FINANCING AGREEMENT

by and among

CITY AND COUNTY OF SAN FRANCISCO,
as Issuer,

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee,

and

SUNNYDALE BLOCK 9 HOUSING PARTNERS, L.P.,
as Borrower

relating to

$[_____]
City and County of San Francisco
Multifamily Housing Revenue Bonds (Fannie Mae MBS-Secured)
(Sunnydale HOPE SF Block 9)
Series 2025B-1

$[_____]
City and County of San Francisco
Multifamily Housing Revenue Bonds
(Sunnydale HOPE SF Block 9)
Series 2025B-2

Dated as of May 1, 2025

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FINANCING AGREEMENT

THIS FINANCING AGREEMENT (this "Financing Agreement"), is dated as of May 1, 2025, and entered into by and among the **CITY AND COUNTY OF SAN FRANCISCO** (together with its successors and assigns, the "Issuer"), a municipal corporation and chartered city and county, organized and existing under the laws of the State of California (the "State"), **U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION**, as trustee under the Indenture referred to below (together with its successors and assigns, the "Trustee"), and **SUNNYDALE BLOCK 9 HOUSING PARTNERS, L.P.**, a California limited partnership (together with its successors and assigns, the "Borrower").

RECITALS:

A. Pursuant to the Act (as defined in the Indenture), the Issuer is authorized to issue revenue bonds, notes or other evidence of indebtedness for the purpose of, among other things, financing the acquisition, construction, and equipping of multifamily rental housing and for the provision of capital improvements in connection therewith and determined to be necessary thereto.

B. As more fully set forth in the Indenture of Trust, of even date herewith, between the Issuer and the Trustee (the "Indenture"), the Issuer is issuing its Multifamily Housing Revenue Bonds (Fannie Mae MBS-Secured) (Sunnydale HOPE SF Block 9) Series 2025B-1, in the aggregate principal amount of $[_____] (the "Series B-1 Bonds") and its Multifamily Housing Revenue Bonds (Sunnydale HOPE SF Block 9) Series 2025B-2, in the aggregate principal amount of $[_____] (the "Series B-2 Bonds," and together with the Series B-1 Bonds, individually or collectively as context may dictate, the "Bonds").

C. Pursuant to this Financing Agreement, the Issuer will use the proceeds of the Bonds to make one or more loans to the Borrower to finance the acquisition, construction and equipping of the Project.

D. To secure the payment of all of the principal of and premium, if any, and interest on the Bonds, the Issuer has assigned (with certain exceptions described herein) its rights, title and interests in, and delegated its duties under, this Financing Agreement, without recourse, to the Trustee.

E. The obligation of the Borrower to pay all amounts necessary to pay principal of, premium, if any, and interest on the Bonds will be evidenced by this Financing Agreement and two (2) promissory notes, substantially in the forms attached hereto as Exhibit B-1 and B-2, as applicable, dated the date of delivery of the Bonds (the "Bond Loan Notes"), from the Borrower to the Issuer.

F. The parties hereto acknowledge the matters set forth in the Recitals to the Indenture.

NOW, THEREFORE, the parties hereto, in consideration of the premises and the mutual covenants and commitments of the parties set forth herein, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, hereby agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.01. Definitions. Capitalized terms used herein without definition shall have the respective meanings set forth in the Indenture. In addition to the terms elsewhere defined in this Financing Agreement, the following terms used in this Financing Agreement (including the Recitals) shall have the following meanings unless the context indicates another or different meaning or intent, and such definitions shall be equally applicable to both the singular and plural forms of any of the terms herein defined:

"*Administrative General Partner*" means Related/Sunnydale Block 9 Development Co., LLC, a California limited liability company.

"*Determination of Taxability*" means the receipt by the Trustee of (1) a copy of written notice from the Commissioner or any District Director of the Internal Revenue Service or a determination by any court of competent jurisdiction, or (2) an Opinion of Bond Counsel, in either case to the effect that interest on the Bonds is not excludable for regular federal income tax purposes under Section 103(a) of the Code from gross income of any Bondholder (other than a Bondholder who is a substantial user of the Project or a related person within the meaning of Section 147(a) of the Code).

"*Event of Default*" means any event of default specified and defined in Section 8.01 of this Financing Agreement.

"*General Partner*" means, individually or collectively, as applicable the Administrative General Partner and the Managing General Partner.

"*Managing General Partner*" means Sunnydale Block 9 LLC, a California limited liability company.

"*Mortgage Note Rate*" means a per annum rate of interest calculated in accordance with the Mortgage Note.

"*Permitted Liens*" means any easements and restrictions listed in a schedule of exceptions to coverage in the title insurance policy delivered with respect to the Project as required by the Permanent Loan Documents.

"*Person*" means any natural person, firm, partnership, association, limited liability company, corporation or public body.

"*Placed in Service Date*" means the date the Project is placed in service for purposes of Section 42 of the Code.

"*Single Purpose Entity*" means an entity that (i) is formed solely for the purpose of owning and operating a single asset; (ii) does not engage in any business unrelated to such asset, (iii) keeps its own books and records and its own accounts separate and apart from the books, records and

accounts of any other Person, and (iv) holds itself out as being a legal entity, separate and apart from any other Person.

Section 1.02. Rules of Construction.

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

(b) All references herein to "Articles," "Sections" and other subdivisions hereof are to the corresponding Articles, Sections or subdivisions of this Financing Agreement as originally executed; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Financing Agreement as a whole and not to any particular Article, Section or subdivision hereof.

(c) The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not limit or otherwise affect the meaning, construction or effect of this Financing Agreement or describe the scope or intent of any provisions hereof.

(d) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with applicable generally accepted accounting principles as in effect from time to time.

(e) Every "request," "order," "demand," "application," "appointment," "notice," "statement," "certificate," "consent," or similar action hereunder by any party shall, unless the form thereof is specifically provided, be in writing signed by a duly authorized representative of such party with a duly authorized signature.

(f) The parties hereto acknowledge that each such party and their respective counsel have participated in the drafting and revision of this Financing Agreement and the Indenture. Accordingly, the parties agree that any rule of construction which disfavors the drafting party shall not apply in the interpretation of this Financing Agreement or the Indenture or any amendment or supplement or exhibit hereto or thereto.

Section 1.03. Effective Date. The provisions of this Financing Agreement shall be effective on and as of the Closing Date, immediately upon the effectiveness of the Indenture.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.01. Representations, Warranties and Covenants by the Borrower. The Borrower represents, warrants and covenants as follows:

(a) The Borrower is a limited partnership and is qualified to do business in the State and in every other state in which the nature of its business requires such qualification.

Each General Partner is a limited liability company and is qualified to do business in the State and in every other state in which the nature of its business requires such qualification. Each of the Borrower and each General Partner has full power and authority to own its properties and to carry on its business as now being conducted and as contemplated to be conducted with respect to the Project, and to enter into, and to perform and carry out the transactions provided for in this Financing Agreement, all other Financing Documents contemplated hereby to be executed by the Borrower and/or any General Partner and the Permanent Loan Documents. This Financing Agreement, the other Financing Documents to which the Borrower or any General Partner is a party, the Permanent Loan Documents and all other documents to which the Borrower or the General Partner is a party and contemplated hereby or thereby have been duly authorized, executed and delivered by the Borrower or any General Partner and constitute the legal, valid and binding obligations of the Borrower or the General Partner, respectively, enforceable against the Borrower or the General Partner, each in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally and general equitable principles. The officers of the Borrower and/or each General Partner executing this Financing Agreement, all other Financing Documents contemplated hereby to be executed by the Borrower or any General Partner and the Permanent Loan Documents are duly and properly in office and fully authorized to execute the same. All corporate partners, if any, of the Borrower are duly organized and in good standing under the laws of their respective states of organization and are duly qualified to transact business in the State as either domestic or foreign corporations, as applicable. All partnership partners, if any, of the Borrower are duly formed and in good standing under the laws of their respective states of formation and, to the extent required by the laws of the State, are duly qualified to transact business in the State as either domestic or foreign partnerships or limited liability companies, as applicable.

(b) Neither the execution and delivery of this Financing Agreement, all other Financing Documents to be executed by the Borrower, the Permanent Loan Documents or any other documents contemplated hereby or thereby, the consummation of the transactions contemplated hereby or thereby, nor the fulfillment of or compliance with the terms and conditions of this Financing Agreement, all other Financing Documents to be executed by the Borrower, the Permanent Loan Documents or any other documents contemplated hereby or thereby, will violate or contravene any provision of law, any order of any court or other agency of government, or any of the organizational or other governing documents of the Borrower, or any indenture, agreement or other instrument to which the Borrower is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument or any license, judgment, decree, law, statute, order, rule or regulation of any governmental agency or body having jurisdiction over the Borrower or any of its activities or properties, or, except as provided hereunder, 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, except for Permitted Liens.

(c) The Borrower has and will have a leasehold interest on the land on which the Project will be located and fee simple title to the improvements constituting the Project,

subject to the Permitted Liens. The Borrower is the sole borrower under the Permanent Loan. As of the Closing Date the Borrower will enjoy the peaceful and undisturbed possession of all of the premises upon which it is operating its facilities. The Borrower possesses, and will at all times possess, all franchises, patents, copyrights, trademarks, trade names, licenses and permits, and rights in respect of the foregoing, adequate for the conduct of its business substantially as now conducted or as it is intended to be conducted with respect to the Project, without known conflict with any rights of others.

(d) As of the Closing Date, no litigation or proceeding is pending or, to the knowledge of the Borrower or the General Partner, threatened against or affecting the Borrower or the General Partner or any of the Borrower's properties (including, without limitation, the Project) which has a reasonable probability of having a material adverse effect on its financial condition or business, or the transactions contemplated by this Financing Agreement, the Indenture, the other Financing Documents or the Permanent Loan Documents, or which in any way would adversely affect the validity or enforceability of the Bonds, the Indenture, this Financing Agreement, the other Financing Documents or the Permanent Loan Documents, or the exclusion from gross income for federal income tax purposes of interest on the Bonds, or the ability of the Borrower to perform its obligations under this Financing Agreement, the other Financing Documents or the Permanent Loan Documents executed by the Borrower.

(e) The Project and the operation of the Project (in the manner contemplated by the Financing Documents) conform in all material respects with all applicable zoning (or a legal non-conforming use), planning, building and environmental laws, ordinances and regulations of governmental authorities having jurisdiction over the Project, all necessary utilities are available to the Project, and the Borrower will obtain all requisite zoning, planning, building and environmental and other permits which may become necessary with respect to the Project. The Borrower has obtained or will obtain all licenses, permits and approvals necessary for the ownership, operation and management of the Project, including all approvals essential to the transactions contemplated by this Financing Agreement, the Indenture, the other Financing Documents, the Permanent Loan Documents and any other documents contemplated hereby or thereby.

