



**REPORT TO THE HOUSING AUTHORITY OF
THE CITY OF SAN DIEGO**

DATE ISSUED: March 16, 2020

REPORT NO: HAR20-013

ATTENTION: Chair and Members of the Housing Authority of the City of San Diego
For the Agenda of April 7, 2020

SUBJECT: Final Bond Authorization for East Block Senior Apartments

COUNCIL DISTRICT: 9

REQUESTED ACTION

Authorize the issuance of a Housing Authority of the City of San Diego Multifamily Housing Revenue notes, to fund the acquisition and new construction of East Block Senior Apartments, which will consist of 115 units that will remain affordable for 55 years and two managers’ units, to be located at 4320 44th Street, San Diego, California 92115.

STAFF RECOMMENDATION

That the Housing Authority of the City of San Diego (Housing Authority):

- 1) Authorize the issuance of up to \$22,000,000 in a tax-exempt Multifamily Housing Revenue note to facilitate Fairmount Senior Housing CIC L.P.’s acquisition and new construction of East Block Senior Apartments, which will consist of 115 units that will remain affordable for 55 years and two managers’ units; and
- 2) Authorize the issuance of up to \$2,500,000 in a taxable Multifamily Housing Revenue note for the Fairmount Senior Housing CIC L.P.’s construction financing for East Block Senior Apartments.

SUMMARY

A Development Summary is at Attachment 1.

Table 1 - Development Details

Address	4320 44 th Street, San Diego, 92115
Council District	9
Developer	Chelsea Investment Corporation
Community Plan Area	Mid-City Kensington-Talmadge
Development Type	New Construction
Construction Type	Type III; five-story building
Parking Type	Semi-subterranean parking with 42 spaces
Housing Type	Affordable for seniors
Lot Size	0.51 Acres; 22,180 square feet
Units	117
Density	229 dwelling units per acre (117 units ÷ .51 acres)

Unit Mix	115 one-bedroom units, and 2 one-bedroom managers' units
Gross Building Area	81,942 Gross building square feet
Net Rentable Area	60,840 Net rentable square feet

Background

On November 15, 2019, the San Diego Housing Commission (Housing Commission) Board of Commissioners (Report No. HCR19-100)) and on January 28, 2020, the Housing Authority (Report No. HAR20-003, Resolution HA-1851), respectively, approved the issuance of up to \$22,000,000 in tax-exempt Multifamily Housing Revenue Bonds to facilitate Fairmount Family Senior Housing CIC L.P.'s new construction of East Block Senior Apartments (East Block Senior), which will consist of 115 units that will remain affordable for 55 years and two managers' units, to be located at 4320 44th Street, San Diego, California, 92115. Those previous Housing Commission and Housing Authority bond authorizations included a tax-exempt private placement bond issuance involving financing from both California Bank and Trust (CalB&T) and US Bank National Association (US Bank) as the third-party lenders. However, shortly after the Housing Authority approved the bond issuance, the developer, Chelsea Investment Corporation (Chelsea), informed Housing Commission staff that the CalB&T had decided against participating in the financing for either East Block Family Apartments or for the companion East Block Senior Apartments. Chelsea reports that CalB&T did not adequately contemplate a certain IRS-required "non-use" cost impact associated with its proposed bond-structure funding of only a portion of the bonds at escrow closing and with the balance of the bonds to be funded prior to the permanent loan conversion.

For East Block Senior and East Block Family, Chelsea now proposes that Citibank N.A. (Citibank) replace CalB&T as a lender. U.S. Bancorp Community Development Corporation will serve as the tax credit investor limited partner. The Housing Authority's previously approved bond issuance documents for East Block Senior included references to CalB&T and are otherwise substantially different in form from those required by Citibank, and thus the bond documents need to be changed to reflect Citibank's proposed lender participation.

Chelsea is proposing that the East Block Senior development proceed as described in the reports that were previously approved by both the Housing Commission and Housing Authority with certain features/adjustments as described in the Financial Advisor's Analysis that is included in this report. Chelsea proposes that the Housing Authority issue up to \$22,000,000 in a tax-exempt note and up to \$2,500,000 in a taxable note for a total maximum issuance of \$24,500,000. The California Debt Limit Allocation Committee's (CDLAC) \$22,000,000 East Block Senior's Bond allocation expiration milestone is April 13, 2020.

The Development

East Block Senior is a proposed five-story, new construction, affordable rental housing development located in the Kensington-Talmadge neighborhood (Attachment 2 - Site Map). East Block Senior will provide 115 one-bedroom affordable rental units for seniors with incomes ranging from 40 percent to 60 percent of San Diego's Area Median Income (AMI). Also, the development will have two one-bedroom managers' units.

The proposed development is part of the mixed-use East Block Collaborative that will include East Block Senior, East Block Family Apartments, a future commercial component, and a private community plaza.

The East Block Family Apartments affordable housing and the future commercial project are not a part of the actions associated with this report's request for bond financing.

Prior to escrow closing, a condominium map will be recorded documenting the separation of the three buildings: one for the family affordable housing, one for the senior affordable housing, and one for the future commercial parcel. Site amenities will include: secured building access, elevator, community room, laundry facilities, community garden, outdoor barbecue, and a picnic area. Unit amenities will include: refrigerator, electric appliances, central heating, cable television/phone connection, and pre-wired internet.

The Property

The property is owned by Fairmount & El Cajon Realty LLC. Under the developer's proposal, the land is being donated.

Appraisal

On October 11, 2018, the property was appraised by Kinetic Valuation Group, Inc. at \$10,530,000.

Prevailing Wages

Prevailing wages are not applicable to the proposed project due to the sources proposed to fund this development's construction. The proposed use of federal HOME Investment Partnership funds is below the 12-unit federal threshold and will not require federal prevailing wages.

Relocation

The property is currently a vacant lot and is not subject to relocation.

Accessibility

TCAC requires wheelchair accessibility in 10 percent of the units, and communication features in 4 percent of the units designated for residents with visual and/or hearing impairment. The same units can satisfy both of these accessibility requirements. In addition, these accessible units will satisfy the HOME accessibility requirement in 5 percent of the units, plus an additional 2 percent of the units accessible for residents with visual and/or hearing impairment. The development will include Universal Design features.

Project Sustainability

East Block Senior Apartments will be constructed in conformance with the California Tax Credit Allocation Committee's (TCAC) minimum energy efficiency standards.

Development Team

Fairmount Senior Housing CIC, L.P. is a partnership between Chelsea and the nonprofit Serving Seniors. Serving Seniors is a San Diego-based experienced nonprofit that assists low-income and homeless seniors with nutrition, housing, social and supportive services, learning, health and wellness. It was established in 1970 as downtown San Diego's Cedar Community Center. Today its services include operating 11 congregate dining sites across San Diego County and delivering meals directly to home-bound seniors. In 2010, it opened downtown San Diego's Gary & Mary West Senior Wellness Center. Nearly 5,000 low-income seniors rely on Serving Seniors every year. It has three affordable housing residences: the 200-units Potiker Family Senior Residence in downtown San Diego, the 150-units Potiker City Heights Residence (formerly City Heights Square), and the 62-units Schmale Family Senior Residence in Ramona, California.

Chelsea is an award-winning, for-profit corporation headquartered in Carlsbad, California. Established in 1992, Chelsea specializes in the financing and development of affordable housing. CIC has developed approximately 9,700 affordable housing units since 1995 in California and Arizona.

East Block Senior Apartments will be owned by Fairmount Senior Housing CIC, L.P., a California limited partnership (a single-asset limited partnership) that will include CIC Fairmount Senior Housing, LLC as the administrative general partner; Fairmount SHC Housing, LLC the nonprofit managing general partner; and U.S. Bancorp Community Development Corporation as the tax-credit investor limited partner. Chelsea has substantial development experience in a wide range of housing developments. Chelsea has developed many affordable rental housing developments in the City of San Diego. It has successfully completed multiple affordable developments with Housing Commission financing assistance. Chelsea is in full compliance on its previous Housing Commission-funded loans. Based upon the developer’s past experience and performance, Housing Commission staff has determined that the developer has the capacity to successfully complete the proposed East Block Senior Apartments development. Attachment 3 is the proposed borrower’s ownership structure organizational chart.

Table 2 Development Team Summary

ROLE	FIRM/CONTACT
Developer	Chelsea Investment Corporation
Limited Partnership	Fairmount Senior Housing CIC, L.P.
Managing General Partner	Fairmount SHC Housing, LLC
Administrative General Partner	CIC Fairmount Senior Housing, LLC
Tax Credit Limited Partner	U.S. Bancorp Community Development Corporation
Architect	Rob Wellington Quigley, FAIA
General Contractor	Emmerson Construction, Inc.
Property Management	CIC Management, Inc.
Services Provider	Serving Seniors
Fiscal Agent	Bank of New York Mellon N.A.
Construction Lender	US Bank National Association and Citibank N.A. (financing an initial portion)
Permanent Lender	Citibank N.A.

FINANCING STRUCTURE

East Block Senior Apartments has an estimated total development cost of \$35,776,469 (\$305,782/unit). Financing will have a combination of sources, including a tax-exempt Multifamily Housing Revenue note, federal 4 percent tax credits, deferred developer fee, and a Housing Commission loan. A summary of the estimated sources and uses of permanent financing are provided in Table 3. The developer’s project pro forma is provided as Attachment 4.

Table 3 – Estimated Permanent Sources and Uses

Financing Sources	Amounts	Financing Uses	Amounts	Per Unit
Permanent loan (note financed)	\$13,160,000	Acquisition	\$82,000	\$701
Housing Commission residual receipts loan	\$6,750,000	Construction costs Overhead/profit/general Contingency Total construction	\$18,951,522 3,193,331 <u>+1,107,243</u> \$23,252,096	\$298,104
Bond deposit refund	\$100,000	Financing costs	\$2,767,181	\$235,477
Residual receipts loan accrued interest	\$339,837	Soft costs contingency Other soft costs	\$164,239 \$2,353,020	\$2,106 \$30,167
General partner equity	\$100	Reserves	\$341,020	\$4,372
Deferred developer's fee	\$1,983,828	Developer's fee	\$4,403,357	\$56,453
Four percent tax credit equity	\$13,442,704	Permits and fees	\$2,413,556	30,943
Total Development Cost	\$35,776,469	Total Development Cost (TDC)	\$35,776,469	\$305,782

Developer Fee

\$4,403,357 – gross developer's fee
 - 1,983,828 – minus deferred developer's fee
 \$2,419,529 – net cash developer's fee

The net cash developer's fee is estimated to be \$2,419,529. On April 25, 2017, the Housing Authority approved the "Request for Approval of Updated Developer Fees" (Report No. HAR 17-011; Resolution No. HA-1727). That report approved certain developer fee guidelines for multifamily loans and bonds issuances. Attachment 1 to that report stated: "Developer fee for 4% tax credits: in project costs 15% of eligible basis...." For this development, the developers are proposing a \$4,423,630 total developer fee, which complies with HAR17-011. The fee proposed is consistent with the Request for Approval of Updated Developer Fees (HAR17-011) approved by the Housing Authority on April 25, 2017.

Development Cost Key Performance Indicators

Housing Commission staff has identified development cost performance indicators, which were used to evaluate the proposed development. The key performance indicators listed in Table 4 are commonly used by real estate industry professionals and affordable housing developers.

Table 4 – Key Performance Indicators

Development Cost Per Unit	\$35,776,468 ÷ 117 units =	\$305,782
Housing Commission Subsidy Per Unit	\$6,750,000 ÷ 117 units =	\$57,692
Acquisition Cost Per Unit	\$82,000 ÷ 117 units =	\$701
Gross Building Square Foot Hard Cost	\$23,252,096 ÷ 81,942 sq. ft. =	\$284
Net Rentable Square Foot Hard Cost	\$23,252,096 ÷ 60,840 sq. ft. =	\$382

Project Comparison Chart

Multiple factors and variables influence the cost of developing multifamily affordable housing, including but not limited to project location, site conditions, site improvements needed, environmental factors, land use approval process, community involvement, construction type, design requirements/constraints, economies of scale, City impact fees, developer experience and capacity, plus amenities necessary to gain tax credit approval. Table 5 shows a comparison of the subject property and other developments of a similar construction type.

Table 5 – Comparable Development Projects

Project Name	Year	Unit Mix	Units	Prevailing Wage	Total Development Cost	Cost Per Unit	HC Subsidy Per Unit	Gross Hard Cost Sq. Ft.
East Block Senior	2019	115 ones + 2 mgr	117	No	\$35,776,468	\$305,782	\$57,692	\$284
Stella (Twain Veterans Housing)	2017	40 studios, 39 ones, + 1 mgr	80	Yes	\$26,275,500	\$328,444	\$68,750	\$234

TAX EXEMPT MULTIFAMILY HOUSING REVENUE BONDS

Proposed Note Financing

The Housing Commission utilizes the Housing Authority’s tax-exempt borrowing status to pass on lower interest rate financing (and make 4 percent low-income housing tax credits available) to developers of affordable rental housing. The Housing Authority’s ability to issue bonds and notes is limited under the U.S. Internal Revenue Code. To issue bonds or notes for a development, the Housing Authority must first submit an application to the California Debt Limit Allocation Committee (CDLAC) for a tax-exempt financing allocation. Prior to submitting applications to CDLAC, developments are brought before the Housing Commission, Housing Authority, and City Council. Housing Authority bond inducement resolutions must be obtained prior to CDLAC application submittal, and City Council Tax Equity and Fiscal Responsibility Act (TEFRA) resolutions must be secured no later than 30 days after application submittal. On July 16, 2019, these actions were completed for East Block Senior.

On August 16, 2019, an application was submitted to CDLAC for a tax-exempt financing allocation of up to \$22,000,000. On October 16, 2019, CDLAC approved the \$22,000,000 tax-exempt financing allocation and CTCAC approved an allocation of 4percent tax credits. The CDLAC tax-exempt financing allocation approval requires financing issuance by April 13, 2020, to avoid loss of the approved allocation.

The developer proposes that the financing be issued through a tax-exempt private placement note issuance. The notes will meet all requirements of the Housing Commission’s Multifamily Housing Revenue Bond Program policy and will fully comply with the City of San Diego’s (City) ordinance on bonds disclosure. The notes amount that will ultimately be set will be based upon development costs, revenues and interest rates prevailing at the time of the bonds issuance. The notes proceeds will be used for both construction financing and permanent financing. A general description of the Multifamily Housing Revenue Bond Program and the actions that must be taken by the Housing Authority and by the City Council to initiate and finalize proposed financings are described in Attachment 5.

Public Disclosure and Bonds/Note Authorization

The tax-exempt debt and the taxable debt, in the form of two notes, will be sold through a private placement, purchased directly by Citibank. Citibank is a “qualified institutional buyer” within the

meaning of the U.S. securities laws. At closing, Citibank will sign an “Investor’s Letter” certifying, among other things, that it is buying the notes for its own account and not for public distribution. Because the notes are being sold through a private placement, an Official Statement will not be used. In addition, the notes will be neither subject to continuing disclosure requirements, nor credit enhanced, nor rated. Under the private placement structure for this transaction, Citibank will make a loan to the Housing Authority pursuant to the terms of a Funding Loan Agreement among Citibank, the Housing Authority, and Bank of New York Mellon Trust Company N.A. as the Fiscal Agent. The loan made by Citibank to the Housing Authority (Funding Loan) will be evidenced by the notes, which will obligate the Housing Authority to pay Citibank the amounts it receives from the borrower, as described below. The Housing Authority and the borrower will enter into a Borrower Loan Agreement pursuant to which the proceeds of the Funding Loan will be advanced to the Borrower. In return, the Borrower agrees to pay the Fiscal Agent amounts sufficient for the Fiscal Agent to make payments on the notes. The Housing Authority’s obligation to make payments on the notes is limited to amounts the Fiscal Agent receives from the Borrower under the Borrower Loan Agreement, and no other funds of the Housing Authority are pledged to make payments on the notes. The transfer of the notes to any subsequent purchaser will comply with Housing Commission’s “*Bond Issuance and Post-Issuance Compliance Policy*” (policy number PO300.301). Moreover, any subsequent notes holder will be required to represent to the Housing Authority that it is a qualified institutional buyer or accredited investor who is buying the notes for investment purposes and not for resale, and it has made due investigation of any material information necessary in connection with the purchase of the notes. The following documents will be executed on behalf of the Housing Authority with respect to the notes: the Funding Loan Agreement, the Borrower Loan Agreement, the Assignment of Deed of Trust, the Regulatory Agreement, and other ancillary loan documents. At the time of docketing, documents in substantially final form will be presented to members of the Housing Authority. Any changes to the documents following Housing Authority approval require the consent of the City Attorney’s Office and the Bond Counsel. The notes will be issued pursuant to the Funding Loan Agreement. Based upon instructions contained in the Funding Loan Agreement and the Borrower Loan Agreement, Citibank will disburse the notes proceeds for eligible costs and will, pursuant to an assignment from the Housing Authority, receive payments from the Borrower. The Borrower Loan Agreement sets out the terms of repayment and the security for the loan made by the Housing Authority to the borrower, and the Housing Authority assigns its rights to receive repayments under the loan to Citibank. The Regulatory Agreement will be recorded against the property in order to ensure the long-term use of the project as affordable housing. The Regulatory Agreement will also ensure that the project complies with all applicable federal and state laws. An Assignment of Deed of Trust, and other loan documents, will assign the Housing Authority’s rights and certain responsibilities as the issuer to Citibank. It will be signed by the Housing Authority for the benefit of Citibank. Rights and responsibilities that are assigned to Citibank include the right to collect and enforce the collection of loan payments, the right to monitor project construction and related budgets, plus the right to enforce insurance and other requirements. These rights will be used by Citibank to protect its financial interests as the notes owner.

Financial Advisor’s Recommendation

Quint & Thimmig LLP will be the bond counsel. CSG Advisors will be the bond financial advisor. After evaluating the terms of the proposed financing and the public benefits to be achieved, it is the financial advisor’s recommendation that the Housing Authority proceed with the issuance of the notes. The financial advisor’s analysis and recommendation is included as Attachment 6.

AFFORDABLE HOUSING IMPACT

The development will be subject to a Housing Commission Declaration of Covenants and Restrictions, in addition to applicable tax credit and bond regulatory agreements, which will restrict affordability of 115 units for 55 years. The HOME funds will have affordability and rent restrictions for 20 years. The development’s 115 units will be affordable to tenants with income levels ranging from 40-60 percent of San Diego’s Area Median Income (AMI).

Table 6 Affordability and Monthly Estimated Rent Table

Unit Type	AMI	Number of Units	CTCAC Gross Rents
1 Bedroom	40%	7	\$802
1 Bedroom	50%	9	\$1,003
1 Bedroom	60%	99	\$1,203
1 Bedroom Manager	-	2	-
Total		117	

Development Schedule

The estimated development timeline is as follows:

Milestones	Estimated Dates
<ul style="list-style-type: none"> Estimated bond issuance and escrow closing CDLAC required bond issuance milestone Start of construction work Completion of construction work 	<ul style="list-style-type: none"> April 9, 2020 April 13, 2020 April 2020 April 2021

FISCAL CONSIDERATIONS

The proposed funding sources and uses approved by this action are included in the Fiscal Year (FY) 2020 Housing Commission Budget, except for the bond issuance fees.

Funding sources approved by this action will be as follows:

Bond Issuance Fees – up to \$61,250 ($\$22,000,000 + \$2,500,000 = \$24,500,000 \times .0025$)

Funding uses approved by this action will be as follows:

Administrative Costs - up to \$61,250

There are no fiscal impacts to the Housing Commission, or to the City of San Diego, or to the Housing Authority associated with the requested bond actions. The notes will not constitute a debt of the City of San Diego. If the notes ultimately are issued for the project, the notes will not financially obligate the City, nor the Housing Authority, nor the Housing Commission because security for the repayment of the notes will be limited to specific private revenue sources. Neither the faith and credit nor the taxing power of the City, nor the faith and credit of the Housing Authority will be pledged to the payment of the notes. The Borrower is responsible for the payment of all costs under the financing, including the Housing Commission’s Bond Counsel and Financial Advisor fees. Additionally the Borrower is responsible for payment of the Housing Commission's .0025 bond amount issuer fee (estimated at up to

\$61,250 with a \$24,500,000 total amount tax-exempt and taxable bond issue) and the Housing Commission's annual administrative fee.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

On September 17, 2017, Price Charities presented the proposed development as an action item to the Kensington-Talmadge Community Planning Group. The Kensington-Talmadge Community Planning Group recommended that the City Council approve the lot consolidation for the project. The motion was approved on a vote of 9 to 1 in favor of the project.

KEY STAKEHOLDERS and PROJECTED IMPACTS

Stakeholders include CIC as the developer, Serving Seniors as the nonprofit partner, the Housing Authority as notes issuer, and the Mid-City Kensington-Talmadge neighborhood. The project is anticipated to have a positive impact on the community, as it will contribute to the quality of the surrounding neighborhood and create 115 new affordable rental homes for low-income seniors.

ENVIRONMENTAL REVIEW

On December 19, 2017, the City of San Diego, as Lead Agency, through the Development Services Department, made and issued an environmental determination that the project is exempt from the California Environmental Quality Act (CEQA) (Public Resources Code section 21000 *et. seq.*) under CEQA Guidelines Section 15305; and there was no appeal of the environmental determination filed within the time period provided by San Diego Municipal Code (SDMC) section 112.0520. Federal funds constitute a portion of this project making the project subject to U.S. Department of Housing and Urban Development under 24 CFR Part 58 of the National Environmental Policy Act (NEPA). The Housing Commission received final NEPA clearance and authorizations to grant funds from HUD on June 20, 2019.

Respectfully submitted,



J.P. Correia
Real Estate Project Manager
Real Estate Division

Approved by,



Jeff Davis
Executive Vice President & Chief of Staff
San Diego Housing Commission

- Attachments:
1. Development Summary
 2. Site Map
 3. Organization Chart
 4. Developer's Project Pro Forma
 5. Bond Program Summary
 6. Financial Advisor's Analysis
 7. Developer's Disclosure Statement

Hard copies are available for review during business hours at the security information desk in the main lobby and at the fifth floor reception desk of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials in the "Governance & Legislative Affairs" section of the San Diego Housing Commission website at www.sdhc.org.

ATTACHMENT 1 – DEVELOPMENT SUMMARY

Table 1 - Development Details

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Tax Credit Limited Partner	U.S. Bancorp Community Development Corporation
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General Contractor	Emmerson Construction, Inc.
Property Management	CIC Management, Inc.
Services Provider	Serving Seniors
Fiscal Agent	Bank of New York Mellon N.A.
Construction Lender	US Bank National Association and Citibank N.A. (financing an initial portion)
Permanent Lender	Citibank N.A.

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		Overhead/profit/general	3,193,331	
		Contingency	+1,107,243	
		Total construction	\$23,252,096	
Bond deposit refund	\$100,000	Financing costs	\$2,767,181	\$235,477
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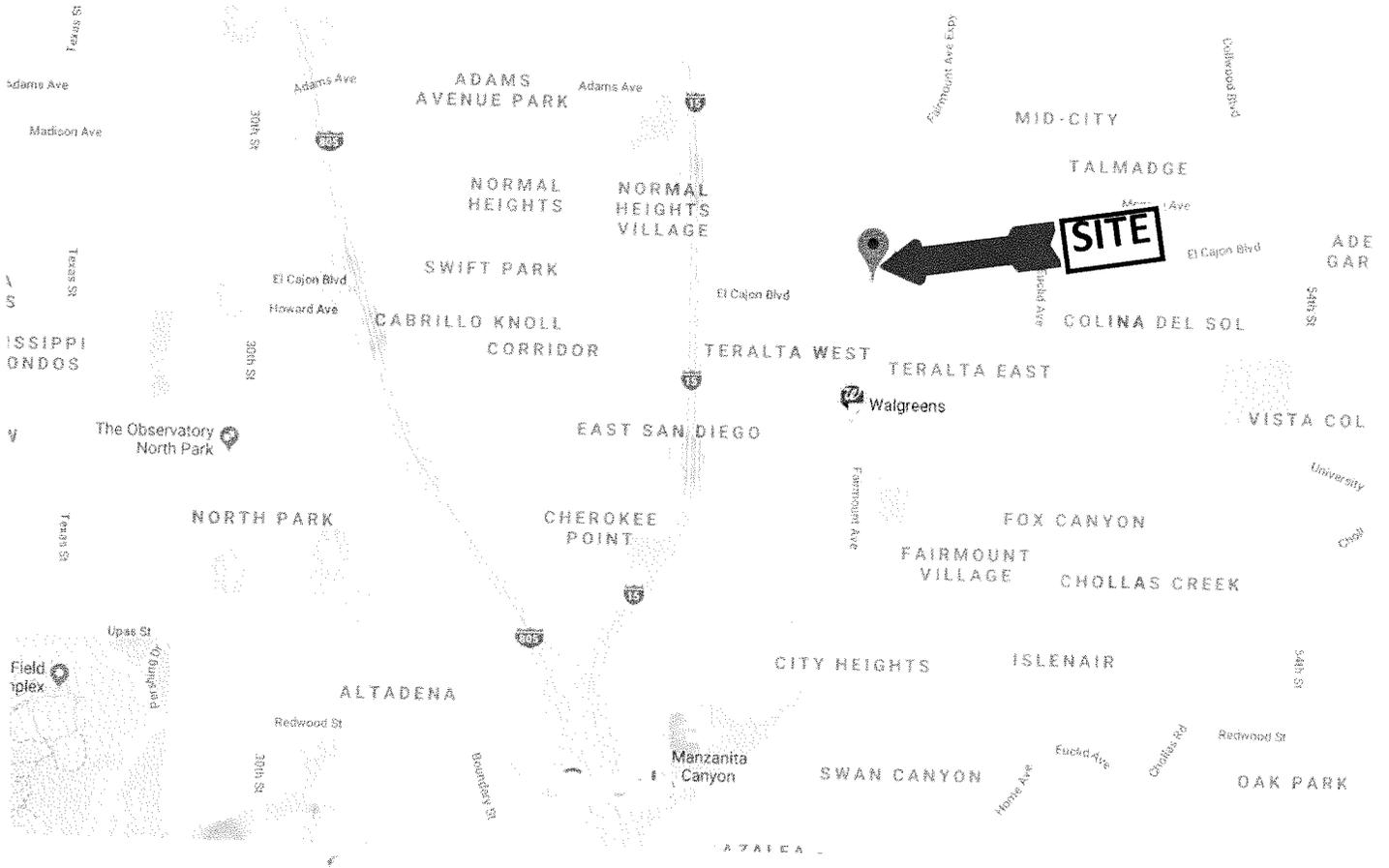
Table 5 – Comparable Development Projects

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Table 6 Affordability and Monthly Estimated Rent Table

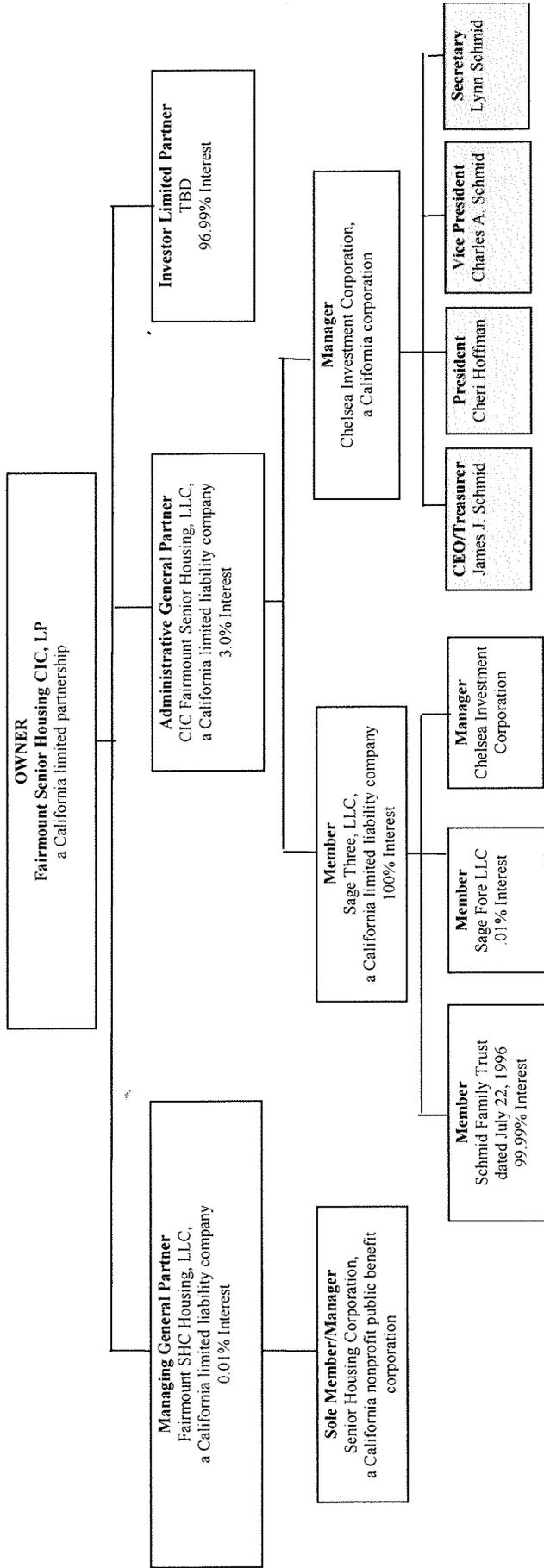
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1 Bedroom	50%	9	\$1,003
1 Bedroom	60%	99	\$1,203
1 Bedroom Manager	-	2	-
Total		117	

