contained:

(a) The Governmental Lender is a municipal corporation organized and existing under the laws of the State, has the power and authority to (i) enter into the Funding Loan Documents to which it is a party and the transactions contemplated thereby, (ii) incur the limited obligation represented by the Governmental Lender Notes and the Funding Loan and apply the proceeds

thereof to finance costs of the Project, and (iii) carry out its other obligations under this Funding Loan Agreement and the Governmental Lender Notes, and by proper action has duly authorized the Governmental Lender's execution and delivery of, and its performance under, the Funding Loan Documents to which it is a party.

(b) The Governmental Lender is not in default under or in violation of, and the execution and delivery of the Funding Loan Documents to which it is a party and its compliance with the terms and conditions thereof will not conflict or constitute a default under or a violation of, (i) the Act, (ii) to its knowledge, any other existing laws, rules, regulations, judgments, decrees and orders applicable to it, or (iii) to its knowledge, the provisions of any agreements and instruments to which the Governmental Lender is a party, a default under or violation of which would prevent it from entering into this Funding Loan Agreement, executing and delivering the Governmental Lender Notes, financing costs of the Project, executing and delivering the other Funding Loan Documents to which it is a party or consummating the transactions contemplated thereby, and, to its knowledge without investigation, no event has occurred and is continuing under the provisions of any such agreement or instrument or otherwise that with the lapse of time or the giving of notice, or both, would constitute such a default or violation (it being understood, however, that the Governmental Lender is making no representations as to the necessity of registering the Borrower Notes pursuant to any securities laws or complying with any other requirements of securities laws).

(c) No litigation, inquiry or investigation of any kind in or by any judicial or administrative court or agency is pending with respect to which the Governmental Lender has been served with process or, to the knowledge of the Governmental Lender without investigation, is threatened against the Governmental Lender with respect to (i) the organization and existence of the Governmental Lender, (ii) its authority to execute or deliver the Funding Loan Documents to which it is a party, (iii) the validity or enforceability of any such Funding Loan Documents or the transactions contemplated thereby, (iv) the title of any officer of the Governmental Lender who executed such Funding Loan Documents or (v) any authority or proceedings relating to the execution and delivery of such Funding Loan Documents to which it is a party on behalf of the Governmental Lender.

(d) The revenues and receipts to be derived from the Borrower Loan Agreement, the Borrower Notes and this Funding Loan Agreement have not been pledged previously by the Governmental Lender to secure any of its notes or bonds other than as provided in this Funding Loan Agreement.

(e) The California Debt Limit Allocation Committee has provided an allocation of the State's 2025 private activity bond volume cap under Section 146 of the Code to the Governmental Lender for the Tax-Exempt Governmental Lender Note, and the Governmental Lender has timely made any required carry forward elections with respect to such allocations. The Governmental Lender hereby elects to apply the alternative option under clause (2) of the first paragraph of Section 3.01 of IRS Notice 2011-63 with respect to the issue date of the Tax-Exempt Governmental Lender Note; and, in connection therewith, has directed Tax Counsel to include the information on Form 8038 filed for the Tax-Exempt Governmental Lender Note that is required by Section 3.03 of IRS Notice 2011-63.

THE GOVERNMENTAL LENDER MAKES NO REPRESENTATION, COVENANT OR AGREEMENT AS TO THE FINANCIAL POSITION OR BUSINESS CONDITION OF THE BORROWER OR THE PROJECT AND DOES NOT REPRESENT OR WARRANT AS TO ANY STATEMENTS, MATERIALS, REPRESENTATIONS OR CERTIFICATIONS FURNISHED BY THE

BORROWER IN CONNECTION WITH THE FUNDING LOAN OR AS TO THE CORRECTNESS, COMPLETENESS OR ACCURACY THEREOF.

Section 8.2. No Encumbrance on Security. The Governmental Lender will not knowingly create or knowingly permit the creation of any mortgage, pledge, lien, charge or encumbrance of any kind on the Security or any part thereof prior to or on a parity with the lien of this Funding Loan Agreement, except as expressly permitted or contemplated by the Funding Loan Documents.

Section 8.3. Repayment of Funding Loan. Subject to the provisions of Articles II and V hereof, the Governmental Lender will duly and punctually repay, or cause to be repaid, the Funding Loan, as evidenced by the Governmental Lender Notes, as and when the same shall become due, all in accordance with the terms of the Governmental Lender Notes and this Funding Loan Agreement.

Section 8.4. The Servicer. The Funding Lender may appoint the Servicer to service and administer the Governmental Loan and/or the Borrower Loan on behalf of the Funding Lender, including without limitation the fulfillment of rights and responsibilities granted by the Governmental Lender to the Funding Lender pursuant to Section 2.1 of the Borrower Loan Agreement. The Funding Lender shall advise the Governmental Lender and the Fiscal Agent in writing of its appointment of any Servicer, indicating the identity of the Servicer and generally the responsibilities of the Servicer thereunder.

Section 8.5. Borrower Loan Agreement Performance.

(a) The Funding Lender and the Servicer, if any, on behalf of the Governmental Lender, may (but shall not be required to nor obligated to) perform and observe any agreement or covenant of the Governmental Lender under the Borrower Loan Agreement.

(b) The Governmental Lender will promptly notify or cause to be notified the Borrower, the Fiscal Agent, the Servicer, if any, and the Funding Lender in writing of the occurrence of any Borrower Loan Agreement Default, provided that the Governmental Lender has received Written Notice of such event.

Section 8.6. Maintenance of Records; Inspection of Records.

(a) The Fiscal Agent shall keep and maintain adequate records pertaining to any funds and accounts established hereunder, including all deposits to and disbursements from said funds and accounts and shall keep and maintain the registration books for the Governmental Lender Notes and interests therein. The Fiscal Agent shall retain in its possession all certifications and other documents presented to it, all such records and all records of principal, interest and premium paid on the Funding Loan, subject to the inspection of the Funding Lender and the Governmental Lender and their representatives at all reasonable times and upon reasonable prior notice.

(b) The Governmental Lender and the Funding Lender will at any and all times, upon the reasonable request of the Servicer, if any, the Borrower, the Fiscal Agent, the Governmental Lender or the Funding Lender, afford and procure a reasonable opportunity by their respective representatives to inspect the books, records, reports and other papers of the Governmental Lender or the Funding Lender, as appropriate, relating to the Project and the Funding Loan, if any, and to make copies thereof.

Section 8.7. Tax Covenants. The Governmental Lender covenants to and for the benefit of the Funding Lender that, notwithstanding any other provisions of this Funding Loan Agreement or of any other instrument, it will:

(a) Not take any action within its control to cause the Tax-Exempt Governmental Lender Note to be "federally guaranteed" within the meaning of Section 149(b) of the Code and the Regulations.

(b) Require the Borrower to agree, solely by causing the Borrower to execute the Borrower Loan Agreement, not to commit any act and not to make any use of the proceeds of the Tax-Exempt Governmental Lender Note, or any other moneys which may be deemed to be proceeds of the Tax-Exempt Governmental Lender Note pursuant to the Code, which would cause the Tax-Exempt Governmental Lender Note to be an "arbitrage bond" within the meaning of Sections 103(b) and 148 of the Code, and to comply with the requirements of the Code throughout the term of the Funding Loan.

(c) Require the Borrower solely by causing the Borrower to execute the Borrower Loan Agreement, to take all steps necessary to compute and pay any rebatable arbitrage in accordance with Section 148(f) of the Code.

In furtherance of the covenants in this Section 8.7, the Governmental Lender and the Borrower shall execute, deliver and comply with the provisions of the Tax Certificate, which is by this reference incorporated into and made a part of this Funding Loan Agreement as if set forth in this Funding Loan Agreement in full.

For purposes of this Section 8.7: (a) the Governmental Lender is assuming, with the consent of the parties hereto, the truth of the covenants and representations of the Borrower in the Borrower Loan Agreement, the Regulatory Agreement and the Tax Certificate, and the Borrower's compliance therewith; (b) the Governmental Lender's compliance shall be based solely on matters within the Governmental Lender's knowledge and control; (c) no acts, omissions or directions of the Borrower, the Funding Lender or any other Persons shall be attributed to the Governmental Lender; and (d) in complying with the foregoing covenants, the Governmental Lender may rely on an opinion of Tax Counsel.

Section 8.8. Performance by the Borrower. Without relieving the Governmental Lender from the responsibility for performance and observance of the agreements and covenants required to be performed and observed by it hereunder, the Borrower, on behalf of the Governmental Lender, may perform any such agreement or covenant if no Borrower Loan Agreement Default or Potential Default under the Borrower Loan Agreement exists.

ARTICLE IX

DEFAULT; REMEDIES

Section 9.1. Events of Default. Any one or more of the following shall constitute an event of default (an "Event of Default") under this Funding Loan Agreement (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) A default in the payment of any interest on the Governmental Lender Notes when such interest becomes due and payable; or

(b) A default in the payment of principal of, or Prepayment Premium on, the Governmental Lender Notes when such principal or Prepayment Premium becomes due and payable, whether at its stated maturity, by declaration of acceleration, call for mandatory prepayment or otherwise; or

(c) Subject to Section 8.8 hereof, default in the performance or breach of any material covenant or warranty of the Governmental Lender in this Funding Loan Agreement (other than a covenant or warranty or default in the performance or breach of which is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of thirty (30) days after there has been given Written Notice, as provided in Section 12.1 hereof, to the Governmental Lender and the Borrower by the Funding Lender or the Servicer, specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under this Funding Loan Agreement; provided that, so long as the Governmental Lender has commenced to cure such failure to observe or perform within the thirty (30) day cure period and the subject matter of the default is not capable of cure within said thirty (30) day period and the Governmental Lender is diligently pursuing such cure to the Funding Lender's satisfaction, with the Funding Lender's Written Direction or consent, then the Governmental Lender shall have an additional period of time as reasonably necessary (not to exceed thirty (30) days unless extended in writing by the Funding Lender) within which to cure such default; or

(d) Any other "Default" or "Event of Default" under any of the other Funding Loan Documents (taking into account any applicable grace periods therein).

Section 9.2. Acceleration of Maturity; Rescission and Annulment.

(a) Subject to the provisions of Article V and Section 9.9 hereof, upon the occurrence of an Event of Default under Section 9.1 hereof, then and in every such case, the Funding Lender may declare the principal of the Funding Loan and the Governmental Lender Notes and the interest accrued to be immediately due and payable, by notice to the Governmental Lender, the Fiscal Agent and the Borrower and upon any such declaration, all principal of and Prepayment Premium, if any, and interest on the Funding Loan and the Governmental Lender Notes shall become immediately due and payable.

(b) At any time after a declaration of acceleration has been made pursuant to subsection (a) of this Section, the Funding Lender may by Written Notice to the Governmental Lender, rescind and annul such declaration and its consequences if:

(i) there has been deposited with the Funding Lender a sum sufficient to pay (A) all overdue installments of interest on the Funding Loan and the Governmental Lender Notes, (B) the principal of and Prepayment Premium, on the Funding Loan and the Governmental Lender Notes that has become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in the Funding Loan and the Governmental Lender Notes, (C) to the extent that payment of such interest is lawful, interest upon overdue installments of interest at the rate or rates prescribed therefor in the Funding Loan and the Governmental Lender Notes, and (D) all sums paid or advanced by the Funding Lender and the reasonable compensation, expenses, disbursements and advances of the Funding Lender, its agents and counsel (but only to the extent not duplicative with subclauses (A) and (C) above); and

(ii) all Events of Default, other than the nonpayment of the principal of the Funding Loan and the Governmental Lender Notes which have become due solely by such declaration of acceleration, have been cured or have been waived in writing as provided in Section 9.9 hereof.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

(c) Notwithstanding the occurrence and continuation of an Event of Default, it is understood that the Funding Lender shall pursue no remedies against the Borrower or the Project if no Borrower Loan

Agreement Default has occurred and is continuing. An Event of Default hereunder shall not in and of itself constitute a Borrower Loan Agreement Default.

Section 9.3. Additional Remedies; the Funding Lender Enforcement.

(a) Upon the occurrence of an Event of Default, the Funding Lender may, subject to the provisions of Article V, this Section 9.3 and Section 9.9 hereof, proceed to protect and enforce its rights by mandamus or other suit, action or proceeding at law or in equity. No remedy conferred by this Funding Loan Agreement upon or remedy reserved to the Funding Lender is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to any other remedy given to the Funding Lender hereunder or now or hereafter existing at law or in equity or by statute.

(b) Upon the occurrence and continuation of any Event of Default, subject to the provisions of Article V hereof, the Funding Lender may proceed forthwith to protect and enforce its rights and this Funding Loan Agreement by such suits, actions or proceedings as the Funding Lender, in its sole discretion, shall deem expedient. The Funding Lender shall have upon the occurrence and continuation of any Event of Default all rights, powers, and remedies with respect to the Security as are available under the UCC applicable thereto or as are available under any other applicable law at the time in effect and, without limiting the generality of the foregoing, the Funding Lender may proceed at law or in equity or otherwise, to the extent permitted by applicable law:

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

(ii) to become mortgagee of record for the Borrower Loan including, without limitation, completing the assignment of the Security Instrument by the Governmental Lender to the Funding Lender as anticipated by this Funding Loan Agreement, and recording the same in the real estate records of the jurisdiction in which the Project is located, without further act or consent of the Governmental Lender, and to service and administer the same for its own account;

(iii) to service and administer the Funding Loan as agent and on behalf of the Governmental Lender or otherwise, and, if applicable, to take such actions necessary to enforce the Funding Loan Documents on its own behalf, and to take such alternative courses of action, as it may deem appropriate; or

(iv) to take such steps to protect and enforce its rights whether by action, suit or proceeding in equity or at law for the specific performance of any covenant, condition or agreement in the Governmental Lender Notes, this Funding Loan Agreement or the other Funding Loan Documents, or in and of the execution of any power herein granted, or for foreclosure hereunder, or for enforcement of any other appropriate legal or equitable remedy or otherwise as the Funding Lender may elect.

(c) Whether or not an Event of Default has occurred, the Funding Lender, in its sole discretion, shall have the sole right to waive or forbear any term, condition, covenant or agreement of the Security Instrument, the Borrower Loan Agreement, the Borrower Notes or any other Funding Loan Documents applicable to the Borrower, or any breach thereof, other than a covenant that would adversely impact the tax-exempt status of the interest on the Tax-Exempt Governmental Lender Note, and provided that no such waiver or forebearance shall apply to the Unassigned Rights and the Governmental Lender may enforce the Unassigned Rights by means of an action for specific performance; provided, however, that any such

forbearance by the Funding Lender in the exercise of its remedies under the Funding Loan Documents shall not be construed as a waiver by the Funding Lender of any the Unassigned Rights.

(d) If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in the Regulatory Agreement, and if such default remains uncured for a period of sixty (60) days after the Borrower and the Funding Lender receive Written Notice stating that a default under the Regulatory Agreement has occurred and specifying the nature of the default, the Funding Lender shall have the right to seek specific performance by the Borrower of the provisions of the Regulatory Agreement or to exercise its other rights or remedies thereunder.

(e) If the Borrower defaults in the performance of its obligations under the Borrower Loan Agreement or any of the other Funding Loan Documents to make rebate payments, to comply with any applicable continuing disclosure requirements, or to make payments owed thereunder, the Funding Lender shall have the right to exercise all its rights and remedies thereunder.