(f) The financial statements which have been furnished by or on behalf of the Borrower to the Issuer, are complete and accurate in all material respects and present fairly the financial condition of the Borrower as of their respective dates in accordance with generally accepted accounting methods applied by the Borrower on a consistent basis, and since the date of the most recent of such financial statements there has not been any material adverse change, financial or otherwise, in the condition of the Borrower, and there have not been any material transactions entered into by the Borrower other than transactions in the ordinary course of business, and the Borrower does not have any material contingent obligations which are not otherwise disclosed in its financial statements. There (i) is no completed, pending or threatened bankruptcy, reorganization, receivership, insolvency or like proceeding, whether voluntary or involuntary, affecting the Project, the Borrower, or any general partner of the Borrower; and (ii) has been no assertion or exercise of jurisdiction over the Project, the Borrower or any general partner of the Borrower by any court empowered to exercise bankruptcy powers.

(g) No event has occurred and no condition exists with respect to the Borrower or the Project that would constitute an Event of Default or which, with the lapse of time, if not cured, or with the giving of notice, or both, would become an Event of Default. The Borrower is not in default under the Regulatory Agreement.

(h) The Borrower has complied with all the terms and conditions of the Tax Certificate, including the terms and conditions of the exhibits thereto, and the representations and warranties set forth in the Tax Certificate and the Regulatory Agreement pertaining to the Borrower and the Project are true and accurate. The Borrower has furnished to the Issuer in the Tax Certificate all information necessary for the Issuer to file an IRS Form 8038 with respect to the Bonds, and all of such information is and will be on the date of filing, true, complete and correct.

(i) The Project is, as of the Closing Date, in compliance with all requirements of the Regulatory Agreement, including all applicable requirements of the Act and the Code. 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. All leases will comply with all applicable laws and the Regulatory Agreement. The Project meets the requirements of this Financing Agreement, the Regulatory Agreement, the Act and the Code with respect to multifamily rental housing.

(j) No information, statement or report furnished in writing to the Issuer, Fannie Mae, the Lender or the Trustee by the Borrower in connection with this Financing Agreement, the other Financing Documents or the Permanent Loan Documents or the consummation of the transactions contemplated hereby and thereby (including, without limitation, any information furnished by the Borrower in connection with the preparation of any materials related to the issuance, delivery or offering of the Bonds on the Closing Date) contains any material misstatement of fact or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading; and the representations and warranties of the Borrower and the statements, information and descriptions contained in the Borrower's closing certificates, as of the Closing Date, are true, correct and complete, do not and will not contain any untrue statement or misleading statement of a material fact, and do not and will not omit to state a material fact required to be stated therein or necessary to make the certifications, representations, warranties, statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading; and the estimates and the assumptions contained herein and in any certificate of the Borrower delivered as of the Closing Date are reasonable and based on the best information available to the Borrower. Each of the certifications, representations, warranties, statements, information and descriptions contained in the Tax Certificate is hereby incorporated into this Financing Agreement by reference, as if fully set forth herein.

(k) To the best knowledge of the Borrower, no member, officer, agent or employee of the Issuer has been or is in any manner interested, directly or indirectly, in that person's own name or in the name of any other person, in the Bonds, the Financing Documents, the Permanent Loan Documents, the Borrower or the Project, in any contract

for property or materials to be furnished or used in connection with the Project, or in any aspect of the transactions contemplated by the Financing Documents or the Permanent Loan Documents.

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

(m) The Borrower is not presently under any cease or desist order or other orders of a similar nature, temporary or permanent, of any federal or state authority which would have the effect of preventing or hindering performance of its duties hereunder, nor are there any proceedings presently in progress or to its knowledge contemplated which would, if successful, lead to the issuance of any such order.

(n) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the financing of the Project; that it is familiar with the provisions of all of the documents and instruments relating to such financing to which it or the Issuer is a party or of which it is a beneficiary including, without limitation, the Indenture; that it approves the initial appointment of the Trustee under the Indenture; that it understands the risks inherent in such transactions, including, without limitation, the risk of loss of the Project; and that it has not relied on the Issuer, the Lender or Fannie Mae for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by this Financing Agreement and the Indenture or otherwise relied on the Issuer, the Lender or Fannie Mae in any manner.

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

"hazardous materials" shall not include lawful materials located or stored in or on the Project premises of the type customarily used in the construction or maintenance of buildings and grounds like the Project, which materials are used or stored in reasonable quantities and disposed of appropriately and then only in a lawful manner in each instance.

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

(q) The average maturity of the Bonds does not exceed one hundred twenty percent (120%) of the average reasonably expected economic life of the facilities of the Project financed with the original net proceeds of the Bonds.

(r) The Bonds are not and shall not be "federally guaranteed" as defined in Section 149(b) of the Code.

(s) The Borrower intends to hold the Project for its own account and has no current plans to sell and has not entered into any agreement to sell all or any portion of the Project.

(t) 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.

(u) The Borrower shall make no changes to the Project or to the operation thereof which would affect the qualification of the Project under the Act or impair the exclusion from gross income for federal income tax purposes of the interest on the Bonds. The Borrower shall operate the Project as required by the Regulatory Agreement.

(v) All of the partnership interests in the Borrower are validly issued and are fully registered, if required, with the applicable governmental authorities and/or agencies, and there are no outstanding options or rights to purchase or acquire those interests other than as contained in the Borrower's amended and restated agreement of limited partnership dated on or about the date hereof. Nothing in this Financing Agreement shall prevent the Borrower from issuing additional partnership interests or ownership interests if such units are issued in accordance with all applicable securities laws.

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

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

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

(z) 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 in 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.

(aa) No part of the proceeds of the loans to the Borrower evidenced by this Financing Agreement will be used for the purpose of 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 any Permanent Loan Document.

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

(cc) Each requisition submitted by the Borrower shall contain an affirmation that the foregoing representations and warranties remain true and correct as of the date thereof.

(dd) Neither the Borrower nor a "related person" as defined in Section 144(a)(3) of the Code shall purchase any portion of the Bonds.

Section 2.02. Representations, Warranties and Covenants of the Issuer. The Issuer represents, warrants and covenants as follows:

(a) ***Authority***. The Issuer is a municipal corporation and chartered city and county, organized and existing under the laws of the State of California, is authorized and empowered by the provisions of the Act and the Resolution to enter into the transactions contemplated by this Financing Agreement and the Indenture and to carry out its obligations hereunder and thereunder, and by proper action of its governing body has been duly authorized to execute and deliver this Financing Agreement, the Indenture and the Tax Certificate, and this Financing Agreement, the Indenture and the Tax Certificate have been duly executed and delivered by the Issuer and are valid and binding obligations of the Issuer enforceable in accordance with their terms.

(b) ***Pledge***. The Bonds are to be issued and secured by the Indenture, pursuant to which certain of the Issuer's interests in this Financing Agreement and the Indenture, except for the Reserved Rights, and the revenues and income to be derived by the Issuer pursuant to this Financing Agreement and the Indenture, will be pledged and assigned to the Trustee as security for payment of the principal, premium, if any, and interest on the

Bonds. The Issuer covenants that it has not and will not pledge or assign its interest in the Indenture or this Financing Agreement, or the revenues and income derived pursuant to this Financing Agreement or the Indenture, excepting the Reserved Rights of the Issuer, other than to the Trustee under the Indenture to secure the Bonds. The Issuer will comply with all provisions of the Act (and the rules promulgated thereunder) applicable to the Bonds and the transactions contemplated by this Financing Agreement and the Indenture.

(c) ***Conflicts***. To the best knowledge of the Issuer, neither the execution and delivery of this Financing Agreement, the Indenture, the Regulatory Agreement and the Tax Certificate, the consummation of the transactions contemplated hereby and thereby, nor the fulfillment of or compliance with the terms and conditions of this Financing Agreement, the Indenture or the Tax Certificate conflicts with or results in a breach of the terms, conditions or provisions of any material restriction, agreement or instrument to which the Issuer is a party, or by which it or any of its property is bound, or constitutes a default under any of the foregoing.

(d) ***Certain Representations of the Issuer***. It is expressly acknowledged that the Issuer makes no representation as to the financial position or business condition of the Borrower and does not represent or warrant as to any of the statements, materials (financial or otherwise), representations or certifications furnished or to be made and furnished by the Borrower in connection with the issuance, sale, execution and delivery of the Bonds, or as to the correctness, completeness or accuracy of such statements.

(e) ***No Further Representations***. No representations, warranties or covenants are made by the Issuer other than those expressly set forth herein. Without limitation of the foregoing, the Issuer does not make any warranty, either express or implied, that any conditions applicable to the delivery of the MBS will be satisfied, or that the proceeds of the loan under this Financing Agreement will be sufficient to pay all of the costs of the acquisition, construction and equipping of the Project. No representation is made as to compliance with any state securities or "blue sky" laws.

ARTICLE III

THE BONDS AND THE PROCEEDS THEREOF

Section 3.01. Issuance of Bonds. The Issuer has authorized the issuance of the Series B-1 Bonds in the aggregate principal amount of $[_____] and the Series B-2 Bonds in the aggregate principal amount of $[_____], and the Bonds in such amount shall be issued and Outstanding as of the Closing Date. The obligations of the Issuer, the Trustee and the Borrower under this Financing Agreement are expressly conditioned upon (i) the sale, issuance and delivery of the Bonds, (ii) receipt by the Trustee of the amounts set forth in Section 5.04 of the Indenture, (iii) the making of the Construction Loan by the Construction Lender, and (iv) the making of the Permanent Loan on the Conversion Date. Neither the Issuer, the Lender, the Trustee nor Fannie Mae shall have any liability for any fees, costs or expenses, including, without limitation, issuance costs relating to the Bonds; all of such fees, costs and expenses shall be paid by the Borrower.

The Bonds will be issued pursuant to the Indenture in the aggregate principal amount, will bear interest, will mature and will be subject to redemption, mandatory tender and remarketing as set forth therein. The Borrower hereby approves the terms and conditions of the Indenture and the Bonds, and the terms and conditions under which the Bonds will be issued, sold and delivered and will comply with those provisions of the Indenture that contemplate action by the Borrower, all as if the Borrower were a party to the Indenture.

Section 3.02. Remarketing of Series B-2 Bonds. The Authorized Borrower Representative, with the written consent of the Remarketing Agent is hereby granted the right to (a) request a remarketing of the Series B-2 Bonds in the manner and to the extent set forth in Section 3.07 of the Indenture and (b) designate the length of the Remarketing Period and the related Mandatory Tender Date in the manner and to the extent set forth in Sections 3.05 and 3.07 of the Indenture.