ATTACHMENT 2 – SITE MAP



ATTACHMENT 3 – ORGANIZATION CHART

EAST BLOCK SENIOR APARTMENTS



ATTACHMENT 4 – DEVELOPER’S PROJECT PRO FORMA

PROJECTED SOURCES AND USES OF FUNDS

117 UNIT SENIORS 4%
2/23/2020

2,419,429
Conversion

8609
Conversion

13,442,704
Total

Line	Description	Pre-Dev	Construction Period							Quarter 8 10%	Construction Subtotal	Stabilization 6mos	Conversion	Total
			Quarter 1 0%	Quarter 2 0%	Quarter 3 20%	Quarter 4 15%	Quarter 5 15%	Quarter 6 20%	Quarter 7 20%					
1	SOURCES OF FUNDS													
3	Federal LIHTC Equity													
5	GP Equity													
6	US Bank Taxable Construction Loan													
8	Citibank Taxable Bonds													
12	Citibank Tax-Exempt Bonds													
14	Deferred Developer Fee													
15	SDHC													
16	Residual Receipt Loans Accrued Interest													
17	Bond Deposit Retiring													
18	Total Sources of Funds	1,236,408	2,137,379	1,192,139	3,773,018	2,973,072	2,957,404	3,875,363	4,894,020	3,132,817	31,428,153	573,879	3,824,437	250,000
19	USES OF FUNDS													
20	ACQUISITION													
21	Land Cost													
22	Land Lease Rent Prepayment													
23	Legal & Carrying Costs													
24	Demolition													
25	Verifiable Carrying Costs													
26	Basis Eligible Acquisition Cost/Entitlement													
27	Other Closing Costs													
28	Total Land / Acquisition	82,000												
29	NEW CONSTRUCTION													
47	Design Assist													
48	Off-Site Improvements													
50	Commercial													
51	Site Work													
52	Parking Garage													
53	Vertical													
54	GC Contingency													
55	General Requirements													
56	Contractor Profit and Overhead													
57	Contractor General Liability Insurance													
58	Other:													
59	Total New Construction	82,000												
60		82,000												
61	ARCHITECTURAL													
62	Building													
63	Landscaping													
64	Energy Consultant													
65	Other: Acoustic Study													
66	Other: Traffic Study													
67	Other:													
68	Total Architectural	843,933												
69		843,933												
70	SURVEY & ENGINEERING													
71	Civil including ALTA													
72	Staking													
74	Structural Testing													
75	Soils													
76	Other: dry utility													
77	Other: CASP, etc.													
78	Other:													
79	Total Survey & Engineering	93,150												
80		93,150												
81	CONTINGENCY COSTS													
82	Hard Cost Contingency													
83	Soft Cost Contingency													
84	Total Contingency	116,946												
85		116,946												
86	CONSTRUCTION PERIOD EXPENSES													
87	Construction Loan Interest													
88	Soft Notes Interest													
89	Origination Fees US Bank													
90	Origination Fees Citibank													
91	Owner Paid Bonds													
92	Lender Inspection Fees													
93	Taxes During Construction													
94	Other: Application fee													
95	Insurance During Construction													
96	Title and Recording Fees													
97	Construction Mgmt. and Monitoring													
98	Predevelopment Loan Interest													
99	Other:													
100	Total Construction Period Expense	789,465	56,071	73,889	94,766	130,768	164,387	194,150	237,401	281,583	2,022,520	500,879	2,271,461	250,000
101		789,465	56,071	73,889	94,766	130,768	164,387	194,150	237,401	281,583	2,022,520	500,879	2,271,461	250,000
102	PERMANENT FINANCING EXPENSES													
103														
104	Total	13,442,704												

PROJECTED SOURCES AND USES OF FUNDS

117 UNIT SENIORS 4%
2/25/2020

2,419,429
Conversion

8609
Total

Line Item	Pre-Dev	Construction Period								Construction Subtotal	Stabilization \$mm	Conversion	Total
		Close	Quarter 1 0%	Quarter 2 0%	Quarter 3 20%	Quarter 4 15%	Quarter 5 20%	Quarter 6 20%	Quarter 7 20%				
105 Loan Origination Fees	0.00%	-	-	-	-	-	-	-	-	-	17,500	-	17,500
106 Credit Enhancement & Application Fee	-	-	-	-	-	-	-	-	-	-	-	-	-
107 Title and Recording Fees	-	-	-	-	-	-	-	-	-	-	7,500	-	7,500
108 Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
109 Insurance	-	-	-	-	-	-	-	-	-	-	50,000	-	50,000
110 Other: Issuer Fee	0.2500%	59,392	-	29,696	-	-	-	-	29,696	-	-	-	118,783
111 Other: FA fees	-	50,000	-	-	-	-	-	-	-	-	50,000	-	50,000
112 Total Permanent Financing	-	109,392	-	29,696	-	-	-	29,696	-	-	25,000	-	243,783
113													
114													
115 LEGAL FEES													
116 Construction Lender Legal	-	130,000	-	-	-	-	-	-	-	-	7,500	-	130,000
117 Permanent Lender Legal	55,000	-	-	-	-	-	-	-	-	-	-	-	55,000
118 Sponsor Legal	0	60,000	-	-	-	-	-	-	-	-	-	-	60,000
119 Organizational Legal	-	-	-	-	-	-	-	-	-	-	-	-	-
120 Other Legal (Bond Counsel)	60,000	-	-	-	-	-	-	-	-	-	-	-	60,000
121 Other: Trustee Legal/Fee	5,000	-	-	-	-	-	-	-	-	-	-	-	5,000
122 Other: GP Legal	25,000	-	-	-	-	-	-	-	-	-	-	-	25,000
123 Total Legal Fees	55,000	280,000	-	-	-	-	-	-	-	-	7,500	-	342,500
124													
125 CAPITALIZED RESERVES													
126 Operating Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
127 Replacement Reserve	-	-	-	-	-	-	-	-	-	-	341,020	-	341,020
128 Rebuild Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
129 Transition Reserve (2 years)	-	-	-	-	-	-	-	-	-	-	-	-	-
130 Other: Prepaid HOA	-	-	-	-	-	-	-	-	-	-	-	-	-
131 Other: Capitalized LP Fee	-	-	-	-	-	-	-	-	-	-	-	-	-
132 Total Reserves	-	-	-	-	-	-	-	-	-	-	341,020	-	341,020
133													
134 REPORTS & STUDIES													
135 Market Study	15,550	-	-	-	-	-	-	-	-	-	-	-	15,550
136 Relocation Plan and Consulting	0	-	-	-	-	-	-	-	-	-	-	-	-
137 Appraisal	0	5,000	-	-	-	-	-	-	-	-	-	-	5,000
138 Environmental	11,075	-	-	-	-	-	-	-	-	-	-	-	11,075
139 Other: Lender Deposit	50,000	-	-	-	-	-	-	-	-	-	-	-	50,000
140 Other: Investor Deposit	25,000	-	-	-	-	-	-	-	-	-	-	-	25,000
141 Other: Soils Report	0	-	-	-	-	-	-	-	-	-	-	-	-
142 Other: Phase I	0	-	-	-	-	-	-	-	-	-	-	-	-
143 Total Reports & Studies	101,625	5,000	-	-	-	-	-	-	-	-	-	-	106,625
144													
145 OTHER													
146 TCAC App./Mgmt/Monitoring Fees	0	13,804	-	-	-	-	-	-	-	-	47,560	-	61,364
147 CDLAC/DIAC Fees	1,200	12,000	-	-	-	-	-	-	-	-	-	-	13,200
148 Local Permit Fees	0	93,100	-	-	-	-	-	-	-	-	-	-	93,100
149 Local Development Impact Fees	0	2,320,456	-	-	-	-	-	-	-	-	-	-	2,320,456
150 CFD Prepayment	-	-	-	-	-	-	-	-	-	-	-	-	-
151 Syndicator/Investor Fees & Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
152 Furnishings	-	-	-	-	-	-	-	-	-	-	-	-	-
153 Final Cost Audit Expense	-	-	-	-	-	-	-	-	-	-	15,000	-	15,000
154 Marketing	-	5,000	-	-	-	-	-	-	-	-	8,000	-	13,000
155 MGP Services Fee	50,000	-	-	50,000	-	-	-	-	-	-	-	-	100,000
156 SDHC Ap. Orig. Servicing, Legal, Const Review, Bond Deposit	114,000	113,000	-	-	-	-	-	-	-	-	-	-	227,000
157 Accounting/Finance/Admin	27,500	7,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	-	-	-	55,000
158 Other: CPA Opinion	0	-	-	-	-	-	-	-	-	-	-	-	-
159 3rd party fees	0	90,000	-	-	-	-	-	-	-	-	-	-	90,000
160 Total Other Costs	142,700	2,699,860	7,500	2,500	52,500	32,500	2,500	2,500	2,500	2,500	47,560	-	3,018,120
161													
162 DEVELOPER COSTS													
163 Developer Fee	-	750,000	-	-	-	-	-	-	-	-	3,403,357	250,000	4,403,357
164 Consultant/Processing Agent	-	-	-	-	-	-	-	-	-	-	-	-	-
165 Project Administration	-	-	-	-	-	-	-	-	-	-	-	-	-
166 Syndication Consultant	-	-	-	-	-	-	-	-	-	-	-	-	-
167 Guarantee Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
168 Broker Fees Paid to Related Party	-	-	-	-	-	-	-	-	-	-	-	-	-
169 Construction Oversight & Mgmt	-	-	-	-	-	-	-	-	-	-	-	-	-
170 Total Developer Costs	-	750,000	-	-	-	-	-	-	-	-	3,403,357	250,000	4,403,357
171													
172 Total Uses of Funds	1,236,408	4,956,533	2,137,379	1,192,139	3,773,018	2,973,072	2,957,404	3,875,363	4,894,020	3,132,817	3,824,437	250,000	35,776,469
173 Net Source & Use	-	-	-	-	-	-	-	-	-	-	-	-	-
174 Distributions	-	-	-	-	-	-	-	-	-	-	-	-	-
175 Balance of Funds	-	-	-	-	-	-	-	-	-	-	-	-	-

OPERATING BUDGET & INCOME ANALYSIS

117 UNIT SENIORS 4%

2/25/2020

Rent:	Restriction	%AMI	Units	Square Feet/Unit	Total Sq. Ft.	Gross Rents	Utility Allowance	Monthly Net Rent	Annual Rent
1BR/1BA	LIHTC	60%	99	520	51,480	\$ 1,203	\$ 56	\$ 1,147	\$ 1,362,636
1BR/1BA	LIHTC	50%	9	520	4,680	\$ 1,003	\$ 56	\$ 947	\$ 102,276
1BR/1BA	LIHTC	40%	7	520	3,640	\$ 802	\$ 56	\$ 746	\$ 62,664
1BR/1BA	LIHTC	35%	0	520	0	\$ 702	\$ 56	\$ 646	\$ -
1BR/1BA	LIHTC	30%	0	520	0	\$ 602	\$ 56	\$ 546	\$ -
1BR/1BA	LIHTC	MGR	2	520	1,040	\$ -	\$ -	\$ -	\$ -
					0	\$ -			
Total Rents			117		60,840				1,527,576
Community Room/Office					2,750				
Commercial Space					3,200				
% Loss to Efficiency					17%	13,210			
Construction Square Feet					80,000				
RA Overhang									0
Income from Operations				PUPM					
Laundry				\$ 10.00					14,040
Other Income (App. Fees, Late, etc.)				\$ 4.00					5,616
Garage				\$ -		0 Garages			0
Cable & Highspeed Data Income				\$ -					0
Telephone Income				\$ -					0
Sub-Total				\$ 14.00					1,547,232
Less: Vacancies @				5%					77,362
Commercial Income									0
Less: Vacancies @				25%					0
Total Income									1,469,870
Operating Expenses				PUPA				Notes	
Admin				\$ 463					54,171
Management Fee				\$ 600					70,200
Utilities				\$ 953					111,501
Payroll				\$ 1,044					122,148
Repair & Maintenance				\$ 988					115,596
Insurance				\$ 190					22,230
Taxes				\$ 52					6,084
HOA				\$ 225					26,325
Total Expenses				\$ 4,515					528,255
Net Operating Income									941,615
Reserves				\$500.00/unit					58,500
Services				\$238/unit					55,000
Issuer and Monitoring Fee				0.125%		(Min \$10k or 0.125% + \$155/unit for SDH)			27,825
Net Income Available for Debt Service									798,873
								DSC TEST	1.15

Loan Sizing	Tranche A
Loan Amount	13,160,000
Interest	3.95%
Term	18
Amortization	35
Debt Service Coverage	1.15
Monthly Payment	57,875
Annual Payment	694,502
Cash Flow After D/S	104,371

TAX CREDITS & BASIS CALCULATION
117 UNIT SENIORS 4%

DESCRIPTION OF COSTS	ACTUAL OR EST. OF COSTS	70% ELIGIBLE BASIS	30% ELIGIBLE BASIS
	43,838		
Land Cost	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Demolition	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Legal & Carrying Costs	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Land Lease Rent Prepayment	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Verifiable Carrying Costs	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Existing Improvement Costs	\$ -	XXXXXXXXXXXXXX	\$ -
Other: Closing Costs	\$ 82,000	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
TOTAL LAND/AQUISITION COSTS	\$ 82,000	\$ -	\$ -
REHABILITATION			
Off-Site Improvements	\$ -		\$ -
Environmental Remediation	\$ -		\$ -
Site Work	\$ -		\$ -
Structures	\$ -		\$ -
General Requirements	\$ -		\$ -
Contractor Overhead	\$ -		\$ -
Contractor Profit	\$ -		\$ -
Contractor General Liability Insurance	\$ -		\$ -
Other:	\$ -		\$ -
TOTAL REHABILITATION COSTS	\$ -	\$ -	\$ -
RELOCATION			
Temporary Relocation	\$ -		\$ -
Permanent Relocation	\$ -		XXXXXXXXXXXXXX
TOTAL RELOCATION COSTS	\$ -	\$ -	\$ -
NEW CONSTRUCTION			
Design Assist	\$ -		\$ -
Off-site Improvements	\$ 474,647		\$ 474,647
Commercial	\$ -		\$ -
Site Work	\$ 1,894,413		\$ 1,894,413
Parking Garage	\$ 1,815,039		\$ 1,815,039
Vertical	\$ 14,767,423		\$ 14,767,423
GC Contingency	\$ 473,788		\$ 473,788
General Requirements	\$ 777,012		\$ 777,012
Contractor Overhead	\$ -		\$ -
Contractor Profit and overhead	\$ 1,942,531		\$ 1,942,531
Contractor General Liability Insurance	\$ -		\$ -
Other:	\$ -		\$ -
TOTAL CONSTRUCTION	\$ 22,144,853	\$ -	\$ 22,144,853
ARCHITECTURAL FEES			
Building	\$ 1,038,610		\$ 1,038,610
Landscape	\$ 27,500		\$ 27,500
Energy Consultant	\$ 50,000		\$ 50,000
Other: Acoustic Study	\$ 4,250		\$ 4,250
Other: Traffic Study	\$ 2,600		\$ 2,600
Other:	\$ -		\$ -
TOTAL ARCHITECTURAL COSTS	\$ 1,122,960	\$ -	\$ 1,122,960
SURVEY & ENGINEERING			
Civil including ALTA	\$ 62,400		\$ 62,400
ALTA	\$ -		\$ -
Staking	\$ 15,600		\$ 15,600
Structural Testing	\$ 23,400		\$ 23,400
Soils	\$ 25,220		\$ 25,220
Other: dry utility	\$ 19,750		\$ 19,750
Other: CASP, etc.	\$ 30,000		\$ 30,000
Other:	\$ -		\$ -
TOTAL SURVEY & ENGINEERING	\$ 176,370	\$ -	\$ 176,370
CONTINGENCY COSTS			
Hard Cost Contingency	\$ 1,107,243		\$ 1,107,243
Soft Cost Contingency	\$ 164,239		\$ 164,239
TOTAL CONTINGENCY COSTS	\$ 1,271,481	\$ -	\$ 1,271,481
CONSTRUCTION PERIOD EXPENSES			
Construction Loan Interest	\$ 1,330,701		\$ 829,823
C Bond Loan Interest	\$ 343,212		\$ 343,212
C Bond Interest	\$ -		\$ -
Origination Fees US Bank	\$ 237,567		\$ 178,175
Origination Fees Citibank	\$ 154,418		XXXXXXXXXXXXXX
Owner Paid Bonds	\$ -		\$ -
Lender Inspection Fees	\$ 60,000		\$ 60,000
Taxes During Construction	\$ 7,500		\$ 7,500
Prevailing Wage Monitoring	\$ -		\$ -
Insurance During Construction	\$ 250,000		\$ 187,500
Title and Recording Fees	\$ 40,000		\$ 30,000
Construction Management & Testing	\$ -		\$ -
Predevelopment Loan Interest	\$ 100,000		\$ 100,000
Other:	\$ -		\$ -
Other:	\$ -		\$ -
TOTAL CONSTRUCTION PERIOD EXPENSE	\$ 2,523,399	\$ -	\$ 1,736,210
PERMANENT FINANCING EXPENSES			
Loan Origination Fee	\$ 17,500	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Credit Enhancement & Application Fee	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Title and Recording Fees	\$ 7,500	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Property Taxes	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Insurance	\$ 50,000	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Other: Issuer Fee	\$ 118,783	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX

Other: FA fees	\$ 50,000	XXXXXXXXXXXX	XXXXXXXXXXXX
TOTAL PERMANENT FINANCING COSTS	\$ 243,783	\$ -	\$ -
LEGAL FEES			
Construction Lender Legal	\$ 130,000		\$ 97,500
Permanent Lender Legal	\$ 7,500		XXXXXXXXXXXX
Sponsor Legal	\$ 115,000		\$ 115,000
Organizational Legal	\$ -		XXXXXXXXXXXX
Bond Legal	\$ 60,000		XXXXXXXXXXXX
Other: Trustee Legal/Fee	\$ 5,000		XXXXXXXXXXXX
Other: GP Legal	\$ 25,000		\$ 25,000
TOTAL LEGAL	\$ 342,500	\$ -	\$ 237,500
CAPITALIZED RESERVES			
Operating Reserve	\$ 341,020	XXXXXXXXXXXX	XXXXXXXXXXXX
Replacement Reserve	\$ -	XXXXXXXXXXXX	XXXXXXXXXXXX
Rent-up Reserve	\$ -	XXXXXXXXXXXX	XXXXXXXXXXXX
Transition Reserve	\$ -	XXXXXXXXXXXX	XXXXXXXXXXXX
Other: Prepaid HOA	\$ -	XXXXXXXXXXXX	XXXXXXXXXXXX
Other: Capitalized LP Fee	\$ -	XXXXXXXXXXXX	XXXXXXXXXXXX
TOTAL RESERVE COSTS	\$ 341,020	\$ -	XXXXXXXXXXXX
REPORTS & STUDIES			
Appraisal	\$ 15,550		\$ 15,550
Market Study	\$ -		\$ -
Physical Needs Assessment	\$ 5,000		\$ 5,000
Environmental Studies	\$ 11,075		\$ 11,075
Other: Lender Deposit	\$ 50,000		\$ 50,000
Other: Investor Deposit	\$ 25,000		\$ 25,000
Other: Soils Report	\$ -		\$ -
Other: Phase I	\$ -		\$ -
TOTAL REPORTS & STUDIES	\$ 106,625	\$ -	\$ 106,625
OTHER EXPENSES			
TCAC App./Alloc/Monitoring Fees	\$ 61,364	XXXXXXXXXXXX	XXXXXXXXXXXX
CDLAC/CDIAC Fees	\$ 13,200		XXXXXXXXXXXX
Local Permit Fees	\$ 93,100		\$ 93,100
Local Development Impact Fees	\$ 2,320,456		\$ 2,320,456
CFD Prepayment	\$ -		\$ -
Syndicator/Investor Fees & Expenses	\$ -	XXXXXXXXXXXX	XXXXXXXXXXXX
Furnishings	\$ -		\$ -
Final Cost Audit Expense	\$ 15,000		XXXXXXXXXXXX
Marketing	\$ 93,000	XXXXXXXXXXXX	XXXXXXXXXXXX
MGP Services Fee	\$ 50,000		XXXXXXXXXXXX
SDHC Ap. Orig. Servicing, Legal, Const Review, Bond Deposit	\$ 227,000		\$ 1,155
Accounting/Finance/Admin	\$ 55,000		\$ 55,000
Other: CPA Opinion	\$ -		\$ -
Other:	\$ 90,000		\$ 90,000
TOTAL OTHER COSTS	\$ 3,018,120	\$ -	\$ 2,559,711
DEVELOPER COSTS			
Developer Fee Limit - Per Application	\$ 2,500,000	\$ -	\$ 2,500,000
Developer Fee Calculation	\$ 4,403,357	\$ -	\$ 4,403,357
Developer Fee	\$ 4,403,357	\$ -	\$ 4,403,357
Consultants/Processing Agent	\$ -		\$ -
Project Administration	\$ -		\$ -
Syndication Consultant	\$ -		\$ -
Guarantee Fees	\$ -		\$ -
Broker Fees Paid to Related Party	\$ -		\$ -
Construction Oversight & Mgmt	\$ -		\$ -
TOTAL DEVELOPER FEE	\$ 4,403,357	\$ -	\$ 4,403,357
TOTAL RESIDENTIAL COSTS	\$ 35,776,469	\$ -	\$ 33,759,067

TOTAL COMMERCIAL COSTS	\$ -	\$ -	\$ -
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TOTAL PROJECT AND BASIS COSTS	\$ 35,776,469	\$ -	\$ 33,759,067
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Adjustment for Excess Basis			\$ -
Additional Amount Voluntarily Excluded From Basis			\$ -
Requested Undadjusted Eligible Basis	\$ -		\$ 33,759,067

130% DIFFICULT DEVELOPMENT FACTOR?	Tract #: Not Avail.	y	\$ 43,886,787
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Credit Reduction		0.00%	\$ -
Total Adjusted Qualified Basis			\$ 43,886,787

TX CREDITS @ % LI Eligible@ Tx Credit Rt	100.00%	3.19%	3.19%
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TX CREDITS @ % LI Eligible	\$ -	Feb-20	\$ 1,399,989
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TX CREDITS OVER TEN YEARS	\$ -	\$ -	\$ 13,999,885
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TX CREDIT EQ'Y@\$/Credit@% Investment	\$ 0.9900	96.99%	\$ 13,442,704
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State Tax Credits - 13% of Eligible Basis & Over 4 Yrs	\$ 0.00%	100.00%	\$ -
State Tax Credits Equity	\$ 0.8950	96.99%	\$ -

Solar Credits - 30% of Eligible Basis	\$ 30.00%		\$ -
Solar Equity	\$ -	96.99%	\$ -
Solar Rebates			\$ -

OPERATIONAL CASH FLOW

117 UNIT SENIORS 4%
2/25/2020

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
117 UNIT SENIORS 4% - \$6.75M SDHC															
Gross Revenue	1,547,232	1,585,913	1,625,561	1,666,200	1,707,855	1,750,551	1,794,315	1,838,173	1,885,152	1,932,281	1,980,588	2,030,102	2,080,855	2,132,876	2,186,198
43,838	(77,352)	(79,296)	(81,278)	(83,310)	(85,393)	(87,528)	(89,716)	(91,959)	(94,258)	(96,614)	(99,029)	(101,505)	(104,043)	(106,644)	(109,310)
Net Revenue	1,469,879	1,506,617	1,544,283	1,582,890	1,622,462	1,663,023	1,704,599	1,747,214	1,790,894	1,835,667	1,881,558	1,928,597	1,976,812	2,026,233	2,076,888
Operating Expenses	528,255	546,744	565,880	585,666	606,185	627,401	648,360	672,088	695,611	719,957	745,156	771,236	798,230	826,168	855,083
<u>Net Operating Income</u>	<u>941,615</u>	<u>959,873</u>	<u>978,403</u>	<u>997,204</u>	<u>1,016,277</u>	<u>1,035,622</u>	<u>1,055,239</u>	<u>1,075,126</u>	<u>1,095,283</u>	<u>1,115,709</u>	<u>1,136,403</u>	<u>1,157,361</u>	<u>1,178,583</u>	<u>1,200,065</u>	<u>1,221,805</u>
Replacement Reserves	58,500	58,500	58,500	58,500	58,500	64,350	64,350	64,350	64,350	64,350	70,785	70,785	70,785	70,785	70,785
Services	55,000	56,100	57,222	58,366	59,534	60,724	61,939	63,178	64,441	65,730	67,045	68,386	69,753	71,148	72,571
<u>Cash Available to Debt Service</u>	<u>828,115</u>	<u>845,273</u>	<u>862,681</u>	<u>880,337</u>	<u>898,243</u>	<u>910,548</u>	<u>928,950</u>	<u>947,598</u>	<u>966,492</u>	<u>985,629</u>	<u>999,573</u>	<u>1,018,190</u>	<u>1,038,044</u>	<u>1,059,132</u>	<u>1,076,449</u>
Principal and Interest	694,502	694,502	694,502	694,502	694,502	694,502	694,502	694,502	694,502	694,502	694,502	694,502	694,502	694,502	694,502
Issuer and Monitoring Fee	27,825	27,825	27,825	27,825	27,825	27,825	27,825	27,825	27,825	27,825	27,825	27,825	27,825	27,825	27,825
Managing GP Fee	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720	6,921	7,129	7,343	7,563
<u>Net Project Cash Flow</u>	<u>99,371</u>	<u>116,379</u>	<u>133,632</u>	<u>151,130</u>	<u>168,872</u>	<u>181,007</u>	<u>193,235</u>	<u>217,705</u>	<u>236,414</u>	<u>255,351</u>	<u>268,109</u>	<u>287,555</u>	<u>307,172</u>	<u>327,045</u>	<u>347,142</u>
TCAC Gross Revenue Test	1.15	1.17	1.20	1.23	1.25	1.27	1.30	1.32	1.35	1.38	1.40	1.42	1.45	1.48	1.51
TCAC Debt Service Test	6.75%	7.66%	8.55%	9.40%	10.22%	10.97%	11.44%	12.17%	12.88%	13.55%	13.88%	14.50%	15.10%	15.68%	16.22%
UMR Operating Expenses Test	18.81%	21.29%	23.61%	25.80%	27.86%	28.85%	30.68%	32.39%	33.99%	35.47%	35.96%	37.28%	38.48%	39.59%	40.60%
Distributions:															
LP Fee	11,700	11,700	11,700	11,700	11,700	12,870	12,870	12,870	12,870	12,870	14,157	14,157	14,157	14,157	14,157
Deferred Developer Fee	87,671	104,679	121,932	139,430	157,172	168,137	186,365	204,835	223,544	242,491	253,952	273,368	241,026	0	0
<u>Cash Available After Deferred Fee Payment</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>51,989</u>	<u>312,888</u>
SDHC	0	0	0	0	0	0	0	0	0	0	0	0	0	25,995	156,444
<u>Cash Flow Available After Soft Loan Loans</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,995</u>	<u>156,444</u>
Partnership Admin Fee (90% of Cash Flow)	0	0	0	0	0	0	0	0	0	0	0	0	0	23,395	140,800
<u>Cash Flow Available after Partnership Admin Fee</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,599</u>	<u>15,644</u>
LP Distribution	96.99%	0	0	0	0	0	0	0	0	0	0	0	0	2,521	15,173
GP Distribution	3.01%	0	0	0	0	0	0	0	0	0	0	0	0	78	501
Remaining Cash Flow After Partnership Distribution	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

OPERATIONAL CASH FLOW

117 UNIT SENIORS 4%
2/25/2020

117 UNIT SENIORS 4% - \$6.75M SDHC

Gross Revenue 43,838 Inflation @ 2.50%
5%

Net Revenue 3.50%

Operating Expenses

Net Operating Income

Replacement Reserves 0.00%

Services 2.00%

Cash Available to Debt Service

Principal and Interest 13,160,000 3.95%

Issuer and Monitoring Fee 0.00%

Managing GP Fee 5,000 3.00%

Net Project Cash Flow

TCAC Gross Revenue Test DSCR

TCAC Debt Service Test no more than 2% in year 15 if DSCR > 125% or 8% test 8%

UMR Operating Expense Test <= 1.20 DSCR or 12% cash flow to expense ratio 125%

Distributions: 12%

LP Fee 11,708 0.00%

Deferred Developer Fee 3.00%

Cash Available After Deferred Fee Payment 1,953,828

SDHC 50.0% of Avail Cashflow 4.00%

Cash Flow Available After Self Loan Loans 100.00%

Partnership Admin Fee (80% of Cash Flow) 90.00%

Cash Flow Available after Partnership Admin Fee

LP Distribution 96.99%

GP Distribution 3.01%

Remaining Cash Flow After Partnership Distribution

ATTACHMENT 5
HOUSING COMMISSION MULTIFAMILY
HOUSING REVENUE BOND PROGRAM
SUMMARY

General Description: The multifamily housing bond program provides below-market financing (based on bond interest being exempt from income tax) for developers willing to set aside a percentage of project units as affordable housing. Multifamily housing revenue bonds are also known as "private activity bonds" because the projects are owned by private entities, often including nonprofit sponsors and for-profit investors.

Bond Issuer: Housing Authority of the City of San Diego. There is no direct legal liability to the City, the Housing Authority or the Housing Commission in connection with the issuance or repayment of bonds. There is no pledge of the City's faith, credit or taxing power nor of the Housing Authority's faith and credit. The bonds do not constitute a general obligation of the issuer because security for repayment of the bonds is limited to specific private revenue sources, such as project revenues. The developer is responsible for the payment of costs of issuance and all other costs under each financing.

Affordability: Minimum requirement is that at least 20% of the units are affordable at 50% of Area Median Income (AMI). Alternatively, a minimum of 10% of the units may be affordable at 50% AMI with an additional 30% of the units affordable at 60% AMI. The Housing Commission requires that the affordability restriction be in place for a minimum of 15 years. Due to the combined requirements of state, local, and federal funding sources, projects financed under the Bond Program are normally affordable for 30-55 years and often provide deeper affordability levels than the minimum levels required under the Bond Program.

Rating: Generally "AAA" or its equivalent with a minimum rating of "A" or, under conditions that meet IRS and Housing Commission requirements, bonds may be unrated for private placement with institutional investors (typically, large banks). Additional security is normally achieved through the provision of outside credit support ("credit enhancement") by participating financial institutions that underwrite the project loans and guarantee the repayment of the bonds. The credit rating on the bonds reflects the credit quality of the credit enhancement provider.

Approval Process:

- Inducement Resolution: The bond process is initiated when the issuer (Housing Authority) adopts an "Inducement Resolution" to establish the date from which project costs may be reimbursable from bond proceeds (if bonds are later issued) and to authorize staff to work with the financing team to perform a due diligence process. The Inducement Resolution does not represent any commitment by the Housing Commission, Housing Authority, or the developer to proceed with the financing.

- TEFRA Hearing and Resolution (Tax Equity and Fiscal Responsibility Act of 1982): To assure that projects making use of tax-exempt financing meet appropriate governmental purposes and provide reasonable public benefits, the IRS Code requires that a public hearing be held and that the issuance of bonds be approved by representatives of the governmental unit with jurisdiction over the area in which the project is located (City Council). This process does not make the City financially or legally liable for the bonds or for the project.