Section 9.4. Application of Money Collected. Any money collected by the Funding Lender pursuant to this Article and any other sums then held by the Funding Lender as part of the Security, shall be applied in the following order, at the date or dates fixed by the Funding Lender:

(a) First: To the payment of the whole amount of the Funding Loan, as evidenced by the Governmental Lender Notes, then due and unpaid in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Funding Loan) on overdue principal of, and Prepayment Premium and overdue installments of interest on the Funding Loan; provided, however, that partial interests in any portion of the Funding Loan shall be paid in such order of priority as may be prescribed by Written Direction of the Funding Lender in its sole and absolute discretion;

(b) Second: To the payment of any and all amounts due under the Funding Loan Documents other than with respect to principal and interest accrued on the Funding Loan, including, without limitation, any amounts due to the Fiscal Agent, the Governmental Lender, the Funding Lender, the Servicer and the Rebate Analyst; and

(c) Third: The payment of the remainder, if any, to the Borrower or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Section 9.5. Remedies Vested in the Funding Lender. All rights of action and claims under this Funding Loan Agreement or the Governmental Lender Notes may be prosecuted and enforced by the Funding Lender without the possession of the Governmental Lender Notes or the production thereof in any proceeding relating thereto.

Section 9.6. Restoration of Positions. If the Funding Lender shall have instituted any proceeding to enforce any right or remedy under this Funding Loan Agreement and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Funding Lender, then and in every such case the Governmental Lender and the Funding Lender shall, subject to any determination in such proceeding, be restored to their former positions hereunder, and thereafter all rights and remedies of the Governmental Lender and the Funding Lender shall continue as though no such proceeding had been instituted.

Section 9.7. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Funding Lender is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 9.8. Delay or Omission Not Waiver. No delay or omission of the Funding Lender to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Funding Lender may be exercised from time to time, and as often as may be deemed expedient, by the Funding Lender. No waiver of any default or Event of Default pursuant to Section 9.9 hereof shall extend to or shall affect any subsequent default or Event of Default hereunder or shall impair any rights or remedies consequent thereon.

Section 9.9. Waiver of Past Defaults. Before any judgment or decree for payment of money due has been obtained by the Funding Lender, the Funding Lender may, subject to Section 9.6 hereof, by Written Notice to the Governmental Lender and the Borrower, waive any past default hereunder or under the Borrower Loan Agreement and its consequences except for any default in obligations due to the Governmental Lender pursuant to or under the Unassigned Rights. Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Funding Loan Agreement and the Borrower Loan Agreement; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 9.10. Remedies Under the Borrower Loan Agreement or the Borrower Notes. As set forth in this Section 9.10 but subject to Section 9.9 hereof, the Funding Lender shall have the right, in its own name or on behalf of the Governmental Lender, to declare any default and exercise any remedies under the Borrower Loan Agreement or the Borrower Notes, whether or not the Governmental Lender Notes have been accelerated or declared due and payable by reason of an Event of Default.

Section 9.11. Waiver of Appraisement and Other Laws.

(a) To the extent permitted by law, the Governmental Lender will not at any time insist upon, plead, claim or take the benefit or advantage of, any appraisement, valuation, stay, extension or redemption law now or hereafter in force, in order to prevent or hinder the enforcement of this Funding Loan Agreement; and the Governmental Lender, for itself and all who may claim under it, so far as it or they now or hereafter may lawfully do so, hereby waives the benefit of all such laws. The Governmental Lender, for itself and all who may claim under it, waives, to the extent that it may lawfully do so, all right to have the property in the Security marshaled upon any enforcement hereof.

(b) If any law now in effect prohibiting the waiver referred to in Section 9.11(a) above, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to constitute any part of the contract herein contained or to preclude the application of this Section 9.11.

Section 9.12. Suits to Protect the Security. The Funding Lender shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Security by any acts that may be unlawful or in violation of this Funding Loan Agreement and to protect its interests in the Security and in the rents, issues, profits, revenues and other income arising therefrom, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or

compliance with such enactment, rule or order would impair the security hereunder or be prejudicial to the interests of the Funding Lender.

Section 9.13. Remedies Subject to Applicable Law. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Funding Loan Agreement invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law.

Section 9.14. Assumption of Obligations. In the event that the Funding Lender or its assignee or designee shall become the legal or beneficial owner of the Project by foreclosure or deed in lieu of foreclosure, such party shall succeed to the rights and the obligations of the Borrower under the Borrower Loan Agreement, the Borrower Notes, the Regulatory Agreement and any other Funding Loan Documents to which the Borrower is a party. Such assumption shall be effective from and after the effective date of such acquisition and shall be made with the benefit of the limitations of liability set forth therein and without any liability for the prior acts of the Borrower.

It is the intention of the parties hereto that upon the occurrence and continuance of an Event of Default hereunder, rights and remedies may be pursued pursuant to the terms of the Funding Loan Documents.

ARTICLE X

AMENDMENT; AMENDMENT OF THE BORROWER LOAN AGREEMENT AND OTHER DOCUMENTS

Section 10.1. Amendment of Funding Loan Agreement. Any of the terms of this Funding Loan Agreement and the Governmental Lender Notes may be amended or waived only by an instrument signed by the Funding Lender, the Fiscal Agent (at the Funding Lender's direction) and the Governmental Lender, provided, however, no such amendment which materially affects the rights, duties, obligations or other interests of the Borrower shall be made without the consent of the Borrower, and, provided further, that if the Borrower is in default under any Funding Loan Document, no Borrower consent shall be required unless such amendment has a material adverse effect on the rights, duties, obligations or other interests of the Borrower. All of the terms of this Funding Loan Agreement shall be binding upon the successors and assigns of and all persons claiming under or through the Governmental Lender or any such successor or assign, and shall inure to the benefit of and be enforceable by the successors and assigns of the Funding Lender. The Fiscal Agent may, but shall not be required to, enter into any amendment or waiver affecting its rights or duties hereunder.

Section 10.2. Amendments Require the Funding Lender Consent. The Governmental Lender shall not consent to any amendment, change or modification of the Borrower Loan Agreement or any other Funding Loan Document without the prior Written Consent of the Funding Lender, which consent shall not be unreasonably delayed or withheld if it relates to the Unassigned Rights.

Section 10.3. Consents and Opinions. No amendment to this Funding Loan Agreement or any other Funding Loan Document entered into under this Article X or any amendment, change or modification otherwise permitted under this Article X shall become effective unless and until (i) the Funding Lender shall have approved the same in writing in its sole discretion (in its reasonable discretion if such amendment, change or modification relates to the Unassigned Rights), and (ii) the Funding Lender and the Governmental Lender shall have received, at the expense of the Borrower, a Tax Counsel No Adverse Effect Opinion and

an Opinion of Counsel to the effect that any such proposed amendment is authorized and complies with the provisions of this Funding Loan Agreement and is a legal, valid and binding obligation of the parties thereto, subject to normal exceptions relating to bankruptcy, insolvency and equitable principles limitations.

ARTICLE XI

THE FISCAL AGENT

Section 11.1. Appointment of the Fiscal Agent; Acceptance. The Governmental Lender hereby appoints U.S. Bank Trust Company, National Association as the Fiscal Agent hereunder. The Fiscal Agent shall signify its acceptance of the duties and obligations imposed upon it by this Funding Loan Agreement by executing this Funding Loan Agreement.

Section 11.2. Certain Duties and Responsibilities of the Fiscal Agent.

The Fiscal Agent undertakes to perform such duties and only such duties as are specifically set forth in this Funding Loan Agreement, and no implied covenants or obligations shall be read into this Funding Loan Agreement against the Fiscal Agent.

(a) If an event of default exists hereunder or under any Funding Loan Document, the Fiscal Agent shall exercise such rights and powers vested in it by this Funding Loan Agreement, solely at the written direction and at the expense of the Funding Lender.

(b) No provision of this Funding Loan Agreement shall be construed to relieve the Fiscal Agent from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, in each case, as finally adjudicated by a court of law, except that:

(i) This subsection shall not be construed to limit the effect of subsection (a) of this Section;

(ii) The Fiscal Agent shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts;

(iii) The Fiscal Agent shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Funding Lender relating to the time, method and place of exercising any trust or power conferred upon the Fiscal Agent under this Funding Loan Agreement; and

(iv) No provision of this Funding Loan Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it in its sole discretion.

Subject to its rights to indemnification pursuant to Section 11.4 hereof, the Fiscal Agent is directed to enter into the Funding Loan Documents to which it is a party and other related documents, solely in its capacity as the Fiscal Agent.

(c) Whether or not herein and therein expressly so provided, every provision of this Funding Loan Agreement and the other Funding Loan Documents relating to the conduct or

affecting the liability of or affording protection to the Fiscal Agent shall be subject to the provisions of this Section.

(d) The Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of this Funding Loan Agreement; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Funding Loan Agreement on their face.

(e) The permissive rights of the Fiscal Agent to do things enumerated in this Funding Loan Agreement shall not be construed as a duty.

(f) The rights of the Fiscal Agent and limitations of liability enumerated herein and in Section 11.4 hereof shall extend to actions taken or omitted in its role as a party to the Borrower Loan Agreement and the other Funding Loan Documents.

Section 11.3. Notice of Defaults. Upon the occurrence of any default hereunder or under any other Funding Loan Document and provided that a Responsible Officer of the Fiscal Agent has actual knowledge of or has received Written Notice of the existence of such default, promptly, and in any event within fifteen (15) days, the Fiscal Agent shall transmit to the Governmental Lender, the Borrower, the Servicer, if any, and the Funding Lender, in the manner and at the addresses for notices set forth in Section 12.1 hereof, notice of such default hereunder actually known to the Fiscal Agent pursuant to Section 11.4(g) hereof, unless such default shall have been cured or waived.

Section 11.4. Certain Rights of the Fiscal Agent. Except as otherwise provided in Section 11.1 hereof:

(a) The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, debenture, coupon or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request or direction of the Governmental Lender mentioned herein shall be sufficiently evidenced by a certificate or order executed by an Authorized Representative of the Governmental Lender.

(c) Whenever in the administration of this Funding Loan Agreement or any of the other Funding Loan Documents, the Fiscal Agent shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Fiscal Agent (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a Written Certificate of the Governmental Lender, the Funding Lender, the Servicer or the Borrower, as appropriate.

(d) The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Funding Loan Agreement or any other Funding Loan Document at the request or direction of the Funding Lender, pursuant to this Funding Loan Agreement, unless the Funding Lender shall have offered to the Fiscal Agent, in writing, security or indemnity reasonably satisfactory to the Fiscal Agent against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction, except costs, expenses and liabilities which are adjudicated to have resulted from its own negligence or willful misconduct.

(e) The Fiscal Agent shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, debenture, coupon or other paper or document but the Fiscal Agent, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Fiscal Agent shall determine to make such further inquiry or investigation, it shall be entitled to examine the books and records of the Governmental Lender, if any, and of the Borrower, in either case personally or by agent or attorney after reasonable notice and during normal business hours.

(f) The Fiscal Agent may execute any of its powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and pay reasonable compensation thereto. The Fiscal Agent may act upon the advice of counsel of its choice concerning all matters hereof and the Fiscal Agent shall not be responsible for any loss or damage resulting from any action or inaction taken in good faith reliance upon said advice.

(g) The Fiscal Agent shall not be required to take notice or be deemed to have notice of any default hereunder or under any other Funding Loan Document except for failure by the Borrower to make payments of principal, interest, Prepayment Premium, if any, or the Ongoing Governmental Lender Fee when due, unless a Responsible Officer of the Fiscal Agent shall be specifically notified by a Written Notice of such default by the Governmental Lender, the Servicer or the Funding Lender, and all notices or other instruments required by this Funding Loan Agreement or under any other Funding Loan Document to be delivered to the Fiscal Agent, must, in order to be effective, be delivered in writing to a Responsible Officer of the Fiscal Agent at the office of the Fiscal Agent, and in the absence of such Written Notice so delivered the Fiscal Agent may conclusively assume there is no default as aforesaid.

(h) The Fiscal Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Funding Loan Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Fiscal Agent, or another method or system specified by the Fiscal Agent as available for use in connection with its services hereunder.); provided, however, that the Funding Lender, the Governmental Lender, the Servicer, if any, and/or the Borrower, as applicable, shall provide to the Fiscal Agent an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Funding Lender, the Governmental Lender, the Servicer and/or the Borrower, as applicable, whenever a person is to be added or deleted from the listing. If the Funding Lender, the Governmental Lender, the Servicer and/or the Borrower, as applicable, elects to give the Fiscal Agent Instructions using Electronic Means and the Fiscal Agent in its discretion elects to act upon such Instructions, the Fiscal Agent's understanding of such Instructions shall be deemed controlling. The Funding Lender, the Governmental Lender, the Servicer and the Borrower understand and agree that the Fiscal Agent cannot determine the identity of the actual sender of such Instructions and that the Fiscal Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Fiscal Agent have been sent by such Authorized Officer. The Funding Lender, the Governmental Lender, the Servicer and the Borrower shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Fiscal Agent and that the Funding Lender, the Governmental Lender, the Servicer, the Borrower and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes,

passwords and/or authentication keys upon receipt by the Funding Lender, the Governmental Lender, the Servicer and/or the Borrower, as applicable. The Fiscal Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Funding Lender, the Governmental Lender, the Servicer and the Borrower agree: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Fiscal Agent, including without limitation the risk of the Fiscal Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Fiscal Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Funding Lender, the Governmental Lender, the Servicer and/or the Borrower, as applicable; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Fiscal Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

(i) In no event shall the Fiscal Agent be responsible or liable for special, indirect, punitive, incidental or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Fiscal Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

(j) All notices, approvals, consents, requests and any communications to the Fiscal Agent hereunder must be in writing in English and must be in the form of a document that is signed manually or by way of an electronic signature (including electronic images of handwritten signatures and digital signatures provided by DocuSign, Orbit, Adobe Sign or any other electronic signature provider acceptable to the Fiscal Agent). Electronic signatures believed by the Fiscal Agent to comply with the ESIGN ACT of 2000 or other applicable law shall be deemed original signatures for all purposes. If the parties chooses to use electronic signatures to sign documents delivered to the Fiscal Agent, such parties agree to assume all risks arising out of its use of electronic signatures, including without limitation the risk of the Fiscal Agent acting on an unauthorized document and the risk of interception or misuse by third parties. Notwithstanding the foregoing, the Fiscal Agent may in any instance and in its sole discretion require that an original document bearing a manual signature be delivered to the Fiscal Agent in lieu of, or in addition to, any document signed via electronic signature.

Section 11.5. Not Responsible for Recitals. The recitals contained herein and in the Governmental Lender Notes shall be taken as the statements of the Governmental Lender, and the Fiscal Agent assumes no responsibility for their correctness. The Fiscal Agent makes no representations as to the value or condition of the Pledged Revenues, the Security or any part thereof, or as to the title of the Governmental Lender thereto or as to the security afforded thereby or hereby, or as to the validity or sufficiency of this Funding Loan Agreement or of the Funding Loan.

The Fiscal Agent shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the funding of the Funding Loan.

The Fiscal Agent shall not be required to monitor the financial condition of the Borrower or the physical condition of the Project. The Fiscal Agent shall be under no obligation to analyze, review or make any credit decisions with respect to any financial statements, reports, notices, certificates or documents received hereunder but shall hold such financial statements reports, notices, certificates and documents

solely for the benefit of, and review by, the Funding Lender and such other parties to whom the Fiscal Agent may provide such information pursuant to this Funding Loan Agreement.

Section 11.6. May Hold Funding Loan. The Fiscal Agent in its individual or any other capacity may become the owner or pledgee of the Funding Loan and may otherwise deal with the Governmental Lender, the Funding Lender and the Borrower with the same rights it would have if it were not the Fiscal Agent.