ARTICLE IV

THE BONDS, THE LOANS AND FEES

Section 4.01. Sources, Deposits and Uses. The Trustee shall apply the amounts deposited into the Series B-1 Bond Proceeds Fund Account and the Series B-1 Collateral Fund Account as provided in Sections 5.08 and 5.09 of the Indenture to secure the Series B-1 Bonds until the MBS Delivery Date and then to purchase the MBS. The Trustee shall apply the amounts deposited into the Series B-2 Bond Proceeds Fund Account and the Series B-2 Collateral Fund Account as provided in Sections 5.08 and 5.09 of the Indenture to secure the Series B-2 Bonds until the Initial Mandatory Tender Date and then to redeem the Series B-2 Bonds unless the conditions to remarketing set forth in Section 3.07 of the Indenture are satisfied. The Borrower accepts the Construction Loan from the Construction Lender, upon the terms and conditions set forth in the Construction Loan Documents. The Borrower accepts the Permanent Loan from the Permanent Lender, upon the terms and conditions set forth herein, in the Permanent Loan Documents and in the Indenture, and subject to the terms and conditions of the Regulatory Agreement. The Issuer has caused the proceeds of the Bonds to be provided to the Trustee for deposit to the Bond Proceeds Fund. The Borrower acknowledges its obligation to pay all amounts necessary to pay principal of, premium, if any, and interest on the Bonds as provided in the Indenture. The Borrower has made arrangements for the delivery to the Trustee of the MBS and of certain other Eligible Funds as contemplated herein and in the Indenture. Payments on the MBS received by the Trustee shall be credited to amounts due from the Borrower for payment of principal of, premium, if any, and interest on the Series B-1 Bonds.

Section 4.02. Loan of Proceeds. The Issuer agrees, upon the terms and conditions contained in this Agreement and the Indenture, to lend to the Borrower the proceeds received by the Issuer from the sale of the Bonds. Such proceeds shall be disbursed to or on behalf of the Borrower as provided in Section 4.08 hereof.

Section 4.03. Amounts Payable.

(a) The Borrower hereby covenants and agrees to repay the Series B-1 Bond Loan Note and Series B-2 Bond Loan Note on or before any date that any payment of

interest or principal is required to be made in respect of the Bonds pursuant to the Indenture, until the principal of and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, in immediately available funds, a sum which, together with any other moneys available for such payment in any account of the Revenue Fund, will enable the Trustee to pay the amount payable on such date as principal of (whether at maturity or acceleration or otherwise) and interest on the Bonds as provided in the Indenture. Payments by the Trustee of principal and interest on the Bonds from amounts in the Revenue Fund shall be credited against the Borrower's obligation to pay principal and interest on the Series B-1 Bond Loan Note and Series B-2 Bond Loan Note, as applicable.

It is understood and agreed that all payments of principal and interest payable by the Borrower under subsection (a) of this Section 4.03 are assigned by the Issuer to the Trustee for the benefit of the Holders of the Bonds (excluding amounts on deposit in the Rebate Fund). The Borrower consents to such assignment.

(b) In the event the Borrower should fail to make any of the payments required in this Section 4.03, the item or installment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid, and the Borrower agrees to pay the same with interest thereon, to the extent permitted by law, from the date when such payment was due, at the rate of interest borne by the Bonds.

Section 4.04. Obligations Unconditional. The obligations of the Borrower to make the payments required under this Agreement, and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional, irrespective of any defense or any right of notice, setoff, recoupment or counterclaim it might otherwise have against the Issuer, the Trustee or any other Person. Subject to termination as provided herein, the Borrower (i) will not suspend or discontinue, or permit the suspension or discontinuance of, any payments provided for under this Agreement, (ii) will perform and observe all of its other agreements contained in this Agreement and (iii) will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, commercial frustration of purpose, or change in the tax or other laws or administrative rulings of or administrative actions by the United States of America or the District or any political subdivision of either, any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of or connected with this Agreement, whether express or implied, or any failure of the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture, whether express or implied.

Section 4.05. Payment of Fees and Expenses. In addition to all fees, costs, expenses and other amounts required to be paid by the Borrower under the Construction Loan Documents and the Permanent Loan Documents, the Borrower shall pay, without duplication, the following fees and expenses:

(a) All amounts required to (i) pay the fees of the Trustee for its duties and services as Trustee in connection with the Bonds (as such duties and services are set out in

the Indenture), (ii) reimburse the Trustee for all out of-pocket expenses, fees, costs and other charges, including reasonable counsel fees, expenses and taxes (excluding income, value added and single business taxes), reasonably and necessarily incurred by the Trustee in performing its duties as Trustee under the Indenture, (iii) pay the fees of the Dissemination Agent for its duties and services as Dissemination Agent in connection with the Bonds (as such duties and services are set out in the Indenture) and (iv) in connection with a remarketing of the Series B-2 Bonds, to pay the Remarketing Expenses.

(b) The Ordinary Issuer Fees and Expenses, and the reasonable fees and expenses of the Issuer or any agents, attorneys, accountants, consultants selected by the Issuer to act on its behalf in connection with the Financing Documents, the Permanent Loan Documents or the Bonds, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds or in connection with any litigation which may at any time be instituted involving the Financing Documents, the Permanent Loan Documents or the Bonds or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of the foregoing.

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

(d) The fees of the Rebate Analyst as required by the Indenture and all out-of-pocket expenses of the Rebate Analyst.

(e) All Costs of Issuance of the Bonds, including, but not limited to, Rating Agency fees, printing expenses, attorneys' fees and the Underwriter's fees, and all expenses of originating the Construction Loan by the Construction Lender, and Permanent Loan by the Permanent Lender, the Borrower acknowledging that all such fees, costs and expenses must be paid by the Borrower separate and apart from payments due under the Permanent Loan and will not be included in the Mortgage Note Rate.

(f) The Costs of Issuance Deposit to be made to the Costs of Issuance Fund on the Closing Date pursuant to Sections 5.04 and 5.07 of the Indenture.

(g) These obligations and those in Section 5.09 hereof shall remain valid and in effect notwithstanding repayment of the Permanent Loan hereunder or termination of this Financing Agreement or the Indenture.

All fees and expenses not included in the Mortgage Note Rate shall not be secured by the Mortgage, except as provided for therein, and shall be subordinate to the Borrower's obligations under the Permanent Loan in all respects. No such fees or expenses payable to the Issuer or the Trustee shall be paid from the proceeds of the MBS.

Section 4.06. Notification of Prepayment of Bond Loan Notes and Mortgage Note. The Borrower shall notify the Trustee promptly of the making of any prepayment of the Bond Loan Notes and the Mortgage Note, whether upon acceleration, by reason of application of insurance or condemnation proceeds, optional prepayment or otherwise. If such prepayment of the Series B-1 Bond Loan Note or the Mortgage Note results in revisions to the Permanent Loan Amortization Schedule, the Borrower shall direct the Lender to provide the revised Permanent Loan Amortization Schedule to the Trustee and the Borrower.

The Borrower shall provide no less than thirty (30) days' written notice to the California Debt Limit Allocation Committee and to the Issuer prior to the redemption of Bonds, in whole or in part, on the Conversion Date.

Section 4.07. Collateral Payments. In consideration of and as a condition to the disbursement of Bond proceeds in the Bond Proceeds Fund to pay Project Costs (but not as a condition to or as otherwise permitted under the Indenture), and to secure the Borrower's obligation to make payments on the Permanent Loan, the Borrower shall cause the delivery of Eligible Funds equal to the amount of the proposed disbursement to the Trustee on or before each such disbursement. All such Eligible Funds shall be paid to the Trustee for the account of the Issuer and shall be held in the Collateral Fund and disbursed in accordance with the provisions of the Indenture.

Section 4.08. Disbursements From the Bond Proceeds Fund. Subject to the provisions below and so long as no Event of Default hereunder has occurred and is continuing for which the principal amount of the Bonds has been declared to be immediately due and payable pursuant to Section 8.02 hereof and Section 8.02 of the Indenture, and no Determination of Taxability has occurred, disbursements from the Bond Proceeds Fund shall be made only to pay any of the Project Costs.

Except as otherwise permitted under the Indenture, any disbursements from the Bond Proceeds Fund for the payment of Project Costs shall be made by the Trustee only upon the receipt by the Trustee of: (a) a requisition in the form attached hereto as Exhibit A, signed by the Borrower and the Construction Lender, on which the Trustee may conclusively rely; and (b) Eligible Funds in an amount equal to the amount of any such disbursement request for deposit into the Collateral Fund as provided in Section 4.04 hereof. The Borrower hereby acknowledges and agrees that it shall submit disbursement requests to the Trustee no more frequently than once each calendar month. Each such disbursement request shall be consecutively numbered and accompanied by a copy of the approval of the Lender of the payments or reimbursements requested. Proceeds of the

Bonds disbursed pursuant to the provisions of this Financing Agreement may only be used to pay the Project Costs or as otherwise permitted under the Indenture.

Any disbursement for any item not described in, or the cost for which item is other than as described in, the information statement filed by the Issuer in connection with the issuance of the Bonds as required by Section 149(e) of the Code, and in the notice of public hearing pertaining to the Bonds shall be accompanied by an opinion of Bond Counsel to the effect that such disbursement will not adversely affect the status of the interest on the Bonds as excludible from gross income for federal income tax purposes of the Bondholders (except on Bonds while held by a substantial user or related person, each as defined in the Code).

Any money in the Bond Proceeds Fund remaining after the MBS Delivery Date shall be applied as provided in Section 5.11 of the Indenture.

Notwithstanding any provision of this Financing Agreement or any provision of the Indenture to the contrary, except as set forth in this paragraph, the Trustee shall not disburse funds from the Bond Proceeds Fund unless and until the Trustee confirms that Eligible Funds in the applicable Account of the Collateral Fund plus Eligible Funds in the applicable Account of the Bond Proceeds Fund, less the amount of the requested disbursement from the applicable Account of the Bond Proceeds Fund, is at least equal to the then-Outstanding principal amount of the Series B-1 Bonds or Series B-2 Bonds, as applicable; provided, however, the Trustee shall be permitted to transfer funds from the applicable account of the Bond Proceeds Fund to the applicable account of the Collateral Fund upon receipt of an opinion of Bond Counsel to the effect that such transfer shall not cause the interest on any of the Bonds to be or become includible in the gross income of the owners thereof for federal income tax purposes, provided further that, as a result of any such transfer, with respect to (i) the Series B-1 Bonds, the amount of Eligible Funds remaining on deposit in the Series B-1 Bond Proceeds Fund Account plus Eligible Funds on deposit in the Series B-1 Collateral Fund Account is at least equal to the then-Outstanding principal amount of the Series B-1 Bonds and (ii) the Series B-2 Bonds, the amount of Eligible Funds remaining on deposit in the Series B-2 Bond Proceeds Fund Account plus Eligible Funds on deposit in the Series B-2 Collateral Fund Account, plus scheduled investment earnings on Eligible Investments in such accounts, is at least equal to the then-Outstanding principal amount of the Series B-2 Bonds.