[Note: Members of the City Council may be asked to take two actions at this stage in the bond process---one in their capacity as the City Council (TEFRA hearing and resolution) and another as the Housing Authority (bond inducement). Were the issuer (Housing Authority) a more remote entity, the TEFRA hearing and resolution would be the only opportunity for local elected officials to weigh in on the project.]

- Application for Bond Allocation: The issuance of these "private activity bonds" (bonds for projects owned by private developers, including projects with nonprofit sponsors and for-profit investors) requires an allocation of bond issuing authority from the State of California. To apply for an allocation, an application approved by the Housing Authority and supported by an adopted inducement resolution and by proof of credit enhancement (or bond rating) must be filed with the California Debt Limit Allocation Committee (CDLAC). In addition, evidence of a TEFRA hearing and approval must be submitted prior to the CDLAC meeting.
- Final Bond Approval: The Housing Authority retains absolute discretion over the issuance of bonds through adoption of a final resolution authorizing the issuance. Prior to final consideration of the proposed bond issuance, the project must comply with all applicable financing, affordability, and legal requirements and undergo all required planning procedures/reviews by local planning groups, etc.
- Funding and Bond Administration: All monies are held and accounted for by a third party trustee. The trustee disburses proceeds from bond sales to the developer in order to acquire and/or construct the housing project. Rental income used to make bond payments is collected from the developer by the trustee and disbursed to bond holders. If rents are insufficient to make bond payments, the trustee obtains funds from the credit enhancement provider. No monies are transferred through the Housing Commission or Housing Authority, and the trustee has no standing to ask the issuer for funds.

Bond Disclosure: The offering document (typically a Preliminary Offering Statement or bond placement memorandum) discloses relevant information regarding the project, the developer, and the credit enhancement provider. Since the Housing Authority is not responsible in any way for bond repayment, there are no financial statements or summaries about the Housing Authority or the City that are included as part of the offering document. The offering document includes a paragraph that states that the

Housing Authority is a legal entity with the authority to issue multifamily housing bonds and that the Housing Commission acts on behalf of the Housing Authority to issue the bonds. The offering document also includes a paragraph that details that there is no pending or threatened litigation that would affect the validity of the bonds or curtail the ability of the Housing Authority to issue bonds. This is the extent of the disclosure required of the Housing Authority, Housing Commission, or the City. However, it is the obligation of members of the Housing Authority to disclose any material facts known about the project, not available to the general public, which might have an impact on the viability of the project.



1 Post Street, Suite 575
San Francisco, CA 94104
tel. 415.956.2454

March 03, 2020

Mr. Joe Correia
San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, California 92101

RE: East Block Senior Apartments

Dear Mr. Correia:

The San Diego Housing Commission (the "Commission") has retained CSG Advisors, Inc. to analyze the feasibility of the proposed tax-exempt financing for the East Block Senior Apartments (the "Project"). Our findings are organized as follows:

- Current Project Status and the Proposed Project
- The Proposed Financing
- Project's Projected Financial Status
- Benefits and Risks to the Commission
- Public Purpose
- Negotiation of Additional Public Benefit
- Recommendations

We have based our analysis of the proposed financing on documents provided by the Chelsea Investment Corporation (the "Developer"), and on additional conversations and documents provided by representatives of the Developer and Commission staff. The documents examined included the Developer's proposed financial schedules and financing commitments from the proposed lender and investor. CSG has not visited the site of the proposed Project.

CURRENT PROJECT STATUS AND THE PROPOSED DEVELOPMENT

The Project will consist of a 117-unit development (the "Development"), dedicated to seniors, to be newly-constructed on the northwest corner of Fairmount Avenue and El Cajon Boulevard, San Diego, 92115 (the "Site"). The Site is currently a vacant lot. The acquisition of the Site and construction of the Development would be financed, from among other sources, equity raised from the sale of 4% low-income housing tax credits, a subordinate loan from the San Diego Housing Commission, and tax-exempt debt issued by the Housing Authority of the City of San Diego (the "Housing Authority").

115 units (i.e., excluding two manager's units), will be occupied by seniors and will be subject to affordability restrictions as further described herein.

On July 16, 2019, the Housing Authority approved a resolution evidencing its official intent to conduct a tax-exempt issuance in the not-to-exceed amount of \$22,000,000 for the Project. The

resolution also approved submittal of the application to the California Debt Limit Allocation Committee ("CDLAC") for an allocation of private activity tax-exempt authority for the Project.

On July 16, 2019, the City Council held a public hearing ("TEFRA") required pursuant to Section 147(f) of the Internal Revenue Code for tax-exempt issuances. The City Council approved the resulting approving resolution on July 16, 2019. The TEFRA hearing remains valid for a period of one year.

On August 16, 2019, the Housing Authority submitted an application to CDLAC for \$22,000,000 in private activity tax-exempt issuance authority for the Project.

On October 16, 2019, CDLAC awarded \$22,000,000 in private activity tax-exempt allocation to the Housing Authority for the Project.

THE PROPOSED FINANCING

The Developer proposes that the Housing Authority issue up to \$22,000,000 in a tax-exempt "Note"¹ (the "Tax-Exempt Note") and up to \$2,500,000 in a taxable Note (the "Taxable Note"), for a total maximum issuance of \$24,500,000. The issuance of both the Tax-Exempt Note and the Taxable Note (together, the "Notes") would occur under a single Funding Loan Agreement.

The Developer proposes, pursuant an Expression of Interest from U.S. Bank, that the Note would be purchased in an initial amount of \$50,001 by Citibank N.A. ("Citibank"). This initial purchased amount would be cash-collateralized by a deposit in a like amount by the Borrower. In lieu of tax-exempt Note proceeds, construction draws will be funded by draws upon a conventional, taxable loan funded by U.S. Bank.

The remainder of the Note would be purchased by Citibank after completion of construction and upon satisfaction of conditions precedent to conversion to the permanent loan phase. The proceeds of this purchase will be used to repay, in part, the conventional loan from U.S. Bank. Immediately after such purchase (i.e., funding), tax-credit equity and other sources will be used to repay a portion of the Note in order to reduce the outstanding balance of the Note to the permanent loan amount of \$13,160,000. Citibank would remain the permanent lender for the project.

According to projections provided by the Developer, the total development cost totals approximately \$35,676,500.

¹ The financing would occur through the issuance of tax-exempt "Notes" under a "Back-to-Back" loan structure. The Back-to-Back structure and a bond issuance structure with an Indenture are functionally equivalent. In the Back-to-Back Structure, a Bank Loan Agreement (between the Lender, Issuer and the Fiscal Agent) replaces the Indenture and a Borrower Loan Agreement (between the Issuer and the Borrower) replaces the Loan Agreement from an Indenture structure. A "Fiscal Agent" replaces the Trustee. Certain lenders prefer the Back-to-Back structure in order to obtain beneficial treatment under the Community Reinvestment Act.

East Block Senior Apartments: Source Summary²

	<u>Construction</u>	<u>Permanent</u>
Net USB Conventional Loan ³	0	0
Citibank Taxable Loan (Conversion Draw)	1,808,400	0
Citibank Tax-Exempt Loan (Conversion Draw) ⁴	22,000,000	0
Citibank Tax-Exempt Loan	0	13,160,000
General Partner Equity	100	100
Tax Credit Equity	804,900	13,442,700
San Diego Housing Commission Loan	6,075,000	6,750,000
Deferred Developer Fee	0	1,983,800
Soft Loan Accrued Interest	<u>339,800</u>	<u>339,800</u>
	31,028,200	35,676,400

East Block Senior Apartments: Use Summary⁵

	<u>Construction</u>	<u>Permanent</u>
Land/Acquisition	82,000	82,000
Construction	22,144,900	22,144,900
Construction Contingency	1,107,200	1,107,200
Developer Fee	750,000	4,403,400
Operating Reserve	0	341,600
Capitalized Construction Loan Interest	829,800	1,330,700
Other Hard and Soft Costs	<u>6,114,300</u>	<u>6,266,700</u>
	31,028,200	35,676,500

Ownership

The Project will be owned by Fairmount Senior Housing CIC, LP, a California limited partnership (the "Borrower"). The Developer will be a manager of CIC Fairmount Senior Housing LLC, the Administrative General Partner. The Managing General Partner will be Fairmount SHC Housing, LLC. An affiliate of U.S. Bancorp Community Development Corporation (the tax credit investor) will serve as the investor limited partner.

Tax-Exempt Note Structure and Credit Enhancement

Construction Loan

The Developer proposes that the Housing Authority issue up to \$22,000,000 in a Tax-Exempt Note and up to \$2,500,000 in a Taxable Note in order to finance the acquisition and construction of the Project. Solely revenues pledged under the Funding and Borrower Loan Agreements will secure the payment of principal and interest to the Noteholder.

² Source: Developer projections and U.S. Bank schedules. Rounding by CSG

³ I.e., net amount after construction draws and then repayment by Citibank Tax-Exempt and Taxable conversion draws

⁴ Includes Closing draw of \$50,000

⁵ Source: Developer projections and U.S. Bank schedules. Rounding by CSG

The Note would be unrated, without credit enhancement, and would be purchased by Citibank on a on a private placement basis. Citibank will initially fund only \$50,001 of the Note. The balance of the Note will be funded after the Project completes construction and meets certain precedents to conversion to the permanent financing period. During the interim construction period, construction draws will be funded from the proceeds of a conventional taxable construction loan from U.S. Bank. The proceeds of the Citibank Note will be used to repay all or a portion of the U.S. Bank construction loan.

As unrated, non-credit enhanced Notes sold on a private placement basis, the Notes must meet the minimum requirements of the Commission's policies for such issues (e.g., maximum \$100,000 minimum denominations, no more than 15 Bondholders, etc).

The construction period would be 30 months. The U.S. Bank commitment indicates an initial construction period interest rate of 4.56% (including 0.50% cushion) for the U.S. Bank conventional construction loan. The interest rate during the construction period will be variable, equal to 1-month LIBOR plus 1.95%. Payments during the Initial Construction Period would be interest-only. The Expression of Interest provided by the Borrower does not address the rate at which the initial draw from Citibank (i.e., \$50,001) will accrue interest during the construction period.

Permanent Loan

Upon satisfaction of certain conditions precedent to conversion to the permanent financing period, Citibank will fund the remaining portion of the Note, which proceeds will be used to repay all or a portion of the U.S. Bank construction loan. A portion of the Note will be immediately, subsequently repaid in order that \$13,160,000 remain outstanding as the permanent loan to Citibank.

According to the Citibank term sheet, the Citibank permanent loan would have a term of 15 years, amortization of 35 years, with an estimated rate of 4%.

Projected Issuance Date

The Developer proposes that the Housing Authority issue the Notes before the CDLAC allocation expiration date (applicable to the tax-exempt allocation) of April 13, 2020.

Commission Financial Involvement

On June 14, 2019, the Commission approved a loan of up to \$6,750,000 for the Project.

Affordability Restrictions

Upon implementing the proposed financing, the Project will be subject to the following new regulatory restrictions and regulatory terms:

Source of Restriction	Restriction	Expiration Date
California Tax Credit Allocation Committee	16 units at 50% AMI; 99 units at 60% AMI	2077
Tax-Exempt Bond	16 units at 50% AMI; 99 units at 60% AMI	2077
San Diego Housing Commission	7 units at 40% AMI*	2077

*These units will constitute a portion of the units at 50% of AMI

PROJECT'S PROJECTED FINANCIAL STATUS

Under the proposed financing – according to information provided by the Developer and analysis by CSG – annual debt service on the maximum senior loan of \$13,160,000 would total approximately \$699,230. According to preliminary information provided by the Developer and analysis by CSG, stabilized annual cash flow (before reserves) after construction and lease-up (including Issuer fees) would total approximately \$149,738 at a debt coverage ratio (DCR) of 1.21. Cash flow after reserves would total approximately \$91,238 at a DCR of 1.13. The U.S. Bank debt coverage minimum (as stated in their tax credit equity proposal) is 1.15. The Citibank minimum DCR is 1.15, per the Citibank term sheet. Note that the Developer's projections underestimate the total of annual Issuer's, SDHC monitoring, and trustee's fees, i.e., \$37,648 vs \$27,825 in the Developer's projections.

THE BENEFITS AND RISKS TO THE COMMISSION

The proposed financing provides for financing for the acquisition and construction of the Project.

By approving a recommendation to the Housing Authority to move forward with the approval process for the proposed tax-exempt Note financing, the Commission will not obligate the Commission or the Housing Authority to issue the Notes.

As proposed, the financing will create 115 affordable units in the City of San Diego. These units will remain long-term affordable for 55 years.

If the Authority issues the Notes, the Commission would receive a fee at closing of 0.25% of the total taxable and tax-exempt issue amount and an annual fee equal to the greater of \$10,000 and 0.125% of the outstanding Notes.

PUBLIC PURPOSE

The proposed financing will result in the creation of 115 affordable family housing units in the City of San Diego. The proposed financing will result in new CDLAC and CTCAC regulatory restrictions as follows:

- 7 units will be restricted to households earning 40% of AMI or less;
- 9 additional units will be restricted to households earning 50% of AMI or less;
- 99 units will be restricted to households earning 60% of AMI or less.

These new restrictions will be in effect for 55 years.

NEGOTIATION OF ADDITIONAL PUBLIC BENEFIT

As noted above, the financing will result in long-term affordability restrictions on 115 units within the Project.

RECOMMENDATIONS

Based upon analysis of the available information, we recommend that the Commission approve moving forward with the proposed issuance. Our recommendation is based upon the following:

- The financing will create 115 affordable family units in the City of San Diego with long-term affordability covenants.
- The Commission has received tax-exempt authority of \$22,000,000 from CDLAC for the Project.
- U.S. Bank and Citibank are currently underwriting the Project.
- The Commission will not be responsible for costs of issuance. The Commission will receive an issuance fee at closing of 0.25% of the total taxable and tax-exempt issuance amount, and a long-term annual fee equal to the greater of \$10,000 and 0.125% the outstanding Notes.
- The net Tax-Exempt Note financing and tax credit equity will provide approximately \$26,602,700 for development costs.

Contingent Items

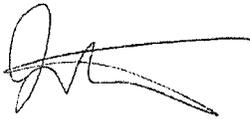
The Commission may choose to move forward with the financing subject to the following contingencies:

- The Projects financial underwriting must be consistent among the Developer, U.S. Bank, and Citibank.

- As of this writing, neither U.S. Bank, nor Citibank, have provided final credit approval for the financing. Neither the tax-exempt Notes nor the U.S. Bank taxable construction loan can be issued without these final approvals.
- Final Notes documents and approving resolution must be approved by the Housing Authority.

Should you require any further information or would like to discuss the Project or the proposed financing in additional detail, please do not hesitate to contact me.

Sincerely,
CSG Advisors



John Hamilton

Exhibit A

East Block Senior

date of rev: 3/3/20

Long-Term Tax-Exempt Loan Loan

	Tranche A	Tranche B	Total
Principal Amount ¹	\$ 13,160,000	\$ -	\$ 13,160,000
Mortgage Rate ²	4.000%	0.000%	
Amortization Term (yrs)	35	0	
Underwriting Monthly Debt Service	\$ 58,269	\$ -	\$ 58,269
Underwriting Annual Debt Service	\$ 699,230	\$ -	\$ 699,230

¹ Source: Developer pro forma The Citibank term sheet shows estimated loan of \$12,800,000

² Per Citibank term sheet.

Post Financing Operations Analysis¹

Income			Stabilized Year				
			1	2	3	4	5
Gross Tax Credit Rental Income ²	2.50% Inflation	\$	1,527,576	\$ 1,565,765	\$ 1,604,910	\$ 1,645,032	\$ 1,686,158
Commercial Income	2.50% Inflation	\$	-	\$ -	\$ -	\$ -	\$ -
Manager's Unit	2.50% Inflation	\$	-	\$ -	\$ -	\$ -	\$ -
Other Income	2.50% Inflation	\$	19,656	\$ 20,147	\$ 20,651	\$ 21,167	\$ 21,697
Gross Potential Income		\$	1,547,232	\$ 1,585,913	\$ 1,625,561	\$ 1,666,200	\$ 1,707,855
Vacancy Collection Loss ³	5.00%		(77,362)	(79,296)	(81,278)	(83,310)	(85,393)
Effective Gross Income		\$	1,469,870	\$ 1,506,617	\$ 1,544,283	\$ 1,582,890	\$ 1,622,462
Expenses							
Operating Expenses	3.50% Inflation	\$	(522,171)	\$ (540,447)	\$ (559,363)	\$ (578,940)	\$ (599,203)
RE Taxes	2.00% Inflation	\$	(6,084)	\$ (6,206)	\$ (6,330)	\$ (6,456)	\$ (6,586)
Service Coordinator	0.00% Inflation	\$	(55,000)	\$ (55,000)	\$ (55,000)	\$ (55,000)	\$ (55,000)
Issuer Fee	\$ 10,000 min	0.125%	\$ (16,450)	\$ (16,450)	\$ (16,450)	\$ (16,450)	\$ (16,450)
SDHC Monitoring Fee ⁶	\$ 150 per unit		\$ (17,250)				
Trustee Fee ⁴	\$ 3,000 min	0.030%	\$ (3,948)	\$ (3,948)	\$ (3,948)	\$ (3,948)	\$ (3,948)
Total Expenses		\$	(620,903)	\$ (622,051)	\$ (641,090)	\$ (660,795)	\$ (681,187)
Net Operating Income		\$	848,967	\$ 884,566	\$ 903,192	\$ 922,095	\$ 941,275
Required Debt Service							
Senior		\$	(699,230)	\$ (699,230)	\$ (699,230)	\$ (699,230)	\$ (699,230)
Real Estate Loan		\$	(699,230)	\$ (699,230)	\$ (699,230)	\$ (699,230)	\$ (699,230)
Cash Flow before Reserves		\$	149,738	\$ 185,337	\$ 203,962	\$ 222,865	\$ 242,045
Debt Coverage Ratio Before Reserves			1.21	1.27	1.29	1.32	1.35
Reserves ⁵	500 per unit	3% Inflation	\$ (58,500)	\$ (59,670)	\$ (60,863)	\$ (62,081)	\$ (63,322)
Cash Flow After Reserves		\$	91,238	\$ 125,667	\$ 143,099	\$ 160,784	\$ 178,723
Overall Debt Coverage Ratio (DCR)			1.13	1.18	1.20	1.23	1.26
Cash Flow Including Commercial Income			91,238	125,667	143,099	160,784	178,723
Debt Coverage Ratio Including Commercial Income			1.13	1.18	1.20	1.23	1.26

¹ Source: Per Developer Projections

² Source: Per Developer Projections

³ Of Gross Potential Income.

⁴ Estimate

⁵ Per US Bank Equity LOI: October 30, 2019

⁶ Per SDHC Compliance Fee Monitoring Schedule (115 monitored units). Developer pro forma underestimates combined issuer fee, SDHC monitoring fee and trustee fee

Exhibit A

East Block Senior Permanent Sources and Uses of Funds

Sources

Tax Exempt Note	\$ 13,160,000
Tax Credit Equity	\$ 13,442,700
General Partner Equity	\$ 100
San Diego Housing Commission	\$ 6,750,000
Deferred Developer Fee	\$ 1,983,800
Accrued Soft Loan Interest	<u>\$ 339,800</u>
Total Sources	\$ 35,676,400

Uses

Land and Acquisition Costs	\$ 82,000
Construction Costs	\$ 22,144,900
Construction Contingency	\$ 1,107,200
Developer Fee	\$ 4,403,400
Operating Reserve	\$ 341,600
Initial (i.e. Existing) Replacement Reserve Deposit	\$ -
Other Reserves	\$ -
Capitalized Construction Loan Interest	\$ 1,330,700
Other Hard and Soft Costs	<u>\$ 6,266,700</u>
Total Uses	\$ 35,676,500

Surplus(Deficit) ²	\$ (100)
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¹ Source: Information provided by the Developer. Excludes Performance Deposit. Rounding by CSG

² Error due to rounding.

ATTACHMENT 7 – DEVELOPER'S DISCLOSURE STATEMENT



SAN DIEGO
HOUSING
COMMISSION

Real Estate Department

DEVELOPERS/CONSULTANTS/SELLERS/CONTRACTORS/ ENTITY SEEKING GRANT/BORROWERS (Collectively referred to as "CONTRACTOR" herein) Statement for Public Disclosure

1. Name of CONTRACTOR: **Chelsea Investment Corporation**
2. Address and Zip Code: **6339 Paseo del Lago, Carlsbad, CA 92011**
3. Telephone Number: **760-456-6000**
4. Name of Principal Contact for CONTRACTOR: **Cheri Hoffman, President**
5. Federal Identification Number or Social Security Number of CONTRACTOR: **90-0151442**
6. If the CONTRACTOR is not an individual doing business under his own name, the CONTRACTOR has the status indicated below and is organized or operating under the laws of California as:

- A corporation (Attach Articles of Incorporation): **Exhibit A**
- A nonprofit or charitable institution or corporation. (Attach copy of Articles of Incorporation and documentary evidence verifying current valid nonprofit or charitable status)
- A partnership known as: _____
(Name)

Check one:

- General Partnership (Attach statement of General Partnership)
- Limited Partnership (Attach Certificate of Limited Partnership)
- A business association or a joint venture known as: _____
(Attach joint venture or business association agreement)
- A Federal, State or local government or instrumentality thereof.
- Other (explain)
7. If the CONTRACTOR is not an individual or a government agency or instrumentality, give date of organization:
Original Formation Date: July 30, 1986, Restructure Date: February 23, 2004
 8. Provide names, addresses, telephone numbers, title of position (if any) and nature and extent of the interest of the current officers, principal members, shareholders, and investors of the CONTRACTOR, other than a government agency or instrumentality, as set forth below:
 - a. If the CONTRACTOR is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock.
 - b. If the CONTRACTOR is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body.

- c. If the CONTRACTOR is a partnership, each partner, whether a general or limited, and either the percent of interest or a description of the character and extent of interest.
- d. If the CONTRACTOR is a business association or a joint venture, each participant and either the percent of interest or a description of the character and extent of interest.
- e. If the CONTRACTOR is some other entity, the officers, the members of the governing body, and each person having an interest of more than 10%. (Attach extra sheet if necessary)

Name and Address		Position Title (if any) and percent of interest or description of character and extent of interest
Name:	The Schmid Family Trust	Sole Shareholder
Address:	6339 Paseo del Lago	
	Carlsbad, CA 92011	
Name:	James J. Schmid	Co-Trustee
Address:	6339 Paseo del Lago	
	Carlsbad, CA 92011	
Name:	Lynn Harrington Schmid	Co-Trustee
Address:	6339 Paseo del Lago	
	Carlsbad, CA 92011	

9. Has the makeup as set forth in Item 8(a) through 8(e) changed within the last twelve (12) months? If yes, please explain in detail.
No.
10. Is it *anticipated* that the makeup as set forth in Item 8(a) through 8(e) will change within the next twelve (12) months? If yes, please explain in detail.
No.
11. Provide name, address, telephone number, and nature and extent of interest of each person or entity (not named in response to Item 8) who has a beneficial interest in any of the shareholders or investors named in response to Item 8 which gives such person or entity more than a computed 10% interest in the CONTRACTOR (for example, more than 20% of the stock in a corporation which holds 50% of the stock of the CONTRACTOR or more than 50% of the stock in the corporation which holds 20% of the stock of the CONTRACTOR):

Name and Address		Position Title (if any) and percent of interest or description of character and extent of interest
Name:	James J. Schmid	Sole Director/CEO/Treasurer/Co-Trustee of Schmid Family Trust, Sole Shareholder
Address:	6339 Paseo del Lago	
	Carlsbad, CA 92011	
Name:	Cheri Hoffman	President
Address:	6339 Paseo del Lago	
	Carlsbad, CA 92011	
Name:	Charles S. Schmid	Vice President (son of James J. Schmid)
Address:	6339 Paseo del Lago	
	Carlsbad, CA 92011	

Name:	Lynn Harrington Schmid	Secretary (Wife of James J. Schmid and Co-Trustee of the Schmid Family Trust, Sole Shareholder)
Address:	6339 Paseo del Lago	
Name:	Carlsbad, CA 92011	

12. Names, addresses and telephone numbers (if not given above) of officers and directors or trustees of any corporation or firm listed under Item 8 or Item 11 above:

Name and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	

13. Is the CONTRACTOR a subsidiary of or affiliated with any other corporation or corporations, any other firm or any other business entity or entities of whatever nature? If yes, list each such corporation, firm or business entity by name and address, specify its relationship to the CONTRACTOR, and identify the officers and directors or trustees common to the CONTRACTOR and such other corporation, firm or business entity.

Name and Address	Relationship to CONTRACTOR
Name: See Exhibit B Affiliated Parties	
Address:	
Name:	
Address:	
Name:	
Address:	

14. Provide the financial condition of the CONTRACTOR as of the date of the statement and for a period of twenty-four (24) months prior to the date of its statement as reflected in the **attached** financial statements, including, but not necessarily limited to, profit and loss statements and statements of financial position. **See Exhibit C Financial Statements**

15. If funds for the development/project are to be obtained from sources other than the CONTRACTOR's own funds, provide a statement of the CONTRACTOR's plan for financing the development/project:

SOURCES

Federal LIHTC Equity	\$11,768,634
Developer Equity Contr.	\$1,701,663
Permanent Loan	\$9,350,000
Offsite Payment	
Deferred Developer Fee	\$946,813
SHHC	\$6,750,000
Residual Recpt. Loan	\$363,867
 TOTAL SOURCES	 \$30,880,977

16. Provide sources and amount of cash available to CONTRACTOR to meet equity requirements of the proposed undertaking:

a. In banks/savings and loans: *Equity will be funded by tax credit investor.*

Name: **TBD**
 Address:
 Amount: \$

b. By loans from affiliated or associated corporations or firms: *Enter types of other funding (Developer Fee, Contribution, Deferred Developer and Deferred Contractor Fee (Whichever funding suits you project)*

Name: **Chelsea Investment Corporation**
 Address: **6339 Paseo Del Lago, Carlsbad, CA 92011**
 Amount: \$ **950,000**

Name: **Emmerson Construction, Inc.**
 Address: **6339 Paseo Del Lago, Carlsbad, CA 92011**
 Amount: \$ **1,700,000**

c. By sale of readily salable assets/including marketable securities: **None**

Description	Market Value (\$)	Mortgages or Liens (\$)
N/A		

17. Names and addresses of bank references, and name of contact at each reference:

Name and Address	Contact Name
Name: US Bank National Association	Paul Shipstead, Vice President
Address: 4747 Executive Drive, 3rd Floor	
San Diego, CA 92121	
Name: American West Bank	Catherine M. Niemann, Operations Manager
Address: 5901 Priestly Drive, Suite 160	
Carlsbad, CA 92008	
Name:	
Address:	

18. Has the CONTRACTOR or any of the CONTRACTOR's officers or principal members, shareholders or investors, or other interested parties been adjudged bankrupt, either voluntary or involuntary, within the past 10 years?

Yes No

If yes, give date, place, and under what name.

19. Has the CONTRACTOR or anyone referred to above as "principals of the CONTRACTOR" been convicted of any felony within the past 10 years?

Yes No

If yes, give for each case (1) date, (2) charge, (3) place, (4) court, and (5) action taken. Attach any explanation deemed necessary.

20. List undertakings (including, but not limited to, bid bonds, performance bonds, payment bonds and/or improvement bonds) comparable to size of the proposed project which have been completed by the CONTRACTOR including identification and brief description of each project, date of completion, and amount of bond, whether any legal action has been taken on the bond: **See Exhibit D Experience Report**

Type of Bond	Project Description	Date of Completion	Amount of Bond	Action on Bond

21. If the CONTRACTOR, or a parent corporation, a subsidiary, an affiliate, or a principal of the CONTRACTOR is to participate in the development as a construction contractor or builder, provide the following information:

a. Name and addresses of such contractor or builder:

Name and Address	Affiliation
Name: Emmerson Construction, Inc.	Affiliate
Address: 6339 Paseo del Lago, Carlsbad, CA 92011	
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	

b. Has such contractor or builder within the last 10 years ever failed to qualify as a responsible bidder, refused to enter into a contract after an award has been made, or failed to complete a construction or development contract?

Yes No

If yes, please explain, in detail, each such instance:

c. Total amount of construction or development work performed by such contractor or builder during the last three (3) years: **\$ 165,896,800**

General description of such work: construction of affordable family, senior and other affordable housing projects.

List each project, including location, nature of work performed, name, address of the owner of the project, bonding companies involved, amount of contract, date of commencement of project, date of completion, state whether any change orders were sought, amount of change orders, was litigation commenced concerning the project, including a designation of where, when and the outcome of the litigation. (Attach extra sheet if necessary)

Project Name	See Exhibit E Resumes and List of Projects	
Project Owner Contact Information		
	Name	Address
Project Location		
Project Details		
Bonding Company Involved		
	Name	Amount of Contract
Change Order Details		

Change Order Cost		
Litigation Details		
	Location/Date	Outcome Details

d. **Construction contracts or developments now being performed by such contractor or builder:**

Identification of Contract or Development	Location	Amount	Date to be Completed
<i>Need Current List</i>			

e. **Outstanding construction-contract bids of such contractor or builder:**

Awarding Agency	Amount	Date Opened

22. Provide a detailed and complete statement regarding equipment, experience, financial capacity, and other resources available to such contractor or builder for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment, and the general experience of the contractor: **See Exhibit E Resumes and List of Projects**

23. Does any member of the governing body of the San Diego Housing Commission ("SDHC"), Housing Authority of the City of San Diego ("AUTHORITY") or City of San Diego ("CITY"), to which the accompanying proposal is being made or any officer or employee of the SDHC, the AUTHORITY or the CITY who exercises any functions or responsibilities in connection with the carrying out of the project covered by the CONTRACTOR's proposal, have any direct or indirect personal financial interest in the CONTRACTOR or in the proposed contractor?

Yes No

If yes, explain:

24. Statements and other evidence of the CONTRACTOR's qualifications and financial responsibility (other than the financial statement referred to in Item 8) are attached hereto and hereby made a part hereof as follows:
See Exhibit F – Financial Statements for Emmerson Construction

25. Is the proposed CONTRACTOR, and/or are any of the proposed subcontractors, currently involved in any construction-related litigation?