Section 11.7. Moneys Held in Trust. Moneys held by the Fiscal Agent in trust hereunder need not be segregated from other funds except to the extent hereunder directed or as required by law. The Fiscal Agent shall be under no liability for interest on any moneys received by it hereunder except as otherwise provided herein.

Section 11.8. Compensation and Reimbursement. Under the Borrower Loan Agreement, the Borrower has agreed to, except as otherwise expressly provided herein, pay the Fiscal Agent its fees and reimburse the Fiscal Agent as provided in this Funding Loan Agreement or the Borrower Loan Agreement, upon its request for all reasonable expenses, disbursements and advances incurred or made by the Fiscal Agent in accordance with any provision of this Funding Loan Agreement (including the reasonable fees, expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Fiscal Agent's negligence or willful misconduct, both as finally adjudicated by a court of law.

When the Fiscal Agent incurs expenses or renders service in connection with any bankruptcy or insolvency proceeding, such expenses (including the fees and expenses of its counsel) and the compensation for such services are intended to constitute expenses of administration under any bankruptcy law or law relating to creditors rights generally.

(a) The Governmental Lender has no obligation to pay the Fiscal Agent for services rendered.

(b) As security for the performance of the obligations of the Borrower under this Section and for the payment of such compensation, expenses, reimbursements and indemnity, the Fiscal Agent shall have the right to use and apply any moneys held by it as Pledged Revenues.

(c) The Fiscal Agent's rights to compensation and reimbursement shall survive its resignation or removal, the payment of the Funding Loan or the Borrower Loan or the release of this Funding Loan Agreement.

Section 11.9. The Fiscal Agent Required; Eligibility. Any successor Fiscal Agent shall at all times be a trust company, a state banking corporation or a national banking association with the authority to accept trusts in the State, approved in writing by the Governmental Lender and either (a) have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition, (b) be a wholly owned subsidiary of a bank holding company, or a wholly owned subsidiary of a company that is a wholly owned subsidiary of a bank holding company, having a combined capital surplus of at least $50,000,000 as set forth in its most recent published annual report of condition, have at least $500,000,000 of trust assets under management and have a combined capital surplus of at least $2,000,000 as set forth in its most recent published annual report of condition, or (c) be otherwise acceptable to the Funding Lender in its sole and absolute discretion.

Section 11.10. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Fiscal Agent hereunder and no appointment of a successor Fiscal Agent pursuant to this Article shall become effective until the written acceptance by the successor Fiscal Agent of such appointment.

(b) The Fiscal Agent may resign at any time by giving sixty (60) days' Written Notice thereof to the Governmental Lender, the Borrower, the Servicer, if any, and the Funding Lender. If an instrument of acceptance by a successor Fiscal Agent shall not have been delivered to the Fiscal Agent within forty-five (45) days after the giving of such notice of resignation, the resigning Fiscal Agent may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent.

(c) The Fiscal Agent may be removed at any time with thirty (30) days' notice by (i) the Governmental Lender, with Written Notice delivered to the Funding Lender and the Borrower or (ii) the Funding Lender, with Written Notice delivered to the Governmental Lender and the Borrower.

(d) If the Fiscal Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Fiscal Agent for any cause, the Governmental Lender shall promptly appoint a successor Fiscal Agent, with the consent of the Funding Lender. In case all or substantially all of the Pledged Revenues and the Security shall be in the possession of a receiver or Fiscal Agent lawfully appointed, such receiver or trustee may similarly appoint a successor to fill such vacancy until a new Fiscal Agent shall be so appointed by the Governmental Lender. If, within sixty (60) days after such resignation, removal or incapability or the occurrence of such vacancy, the Governmental Lender has failed to appoint a successor Fiscal Agent, then either (i) the Fiscal Agent may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent; or (ii) a successor Fiscal Agent shall be appointed by the Funding Lender (from any of the institutions approved by the Governmental Lender to serve as a fiscal agent or trustee) with Written Notice thereof delivered to the Governmental Lender, the Borrower, the Servicer, if any, and the retiring Fiscal Agent, and the successor Fiscal Agent so appointed shall, forthwith upon its acceptance of such appointment, become the successor Fiscal Agent and supersede the successor Fiscal Agent appointed by such receiver or the Fiscal Agent.

(e) The retiring Fiscal Agent shall cause Written Notice of each resignation and each removal of the Fiscal Agent and each appointment of a successor Fiscal Agent to be provided to the Funding Lender (unless the Funding Lender removes the Fiscal Agent). Each notice shall include the name of the successor Fiscal Agent and the address of the office of the successor Fiscal Agent.

Section 11.11. Acceptance of Appointment by Successor.

(a) Every successor Fiscal Agent appointed hereunder shall execute, acknowledge and deliver to the Governmental Lender and to the retiring Fiscal Agent an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Fiscal Agent shall become effective and the successor Fiscal Agent, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers, trusts and duties of the retiring Fiscal Agent; notwithstanding the foregoing, on request of the Governmental Lender or the successor Fiscal Agent, the retiring Fiscal Agent shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to the successor Fiscal Agent upon the trusts herein expressed all the estates, properties, rights, powers and trusts of the retiring Fiscal Agent, and shall duly assign, transfer and deliver to the successor Fiscal Agent all property and money held by the retiring Fiscal Agent hereunder. Upon request of any successor Fiscal Agent, the Governmental Lender shall execute any and all instruments for more fully and certainly vesting in and confirming to the successor Fiscal Agent all such estates, properties, rights, powers and trusts.

(b) No successor Fiscal Agent shall accept its appointment unless at the time of such acceptance the successor Fiscal Agent shall be qualified and eligible under this Article, to the extent operative.

Section 11.12. Merger, Conversion, Consolidation or Succession to Business. Any corporation into which the Fiscal Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Fiscal Agent shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Fiscal Agent, shall be the successor of the Fiscal Agent hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, to the extent operative, without the execution or filing of any paper or any further act on the part of any of the parties hereto. Notwithstanding the foregoing, any successor Fiscal Agent shall cause Written Notice of such succession to be delivered to the Governmental Lender and the Funding Lender within thirty (30) days of such succession.

Section 11.13. Appointment of Co-Fiscal Agent. It is recognized that in case of litigation under this Funding Loan Agreement, the Borrower Loan Agreement, any other Funding Loan Document, and in particular in case of the enforcement of any of them on default, or in case the Fiscal Agent deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Fiscal Agent or hold title to the properties, in trust, as herein provided, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Fiscal Agent appoint an additional individual or institution as a separate or co fiscal agent. The following provisions of this Section are adopted to these ends.

The Fiscal Agent is hereby authorized to appoint an additional individual or institution as a separate or co-fiscal agent hereunder, upon Written Notice to the Governmental Lender, the Funding Lender and the Borrower, and with the Written Consent of the Governmental Lender and the Funding Lender, but without the necessity of further authorization or consent, in which event each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Funding Loan Agreement or any Funding Loan Document to be exercised by or vested in or conveyed to the Fiscal Agent with respect thereto shall be exercisable by and vest in such separate or co fiscal agent but only to the extent necessary to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co fiscal agent shall run to and be enforceable by either of them.

Should any instrument in writing from the Governmental Lender be required by the separate fiscal agent or co-fiscal agent appointed by the Fiscal Agent for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request of the Fiscal Agent, be executed, acknowledged and delivered by the Governmental Lender. In case any separate fiscal agent or co-fiscal agent, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate fiscal agent or co-fiscal agent, so far as permitted by law, shall vest in and be exercised by the Fiscal Agent until the appointment of a successor to such separate fiscal agent or co-fiscal agent.

Section 11.14. Loan Servicing. The Governmental Lender and the Fiscal Agent acknowledge that the Funding Lender shall have the right to appoint the Servicer to service and administer the Funding Loan and the Borrower Loan as set forth in a Servicing Agreement. The Governmental Lender and the Fiscal Agent shall not be responsible for monitoring the performance of the Servicer or for any acts or omissions of the Servicer. The Funding Lender may, in its sole discretion, terminate or replace the Servicer.

Section 11.15. No Recourse Against Officers or Employees of Fiscal Agent. No recourse with respect to any claim related to any obligation, duty or agreement contained in this Funding Loan Agreement or any other Funding Loan Document shall be had against any officer or employee, as such, of the Fiscal Agent, it being expressly understood that the obligations, duties and agreements of the Fiscal Agent contained in this Funding Loan Agreement and the other Funding Loan Documents are solely corporate in nature.

Section 11.16. City Contracting Provisions. The Funding Lender and the Fiscal Agent each covenant and agree to comply with the provisions set forth in Exhibit F to this Funding Loan Agreement, to the extent applicable to the Funding Lender as maker of the Funding Loan or the Fiscal Agent as fiscal agent for the Funding Loan (each, a "Trustee" for purposes of Exhibit F), which is incorporated in and made a part of this Funding Loan Agreement by this reference.

ARTICLE XII

MISCELLANEOUS

Section 12.1. Notices. All notices, demands, requests and other communications required or permitted to be given by any provision of this Funding Loan Agreement shall be in writing and sent by first class, regular, registered or certified mail, commercial delivery service, overnight courier, telegraph, telex, telecopier or facsimile transmission, air or other courier, or hand delivery to the party to be notified addressed as follows:

If to the Governmental Lender:	City and County of San Francisco City Hall, 1 Dr. Carlton B. Goodlett Place Room 316 San Francisco, CA 94102 Attention: City Controller Telecopier: (415) 554-7466
with copies to (none of which copies shall constitute notice to the Governmental Lender):	City and County of San Francisco City Hall, 1 Dr. Carlton B. Goodlett Place Room 140 San Francisco, CA 94102 Attention: City Treasurer Telecopier: (415) 554-4672 City and County of San Francisco Mayor's Office of Housing and Community Development One South Van Ness, 5th Floor San Francisco, CA 94103 Attention: Director Telecopier: (415) 701-5501 Office of the City Attorney City Hall, 1 Dr. Carlton B. Goodlett Place Room 234 San Francisco, CA 94102 Attention: Finance Team Telecopier: (415) 554-4755

	City and County of San Francisco Office of Public Finance City Hall, 1 Dr. Carlton B. Goodlett Place Room 338 San Francisco, CA 94102 Attention: Finance Team Telecopier: (415) 554-4864
	City and County of San Francisco Office of Community Investment and Infrastructure One South Van Ness Avenue, 5th Floor San Francisco, CA 94103 Attention: Executive Director Telecopier: (415) 749-2400
If to the Fiscal Agent:	U.S. Bank Trust Company, National Association 1 California Street, Suite 1000 San Francisco, CA 94111 Attention: Global Corporate Trust Telephone: (415) 677-3593
If to the Borrower:	Mercy Housing California 120, L.P. c/o Mercy Housing California 1256 Market Street San Francisco, CA 94102
with a copy to:	Gubb & Barshay 235 Montgomery Street, Suite 1110 San Francisco, CA 94104 Attention: Evan Gross Telephone: (415) 781-6600 Facsimile: (415) 781-6967
and a copy to:	Bank of America, N.A. 100 Federal Street MA5-100-04-11 Boston, MA 02110 Attention: Asset Management Facsimile: (617) 346-2257
and a copy to:	Buchalter, A Professional Corporation 1000 Wilshire Boulevard, Suite 1500 Los Angeles, CA 90017 Attention: Mercedes Martin, Esq. Email: mmartin@buchalter.com Facsimile: (213) 630-5799 Matter No.: B0965-0899

If to the Funding Lender:	Bank of America, N.A. Dallas Infomart 1950 N. Stemmons Fwy, Suite 5049 Dallas, TX 75207 TX2-160-05-33 Attention: Construction Servicing (Real Estate) Loan Administration Manager
and a copy to:	Buchalter, A Professional Corporation 1000 Wilshire Boulevard, Suite 1500 Los Angeles, CA 90017 Attention: Mercedes Martin, Esq. Email: mmartin@buchalter.com Facsimile: (213) 630-5799 Matter No.: B0965-0898

Any such notice, demand, request or communication shall be deemed to have been given and received for all purposes under this Funding Loan Agreement: (a) three (3) Business Days after the same is deposited in any official depository or receptacle of the United States Postal Service first class, or, if applicable, certified mail, return receipt requested, postage prepaid; (b) on the date of transmission when delivered by telecopier or facsimile transmission, telex, telegraph or other telecommunication device, provided any telecopy or other electronic transmission received by any party after 4:00 p.m., local time, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day; (c) on the next Business Day after the same is deposited with a nationally recognized overnight delivery service that guarantees overnight delivery; and (d) on the date of actual delivery to such party by any other means; provided, however, if the day such notice, demand, request or communication shall be deemed to have been given and received as aforesaid is not a Business Day, such notice, demand, request or communication shall be deemed to have been given and received on the next Business Day. Any facsimile signature by a Person on a document, notice, demand, request or communication required or permitted by this Funding Loan Agreement shall constitute a legal, valid and binding execution thereof by such Person.

Any party to this Funding Loan Agreement may change such party's address for the purpose of notice, demands, requests and communications required or permitted under this Funding Loan Agreement by providing Written Notice of such change of address to all of the parties by Written Notice as provided herein.

Section 12.2. Term of Funding Loan Agreement. This Funding Loan Agreement shall be in full force and effect until all payment obligations of the Governmental Lender hereunder have been paid in full and the Funding Loan has been retired or the payment thereof has been provided for; except that on and after payment in full of the Governmental Lender Notes, this Funding Loan Agreement shall be terminated, without further action by the parties hereto.

Section 12.3. Recycling Transactions. Notwithstanding any provision of this Funding Loan Agreement or the Tax-Exempt Governmental Lender Note to the contrary, the Governmental Lender shall be permitted to direct any Tax-Exempt Borrower Note prepayments to be transferred to a custodian or trustee selected by the Governmental Lender, in lieu of application to prepay a like portion of the Tax-Exempt Governmental Lender Note, so long as the Governmental Lender simultaneously causes other funds to be applied to prepay such portion of the Tax-Exempt Governmental Lender Note. The preceding provisions shall apply only for purposes of preserving or "recycling" private activity bond volume cap in accordance with Section 146(i)(6) of the Code.

Section 12.4. Successors and Assigns. All covenants and agreements in this Funding Loan Agreement by the Governmental Lender shall bind its successors and assigns, whether so expressed or not.

Section 12.5. Legal Holidays. In any case in which the date of payment of any amount due hereunder or the date on which any other act is to be performed pursuant to this Funding Loan Agreement shall be a day that is not a Business Day, then payment of such amount or such act need not be made on such date but may be made on the next succeeding Business Day, and such later payment or such act shall have the same force and effect as if made on the date of payment or the date fixed for prepayment or the date fixed for such act, and no additional interest shall accrue for the period after such date and prior to the date of payment.

Section 12.6. Governing Law. This Funding Loan Agreement shall be governed by and shall be enforceable in accordance with the laws of the State applicable to contracts made and performed in the State.

Section 12.7. Severability. If any provision of this Funding Loan Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions shall not in any way be affected or impaired. In case any covenant, stipulation, obligation or agreement contained in the Governmental Lender Notes or in this Funding Loan Agreement shall for any reason be held to be usurious or in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Governmental Lender or the Funding Lender only to the full extent permitted by law.

Section 12.8. Execution in Several Counterparts. This Funding Loan Agreement may be contemporaneously executed in several counterparts, all of which shall constitute one and the same instrument and each of which shall be, and shall be deemed to be, an original.

Section 12.9. Nonrecourse Obligation of the Borrower. Except as otherwise provided in the Borrower Loan Agreement, any obligations of the Borrower under this Funding Loan Agreement are without recourse to the Borrower or to the Borrower's partners.