Section 4.09. Borrower's Obligations Upon Tender of Series B-2 Bonds. If the Series B-2 Bonds are not remarketed on any Mandatory Tender Date and a sufficient amount is not available in the Series B-2 Collateral Fund Account, the Series B-2 Negative Arbitrage Account of the Negative Arbitrage Account of the Revenue Fund and the Series B-2 Bond Proceeds Fund Account, as provided in Section 3.01(f) of the Indenture, for the purpose of paying the redemption price of such Series B-2 Bonds, the Borrower will cause to be paid to the Trustee by the Mandatory Tender Date, an amount equal to the amount by which the redemption price of the Series B-2 Bonds exceeds the amount otherwise available pursuant to the Indenture.

ARTICLE V

COVENANTS, UNDERTAKINGS AND OBLIGATIONS OF THE BORROWER

Section 5.01. Taxes, Other Governmental Charges and Utility Charges. The Borrower shall pay, or cause to be paid, promptly as the same become due and payable, every lawful cost, expense and obligation of every kind and nature, foreseen or unforeseen, for the payment of which the Issuer, the Trustee, the Lender or Fannie Mae is or shall become liable by reason of its or their estate or interest in the Project or any portion thereof, by reason of any right or interest of the Issuer, the Trustee, the Lender or Fannie Mae in or under this Financing Agreement, or by reason of or in any manner connected with or arising out of the possession, operation, maintenance, alteration, repair, rebuilding, use or occupancy of the Project or any portion thereof, but shall not include costs, expenses, obligations or payments which are caused directly or indirectly by the actions or inactions of the Issuer, the Trustee, the Lender or Fannie Mae, including, without limitation, all taxes (except income and similar taxes of such entities), assessments, whether general or special, all costs of maintenance and repair, insurance premiums (including public liability insurance and insurance against damage to or destruction of the Project) concerning or in any way related to the Project, or any part thereof, and any expenses or renewals thereof, all utility and other charges and assessments concerning or in any way related to the Project, and governmental charges and impositions of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project or any machinery, equipment or other property installed or brought by the Borrower therein or thereon; provided that any amounts payable hereunder that are also required to be paid by the terms of the Mortgage shall be paid without duplication on the terms provided in the Mortgage.

Upon request, the Borrower shall furnish to the Issuer, the Trustee, Fannie Mae and the Lender proof of the payment of any such tax, assessment or other governmental or similar charge, or any other charge which is payable by the Borrower as set forth above.

Section 5.02. Compliance With Laws. The Borrower shall, throughout the term of this Financing Agreement and at no expense to the Issuer, the Trustee, the Lender or Fannie Mae promptly comply or cause compliance with all laws, ordinances, rules, regulations and requirements of duly constituted public authorities which may be applicable to the Project or to the repair and alteration thereof, or to the use or manner of use of the Project, including, but not limited to, the applicable provisions of the Americans With Disabilities Act and all applicable federal, State and local environmental, labor, health and safety laws, rules and regulations.

Section 5.03. Maintenance of Legal Existence. During the term of this Financing Agreement, the Borrower shall maintain its existence as set forth in Section 2.01(a) and shall not terminate, dissolve or dispose of all or substantially all of its assets; provided, however, that the Borrower may, with the written permission of the Issuer, consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it, or transfer all or substantially all of its assets to another entity, but only on the condition that the assignee entity or the entity resulting from or surviving such merger or consolidation (if other than the Borrower), or the entity to which such transfer shall be made, shall be duly organized and existing, in good standing and qualified to do business under the laws of the State, shall remain so continuously

during the term hereof, and shall expressly assume in writing and agree to perform all of the Borrower's obligations hereunder and under all other documents executed by the Borrower in connection with the issuance of the Bonds; provided, further, that (i) the Borrower delivers an opinion of Bond Counsel to the effect that such consolidation or merger shall not cause interest on the Bonds to be included in gross income for federal income tax purposes, and (ii) any transfer of the Project shall be effected in accordance with the Mortgage. Nothing in this Section 5.03 shall be deemed to relieve the Borrower of its obligations to comply with the provisions of the Permanent Loan Documents.

Section 5.04. Operation of Project. The Borrower will not sell, transfer or otherwise dispose of the Project without the consent of the Lender except as provided in the Regulatory Agreement, the Permanent Loan Documents and Section 5.03 of this Financing Agreement.

Section 5.05. Tax Covenants. The Borrower hereby covenants and agrees as follows:

(a) It shall (a) take or cause to be taken all actions necessary or appropriate in order to ensure fully and timely compliance with Section 9.12 of the Indenture, and (b) if required to do so under Section 9.12 of the Indenture, select at the Borrower's expense, a Rebate Analyst reasonably acceptable to the Issuer for the purpose of making any and all calculations required under Section 9.12 of the Indenture. Such calculations, if required, shall be made in the manner and at such times as specified in Section 9.12 of the Indenture. The Borrower shall cause the Rebate Analyst to provide such calculations to the Trustee and the Issuer at such times and with such directions as are necessary to comply fully with the arbitrage and rebate requirements set forth in the Indenture and to comply fully with Section 148 of the Code, including the timely payment of any arbitrage rebate owed.

(b) It will at all times comply with the terms of the Tax Certificate and the Regulatory Agreement.

(c) It will not take, or permit to be taken on its behalf, any action which would cause the interest payable on the Bonds to be included in gross income of the holders thereof for federal income tax purposes, and will take such action as may be necessary in the opinion of Bond Counsel to continue such exclusion from gross income, including, without limitation, the preparation and filing of all statements required to be filed by it in order to maintain the exclusion (including, but not limited to, the filing of all reports and certifications required by the Regulatory Agreement).

(d) No changes will be made to the Project, no actions will be taken by the Borrower and the Borrower will not omit to take any actions, which will in any way adversely affect the tax-exempt status of the Bonds.

(e) It will comply with the requirements of Section 148 of the Code and the Regulations issued thereunder so long as any Bonds remain Outstanding and will not make any use of the proceeds of the Bonds, or of any other funds which may be deemed to be proceeds of the Bonds under the Code and the related regulations of the United States Treasury, which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(f) If the Borrower becomes aware of any situation, event or condition which would, to the best of its knowledge, result in the interest on the Bonds becoming includable in gross income of the holders thereof for federal income tax purposes, it will promptly give written notice of such circumstance, event or condition to the Issuer, the Trustee, the Lender and Fannie Mae.

(g) The full amount of the proceeds of the Bonds will be applied to pay or to reimburse the Borrower for the payment of Project Costs and (i) at least ninety-five percent (95%) of the net proceeds of the Bonds (as defined in Section 150 of the Code) will be used to provide a qualified residential rental project (as defined in Section 142(d) of the Code) and (ii) less than twenty-five percent (25%) of the net proceeds of the Bonds will have been disbursed to pay or to reimburse the Borrower for the cost of acquiring land; none of the proceeds of the Bonds (as defined for purposes of Section 147(g) of the Code) will be disbursed to provide working capital.

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

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

(j) In connection with any lease or grant by the Borrower of the use of the Project, the Borrower will require that the lessee or user of any portion of the Project not use that portion of the Project in any manner which would violate the covenants set forth in this Financing Agreement or the Regulatory Agreement.

(k) No proceeds of the Bonds shall be used for the acquisition of any tangible property or an interest therein, other than land or an interest in land, unless the first use of such property is pursuant to such acquisition; provided, however, that this limitation shall not apply with respect to any building (and the equipment therefor) if rehabilitation expenditures (as defined in Section 147(d) of the Code) with respect to such building equal or exceed fifteen percent (15%) of the portion of the cost of acquiring such building (and equipment) financed with the proceeds; and provided, further, that this limitation shall not apply with respect to any structure other than a building if rehabilitation expenditures with respect to such structure equal or exceed one hundred percent (100%) of the portion of the cost of acquiring such structure financed with the proceeds.

(l) From the proceeds of the Bonds and investment earnings thereon, an amount not in excess of two percent (2%) of the proceeds of the Bonds will be used for Costs of Issuance of the Bonds, all within the meaning of Section 147(g)(1) of the Code.

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

In the event of a conflict between the terms and requirements of this Section 5.05 and the Tax Certificate, the terms and requirements of the Tax Certificate shall control.

Section 5.06. Further Assurances and Corrective Instruments. The parties hereto agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and to the other documents contemplated hereby as may reasonably be required to carry out the intention of or to facilitate the performance of this Financing Agreement, the Permanent Loan Documents or the other Financing Documents or to perfect or give further assurances of any of the rights granted or provided for herein, the Permanent Loan Documents or the other Financing Documents.

The Borrower shall execute and file, or shall cause to be executed and filed any and all financing statements, or any amendments thereof or continuation statements thereto, to perfect the security interests granted in the Indenture, in the manner prescribed in the Indenture. The Borrower shall pay all costs of filing such instruments and any fees and expenses (including reasonable attorney's fees) associated therewith.

Section 5.07. Compliance With Other Documents. The Borrower shall make all payments and shall observe and perform all covenants, conditions and agreements required to be paid, observed or performed by the Borrower under the Financing Documents, the Mortgage Note, the Mortgage, the other Permanent Loan Documents, the Regulatory Agreement and all other documents, instruments or agreements which may at any time, or from time to time, be entered into by the Borrower with respect to the Project or the operation, occupancy or use thereof. The Indenture has been submitted to the Borrower for examination, and the Borrower, by execution of this Financing Agreement, acknowledges and agrees that it has participated in the negotiation of the Indenture that it has approved and agreed to each of the provisions of the Indenture and that it is bound by, shall adhere to the provisions of, and shall have the rights set forth by the terms and conditions of, the Indenture and covenants and agrees to perform all obligations required of the Borrower pursuant to the terms of the Indenture.

The Borrower hereby grants to the Trustee for the benefit of the Lender, Fannie Mae and the Bondholders a security interest in all of its rights in and to all funds created or established by the Trustee under the Indenture (other than the Rebate Fund) in the manner and subject to the terms and conditions of the Indenture.