Yes No

If yes, explain:

26. State the name, address and telephone numbers of CONTRACTOR's insurance agent(s) and/or companies for the following coverage's: List the amount of coverage (limits) currently existing in each category:

The project will have adequate insurance coverage at commencement of construction. Broker is Cavignac & Associates, 450 B Street, Suite 1800, San Diego, CA 92101.

a. General Liability, including Bodily Injury and Property Damage Insurance [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

Check coverage(s) carried:

- Comprehensive Form
- Premises - Operations
- Explosion and Collapse Hazard
- Underground Hazard
- Products/Completed Operations Hazard
- Contractual Insurance
- Broad Form Property Damage
- Independent Contractors
- Personal Injury

b. Automobile Public Liability/Property Damage [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

Check coverage(s) carried:

- Comprehensive Form
- Owned
- Hired
- Non-Owned

c. Workers Compensation [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

d. Professional Liability (Errors and Omissions) [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

e. Excess Liability [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]

f. Other (Specify) [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]

27. CONTRACTOR warrants and certifies that it will not during the term of the PROJECT, GRANT, LOAN, CONTRACT, DEVELOPMENT and/or RENDITIONS OF SERVICES discriminate against any employee, person, or applicant for employment because of race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. The CONTRACTOR will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The CONTRACTOR agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the SDHC setting forth the provisions of this nondiscrimination clause.

28. The CONTRACTOR warrants and certifies that it will not without prior written consent of the SDHC, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of the SDHC, during the term of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT and/or RENDITION OF SERVICES.
29. CONTRACTOR warrants and certifies that no member, commissioner, councilperson, officer, or employee of the SDHC, the AUTHORITY and/or the CITY, no member of the governing body of the locality in which the PROJECT is situated, no member of the government body in which the SDHC was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the assignment of work, has during his or her tenure, or will for one (1) year thereafter, have any interest, direct or indirect, in this PROJECT or the proceeds thereof.
30. List all citations, orders to cease and desist, stop work orders, complaints, judgments, fines, and penalties received by or imposed upon CONTRACTOR for safety violations from any and all government entities including but not limited to, the City of San Diego, County of San Diego, the State of California, the United States of America and any and all divisions and departments of said government entities for a period of five (5) years prior to the date of this statement. If none, please state: **None**

Government Complaint	Entity Making	Date	Resolution
N/A			

31. Has the CONTRACTOR ever been disqualified, removed from or otherwise prevented from bidding on or completing a federal, state, or local government project because of a violation of law or a safety regulation?

Yes No

If yes, please explain, in detail,

32. Please list all licenses obtained by the CONTRACTOR through the State of California and/or the United States of America which are required and/or will be utilized by the CONTRACTOR and/or are convenient to the performance of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT, or RENDITION OF SERVICES. State the name of the governmental agency granting the license, type of license, date of grant, and the status of the license, together with a statement as to whether the License has ever been revoked:

Government Agency	License Description	License Number	Date Issued (Original)	Status (Current)	Revocation (Yes/No)
State License Board	Contractor's License for Emmerson Construction, Inc.	775773	3/2/2000	Current	No

33. Describe in detail any and all other facts, factors or conditions that may adversely affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, SALES of Real Property to,

DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the SDHC. **None.**

34. Describe in detail, any and all other facts, factors or conditions that may favorably affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the SDHC. **None**
35. List all CONTRACTS with, DEVELOPMENTS for or with, LOANS with, PROJECTS with, GRANTS from, SALES of Real Property to, the SDHC, AUTHORITY and/or the CITY within the last five (5) years:

Date	Entity Involved (i.e. City SDHC, etc)	Status (Current, delinquent, repaid, etc.)	Dollar Amount
2014	Independence Point (SDHC)	Current	\$2,500,000
2015	Trolley Residential	Current	\$3,120,000
2016	Mesa Verde	Current	\$9,60,000

36. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, been the subject of a complaint filed with the Contractor's State License Board (CSLB)?

Yes No

If yes, explain:

37. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, had a revocation or suspension of a CONTRACTOR's License?

Yes No

If yes, explain:

38. List three local references that would be familiar with your previous construction project: See Exhibit F References

1. Name:
- Address:
- Phone:
- Project Name and Description:

2. Name:
Address:
Phone:
Project Name and Description:

3. Name:
Address:
Phone:
Project Name and Description:

39. Give a brief statement regarding equipment, experience, financial capacity and other resources available to the Contractor for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment and the general experience of the Contractor.

40. Give the name and experience of the proposed Construction Superintendent.

Name	Experience
TBD	

CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

By providing the "Personal Information", (if any) as defined in Section 1798.3(a) of the Civil Code of the State of California (to the extent that it is applicable, if at all), requested herein and by seeking a loan from, a grant from, a contract with, the sale of real estate to, the right to develop from, and/or any and all other entitlements from the SAN DIEGO HOUSING COMMISSION ("SDHC"), the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO ("AUTHORITY") and/or the CITY OF SAN DIEGO ("CITY"), the CONTRACTOR consents to the disclosure of any and all "Personal Information" and of any and all other information contained in this Public Disclosure Statement. CONTRACTOR specifically, knowingly and intentionally waives any and all privileges and rights that may exist under State and/or Federal Law relating to the public disclosure of the information contained herein. With respect to "Personal Information", if any, contained herein, the CONTRACTOR, by executing this disclosure statement and providing the information requested, consents to its disclosure pursuant to the provisions of the Information Practices Act of 1977, Civil Code Section 1798.24(b). CONTRACTOR is aware that a disclosure of information contained herein will be made at a public meeting or meetings of the SDHC, the AUTHORITY, and/or the CITY at such times as the meetings may be scheduled. CONTRACTOR hereby consents to the disclosure of said "Personal Information", if any, more than thirty (30) days from the date of this statement at the duly scheduled meeting(s) of the SDHC, the AUTHORITY and/or the CITY. CONTRACTOR acknowledges that public disclosure of the information contained herein may be made pursuant to the provisions of Civil Code Section 1798.24(d).

CONTRACTOR represents and warrants to the SDHC, the AUTHORITY and the CITY that by providing the information requested herein and waiving any and all privileges available under the Evidence Code of the State of California, State and Federal Law, (to the extent of this disclosure that the information being submitted herein), the information constitutes a "Public Record" subject to disclosure to members of the public in accordance with the provisions of California Government Section 6250 et seq.

CONTRACTOR specifically waives, by the production of the information disclosed herein, any and all rights that CONTRACTOR may have with respect to the information under the provisions of Government Code Section 6254 including its applicable subparagraphs, to the extent of the disclosure herein, as well as all rights of privacy, if any, under the State and Federal Law.

Executed this 20 day of March, 20 19, at San Diego, California.

CONTRACTOR

By: *Cheryl Hoffman*
Signature

President
Title *Chelsea Investment Corp.*

CALIFORNIA JURAT WITH AFFIANT STATEMENT

GOVERNMENT CODE § 8202

- See Attached Document (Notary to cross out lines 1-6 below)
- See Statement Below (Lines 1-6 to be completed only by document signer[s], not Notary)

See attached

Signature of Document Signer No. 1

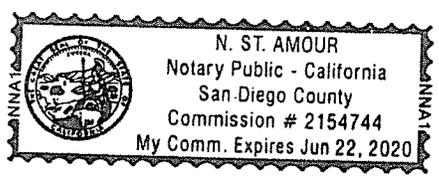
Signature of Document Signer No. 2 (if any)

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

State of California
 County of San Diego

Subscribed and sworn to (or affirmed) before me
 on this 21 day of March, 2019,
 by Cheri Hoffman
Date Month Year

(1) _____
 (and (2) _____),
Name(s) of Signer(s)



proved to me on the basis of satisfactory evidence
 to be the person(s) who appeared before me.

Signature N. St. Amour
Signature of Notary Public

Seal
 Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document
 Title or Type of Document: _____ Document Date: _____
 Number of Pages: _____ Signer(s) Other Than Named Above: _____

CERTIFICATION

The CONTRACTOR, _____, hereby certifies that this CONTRACTOR's Statement for Public Disclosure and the attached information/evidence of the CONTRACTOR's qualifications and financial responsibility, including financial statements, are true and correct to the best of CONTRACTOR's knowledge and belief.

By: _____

By: _____

Title: _____

Title: _____

Dated: _____

Dated: _____

WARNING: 18 U.S.C. 1001 provides, among other things, that whoever knowingly and willingly makes or uses a document or writing containing any false, fictitious or fraudulent statement or entry, in any matter within the jurisdiction or any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.

JURAT

State of California

County of _____

Subscribed and sworn to (or affirmed) before me on this _____ day of _____, 20_ _____

by _____ personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Signature of Notary

SEAL

25789 III

**ARTICLES OF INCORPORATION
OF
CHELSEA SERVICE CORPORATION**

FILED
in the office of the Secretary of State
of the State of California

FEB 23 2004

Kevin Shelley
KEVIN SHELLEY, Secretary of State

I

The name of this corporation is Chelsea Service Corporation.

II

The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

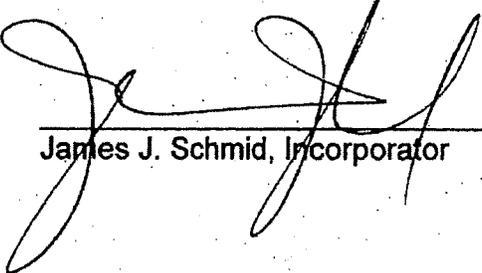
III

The name and address in the State of California of this corporation's initial agent for service of process is James J. Schmid, 215 South Highway 101, Suite 200, Solana Beach, California 92075.

IV

This corporation is authorized to issue only one class of shares of stock; and the total number of shares this corporation is authorized to issue is 1,000.

Dated: February 18, 2004


James J. Schmid, Incorporator

578911

10638595

FILED
In the office of the Secretary of State
of the State of California

JAN 1 2006

**CERTIFICATE OF RESTATED AND AMENDED
ARTICLES OF INCORPORATION
OF CHELSEA SERVICE CORPORATION**

James J. Schmid and Lynn Harrington- Schmid certify that:

1. They are the President and the Secretary, respectively, of Chelsea Service Corporation, a California corporation.
2. The articles of incorporation of the corporation are amended and restated to read in their entirety as follows:

I

The name of this corporation is Chelsea Investment Corporation.

II

The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

III

This corporation is authorized to issue only one class of shares of stock; and the total number of shares which this corporation is authorized to issue, is 1,000.

IV

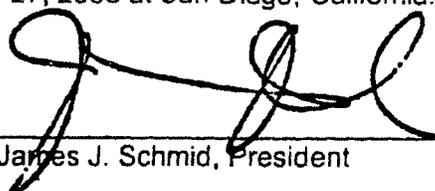
The Corporation is authorized to provide indemnification of agents (as the word "agents" is defined in Section 317 of the California Corporations Code) through bylaw provisions, agreements with the agents, vote of shareholders or disinterested directors, or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject only to the limits set forth in Section 204 of the California Corporations Code with respect to actions for breach of duty to the Corporation or its shareholders.

3. This Certificate, restating and amending the articles of incorporation, has been approved by the Board of Directors.
4. The amendment was approved by the required vote of the shareholders in accordance with Section 902 of the Corporations Code. The corporation has only one class of shares and the number of outstanding shares is 100. The number of shares

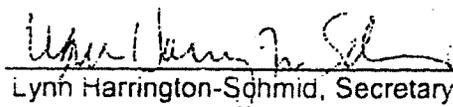
voting in favor of the amendment equaled or exceeded the vote required. The percentage vote required was more than 50%.

We declare under penalty of perjury under the laws of the State of California that the statements set forth in this certificate are true and correct of our own knowledge and that this declaration was executed on December 27, 2005 at San Diego, California.

Dated: December 27, 2005



James J. Schmid, President



Lynn Harrington-Schmid, Secretary



Chelsea Investment Corporation and Subsidiaries
Consolidated Balance Sheet
December 31, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$ 268,556
Marketable securities, net	2,135,460
Accounts receivable - Related parties	1,574,801
Prepaid expenses	179,556
Current portion of developer fees receivable - related parties	3,036,792
Current portion of project cost advances - related parties	1,956,257
Notes receivable - related party	198,234
Total current assets	9,349,657

Fixed assets:

Property and equipment	618,876
Leasehold improvements	179,634
Accumulated depreciation	(502,834)
Fixed assets, net	295,676

Other assets:

Developer fees receivable - related parties, less current portion	6,230,273
Project cost advances - related parties, less current portion	2,132,415
Total other assets	8,362,688

Total assets	\$ 18,008,021
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LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:

Accounts payable	\$ 111,184
Accrued expenses	826,666
Note payable - related party	500,220
Total current liabilities	1,438,069

Long-term liabilities:

Lease liability	92,510
Unearned developer fee income	6,320,129
Total long-term liabilities	6,412,639

Total liabilities	7,850,708
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Stockholder's equity

Controlled interest

Common stock, no par value	
1,000 shares authorized	
100 shares issued and outstanding	100
Additional paid in capital	2,967,000
Retained earnings	7,190,114
	10,157,214

Total controlled interest	10,157,214
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Non controlling interest	99
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Total stockholder's equity	10,157,313
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Total liabilities and stockholder's equity	\$ 18,008,021
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Chelsea Investment Corporation and Subsidiaries
Consolidated Statement of Operations and Comprehensive Income
For the twelve months ended December 31, 2018

REVENUES	
Developer fees	\$ 8,157,863
Total revenue	<u>8,157,863</u>
OPERATING EXPENSES	
Compensation and benefits	4,943,506
Bad debt expense	407,082
Consulting and professional fees	509,428
Insurance	690,577
Rent	352,704
General and administrative	41,838
Payroll taxes	349,865
Deferred compensation	174,654
Advertising	111,206
Utilities	104,945
Depreciation expenses	100,720
Office expenses	104,993
Real estate taxes	40,738
Repairs and maintenance	38,486
Other expenses	90,285
Contributions	25,311
Travel	38,759
Meals and entertainment	22,467
Total operating expenses	<u>8,147,563</u>
Operating income	10,300
OTHER INCOME (EXPENSES)	
Investment and interest income	271,346
Interest expense	(143,295)
Total other income	<u>128,051</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	138,350
Provision for income taxes	<u>(95,253)</u>
NET INCOME (LOSS)	<u>\$ 43,097</u>
OTHER COMPREHENSIVE INCOME	
Unrealized gain on available-for sales securities	<u>47,012</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 90,109</u>

Chelsea Investment Corporation and Subsidiaries
Consolidated Statement of Stockholder's Equity
For the twelve months ended December 31, 2018

Controlling Interest							
	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Controlling Interest	Total Non-controlling Interest	Total Stockholder's Equity
	Shares	Amount					
BALANCE, DECEMBER 31, 2017	100	\$ 100	\$ 2,967,000	\$ 7,100,005	\$ 10,067,105	\$ 99	\$ 10,067,204
Stockholder distributions	-	-	-	-	-	-	-
Net Loss	-	-	-	90,109	90,109	-	90,109
Other comprehensive income:							
Unrealized gain on investment	-	-	-	-	-	-	-
BALANCE, SEPTEMBER 30, 2018	100	\$ 100	\$ 2,967,000	\$ 7,190,114	\$ 10,157,214	\$ 99	\$ 10,157,313



Property Name	Partnership Name	Address	City	State	Zip	County	Units	Type	Historical Cost	Book/Revised/Booked	Year Acquired	LPH's Interest	Lender	Revised Cost	Book	Revised	
1	De Anza Hotel	211 East 4th Street	Cambridge	CA	92401	Imperial	62	Family/PA	\$ 5,423,000	1949/1976	1972	N/A	CB&I	2014	05/21/72	Yes	
2	St. Regis Park	1025 Broadway	Quincy Vista	CA	92421	Imperial	114	Family	\$ 9,320,000	1972/2007	2004	N/A	Bank of America	2014	04/21/74	Yes	
3	Vista Genesis	12125 Broadway Center Drive	Quincy Vista	CA	92513	San Diego	132	Apartment	\$ 8,488,000	2000	1994	N/A	Bank of America	2014	03/22/00	Yes	
4	Regency Center	Regency Center, LLC	4745 Home Avenue	San Diego	CA	92105	Imperial	193	Family	\$ 14,719,000	1972/2007/2019	2011	Raymond James	2014	7/80	Yes	
5	San Marcos Hotel	Langley at San Marcos Family, LP	12125 Broadway Center Drive	San Diego	CA	92129	San Diego	18	Family/PA	\$ 1,100,000	2005	2005	N/A	Bank of America	2014	02/25/04	Yes
6	Vista del Estero	Chia, LP	2505 Marlowe Court	Carlsbad	CA	92014	Imperial	40	Senior/PA	\$ 2,529,000	2004	2004	N/A	Formal/PA	2014	04/13/05	Yes
7	Torrey Highlands	Chia, LP	13117 Torrey Meadows Drive	San Diego	CA	92129	Imperial	70	Family	\$ 2,608,000	2001	2001	N/A	WFC	2014	12/21/03	Yes
8	Brandy Family	Brandy, LP	10200 Claret	San Diego	CA	92127	Imperial	49	Family/PA	\$ 3,744,000	2007	2007	The Richman Group	2014	06/29/14	Yes	
9	Champion Family	Champion Family Associates, LP	2901 Avenida Americas	Carlsbad	CA	92011	Imperial	80	Family/PA	\$ 10,111,000	2003	2002	The Richman Group	2014	10/21/03	Yes	
10	Marina Square Manor	Marina Square Manor Associates, LP	515 14th St	San Diego	CA	92101	San Diego	240	Senior/PA	\$ 19,429,000	2003	2002	High Edge Costs	Bank of America	2012	07/21/02	Yes
11	Vista Antelope	5545 Archway and Sky Way	San Diego	CA	92128	San Diego	41	Family	\$ 4,402,000	2007	2005	Bank of America	2014	02/25/04	Yes		
12	Vista Orion	6764 Torrey Hills Ln Road	San Diego	CA	92116	San Diego	26	Family	\$ 4,211,000	2003	2002	Bank of America	2012	07/21/03	Yes		
13	Vista Lark	Vista LP	2141 Myrtle Road	Imperial	CA	92523	Imperial	10	Family/PA	\$ 9,708,000	2002	2002	Bank of America	2014	07/21/04	Yes	
14	Woodward Village	12720 Woodward Place	San Diego	CA	92129	San Diego	20	Family	\$ 1,918,000	1992	2002	Bank of America	2014	10/21/04	Yes		
15	Countryside	CC Countryside, LP	1751 Adams Avenue	El Centro	CA	91014	Imperial	71	Family	\$ 5,511,000	2004	2003	The Richman Group	2014	07/21/03	Yes	
16	Hollydale Gardens	Hollydale Gardens, LP	950 Holly Avenue	Holtville	CA	92350	Imperial	41	Senior	\$ 9,000,000	2001	2001	Bank of America	2014	04/21/04	Yes	
17	Imperial Gardens	IG, LP	2362 Marine Road	Imperial	CA	92511	Imperial	41	Senior	\$ 8,400,000	2004	2001	Bank of America	2014	04/21/04	Yes	
18	Mariposa	CC Mariposa, LP	4601 Palm Hill Place	Carlsbad	CA	92009	Imperial	104	Family	\$ 14,939,000	2004	2003	Wells Fargo	2014	06/21/03	Yes	
19	Paradise Pointe Vista	1815 Green Hills	Chula Vista	CA	92015	San Diego	150	Family	\$ 18,539,000	2007	2005	Wells Fargo	2014	05/21/04	Yes		
20	Paradise Pointe Home	Paradise Pointe Family Apartments, LP	1675 Santee Valley	San Diego	CA	92117	San Diego	123	Family	\$ 25,791,000	2005	2003	Bank of America	2014	04/21/04	Yes	
21	Waterford Family	Waterford, LP	184 South G Street	Westminster	CA	92783	Imperial	65	Family	\$ 10,248,000	2003	2003	The Richman Group	2014	09/21/03	Yes	
22	Brandy Gardens	Brandy Gardens, LP	113 Elm Street	San Diego	CA	92127	Imperial	41	Family	\$ 11,305,000	2005	2004	The Richman Group	2014	04/21/04	Yes	
23	Brandy Senior	Brandy Senior, LP	995 Millard Avenue	Riverside	CA	92527	Imperial	41	Senior	\$ 10,421,000	2005	2004	Bank of America	2014	11/21/04	Yes	
24	Waterford	Waterford, LP	1147 DeWitt Road	Holme	CA	92529	Imperial	41	Family	\$ 14,465,000	2005	2004	The Richman Group	2014	06/21/04	Yes	
25	Farquhar Ridge	16168 Robinson Street	San Diego	CA	92127	San Diego	264	Family	\$ 16,960,000	2004	2005	The Richman Group	2014	04/21/04	Yes		
26	The Cottages	CC Cottages, LP	11311 Zorro Hills Place	San Diego	CA	92116	San Diego	205	Family	\$ 23,846,000	2006	2005	Bank of America	2014	12/21/04	Yes	
27	City Heights Square	City Heights Square, LP	4605 4th Street	San Diego	CA	92109	San Diego	150	Senior/PA	\$ 15,507,000	2007	2006	Wells Fargo	2012	07/21/06	Yes	
28	Woodward Square	CC Woodward Square, LP	7270 Cedar Place	Carlsbad	CA	92009	San Diego	168	Family	\$ 22,399,000	2007	2006	Bank of America	2014	11/21/06	Yes	
29	Vista Verde	CC Vista Verde, LP	1381 Meadow Drive	Carlsbad	CA	92011	Imperial	83	Family	\$ 15,445,000	2007	2006	Bank of America	2014	07/21/06	Yes	
30	Vista Palms	Water Palms, LP	35 West Main Street	Holme	CA	92525	Imperial	74	Family	\$ 15,168,000	2007	2006	The Richman Group	2014	05/21/06	Yes	
31	Green Ridge	CC Green Ridge, LP	855 Green Avenue	Carlsbad	CA	92009	Imperial	146	Family	\$ 20,490,000	2004	2007	Bank of America	2014	05/21/06	Yes	
32	The Landings	CC Landings, LP	1182 Buena Vista	Chula Vista	CA	92015	San Diego	94	Family	\$ 23,800,000	2008	2007	Bank of America	2014	12/21/06	Yes	
33	Johns Market	1605 16th Street	San Diego	CA	92201	San Diego	146	Senior/PA	\$ 46,000,000	2008	2007	The Richman Group	2014	12/21/06	Yes		
34	Vista Lakeside	CC Vista Lakeside, LP	651 East Bonita Place	Carlsbad	CA	92011	Imperial	12	Family	\$ 14,900,000	2008	2007	The Richman Group	2014	11/21/06	Yes	
35	Alpaca Green	CC Alpaca Green, LP	1245 Sycamore Avenue	Saunderston	CA	94944	Saunderston	135	Family	\$ 24,028,000	2009	2007	The Richman Group	2014	06/21/06	Yes	
36	Blackwood Court	Blackwood Court, LP	4242 22nd Street	Imperial Beach	CA	91932	San Diego	15	Family	\$ 4,122,000	1992/2006	2006	The Richman Group	2014	04/21/06	Yes	
37	Quincy Hill Estates	Quincy Hill Estates, LP	24000 A. Seneca Apt., LP	San Diego	CA	92115	San Diego	85	Senior/PA	\$ 24,446,000	2010	2008	Bank of America	2014	04/21/06	Yes	
38	Cedar Creek	Families, LP	8616 Florida Drive	Santee	CA	92081	San Diego	48	Family	\$ 13,305,000	2010	2009	Bank of America	2014	04/21/06	Yes	
39	Green Sage	Green Sage, LLC, LP	3752 Mariposa Drive	Lanham	CA	92648	San Diego	80	Family	\$ 24,044,000	2010	2009	Bank of America	2014	04/21/06	Yes	
40	City Walk	CC City Walk, LP	1421 South Town	Waterford	CA	94944	Imperial	72	Family/PA	\$ 17,016,000	2011	2011	US Bank	2014	04/21/06	Yes	
41	Deming	CC Deming, LP	19 Woodworth Drive	Chula Vista	CA	92015	San Diego	41	Family	\$ 6,411,000	1984/2011	2010	Bank of America	2014	07/21/06	Yes	
42	The Landings II	Landings II, LP	3748 Buena Vista	Chula Vista	CA	92015	San Diego	143	Family	\$ 21,919,000	2011	2011	Raymond James	2014	07/21/06	Yes	
43	Verdura	Verdura San Ysidro, LP	1774 Buena Vista	San Ysidro	CA	92163	San Diego	84	Family/PA	\$ 24,457,000	2011	2011	The Richman Group	2014	07/21/06	Yes	
44	Imperial Meadows	Imperial Meadows, LP	1967 National Avenue	San Diego	CA	92163	San Diego	41	Family/PA	\$ 41,121,000	2011	2011	Raymond James	2014	07/21/06	Yes	
45	Las Brisas	CC Las Brisas Family, LP	2051 North 8th Street	El Centro	CA	92527	Imperial	72	Family	\$ 18,251,000	2012	2011	Bank of America	2014	07/21/06	Yes	
46	Paul Temple	Torrey Hill, LP	13482 Silver Lake Lane	San Diego	CA	92121	San Diego	41	Family	\$ 7,940,000	2011	2011	US Bank	2014	08/21/06	Yes	
47	Vista del Sol	CC Vista del Sol, LP	1942 Sycamore Drive	Carlsbad	CA	92011	Imperial	32	Family/PA	\$ 10,908,000	2012	2011	Bank of America	2014	05/21/06	Yes	
48	Vista Fortuna	Brandy Fortuna, LP	215 North 24th Avenue	Riverside	CA	92517	Imperial	76	Family/PA	\$ 15,555,000	2011	2011	The Richman Group	2014	05/21/06	Yes	
49	El Sombrero	El Sombrero, LP	444 Rockaway Avenue	Carlsbad	CA	92011	Imperial	54	Senior	\$ 8,414,000	2012	2012	The Richman Group	2014	10/21/06	Yes	
50	Imperial Estates	Imperial Estates, LP	3902 Main Street	Chula Vista	CA	92011	Imperial	42	Senior/PA	\$ 19,149,000	2013	2012	The Richman Group	2014	07/21/06	Yes	
51	Las Brisas	Las Brisas, LP	641 North Yukon Avenue	Imperial	CA	92521	San Diego	70	Family/PA	\$ 22,743,000	2012	2012	Raymond James	2014	06/21/06	Yes	
52	Palmdale Commerce	Palmdale Commerce, LP	15670 Commerce San Bernardino	San Diego	CA	92127	San Diego	165	Family	\$ 48,122,000	2014	2012	US Bank	2014	06/21/06	Yes	
53	Rock Ridge	Rock Ridge, LP	20251 Via Arroyo Drive	Imperial	CA	92525	Imperial	85	Family	\$ 11,643,000	1978-2014	2013	The Richman Group	2014	04/21/06	Yes	
54	Clear Obispo	Vista Antelope and Clear Obispo, LP	84821 Buena Vista	Carlsbad	CA	92015	Imperial	50	Family	\$ 14,711,000	2013	2013	US Bank	2014	07/21/06	Yes	
55	Palmdale Square	Palmdale Square, LP	10000 Palmdale Highway	San Diego	CA	92127	San Diego	260	Senior	\$ 21,947,000	2014	2013	US Bank	2014	07/21/06	Yes	
56	Vista	Vista, LP	2303 Via Arroyo Drive	San Diego	CA	92108	San Diego	150	Senior/PA	\$ 44,275,000	2013	2013	Raymond James	2014	04/21/06	Yes	
57	Independence Point	Will LLC, LP	127 South Vista James Jones Ave	San Diego	CA	92111	San Diego	37	Senior/PA	\$ 10,025,000	2015	2014	US Bank	2014	7/04	Yes	
58	Mill Creek Courtyard	Mill Creek Courtyard, LP	345 South Street	Bakersfield	CA	93307	Imperial	62	Senior	\$ 4,520,000	2015	2014	US Bank	2014	7/04	Yes	
59	Las Palmas	Las Palmas, LP	470 West Wild Street	Imperial	CA	92511	Imperial	59	Family	\$ 8,343,000	2015	2014	Raymond James	2014	07/21/06	Yes	
60	Vista Primavera	Vista Primavera, LP	1040 Westwood Drive	Carlsbad	CA	92011	Imperial	48	Senior/PA	\$ 14,122,000	2015	2014	CB&I	2014	7/04	Yes	
61	Volcaneros Manor	Volcaneros Manor, LP	1730 1st Avenue	San Diego	CA	92101	San Diego	113	Senior	\$ 24,626,000	1972-2011	2014	The Richman Group	2014	07/21/06	Yes	
62	Alhambra Hill	Alhambra Hill, LP	8711 Torrey Trail	San Diego	CA	92118	San Diego	90	Family	\$ 11,941,000	2016	2015	Raymond James	2014	07/21/06	Yes	
63	Trilogy Park Terrace	Trilogy Park Terrace, LP	4981 Marley Street	San Diego	CA	92126	San Diego	91	Family	\$ 11,548,000	2016	2015	Raymond James	2014	07/21/06	Yes	
64	Mill Creek Village	Mill Creek Village, LP	508 10th Street	Bakersfield	CA	93307	Imperial	43	Senior	\$ 2,800,000	2016	2015	The Richman Group	2014	7/04	Yes	
65	Quinn Courtland	Quinn Courtland, LP	5003 Imperial Ave	San Diego	CA	92113	San Diego	45	Family/PA	\$ 40,541,000	2016	2015	Union Bank	2014	11/21/06	Yes	
66	Torrey Vista	Torrey Vista, LP	1599 Rambo Drive	San Diego	CA	92126	San Diego	28	Family	\$ 4,962,000	2016	2015	The Richman Group	2014	04/21/06	Yes	
67	Quinn Courtland	Quinn Courtland, LP	1715 Green Avenue	Chula Vista	CA	92011	San Diego	87	Family	\$ 16,165,000	2017	2016	Raymond James	2014	07/21/06	Yes	
68	Vista	CC Vista, LP	7814 Mission Valley Road	Chula Vista	CA	92011	San Diego	21	Senior	\$ 17,000,000	2017	2016	Raymond James	2014	07/21/06	Yes	
69	Mesa Verde	CC Mesa Verde, LP	18420 Mission Valley Road	San Diego	CA	92128	San Diego	97	Family	\$ 12,137,000	2018	2016	The Richman Group	2014	07/21/06	Yes	



Finance
Development
Management

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Chelsea Investment Corporation (“Chelsea”) is a real estate company focused on the financing and development of affordable housing. Incorporated in 1986 by James J. Schmid, who still serves as CEO, Chelsea is a vertically integrated company with asset management, construction, and community investment affiliates.