Section 12.10. Electronic Transactions. The transactions described in this Funding Loan Agreement may be conducted, and related documents may be stored, by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 12.11. Reference Date. This Funding Loan Agreement is dated for reference purposes only as of the first (1st) day of [May], 2026.

[Signature page follows]

IN WITNESS WHEREOF, the Funding Lender, the Fiscal Agent and the Governmental Lender have caused this Funding Loan Agreement to be duly executed as of the date first written above.

BANK OF AMERICA, N.A., as Funding Lender

By: _____

[NAME],
[TITLE]

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Daniel Adams, Director,
Mayor's Office of Housing and
Community Development

Approved as to form:

DAVID CHIU
City Attorney

By: _____
Kenneth D. Roux
Deputy City Attorney

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION

By: _____
Authorized Officer

EXHIBIT A-1

FORM OF THE TAX-EXEMPT GOVERNMENTAL LENDER NOTE

THIS GOVERNMENTAL LENDER NOTE MAY BE OWNED ONLY BY AN APPROVED TRANSFEREE IN ACCORDANCE WITH THE TERMS OF THE FUNDING LOAN AGREEMENT REFERENCED HEREIN, AND THE HOLDER HEREOF, BY THE ACCEPTANCE OF THIS GOVERNMENTAL LENDER NOTE (A) REPRESENTS THAT IT IS AN APPROVED TRANSFEREE AND (B) ACKNOWLEDGES THAT IT CAN ONLY TRANSFER THIS GOVERNMENTAL LENDER NOTE TO ANOTHER APPROVED TRANSFEREE IN ACCORDANCE WITH THE TERMS OF THE FUNDING LOAN AGREEMENT.

CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
MULTIFAMILY HOUSING REVENUE NOTE
(1687 MARKET RESIDENCES),
SERIES 2026C-1

Dated [May] ____, 2026 $26,102,000

FOR VALUE RECEIVED, the undersigned CITY AND COUNTY OF SAN FRANCISCO ("Obligor") promises to pay to the order of BANK OF AMERICA, N.A. ("Holder") the maximum principal sum of TWENTY-SIX MILLION ONE HUNDRED TWO THOUSAND DOLLARS ($26,102,000), on [_____, 20__], or earlier as provided herein, together with interest thereon at the rates, at the times and in the amounts provided below.

Obligor shall pay to the Holder on or before each date on which payment is due under that certain Funding Loan Agreement, dated as of [May] 1, 2026 (the "Funding Loan Agreement"), among Obligor, U.S. Bank Trust Company, National Association, as Fiscal Agent (the "Fiscal Agent"), and Holder, an amount in immediately available funds sufficient to pay the principal amount of and Prepayment Premium, if any, on this Governmental Lender Note then due and payable, whether by maturity, acceleration, prepayment or otherwise. In the event that amounts held derived from proceeds of the Borrower Loan, condemnation awards or insurance proceeds or investment earnings thereon are applied to the payment of principal due on this Governmental Lender Note in accordance with the Funding Loan Agreement, the principal amount due hereunder shall be reduced to the extent of the principal amount of the Funding Loan so paid. Capitalized terms not otherwise defined herein shall have the meaning assigned in the Funding Loan Agreement.

Obligor shall pay to the Holder on or before each date on which interest on the Funding Loan is payable, interest on the unpaid balance hereof in an amount in immediately available funds sufficient to pay the interest on this Governmental Lender Note then due and payable in the amounts and at the rate or rates set forth in the Funding Loan Agreement.

The Funding Loan and this Governmental Lender Note are pass-through obligations relating to a construction loan (the "Borrower Loan") made by Obligor from proceeds of the Funding Loan to Mercy Housing California 120, L.P., a California limited partnership, as borrower (the "Borrower"), under that certain Borrower Loan Agreement, dated as of [May] 1, 2026 (as the same may be modified, amended or

supplemented from time to time, the "Borrower Loan Agreement"), among the Obligor, the Fiscal Agent and the Borrower, evidenced by the Borrower Notes (as defined in the Borrower Loan Agreement). Reference is made to the Borrower Loan Agreement and to the Tax-Exempt Borrower Note for complete payment and prepayment terms of the Tax-Exempt Borrower Note, payments on which are passed-through under this Governmental Lender Note.

This Governmental Lender Note is one of two Governmental Lender Notes evidencing the obligation of the Obligor to repay the Funding Loan to the Funding Lender. The other Governmental Lender Note is designated the "City and County of San Francisco, California Multifamily Housing Revenue Note (1687 Market Residences) Series 2026C-2 (Taxable)," and is dated and delivered concurrently herewith in the aggregate principal amount of $[TAXABLE PAR]. Such other Governmental Lender Note corresponds to and evidences the obligation of the Governmental Lender to repay the remaining balance of the Funding Loan with interest thereon and any premium with respect thereto and corresponds to the Taxable Borrower Note in the same principal amount and bearing the same series designation as such other Governmental Lender Note.

This Governmental Lender Note is a limited obligation of the Obligor, payable solely from the Pledged Revenues and the Security pledged and assigned under the Funding Loan Agreement. None of the State, or any political subdivision thereof (except the Governmental Lender, to the limited extent set forth in the Funding Loan Agreement) nor any public agency shall in any event be liable for the payment of the principal of, Prepayment Premium (if any) or interest on this Governmental Lender Note or the Funding Loan or for the performance of any pledge, obligation or agreement of any kind whatsoever with respect thereto except as set forth herein and in the Funding Loan Agreement. None of the Funding Loan or this Governmental Lender Note or any of the Governmental Lender's agreements or obligations with respect to the Funding Loan or this Governmental Lender Note shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of or a moral obligation of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever. The execution and delivery of this Governmental Lender Note shall not directly or indirectly or contingently obligate the Obligor or the State of California or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment.

This Governmental Lender Note is subject to the express condition that at no time shall interest be payable on this Governmental Lender Note or the Funding Loan at a rate in excess of the Maximum Rate provided in the Funding Loan Agreement; and Obligor shall not be obligated or required to pay, nor shall the Holder be permitted to charge or collect, interest at a rate in excess of such Maximum Rate. If by the terms of this Governmental Lender Note or of the Funding Loan Agreement, Obligor is required to pay interest at a rate in excess of such Maximum Rate, the rate of interest hereunder or thereunder shall be deemed to be reduced immediately and automatically to such Maximum Rate, and any such excess payment previously made shall be immediately and automatically applied to the unpaid balance of the principal sum hereof and not to the payment of interest.

Amounts payable hereunder representing late payments, penalty payments or the like shall be payable to the extent allowed by law.

This Governmental Lender Note is subject to all of the terms, conditions, and provisions of the Funding Loan Agreement, including those respecting the limited liability of the Governmental Lender, and prepayment and the acceleration of maturity of this Governmental Lender Note.

If there is an Event of Default under the Funding Loan Documents, then in any such event and subject to the requirements set forth in the Funding Loan Agreement, the Holder may declare the entire unpaid principal balance of this Governmental Lender Note and accrued interest, if any, due and payable at

once. All of the covenants, conditions and agreements contained in the Funding Loan Documents are hereby made part of this Governmental Lender Note.

No delay or omission on the part of the Holder in exercising any remedy, right or option under this Governmental Lender Note or the Funding Loan Documents shall operate as a waiver of such remedy, right or option. In any event a waiver on any one occasion shall not be construed as a waiver or bar to any such remedy, right or option on a future occasion. The rights, remedies and options of the Holder under this Governmental Lender Note and the Funding Loan Documents are and shall be cumulative and are in addition to all of the rights, remedies and options of the Holder at law or in equity or under any other agreement.

Subject to Article V of the Funding Loan Agreement and as otherwise set forth in the Funding Loan Agreement, Obligor shall pay all costs of collection on demand by the Holder, including without limitation, reasonable attorneys' fees and disbursements, which costs may be added to the indebtedness hereunder, together with interest thereon, to the extent allowed by law.

This Governmental Lender Note may not be changed orally. Presentment for payment, notice of dishonor, protest and notice of protest are hereby waived. The acceptance by the Holder of any amount after the same is due shall not constitute a waiver of the right to require prompt payment, when due, of all other amounts due hereunder. The acceptance by the Holder of any sum in an amount less than the amount then due shall be deemed an acceptance on account only and upon condition that such acceptance shall not constitute a waiver of the obligation of Obligor to pay the entire sum then due, and Obligor's failure to pay such amount then due shall be and continue to be a default notwithstanding such acceptance of such amount on account, as aforesaid. Consent by the Holder to any action of Obligor which is subject to consent or approval of the Holder hereunder shall not be deemed a waiver of the right to require such consent or approval to future or successive actions.

This Governmental Lender Note shall not be entitled to any benefit under the Funding Loan Agreement, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been manually signed by the Fiscal Agent.

Notwithstanding any provision of this Governmental Lender Note or the Funding Loan Agreement to the contrary, the Governmental Lender shall be permitted to direct Tax-Exempt Borrower Note prepayments to be transferred to a custodian or trustee selected by the Governmental Lender, in lieu of application to prepay a like portion of this Governmental Lender Note, so long as the Governmental Lender simultaneously causes other funds to be applied to prepay such portion of this Governmental Lender Note. The preceding provisions shall apply only for purposes of preserving or "recycling" private activity bond volume cap in accordance with Section 146(i)(6) of the Code.

In the event of any conflict between the terms of this Governmental Lender Note and the terms of the Funding Loan Agreement, the terms of the Funding Loan Agreement shall control.

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

[Signature Page Follows]

IN WITNESS WHEREOF, the Obligor has caused this City and County of San Francisco Multifamily Housing Revenue Note (1687 Market Residences), Series 2026C-1 to be duly executed by the manual or facsimile signature of its Mayor as of the date first set forth above.

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Daniel Lurie,
Mayor

CERTIFICATE OF AUTHENTICATION

This Governmental Lender Note is issued under the provisions of and described in the within-mentioned Funding Loan Agreement.

Date of Authentication: _____

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Fiscal Agent

By: _____
Authorized Officer

EXHIBIT A-2

FORM OF THE TAXABLE GOVERNMENTAL LENDER NOTE

THIS GOVERNMENTAL LENDER NOTE MAY BE OWNED ONLY BY AN APPROVED TRANSFEREE IN ACCORDANCE WITH THE TERMS OF THE FUNDING LOAN AGREEMENT REFERENCED HEREIN, AND THE HOLDER HEREOF, BY THE ACCEPTANCE OF THIS GOVERNMENTAL LENDER NOTE (A) REPRESENTS THAT IT IS AN APPROVED TRANSFEREE AND (B) ACKNOWLEDGES THAT IT CAN ONLY TRANSFER THIS GOVERNMENTAL LENDER NOTE TO ANOTHER APPROVED TRANSFEREE IN ACCORDANCE WITH THE TERMS OF THE FUNDING LOAN AGREEMENT.

CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
MULTIFAMILY HOUSING REVENUE NOTE
(1687 MARKET RESIDENCES),
SERIES 2026C-2 (TAXABLE)

Dated [May] ____, 2026 $[TAXABLE PAR]

FOR VALUE RECEIVED, the undersigned CITY AND COUNTY OF SAN FRANCISCO ("Obligor") promises to pay to the order of BANK OF AMERICA, N.A. ("Holder") the maximum principal sum of [TAXABLE PAR WRITTEN OUT] DOLLARS ($[TAXABLE PAR]), on [_____, 20__], or earlier as provided herein, together with interest thereon at the rates, at the times and in the amounts provided below.

Obligor shall pay to the Holder on or before each date on which payment is due under that certain Funding Loan Agreement, dated as of [May] 1, 2026 (the "Funding Loan Agreement"), among Obligor, U.S. Bank Trust Company, National Association, as Fiscal Agent (the "Fiscal Agent"), and Holder, an amount in immediately available funds sufficient to pay the principal amount of and Prepayment Premium, if any, on this Governmental Lender Note then due and payable, whether by maturity, acceleration, prepayment or otherwise. In the event that amounts held derived from proceeds of the Borrower Loan, condemnation awards or insurance proceeds or investment earnings thereon are applied to the payment of principal due on this Governmental Lender Note in accordance with the Funding Loan Agreement, the principal amount due hereunder shall be reduced to the extent of the principal amount of the Funding Loan so paid. Capitalized terms not otherwise defined herein shall have the meaning assigned in the Funding Loan Agreement.

Obligor shall pay to the Holder on or before each date on which interest on the Funding Loan is payable, interest on the unpaid balance hereof in an amount in immediately available funds sufficient to pay the interest on this Governmental Lender Note then due and payable in the amounts and at the rate or rates set forth in the Funding Loan Agreement.

The Funding Loan and this Governmental Lender Note are pass-through obligations relating to a construction loan (the "Borrower Loan") made by Obligor from proceeds of the Funding Loan to Mercy Housing California 120, L.P., a California limited partnership, as borrower (the "Borrower"), under that certain Borrower Loan Agreement, dated as of [May] 1, 2026 (as the same may be modified, amended or

supplemented from time to time, the "Borrower Loan Agreement"), among the Obligor, the Fiscal Agent and the Borrower, evidenced by the Borrower Notes (as defined in the Borrower Loan Agreement). Reference is made to the Borrower Loan Agreement and to the Taxable Borrower Note for complete payment and prepayment terms of the Taxable Borrower Note, payments on which are passed-through under this Governmental Lender Note.

This Governmental Lender Note is one of two Governmental Lender Notes evidencing the obligation of the Obligor to repay the Funding Loan to the Funding Lender. The other Governmental Lender Note is designated the "City and County of San Francisco, California Multifamily Housing Revenue Note (1687 Market Residences) Series 2026C-1," and is dated and delivered concurrently herewith in the aggregate principal amount of $26,102,000. Such other Governmental Lender Note corresponds to and evidences the obligation of the Governmental Lender to repay the remaining balance of the Funding Loan with interest thereon and any premium with respect thereto and corresponds to the Tax-Exempt Borrower Note in the same principal amount and bearing the same series designation as such other Governmental Lender Note.

This Governmental Lender Note is a limited obligation of the Obligor, payable solely from the Pledged Revenues and the Security pledged and assigned under the Funding Loan Agreement. None of the State, or any political subdivision thereof (except the Governmental Lender, to the limited extent set forth in the Funding Loan Agreement) nor any public agency shall in any event be liable for the payment of the principal of, Prepayment Premium (if any) or interest on this Governmental Lender Note or the Funding Loan or for the performance of any pledge, obligation or agreement of any kind whatsoever with respect thereto except as set forth herein and in the Funding Loan Agreement. None of the Funding Loan or this Governmental Lender Note or any of the Governmental Lender's agreements or obligations with respect to the Funding Loan or this Governmental Lender Note shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of or a moral obligation of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever. The execution and delivery of this Governmental Lender Note shall not directly or indirectly or contingently obligate the Obligor or the State of California or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment.

This Governmental Lender Note is subject to the express condition that at no time shall interest be payable on this Governmental Lender Note or the Funding Loan at a rate in excess of the Maximum Rate provided in the Funding Loan Agreement; and Obligor shall not be obligated or required to pay, nor shall the Holder be permitted to charge or collect, interest at a rate in excess of such Maximum Rate. If by the terms of this Governmental Lender Note or of the Funding Loan Agreement, Obligor is required to pay interest at a rate in excess of such Maximum Rate, the rate of interest hereunder or thereunder shall be deemed to be reduced immediately and automatically to such Maximum Rate, and any such excess payment previously made shall be immediately and automatically applied to the unpaid balance of the principal sum hereof and not to the payment of interest.

Amounts payable hereunder representing late payments, penalty payments or the like shall be payable to the extent allowed by law.