Section 5.08. Notice of Certain Events. The Borrower hereby covenants to advise the Lender, the Issuer and the Trustee promptly in writing of the occurrence of any default by the Borrower in the performance or observance of any covenant, agreement, representation, warranty or obligation of the Borrower set forth in this Financing Agreement, in any of the other Financing Documents or any other documents contemplated hereby or thereby, or of any Event of Default hereunder known to it or of which it has received notice, or any event which, with the passage of time or service of notice, or both, would constitute an 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. Such notice shall be given promptly, and in no event less than ten (10) Business Days after the Borrower receives notice or has knowledge of the occurrence of any such event. The Borrower further agrees that it will give prompt written notice to the Trustee and the Lender if insurance proceeds or condemnation awards are received with respect to the Project

and are not used to repair or replace the Project, which notice shall state the amount of such proceeds or award. The Borrower further agrees that it will give written direction to the Trustee to provide a notice of redemption as set forth in Section 3.02 of the Indenture, and that it will provide notice to the Remarketing Notice Parties of any remarketing of the Series B-2 Bonds pursuant to Section 3.07 of the Indenture.

The Borrower further covenants to provide such parties notice of the Placed in Service Date promptly upon its occurrence.

Section 5.09. Indemnification. The Borrower covenants and agrees to indemnify, hold harmless and defend the Issuer, the Trustee, the Lender, Fannie Mae, the Underwriter and their respective officers, members, directors, officials, agents and employees and each of them (each an "indemnified party") from and against, (a) any and all claims, joint or several, 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, the Bonds or the execution or amendment of any document relating thereto, including, but not limited to, the Financing Documents; (b) any and all claims, joint or several, arising from any cause whatsoever in connection with the approval of financing for the Project or the making of the Bond Loan Notes, Permanent Loan or the execution or amendment of any document related thereto, including, but not limited to, the Permanent Loan Documents; (c) any and all claims, joint or several, arising from any act or omission of the Borrower or any of its agents, servants, employees or licensees, in connection with the Project or the Permanent Loan, including but not limited to, the Permanent Loan Documents; (d) all reasonable costs, counsel fees, expenses or liabilities incurred in connection with any such claim, or proceeding brought thereon; (e) any and all claims arising in connection with the issuance and sale, resale or remarketing of any Bonds or any certifications or representations made by any Person other than the party seeking indemnification in connection therewith and the carrying out by the Borrower of any of the transactions contemplated by the Bonds, the Financing Documents, and the Permanent Loan Documents; (f) any and all claims arising in connection with the operation of the Project, or the conditions thereof, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, equipping, installation or construction of, the Project or any part thereof; and (g) any and all losses, claims, damages, liabilities or expenses, joint or several, arising out of or connected with the Trustee's acceptance or administration of the trusts created by the Indenture and the exercise of its powers or duties thereunder or under this Financing Agreement, the Regulatory Agreement or any other agreements in connection therewith to which it is a party; except (i) in the case of the foregoing indemnification of the Trustee, the Underwriter, Fannie Mae, or the Lender or any of their respective officers, members, directors, officials and employees, to the extent such damages are caused by the negligence or willful misconduct of such Person; or (ii) in the case of the foregoing indemnification of the Issuer or any of its officers, members, directors, officials and employees, to the extent such damages are caused by the willful misconduct of such Person. In the event that any action or proceeding is brought against any indemnified party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the indemnified party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Borrower, subject to the approval of the indemnified party in such party's sole but reasonable discretion, 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 Trustee and the Lender shall have the right to review and approve or disapprove any such

compromise or settlement. Each indemnified party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that unless such separate counsel is employed with the approval of the Borrower, which approval shall not be unreasonably withheld, the Borrower shall not be required to pay the fees and expenses of such separate counsel.

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

During any period that the Lender or Fannie Mae owns the Project and that this Section 5.09 is applicable to the Lender and Fannie Mae, the obligations of the Lender or Fannie Mae, as applicable, under this Section 5.09 shall be limited to acts and omissions of the Lender or Fannie Mae occurring during the period of the Lender's or Fannie Mae's ownership of the Project.

Nothing contained in this Section 5.09 shall in any way be construed to limit the indemnification rights of the Issuer contained in the Regulatory Agreement. With respect to the Issuer, the Regulatory Agreement shall control in any conflicts between this Section 5.09 and the Regulatory Agreement.

Section 5.10. Right To Perform Borrower's Obligations. In the event the Borrower fails to perform any of its obligations under this Financing Agreement, the Issuer, the Lender, Fannie Mae and/or the Trustee, after giving the requisite notice, if any, may, but shall be under no obligation to, perform such obligation and pay all costs related thereto, and all such costs so advanced by the Issuer, the Lender, Fannie Mae or the Trustee shall become an additional obligation of the Borrower hereunder, payable on demand with interest thereon at the default rate of interest payable under the Permanent Loan Documents.

Section 5.11. Nonrecourse Provisions. Notwithstanding anything to the contrary, the obligations of the Borrower pursuant to this Financing Agreement shall not be secured by or create a lien or charge on in any manner the property of the Borrower or its partners, including the Project or the rents, issues and profits thereof, and except with respect to Sections 4.02 and 5.09 hereof shall be non-recourse to the Borrower and its partners. Sections 4.02 and 5.09 shall be recourse to the Borrower but non-recourse to the partners of the Borrower.

Section 5.12. Trust Indenture. The provisions of the Indenture concerning the Bonds and other matters therein are an integral part of the terms and conditions of the Permanent Loan, and this Financing Agreement shall constitute conclusive evidence of approval of the Indenture by the Borrower to the extent it relates to the Borrower. Additionally, the Borrower agrees that, whenever the Indenture by its terms imposes a duty or obligation upon the Borrower, such duty or obligation shall be binding upon the Borrower to the same extent as if the Borrower were an express party to the Indenture, and the Borrower agrees to carry out and perform all of its obligations under the Indenture as fully as if the Borrower were a party to the Indenture.

ARTICLE VI

PERMANENT LOAN DOCUMENTS

Section 6.01. Assurances. The Borrower, the Issuer and the Trustee mutually agree that no party hereto shall enter into any contract or agreement, perform any act, or request any other party hereto to enter into any contracts or agreements or perform any acts, which shall adversely affect the Permanent Loan Documents.

Section 6.02. Financial Obligations Personal to the Borrower. The Issuer acknowledges that the Project shall be encumbered by the Permanent Loan Documents. Notwithstanding any provisions of this Financing Agreement or the Regulatory Agreement to the contrary, all obligations of the Borrower under this Financing Agreement and the Regulatory Agreement for the payment of money and all claims for damages against the Borrower occasioned by breach or alleged breach by the Borrower of its obligations under the Regulatory Agreement or this Financing Agreement, including indemnification obligations, shall not be payable from the Trust Estate and shall not be secured by or in any manner constitute a lien on the Project, and no Person shall have the right to enforce such obligations other than directly against the Borrower. No subsequent owner of the Project shall be liable or obligated for the breach or default of any obligation of any prior owner under the Regulatory Agreement or this Financing Agreement, including but not limited to any payment or indemnification obligation. Such obligations are personal to the Person who was the owner at the time the default or breach was alleged to have occurred and such Person shall remain liable for any and all damages occasioned thereby even after such Person ceases to be the owner.

ARTICLE VII

TRUSTEE'S INTEREST IN AGREEMENT

Section 7.01. Issuer Assignment of Financing Agreement and Bond Loan Notes.

(a) Pursuant to the Indenture, the Issuer shall pledge, assign and transfer all of its right, title and interest in this Financing Agreement (other than the Reserved Rights of the Issuer), and the revenues, receipts and collections hereunder and thereunder, to the Trustee in the manner and to the extent provided in the Indenture as security for the payment of the principal of, premium, if any, and interest on the Bonds, and the parties hereby acknowledge that the covenants and agreements contained herein are for the benefit of the registered owners from time to time of the Bonds and may be enforced on their behalf by the Trustee. The Issuer shall execute and deliver from time to time, in addition to the instruments of assignment herein specifically provided for, such other and further instruments and documents as may be reasonably requested by the Trustee from time to time to further evidence, effect or perfect such pledge and assignment for the purposes contemplated in the Indenture.

(b) The Borrower hereby acknowledges and consents to the assignment and pledge (subject to the reservation by the Issuer of its Reserved Rights) by the Issuer to the Trustee in the manner and to the extent provided in the Indenture. The Borrower further

acknowledges and consents to the right of the Trustee to enforce all rights of the Issuer and the Bondholders assigned under the Indenture.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.01. Events of Default. Each of the following shall constitute an event of default under this Financing Agreement, and the term "Event of Default" shall mean, whenever used in this Financing Agreement, any one or more of the following events:

(a) Failure by the Borrower to pay any amounts due under this Financing Agreement at the times and in the amounts required hereby; or

(b) Failure by the Borrower to observe or perform any covenants, agreements or obligations in this Financing Agreement on its part to be observed or performed (other than as provided in clause (a) above) for a period of thirty (30) days after receipt of written notice specifying such failure and requesting that it be remedied, given to the Borrower by any party to this Financing Agreement; provided, however, that if said failure shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if the failure is correctable without material adverse effect on the Bonds and if corrective action is instituted by the Borrower within such period and diligently pursued until the failure is corrected, and provided further that any such failure shall have been cured within ninety (90) days of receipt of notice of such failure; or

(c) Breach of any of the covenants, agreements or obligations of the Borrower under or the occurrence of a default which is continuing under the Regulatory Agreement, including any exhibits to any of the foregoing; or

(d) The occurrence of an Event of Default caused by the Borrower under and as defined in the Indenture or under any of the other Financing Documents.

Nothing contained in this Section 8.01 is intended to amend or modify any of the provisions of the Permanent Loan Documents or to bind the Borrower, the Lender or Fannie Mae to any notice and cure periods other than as expressly set forth in the Permanent Loan Documents.

Section 8.02. Remedies Upon an Event of Default.

(a) Subject to Section 8.02(d), whenever any Event of Default shall have occurred and be continuing, the Issuer or the Trustee may take any one or more of the following remedial steps:

(i) By any suit, action or proceeding, pursue all remedies now or hereafter existing at law or in equity to collect all amounts then due and thereafter to become due under this Financing Agreement and the Bond Loan Notes, to enforce the performance of any covenant, obligation or agreement of the Borrower under this Financing Agreement and the Bond Loan Notes (subject to the nonrecourse provisions of this Financing Agreement and the Regulatory

Agreement) or to enjoin acts or things which may be unlawful or in violation of the rights of the Issuer or the Trustee.

(ii) Take whatever other action at law or in equity may appear necessary or desirable to enforce any monetary obligation of the Borrower under this Financing Agreement and the Bond Loan Notes or to enforce any other covenant, obligation or agreement of the Borrower under (1) this Financing Agreement, (2) the Regulatory Agreement or (3) the Bond Loan Notes.

(iii) Have access to and inspect, examine, audit and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Borrower.