Having developed over 10,000 units throughout the western United States, at a total cost in excess of \$2 billion, Chelsea meets and exceeds the level of experience necessary to develop affordable housing in today’s complex financing environment. Chelsea has developed infill, rural, inclusionary, senior, special needs, and mixed-use projects with a variety of non-profit partners, such as Father Joe’s Villages, Serving Seniors, Housing Development Partners, Alpha Project, Weingart Center Associates, and Southern California Housing Collaborative.

Of the rental homes completed, approximately 2,500 are in urban infill sites, 4,000 are located in suburban locations, and 2,000 are in rural areas. Approximately 3,300 have satisfied inclusionary obligations, 2,000 units are senior housing and 1,100 units are supportive housing. Additionally, while Chelsea has primarily focused on new construction projects, the company has developed about 1,000 units through acquisition and rehabilitation. Virtually all projects have been developed with soft residual receipts loans through public-private partnerships with the federal, state or local government.

Chelsea has successfully integrated AHP, MHP, CDBG, HOME, IIG, TOD, MHSA and redevelopment housing set-aside funds into many projects, in addition to the 4% and 9% low income housing tax credits and tax-exempt bond financing. In one project alone, Chelsea utilized loan and grant subsidies from 14 different funding sources.

- To date, Chelsea has developed over 100 affordable communities throughout California, New Mexico and Arizona.
- Total tax credit equity of over \$652 million.
- Total permanent loan and tax-exempt bond proceeds of over \$329 million.
- Annually included among the Top 50 Affordable Housing Developers in the country by Affordable Housing Finance magazine.
- 2015 and 2018 Builder of the Year - Building Industry Association of San Diego
- Chelsea and its communities are consistently recognized in many categories, including awards for design excellence, preservation of affordable housing, housing for the developmentally disabled, and supportive housing.



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HISTORY

Emmerson Construction, Inc. (ECI) was formed in 2000 to construct residential and mixed-use projects, with a specialization in affordable multifamily housing. ECI's team of experienced professionals work together to achieve the common goal of providing enhanced value, consistent quality, efficient scheduling, and risk mitigation.

EXPERIENCE

- 64 General Contractor contracts completed:
4,738 units;
\$578M
- 8 General Contractor ongoing projects:
747 units;
\$158M
- 6 Construction Management contracts completed:
585 units;
\$77M
- 81 Total developments:
6,543 units;
\$864M

AREAS OF EXPERTISE

General Contractor

ECI is committed to delivering products and services of exceptional quality while always focusing on schedule, safety, and budget. Building structures commonly consist of reinforced or post-tensioned concrete slabs with wood frame construction, stucco exteriors, and several completed projects feature podium decks. Since 2010, nineteen of ECI's developments have been LEED or GreenPoint certified.

Construction Management

ECI also offers construction management services. Under this arrangement, ECI provides owners with project oversight, budget and schedule review, quality assurance, and related services.

TEAM MEMBERS

PRESIDENT - Charles Schmid

Charles began his career in multifamily housing development in 1986, and applies experience with real estate finance, and management in his role as President of Emmerson. As a licensed general contractor, he has supervised the construction of more than 6,000 units. Charles has a degree from UC, San Diego, and a thorough understanding of the life cycle of apartment development, from feasibility analysis through lease-up. Recent projects range from rural development of 80 units to urban and suburban San Diego projects of more than 200 units.

CHIEF FINANCIAL OFFICER - Tim Gray

Tim has over 25 years of professional accounting experience with a primary focus on the construction industry. He obtained his CPA while working with Ernst & Young and PricewaterhouseCoopers and holds a CCIFP designation. Tim has managed accounting teams of up to 50 employees and has been involved in over 300 communities during all stages of development, construction and property management. He currently serves on several construction associations including CFMA-Treasurer, ABC-Director, and ICCIFP-Secretary.

(CONTINUED) ►

DIRECTOR OF CONSTRUCTION – Zion Patton

Zion has more than 25 years of experience constructing affordable and market rate multi-family housing. Contract values have ranged from \$10 to \$120 million and include projects in excess of 300 units. He has completed more than 2,500 new construction units and the rehabilitation of over 900 units. Zion also has expertise in developing and implementing renovation protocols that facilitate complete renovation on a highly expedited basis while maintaining quality and efficiency without displacing tenants.

SENIOR PROJECT MANAGER – Janice Patterson

Janice has worked in the construction industry for over 30 years and she has drawn on her extensive experience to deliver nearly 20 quality affordable communities for Emmerson, with a contract value of more than \$150 million. Prior to joining Emmerson, Janice's project experience included single-family and multifamily market rate homes, in subdivisions from 8 to 175 homes built in multiple phases.

PROJECT MANAGER – Theresa DeMarco

Theresa has been in the construction industry for over 20 years. In addition to multifamily construction, she has extensive renovation and tenant improvement experience. She was previously with Crown Acquisitions as a Project Manager, where she managed multifamily construction projects and was responsible for implementing project management software and establishing in-house protocols for construction operations. As a general contractor, Theresa has designed and completed extensive multifamily remodeling projects on complexes with 280-320 units.

PROJECT MANAGER – Martin Apicella

Martin joined the Emmerson team after working ten years as Project Manager at KBS, a top construction firm in Virginia. A veteran of the US Army, Martin holds a BS degree in Construction Management and Real Estate from Virginia Tech and studied Architecture at Technical University of Darmstadt in Germany. His wide-ranging experience includes construction of a 400-unit luxury residential building, transformation of a historic naval industrial facility into 45,000 sf mixed-use complex, and the adaptive reuse of a Lucky Strike tobacco factory into 131 luxury apartments. Martin is a LEED AP BD+C.

PROJECT MANAGER – Khalid Malik

Khalid has over 25 years of experience in construction management, including projects in Saudi Arabia and United Arab Emirates such as a theme park, shopping mall, 400-bed hospital, and 1400-unit master planned community, at costs from \$15 to \$226 million. He has a BS degree in Civil Engineering from University of Engineering and Technology, Lahore – Pakistan and a Master's degree in Project Management from Colorado Technical University, Colorado Springs. Khalid's accreditations include PMP, PSP, and LEED AP BD+C.

PROJECT MANAGER/ESTIMATOR – DONALD DICKSON

Donald has been in the multifamily construction industry for more than 20 years, including both affordable and market rate developments. His experience encompasses project management, preconstruction, and estimating for garden apartments, mid-rise, and high-rise developments throughout the western United States. Prior to joining Emmerson, Donald worked on the lender side as a Construction Manager, and prior to that, as Director of Preconstruction with Trammell Crow Residential.

PROJECT MANAGER – Haley Blair

Haley has worked in the construction industry since 2010. Her multifamily building experience includes on-grade construction, podium structures, and renovations. She received her Master's degree in Real Estate from the University of San Diego, and her undergraduate degree from UC Davis.

Emmerson Construction, Inc.
Project List
9/19/2018

	Project #	Project Name	City	State	Work	Resident Profile	Mixed Use?	Renovation/ New Const.	Status	Start	Complete	# Units	Contract Value	Architect	GC or CM
1	2-0989	Calexico Family Apartments	Calexico	CA	Slab on grade	Family	No	New	Completed	Feb-02	Jan-03	80	5,561,540	Hedenkamp	GC
2	2-0992	Brawley Family Apartments	Brawley	CA	Slab on grade	Family	No	New	Completed	Feb-02	Jan-03	81	6,452,208	Hedenkamp	GC
3	2-0991	Villa Lara	Imperial	CA	Slab on grade	Family	No	New	Completed	Mar-02	Dec-02	80	6,525,658	Hedenkamp	GC
4	3-1000	Holtville Gardens	Holtville	CA	Slab on grade	Senior	No	New	Completed	Oct-03	Sep-04	80	6,215,752	Hedenkamp	GC
5	3-1002	Countryside Family	El Centro	CA	Slab on grade	Family	No	New	Completed	Oct-03	Oct-04	80	7,155,000	Hedenkamp	GC
6	3-1001	Imperial Garden Senior	Imperial	CA	Slab on grade	Senior	No	New	Completed	Oct-03	Nov-04	80	6,443,020	Hedenkamp	GC
7	3-1004	Rancho Buena Vista	Chula Vista	CA	Slab on grade	Family	No	New	Completed	Nov-03	Aug-05	150	16,200,000	Hedenkamp	GC
8	3-1005	Rancho Del Norte	San Diego	CA	Slab on grade	Family	No	New	Completed	Dec-03	Apr-05	120	13,706,694	Hedenkamp	GC
9	3-1003	Westmorland Family	Westmorland	CA	Slab on grade	Family	No	New	Completed	Jan-04	Nov-04	64	6,900,000	Hedenkamp	GC
10	4-1006	Brawley Elks Senior	Brawley	CA	Slab on grade	Senior	No	New	Completed	Aug-04	May-05	80	6,994,322	Hedenkamp	GC
11	4-1006	Brawley Gardens	Brawley	CA	Slab on grade	Family	No	New	Completed	Aug-04	Jul-05	81	9,191,326	Hedenkamp	GC
12	4-1007	Heber Woods	Heber	CA	Slab on grade	Family	No	New	Completed	Oct-04	Jul-05	81	9,417,954	Hedenkamp	GC
13	5-1012	Meadow Village Road	Calexico	CA	Off-site work	Commercial	No	New	Completed	Feb-05	Feb-06	N/A	724,153	N/A	GC
14	4-1009	Fairbanks Ridge	San Diego	CA	Slab on grade	Family	No	New	Completed	Aug-05	Jul-06	204	29,254,314	Hedenkamp	GC
15	5-1018	City Heights Square	San Diego	CA	Slab on grade	Senior	No	New	Completed	Feb-06	Sep-07	150	21,468,768	Dominy	CM
16	4-1010	Hunter's Pointe	Carlsbad	CA	Slab on grade	Family	No	New	Completed	May-06	Jan-08	166	30,389,918	Hedenkamp	GC
17	5-1011	Villa Dorado	Calexico	CA	Slab on grade	Family	No	New	Completed	Oct-06	Jul-07	80	10,080,426	Hedenkamp	GC
18	5-1019	Villa Paloma	Heber	CA	Slab on grade	Family	No	New	Completed	Dec-06	Sep-07	72	9,864,435	Hedenkamp	GC
19	6-1024	DDE HQ - Office Building	El Centro	CA	Slab on grade	Commercial	No	New	Completed	Jan-07	Jul-07	N/A	1,130,219	Sanders	GC
20	5-1020	Villa Esperanza	Calipatria	CA	Slab on grade	Family	No	New	Completed	Jun-07	Jul-08	74	10,318,586	Hedenkamp	GC
21	5-1013	Tierra del Cielo	Somerton	AZ	Slab on grade	Family	No	New	Completed	Jul-08	May-09	34	3,913,810	Hedenkamp	GC
22	8-1038	Beachwind Court	Imperial Beach	CA	Slab on grade	Family	No	Renovation	Completed	Sep-08	Dec-08	16	891,747	Hedenkamp	GC
23	6-1021	Courtyard Terrace	San Diego	CA	Podium	Senior	No	New	Completed	Nov-08	Mar-10	88	17,700,000	Hedenkamp	GC
24	9-1040	Silver Sage	Lakeside	CA	Slab on grade	Family	No	New	Completed	Aug-09	Oct-10	80	12,794,227	Hedenkamp	GC
25	9-1041	St. Regis Park	Chula Vista	CA	Slab on grade	Family	No	Renovation	Completed	Sep-09	Aug-10	119	400,000	N/A	GC
26	9-1043	Cedar Creek	Santee	CA	Slab on grade	Family	No	New	Completed	Oct-09	Oct-10	48	7,332,286	Hedenkamp	GC

Emmerson Construction, Inc.
Project List
9/19/2018

Project #	Project Name	City	State	Work	Resident Profile	Mixed Use?	Renovation/ New Const.	Status	Start	Complete	# Units	Contract Value	Architect	GC or CM	
27	9-1044	Verbena	San Ysidro	CA	Slab on grade	Family	No	New	Completed	Mar-10	Jun-11	80	13,296,599	Hedenkamp	GC
28	10-1051	De Anza Hotel	Calexico	CA	Post & Beam	Senior	No	Renovation	Completed	Apr-10	Feb-11	94	598,402	Hedenkamp	GC
29	9-1045	Oakridge Apartments	Oakdale	CA	Slab on grade	Family	No	New	Completed	Jul-10	Dec-10	41	1,200,000	Basis	GC
30	10-1048	The Landings Phase II	Chula Vista	CA	Slab on grade	Family	No	New	Completed	Jul-10	Oct-11	143	23,610,280	McKinley	CM
31	6-1035	CityPlace	Bakersfield	CA	Slab on grade	Family	No	New	Completed	Sep-10	Dec-11	72	10,546,289	Hedenkamp	GC
32	6-1049	Villa Del Sol	San Diego	CA	Slab on grade	Farmworker	No	New	Completed	Dec-10	Sep-11	52	5,600,000	Hedenkamp	GC
33	6-1030	Villa Fortuna	Brawley	CA	Slab on grade	Farmworker	No	New	Completed	Jan-11	Sep-11	76	8,900,000	Hedenkamp	GC
34	10-1047	Estrella Del Mercado	San Diego	CA	Podium	Family	Yes	New	Completed	Feb-11	Oct-12	95	14,485,997	Saldie Rabines	GC
35	8-1039	Las Brisas	El Centro	CA	Slab on grade	Family	No	New	Completed	Jan-12	Aug-12	71	10,151,577	Hedenkamp	GC
36	6-1026	El Quintero	Calexico	CA	Slab on grade	Senior	No	New	Completed	Jan-12	Nov-12	54	4,669,035	Hedenkamp	GC
37	12-1056	Park Terramar	San Diego	CA	Landscape	Family	No	Renovation	Completed	Feb-12	Aug-12	21	342,631	N/A	GC
38	10-1052	Emperor Estates	Dinuba	CA	Slab on grade	Senior	No	New	Completed	Feb-12	Feb-13	62	8,862,257	Hedenkamp	GC
39	12-1065	Iris Apartments	Encinitas	CA	Landscape	Family	No	New	Completed	Apr-12	Feb-13	20	3,185,728	McKinley	GC
40	11-1055	Vista Terrace	Vista	CA	Landscape	Homeless Family	No	Renovation	Completed	Jul-12	Jul-13	48	3,218,327	Hedenkamp	GC
41	12-1058	St. Regis	Chula Vista	CA	Energy Upgrades	Family	No	Renovation	Completed	Aug-12	Jan-13	119	263,844	N/A	GC
42	12-1060	Park Place	Hobbs	NM	Slab on grade	Family	No	Renovation	Completed	Dec-12	Jan-14	88	7,055,677	Jeebs & Zuzu	CM
43	13-1067	CL Dellums Apartments	Oakland	CA	Slab on grade	Homeless	No	Renovation	Completed	Mar-13	May-13	76	4,354,469	John Stewart	CM
44	12-1061	Cesar Chavez Villas	Coachella	CA	Slab on grade	Farmworker	No	New	Completed	Mar-13	Mar-14	56	8,204,753	Hedenkamp	GC
45	12-1057	Fairbanks Commons	San Diego	CA	Slab on grade	Family	No	New	Completed	Nov-13	Nov-14	165	20,432,196	McKinley	GC
46	13-1068	Fairbanks Square	San Diego	CA	Slab on grade	Senior	No	New	Completed	Nov-13	Nov-14	100	9,200,000	McKinley	GC
47	13-1069	Versa at Civita	San Diego	CA	Slab on grade	Senior	No	New	Completed	Nov-13	May-15	150	17,109,905	McKinley	GC
48	13-1070	Alpha Square	San Diego	CA	Podium	Homeless	Yes	New	Completed	Apr-14	Sep-15	203	27,147,147	JWDA	GC
49	13-1071	Mill Creek Courtyard	Bakersfield	CA	Slab on grade	Family	No	New	Completed	Jul-14	Jul-15	62	6,600,950	Hedenkamp	GC
50	14-1075	Independence Point	San Diego	CA	Tuck Under	Family/ Disabled	No	New	Completed	Aug-14	Jul-15	32	7,380,985	OBR	GC
51	13-1066	Westminster Manor	San Diego	CA	Slab on grade	Senior	No	Renovation	Completed	Aug-14	Nov-15	156	12,570,976	Basis	GC
52	14-1077	Villa Primavera	Calexico	CA	Slab on grade	Family/ Disabled	No	New	Completed	Oct-14	Jul-15	48	8,097,520	Hedenkamp	GC

Emmerson Construction, Inc.
Project List
9/19/2018

Project #	Project Name	City	State	Work	Resident Profile	Mixed Use?	Renovation/ New Const.	Status	Start	Complete	# Units	Contract Value	Architect	GC or CM	
53	14-1078	Las Palmeras	Imperial	CA	Slab on grade	Farmworker	No	New	Completed	Nov-14	Dec-15	56	8,719,000	Hedenkamp	GC
54	14-1081	Rancho Del Sol	San Diego	CA	On grade w/garage	Family	No	New	Completed	Jan-15	Feb-16	94	11,967,088	Humphreys	GC
55	14-1079	Trolley Park Terrace	San Diego	CA	Podium	Family	No	New	Completed	Apr-15	Sep-16	52	13,568,298	McKinley	GC
56	15-1082	Mill Creek Village	Bakersfield	CA	Wrap	Family	No	New	Completed	Nov-15	Oct-16	63	12,444,783	Hedenkamp	GC
57	15-1085	Ouchi Courtyards	San Diego	CA	Podium	Family/ Disabled	Yes	New	Completed	Nov-15	May-17	45	11,616,272	Hedenkamp	GC
58	16-1096	Nelms Community Garden	Oceanside	CA	Community Garden	Commercial	No	New	Completed	Dec-15	Mar-16	N/A	117,364	N/A	GC
59	15-1087	Torrey Vale	San Diego	CA	On grade w/garage	Family	No	New	Completed	Jan-16	Oct-16	28	4,985,553	Bassenian Lagoni	GC
60	15-1083	Duetta at Millenia	Chula Vista	CA	Wrap	Family	No	New	Completed	Mar-16	Oct-17	87	14,452,135	JWDA	GC
61	15-1092	Volta at Millenia	Chula Vista	CA	Wrap	Senior	No	New	Completed	Mar-16	Oct-17	123	18,772,332	JWDA	GC
62	15-1091	Fairbanks Terrace	San Diego	CA	Slab on grade	Senior	No	New	Completed	Apr-16	Mar-17	83	10,228,891	McKinley	GC
63	15-1084	Mesa Verde	San Diego	CA	Podium	Family	No	New	Completed	Apr-16	Apr-18	90	17,174,144	McKinley	GC
64	15-1088	Roselawn Manor	Artesia	NM	Slab on grade	Family	No	New	Completed	Jun-16	Nov-17	63	10,250,000	Autotroph	CM
65	15-1089	Parkside Terrace	Hobbs	NM	Slab on grade	Family	No	New	Completed	Jun-16	Nov-17	65	9,860,000	Jeebs & Zuzu/ JV De Sousa	CM
66	15-1090	Juniper at The Preserve	Carlsbad	CA	Slab on grade	Family	No	New	Completed	Nov-16	Nov-17	64	10,312,118	McKinley	GC
67	16-1094	Villa Storia	Oceanside	CA	Slab on grade	Family	No	New	Completed	Mar-17	Dec-17	38	5,630,056	SummA	GC
68	16-1093	North Coast Terrace	Oceanside	CA	Podium	Homeless Family	No	New	Completed	Apr-17	Aug-18	32	10,386,340	Hedenkamp	GC
69	17-1101	Pedestrian Corridors Millenia	Chula Vista	CA	Off-site work	Commercial	No	New	Completed	Jun-17	Oct-17	N/A	537,028	JWDA	GC
70	16-1097	Cesar Chavez Villas Phase II	Coachella	CA	Slab on grade	Farmworker	No	New	Completed	Jun-17	Jun-18	80	13,244,171	Hedenkamp	GC
71	17-1100	Town & Country Village	San Diego	CA	Slab on grade	Family	No	Renovation	In Progress	Dec-17	Sep-18	145	12,230,429	Basis	GC
72	17-1102	Lofts at Normal Heights	El Cajon	CA	Slab on grade	Homeless Veteran	Yes	New	In Progress	Jan-18	Mar-19	53	10,999,708	McKinley	GC
73	17-1104	Schmale Family Senior Residence	Ramona	CA	Slab on grade	Senior	No	New	In Progress	Mar-18	Mar-19	62	12,337,933	Hedenkamp	GC
74	16-1095	Siena at Civita	San Diego	CA	Podium	Senior	Yes	New	In Progress	Apr-18	Aug-20	103	17,497,995	KTGY	GC
75	16-1095	Stylus at Civita	San Diego	CA	Podium	Family	Yes	New	In Progress	Apr-18	Aug-20	203	67,377,138	KTGY	GC
76	16-1095	Civita Retail	San Diego	CA	Podium	Commercial	No	New	In Progress	Apr-18	Aug-20	N/A	6,640,951	KTGY	GC
77	17-1103	Paseo La Paz	San Ysidro	CA	Slab on grade	Family	No	New	In Progress	May-18	Nov-19	139	22,412,161	JWDA	GC
78	17-1105	Pacifica at Playa Del Sol	San Diego	CA	Podium	Family/ Disabled	No	New	In Progress	Aug-18	Sep-19	42	9,317,486	Bassenian Lagoni	GC

Emmerson Construction, Inc.
 Project List
 9/19/2018

	Project #	Project Name	City	State	Work	Resident Profile	Mixed Use?	Renovation/ New Const.	Status	Start	Complete	# Units	Contract Value	Architect	GC or CM
79	18-1109	Villa Serena	San Diego	CA	Slab on grade	Senior	No	Renovation	Pending	Sep-18	3Q 2019	132	6,500,000	Basis	GC
80	18-1110	St. Regis Park	San Diego	CA	Slab on grade	Family	No	Renovation	Pending	Sep-18	3Q 2019	129	10,550,000	Basis	GC
81	18-1111	Regency Centre	San Diego	CA	Slab on grade	Family	No	Renovation	Pending	Sep-18	3Q 2019	100	9,780,000	Basis	GC
Total # of Units & Total Contract Values												6,543	864,021,281		

HOUSING AUTHORITY OF
THE CITY OF SAN DIEGO

RESOLUTION NUMBER HA-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO AUTHORIZING THE ISSUANCE OF ONE OR MORE MULTIFAMILY NOTES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$24,500,000 TO FINANCE THE ACQUISITION AND CONSTRUCTION OF A MULTIFAMILY RENTAL HOUSING FACILITY TO BE KNOWN AS EAST BLOCK SENIOR APARTMENTS, AND APPROVING AND AUTHORIZING RELATED DOCUMENTS AND ACTIONS.

WHEREAS, pursuant to Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code, as amended (Act), the Housing Authority of the City of San Diego (Authority) is authorized to incur indebtedness to finance the acquisition, construction and equipping of multifamily rental housing; and

WHEREAS, Fairmount Senior Housing CIC, LP, a California limited partnership (Borrower), has requested that the Authority borrow funds and loan the funds to the Borrower to finance costs, and to reimburse advances made by U.S. Bank National Association from proceeds of a loan to the Borrower (U.S. Bank Loan) to finance costs, in each case of the Borrower's acquisition and construction of a multifamily residential rental housing facility to be known as "East Block Senior Apartments" (Project), consisting of 117 apartment units to be located at 4320 44th Street, San Diego, California; and

WHEREAS, the Board of Commissioners of the Authority (Board) desires that a portion of the units in the Project be available for low and very low income persons or families, and to

accomplish such purpose it is desirable for the Authority to issue one or more revenue notes to finance costs of the acquisition and construction of the Project; and

WHEREAS, the Authority intends to issue its Housing Authority of the City of San Diego Multifamily Housing Revenue Note (East Block Senior Apartments) Series 2020C-1 (Note C-1) in a principal amount not to exceed \$22,000,000, and its Housing Authority of the City of San Diego Multifamily Housing Revenue Note (East Block Senior Apartments) Series 2020C-2 (Note C-2 and, together with Note C-1, Notes) in a principal amount not to exceed \$2,500,000, evidencing a loan by Citibank, N.A. (Funding Lender) to the Authority to fund a loan to the Borrower; and

WHEREAS, the Authority will loan the proceeds of the Notes to the Borrower (Mortgage Loan) and the Borrower will use the proceeds of the Notes to finance costs, and to reimburse advances of the U.S. Bank Loan used to finance costs, of the acquisition and construction of the Project; and

WHEREAS, the City Council of the City of San Diego, by its Resolution R-312598, effective August 5, 2019, approved the Authority's issuance of the Note C-1 after publication of a "TEFRA" notice and the holding on July 30, 2019 of a "TEFRA" hearing, as required by the Internal Revenue Code of 1986, as amended (Code), and applicable United States Treasury Regulations; and

WHEREAS, California Government Code section 8869.85 requires that a local agency file an application with the California Debt Limit Allocation Committee (CDLAC) and obtain CDLAC's authorization to issue tax-exempt multifamily housing revenue obligations; and

WHEREAS, on October 16, 2019, CDLAC allocated to the Project \$22,000,000 of available State of California ceiling for private activity bonds under section 146 of the Code to be used in connection with the issuance of the Note C-1; and

WHEREAS, the following documents are presented for consideration:

(1) The form of Funding Loan Agreement (Funding Loan Agreement), by and among the Authority, The Bank of New York Mellon Trust Company, N.A., as fiscal agent (Fiscal Agent), and the Funding Lender, including the form of the Notes attached to the Funding Loan Agreement as Exhibit A; and

(2) The form of Borrower Loan Agreement (Borrower Loan Agreement), by and between the Authority and the Borrower; and

(3) The form of Regulatory Agreement and Declaration of Restrictive Covenants (Regulatory Agreement), by and between the Authority and the Borrower; and

WHEREAS, each of the above-referenced documents is in appropriate form and is an appropriate instrument to be executed and delivered for the purposes intended; NOW, THEREFORE,

BE IT RESOLVED, by the Housing Authority of the City of San Diego, as follows:

Section 1. Finding and Determination. It is found and determined that it is necessary and desirable for the Authority to provide for the financing of the acquisition and construction of the Project through the execution and delivery of the Notes in order to assist persons of low and very low income within the City of San Diego in obtaining decent, safe, and sanitary housing and to achieve certain other public purposes.

Section 2. Authorization of Notes. For the purpose of financing costs of the acquisition and construction of the Project, the Authority approves the issuance of the Note C-1 in a principal amount not to exceed \$22,000,000, and the issuance of the Note C-2 in a principal amount not to exceed \$2,500,000. The Notes shall be issued in the principal amounts, and shall bear interest (which shall not exceed 12% per annum) and mature (not later than 45 years from the date of execution and delivery thereof) as provided in the Funding Loan Agreement. The Notes shall be in substantially the form attached as Exhibit A to the Funding Loan Agreement, with such appropriate variations, omissions, insertions, and provisions as are required or permitted by the Funding Loan Agreement. The Notes shall be special, limited obligations of the Authority and shall be payable as to principal and interest, and the obligations of the Authority under the Funding Loan Agreement shall be paid and satisfied, solely from the revenues, receipts and other moneys and assets pledged under the Funding Loan Agreement.

Section 3. Execution and Delivery of the Notes. The Notes shall be executed on behalf of the Authority by the manual or facsimile signature of the Chairman of the Authority (Chairman), the Vice Chairman of the Authority (Vice Chairman), the Executive Director of the Authority (Executive Director), the Senior Vice President of Real Estate Finance and Portfolio Management (Senior Vice President) of the San Diego Housing Commission (Housing Commission), the Vice President of Multifamily Housing Finance of the Housing Commission (Senior Director), or the Executive Vice President and Chief of Staff of the Housing Commission (VPCOS).

Section 4. Approval of the Funding Loan Agreement. The Funding Loan Agreement, in the form on file in the Housing Commission offices, is approved. The Chairman, the Vice Chairman, the Executive Director, the Senior Vice President, the Senior Director, the VPCOS and the Deputy Secretary of the Authority, or the designee of any such officer (such officers and any

of his or her respective designees are hereinafter referred to as the Designated Officers) are each hereby authorized to execute and deliver the Funding Loan Agreement in such form, together with such changes as may be approved by the Designated Officer executing the same, upon consultation with the General Counsel to the Authority, such execution to constitute conclusive evidence of the approval of all changes from the form of the Funding Loan Agreement approved at this meeting.

Section 5. Approval of Borrower Loan Agreement. The Borrower Loan Agreement, in the form on file in the Housing Commission offices, is approved. The Designated Officers are each hereby authorized to execute and deliver the Borrower Loan Agreement in such form, together with such changes as may be approved by the Designated Officer executing the same, in consultation with the General Counsel to the Authority, such execution to constitute conclusive evidence of the approval of all changes from the form of the Borrower Loan Agreement approved at this meeting.

Section 6. Approval of Regulatory Agreement. The Regulatory Agreement, in the form on file in the Housing Commission offices, is approved. The Designated Officers are each authorized to execute and deliver the Regulatory Agreement in such form, together with such changes as may be approved by the Designated Officer executing the same, in consultation with the General Counsel to the Authority, such execution to constitute conclusive evidence of the approval of all changes from the form of the Regulatory Agreement approved at this meeting.

Section 7. Environmental. On December 19, 2017, the City made and issued an environmental determination that the Project is exempt from the California Environmental Quality Act (CEQA) under CEQA Guidelines section 15305, and there was no appeal of the environmental determination filed within the time period provided by San Diego Municipal Code (SDMC) section 112.0520.

Section 8. Actions Ratified and Authorized. All prior actions taken by the officers, employees, and agents of the Authority with respect to the issuance and sale of the Notes are approved, confirmed, and ratified, and the Designated Officers are each authorized, for and in the name and on behalf of the Authority, to take any and all actions and execute and deliver any and all certificates, agreements (including a tax agreement or no arbitrage certificate), any assignments of security documents or deed of trust, and other documents, including but not limited to those described in any of the documents approved by this Resolution, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Notes and the making of the loan pursuant to the Funding Loan Agreement in accordance with the Act and this Resolution.