This Governmental Lender Note is subject to all of the terms, conditions, and provisions of the Funding Loan Agreement, including those respecting the limited liability of the Governmental Lender, and prepayment and the acceleration of maturity of this Governmental Lender Note.

If there is an Event of Default under the Funding Loan Documents, then in any such event and subject to the requirements set forth in the Funding Loan Agreement, the Holder may declare the entire unpaid principal balance of this Governmental Lender Note and accrued interest, if any, due and payable at

once. All of the covenants, conditions and agreements contained in the Funding Loan Documents are hereby made part of this Governmental Lender Note.

No delay or omission on the part of the Holder in exercising any remedy, right or option under this Governmental Lender Note or the Funding Loan Documents shall operate as a waiver of such remedy, right or option. In any event a waiver on any one occasion shall not be construed as a waiver or bar to any such remedy, right or option on a future occasion. The rights, remedies and options of the Holder under this Governmental Lender Note and the Funding Loan Documents are and shall be cumulative and are in addition to all of the rights, remedies and options of the Holder at law or in equity or under any other agreement.

Subject to Article V of the Funding Loan Agreement and as otherwise set forth in the Funding Loan Agreement, Obligor shall pay all costs of collection on demand by the Holder, including without limitation, reasonable attorneys' fees and disbursements, which costs may be added to the indebtedness hereunder, together with interest thereon, to the extent allowed by law.

This Governmental Lender Note may not be changed orally. Presentment for payment, notice of dishonor, protest and notice of protest are hereby waived. The acceptance by the Holder of any amount after the same is due shall not constitute a waiver of the right to require prompt payment, when due, of all other amounts due hereunder. The acceptance by the Holder of any sum in an amount less than the amount then due shall be deemed an acceptance on account only and upon condition that such acceptance shall not constitute a waiver of the obligation of Obligor to pay the entire sum then due, and Obligor's failure to pay such amount then due shall be and continue to be a default notwithstanding such acceptance of such amount on account, as aforesaid. Consent by the Holder to any action of Obligor which is subject to consent or approval of the Holder hereunder shall not be deemed a waiver of the right to require such consent or approval to future or successive actions.

This Governmental Lender Note shall not be entitled to any benefit under the Funding Loan Agreement, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been manually signed by the Fiscal Agent.

In the event of any conflict between the terms of this Governmental Lender Note and the terms of the Funding Loan Agreement, the terms of the Funding Loan Agreement shall control.

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

[Signature Page Follows]

IN WITNESS WHEREOF, the Obligor has caused this City and County of San Francisco Multifamily Housing Revenue Note (1687 Market Residences), Series 2026C-2 (Taxable) to be duly executed by the manual or facsimile signature of its Mayor as of the date first set forth above.

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Daniel Lurie,
Mayor

CERTIFICATE OF AUTHENTICATION

This Governmental Lender Note is issued under the provisions of and described in the within-mentioned Funding Loan Agreement.

Date of Authentication: _____

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Fiscal Agent

By: _____
Authorized Officer

EXHIBIT B

FORM OF REQUIRED TRANSFEREE REPRESENTATIONS LETTER

City and County of San Francisco, California
San Francisco, California

The undersigned, as holder (the "Holder") of a loan (the "Funding Loan") in the maximum amount of $_____ from BANK OF AMERICA, N.A. (the "Funding Lender") to CITY AND COUNTY OF SAN FRANCISCO (the "Governmental Lender") pursuant to a Funding Loan Agreement dated as of [May] 1, 2026 (the "Funding Loan Agreement") among the Funding Lender, U.S. Bank Trust Company, National Association, as Fiscal Agent and the Governmental Lender (the "Funding Loan") evidenced by the City and County of San Francisco, California Multifamily Housing Revenue Note (1687 Market Residences), Series 2026C-1 and the City and County of San Francisco, California Multifamily Housing Revenue Note (1687 Market Residences), Series 2026C-2 (Taxable) (collectively, the "Governmental Lender Notes"), or an interest therein, hereby represents that:

1. The Holder has sufficient knowledge and experience in financial and business matters with respect to the evaluation of residential real estate developments such as the Project to be able to evaluate the risk and merits of the investment represented by the Funding Loan. The Holder is able to bear the economic risks of such investment.

2. The Holder acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and the Holder has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Governmental Lender, the Project, the use of proceeds of the Funding Loan, and the Funding Loan and the security therefor so that, as a reasonable investor, the Holder has been able to make its decision to [extend/purchase] the Funding Loan [or an interest therein]. The Holder acknowledges that it has not relied upon the Governmental Lender for any information in connection with the Holder's purchase of the Funding Loan [or an interest therein].

3. The Holder is an Approved Transferee.

4. The Holder acknowledges that it is purchasing [an interest in] the Funding Loan for investment for its own account and not with a present view toward resale or the distribution thereof, in that it does not now intend to resell or otherwise dispose of all or any part of its interests in the Funding Loan; provided, however, that the Holder may sell or transfer the Governmental Lender Notes and the Funding Loan as provided in Section 2.4 of the Funding Loan Agreement.

5. In the event any placement memorandum that is prepared and provided to any subsequent buyer or beneficial owner of such portion of the Funding Loan will disclose information with respect to the Governmental Lender other than its name, location and type of political subdivision and general information with respect to the Funding Loan and the Borrower Loan and related documents, the Holder will provide the Governmental Lender with a draft of such placement

memorandum and the Governmental Lender shall have the right to approve any description of the Governmental Lender therein (which approval shall not be unreasonably withheld).

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

7. The Holder understands that (a) the Funding Loan is not secured by any pledge of any moneys received or to be received from taxation by the Governmental Lender, the State of California or any political subdivision thereof, (b) the Funding Loan does not and will not represent or constitute a general obligation or a pledge of the faith and credit of the Governmental Lender, the State of California or any political subdivision thereof; and (c) the liability of the Governmental Lender with respect to the Funding Loan is limited to the Pledged Revenues and Security as set forth in the Funding Loan Agreement.

8. [FOR PURCHASE OF THE FUNDING LOAN: The Holder hereby agrees to become the "Funding Lender" under the Funding Loan Documents and assumes all of the obligations and agrees to perform all of the duties of the Funding Lender thereunder.]

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

[Remainder of page intentionally left blank.]

Dated: _____

[_____], as Holder

By: _____

Name: _____

Its: _____

[Signature Page to Required Transferee Representations Letter]

EXHIBIT C

FORM OF WRITTEN REQUISITION
(Project Fund)

Draw #_____

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION

Attention:

Re: City and County of San Francisco, California Multifamily Housing Revenue Note (1687 Market Residences), Series 2026C-1 and Series 2026C-2 (Taxable)

This requisition ("Requisition") is being delivered to you in accordance with the Funding Loan Agreement dated as of [May] 1, 2026 (the "Funding Loan Agreement") among Bank of America, N.A. (the "Funding Lender"), the City and County of San Francisco, California (the "Governmental Lender") and U.S. Bank Trust Company, National Association, as Fiscal Agent (the "Fiscal Agent") pursuant to which the above-referenced Series 2026C-1 note (the "Tax-Exempt Governmental Lender Note") and Series 2026C-2 (Taxable) note (the "Taxable Governmental Lender Note") were executed and delivered. Capitalized terms not defined herein shall have the meanings assigned to them in the Funding Loan Agreement.

1. You are requested to disburse funds in the amount of [$_____] from the Note Proceeds Account and [$_____] from the Borrower Equity Account of the Project Fund as Draw [#_____] pursuant to Section 7.7 of the Funding Loan Agreement in the amount(s), to the person(s) and for the purpose(s) set forth on Schedule I attached hereto and incorporated herein by reference.

2. The undersigned certifies that:

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

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

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

(iv) the amounts included in this Requisition to be funded from the Note Proceeds Account of the Project Fund contains no items representing any Costs of Funding or any other amount constituting an issuance cost under Section 147(g) of the Code;

(v) payment of the costs included in this Requisition will not violate any representation, warranty or covenant of the Borrower in the Borrower Loan Agreement, the Regulatory Agreement or the Tax Certificate;

(vi) not less than ninety five percent (95%) of the sum of: (a) the amounts included in this Requisition to be funded from the Note Proceeds Account of the Project Fund and related to the Tax-Exempt Governmental Lender Note plus (b) all amounts previously disbursed from the Note Proceeds Account of the Project Fund and related to the Tax-Exempt Governmental Lender Note have been or will be applied by the Borrower to pay Qualified Project Costs;

(vii) the Borrower acknowledges that fees, charges or profits (including, without limitation, developer fees) payable to the Borrower or a "related person" (within the meaning of Section 144(a)(3) of the Code) are not deemed to be Qualified Project Costs; and

(viii) as of the date hereof, no event or condition has happened or is happening or exists that constitutes, or that with notice or lapse of time or both, would constitute, an Event of Default under the Funding Loan Agreement or under the Borrower Loan Agreement.

Dated: [Date]

Approved by the Funding Lender:

BANK OF AMERICA, N.A.

By: _____
Title: _____
Date: _____

Mercy Housing California 120, L.P.,
a California limited partnership

By: Mercy Housing California 120 LLC
a California limited liability company,
its managing general partner

By: Mercy Housing Calwest,
a California nonprofit public benefit
corporation,
its sole member/manager

By: _____
Name: _____
Title: _____

EXHIBIT D
CLOSING COSTS REQUISITION

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION

Attention:

Re: City and County of San Francisco, California Multifamily Housing Revenue Note (1687 Market Residences), Series 2026C-1

The undersigned, an authorized representative of Mercy Housing California 120, L.P., a California limited partnership (the "Borrower"), hereby certifies to you that he/she is authorized and empowered to submit this requisition to you and that attached hereto as Schedule "A" is a schedule of issuance costs incurred in connection with the closing of the funding loan evidenced by the above described Multifamily Housing Revenue Note (the "Governmental Lender Note"), including the names and addresses of the payees and the specific amounts payable to each such payee, and that to the best of the undersigned's information and belief, such amounts are true and correct.

This requisition is being delivered to you in accordance with the Funding Loan Agreement dated as of [May] 1, 2026 (the "Funding Loan Agreement") among Bank of America, N.A. (the "Funding Lender"), the City and County of San Francisco, California (the "Governmental Lender") and U.S. Bank Trust Company, National Association, as Fiscal Agent (the "Fiscal Agent") pursuant to which the Governmental Lender Note was issued and delivered. You are hereby instructed to withdraw from the Closing Costs Fund created under the Funding Loan Agreement the amounts shown across from each payee listed on Schedule "A" hereto and pay such amounts to each such payee by wire transfer or by such other means as is acceptable to you and any such payee.

Dated: [Date]

Very truly yours,

Mercy Housing California 120, L.P.,
a California limited partnership

By: Mercy Housing California 120 LLC
a California limited liability company,
its managing general partner

By: Mercy Housing Calwest,
a California nonprofit public benefit corporation,
its sole member/manager

By: _____
Ramie Dare,
Vice President

[Signatures continue in the following page]

Approved by the Funding Lender:

BANK OF AMERICA, N.A.

By: _____
Title: _____
Date: _____

SCHEDULE A

EXHIBIT E

INITIAL DEPOSITS AT CLOSING

Sources	Note Proceeds Account	Capitalized Interest Account	Borrower Equity Account	Closing Costs Fund	Expense Account	Total
Note	$[55,000]*					$[55,000]*
Equity						
Total	$[55,000]*					$[55,000]*

* To be immediately transferred, as provided in Section 7.7(a), $[0] to the Closing Costs Fund and $[55,000] to Old Republic Title Company to pay Project costs.

EXHIBIT F

CITY AND COUNTY OF SAN FRANCISCO
MANDATORY CONTRACTING PROVISIONS

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

1. Nondiscrimination; Penalties.

(a) *Nondiscrimination in Contracts.* Trustee shall comply with the provisions of San Francisco Labor and Employment Code Articles 131 and 132. Trustee shall incorporate by reference in all subcontracts the provisions of Sections 131.2(a), 131.2(c)-(k), and 132.3 of the San Francisco Labor and Employment Code and shall require all subcontractors to comply with such provisions. Trustee is subject to the enforcement and penalty provisions in Articles 131 and 132 Trustee shall comply with the provisions of San Francisco Labor and Employment Code Articles 131 and 132. Trustee shall incorporate by reference in all subcontracts the provisions of Sections 131.2(a), 131.2(c)-(k), and 132.3 of the San Francisco Labor and Employment Code and shall require all subcontractors to comply with such provisions. Trustee is subject to the enforcement and penalty provisions in Articles 131 and 132.

(b) *Nondiscrimination in the Provision of Employee Benefits.* San Francisco Labor and Employment Code Article 131.2 applies to this Agreement. Trustee does not as of the date of this Agreement, and will not during the term of this Agreement, in any of its operations in San Francisco, on real property owned by San Francisco, or where work is being performed for City elsewhere in the United States, discriminate in the provision of employee benefits between employees with domestic partners and employees with spouses and/or between the domestic partners and spouses of such employees, subject to the conditions set forth in San Francisco Labor and Employment Code Article 131.2.

2. MacBride Principles—Northern Ireland. The provisions of San Francisco Administrative Code Chapter12F are incorporated herein by this reference and made part of this Agreement. By signing this Agreement, Trustee confirms that Trustee has read and understood that City urges companies doing business in Northern Ireland to resolve employment inequities and to abide by the MacBride Principles, and urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

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

4. Alcohol and Drug-Free Workplace. City reserves the right to deny access to, or require Trustee to remove from, City facilities personnel of the Trustee or subcontractor who City has reasonable grounds to believe has engaged in alcohol abuse or illegal drug activity which in any way impairs City's ability to maintain safe work facilities or to protect the health and well-being of City employees and the general public. City shall have the right of final approval for the entry or re-entry of any such person previously denied access to, or removed from, City facilities. Illegal drug activity means possessing, furnishing, selling, offering, purchasing, using or being under the influence of illegal drugs or other controlled substances for which the individual lacks a valid prescription. Alcohol abuse means possessing, furnishing, selling, offering, or using alcoholic beverages, or being under the influence of alcohol.

5. Compliance with Laws Requiring Access for People with Disabilities. Trustee acknowledges 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 people with disabilities. Trustee shall provide the services specified in this Agreement in a manner that complies with the ADA and all other applicable federal, state and local disability rights legislation. Trustee agrees not to discriminate against people with disabilities in the provision of services, benefits or activities provided under this Agreement and further agrees that any violation of this prohibition on the part of Trustee, its employees, agents or assigns will constitute a material breach of this Agreement.

6. Sunshine Ordinance. Trustee acknowledges that this Agreement and all records related to its formation, Trustee's performance of services pursuant to this Agreement, and City's payment are subject to the California Public Records Act, (California Government Code § 7920 et seq.), and the San Francisco Sunshine Ordinance, (San Francisco Administrative Code Chapter 67). Such records are subject to public inspection and copying unless exempt from disclosure under federal, state, or local law.

7. Limitations on Contributions. By executing this Agreement, Trustee acknowledges its obligations under Section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with, or is seeking a contract with, any department of 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, for a grant, loan or loan guarantee, or for a development agreement, from making any campaign contribution to (i) a City elected official if the contract must be approved by that official, a board on which that official serves, or the board of a state agency on which an appointee of that official serves; (ii) a candidate for that City elective office; or (iii) a committee controlled by such elected official or a candidate for that office, at any time from the submission of a proposal for the contract until the later of either the termination of negotiations for such contract or twelve months after the date City approves the contract. The prohibition on contributions applies to each prospective party to the contract; each member of Trustee's board of directors; Trustee's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than ten percent (10%) in Trustee; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by Trustee. Trustee certifies that it has informed each such person of the limitation on contributions imposed by Section 1.126 by the time it submitted a proposal for the contract, and has provided the names of the persons required to be informed to the City department with whom it is contracting.