(b) The provisions of subsection (a) hereof are subject to the condition that if, after any Event of Default, except a default under the Regulatory Agreement, (i) all amounts which would then be payable hereunder by the Borrower if such Event of Default had not occurred and was not continuing shall have been paid by or on behalf of the Borrower, and (ii) the Borrower shall have also performed all other obligations in respect of which it is then in default hereunder and shall have paid the reasonable charges and expenses of the Issuer and the Trustee, including reasonable attorney fees and expenses paid or incurred in connection with such default, then and in every such case, such Event of Default may be waived and annulled by the Trustee, but no such waiver or annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

(c) Subject to the limitations of the Regulatory Agreement and this Financing Agreement, the Issuer, without the consent of the Trustee, but only after written notice to the Trustee, the Borrower, the Lender and Fannie Mae, may take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any Reserved Right of the Issuer; provided that, the Issuer may not (i) terminate this Financing Agreement or cause the Permanent Loan to become due and payable, (ii) cause the Trustee to declare the principal of all Bonds then Outstanding and the interest accrued thereon to be immediately due and payable, or cause the Trustee to accelerate, foreclose or take any other action or seek other remedies under the Financing Documents, the Permanent Loan Documents or any other documents contemplated hereby or thereby to obtain such performance or observance, (iii) cause the acceleration, foreclosure or taking of any other action or the seeking of any remedies under the Permanent Loan Documents, (iv) initiate or take any action which may have the effect, directly or indirectly, of impairing the ability of the Borrower to timely pay the principal, interest and other amounts due under the Permanent Loan, or (v) interfere with or attempt to influence the exercise by Fannie Mae of any of its rights under the Financing Documents or the Permanent Loan Documents.

(d) Except as required to be deposited in the Rebate Fund pursuant to the Financing Documents, any amounts collected pursuant to action taken under this Section 8.02 shall, after the payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, the Issuer, the Lender or Fannie Mae and their respective counsel, be

applied in accordance with the provisions of the Indenture. No action taken pursuant to this Section shall relieve the Borrower from the Borrower's obligations pursuant to Section 5.09 hereof.

(e) No remedy herein conferred upon or reserved to the Issuer or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy now or hereafter existing pursuant to any other agreement at law or in equity or by statute.

(f) Notwithstanding any other provision of this Financing Agreement to the contrary, after the MBS Delivery Date, so long as Fannie Mae is not in default under the MBS, none of the Issuer, the Trustee or any Person under their control shall exercise any remedies or direct any proceedings under this Financing Agreement or the Permanent Loan Documents, other than to (i) enforce rights under the MBS, (ii) enforce the tax covenants in the Indenture and this Financing Agreement, or (iii) enforce rights of specific performance under the Regulatory Agreement; provided, however, that any enforcement under (ii) or (iii) above shall not include seeking monetary damages.

Section 8.03. Default Under Regulatory Agreement.

(a) If the Borrower fails, at any time for any reason, to comply with the requirements of the Regulatory Agreement, then within thirty (30) days after the earlier of the date the violation is discovered by the Issuer or the Trustee or the date the Issuer or the Trustee received notice thereof the Issuer (if necessary to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes) or the Trustee, on behalf and at the request of the Issuer, shall institute an action for specific performance to correct the violation. The Borrower hereby acknowledges and agrees that were money damages a remedy under the Regulatory Agreement, money damages alone would not be an adequate remedy at law for a default by the Borrower arising from a failure to comply with the Regulatory Agreement, and therefore the Borrower agrees that the remedy of specific performance (subject to the provisions of Section 8.02(c) hereof) shall be available to the Issuer and/or the Trustee in any such case.

(b) Notwithstanding the availability of the remedy of specific performance provided for in subsection (a) of this Section, promptly upon determining that a violation of the Regulatory Agreement has occurred, the Issuer shall, by notice in writing to the Lender, inform the Lender that a violation of the Regulatory Agreement has occurred; notwithstanding the occurrence of such violation, neither the Issuer nor the Trustee shall have, and each of them acknowledges that they shall not have, any right to cause or direct acceleration of the Permanent Loan, to enforce the Mortgage Note or to foreclose on the Mortgage.

Section 8.04. Limitation on Waivers.

(a) No delay or omission to exercise any right or power occurring upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as

may be deemed appropriate. The Issuer and the Trustee agree to give only such notices as may be herein expressly required.

(b) In the event any covenant, agreement or condition contained in this Financing Agreement shall be breached by a party and thereafter waived by another party, such waiver shall not bind any party which has not waived the breach and shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder nor be a waiver of the same breach on a future occasion. By reason of the assignment and pledge of certain of the Issuer's rights and interests in this Financing Agreement to the Trustee, the Issuer shall have no power to waive or release the Borrower from any Event of Default or the performance or observance of any obligation or condition of the Borrower under this Financing Agreement without first requesting and receiving the prior written consent of the Trustee, but shall do so if, requested by the Trustee; provided that the Issuer shall not be required to grant such waiver or release unless it shall have been provided with (i) if deemed necessary, in the sole discretion of the Issuer, an Opinion of Counsel that such action will not result in any pecuniary liability to it and an Opinion of Bond Counsel that such waiver shall not cause interest on the Bonds to be included in the gross income of the Bondholders thereof for federal income tax purposes, (ii) such indemnification as the Issuer shall deem reasonably necessary, and (iii) written notice from the Trustee of the request for such waiver or release.

Section 8.05. Notice of Default; Rights To Cure. The Issuer and the Trustee shall each give notice to the other and to the Investor Limited Partner and the Lender of the occurrence of any Event of Default by the Borrower hereunder of which it has actual knowledge. The Lender and the Investor Limited Partner shall each have the right, but not the obligation, to cure any such default by the Borrower, and upon performance by the Lender or the Investor Limited Partner to the satisfaction of the Issuer and the Trustee of the covenant, agreement or obligation of the Borrower with respect to which an Event of Default has occurred, the parties hereto shall be restored to their former respective positions, it being agreed that the Lender and the Investor Limited Partner shall each have the right to repayment from the Borrower of moneys it has expended and any other appropriate redress for actions it has taken to cure any default by the Borrower; provided that the Borrower's reimbursement obligation shall be non-recourse to the same extent as the underlying obligation is non-recourse to the Borrower.

Section 8.06. Rights Cumulative. All rights and remedies herein given or granted to the Issuer and the Trustee are cumulative, nonexclusive and in addition to any and all rights and remedies that the Issuer and the Trustee may have or may be given by reason of any law, statute, ordinance or otherwise. Notwithstanding anything to the contrary contained in this Financing Agreement, neither the Trustee nor the Issuer may commence any action against the Borrower for specific performance or any other remedy at law or in equity, other than to enforce performance and observance of any Reserved Right of the Issuer and its rights under Section 8.03, without first obtaining the prior written consent of Fannie Mae.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Notices. All notices, certificates or other communications herein provided shall be given in writing to the Issuer, the Borrower, the Trustee, Fannie Mae, the Lender and, for notices under Section 8.05 only, the Investor Limited Partner, and shall be sufficiently given and shall be deemed given if given in the manner provided in the Indenture. Except as otherwise provided in the preceding sentence, copies of each notice, certificate or other communication given hereunder by any party hereto shall be given to all parties hereto. By notice given hereunder, any party may designate further or different addresses to which subsequent notices, certificates or other communications are to be sent. A duplicate copy of each notice, certificate, request or other communication given hereunder to the Issuer, the Borrower, the Lender or the Trustee shall also be given to Fannie Mae.

Section 9.02. Amendment. This Financing Agreement and all other documents contemplated hereby to which the Issuer is a party may be amended or terminated only if permitted by the Indenture, and no amendment to this Financing Agreement shall be binding upon, any party hereto until such amendment is reduced to writing and executed by the parties hereto; provided that no amendment, supplement or other modification to this Financing Agreement or any other Financing Document shall be effective without the prior written consent of the Permanent Lender and Fannie Mae.

Section 9.03. Entire Agreement. Except as provided in the other Financing Documents and the Permanent Loan Documents, this Financing Agreement contains all agreements among the parties hereto, and there are no other representations, warranties, promises, agreements or understandings, oral, written or implied, among the parties hereto, unless reference is made thereto in this Financing Agreement or the Indenture.

Section 9.04. Binding Effect. This Financing Agreement shall be binding upon the Issuer, the Borrower and the Trustee and their respective successors and assigns. Notwithstanding anything herein to the contrary, to the extent Fannie Mae or its designee shall become the owner of the Project as a result of a foreclosure or an assignment of leasehold interest in lieu of foreclosure or similar conveyance, Fannie Mae, and its designee, if applicable, shall not be liable for any breach or default or any of the obligations of any prior owner of the Project under this Financing Agreement, and shall only be responsible for defaults and obligations incurred during the period Fannie Mae or its designee, if applicable, is the owner of the Project.

Section 9.05. Severability. If any clause, provision or section of this Financing Agreement shall be ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections.

Section 9.06. Execution in Counterparts. This Financing Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.07. Governing Law; Venue. This Financing Agreement shall be construed in accordance with and governed by the laws of the State applicable to contracts made and performed in the State. This Financing Agreement shall be enforceable in the State, and any action arising hereunder shall (unless waived by the Issuer in writing) be filed and maintained in the courts in San Francisco, California.

Section 9.08. Limited Liability of the Issuer.

(a) ***Reliance by Issuer on Facts or Certificates***. The representations, covenants, agreements and warranties set forth in this Financing Agreement may be relied upon by the Issuer, the Trustee, Bond Counsel, the Borrower, or the Lender. In performing their duties and obligations under this Financing Agreement and under the Indenture, the Issuer and the Trustee may rely upon statements and certificates of the Borrower, upon certificates of tenants believed to be genuine and to have been executed by the proper person or persons, and upon audits of the books and records of the Borrower pertaining to occupancy of the Project. In addition, the Issuer and the Trustee may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Issuer or the Trustee under this Financing Agreement and under the Issuer in good faith and in conformity with the opinion of such counsel. It is expressly understood and agreed by the parties to this Financing Agreement (other than the Issuer) that:

(i) the Issuer may rely conclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Issuer by the Trustee, the Lender or the Borrower as to the existence of a fact or state of affairs required under this Financing Agreement to be noticed by the Issuer;

(ii) the Issuer shall not be under any obligation to perform any record keeping or to provide any legal service, it being understood that such services shall be performed or caused to be performed by the Trustee, the Lender, or the Borrower, as applicable; and

(iii) none of the provisions of this Financing Agreement shall require the Issuer or the Trustee to expend or risk its own funds (apart from the proceeds of Bonds issued under the Indenture) or otherwise endure financial liability in the performance of any of its duties or in the exercise of any of its rights under this Financing Agreement, unless it shall first have been adequately indemnified to its satisfaction against the costs, expenses and liabilities which may be incurred by taking any such action.