Section 9. Further Consents, Approvals and Other Actions. All consents, approvals, notices, orders, requests, and other actions permitted or required by any of the documents authorized by this Resolution or otherwise appropriate in the administration of the Notes and the lending program financed by the Notes, including without limitation any of the foregoing which may be necessary or desirable in connection with any amendment of such documents, any transfer of the Project, any appointment or substitution of fiscal agent or lender, any substitution of security for the Notes, or any prepayment in full or in part of the Notes may be taken or given by any of the Designated Officers, in consultation with the Authority's General Counsel, without further authorization by the Board, and the Designated Officers are authorized and directed to give any such consent, approval, notice, order or request and to take any such action which such officer may deem necessary or desirable to further the purposes of this Resolution.

Section 10. Severability. If any section, paragraph, or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph, or provision shall not affect any remaining provisions of this Resolution.

Section 11. Effective Date. This Resolution shall take effect immediately upon its adoption.

APPROVED: MARA W. ELLIOTT, General Counsel

By: _____
Marguerite E. Middaugh
Deputy General Counsel

MEM:jdf
03/17/2020
Or. Dept: Housing Authority
Doc. No.: 2355982

BORROWER LOAN AGREEMENT

between the

**HOUSING AUTHORITY OF THE CITY OF SAN DIEGO,
as Governmental Lender**

and

**FAIRMOUNT SENIOR HOUSING CIC, LP,
a California limited partnership
as Borrower**

Dated as of April 1, 2020

Relating to:

\$ _____

**Funding Loan originated by CITIBANK, N.A., as Funding Lender
from the proceeds of the**

\$22,000,000

**Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(East Block Senior Apartments), Series 2020C-1**

and

\$ _____

**Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(East Block Senior Apartments), Series 2020C-2 (Taxable)**

The interest of the Governmental Lender in this Borrower Loan Agreement (except for certain rights described herein) has been pledged and assigned to Citibank, N.A., as funding lender (the "Funding Lender"), under that certain Funding Loan Agreement, of even date herewith, by and among the Housing Authority of the City of San Diego (the "Governmental Lender"), The Bank of New York Mellon Trust Company, N.A., as fiscal agent, and the Funding Lender, under which the Funding Lender is originating a loan to the Governmental Lender the proceeds of which are to be used to fund the Borrower Loan made under this Borrower Loan Agreement.

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BORROWER LOAN AGREEMENT

This Borrower Loan Agreement, dated as of April 1, 2020 (this "Borrower Loan Agreement") is entered into by the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body corporate and politic, organized and existing under the laws of the State of California (together with its successors and assigns, the "Governmental Lender"), and FAIRMOUNT SENIOR HOUSING CIC, LP, a California limited partnership (together with its successors and assigns, the "Borrower").

RECITALS:

WHEREAS, the Governmental Lender is a public body, corporate and politic, duly organized and validly existing under the laws of the State of California; and

WHEREAS, the Governmental Lender is empowered pursuant to Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code (the "Act") to: (a) make loans to any person to provide financing for residential rental developments located within the City of San Diego, California, and intended to be occupied in part or in whole by persons of low and moderate income; (b) borrow funds for the purpose of obtaining moneys to make such loans and provide such financing, to establish necessary reserve funds and to pay administrative costs and other costs incurred in connection with any such borrowing by the Governmental Lender; and (c) pledge all or any part of the revenues and receipts to be received by the Governmental Lender from or in connection with such loans, and to mortgage, pledge or grant security interests in such loans in order to secure the repayment of any such borrowing by the Governmental Lender; and

WHEREAS, the Borrower has applied to the Governmental Lender for a loan (the "Borrower Loan"), for the acquisition, construction, development and equipping of an 117 unit (including two managers' unit) multifamily rental housing development located at 4320 44th Street in the City of San Diego, County of San Diego, California, known as "East Block Senior Apartments"; and

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

WHEREAS, the Borrower has requested that the Governmental Lender enter into that certain Funding Loan Agreement, of even date herewith (the "Funding Loan Agreement"), among the Governmental Lender, The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"), and Citibank, N.A. (the "Funding Lender"), under which the Funding Lender will make a loan (the "Funding Loan") to the Governmental Lender (and the Governmental Lender will issue its Governmental Lender Notes (as defined herein) in connection therewith), the proceeds of which will be loaned under this Borrower Loan Agreement to the Borrower to finance costs, and to reimburse advances made on the Construction Loan (as defined herein) to finance costs, of the acquisition and construction of the Project (as defined herein); and

WHEREAS, the Borrower Loan is secured by, among other things, that certain Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (California) (as amended, restated and/or supplemented from time to time, the "Security Instrument"), of even date herewith and assigned without recourse to the Funding Lender to secure the Funding Loan, encumbering the Project, and will be advanced to the Borrower pursuant to this Borrower Loan Agreement, the Funding Loan Agreement and the Construction Funding Agreement (as defined herein); and

AGREEMENT:

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

ARTICLE I

DEFINITIONS; PRINCIPLES OF CONSTRUCTION

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

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

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

(c) All references in this instrument to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and subdivisions of this instrument as originally executed.

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

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

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

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

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

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

"Additional Borrower Payments" shall mean the payments payable pursuant to Section 2.5 (Additional Borrower Payments), Section 2.6 (Overdue Payments; Payments in Default), Section 3.3.3 of the Construction Funding Agreement (Borrower Loan in

Balance), Section 5.14 (Expenses), and Section 10 of the Borrower Notes (Voluntary and Involuntary Prepayments).

“Administrative General Partner” shall mean CIC Fairmount Senior Housing, LLC, a California limited liability company.

“Agreement of Environmental Indemnification” shall mean the Agreement of Environmental Indemnification, of even date herewith, executed by the Borrower and Guarantor for the benefit of the Beneficiary Parties (as defined therein) and any lawful holder, owner or pledgee of the Borrower Note from time to time.

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

“Approved Developer Fee Schedule” shall have the meaning set forth in the Construction Funding Agreement.

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

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

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

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

“Bankruptcy Event” shall have the meaning given to that term in the Security Instrument.

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

“Beneficiary Parties” shall mean, collectively, the Funding Lender and the Governmental Lender.

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

“Borrower Affiliate” means, as to the Borrower, its general partner or the Guarantor, (i) any entity that directly or indirectly owns, controls, or holds with power to vote, 20 percent or more of the outstanding voting securities of Borrower, its general partner or the Guarantor, (ii) any corporation 20 percent or more of whose outstanding

voting securities are directly or indirectly owned, controlled or held with power to vote by the Borrower, its general partner or the Guarantor, (iii) any partner of Borrower, its general partner or the Guarantor, or (iv) any other person that is related (to the third degree of consanguinity) by blood or marriage to the Borrower, its general partner or the Guarantor (to the extent any of the Borrower, its general partner or the Guarantor is a natural person).

“Borrower Controlling Entity” shall mean the Managing General Partner of the Borrower.

“Borrower Deferred Equity” shall have the meaning set forth in the Construction Funding Agreement.

“Borrower Initial Equity” shall have the meaning set forth in the Construction Funding Agreement.

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

“Borrower Loan Agreement” shall mean this Borrower Loan Agreement.

“Borrower Loan Amount” shall mean \$_____, the original maximum principal amount of the Borrower Notes.

“Borrower Loan Documents” shall mean this Borrower Loan Agreement, the Construction Funding Agreement, the Borrower Notes, the Security Instrument, the Agreement of Environmental Indemnification, the Replacement Reserve Agreement, the Guaranty, the Contingency Draw Down Agreement, and all other documents or agreements evidencing or relating to the Borrower Loan.

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

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

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

“Borrower Notes” shall mean, collectively, the Series 2020C-1 Borrower Note and the Series 2020C-2 Borrower Note.

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

“Business Day” shall mean any day other than (i) a Saturday or Sunday, or (ii) a day on which the Fiscal Agent or federally insured depository institutions in New York,

New York or California are authorized or obligated by law, regulation, governmental decree or executive order to be closed.

“Calculation Period” shall mean three (3) consecutive full Calendar Months occurring prior to the Conversion Date, as the same may be extended in accordance with Section 3.1 hereof.

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

“CC&R’s” shall mean any covenants, conditions, restrictions, maintenance agreements or reciprocal easement agreements affecting the Project or the Mortgaged Property.

“Closing Date” means April 10, 2020, the date that the initial Borrower Loan Proceeds are disbursed hereunder.

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

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

“Completion” shall have the meaning set forth in Section 5.25.

“Completion Date” shall have the meaning set forth in the Construction Funding Agreement.

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

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

“Conditions to Conversion” shall have the meaning set forth in the Construction Funding Agreement.

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

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

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

“Construction Loan” means the loan made by U.S. Bank National Association and one or more other lenders to the Borrower pursuant to the Construction Loan Agreement.

“Construction Loan Agreement” means the Construction Loan Agreement, dated April __, 2020, among the Borrower, U.S. Bank National Association, as “Administrative Agent,” the lenders referred to therein, and U.S. Bank National Association, as “Sole Lead Arranger and Sole Book Runner.”

“Construction Schedule” shall mean a schedule of construction progress with the anticipated commencement and completion dates of each phase of construction, and the anticipated date and amounts of each Disbursement for the same, as approved by Funding Lender, as assignee of the Governmental Lender, as it may be updated from time to time.

“Contingency Draw-Down Agreement” means the Contingency Draw-Down Agreement dated of even date herewith, among the Fiscal Agent, the Funding Lender and the Borrower relating to possible conversion of the Funding Loan from a draw down loan to a fully funded loan.

“Continuing Disclosure Agreement” shall mean that certain Continuing Disclosure Agreement dated of even date herewith, between the Borrower and the Funding Lender, pursuant to which the Borrower agrees to provide certain information with respect to the Project, the Borrower and the Funding Loan subsequent to the Closing Date, as amended, supplemented or restated from time to time.

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

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

“Conversion” shall mean Funding Lender’s determination that the Conditions to Conversion have been satisfied in accordance with the provisions of this Borrower Loan Agreement and the Construction Funding Agreement.

“Conversion Date” shall mean the date to be designated by Funding Lender once the Conditions to Conversion have been satisfied, the determination of the Permanent Period Amount has been made and any loan balancing payments in accordance with Section 3.3 hereof and the Construction Funding Agreement have been made. The Conversion Date must occur no later than the Outside Conversion Date (or Extended Outside Conversion Date, as applicable).

“Cost Breakdown” shall mean the schedule of costs for the Improvements, as set forth in the Construction Funding Agreement, as the same may be amended from time to time with Funding Lender’s consent.

“Cost of Improvements” shall mean the costs for the Improvements, as set forth on the Cost Breakdown.

“Costs of Funding” shall mean the Governmental Lender’s Closing Fee and the fees, costs, expenses and other charges incurred in connection with the funding of the Borrower Loan and the Funding Loan, the negotiation and preparation of this Borrower Loan Agreement and each of the other Borrower Loan Documents and Funding Loan Documents and shall include, but shall not be limited to, the following: (i) counsel fees (including but not limited to Tax Counsel, counsel to the Governmental Lender, Borrower’s counsel, Fiscal Agent’s counsel and Funding Lender’s counsel); (ii) municipal advisor fees incurred in connection with the closing of the Borrower Loan and the Funding Loan; (iii) Fiscal Agent fees and expenses payable on the Closing Date; (iv) recording fees; (v) any additional fees charged by the Governmental Lender or the Fiscal Agent; and (vi) costs incurred in connection with the required public notices generally and costs of the public hearing.

“Costs of Funding Deposit” shall mean the amount required to be deposited by the Borrower with the Title Company to pay Costs of Funding in connection with the closing of the Borrower Loan and the Funding Loan on the Closing Date.

“Date of Disbursement” shall mean the date of a Disbursement.

“Day” or “Days” shall mean calendar days unless expressly stated to be Business Days.

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

“Default Rate” shall have the meaning given to that term in the Borrower Notes.

“Determination of Taxability” shall mean (i) a determination by the Commissioner or any District Director of the Internal Revenue Service, (ii) a private ruling or Technical Advice Memorandum concerning the Series 2020C-1 Governmental Lender Note issued by the National Office of the Internal Revenue Service in which Governmental Lender and Borrower were afforded the opportunity to participate, (iii) a determination by any court of competent jurisdiction, (iv) the enactment of legislation or (v) receipt by the Funding Lender, at the request of the Governmental Lender, the Borrower or the Funding Lender, of an opinion of Tax Counsel, in each case to the effect that the interest on the Series 2020C-1 Governmental Lender Note is includable in gross income for federal income tax purposes of any holder or any former holder of all or a portion of the Series 2020C-1 Governmental Lender Note, other than a holder who is a “substantial user” of the Project or a “related person” (as such terms are defined in Section 147(a) of the Code); provided, however, that no such Determination of Taxability under clause (i) or (iii) shall be deemed to have occurred if the Governmental Lender (at the sole expense of the Borrower), the Funding Lender (at the sole expense of the Borrower) or the Borrower is contesting such determination, has elected to contest such determination in good faith and is proceeding

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

“Developer Fee” shall have the meaning set forth in the Construction Funding Agreement.

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

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

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

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

“Equity Contributions” shall mean the equity to be contributed by the Equity Investor to Borrower, in accordance with and subject to the terms of the Partnership Agreement.

“Equity Investor” shall mean U.S. Bancorp Community Development Corporation, and its permitted successors and assigns.

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

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

“Event of Default” shall mean any Event of Default set forth in Section 8.1 of this Borrower Loan Agreement. An Event of Default shall “exist” if a Potential Default shall have occurred and be continuing beyond any applicable cure period.

“Excess Revenues” shall have the meaning ascribed thereto in Section 2.2(e) hereof.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

“Expenses of the Project” shall mean, for any period, the current expenses, paid or accrued, for the operation, maintenance and current repair of the Project, as calculated in accordance with GAAP, and shall include, without limiting the generality of the foregoing, salaries, wages, employee benefits, cost of materials and supplies, costs of routine repairs, renewals, replacements and alterations occurring in the usual course of

business, costs and expenses properly designated as capital expenditures (e.g. repairs which would not be payable from amounts on deposit in a repair and replacement fund held pursuant to the Borrower Loan Documents), a management fee (however characterized) not to exceed the Underwritten Management Fee, costs of billings and collections, costs of insurance, and costs of audits. Expenses of the Project shall not include any payments, however characterized, on account of any subordinate financing in respect of the Project or other indebtedness, allowance for depreciation, amortization or other non-cash items, gains and losses or prepaid expenses not customarily prepaid.

“Extended Outside Conversion Date” shall have the meaning set forth in the Construction Funding Agreement.

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

“Fiscal Agent” shall mean the Fiscal Agent from time to time under and pursuant to the Funding Loan Agreement. Initially, the Fiscal Agent is The Bank of New York Mellon Trust Company, N.A..

“Funding Lender” shall mean Citibank, N.A., a national banking association, in its capacity as lender under the Funding Loan.

“Funding Loan” means the Funding Loan in the original maximum principal amount of \$_____ made by Funding Lender to Governmental Lender under the Funding Loan Agreement, the proceeds of which are used by the Governmental Lender to make the Borrower Loan.

“Funding Loan Agreement” means the Funding Loan Agreement, of even date herewith, among the Governmental Lender, the Fiscal Agent and the Funding Lender, as it may from time to time be supplemented, modified or amended by one or more amendments or other instruments supplemental thereto entered into pursuant to the applicable provisions thereof.

“Funding Loan Documents” shall have the meaning given to that term in the Funding Loan Agreement.

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

“General Partner” shall mean, collectively, (i) the Administrative General Partner, (ii) the Managing General Partner, and/or (iii) any other Person that the partners of the Borrower, with the prior written approval of the Funding Lender (or as otherwise permitted with the Funding Lender’s approval pursuant to the Borrower Loan Documents), selected to be a general partner of the Borrower.

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

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

“Governmental Lender Notes” shall mean, collectively, the Series 2020C-1 Governmental Lender Note and the Series 2020C-2 Governmental Lender Note.

“Governmental Lender’s Closing Fee” shall mean the administrative fees of the Governmental Lender payable on the Closing Date, as specified in the definition of “Governmental Lender Fee” in the Regulatory Agreement. The Governmental Lender’s Closing Fee is payable to the Governmental Lender on the Closing Date pursuant to Section 2.3(c)(iii) hereof.

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

“Gross Proceeds” shall mean, without duplication, the aggregate of:

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

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

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

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

“Guarantor” shall mean, as applicable, (i) Chelsea Investment Corporation, and (ii) any other person or entity which may hereafter become a guarantor of any of the Borrower’s obligations under the Borrower Loan.

“Guaranty” shall mean, collectively, (i) the Completion and Repayment Guaranty, by Chelsea Investment Corporation, as Guarantor for the benefit of the Beneficiary Parties (as defined therein), and (ii) the Exceptions to Non-Recourse Guaranty, by Chelsea Investment Corporation as Guarantor for the benefit of the Beneficiary Parties (as defined therein), each dated of even date herewith.

“Improvements” shall mean the 117-unit multifamily rental housing development (including two managers’ unit) to be constructed upon the Land and known as “East Block Senior Apartments”, and all other buildings, structures, fixtures, wiring, systems, equipment and other improvements and personal property to be constructed and/or installed at or on the Land in accordance with the Cost Breakdown and the Plans and Specifications.

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

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

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

“Interim Phase Amount” shall mean \$_____.

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

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

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

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

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

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

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

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

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

“Managing General Partner” shall mean Fairmount and El Cajon Realty, LLC, a California limited liability company, as managing general partner of the Borrower.

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

“Moody’s” shall mean Moody’s Investors Service, Inc., or its successor.

“Mortgaged Property” shall have the meaning given to that term in the Security Instrument.

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

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

“Ongoing Governmental Lender Fee” shall mean the ongoing portion of the Governmental Lender Fee (as that term is defined in the Regulatory Agreement) that is payable after the Closing Date.

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

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

“Outside Conversion Date” shall have the meaning set forth in the Construction Funding Agreement.

“Partnership Agreement” shall mean that certain Amended and Restated Agreement of Limited Partnership of the Borrower dated as of _____, 2020, as the same may be amended, restated or modified from time to time in accordance with its terms.

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

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

“Permanent Period” shall mean the period of time from the Conversion Date to the Maturity Date (as defined in the Funding Loan Agreement).

“Permanent Period Amount” shall mean the principal amount of the Borrower Loan as of the first day of the Permanent Period following the applicable calculation provided for in the Construction Funding Agreement.

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

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

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

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

“Plans and Specifications” shall mean the plans and specifications, and all approved changes thereto pursuant to the approval process set forth in the Construction Funding Agreement, for the construction of the Project approved by Funding Lender.

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

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

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

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

“Provided Information” shall have the meaning set forth in Section 9.1.1 (a) hereof.

“Qualified Project Costs” shall mean costs paid with respect to the Project that meet each of the following requirements: (i) the costs are properly chargeable to capital account (or would be so chargeable with a proper election by the Borrower or but for a proper election by the Borrower to deduct such costs) in accordance with general federal income tax principles and in accordance with Section 1.103-8(a)(1) of the Regulations (as defined in the Funding Loan Agreement), provided, however, that only such portion of the interest accrued during construction of the Project shall be eligible to be a Qualified Project Cost as bears the same ratio to all such interest as the Qualified Project Costs bear to all costs of the acquisition and construction of the Project; and provided further that interest accruing after the date of completion of the Project shall not be a Qualified Project Cost; and provided still further that if any portion of the Project is being constructed by a Borrower Affiliate (whether as general contractor or a subcontractor), Qualified Project Costs shall include only (A) the actual out of pocket costs incurred by such affiliate in constructing the Project (or any portion thereof), and (B) any overhead expenses incurred by such affiliate which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an “affiliated group” (within the meaning of Section 1504 of the Code) participating in the construction of the Project or payments received by such affiliate due to early completion of the Project (or any portion thereof); (ii) the costs are paid with respect to a qualified residential rental project or projects within the meaning of Section 142(d) of the Code, (iii) the costs are paid after the earlier of 60 days prior to July 16, 2019, being the date on which the Governmental Lender first declared its “official intent” to reimburse costs paid with respect to the Project (within the meaning of Section 1.150 2 of the Regulations) or the date of issue of the Governmental Lender Notes, and (iv) if the costs of the acquisition and construction of the Project were previously paid and are to be reimbursed with proceeds of the Funding Loan such costs were (A) “preliminary expenditures” (within the meaning of Section 1.150 2(f)(2) of the Regulations) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of acquisition and

construction of the Project that do not exceed twenty percent (20%) of the issue price of the Series 2020C-1 Governmental Lender Note (as defined in Section 1.148-1 of the Regulations), or (B) were capital expenditures with respect to the Project that are reimbursed no later than 18 months after the later of the date the expenditure was paid or the date the Project is placed in service (but no later than three years after the expenditures is paid); provided, however, that (w) Costs of Funding shall not be deemed to be Qualified Project Costs; (x) fees, charges or profits (including, without limitation, developer fees) payable to the Borrower or a "related person" (within the meaning of Section 144(a)(3) of the Code) shall not be deemed to be Qualified Project Costs; (y) letter of credit fees and municipal bond insurance premiums which represent a transfer of credit risk and are allocable to the construction period of the Project shall be allocated between Qualified Project Costs and other costs and expenses to be paid from the proceeds of the Funding Loan; and (z) letter of credit fees and municipal bond insurance premiums which do not represent a transfer of credit risk (including, without limitation, letter of credit fees payable to a "related person" to the Borrower) shall not constitute Qualified Project Costs.

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

"Rebate Analyst" shall mean the rebate analyst selected by the Borrower and acceptable to the Governmental Lender and the Funding Lender within thirty (30) days of the Closing Date.

"Rebate Analyst's Fee" shall mean the annual fee of the Rebate Analyst payable by the Borrower to the Rebate Analyst.

"Rebate Fund" shall mean the Rebate Fund created pursuant to Section 5.35 hereof.

"Regulatory Agreement" means the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of April 1, 2020, between the Governmental Lender and the Borrower.

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

"Replacement Reserve Agreement" shall mean the Replacement Reserve Agreement, of even date herewith, between the Borrower and the Funding Lender, as the same may be amended, restated or supplemented from time to time.

"Replacement Reserve Fund Requirement" means Borrower's funding obligations from time to time under the Replacement Reserve Agreement.

"Retainage" shall have the meaning set forth in the Construction Funding Agreement.

“Review Fee” shall mean the three thousand dollar (\$3,000) fee payable to Funding Lender in connection with the review of requests from the Borrower in connection with events requiring the consent and/or approval of the Funding Lender, including, but not limited to, subordinate financings and easements.

“Secondary Market Disclosure Document” shall have the meaning set forth in Section 9.1.2 hereof.

“Secondary Market Transaction” shall have the meaning set forth in Section 9.1.1 hereof.

“Securities” shall have the meaning set forth in Section 9.1.1 hereof.

“Securities Act” shall mean the Securities Act of 1933, as amended.

“Security Documents” shall mean the Security Instrument, the Replacement Reserve Agreement, the Collateral Agreements, the Collateral Assignments, this Borrower Loan Agreement, the Agreement of Environmental Indemnification, and such other security instruments that Funding Lender may reasonably request.

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

“Series 2020C-1 Borrower Note” shall mean that certain Multifamily Note, dated the Closing Date, in the original maximum principal amount of \$22,000,000, made by the Borrower and payable to the Governmental Lender, evidencing the loan of the proceeds of the Series 2020C-1 Governmental Lender Note, as endorsed and assigned by the Governmental Lender without recourse to the Funding Lender, as executed by the Borrower, and as it may thereafter be amended or supplemented from time to time.

“Series 2020C-1 Governmental Lender Note” shall mean that certain Housing Authority Multifamily of the City of San Diego Housing Revenue Note (East Block Senior Apartments), Series 2020C-1, dated the Closing Date, in the original maximum principal amount of \$22,000,000, made by the Governmental Lender and payable to the Funding Lender, as executed by the Governmental Lender and as it may thereafter be amended or supplemented from time to time.

“Series 2020C-2 Borrower Note” shall mean that certain Multifamily Note, dated the Closing Date, in the original maximum principal amount of \$_____, made by the Borrower and payable to the Governmental Lender, evidencing the loan of the proceeds of the Series 2020C-2 Governmental Lender Note, as endorsed and assigned by the Governmental Lender without recourse to the Funding Lender, as executed by the Borrower, and as it may thereafter be amended or supplemented from time to time.

“Series 2020C-2 Governmental Lender Note” shall mean that certain Housing Authority of the City of San Diego Multifamily Housing Revenue Note (East Block Senior Apartments), Series 2020C-2 (Taxable), dated the Closing Date, in the original maximum principal amount of \$_____, made by the Governmental Lender and payable to the Funding Lender, as executed by the Governmental Lender and as it may thereafter be amended or supplemented from time to time

“Servicer” shall mean the Servicer contracting with or appointed by the Funding Lender to service the Borrower Loan. The initial Servicer shall be Citibank, N.A.

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

“Standard & Poor’s” or “S&P” shall mean S&P Global Ratings, a business unit of Standard & Poor’s Rating Services, or its successors.

“State” shall mean the State in which the Project is located.

“Subordinate Debt” shall mean (i) the \$_____ loan from _____ to the Borrower (ii) the \$_____ loan from San Diego Housing Commission to Borrower, and (iii) the \$_____ loan from _____ to Borrower.

“Subordinate Lender” shall mean, individually or collectively as the context shall require, _____, San Diego Housing Commission and _____.

“Subordinate Loan Documents” shall mean, collectively, all instruments, agreements and other documents evidencing, securing or otherwise relating to the Subordinate Debt or executed and delivered by Borrower and/or Subordinate Lender in connection with the Subordinate Debt.

“Substantial Completion Date” shall have the meaning set forth in the Construction Funding Agreement.

“Substantially Complete” or “Substantially Completed” shall have the meaning set forth in the Construction Funding Agreement.

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

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

“Term” shall mean the term of this Borrower Loan Agreement pursuant to Section 10.14.

“Title Company” means First American Title Insurance Company.

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

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

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

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

“Underwritten Management Fee” shall have the meaning set forth in the Construction Funding Agreement.

“Unit” shall mean a residential apartment unit within the Improvements.

“Written Consent” and “Written Notice” shall mean a written consent or notice signed by an Authorized Borrower Representative or an authorized representative of the Governmental Lender or the Funding Lender, as appropriate.

ARTICLE II

GENERAL

Section 2.1 Origination of Borrower Loan. In order to provide funds for the purposes provided herein, the Governmental Lender agrees that it will, in accordance with the Act, enter into the Funding Loan Agreement and accept the Funding Loan from the Funding Lender. The proceeds of the Funding Loan shall be advanced by the Funding Lender and disbursed by the Fiscal Agent to the Borrower in accordance with the terms of the Construction Funding Agreement, the Funding Loan Agreement and this Borrower Loan Agreement; provided that the first such disbursement on the Closing Date shall be made by the Funding Lender to the Fiscal Agent, which shall transfer such funds to the Title Company as specified in Section 7.7(a) of the Funding Loan Agreement.

The Governmental Lender hereby appoints the Funding Lender as its agent with full authority and power to act on its behalf to disburse the Borrower Loan for the account of the Governmental Lender, to take certain actions and exercise certain remedies with respect to the Borrower Loan, and for the other purposes set forth in this Borrower Loan Agreement and to do all other acts necessary or incidental to the performance and execution thereof to the extent those actions and remedies are not delegated to the Fiscal Agent. This appointment is coupled with an interest and is irrevocable except as expressly set forth herein. Accordingly, references to the rights of the Funding Lender to take actions under this Borrower Loan Agreement shall refer to Funding Lender in its role as agent of the Governmental Lender. The Funding Lender may designate Servicer to fulfill the rights and responsibilities granted by Governmental Lender to Funding Lender pursuant to this Section 2.1. Notwithstanding the foregoing, disbursements of the Borrower Loan shall be made from the Project Fund held by the Fiscal Agent pursuant to the Funding Loan Agreement.

Section 2.2 Security for the Funding Loan.

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

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

(i) Tax Covenants. Seek specific performance of, and enforce, the tax covenants in Section 8.7 of the Funding Loan Agreement, the provisions of the Regulatory

Agreement, the Tax Certificate and the covenants of the Borrower in Section 5.34 of this Borrower Loan Agreement, and seek injunctive relief against acts which may be in violation of any of the foregoing covenants, and enforce the Borrower's obligation under Section 5.35 to pay amounts for credit to the Rebate Fund;

(ii) Regulatory Agreement. Seek specific performance of the obligations of the Borrower or any other owner of the Project under the Regulatory Agreement and injunctive relief against acts which may be in violation of the Regulatory Agreement or otherwise in accordance with the provisions of the Regulatory Agreement; provided, however, that the Governmental Lender may enforce any right it may have under the Regulatory Agreement for monetary damages only against Excess Revenues (defined below), if any, of the Borrower, unless Funding Lender otherwise specifically consents in writing to the use of other funds; and

(iii) Reserved Rights. Take whatever action at law or in equity which appears necessary or desirable to enforce the other Unassigned Rights, provided, however, that the Governmental Lender or any person under its control may only enforce any right it may have for monetary damages against Excess Revenues, if any, of the Borrower, unless Funding Lender otherwise specifically consents in writing to the enforcement against other funds of the Borrower.

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

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

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

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

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

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

(e) As used in this Section 2.2, the term "Excess Revenues" means, for any period, the net cash flow of the Borrower available for distribution to shareholders, members or partners (as the case may be) for such period, after the payment of all interest expense, the amortization of all principal of all indebtedness coming due during such period (whether by maturity, mandatory sinking fund payment, acceleration or otherwise), the payment of all fees, costs and expenses on an occasional or recurring basis in connection with the Borrower Loan or the Funding Loan, the payment of all operating, overhead, ownership and other expenditures of the Borrower directly or indirectly in connection with the Project (whether any such expenditures are current, capital

or extraordinary expenditures), and the setting aside of all reserves for taxes, insurance, water and sewer charges or other similar impositions, capital expenditures, repairs and replacements and all other amounts which the Borrower is required to set aside pursuant to agreement, but excluding depreciation and amortization of intangibles.

Section 2.3 Loan; Borrower Notes; Conditions to Closing.