8. Minimum Compensation Ordinance. Labor and Employment Code Article 111 applies to this Agreement. Trustee shall pay covered employees no less than the minimum compensation required by San Francisco Labor and Employment Code Article 111, including a minimum hourly gross compensation, compensated time off, and uncompensated time off. Trustee is subject to the enforcement and penalty provisions in Article 111. Information about and the text of Article 111 is available on the web at http://sfgov.org/olse/mco. Trustee is required to comply with all of the applicable provisions of Article 111, irrespective of the listing of obligations in this Section. By signing and executing this Agreement, Trustee certifies that it complies with Article 111.

9. Requiring Health Benefits for Covered Employees. Labor and Employment Code Article 121 applies to this contract. Trustee shall comply with the requirements of Article 121. For each Covered Employee, Trustee shall provide the appropriate health benefit set forth in Article 121.3 of the HCAO. If Trustee chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission. Information about and the text of Article 121, as well as the Health Commission's minimum standards, is available on the web at http://sfgov.org/olse/hcao. Trustee is subject to the enforcement and penalty provisions in Article 121.

10. Prohibition on Use of Public Funds for Political Activity. In performing services pursuant to this Agreement, Trustee shall comply with San Francisco Administrative Code Chapter 12G, which prohibits funds appropriated by City for this Agreement from being expended to participate in,

support, or attempt to influence any political campaign for a candidate or for a ballot measure. Trustee is subject to the enforcement and penalty provisions in Chapter 12G.

11. Nondisclosure of Private, Proprietary or Confidential Information. If this Agreement requires City to disclose "Private Information" to Trustee within the meaning of San Francisco Administrative Code Chapter 12M, Trustee shall use such information only in accordance with the restrictions stated in Chapter 12M and in this Agreement and only as necessary in performing the services pursuant to this Agreement. Trustee is subject to the enforcement and penalty provisions in Chapter 12M.

In the performance of its services, Trustee may have access to, or collect on City's behalf, City Data, which may include proprietary or Confidential Information that if disclosed to third parties may damage City. If City discloses proprietary or Confidential Information to Trustee, or Trustee collects such information on City's behalf, such information must be held by Trustee in confidence and used only in performing the Agreement. Trustee shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary or Confidential Information.

12. Consideration of Criminal History in Hiring and Employment Decisions. Trustee agrees to comply fully with and be bound by all of the provisions of Article 142, "City Contractor/Subcontractor Consideration of Criminal History in Hiring and Employment Decisions," of the San Francisco Labor and Employment Code ("Article 142"), including the remedies provided, and implementing regulations, as may be amended from time to time. The provisions of Article 142 are incorporated by reference and made a part of this Agreement as though fully set forth herein. The text of Article 142 is available on the web at http://sfgov.org/olse/fco. Trustee is required to comply with all of the applicable provisions of Article 142, irrespective of the listing of obligations in this Section. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Article 142.

The requirements of Article 142 shall only apply to a Trustee's operations to the extent those operations are in furtherance of the performance of this Agreement, shall apply only to applicants and employees who would be or are performing work in furtherance of this Agreement, and shall apply when the physical location of the employment or prospective employment of an individual is wholly or substantially within the City of San Francisco. Article 142 shall not apply when the application in a particular context would conflict with federal or state law or with a requirement of a government agency implementing federal or state law.

13. Submitting False Claims; Monetary Penalties. The full text of San Francisco Administrative Code Section 21.35, including the enforcement and penalty provisions, is incorporated into this Agreement. Any contractor or subcontractor who submits a false claim shall be liable to City for the statutory penalties set forth in that section.

14. Conflict of Interest. By executing this Agreement, Trustee certifies that it does not know of any fact which constitutes a violation of Section 15.103 of the City's Charter; Article III, Chapter 2 of City's Campaign and Governmental Conduct Code; Title 9, Chapter 7 of the California Government Code (Section 87100 et seq.); or Title 1, Division 4, Chapter 1, Article 4 of the California Government Code (Section 1090 et seq.), and further agrees promptly to notify City if it becomes aware of any such fact during the term of this Agreement.

15. Food Service Waste Reduction Requirements. Trustee shall comply with the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including but not limited to the remedies for noncompliance provided therein.

16. Laws Incorporated by Reference. The full text of the laws listed in this Appendix, including enforcement and penalty provisions, are incorporated by reference into this Agreement. The full text of the San Francisco Municipal Code provisions incorporated by reference in this Appendix and elsewhere in the Agreement ("Mandatory City Requirements") are available at http://www.amlegal.com/codes/client/san-francisco_ca/

17. First Source Hiring Program. Trustee must comply with all of the applicable provisions of the First Source Hiring Program, Chapter 83 of the San Francisco Administrative Code, that apply to this Agreement; and Trustee is subject to the enforcement and penalty provisions in Chapter 83.

18. Prevailing Wages. Services to be performed by Trustee under this Agreement may involve the performance of work covered by the California Labor Code Sections 1720 and 1782, as incorporated within Section 6.22(e) of the San Francisco Administrative Code, or San Francisco Administrative Code Chapter 102 (collectively, "Covered Services"), which is incorporated into this Agreement as if fully set forth herein and will apply to any Covered Services performed by Trustee.

19. Assignment. The Services to be performed by Trustee are personal in character. This Agreement may not be directly or indirectly assigned, novated, or otherwise transferred unless first approved by City by written instrument executed and approved in the same manner as this Agreement. Any purported assignment made in violation of this provision shall be null and void.

20. Cooperative Drafting. This Agreement has been drafted through a cooperative effort of City and Trustee, and both Parties have had an opportunity to have the Agreement reviewed and revised by legal counsel. No Party shall be considered the drafter of this Agreement, and no presumption or rule that an ambiguity shall be construed against the Party drafting the clause shall apply to the interpretation or enforcement of this Agreement.

1687 MARKET STREET

BUDGET AND FINANCE COMMITTEE

MAY 6, 2026

MAYOR'S OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT

1687 MARKET STREET
Budget and Finance Committee – May 6, 2026

File #260426

Resolution authorizing execution and delivery of tax-exempt and taxable bond funds of up to $30,000,000

1687 MARKET STREET

- 100% affordable housing for artists
  - Arts Commission administering artist certification process
- Mercy Housing in partnership with Artist Hub on Market
- 94 units at 80% AMI and below

PROJECT AMENITIES

- Community room with kitchen
- Landscaped roof feck
- Secured bike parking
- Practice and rehearsal studios for music and dance
- 88-seat black box theater
- Programmatic and office space for Artist Hub on Market

FINANCING

- Total Costs: $89.7M
  - Philanthropic Loan $52.6M
  - Century Housing Mortgage $3.2M
  - Tax Credit Equity: $31.4M
  - Deferred Developer Fee $2.5M

TIMELINE

- Construction to begin May 2026
- Construction finish February 2028
- Lease up Complete August 2028

William Wilcox, *Housing Finance Manager*
Mayor's Office of Housing and Community Development

Thank you!

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that on Tuesday, February 3rd, 2026 at 11:00 a.m., by toll-free teleconference at (800) 743-4099, participant code: 3299966 and in person at 1 South Van Ness Avenue, San Francisco, 5th Floor, Conference Room 5082 Farallones, the City and County of San Francisco (the "City") will conduct a public hearing (the "Public Hearing") at which time the City will hear and consider information concerning the proposed sale and issuance by the City of one or more multifamily affordable housing mortgage revenue bond issues (collectively, the "Bonds") in the respective maximum aggregate principal amounts set forth in the table below. The Bonds of each issue will be part of a plan of finance issued in one or more series from time to time, including bonds issued to refund such bonds in one or more series from time to time outstanding, and at no time to exceed in outstanding principal amount the maximum principal amount for such issue. The proceeds of each such issue of the Bonds will be loaned to the respective borrower/owner entity set forth in the table below (or an affiliate thereof or successor thereto) (each, a "Borrower"), or another entity to be formed by its general partner, which is expected to be as set forth in the table below, pursuant to a loan agreement (each, a "Loan Agreement") between the City and the applicable Borrower. The proceeds of each issue of the Bonds will be used by the applicable Borrower to finance the acquisition and rehabilitation or new construction of the respective residential rental housing facility described in the table below. Each Project is or will be located in San Francisco, California at the address set forth in the table below (each, a "Project"). Each Project is or will be owned and operated by the Borrower set forth in the table below.

Max. Amount	*Borrower/Owner*	*General Partner*	*Type of Project*	*No. of Units*	*Street Addresses*
$18,736,700 Tax-Exempt	Golden Gate Apartments, LP	Chinatown Community Development Center (CCDC)	Acquisition Rehabilitation	72	1820 Post Street, San Francisco CA
$26,102,000 Tax-Exempt	Mercy Housing California 120, L.P.	Mercy Housing	New Construction	94	1687 Market Street, San Francisco CA

Each issue of the Bonds will be paid entirely by the applicable Borrower from the revenues of the applicable Project, in accordance with the applicable Loan Agreement. Neither the full faith and credit nor the taxing power of the City, the State of California (the "State") or any other political corporation, subdivision or agency of the State is pledged to the payment of the principal, premium, if any, or interest on any of the Bonds, nor shall the City, the State or any other political corporation,

subdivision or agency of the State be liable or obligated to pay the principal, premium, if any, or interest on any of the Bonds.

The Public Hearing is intended to comply with the public approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

All those interested in matters related to the issuance of any of the Bonds and to the financing of any of the Projects are invited to attend and be heard at this hearing in person or by telephone. Interested parties may call into the hearing at the time and number indicated above, or submit written comments, which must be received prior to the Public Hearing, to the City, c/o William Wilcox, Mayor's Office of Housing and Community Development, 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103.

Date: January 26, 2026

CITY AND COUNTY OF SAN FRANCISCO

CERTIFICATE OF TEFRA PUBLICATION

This Certificate of Publication is executed this day for the purposes of demonstrating compliance with Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code") and applicable Treasury Regulations (the "Regulations"). The undersigned, as a duly qualified and appointed representative of the **City and County of San Francisco** (the "Issuer"), hereby certifies as follows:

1. A Notice of Public Hearing, attached as Exhibit A, with respect to the issuance of tax-exempt bonds/obligations (the "Bonds") of the Issuer for the benefit of the project described therein (the "Project"), was published on the Issuer's primary website address of https:/sfmohcd.org/notices on **January 26, 2026.**

2. The Notice of Public Hearing was posted in an area of the Issuer's website that is used to inform its residents about events affecting the residents and which is clearly identified and accessible to members of the general public seeking information concerning the issuance of the Bonds and the Project.

3. Evidence of the website publication of the Notice of Public Hearing is attached hereto as Exhibit B. This Issuer will maintain records showing that the Notice of Public Hearing containing the requisite information was timely posted on the Issuer's website.

4. The Notice of Hearing remained published on the Issuer's website for a period of at least seven (7) consecutive days, from the date specified in paragraph 1, above, through and including the hearing date, and the Issuer held the hearing as described in the Notice of Public Hearing on **Tuesday, February 3, 2026 at 11:00AM.**

5. Following the hearing, the Issuer submitted the request for approval of the Issuance of the Bonds and Project to the applicable elected representative of the Issuer as required by Section 147(f) of the Code and the Regulations.

Dated: **Tuesday, February 3, 2026 at 11:30AM**

CITY AND COUNTY OF SAN FRANCISCO

By: William R Wilcox

Name: William Wilcox
Title: Bond Program Manager
Mayor's Office of Housing and Community Development

EXHIBIT A

NOTICE OF PUBLIC HEARING

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that on Tuesday, February 3rd, 2026 at 11:00 a.m., by toll-free teleconference at (800) 743-4099, participant code: 3299966 and in person at 1 South Van Ness Avenue, San Francisco, 5th Floor, Conference Room 5082 Farallones, the City and County of San Francisco (the "City") will conduct a public hearing (the "Public Hearing") at which time the City will hear and consider information concerning the proposed sale and issuance by the City of one or more multifamily affordable housing mortgage revenue bond issues (collectively, the "Bonds") in the respective maximum aggregate principal amounts set forth in the table below. The Bonds of each issue will be part of a plan of finance issued in one or more series from time to time, including bonds issued to refund such bonds in one or more series from time to time outstanding, and at no time to exceed in outstanding principal amount the maximum principal amount for such issue. The proceeds of each such issue of the Bonds will be loaned to the respective borrower/owner entity set forth in the table below (or an affiliate thereof or successor thereto) (each, a "Borrower"), or another entity to be formed by its general partner, which is expected to be as set forth in the table below, pursuant to a loan agreement (each, a "Loan Agreement") between the City and the applicable Borrower. The proceeds of each issue of the Bonds will be used by the applicable Borrower to finance the acquisition and rehabilitation or new construction of the respective residential rental housing facility described in the table below. Each Project is or will be located in San Francisco, California at the address set forth in the table below (each, a "Project"). Each Project is or will be owned and operated by the Borrower set forth in the table below.

Max. Amount	*Borrower/Owner*	*General Partner*	*Type of Project*	*No. of Units*	*Street Addresses*
$18,736,700 Tax-Exempt	Golden Gate Apartments, LP	Chinatown Community Development Center (CCDC)	Acquisition Rehabilitation	72	1820 Post Street, San Francisco CA
$26,102,000 Tax-Exempt	Mercy Housing California 120, L.P.	Mercy Housing	New Construction	94	1687 Market Street, San Francisco CA

Each issue of the Bonds will be paid entirely by the applicable Borrower from the revenues of the applicable Project, in accordance with the applicable Loan Agreement. Neither the full faith and credit nor the taxing power of the City, the State of California (the "State") or any other political corporation, subdivision or agency of the State is pledged to the payment of the principal, premium, if any, or interest on any of the Bonds, nor shall the City, the State or any other political corporation, subdivision or agency of the State be liable or obligated to pay the principal, premium, if any, or interest on any of the Bonds.

The Public Hearing is intended to comply with the public approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

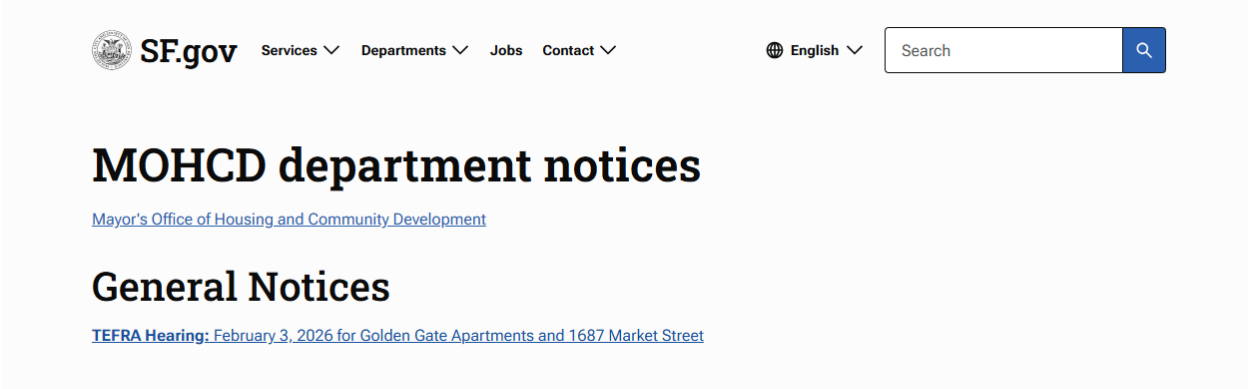
All those interested in matters related to the issuance of any of the Bonds and to the financing of any of the Projects are invited to attend and be heard at this hearing in person or by telephone. Interested parties may call into the hearing at the time and number indicated above, or submit written comments, which must be received prior to the Public Hearing, to the City, c/o William Wilcox, Mayor's Office of Housing and Community Development, 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103.