(b) ***Waiver of Personal Liability***. Notwithstanding anything to the contrary herein or in any other instrument to the contrary, no recourse under or upon any obligation, covenant, or agreement or in the Bonds, or under any judgment obtained against the Issuer, or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, shall be had against any incorporator, member, director, commissioner, employee, agent or officer, as such, past, present, or future, of the Issuer, either directly or through the Issuer, or otherwise, for

the payment for or to the Issuer or any receiver thereof, or for or to the Bondholders, of any sum that may be due and unpaid by the Issuer upon the Bonds. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, director, commissioner, employee, agent or officer, as such, to respond by reason of any act or omission on his or her part or otherwise, for the payment for or to the Issuer or any receiver thereof, or for or to the Bondholders, of any sum that may remain due and unpaid upon the Bonds, is hereby expressly waived and released as a condition of and consideration for the execution of this Financing Agreement and the issuance of the Bonds.

(c) ***Non-Liability of Issuer***. Notwithstanding anything to the contrary herein or in any other instrument to the contrary, the Issuer shall not be obligated to pay the principal of, premium, if any, or interest on the Bonds, except from the Trust Estate and other money and assets received by the Trustee on behalf of the Issuer pursuant to this Financing Agreement. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the Issuer or any member is pledged to the payment of the principal, premium, if any, or interest on the Bonds. The Issuer 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 Financing Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Borrower under this Financing Agreement.

(d) The Borrower hereby acknowledges that the Issuer's sole source of money to repay the Bonds will be provided by the payments made by the Borrower pursuant to this Financing Agreement, together with investment income on certain funds and accounts held by the Trustee under the Indenture, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal, premium (if any), and interest on the Bonds as the same shall become due (whether by maturity, prepayment, acceleration or otherwise), then upon notice from the Trustee, the Borrower shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal, premium (if any) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Borrower, the Issuer or any third party, subject to any right of reimbursement from the Trustee, the Issuer or any such third party, as the case may be, therefor.

(e) ***Expenses***. The Borrower shall pay and indemnify the Issuer and the Trustee against all reasonable fees, costs and charges, including reasonable fees and expenses of attorneys, accountants, consultants and other experts, incurred in good faith (and with respect to the Trustee, without negligence) and arising out of or in connection with the Financing Documents and the Permanent Loan Documents. These obligations and those in Section 5.09 hereof shall remain valid and in effect notwithstanding repayment of the Permanent Loan hereunder or termination of the Financing Agreement or the Indenture.

(f) ***No Warranty by Issuer***. The Borrower recognizes that, because the components of the Project have been and are to be designated and selected by it, THE ISSUER HAS NOT MADE AN INSPECTION OF THE PROJECT OR OF ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, AND THE

ISSUER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR OTHERWISE, WITH RESPECT TO THE SAME OR THE LOCATION, USE, DESCRIPTION, DESIGN, MERCHANTABILITY, FITNESS FOR USE FOR ANY PARTICULAR PURPOSE, CONDITION OR DURABILITY THEREOF, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY THE BORROWER. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER PATENT OR LATENT, THE ISSUER SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO. THE PROVISIONS OF THIS SECTION HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES OR REPRESENTATIONS BY THE ISSUER, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OF THE STATE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT OR OTHERWISE.

Section 9.09. Term of Financing Agreement. This Financing Agreement shall be in full force and effect from its date to and including such date as all of the Bonds shall have been fully paid or retired (or provision for such payment shall have been made as provided in the Indenture); provided, however, that the provisions of Sections 2.01, 5.05 and 5.09 of this Financing Agreement shall survive the termination hereof.

Section 9.10. Electronic Signatures. The parties agree that the electronic signature of a party to this Financing Agreement shall be as valid as an original signature of such party and shall be effective to bind such party to this Financing Agreement. For purposes hereof: (a) "electronic signature" means a manually signed original signature that is then transmitted by electronic means; and (b) "transmitted by electronic means" means sent in the form of a facsimile or sent via the internet as a portable document format ("pdf") or other replicating image attached to an electronic mail or internet message.

Section 9.11. Patriot Act. The Trustee hereby notifies all the parties hereto that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 the "Act"), it is required to obtain, verify and record information that identifies the other parties hereto, which information includes the name and address of the other parties hereto and other information that will allow the Trustee to identify the other parties hereto in accordance with the Act. In addition, changes to federal banking regulations require all U.S. financial institutions to collect information regarding the beneficial ownership of our legal entity customers. At account opening, and at times during the life of the account, the Borrower shall provide, upon request, identifying information for all natural persons who, directly or indirectly, own twenty percent (20%) or more of the equity interests in the legal entity. In certain situations, the Trustee may request identifying information below twenty percent (20%). The Trustee will also request identifying information for a controlling person, such as an executive officer or senior manager, or another individual who regularly performs similar functions.

Section 9.12. Capacity of the Trustee. The Trustee is entering into this Financing Agreement solely in its capacity as Trustee and shall be entitled to the rights, protections, limitations from liability and immunities afforded it as the Trustee under the Indenture. For the avoidance of doubt, subject to the terms of the Indenture, the Trustee will act upon receipt of direction as provided for in the Indenture. The Trustee shall be responsible only for the duties of the Trustee expressly set forth herein and in the Indenture.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Financing Agreement to be executed by their duly authorized representatives as of the date of execution set forth below.

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 _____
Deputy City Attorney

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee

By _____
Name: Andrew Fung
Title: Vice President

[Trustee's Signature Page to Sunnydale Block 9 Financing Agreement]

SUNNYDALE BLOCK 9 HOUSING PARTNERS, L.P., a California limited partnership

By: Related/Sunnydale Block 9 Development Co., LLC, a California limited liability company, its administrative general partner

By: _____
Name: Ann Silverberg
Title: President

By: Sunnydale Block 9 LLC, a California limited liability company, its managing general partner

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

By: _____
Name: Elizabeth Kuwada
Title: Vice President

EXHIBIT A

FORM OF REQUISITION

STATEMENT NO. _____ REQUESTING DISBURSEMENT OF FUNDS FROM BOND PROCEEDS FUND PURSUANT TO SECTION 4.05 OF THE FINANCING AGREEMENT

Pursuant to Section 4.05 of the Financing Agreement dated as of May 1, 2025 (the "Financing Agreement") between City and County of San Francisco (the "Issuer"), Sunnydale Block 9 Housing Partners, L.P., a California limited partnership (the "Borrower"), and U.S. Bank Trust Company, National Association (the "Trustee"), the undersigned Authorized Borrower Representative hereby requests and authorizes the Trustee, as depositary of the Bond Proceeds Fund created by the Trust Indenture dated as of May 1, 2025 (the "Indenture"), between the Issuer and the Trustee, to pay to [the Borrower] [to Wells Fargo Bank, National Association, as Construction Lender] [or to the person(s) listed on the Disbursement Schedule hereto as Schedule I] out of the money deposited in the Bond Proceeds Fund the aggregate sum of $_____ [consisting of $_____ from the Series B-1 Bond Proceeds fund Account][and][consisting of $_____ from the Series B-2 Bond Proceeds Fund Account] to pay the costs of the items listed in the Disbursement Schedule attached hereto as Schedule I.

In connection with the foregoing request and authorization, the Borrower hereby certifies that:

(a) All conditions precedent to the requested disbursement as provided for in the Indenture and Financing Agreement (including, without limitation, the deposit of sufficient Eligible Funds into the Collateral Fund as provided in the Indenture), have occurred.

(b) Each item for which disbursement is requested hereunder is an item described in Section 4.05 of the Financing Agreement, is properly payable out of the Bond Proceeds Fund in accordance with the terms and conditions of the Financing Agreement and none of those items has formed the basis for any disbursement heretofore made from said Bond Proceeds Fund.

(c) Each such item is or was necessary in connection with the acquisition, construction, installation, equipment or improvement of the Project, as defined in the Indenture.

(d) The Borrower has received, or will concurrently with payment receive and deliver to the Trustee, appropriate waivers of any mechanics' or other liens with respect to each item for which disbursement is requested hereunder.

(e) Each item for which disbursement is requested hereunder, and the cost for each such item, is as described in the information statement filed by the Issuer in connection with the issuance of the Bonds (as defined in the Indenture), as required by Section 149(e) of the Code; provided that if any such item is not as described in that information statement, attached hereto is an Opinion of Bond Counsel to the effect that such disbursement will not adversely affect the status of the interest on the Bonds as excludible from gross income for

federal income tax purposes of the Bondholders (except on Bonds while held by a substantial user or related person, each as defined in the Code).

(f) There is no current or existing event of default pursuant to the terms of the Financing Agreement or the Regulatory Agreement and no event exists which by notice or passage of time or both would constitute an event of default under any of the foregoing documents.

(g) No amount for which disbursement is sought formed the basis for any prior disbursement.

(h) Each item for which disbursement is sought was or is necessary in connection with the Project and qualifies for disbursement pursuant to the provisions of the Financing Agreement.

(i) No representation or warranty of the Borrower contained in the Financing Agreement or the Regulatory Agreement is materially incorrect or inaccurate, and there has been no "Event of Default" or default under the terms of any of those documents which has occurred and is continuing after any applicable notice period and no event shall exist which by notice, passage of time or both would constitute an "Event of Default" or default under any of those documents.

(j) There are no liens on the Project except Permitted Liens and those permitted or provided for by the Financing Agreement.

(k) This statement and all exhibits hereto, including the Disbursement Schedule, shall be conclusive evidence of the facts and statements set forth herein and shall constitute full warrant, protection and authority to the Trustee for its actions taken pursuant hereto.

[Remainder of page intentionally left blank]

This statement constitutes the approval of the Borrower of each disbursement hereby requested and authorized.

Dated this _____ day of _____, 20__.

SUNNYDALE BLOCK 9 HOUSING PARTNERS, L.P., a California limited partnership

By: Related/Sunnydale Block 9 Development Co., LLC, a California limited liability company, its administrative general partner

By: _____
Name: Ann Silverberg
Title: President

By: Sunnydale Block 9 LLC, a California limited liability company, its managing general partner

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

By: _____
Name: Elizabeth Kuwada
Title: Vice President

APPROVED:

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Construction Lender

By _____
Name _____
Title _____

SCHEDULE I

DISBURSEMENT SCHEDULE

Series B-1 Bond Proceeds Fund Account

Payee	Amount	Purpose

Series B-2 Bond Proceeds Fund Account

Payee	Amount	Purpose

EXHIBIT B-1

FORM OF SERIES B-1 BOND LOAN NOTE

$[_____] May [__], 2025

FOR VALUE RECEIVED, SUNNYDALE BLOCK 9 HOUSING PARTNERS, L.P., a California limited partnership (the "Borrower"), promises to pay to the CITY AND COUNTY OF SAN FRANCISCO (the "Issuer"), or its order, the principal sum of [_____] ($[_____]), with interest payable as set forth below. Capitalized terms used in this promissory note (the "Note") but not defined shall have the respective meanings set forth in the Indenture of Trust, dated as of May 1, 2025 (the "Indenture"), between the Issuer and U.S. Bank Trust Company, National Association, as trustee thereunder (the "Trustee").