(a) The Funding Loan shall be funded directly to the Fiscal Agent by the Funding Lender for disbursement to the Borrower pursuant to the Construction Funding Agreement in one or more installments not to exceed the Borrower Loan Amount in accordance with the disbursement procedures set forth in the Construction Funding Agreement and the Funding Loan Agreement, except for the initial disbursement of the Funding Loan as provided in Section 7.7(a) of the Funding Loan Agreement. Upon funding of each installment of the Funding Loan, the Governmental Lender shall be deemed to have made the Borrower Loan to the Borrower in a like principal amount. The Borrower Loan advances and Funding Loan advances shall be allocated first to the Series 2020C-1 Borrower Note and the related Series 2020C-1 Governmental Lender Note and, once the foregoing have been fully funded, then to the Series 2020C-2 Borrower Note and the related Series 2020C-2 Governmental Lender Note. The Borrower Loan shall mature and be payable at the times and in the amounts required under the terms hereof and of the Borrower Notes. The proceeds of the Borrower Loan shall be used by the Borrower to pay costs, and to reimburse advances of the Construction Loan used to pay costs, of the acquisition and construction of the Project. The Borrower hereby accepts the Borrower Loan and acknowledges that the Governmental Lender shall cause the Funding Lender to fund the Borrower Loan in the manner set forth herein and in the Funding Loan Agreement. The Governmental Lender acknowledges that the Borrower Loan shall be funded by the Funding Lender to the Fiscal Agent for the account of the Governmental Lender, except as otherwise provided in Section 7.7 of the Funding Loan Agreement with respect to the funding thereof on the Closing Date.

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

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

(i) evidence of proper recordation of the Security Instrument, an assignment of the Security Instrument from the Governmental Lender to the Funding Lender, the Regulatory Agreement, and each of the other documents specified for recording in instructions delivered to the Title Company by counsel to the Funding Lender (or that such documents have been delivered to an authorized agent of the Title Company for recordation under binding recording instructions from Funding Lender's counsel or such other counsel as may be acceptable to the Funding Lender);

(ii) delivery to the Fiscal Agent or into escrow with the Title Company (or separate escrow company, if applicable) of all amounts required to be paid in connection with the origination of the Borrower Loan and the Funding Loan and any underlying real estate transfers or transactions, including the Costs of Funding Deposit and the Borrower Initial Equity, all as specified in written instructions delivered to the Title Company by

counsel to the Funding Lender (or such other counsel as may be acceptable to the Funding Lender) and/or as specified in a closing memorandum of the Funding Lender; and

(iii) payment of all fees payable in connection with the closing of the Borrower Loan including the Governmental Lender's Closing Fee and the initial fees and expenses of the Fiscal Agent and the Funding Lender.

In addition, closing of the Borrower Loan shall be subject to the delivery of an opinion of counsel to the Borrower addressed to the Governmental Lender and the Funding Lender, dated the Closing Date, in form and substance acceptable to Tax Counsel, regarding the due execution by the Borrower of, and the enforceability against the Borrower of, the Borrower Loan Documents.

Notwithstanding anything to the contrary set forth in any of the documents evidencing or securing the Series 2020B-1 Governmental Lender Note (the "Tax Exempt Obligation"), all of the proceeds of the Tax Exempt Obligation shall, for federal income tax purposes, be (i) allocated on a pro rata basis to each building in the Project and the land on which it is located and (ii) used by the Borrower exclusively to pay costs of the construction of the Project which are includable in the aggregate basis of any building and the land on which the building is located (the "Eligible Costs") in a manner such that each building satisfies the requirements of Section 42(h)(4)(B) of the Code. Accordingly, none of the proceeds of the Tax Exempt Obligations will be deemed to have been used to pay any of the Closing Costs in connection with the delivery of the Governmental Notes, or to fund any reserve account or Project fund account to be used to pay Eligible Costs. The Governmental Lender is relying solely on the Borrower for compliance with the foregoing provisions of this paragraph.

Section 2.4 Borrower Loan Payments.

(a) The Borrower shall make Borrower Loan Payments in accordance with the Borrower Notes. Each Borrower Loan Payment made by the Borrower shall be made in funds immediately available through and including the Conversion Date on the Borrower Loan Payment Date, to the Fiscal Agent by 2:00 p.m., New York City time, or, if to the Servicer by 11:00 a.m., New York City time, and after the Conversion Date on the date that is two (2) Business Days prior to the Borrower Loan Payment Date to the Servicer, by 11:00 a.m., New York City time. Each such payment shall be made to the Fiscal Agent or the Servicer, as applicable, by deposit to such account as the Fiscal Agent or Servicer, as applicable, may designate by Written Notice to the Borrower. Whenever any Borrower Loan Payment shall be stated to be due on a day that is not a Business Day, such payment shall be due on the first Business Day immediately thereafter. In addition, the Borrower shall make Borrower Loan Payments in accordance with the Borrower Notes in the amounts and at the times necessary to make all payments due and payable on the Funding Loan. All payments made by the Borrower hereunder or by the Borrower under the other Borrower Loan Documents, shall be made irrespective of, and without any deduction for, any set-offs or counterclaims, but such payment shall not constitute a waiver of any such set offs or counterclaims.

(b) Unless there is no Servicer, payments of principal and interest on the Borrower Notes shall be paid to the Servicer and the Servicer shall then remit such funds to the Fiscal Agent. If there is no Servicer, payments of principal and interest on the Borrower Notes shall be paid directly to the Fiscal Agent.

Section 2.5 Additional Borrower Payments.

(a) The Borrower shall pay the following amounts:

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

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

(iii) [Reserved];

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

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

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

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

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

(i) all expenses incurred in connection with the enforcement of any rights under this Borrower Loan Agreement or any other Borrower Loan Document, the

Regulatory Agreement, or any Funding Loan Document by the Governmental Lender, the Funding Lender, the Fiscal Agent or the Servicer;

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

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

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

Section 2.7 Calculation of Interest Payments and Deposits to Real Estate Related Reserve Funds. The Borrower acknowledges as follows: (a) calculation of all interest payments shall be made by the Funding Lender; (b) deposits with respect to the Taxes and Other Charges shall be calculated by the Servicer or if there is no Servicer, the Funding Lender in accordance with the Security Instrument; and (c) deposits with respect to any replacement reserve funds required by the Funding Lender shall be calculated by the Servicer in accordance with the Replacement Reserve Agreement. In the event and to the extent that the Servicer or the Funding Lender, pursuant to the terms hereof, shall determine at any time that there exists a deficiency in amounts previously owed but not paid with respect to deposits to such replacement reserve fund, such deficiency shall be immediately due and payable hereunder following Written Notice to the Borrower.

Section 2.8 Grant of Security Interest; Application of Funds. To the extent not inconsistent with the Security Instrument and as security for payment of the Borrower Payment Obligations and the performance by the Borrower of all other terms, conditions and provisions of the Borrower Loan Documents, the Borrower hereby pledges and assigns to the Fiscal Agent and the Funding Lender, and grants to the Fiscal Agent and the Funding Lender, a security interest in, all the Borrower's right, title and interest in and to all payments to or moneys held in the funds and accounts created and held by the Fiscal Agent, the Funding Lender or the Servicer for the Project. This Borrower Loan Agreement is, among other things, intended by the parties to be a security agreement for purposes of the UCC. Upon the occurrence and during the continuance of an Event of Default hereunder, the Fiscal Agent, the Funding Lender and the Servicer shall apply or cause to be applied any sums held by the Fiscal Agent, the Funding Lender and the Servicer with respect to the Project in accordance with the provisions of Article IX of the Funding Loan Agreement to the extent applicable and otherwise in any manner and in any order determined by Funding Lender, in Funding Lender's sole and absolute discretion.

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

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

Section 2.10 Borrower Loan Disbursements. Proceeds of the Borrower Loan shall be disbursed by the Fiscal Agent upon approval by the Funding Lender, as agent for the Governmental Lender, pursuant to the Construction Funding Agreement, to or for the benefit of the Borrower as provided in Section 7.7 of the Funding Loan Agreement.

ARTICLE III

CONVERSION

Section 3.1 Conversion Date and Extension of Outside Conversion Date. Borrower shall satisfy each of the Conditions to Conversion and cause the Conversion Date to occur on or before the Outside Conversion Date (including the Extended Outside Conversion Date, if any), as further provided in the Construction Funding Agreement. The failure to satisfy each of the Conditions to Conversion on or before the Outside Conversion Date shall constitute an Event of Default under the Borrower Loan Documents.

Section 3.2 Notice From Funding Lender; Funding Lender's Calculation Final. Following satisfaction of all of the Conditions to Conversion, Funding Lender shall deliver Written Notice to Borrower (with a copy to the Governmental Lender and the Fiscal Agent) of: (i) the Conversion Date, (ii) the amount of the Permanent Period Amount, (iii) any required prepayment of the Borrower Notes (as described below in Section 3.3) and (iv) any amendments to the amortization schedule, as applicable.

Funding Lender's calculation of the Permanent Period Amount and any amendments to the amortization of the Borrower Loan shall be, in the absence of manifest error, conclusive and binding on all parties.

Section 3.3 Mandatory Prepayment of the Borrower Loan. As further provided in the Construction Funding Agreement, if and to the extent the Permanent Period Amount is less than the Interim Phase Amount, Funding Lender may in its sole discretion require Borrower to make a partial prepayment of the Borrower Loan in an amount equal to the difference between the Interim Phase Amount and the Permanent Period Amount, provided, however, that if the Permanent Period Amount is less than the Minimum Permanent Period Amount (as defined in the Construction Funding Agreement), then Funding Lender may in its sole discretion require Borrower to prepay the Borrower Loan in full.

Any prepayment in full or in part of the Borrower Loan required pursuant to the preceding paragraph shall be subject to a prepayment premium under certain circumstances as more particularly set forth in the Borrower Notes.

Section 3.4 Release of Remaining Loan Proceeds. If and to the extent that the Permanent Period Amount is greater than the principal amount of the Borrower Loan which has previously been disbursed to Borrower, Funding Lender shall deliver Written Notice thereof to Borrower (with a copy to the Governmental Lender) on or before the Conversion Date. Within ten (10) business days after delivery of such notice, but in no event later than the Outside Conversion Date, Funding Lender shall advance to the Fiscal Agent, for deposit by the Fiscal Agent to the Note Proceeds Account of the Project Fund under the Funding Loan Agreement, Funding Loan proceeds so that the aggregate principal amount of the Funding Loan and of the Borrower Loan disbursed equals the Permanent Period Amount. Any Borrower Loan proceeds previously disbursed to the Borrower in excess of the Permanent Period Amount shall be paid by Borrower to Fiscal Agent.

Section 3.5 No Amendment. Nothing contained in this Article III shall be construed to amend, modify, alter, change or supersede the terms and provisions of the Borrower Notes, Security Instrument, the Construction Funding Agreement or any other Borrower Loan Document and, if there shall exist a conflict between the terms and provisions of this Article III and those of the Borrower Notes, Security Instrument, the Construction Funding Agreement or other Borrower Loan Documents, then the terms and provisions of the Borrower Notes, Security Instrument, the Construction Funding Agreement and other Borrower Loan Documents shall control; provided, however, that in the event of a conflict between the terms and provisions of this Article III and those of the Borrower's loan application with the Funding Lender, the terms and provisions of this Article III shall control.

Section 3.6 Determinations by Funding Lender. In any instance where the consent or approval of Funding Lender may be given or is required, or where any determination, judgment or decision is to be rendered by Funding Lender under this Article III, including in connection with the Construction Funding Agreement, the granting, withholding or denial of such consent or approval and the rendering of such determination, judgment or decision shall be made or exercised by the Funding Lender (or its designated representative), at its sole and exclusive option and in its sole and absolute discretion.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1 Borrower Representations. To induce the Governmental Lender to execute this Borrower Loan Agreement and to induce the Funding Lender to make Disbursements, the Borrower represents and warrants for the benefit of the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer, that the representations and warranties set forth in this Section 4.1 are complete and accurate as of the Closing Date and, subject to Section 4.2, shall survive the making of the Borrower Loan and will be complete and accurate, and deemed remade, except as otherwise noted through notice to Funding Lender and approved by Funding Lender, as of the date of each Disbursement, as of the original Outside Conversion Date, as of the date of any extension thereof and as of the Conversion Date in accordance with the terms and conditions of the Borrower Notes:

Section 4.1.1 Organization; Special Purpose. The Borrower is a limited partnership in good standing under the laws of the State (and under the laws of the state in which the Borrower

was formed if the Borrower was not formed under the laws of the State), has full legal right, power and authority to enter into the Borrower Loan Documents to which it is a party, and to carry out and consummate all transactions contemplated by the Borrower Loan Documents to which it is a party, and by proper limited partnership action has duly authorized the execution, delivery and performance of the Borrower Loan Documents to which it is a party. The Person(s) of the Borrower executing the Borrower Loan Documents and the Funding Loan Documents to which the Borrower is a party are fully authorized to execute the same. The Borrower Loan Documents and the Funding Loan Documents to which the Borrower is a party have been duly authorized, executed and delivered by the Borrower. The sole business of the Borrower is the ownership, management and operation of the Project.

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

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

Section 4.1.4 Litigation; Adverse Facts. There is no Legal Action, nor is there a basis known to Borrower for any Legal Action, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the Borrower, after reasonable investigation, threatened, against or affecting the Borrower, the General Partner or the Guarantor, or their respective assets, properties or operations which, if determined adversely to the Borrower or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, the Borrower Loan Documents or the Funding Loan Documents, upon the ability of each of Borrower, General Partner and Guarantor to perform their respective obligations under the Borrower Loan Documents, the Funding Loan Documents and the Related Documents to which it is a party, or upon the financial condition, assets (including the Project), properties or operations of the Borrower, the General Partner or the Guarantor. None of the Borrower, General Partner or Guarantor is in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Borrower Loan Documents and the Funding Loan Documents, the ability of

each of Borrower, General Partner and Guarantor to perform their respective obligations under the Borrower Loan Documents, the Funding Loan Documents and the Related Documents to which it is a party, or the financial condition, assets, properties or operations of the Borrower, General Partner or Guarantor. None of Borrower, General Partner or Guarantor are (a) in violation of any applicable law, which violation materially and adversely affects or may materially and adversely affect the business, operations, assets (including the Project), financial condition of Borrower, General Partner or Guarantor, as applicable; (b) subject to, or in default with respect to, any other Legal Requirement that would have a material adverse effect on the business, operations, assets (including the Project), financial condition of Borrower, General Partner or Guarantor, as applicable; or (c) in default with respect to any agreement to which Borrower, General Partner or Guarantor, as applicable, are a party or by which they are bound, which default would have a material adverse effect on the business, operations, assets (including the Project), financial condition of Borrower, General Partner or Guarantor, as applicable; and (d) there is no Legal Action pending or, to the knowledge of Borrower, threatened against or affecting Borrower, General Partner or Guarantor questioning the validity or the enforceability of this Borrower Loan Agreement or any of the other Borrower Loan Documents or the Funding Loan Documents or of any of the Related Documents. All tax returns (federal, state and local) required to be filed by or on behalf of the Borrower have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by the Borrower in good faith, have been paid or adequate reserves have been made for the payment thereof which reserves, if any, are reflected in the audited financial statements described therein. The Borrower enjoys the peaceful and undisturbed possession of all of the premises upon which it is operating its facilities.

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

No consent or approval of any trustee or holder of any indebtedness of the Borrower, and to the best knowledge of the Borrower and only with respect to the Borrower, no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except no representation is made with respect to any state securities or "blue sky" laws) is necessary in connection with the execution and delivery of the Borrower Loan Documents or the Funding Loan Documents, or the consummation of any transaction herein or therein contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect.

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

Project which are or may become a Lien prior to, or of equal priority with, the Liens created by the Borrower Loan Documents and the Funding Loan Documents.

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

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

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

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

Section 4.1.11 Compliance. The Borrower, the Project and the use thereof will comply, to the extent required, in all material respects with all applicable Legal Requirements. The Borrower is not in default or violation of any order, writ, injunction, decree or demand of any Governmental Authority, the violation of which would materially adversely affect the financial condition or business prospects or the business of the Borrower. There has not been committed by the Borrower or any Borrower Affiliate involved with the operation or use of the Project any act or omission affording any Governmental Authority the right of forfeiture as against the Project or any part thereof or any moneys paid in performance of the Borrower's obligations under any Borrower Loan Document or any Funding Loan Documents.

Section 4.1.12 Contracts. All service, maintenance or repair contracts affecting the Project have been entered into at arm's length (except for such contracts between the Borrower and its affiliates or the affiliates of the Borrower Controlling Entity of the Borrower) in the ordinary course of the Borrower's business and provide for the payment of fees in amounts and upon terms comparable to existing market rates.

Section 4.1.13 Financial Information. All financial data, including any statements of cash flow and income and operating expense, that have been delivered to the Governmental Lender or the Funding Lender in respect of the Project by or on behalf of the Borrower, to the best knowledge of the Borrower, (i) are accurate and complete in all material respects, as of their respective dates, (ii) accurately represent the financial condition of the Project as of the date of such reports, and (iii) to the extent prepared by an independent certified public accounting firm, have been prepared in accordance with GAAP consistently applied throughout the periods covered, except as disclosed therein. Other than pursuant to or permitted by the Borrower Loan

Documents or the Funding Loan Documents or the Borrower organizational documents, the Borrower has no contingent liabilities, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments. Since the date of such financial statements, there has been no materially adverse change in the financial condition, operations or business of the Borrower from that set forth in said financial statements.

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

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

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

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

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

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

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

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

amounts and other requirements set forth in this Borrower Loan Agreement, if applicable, and the Security Instrument.

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

Section 4.1.23 Flood Zone. As of the Closing Date, no structure within the Mortgaged Property lies or is located in an identifiable or designated Special Flood Hazard Area. Subsequent to the Closing Date, if the Mortgaged Property is determined to be in a Special Flood Hazard Area, Borrower will obtain appropriate flood insurance as required under the National Flood Insurance Act of 1968, Flood Disaster Protection Act of 1973, or the National Flood Insurance Reform Act of 1994 as amended or as required by the Servicer pursuant to its underwriting guidelines.

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

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

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

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

been paid. All mortgage, mortgage recording, stamp, intangible or other similar taxes required to be paid by any Person under applicable Legal Requirements in connection with the execution, delivery, recordation, filing, registration, perfection or enforcement of any of the Borrower Loan Documents and the Funding Loan Documents have been or will be paid.

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

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

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

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

Section 4.1.32 Name; Principal Place of Business. Unless prior Written Notice is given to the Funding Lender, the Borrower does not use and will not use any trade name, and has not done and will not do business under any name other than its actual name set forth herein. The principal place of business of the Borrower is its primary address for notices as set forth in Section 10.1 hereof, and the Borrower has no other place of business, other than the Project and such principal place of business.

Section 4.1.33 Subordinated Debt. There is no secured or unsecured indebtedness with respect to the Project or any residual interest therein, other than Permitted Encumbrances and the permitted secured indebtedness described in Section 6.7 hereof, except an unsecured deferred

developer fee not to exceed the amount permitted by Funding Lender as determined on the Closing Date.

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

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

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

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

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

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

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

Section 4.1.41 Intention to Hold Project. The Borrower intends to hold the Project for its own account and has no current plans, and except as set forth in the Partnership Agreement has not entered into any agreement, to sell the Project or any part of it; and the Borrower intends to occupy the Project or cause the Project to be occupied and to operate it or cause it to be operated at all times during the term of this Borrower Loan Agreement in compliance with the terms of this Borrower Loan Agreement and the Regulatory Agreement and does not know of any reason

why the Project will not be so used by it in the absence of circumstances not now anticipated by it or totally beyond its control.

Section 4.1.42 Concerning General Partner. Each General Partner represents and covenants as to itself only and not on behalf of the other General Partner as follows:

(a) The managing general partner of Borrower is the Managing General Partner, a California limited liability company, and the co-general partner of Borrower is the Administrative General Partner, a California limited liability company, and each of the Managing General Partner and Administrative General Partner is duly organized and validly existing under the laws of the State of California. The General Partner has all requisite power and authority, rights and franchises to enter into and perform its obligations under the Borrower Loan Documents and the Funding Loan Documents to be executed by it for its own account and on behalf of Borrower, as general partner of Borrower, under this Borrower Loan Agreement and the other Borrower Loan Documents and the Funding Loan Documents.

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

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

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

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

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

any of the Borrower Loan Documents or the Funding Loan Documents or the Related Documents executed by Borrower or General Partner, as applicable. All required zoning approvals have been obtained, and the zoning of the Land for the Project is not conditional upon the happening of any further event.

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

Section 4.1.45 No Material Defaults. Except as previously disclosed to Funding Lender and the Governmental Lender in writing, there exists no material violation of or material default by Borrower under, and, to the best knowledge of Borrower, no event has occurred which, upon the giving of notice or the passage of time, or both, would constitute a material default with respect to: (i) the terms of any instrument evidencing, securing or guaranteeing any indebtedness secured by the Project or any portion or interest thereof or therein; (ii) any lease or other agreement affecting the Project or to which Borrower is a party; (iii) any license, permit, statute, ordinance, law, judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority, or any determination or award of any arbitrator to which Borrower or the Project may be bound; or (iv) any mortgage, instrument, agreement or document by which Borrower or any of its respective properties is bound; in the case of any of the foregoing: (1) which involves any Borrower Loan Document or Funding Loan Document; (2) which involves the Project and is not adequately covered by insurance; (3) that might materially and adversely affect the ability of Borrower, General Partner or Guarantor or to perform any of its respective obligations under any of the Borrower Loan Documents or the Funding Loan Documents or any other material instrument, agreement or document to which it is a party; or (4) which might adversely affect the priority of the Liens created by this Borrower Loan Agreement or any of the Borrower Loan Documents or the Funding Loan Documents.

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

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

Section 4.1.48 Patriot Act Compliance. Borrower is not now, nor has ever been (i) listed on any Government Lists (as defined below), (ii) a person who has been determined by a

Governmental Authority to be subject to the prohibitions contained in Presidential Executive Order No. 13224 (September 23, 2001) or any other similar prohibitions contained in the rules and regulations of OFAC or in any enabling legislation or other Presidential Executive Orders in respect thereof, (iii) indicted for or convicted of any felony involving a crime or crimes of moral turpitude or for any Patriot Act Offense, or (iv) under investigation by any Governmental Authority for alleged criminal activity. For purposes hereof, the term "Patriot Act Offense" shall mean any violation of the criminal laws of the United States of America or of any of the several states, or that would be a criminal violation if committed within the jurisdiction of the United States of America or any of the several states, relating to terrorism or the laundering of monetary instruments, including any offense under (A) the criminal laws against terrorism; (B) the criminal laws against money laundering, (C) Bank Representative Secrecy Act, as amended, (D) the Money Laundering Control Act of 1986, as amended, or (E) the Patriot Act. "Patriot Act Offense" also includes the crimes of conspiracy to commit, or aiding and abetting another to commit, a Patriot Act Offense. For purposes hereof, the term "Government Lists" shall mean (1) the Specially Designated Nationals and Blocked Persons Lists maintained by the Office of Foreign Assets Control ("OFAC"), (2) any other list of terrorists, terrorist organizations or narcotics traffickers maintained pursuant to any of the Rules and Regulations of OFAC that Funding Lender notified Borrower in writing is now included in "Government Lists", or (3) any similar lists maintained by the United States Department of State, the United States Department of Commerce or any other Governmental Authority or pursuant to any Executive Order of the President of the United States of America that Funding Lender notified Borrower in writing is now included in "Government Lists".

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

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

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

Section 4.1.52 Need for Tax-Exempt Financing. The Borrower hereby represents that the issuance of the Governmental Lender Notes is reasonably necessary for the Borrower to build the Project. Issuance of the Series 2020C-1 Governmental Lender Note permits the Borrower to obtain 4% tax credits pursuant to Section 42 of the Code in order to build low-income multifamily housing. The Borrower had considered applying for 9% tax credits available through a competitive application process but did not obtain such credits because it evaluated the costs of undertaking the competitive process to apply for such credits and the low likelihood of success

in actually obtaining such credits and determined that its best option to build the Project was through the present financing structure involving the issuance of the Bonds. The Borrower believes that the Project would not have been constructed without the issuance of the Series 2020C-1 Governmental Lender Note and 4% tax credit financing.

Section 4.1.53 Survival of Representations and Covenants. All of the representations and warranties in Section 4.1 hereof and elsewhere in the Borrower Loan Documents (i) shall survive for so long as any portion of the Borrower Payment Obligations remains due and owing and (ii) shall be deemed to have been relied upon by the Governmental Lender and the Servicer notwithstanding any investigation heretofore or hereafter made by the Governmental Lender or the Servicer or on its or their behalf, provided, however, that the representations, warranties and covenants set forth in Section 4.1.31 hereof shall survive in perpetuity and shall not be subject to the exculpation provisions of Section 11.1 hereof.

ARTICLE V

AFFIRMATIVE COVENANTS

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

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

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

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

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

obsolete equipment or furnishings in the normal course of business), except as provided in the Security Instrument.

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

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

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

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

Section 5.8 Further Assurances. The Borrower shall, at the Borrower's sole cost and expense (except as provided in Section 9.1 hereof), (i) furnish to the Servicer and the Funding Lender all instruments, documents, boundary surveys, footing or foundation surveys (to the extent that Borrower's construction or renovation of the Project alters any existing building foundations or footprints), certificates, plans and specifications, appraisals, title and other insurance reports and agreements relating to the Project, reasonably requested by the Servicer or the Funding Lender for the better and more efficient carrying out of the intents and purposes of the Borrower Loan Documents and the Funding Loan Documents; (ii) execute and deliver to the Servicer and the Funding Lender such documents, instruments, certificates, assignments and other writings, and do such other acts necessary or desirable, to evidence, preserve and/or protect the collateral at any time securing or intended to secure the Borrower Loan, as the Servicer, the Fiscal Agent (at the direction of the Funding Lender) and the Funding Lender may reasonably require from time to time; (iii) do and execute all and such further lawful and reasonable acts, conveyances and assurances for the better and more effective carrying out of the intents and purposes of the Borrower Loan Documents and the Funding Loan Documents, as the Servicer, the Fiscal Agent (at the direction of the Funding Lender) or the Funding Lender shall reasonably require from time to time; provided, however, with respect to clauses (i)-(iii) above, the Borrower shall not be required to do anything that has the effect of (A) changing the essential economic terms of the Borrower Loan or (B) imposing upon the Borrower greater personal liability under the Borrower Loan Documents and the Funding Loan Documents; and (iv) upon

the Servicer's, the Fiscal Agent's (at the direction of the Funding Lender) or the Funding Lender's request therefor given from time to time after the occurrence of any Potential Default or Event of Default for so long as such Potential Default or Event of Default, as applicable, is continuing pay for (a) reports of UCC, federal tax lien, state tax lien, judgment and pending litigation searches with respect to the Borrower and (b) searches of title to the Project, each such search to be conducted by search firms reasonably designated by the Servicer, the Fiscal Agent (at the direction of the Funding Lender) or the Funding Lender in each of the locations reasonably designated by the Servicer, the Fiscal Agent or the Funding Lender.

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

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

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

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

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

Section 5.14 Expenses. The Borrower shall pay all reasonable expenses incurred by the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer (except as provided in Section 9.1 hereof) in connection with the Borrower Loan and the Funding Loan, including reasonable fees and expenses of the Governmental Lender's, the Fiscal Agent's, the Funding Lender's and the Servicer's attorneys, environmental, engineering and other consultants, and fees, charges or taxes for the recording or filing of the Borrower Loan Documents and the Funding Loan Documents. The Borrower shall pay or cause to be paid all reasonable expenses of the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer (except as provided in Section 9.1 hereof) in connection with the issuance or administration of the Borrower Loan and the Funding Loan, including audit costs, inspection fees, settlement of condemnation and casualty awards, and premiums for title insurance and endorsements thereto. The Borrower shall, upon request, promptly reimburse the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer for all reasonable amounts expended, advanced or incurred by the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer to collect the Borrower Notes, or to enforce the rights of the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer under this Borrower Loan Agreement or any other Borrower Loan Document, or to defend or assert the rights and claims of the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer under the Borrower Loan Documents and the Funding Loan Documents arising out of an Event of Default or with respect to the Project (by litigation or other proceedings) arising out of an Event of Default, which amounts will include all court costs, attorneys' fees and expenses, fees of auditors and accountants, and investigation expenses as may be reasonably incurred by the Governmental Lender, the Funding Lender, the Fiscal Agent and

the Servicer in connection with any such matters (whether or not litigation is instituted), together with interest at the Default Rate on each such amount from the Date of Disbursement until the date of reimbursement to the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer, all of which shall constitute part of the Borrower Loan and the Funding Loan and shall be secured by the Borrower Loan Documents and the Funding Loan Documents. The obligations and liabilities of the Borrower under this Section 5.14 shall survive the Term of this Borrower Loan Agreement and the exercise by the Governmental Lender, the Funding Lender, the Fiscal Agent or the Servicer, as the case may be, of any of its rights or remedies under the Borrower Loan Documents and the Funding Loan Documents, including the acquisition of the Project by foreclosure or a conveyance in lieu of foreclosure. Notwithstanding the foregoing, the Borrower shall not be obligated to pay amounts incurred as a result of the gross negligence or willful misconduct of any other party, and any obligations of the Borrower to pay for environmental inspections or audits will be governed by Section 18(i) and 43(i) of the Security Instrument.

Section 5.15 Indemnity. In addition to its other obligations hereunder, and in addition to any and all rights of reimbursement, indemnification, subrogation and other rights of Governmental Lender, the Fiscal Agent or Funding Lender pursuant hereto, pursuant to the Regulatory Agreement and under law or equity, to the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Governmental Lender, the Funding Lender, the Fiscal Agent, the Servicer, the Beneficiary Parties, Citigroup, Inc., and each of their respective commissioners, officers, directors, employees, attorneys and agents (each an "Indemnified Party"), against any and all losses, damages, claims, actions, liabilities, reasonable costs and expenses of any nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement (to the extent that the Borrower has consented to such settlement) and amounts paid to discharge judgments) (hereinafter, the "Liabilities") to which the Indemnified Parties, or any of them, may become subject under federal or state securities laws or any other statutory law or at common law or otherwise, to the extent arising out of or based upon or in any way relating to:

(a) The Borrower Loan Documents and the Funding Loan Documents or the execution or amendment thereof or in connection with transactions contemplated thereby, including the sale, transfer or resale of the Borrower Loan or the Funding Loan, except with respect to any Secondary Market Disclosure Document (other than any Borrower's obligations under Article IX);

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

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

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

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

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

(g) Any Determination of Taxability;

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

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

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

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

except in the case of the foregoing indemnification of the Governmental Lender or any related Indemnified Party, to the extent such damages are caused by the willful misconduct of such Indemnified Party, and except in the case of the foregoing indemnification of the Funding Lender or the Servicer or any related Indemnified Party, to the extent such damages are caused by the gross negligence or willful misconduct of such Indemnified Party. Notwithstanding anything herein to the contrary, the Borrower's indemnification obligations to the parties specified in Section 9.1.4 hereof with respect to any securitization or Secondary Market Transaction described in Article IX hereof shall be limited to the indemnity set forth in Section 9.1.4 hereof. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party (which notice shall be timely given so as not to materially impair the Borrower's right to defend), shall assume the investigation and defense thereof, including the employment of counsel reasonably approved by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement, which approval shall not be unreasonably withheld. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and to participate in the investigation and defense thereof. The Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Borrower if and only if in such Indemnified Party's good faith judgment (based on the advice of counsel) a conflict of interest exists or could arise by reason of common representation.