Date: January 26, 2026

CITY AND COUNTY OF SAN FRANCISCO

EXHIBIT B

EVIDENCE OF PUBLICATION



Mayor's Office of Housing and Community Development
City and County of San Francisco

Daniel Lurie
Mayor

Daniel Adams
Director

February 3, 2026

RE: Multiple Projects February 3, 2026 Proof of TEFRA Publication

To whom it may concern,

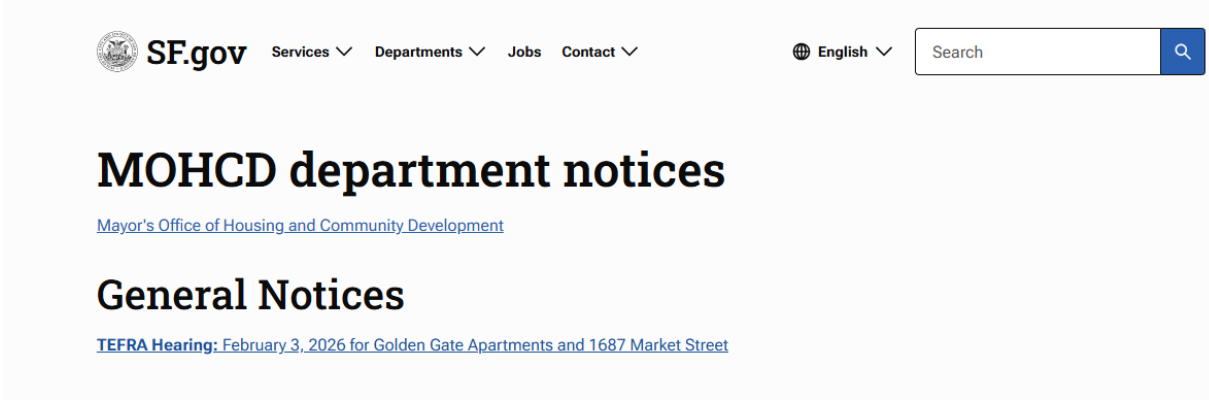
I am writing to confirm that the TEFRA notice for the Multiple Projects TEFRA hearing on February 3, was posted on our website's Notices Page on January 26, 2025, 8 days prior to the hearing. A screenshot of the posting is on the following page and the Notice itself will also be attached.

If you have any questions, please feel free to contact me (MOHCD Bond Program Manager, William Wilcox), at william.wilcox@sfgov.org.

Sincerely,

William R Wilcox

William Wilcox
Bond Program Manager
Mayor's Office of Housing & Community Development
City and County of San Francisco



One South Van Ness Avenue, Fifth Floor, San Francisco, CA 94103
Phone: 415.701.5500 Fax: 415.701.5501 TDD: 415.701.5503 www.sfmohcd.org

CITY AND COUNTY OF SAN FRANCISCO

Public Hearing as required by Section 147(f) of the Internal Revenue Code of 1986

Multiple Projects

Date: February 3, 2026

Time: 11:00 AM

Location: Farallones conference Room, 5th floor, 1 South Van Ness Avenue, San Francisco CA or by toll-free teleconference at (800) 743-4099, participant code: 3299966

Present: See Exhibit A - Sign-In Sheet

The hearing was held to obtain public comment on the proposed issuance by the City and County of San Francisco of one or more multifamily affordable housing tax-exempt mortgage revenue bond issues (collectively, the "Bonds") in the respective maximum aggregate principal amounts set forth in the table below. The proceeds of each such issue of the Bonds will be loaned to the respective borrower/owner entity set forth in the table below (or an affiliate thereof or successor thereto) (each, a "Borrower"), or another entity to be formed by its general partner, which is expected to be as set forth in the table below, pursuant to a loan agreement (each, a "Loan Agreement") between the City and the applicable Borrower. Each Project is or will be owned and operated by the Borrower set forth in the table below.

Max. Amount	*Borrower/Owner*	*General Partner*	*Type of Project*	*No. of Units*	*Street Addresses*
$18,736,700 Tax-Exempt	Golden Gate Apartments, LP	Chinatown Community Development Center (CCDC)	Acquisition Rehabilitation	72	1820 Post Street, San Francisco CA
$26,102,000 Tax-Exempt	Mercy Housing California 120, L.P.	Mercy Housing	New Construction	94	1687 Market Street, San Francisco CA

The public hearing convened at 11:00 AM. There were no written comments received on the proposed issuance. Except for the representatives from the Mayor's Office of Housing and Community Development and the project sponsors in Exhibit A - Sign-In Sheet, no one joined. The details of the projects in the TEFRA notice were read aloud and the meeting concluded.

The hearing was adjourned at 11:30 AM.

Minutes prepared by: William R Wilcox
Date: February 3, 2026 William Wilcox

Exhibit A

Multiple Projects
TEFRA Hearing
SIGN-IN SHEET
Monday February 3, 2026 - 11:00 am

Name	Organization	e-mail address
Joanna Ladd	Chinatown Community Development Center	Joanna.ladd@chinatowncdc.org
Fiona Ruddy	Mercy Housing	Fiona.ruddy@mercyhousing.org
Amanda Fukutome-Lopez	MOHCD	amanda.fukutome-lope@sfgov.org
William Wilcox	MOHCD	william.wilcox@sfgov.org

PUBLIC DISCLOSURES RELATING TO CONDUIT REVENUE OBLIGATIONS

Pursuant to California Government Code Section 5852.1, the borrower (the "Borrower") identified below has provided the following required information to the City and County of San Francisco (the "City") prior to the City's regular meeting (the "Meeting") of its Board of Supervisors (the "Board") at which Meeting the Board will consider the authorization of conduit revenue obligations (the "Bonds") as identified below.

1. Name of Borrower: **Mercy Housing California 120, L.P. a California limited partnership**.

2. Board of Supervisors Meeting Date: **May 12, 2026**.

3. Name of Bond Issue / Conduit Revenue Obligations: **City and County of San Francisco Multifamily Housing Revenue Note (1687 Market Residences) Series 2026C-1 (the "Series 2026C-1 Note") and City and County of San Francisco Multifamily Housing Revenue Note (1687 Market Residences) Series 2026C-2 (Taxable)(the "Series 2026C-2 Note" and with the Series 2026C-1 Note, the "Notes")**.

4. __ Private Placement Lender or Bonds Purchaser, __ Underwriter or X Financial Advisor (mark one) engaged by the Borrower from which the Borrower obtained the following required good faith estimates relating to the Bonds:

   (A) The true interest cost of the Notes, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of Bonds (to the nearest ten-thousandth of one percent): **Rate during construction is variable; rate on the Series 2026C-1 Note estimated at 6.17% and the rate on the 2026C-2 Note estimated at 6.17%. Notes repaid in full at Conversion.**

   (B) The finance charge of the Notes, which means the sum of all fees and charges paid to third parties: **$1,217,615 ($920,889 estimated to be paid upfront, $109,226 estimated to be paid during the term of the Notes and $187,500 through the end of the Regulatory Agreement compliance period).**

   (C) The amount of proceeds received by the public body for sale of the Notes less the finance charge of the Notes described in subparagraph (B) and any reserves or capitalized interest paid or funded with proceeds of the Notes: **$24,926,755 ($27,126,985 estimated aggregate initial par less $2,220,230 estimated capitalized interest; all finance charges funded from a source other than Note proceeds).**

   (D) The total payment amount, which means the sum total of all payments the Borrower will make to pay debt service on the Notes plus the finance charge of the Notes described in subparagraph (B) not paid with the proceeds of the Notes (which total payment amount shall be calculated to the final maturity of the Notes): **$28,344,600 (consisting of estimated principal and interest payments of $27,126,985 and estimated finance charges identified in (B))**.

This document has been made available to the public at the Meeting of the Board.

Dated: April 7, 2026

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

915 Capitol Mall, Suite 280
Sacramento, CA 95814
p (916) 653-3255
f (916) 653-6827
cdlac@treasurer.ca.gov
www.treasurer.ca.gov/cdlac

MEMBERS

FIONA MA, CPA, CHAIR
State Treasurer

GAVIN NEWSOM
Governor

MALIA M. COHEN
State Controller

INTERIM EXECUTIVE DIRECTOR
MARINA WIANT

March 30, 2026

Daniel Adams
Director
City and County of San Francisco
1 South Van Ness Ave, 5th Floor
San Francisco, CA 94103

RE: REVISED RESOLUTION ATTESTING TO THE TRANSFER OF PRIVATE ACTIVITY BOND ALLOCATION
(1687 Market Residences, Application #25-809)

Dear Daniel Adams:

The California Debt Limit Allocation Committee (the Committee) received a letter dated March 25, 2026 from William Wilcox on behalf of City and County of San Francisco requesting a change to Resolution No. 25-355 for the 1687 Market Residences (the Project).

In the letter, the request to update the Private Placement Purchaser of record be changed from "J.P. Morgan Chase Bank, NA" to "Bank of America, N.A." The revised Resolution 25-215, Exhibit A, Item number 7 reflect the change.

The revised Resolution 25-355 establishes the terms and conditions under which the allocation has been granted. Please read it carefully and keep a copy in your permanent files.

Do not hesitate to contact me should you have questions.

Sincerely,

Marina Wiant
Interim Executive Director

ENCLOSURE

cc: William Wilcox, City and County of San Francisco
Ronald E Lee, Esq., Jones Hall, A Professional Law Corporation
Christine Anderson, Mercy Housing California 120, L.P.

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

RESOLUTION NO. 25-355
Revised March 30, 2026
A RESOLUTION TRANSFERRING A PORTION OF THE 2025 STATE CEILING ON QUALIFIED PRIVATE ACTIVITY BONDS FOR A QUALIFIED RESIDENTIAL RENTAL PROJECT

WHEREAS, the California Debt Limit Allocation Committee ("CDLAC") is authorized to implement the volume limit for the state on private activity bonds established pursuant to federal law, annually determine a state ceiling on the aggregate amount of private activity bonds that may be issued, and allocate that aggregate amount among state and local agencies (Gov. Code, § 8869.81 et seq.); and

WHEREAS, CDLAC has received an application ("Application") from the City and County of San Francisco ("Applicant") for the transfer to the Applicant of a portion of the 2025 state ceiling for use by the Applicant to issue bonds or other obligations ("Bonds") for 1687 Market Residences ("Project") as described in Exhibit A; and

WHEREAS, Mercy Housing California 120, L.P. ("Project Sponsor") has represented and the Applicant has confirmed in the Application certain facts and information concerning the Project; and

WHEREAS, in evaluating the Project and allocating a portion of the state ceiling to the Applicant for the benefit of the Project, CDLAC staff has relied upon the written facts and information represented in the Application by the Project Sponsor and the Applicant; and

WHEREAS, it is consistent with CDLAC's statutes and regulations for CDLAC to transfer a portion of the 2025 state ceiling ("Allocation") to benefit the Project;

NOW, THEREFORE, BE IT RESOLVED by the California Debt Limit Allocation Committee the following:

Section 1. An amount of the 2025 state ceiling on the aggregate amount of private activity bonds equal to $26,102,000.00 shall be transferred to the Applicant. This Allocation shall be used only by the Applicant and only for the issuance of the Bonds for the Project, as described in Exhibit A. The terms and conditions of Exhibit A are incorporated herein as though set forth in full (this resolution, together with Exhibit A are hereafter referred to collectively as this "Resolution").

Section 2. The terms and conditions of this Resolution shall be incorporated in appropriate documents relating to the Bonds. The Project Sponsor and the Applicant, and all of their respective successors and assignees, shall be bound by those terms and conditions. The Applicant shall monitor the Project for compliance with the terms and conditions of this Resolution. The Project shall be subject to the monitoring provisions of California Code of Regulations, title 4, sections 10337(c) and 5220.

Section 3. A modification to the Project made prior to the issuance of the Bonds that impacts the Resolution shall be reported to the Executive Director and, if the Executive Director determines that modification to be material pursuant to CDLAC's statutes and regulations, the material modification shall be brought back to CDLAC for consideration before the Allocation may be used for the Project. After the Bonds are issued, the terms and conditions set forth in this Resolution shall be enforceable by CDLAC through an action for specific performance or other available remedy.

In addition, after the Bonds are issued, a change to any of the Items of Exhibit A shall require CDLAC or Executive Director approval for the term of the commitment.

Section 4. A material change in the structure of the Bonds sale prior to the issuance of the Bonds and not previously approved by CDLAC shall require approval of the CDLAC Chair or the Executive Director.

Section 5. The transfer of the proceeds from the sale of the Bonds to a project other than the Project may be allowed only with the prior approval of the Executive Director in consultation with the CDLAC Chair.

Section 6. The Applicant is authorized to use the Allocation to make a carryforward election with respect to the Project. The Applicant is not authorized to transfer the Allocation to any governmental unit in the State except to CDLAC.

Section 7. If the Applicant has not issued the Bonds pursuant to the Allocation by the close of business on June 8, 2026, the Applicant shall notify CDLAC and carry forward the Allocation to the next approved project to be awarded a bond allocation pursuant to California Code of Regulations, title 4, section 5133. The Executive Director may extend this date by up to ninety (90) days if the extension is needed due to circumstances outside the control of the owner.

Section 8. Within twenty-four (24) hours of using the Allocation to issue the Bonds, the Applicant shall notify CDLAC at CDLAC@treasurer.ca.gov that the Allocation has been used. This notice shall identify the Applicant, the Project or qualified residential rental project, the date the Allocation was used, and the amount of the Allocation used.

Section 9. Within fifteen (15) calendar days of the Bonds closing, the Applicant or its counsel shall submit a completed "Report of Action Taken Regarding the Issuance of Private Activity Bonds", as made available by CDLAC.

Section 10. Differences between the amount of the Bonds issued and the amount of the Allocation granted in Section 1 shall be retained by the Applicant as required by 26 U.S.C. §146(f)(3)(A) regarding carryforward elections. The use of a Carryforward Allocation shall be consistent with California Code of Regulations, title 4, section 5133.

Section 11. CDLAC staff is directed to transmit a copy of this Resolution to the Applicant together with a request that the Applicant retain a copy in the Applicant's official records for the term of the Bonds or the term of the income and rental restrictions, whichever is longer. CDLAC staff shall retain a copy of this Resolution in the files of CDLAC, or any successor agency, for the same term.

Section 12. In consideration of the Allocation, the Applicant and Project Sponsor shall comply with all the terms and conditions contained in this Resolution and ensure that these terms and conditions are included in the documents related to the Bonds. The Applicant and Project Sponsor shall expressly agree that the terms and conditions of this Resolution may be enforced by CDLAC through an action for specific performance or any other available remedy, provided CDLAC agrees not to take any action or enforce any remedy that would be materially adverse to the interests of Bondholders. The Applicant and Project Sponsor shall ensure the Bond documents, as appropriate, expressly state CDLAC is a third-party beneficiary of the terms and conditions set forth in this Resolution.