Borrower promises to pay to the Issuer the principal sum of this Note, together with interest at [_____] PERCENT ([___]%) per annum, and all assessments, taxes and premiums as follows:

One (1) Business Day preceding each Payment Date, the Borrower shall pay to the Issuer interest on the outstanding principal balance of this Note.

(a) The entire principal balance of this Note, plus any accrued but unpaid interest to and including [_____] (the "Maturity Date"), shall be due and payable on the date on which the final payment is due with respect to the MBS.

(b) Payments made by the Trustee to the holders of the Series B-1 Bonds, from funds available under the Indenture, will be credited against the Borrower's obligation to pay interest and principal under this Note. The Borrower shall be obligated to pay any deficiency between amounts due under this Note and amounts paid to bondholders by the Trustee pursuant to the Indenture.

(c) If any installment of interest, principal, or any other payment due under this Note is not paid within ten (10) days from the date that the installment or payment is due, the Borrower promises to pay to the Issuer a "late charge" equal to five percent (5%) of the aggregate monthly payment required by this Note.

(d) Upon an Event of Default, as defined in the Indenture, the unpaid principal, together with all accrued interest thereon, and all other sums due and payable shall, at the option of the holder of this Note, become immediately due and payable. Failure to exercise this option shall not constitute a waiver of the right to exercise this option in the event of any subsequent default.

(e) As to this Note, the Borrower and all guarantors, if any, severally waive all applicable exemption rights, whether under any state constitution, homestead laws or otherwise, and also severally waive valuation and appraisement, presentment, protest and demand, notice of protest, demand and dishonor and nonpayment of this Note, and expressly agree that the maturity of this Note, or any payment under this Note, may be

extended from time to time without in any way affecting the liability of the Borrower and all guarantors.

(f) All payments due under this Note shall be made during regular business hours at the principal corporate trust office of the Trustee or at any other place that the Issuer may designate in writing, and shall be made in coin or currency of the United States of America which at the time of payment is legal tender for the payment of public or private debts.

(g) The Borrower represents and warrants that it is a limited partnership within the meaning set forth in the California Corporations Code, Title 2, Chapter 4.5, as amended (the "California Uniform Partnership Act of 2008"), and further represents and warrants that the obligation evidenced by this Note was incurred solely for the purpose of carrying on or acquiring a business or commercial enterprise within the meaning of the California Uniform Limited Partnership Act of 2008.

(h) Neither the Borrower nor any partner, officer or director of the Borrower shall have any personal liability for principal or interest payments or any other payments due under this Note.

(i) The Borrower hereby acknowledges that, pursuant to the Indenture, the Issuer is assigning to the Trustee all of the Issuer's right, title, and interest in and to this Note, exclusive of the Reserved Rights of the Issuer. Such assignment is being made as security for the payment of the Series B-1 Bonds of the Issuer. All of the terms, conditions and provisions of the Indenture are, by this reference thereto, incorporated herein as part of this Note.

(j) This Note shall be deemed paid if and when the Conversion Date occurs. On the Conversion Date, this Note shall terminate and no longer be of any force or effect, and thereafter be replaced by the Permanent Loan.

Notwithstanding any other provision contained in this Note, it is agreed that the execution of this Note shall impose no personal liability on the maker hereof for payment of the indebtedness evidenced hereby and in the event of a default, the holder of this Note will not seek or obtain any deficiency or personal judgment against the maker hereof except such judgment or decree as may be necessary to foreclose and bar its interest in the property.

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed and delivered on its behalf on the date first written above.

SUNNYDALE BLOCK 9 HOUSING PARTNERS, L.P., a California limited partnership

By: Related/Sunnydale Block 9 Development Co., LLC, a California limited liability company, its administrative general partner

By: _____
Name: Ann Silverberg
Title: President

By: Sunnydale Block 9 LLC, a California limited liability company, its managing general partner

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

By: _____
Name: Elizabeth Kuwada
Title: Vice President

PAY TO THE ORDER OF U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, AS TRUSTEE UNDER THAT CERTAIN INDENTURE OF TRUST DATED AS OF MAY 1, 2025.

WITHOUT RECOURSE OR WARRANTY

CITY AND COUNTY OF SAN FRANCISCO,
as Issuer

By _____
Daniel Lurie
Mayor

EXHIBIT B-2

FORM OF SERIES B-2 BOND LOAN NOTE

$[_____] May [__], 2025

SUNNYDALE BLOCK 9 HOUSING PARTNERS, L.P., a California limited partnership (the "Borrower"), for value received, promises to pay in installments CITY AND COUNTY OF SAN FRANCISCO (the "Issuer"), the principal amount of

[_____] ($[_____])

and to pay interest on the unpaid balance of such principal sum from and after the date hereof at the rate of [_____] percent ([___]%) per annum to but not including [_____] (the "Initial Mandatory Tender Date"), and thereafter at the applicable Remarketing Rate (as defined in the Indenture described below), until the payment of such principal sum has been made or provided for. The principal amount stated above shall be paid on or before [_____] (the "Maturity Date"). Interest shall be calculated on the basis of a three hundred sixty (360)-day year of twelve (12) equal months. Interest on this Note shall be paid in Federal Reserve funds on (a) the first (1st) day of the month following the month in which the Closing Date occurs and the first (1st) day of each month thereafter, or the next succeeding Business Day if such first (1st) day is not a Business Day (b) each Mandatory Redemption Date described in the Indenture, (c) each Mandatory Tender Date, (d) the Bond Maturity Date of the Series B-2 Bonds and (e) the date of acceleration of the Series B-2 Bonds (the "Payment Dates") until the principal amount is paid or duly provided for.

This Note has been executed and delivered by the Borrower to the Issuer, pursuant to a certain Financing Agreement dated as of May 1, 2025 (the "Financing Agreement"), between the Issuer and the Borrower. Terms used but not defined herein shall have the meanings ascribed to such terms in the Financing Agreement and the Indenture, as defined below.

Under the Financing Agreement, the Issuer has loaned the Borrower the principal proceeds received from the sale of the Issuer's $[_____] City and County of San Francisco Multifamily Housing Revenue Bonds (Fannie Mae MBS-Secured) (Sunnydale HOPE SF Block 9) Series 2025B-2 (the "Series B-2 Bonds") to assist in the financing of the Project, and the Borrower has agreed to repay such loan by making payments at the times and in the amounts set forth in this Note for application to the payment of amounts due on the Series B-2 Bonds as and when due. The Series B-2 Bonds have been issued, concurrently with the execution and delivery of this Note, pursuant to, and are secured by, the Indenture of Trust dated as of May 1, 2025 (the "Indenture"), between the Issuer and U.S. Bank Trust Company, National Association, as trustee (the "Trustee").

To provide funds to pay the principal of and interest on the Series B-2 Bonds as and when due as specified herein, the Borrower hereby agrees to and shall make payments in Federal Reserve funds on each Payment Date in an amount equal to the principal and interest due on the Series B-2 Bonds payable on such Payment Date. In addition, to provide funds to pay the principal and interest due on the Series B-2 Bonds as and when due at any other time, the Borrower hereby agrees to and shall make payments in Federal Reserve funds on any other date on which any

principal and interest due on the Series B-2 Bonds shall be due and payable, whether at maturity, upon acceleration or otherwise, in an amount equal to such principal and interest due.

If payment or provision for payment in accordance with the Indenture is made in respect of the principal and interest due on the Series B-2 Bonds from money other than as set forth above, this Note shall be deemed paid to the extent such payments or provision for payment of the Series B-2 Bonds has been made. Consistent with the provisions of the immediately preceding sentence, the Borrower shall have credited against its obligation to make payments required herein any amounts transferred from the Series B-2 Subaccount of the Bond Proceeds Fund or the Series B-2 Subaccount of the Collateral Fund to the Series B-2 Subaccount of the Revenue Fund. Subject to the foregoing, all payments required hereunder shall be in the full amount required hereunder.

All payments required hereunder shall be made to the Trustee at its designated corporate trust office for the account of the Issuer and deposited into the Series B-2 Subaccount of the Revenue Fund created by the Indenture. Except as otherwise provided in the Indenture, such payments shall be used by the Trustee to pay principal and interest due on the Series B-2 Bonds as and when due.

The obligation of the Borrower to make the payments required hereunder shall be absolute and unconditional and the Borrower shall make such payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including, without limitation, any defense, set off, recoupment or counterclaim which the Borrower may have or assert against the Issuer, the Trustee or any other person.

This Note is subject to prepayment, in whole or in part, upon the terms and conditions set forth in Article IV of the Financing Agreement. Any prepayment is subject to satisfaction of any applicable notice, deposit or other requirements set forth in the Agreement or the Indenture.

Whenever an Event of Default under Section 8.01 of the Indenture shall have occurred and, as a result thereof, the principal of and any premium on all Series B-2 Bonds then Outstanding, and interest accrued thereon, shall have been declared to be immediately due and payable pursuant to Section 8.02 of the Indenture, the unpaid principal amount of and any premium and accrued interest on this Note shall also be due and payable in Federal Reserve funds on the date on which the principal of and premium and interest on the Bonds shall have been declared due and payable; provided that the annulment of a declaration of acceleration with respect to the Bonds shall also constitute an annulment of any corresponding declaration with respect to this Note.

The payment obligations of this Note are non-recourse to the Borrower to the extent set forth in Section 5.11 of the Financing Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed in its name as of the date first above written.

SUNNYDALE BLOCK 9 HOUSING PARTNERS, L.P., a California limited partnership

By: Related/Sunnydale Block 9 Development Co., LLC, a California limited liability company, its administrative general partner

By: _____
Name: Ann Silverberg
Title: President

By: Sunnydale Block 9 LLC, a California limited liability company, its managing general partner

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

By: _____
Name: Elizabeth Kuwada
Title: Vice President

PAY TO THE ORDER OF U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, AS TRUSTEE UNDER THAT CERTAIN INDENTURE OF TRUST DATED AS OF MAY 1, 2025.

WITHOUT RECOURSE OR WARRANTY

CITY AND COUNTY OF SAN FRANCISCO,
as Issuer

By _____
Daniel Lurie
Mayor