Section 13. Either the "Certification of Compliance II for Qualified Residential Rental Projects" or "Certification of Compliance II for Non-Qualified Residential Rental Projects" shall be submitted by the Project Sponsor to the Applicant no later than March 1st annually until the Project's applicable "Certificate of Completion" has been submitted by the Project Sponsor to the Applicant. An "Annual Applicant Public Benefits and Ongoing Compliance Self-Certification" shall be annually submitted online by the Applicant to CDLAC until the applicable "Certificate of Completion" has been submitted by the Project Sponsor to the Applicant. Following the submission of the applicable "Certificate of Completion" to the Applicant, the applicable "Certification of Compliance II" shall be submitted by the Project Sponsor to the Applicant no later than March 1st, and no later than March 1st every three years thereafter, pursuant to California Code of Regulations, title 4 section 5144. Verification to CDLAC of income and rental information shall not be required prior to the submission of the applicable "Certificate of Completion." A copy of the applicable "Certification of Compliance II" may be found at: http://www.treasurer.ca.gov/cdlac/forms.asp. Failure to submit compliance documents may result in disqualification from future participation for qualified residential rental projects.

Section 14. All relevant bond documents for the Bonds shall permit principal payments or prepayments on the underlying loan(s) as transferred proceeds in a bond preservation and recycling program as permitted by 26 U.S.C. 146(i)(6) and shall require no less than thirty (30) days' notice to CDLAC and the Applicant prior to the redemption of the Bonds at conversion to permanent financing.

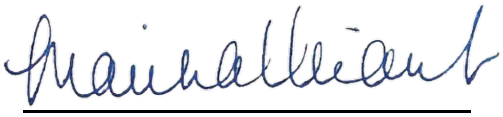
Section 15. This Resolution shall take effect immediately upon its adoption.

* * *

CERTIFICATION

I, Marina Wiant, Interim Executive Director of the California Debt Limit Allocation Committee, hereby certify that the above is a full, true, and correct copy of the Resolution adopted at a meeting of the Committee held in the Paul Bonderson Building, 901 P Street, 1st Floor, Sacramento, California 95814, on December 10, 2025 with the following votes recorded:

AYES:	State Treasurer Fiona Ma, CPA Michele Perrault for Governor Gavin Newsom Evan Johnson for State Controller Malia M. Cohen
NOES:	None
ABSTENTIONS:	None
ABSENCES:	None



Marina Wiant, Interim Executive Director

Date: March 30, 2026

RESOLUTION NO. 25-355
Revised March 30, 2026
QUALIFIED RESIDENTIAL RENTAL PROJECT
EXHIBIT A

1. Applicant: City and County of San Francisco

2. Application No.: 25-809

3. Project Sponsor: Mercy Housing California 120, L.P. (Mercy Housing California 120 LLC)

4. Property Management Co.: Mercy Housing Management Group

5. Project Name: 1687 Market Residences

6. Location: San Francisco, CA

7. Private Placement Purchaser: **Bank of America, N.A.**
   Cash Flow Bond: **Not Applicable**

   All units identified in the CDLAC resolution, including both the Federally Bond-Restricted Units and the Other Restricted Units, will be incorporated into the Bond Regulatory Agreement. Assumptions to be included in the Bond Regulatory Agreement regarding the Other Restricted Units will include the AMI as outlined in the CDLAC resolution, a limitation that tenants pay no more than 30% of their income and 1.5 persons per bedroom occupancy standard to determine the applicable rent.
   Applicable

8. Public Sale: **Not Applicable**
   Credit Enhancement Provider: **Not Applicable**

9. Total Number of Units: **93** plus **1** unrestricted manager unit(s)

10. Total Number of Restricted Tenant Rental Units: **77**

11. The term of the income and rental restrictions for the Project will be at least 55 years from the date 50% occupancy is achieved or when the project is otherwise placed in service.

12. The Regulatory Agreement shall not terminate prior to the end of the CDLAC Resolution affordability term in the event of foreclosure, exercise of power of sale, and/or transfer of title by deed in lieu of foreclosure in connection with a deed of trust directly or indirectly securing the repayment of Cash Flow Permanent Bonds.

13. The Project will utilize Gross Rents as defined in Section 5170 of the Committee's Regulations.

14. Income and Rental Restrictions
    a. Federally Bond-Restricted Set-aside:
       At least 40% or more of the total units will be restricted such that the average of the imputed income limitations designated is 60% or less of the Area Median Income.

    b. Other Restricted Units
       For the entire term of the income and rental restrictions, the Project will have:

Targeting AMI	Number of Units	Percentage of Affordable Units
30%	19	20%
60%	58	62%
80%*	16	17%

* CTCAC restricted only

15. In accordance with Section 5191(a), a minimum of ten percent (10%) of the units must be restricted to households with incomes no greater than 50% of the Area Median Income and will be distributed as follows:
Applicable:

Studios:	**2**
One-bedroom:	**4**
Two-bedroom:	**2**

16. New Construction Pool Set-aside Requirements.
Homeless Set-aside: at least 25% of the Tax Credit Units are designated for homeless households as defined by CTCAC Regulations Section 10302(kk) with affordable rents consistent with Section 10325(g)(3).
Not Applicable

Extremely Low Income/Very Low Income (ELI/VLI) Set-aside. The rent and income targeting restrictions must have an average of 50% area median income (AMI) or below.
Not Applicable

Mixed Income Set-aside. A Mixed Income Project is a New Construction Qualified Residential Rental Project which either (1) is not utilizing the Average Income test of Internal Revenue Code Section 42 (g)(1)(C) and which has 50% or fewer of its total units designated as Restricted Rental Units or; (2) is part of the California Housing Finance Agency Mixed-Income Program. In a Competitive Application Process, a Mixed Income Project may only apply for an allocation of tax-exempt bonds if the ratio of tax-exempt bonds, not including recycled bonds, to aggregate depreciable basis plus land basis is less than or equal to the ratio of units that will be restricted pursuant to a CTCAC regulatory agreement.
Not Applicable

17. Minimum construction standards pursuant to CDLAC Regulation Section 5205 and Sections 10325(f)(7)(A) through (J) of the CTCAC Regulations will be incorporated into the project design for all new construction and rehabilitation projects.
Applicable

18. For all Acquisition & Rehabilitation projects, a minimum of $15,000 in hard construction costs will be expended for each unit.
Not Applicable

19. Other Rehabilitation Pool Requirements. The Project will comply with the requirement to complete rehabilitation work at a minimum of $60,000 in hard construction cost per unit as defined in CTCAC Regulation Section 10302(u), subject to the provisions of Internal Revenue Code Section 42(e)(3)(A)(ii)(I), expended only on immediate health and safety improvements, seismic and accessibility improvements and/or the replacement of major systems with a remaining useful life of less than ten years pursuant to CDLAC Regulation Section 5170.
Not Applicable

20. The Project will comply with the Preservation and Other Rehabilitation Project Priorities of Section 5230(b). At a minimum, the Project must continue to meet the criteria sufficient to retain 0 points.
Not Applicable

21. The Project will comply with the New Construction Density and Local Incentives of Section 5230(c). At a minimum, the Project must continue to meet the criteria sufficient to retain 10 points.
Applicable

22. The Project will comply with the Exceeding Minimum Income Restrictions of Section 5230(d)(2). At a minimum, the Project must continue to meet the criteria sufficient to retain 20 points.
Applicable

Targeted Average Affordability: **57.31%**
Percent at or below 30% AMI: **20.43%**
Percentat or below 50% AMI: **0.00%**
Points: **20**

23. The Project will comply with the Exceeding Minimum Rent Restrictions of Section 5230(e). At a minimum, the Project must continue to meet the criteria sufficient to retain 10 points.
Applicable

24. The Project will comply with the General Partner Experience requirements of Section 5230(f)(1). At a minimum, the Project must continue to meet the criteria sufficient to retain 7 points.
Applicable

25. The Project will comply with the Management Company Experience requirements of Section 5230(f)(2). At a minimum, the Project must continue to meet the criteria sufficient to retain 3 points.
Applicable

26. The Project will comply with the New Construction Housing Type requirement of Section 5230(g). At a minimum, the Project must continue to meet the criteria sufficient to retain 10 points as a Non-Targeted housing type.
Applicable

27. The Project will comply with the Leveraged Soft Resources requirements of Section 5230(h). At a minimum, the Project must continue to meet the criteria sufficient to retain 8 points.
Applicable

28. The Project will comply with the Readiness to Proceed requirements of Sections 5152 and 5230(i). At a minimum, the Project must continue to meet the criteria sufficient to retain 10 points.
Applicable

29. The Project will comply with the Affirmatively Furthering Fair Housing requirements of Section 5230(j)(1)(A). At a minimum, the Project must continue to meet the criteria sufficient to retain 10 points.
Not Applicable

30. The Project will comply with the Affirmatively Furthering Fair Housing requirements of Section 5230(j)(1)(B). At a minimum, the Project must continue to meet the criteria sufficient to retain 9 points.
Applicable

31. For a period of fifteen (15) years after the Project is placed in use, the Project will provide residents high speed internet service in each Project unit free of charge (minimum average download speed 25 megabits/second).

Not Applicable

32. For a period of fifteen (15) years after the Project is placed in use, the Project will provide residents a Service Coordinator. Service Coordinator responsibilities must include, but are not limited to: (a) providing tenants with information about available services in the community, (b) assisting tenants to access services through referral and advocacy, and (c) organizing community-building and/or other enrichment activities for tenants (such as holiday events, tenant council, etc.).
Applicable
Hours per Year: 399

33. For a period of fifteen (15) years after the Project is placed in use, the Project will provide residents instructor-led adult educational, health and wellness, or skill building classes. This includes, but is not limited to: Financial literacy, computer training, home-buyer education, GED classes, and resume building classes, ESL, nutrition class, exercise class, health information/awareness, art class, parenting class, on-site food cultivation and preparation classes, and smoking cessation classes. Drop-in computer labs, monitoring or technical assistance shall not qualify.
Applicable
Hours per Year: 60

34. The Project will comply with the Cost Containment requirements of Section 5230(l). At a minimum, the Project must continue to meet the criteria sufficient to retain 12 points.
Applicable

35. As specified in Section 5144(c) of the Committee's Regulations, sponsors will be required to utilize CTCAC's Compliance Manual specifically Section VI: Qualify Tenants for Low Income Housing Tax Credit Units, to verify tenant income in conjunction with initial occupancy. No less than every three (3) years after the project is completed, the Sponsor must collect and retain the following income and verification documentation related to all the Federally Bond-Restricted units identified in the Committee Resolution: CTCAC Tax Income Calculation (TIC) or equivalent documentation, all associated source income documentation, evidence of the verifying income computation and unit lease.
Applicable

36. As specified in Section 5144(d) of the Committee's Regulations, compliance with the income and rental requirements of the Federally Bond-Restricted Units identified in the Committee Resolution and the Bond Regulatory Agreement must be demonstrated by the Applicants initial review of 20% of all management files associated with the Federally Bond-Restricted units and subsequent review every three years of 20% of all management files associated with the Federally Bond-Restricted units.
Applicable

37. As specified in Section 5144(e) of the Committee's Regulations, applicants are required to ensure an onsite inspection as well as an on-site review of the 20% Federally Bond-Restricted units is performed every 3 years after the Qualified Project Period has commenced.
The following entity will conduct the site and file inspections:
Not Applicable

San Francisco Ethics Commission
25 Van Ness Avenue, Suite 220, San Francisco, CA 94102
Phone: 415.252.3100 · Fax: 415.252.3112

Filing Information

Record Number

SFEC126F0001318

Status

BOS Legislative Clerk Acceptance

SFEC126f Form Type

126f4 BOS

File Number (BOS)

260426

Type of Filing

Original

Contractor Information

Contractor Name

Mercy Housing California 120, L.P

Contractor Email

Fiona.Ruddy@mercyhousing.org

Contractor Phone #

(415) 355-7160

International Address?

No

Contractor Address (US)

1256 Market Street

Contractor City and State

San Francisco - CA

Contractor Zip Code

94102

Country

United States of America

Contract Information

Contract Amount

$30,000,000.00

Description of Amount of Contract

Resolution authorizing the execution and delivery of multifamily housing revenue notes in one or more series in an aggregate principal amount not to exceed $30,000,000 for the purpose of providing financing for the construction of a 94-unit multifamily rental housing project known as "1687 Market Residences"; approving the form of and authorizing the execution of a funding loan agreement providing the terms and conditions of the construction loan from the funding lender to the City, and the execution and delivery of the notes; approving the form of and authorizing the execution of a borrower loan agreement providing the terms and conditions of the construction loan from the City to the borrower; approving the form of and authorizing the execution of a regulatory agreement and declaration of restrictive covenants for the project; authorizing the collection of certain fees; approving, for purposes of the Internal Revenue Code of 1986, as amended, the issuance and sale of residential mortgage revenue notes by the City in an aggregate principal amount not to exceed $30,000,000; approving modifications, changes and additions to the documents; ratifying and approving any action heretofore taken in connection with the funding loan, the borrower loan, the notes and the project; granting general authority to City officials to take actions necessary to implement this Resolution; and related matters.

Contract Description

This is a tax-exempt bond issuance that is conduit and thus produces no liability for the City. The City is under no obligation in any way to pay these funds. We simply act as the conduit issuer of the funds for tax purposes to support the affordable housing project.

City Agency - Departmental Contact Information

Departmental Contact

William Wilcox

Departmental Contact Phone #

(628) 652-5829

Full Department Name

MYR - Mayor's Office

Agency Contact Email

william.wilcox@sfgov.org

Contract Approval

Mayoral Approval Not Required

false

Affiliates and subcontractors

Entity Type	First Name	Last Name	Entity or Sub/Contractor Name
CEO	Tiffany	Bohee	
Board of Directors	Julie	Brandt	
Board of Directors	Bradley	Cox	
Board of Directors	Kay	Fernandez Smith	
Board of Directors	Rocky	Fried	
Board of Directors	Jamarah	Hayner	
Board of Directors	Phyllis	Hughes	
Board of Directors	Ellen	Jamason	
Board of Directors	Jennifer	Keith	
Board of Directors	Lynn	King-Tolliver	
Board of Directors	Christopher	Lee	
Board of Directors	David	Levine	
Board of Directors	Kacey	Lizon	
Board of Directors	William	Pavao	
Board of Directors	Guillermo	Rodriguez	
Board of Directors	S. Monica	Soni	
Board of Directors	Camilo	Zaks	

OFFICE OF THE MAYOR
SAN FRANCISCO

DANIEL LURIE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Dexter Darmali, Legislative & Ethics Secretary
RE: Multifamily Housing Revenue Notes – Mercy Housing California 120, L.P. - Not to Exceed $30,000,000
DATE: April 21, 2026

Resolution authorizing the execution and delivery of multifamily housing revenue notes in one or more series in an aggregate principal amount not to exceed $30,000,000 for the purpose of providing financing for the construction of a 94-unit multifamily rental housing project known as "1687 Market Residences"; approving the form of and authorizing the execution of a funding loan agreement providing the terms and conditions of the construction loan from the funding lender to the City, and the execution and delivery of the notes; approving the form of and authorizing the execution of a borrower loan agreement providing the terms and conditions of the construction loan from the City to the borrower; approving the form of and authorizing the execution of a regulatory agreement and declaration of restrictive covenants for the project; authorizing the collection of certain fees; approving, for purposes of the Internal Revenue Code of 1986, as amended, the issuance and sale of residential mortgage revenue notes by the City in an aggregate principal amount not to exceed $30,000,000; approving modifications, changes and additions to the documents; ratifying and approving any action heretofore taken in connection with the funding loan, the borrower loan, the notes and the project; granting general authority to City officials to take actions necessary to implement this Resolution; and related matters.

Should you have any questions, please contact Adam Thongsavat at adam.thongsavat@sfgov.org

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 554-6141