Notwithstanding any transfer of the Project to another owner in accordance with the provisions of this Borrower Loan Agreement or the Regulatory Agreement, the Borrower shall remain obligated to indemnify each Indemnified Party pursuant to this Section 5.15 if such subsequent owner fails to indemnify any party entitled to be indemnified hereunder, unless the Governmental Lender and the Funding Lender have consented to such transfer and to the assignment of the rights and obligations of the Borrower hereunder in which event the Borrower shall only be obligated to indemnify for events up to the date the Project is transferred.

The rights of any persons to indemnify hereunder shall survive the final payment or defeasance of the Borrower Loan and the Funding Loan and in the case of the Servicer, any resignation or removal. The provisions of this Section 5.15 shall survive the termination of this Borrower Loan Agreement and the earlier removal or resignation of the Fiscal Agent.

The foregoing provisions of this Section 5.15 are not intended to and shall not negate, modify, limit or change the provisions of Section 9 of the Borrower Notes.

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

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

Section 5.18 Notice of Default. The Borrower will advise the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer promptly in writing of the occurrence of any Potential Default or Event of Default hereunder, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto.

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

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

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

Section 5.21 Maintenance of Insurance. Borrower will maintain the insurance required by the Security Instrument.

Section 5.22 Information; Statements and Reports. Borrower shall furnish or cause to be furnished to Funding Lender and, with respect to subsection (a) only, to Governmental Lender:

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

(b) Financial Statements; Rent Rolls. In the manner and to the extent required under the Security Instrument, such financial statements, expenses statements, rent rolls, reports and other financial documents and information as required by the Security Instrument and the other Borrower Loan Documents and Funding Loan Documents, in the form and within the time periods required therein;

(c) General Partner. As soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of General Partner, copies of the financial statements of General Partner as of such date, prepared in substantially the form previously delivered to the Governmental Lender and Funding Lender and in a manner consistent therewith, or in such form (which may include a form prepared in accordance with GAAP) as Funding Lender may reasonably request;

(d) Leasing Reports. Prior to the Conversion Date, on a monthly basis (and in any event within fifteen (15) days after the end of each Calendar Month), a report of all efforts made by Borrower, if any, to lease all or any portion of the Project during such Calendar Month and on a cumulative basis since Project inception, which report shall be prepared and delivered by Borrower, shall be in form and substance satisfactory to Funding Lender, and shall, if requested by Funding Lender, be supported by copies of letters of intent, leases or occupancy agreements, as applicable;

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

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

of the Project or the ability of Borrower to perform its obligations under the Borrower Loan Documents and the Funding Loan Documents;

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

(h) Compliance Certificates. Together with each of the documents required pursuant to Section 5.22(b) hereof submitted by or on behalf of Borrower, a statement, in form and substance satisfactory to Funding Lender and certified by an Authorized Borrower Representative, to the effect that Borrower is in compliance with all covenants, terms and conditions applicable to Borrower, under or pursuant to the Borrower Loan Documents and the Funding Loan Documents and under or pursuant to any other Debt owing by Borrower to any Person, and disclosing any noncompliance therewith, and any Event of Default or Potential Default, and describing the status of Borrower's actions to correct such noncompliance, Event of Default or Potential Default, as applicable; and

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

Borrower shall furnish to Governmental Lender, upon its written request, any of the items described in the foregoing subsections (b) through and including (i) above.

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

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

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

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

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

(e) any notice of default, alleged default or potential default on the part of Borrower received from any tenant or occupant of the Project under or relating to its lease or occupancy agreement (together with a copy of any such notice), if, in the aggregate, notices from at least fifteen percent (15%) of the tenants at the Project have been received

by Borrower with respect to, or alleging, the same default, alleged default or potential default;

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

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

Section 5.24 Compliance with Other Agreements; Legal Requirements.

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

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

Section 5.25 Completion and Maintenance of Project. Borrower shall cause the construction of the Improvements to be prosecuted with diligence and continuity and completed substantially in accordance with the Plans and Specifications, and in accordance with the Construction Funding Agreement, free and clear of any liens or claims for liens (but without prejudice to Borrower's rights of contest under Section 10.16 hereof) ("Completion") on or before the Completion Date. Borrower shall thereafter maintain the Project as a residential apartment complex in good order and condition, ordinary wear and tear excepted. A maintenance program shall be in place at all times to assure the continuation of appropriate maintenance.

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

Section 5.27 Income from Project. Borrower shall first apply all Gross Income to Expenses of the Project, including all amounts then required to be paid under the Borrower Loan Documents and the Funding Loan Documents and the funding of all sums necessary to meet the Replacement Reserve Fund Requirement, before using or applying such Gross Income for any other purpose. Prior to the Conversion Date, except for the Asset Management Fee, as defined in and payable pursuant to the Partnership Agreement, or as otherwise permitted by the Borrower Loan Documents, the Funding Loan Documents or the Subordinate Loan Documents, Borrower shall not make or permit any distributions or other payments of Net Operating Income to its partners, shareholders or members, as applicable, in each case, without the prior Written Consent of Funding Lender.

Section 5.28 Leases and Occupancy Agreements.

(a) Lease Approval.

(i) Borrower may enter into leases of space within the Improvements (and amendments to such leases) in the ordinary course of business with bona fide third party tenants without Funding Lender's prior Written Consent if:

(A) The lease is a Permitted Lease;

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

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

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

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

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

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

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

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

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

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

Borrower covenants that it shall comply with all Legal Requirements and internal requirements of Funding Lender relating to money laundering, anti-terrorism, trade embargos and economic sanctions, now or hereafter in effect. Without limiting the foregoing, Borrower shall not take any action, or permit any action to be taken, that would cause Borrower's representations and warranties in Section 4.1.48 and this Section 5.32 become untrue or inaccurate at any time during the term of the Funding Loan. Upon any Beneficiary Party's request from time to time during the term of the Funding Loan, Borrower shall certify in writing to such Beneficiary Party that Borrower's representations, warranties and obligations under Section 4.1.48 and this Section 5.32 remain true and correct and have not been breached, and in addition, upon request of any Beneficiary Party, Borrower covenants to provide all information required to satisfy obligations under all Legal Requirements and internal requirements of Funding Lender relating to money laundering, anti-terrorism, trade embargos and economic sanctions, now or hereafter in effect, during the term of the Funding Loan. Borrower shall immediately notify the Funding Lender in writing of (a) Borrower's actual knowledge that any of such representations, warranties or covenants are no longer true and have been breached, (b) Borrower has a reasonable basis to believe that they may no longer be true and have been breached or (c) Borrower becomes the subject of an investigation by Governmental Authorities related to money laundering, anti-terrorism, trade embargos and economic sanctions. Borrower shall also reimburse Funding Lender for any expense incurred by Funding Lender in evaluating the effect of an investigation

by Governmental Authorities on the Funding Loan and Funding Lender's interest in the collateral for the Funding Loan, in obtaining necessary license from Governmental Authorities as may be necessary for Funding Lender to enforce its rights under the Funding Loan Documents, and in complying with all Legal Requirements and internal requirements of Funding Lender relating to money laundering, anti-terrorism, trade embargos and economic sanctions, now or hereafter in effect applicable to Funding Lender as a result of the existence of such an event and for any penalties or fines imposed upon Funding Lender as a result thereof.

Section 5.33 Funds from Equity Investor. Borrower shall cause the Equity Investor to fund all installments of the Equity Contributions in the amounts and at the times subject and according to the terms of the Partnership Agreement.

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

(a) General. The Borrower shall not take any action or omit to take any action which, if taken or omitted, respectively, would adversely affect the exclusion of interest on the Series 2020C-1 Governmental Lender Note from gross income (as defined in Section 61 of the Code), for federal income tax purposes and, if it should take or permit any such action, the Borrower will take all lawful actions that it can take to rescind such action promptly upon having knowledge thereof and that the Borrower will take such action or actions, including amendment of this Borrower Loan Agreement, the Security Instrument and the Regulatory Agreement, as may be necessary, in the opinion of Tax Counsel, to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service applicable to the Series 2020C-1 Governmental Lender Note, the Funding Loan or affecting the Project. Capitalized terms used in this Section 5.34 shall have the respective meanings assigned to them in the Regulatory Agreement or, if not defined therein, in the Funding Loan Agreement. With the intent not to limit the generality of the foregoing, the Borrower covenants and agrees that, prior to the final maturity of the Series 2020C-1 Governmental Lender Note, unless it has received and filed with the Governmental Lender and the Funding Lender a Tax Counsel No Adverse Effect Opinion, as such term is defined in the Funding Loan Agreement (other than with respect to interest on any portion of the Series 2020C-1 Governmental Lender Note for a period during which such portion of the Governmental Lender Notes are held by a "substantial user" of any facility financed with the proceeds of the Series 2020C-1 Governmental Lender Note or a "related person," as such terms are used in Section 147(a) of the Code), the Borrower will comply with this Section 5.34.

(b) Use of Proceeds. The use of the net proceeds of the Funding Loan corresponding to the Series 2020C-1 Governmental Lender Note at all times will satisfy the following requirements:

(i) Limitation on Net Proceeds. At least 95% of the proceeds of the Series 2020C-1 Governmental Lender Note (within the meaning of the Code) actually expended by Borrower shall be used to pay Qualified Project Costs that are costs of a "qualified residential rental project" (within the meaning of Sections 142(a)(7) and 142(d) of the Code) and property that is "functionally related and subordinate" thereto (within the meaning of Sections 1.103-8(a)(3) and 1.103-8(b)(4)(iii) of the Regulations).

(ii) Limit on Costs of Funding. The proceeds of the Series 2020C-1 Governmental Lender Note will be expended by Borrower for the purposes set

forth in this Borrower Loan Agreement and in the Series 2020C-1 Governmental Lender Note Agreement and no portion thereof in excess of two percent of the proceeds of the Series 2020C-1 Governmental Lender Note, within the meaning of Section 147(g) of the Code, will be expended to pay Costs of Funding.

(iii) **Prohibited Facilities.** The Borrower shall not use or permit the use of any proceeds of the Series 2020C-1 Governmental Lender Note or any income from the investment thereof to provide any airplane, skybox, or other private luxury box, health club facility, any facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

(iv) **Limitation on Land.** Less than 25 percent of the proceeds of the Series 2020C-1 Governmental Lender Note actually expended by Borrower will be used, directly or indirectly, for the acquisition of land or an interest therein, nor will any portion of the net proceeds of the Series 2020C-1 Governmental Lender Note be used, directly or indirectly, for the acquisition of land or an interest therein to be used for farming purposes.

(v) **Limitation on Existing Facilities.** No portion of the proceeds of the Series 2020C-1 Governmental Lender Note will be used by Borrower for the acquisition of any existing property or an interest therein unless (A) the first use of such property is pursuant to such acquisition or (B) the rehabilitation expenditures with respect to any building and the equipment therefor equal or exceed 15 percent of the cost of acquiring such building financed with the proceeds of the Series 2020C-1 Governmental Lender Note (with respect to structures other than buildings, this clause shall be applied by substituting 100 percent for 15 percent). For purposes of the preceding sentence, the term "rehabilitation expenditures" shall have the meaning set forth in Section 147(d)(3) of the Code.

(vi) **Accuracy of Information.** The information furnished by the Borrower and used by the Governmental Lender in preparing its certifications with respect to Section 148 of the Code and the Borrower's information statement pursuant to Section 149(e) of the Code is accurate and complete as of the date of origination of the Series 2020C-1 Governmental Lender Note.

(vii) **Limitation of Project Expenditures.** The acquisition and construction of the Project were not commenced (within the meaning of Section 144(a) of the Code) prior to the 60th day preceding the adoption of the resolution of the Governmental Lender with respect to the Project on July 16, 2019, and no obligation for which reimbursement will be sought from proceeds of the Series 2020C-1 Governmental Lender Note relating to the acquisition or construction of the Project was paid or incurred prior to 60 days prior to such date, except for permissible "preliminary expenditures", which include architectural, engineering surveying, soil testing, reimbursement bond issuance and similar costs incurred prior to the commencement of the acquisition and construction of the Project.

(viii) **Qualified Costs.** The Borrower hereby represents, covenants and warrants that the proceeds of the Series 2020C-1 Governmental Lender Note shall be used or deemed used by Borrower exclusively to pay Qualified Project Costs.

(c) **Limitation on Maturity.** The average maturity of the Series 2020C-1 Governmental Lender Note does not exceed 120 percent of the average reasonably

expected economic life of the Project to be financed by the Funding Loan, weighted in proportion to the respective cost of each item comprising the property the cost of which has been or will be financed, directly or indirectly, with the net proceeds of the Funding Loan. For purposes of the preceding sentence, the reasonably expected economic life of property shall be determined as of the later of (A) the Closing Date for the Funding Loan or (B) the date on which such property is placed in service (or expected to be placed in service). In addition, land shall not be taken into account in determining the reasonably expected economic life of property.

(d) No Arbitrage. The Borrower shall not take any action or omit to take any action with respect to the Gross Proceeds of the Funding Loan or of any amounts expected to be used to pay the principal thereof or the interest thereon which, if taken or omitted, respectively, would cause the Series 2020C-1 Governmental Lender Note to be classified as an “arbitrage bond” within the meaning of Section 148 of the Code. Except as provided in the Funding Loan Agreement and this Borrower Loan Agreement, the Borrower shall not pledge or otherwise encumber, or permit the pledge or encumbrance of, any money, investment, or investment property as security for payment of any amounts due under this Borrower Loan Agreement or the Borrower Notes relating to the Funding Loan, shall not establish any segregated reserve or similar fund for such purpose and shall not prepay any such amounts in advance of the redemption date of an equal principal amount of the Funding Loan, unless the Borrower has obtained in each case a Tax Counsel No Adverse Effect Opinion with respect to such action, a copy of which shall be provided to the Governmental Lender and the Funding Lender. The Borrower shall not, at any time prior to the final maturity of the Funding Loan, invest or cause any Gross Proceeds to be invested in any investment (or to use Gross Proceeds to replace money so invested), if, as a result of such investment the Yield of all investments acquired with Gross Proceeds (or with money replaced thereby) on or prior to the date of such investment exceeds the Yield of the Funding Loan to the Maturity Date, except as permitted by Section 148 of the Code and Regulations thereunder or as provided in the Regulatory Agreement. The Borrower further covenants and agrees that it will comply with all applicable requirements of said Section 148 and the rules and Regulations thereunder relating to the proceeds of the Series 2020C-1 Governmental Lender Note and the interest thereon, including the employment of a Rebate Analyst acceptable to the Governmental Lender and Funding Lender for the calculation of rebatable amounts to the United States Treasury Department. The Borrower agrees that it will cause the Rebate Analyst to calculate the rebatable amounts not later than forty-five days after the fifth anniversary of the Closing Date and each five years thereafter, and not later than forty-five days after the final Computation Date, and agrees that the Borrower will pay all costs associated therewith. Upon the request of the Governmental Lender or the Funding Lender, the Borrower agrees to provide evidence of the employment of the Rebate Analyst satisfactory to the entity requesting the same.

(e) No Federal Guarantee. Except to the extent permitted by Section 149(b) of the Code and the Regulations and rulings thereunder, the Borrower shall not take or omit to take any action which would cause the Series 2020C-1 Governmental Lender Note to be “federally guaranteed” within the meaning of Section 149(b) of the Code and the Regulations and rulings thereunder.

(f) Representations. The Borrower has supplied or caused to be supplied to Tax Counsel all documents, instruments and written information requested by Tax Counsel, and all such documents, instruments and written information supplied by or on behalf of the Borrower at the request of Tax Counsel, which have been reasonably relied upon by Tax Counsel in rendering its opinion with respect to the exclusion from gross income of the interest on the Series 2020C-1 Governmental Lender Note for federal income

tax purposes, are true and correct in all material respects, do not contain any untrue statement of a material fact and do not omit to state any material fact necessary to be stated therein in order to make the information provided therein, in light of the circumstances under which such information was provided, not misleading, and the Borrower is not aware of any other pertinent information which Tax Counsel has not requested.

(g) Qualified Residential Rental Project. The Borrower hereby covenants and agrees that the Project will be operated as a “qualified residential rental project” within the meaning of Section 142(d) of the Code, on a continuous basis during the longer of the Qualified Project Period (as defined in the Regulatory Agreement) or any period during which any portion of the Governmental Lender Notes remain outstanding, to the end that the interest on the Series 2020C-1 Governmental Lender Note shall be excluded from gross income for federal income tax purposes. The Borrower hereby covenants and agrees, continuously during the Qualified Project Period, to comply with all the provisions of the Regulatory Agreement.

(h) Information Reporting Requirements. The Borrower will comply with the information reporting requirements of Section 149(e)(2) of the Code requiring certain information regarding the Series 2020C-1 Governmental Lender Note to be filed with the Internal Revenue Service within prescribed time limits.

(i) Funding Loan Not a Hedge Bond. The Borrower covenants and agrees that not more than 50% of the proceeds of the Series 2020C-1 Governmental Lender Note will be invested in Nonpurpose Investments having a substantially guaranteed Yield for four years or more within the meaning of Section 149(f)(3)(A)(ii) of the Code, and the Borrower reasonably expects that at least 85% of the spendable proceeds of the Series 2020C-1 Governmental Lender Note will be used to carry out the governmental purposes of the Funding Loan within the three-year period beginning on the Closing Date.

(j) Termination of Restrictions. Although the parties hereto recognize that, subject to the provisions of the Regulatory Agreement, the provisions of this Borrower Loan Agreement shall terminate in accordance with Section 10.14 hereof, the parties hereto recognize that pursuant to the Regulatory Agreement, certain requirements, including the requirements incorporated by reference in this Section, may continue in effect beyond the term hereof.

(k) Public Approval. The Borrower covenants and agrees that the proceeds of the Series 2020C-1 Governmental Lender Note will not be used by Borrower in a manner that deviates in any substantial degree from the Project described in the written notice of a public hearing regarding the Funding Loan.

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

(m) Modification of Tax Covenants. Subsequent to the origination of the Funding Loan and prior to its payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Funding Loan Agreement), this Section 5.34 hereof may not be amended, changed, modified, altered or terminated except as permitted herein and by the Funding Loan Agreement and with the Written Consent of the Governmental Lender and the Funding Lender. Anything contained in this Borrower Loan Agreement or the Funding Loan Agreement to the contrary

notwithstanding, the Governmental Lender, the Funding Lender and the Borrower hereby agree to amend this Borrower Loan Agreement and, if appropriate, the Funding Loan Agreement and the Regulatory Agreement, to the extent required, in the opinion of Tax Counsel, in order for interest on the Series 2020C-1 Governmental Lender Note to remain excludable from gross income for federal income tax purposes. The party requesting such amendment, which may include the Funding Lender, shall notify the other parties to this Borrower Loan Agreement of the proposed amendment and send a copy of such requested amendment to Tax Counsel. After review of such proposed amendment, Tax Counsel shall render to the Funding Lender and the Governmental Lender an opinion as to the effect of such proposed amendment upon the includability of interest on the Series 2020C-1 Governmental Lender Note in the gross income of the recipient thereof for federal income tax purposes. The Borrower shall pay all necessary fees and expenses incurred with respect to such amendment. The Borrower, the Governmental Lender and, where applicable, the Funding Lender per written instructions from the Governmental Lender shall execute, deliver and, if applicable, the Borrower shall file of record, any and all documents and instruments, including without limitation, an amendment to the Regulatory Agreement, with a file-stamped copy to the Funding Lender, necessary to effectuate the intent of this Section 5.34, and the Borrower and the Governmental Lender hereby appoint the Funding Lender as their true and lawful attorney-in-fact to execute, deliver and, if applicable, file of record on behalf of the Borrower or the Governmental Lender, as is applicable, any such document or instrument (in such form as may be approved by and upon instruction of Tax Counsel) if either the Borrower or the Governmental Lender defaults in the performance of its obligation under this Section 5.34; provided, however, that the Funding Lender shall take no action under this Section 5.34 without first notifying the Borrower or the Governmental Lender in writing, as is applicable, of its intention to take such action and providing the Borrower or the Governmental Lender, as is applicable, a reasonable opportunity to comply with the requirements of this Section 5.34.

The Borrower irrevocably authorizes and directs the Funding Lender and any other agent designated by the Governmental Lender to make payment of such amounts from funds of the Borrower, if any, held by the Funding Lender, or any agent of the Governmental Lender or the Funding Lender. The Borrower further covenants and agrees that, pursuant to the requirements of Treasury Regulation Section 1.148-1(b), it (or any related person contemplated by such regulations) will not purchase interests in the Funding Loan or the Governmental Lender Notes in an amount related to the amount of the Borrower Loan.

In furtherance of the covenants in this Section 5.34, the Borrower shall execute, deliver and comply with the provisions of the Tax Certificate, which are by this reference incorporated into this Borrower Loan Agreement and made a part of this Borrower Loan Agreement as if set forth in this Borrower Loan Agreement in full. In the event of a conflict between the terms of this Borrower Loan Agreement and the Tax Certificate, the terms of the Tax Certificate shall control.

Section 5.35 Payment of Rebate.

(a) Arbitrage Rebate. The Borrower agrees to take all steps necessary to compute and pay any rebatable arbitrage relating to the Series 2020C-1 Governmental Lender Note in accordance with Section 148(f) of the Code including:

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

(A) with a copy to the Governmental Lender, a statement, signed by the Borrower, stating the Rebate Amount as of such Computation Date;

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

(C) with a copy to the Governmental Lender, an Internal Revenue Service Form 8038-T properly signed and completed as of such Computation Date.

(ii) Correction of Underpayments. If the Borrower shall discover or be notified as of any date that any payment paid to the United States Treasury pursuant to this Section 5.35 of an amount described in Section 5.35(a)(i)(A) or (B) above shall have failed to satisfy any requirement of Section 1.148-3 of the Regulations (whether or not such failure shall be due to any default by the Borrower, the Governmental Lender or the Funding Lender), the Borrower shall (1) pay to the Fiscal Agent (for deposit to the Rebate Fund) and cause the Fiscal Agent to pay to the United States Treasury from the Rebate Fund the underpayment of the Rebate Amount, together with any penalty and/or interest due, as specified in Section 1.148-3(h) of the Regulations, within 175 days after any discovery or notice and (2) deliver to the Fiscal Agent an Internal Revenue Service Form 8038-T completed as of such date. If such underpayment of the Rebate Amount, together with any penalty and/or interest due, is not paid to the United States Treasury in the amount and manner and by the time specified in the Regulations, the Borrower shall take such steps as are necessary to prevent the Series 2020C-1 Governmental Lender Note from becoming an arbitrage bond within the meaning of Section 148 of the Code.

(iii) Records. The Borrower shall retain all of its accounting records relating to the funds established under this Borrower Loan Agreement and all calculations made in preparing the statements described in this Section 5.35 for at least six years after the later of the final maturity of the Governmental Lender Notes or the date the Funding Loan is retired in full.

(iv) Costs. The Borrower agrees to pay all of the fees and expenses of a nationally recognized Tax Counsel, the Rebate Analyst a certified public accountant and any other necessary consultant employed by the Borrower or the Funding Lender in connection with computing the Rebate Amount.

(v) No Diversion of Rebatable Arbitrage. The Borrower will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the Gross Proceeds of

the Funding Loan which is not purchased at Fair Market Value or includes terms that the Borrower would not have included if the Funding Loan were not subject to Section 148(f) of the Code.

(vi) **Modification of Requirements.** If at any time during the term of this Borrower Loan Agreement, the Governmental Lender, the Funding Lender or the Borrower desires to take any action which would otherwise be prohibited by the terms of this Section 5.35, such Person shall be permitted to take such action if it shall first obtain and provide to the other Persons named herein a Tax Counsel No Adverse Effect Opinion (as defined in the Funding Loan Agreement) with respect to such action.

(b) **Rebate Fund.** The Borrower acknowledges that the Fiscal Agent shall establish and hold a separate fund designated as the "Rebate Fund" under the Funding Loan Agreement and deposit or transfer to the credit of the Rebate Fund each amount delivered to the Fiscal Agent by the Borrower for deposit thereto and each amount directed by the Borrower to be transferred thereto, as further described in Section 7.8 of the Funding Loan Agreement.

Section 5.36 Covenants under Funding Loan Agreement. The Borrower will fully and faithfully perform all the duties and obligations which the Governmental Lender has covenanted and agreed in the Funding Loan Agreement to cause the Borrower to perform and any duties and obligations which the Borrower is required in the Funding Loan Agreement to perform. The foregoing will not apply to any duty or undertaking of the Governmental Lender that by its nature cannot be delegated or assigned.

Section 5.37 Continuing Disclosure Agreement. The Borrower and the Funding Lender shall enter into the Continuing Disclosure Agreement to provide for the continuing disclosure of information about the Funding Loan, the Borrower and other matters as specifically provided for in such agreement.

ARTICLE VI

NEGATIVE COVENANTS

Borrower hereby covenants and agrees as follows, which covenants shall remain in effect so long as any Borrower Payment Obligation or other obligation of Borrower under any of the other Borrower Loan Documents or the Funding Loan Documents remains outstanding or unperformed. Borrower covenants and agrees that it will not, directly or indirectly:

Section 6.1 Management Agreement. Without first obtaining the Funding Lender's prior Written Consent, enter into the Management Agreement, and thereafter the Borrower shall not, without the Funding Lender's prior Written Consent (which consent shall not be unreasonably withheld) and subject to the Regulatory Agreement: (i) surrender, terminate or cancel the Management Agreement or otherwise replace the Manager or enter into any other management agreement; (ii) reduce or consent to the reduction of the term of the Management Agreement; (iii) increase or consent to the increase of the amount of any charges under the Management Agreement; (iv) otherwise modify, change, supplement, alter or amend in any material respect, or waive or release in any material respect any of its rights and remedies under, the Management Agreement; or (v) suffer or permit the occurrence and continuance of a default beyond any applicable cure period under the Management Agreement (or any successor management agreement) if such default permits the Manager to terminate the Management Agreement (or such successor management agreement).

Section 6.2 Dissolution. Dissolve or liquidate, in whole or in part, merge with or consolidate into another Person.

Section 6.3 Change in Business or Operation of Property. Enter into any line of business other than the ownership and operation of the Project, or make any material change in the scope or nature of its business objectives, purposes or operations, or undertake or participate in activities other than the continuance of its present business and activities incidental or related thereto or otherwise cease to operate the Project as a multi-family property or terminate such business for any reason whatsoever (other than temporary cessation in connection with construction of the Project).

Section 6.4 Debt Cancellation. Cancel or otherwise forgive or release any claim or debt owed to the Borrower by a Person, except for adequate consideration or in the ordinary course of the Borrower's business in its reasonable judgment.

Section 6.5 Assets. Purchase or own any real property or personal property incidental thereto other than the Project.

Section 6.6 Transfers. Make, suffer or permit the occurrence of any Transfer other than a transfer permitted under the Security Instrument and Section 12 of the Regulatory Agreement, nor transfer any material License required for the operation of the Project.

Section 6.7 Debt. Other than as expressly approved in writing by the Funding Lender, create, incur or assume any indebtedness for borrowed money (including subordinate debt) whether unsecured or secured by all or any portion of the Project or interest therein or in the Borrower or any partner thereof (including subordinate debt) other than (i) the Borrower Payment Obligations, (ii) the Subordinate Debt, (iii) secured indebtedness incurred pursuant to or permitted by the Borrower Loan Documents and the Funding Loan Documents, (iv) trade payables incurred in the ordinary course of business, (v) deferred developer fees, and (vi) unsecured loans payable solely from cash flow made by a partner of the Borrower as set forth in the Partnership Agreement.

Section 6.8 Assignment of Rights. Without the Funding Lender's prior Written Consent, attempt to assign the Borrower's rights or interest under any Borrower Loan Document or Funding Loan Document in contravention of any Borrower Loan Document or Funding Loan Document.

Section 6.9 Principal Place of Business. Change its principal place of business without providing 30 days' prior Written Notice of the change to the Funding Lender and the Servicer.

Section 6.10 Partnership Agreement. Without the Funding Lender's prior Written Consent (which consent shall not be unreasonably withheld) surrender, terminate, cancel, modify, change, supplement, alter or amend in any material respect, or waive or release in any material respect (except as allowed by the Security Instrument), any of its rights or remedies under the Partnership Agreement; provided, however, the consent of Funding Lender is not required for an amendment of the Partnership Agreement resulting solely from the "Permitted Transfer" of partnership interests of Borrower as defined in and permitted by the Security Instrument.

Section 6.11 ERISA. Maintain, sponsor, contribute to or become obligated to contribute to, or suffer or permit any ERISA Affiliate of the Borrower to, maintain, sponsor, contribute to or

become obligated to contribute to, any Plan, or permit the assets of the Borrower to become “plan assets,” whether by operation of law or under regulations promulgated under ERISA.

Section 6.12 No Hedging Arrangements. Without the prior Written Consent of the Funding Lender or unless otherwise required by this Borrower Loan Agreement, the Borrower will not enter into or guarantee, provide security for or otherwise undertake any form of contractual obligation with respect to any interest rate swap, interest rate cap or other arrangement that has the effect of an interest rate swap or interest rate cap or that otherwise (directly or indirectly, derivatively or synthetically) hedges interest rate risk associated with being a debtor of variable rate debt or any agreement or other arrangement to enter into any of the above on a future date or after the occurrence of one or more events in the future.

Section 6.13 Loans and Investments; Distributions; Related Party Payments.

(a) Without the prior Written Consent of Funding Lender in each instance, Borrower shall not (i) lend money, make investments, or extend credit, other than in the ordinary course of its business as presently conducted; or (ii) repurchase, redeem or otherwise acquire any interest in Borrower, any Borrower Affiliate or any other Person owning an interest, directly or indirectly, in Borrower, or make any distribution, in cash or in kind, in respect of interests in Borrower, any Borrower Affiliate or any other Person owning an interest, directly or indirectly, in Borrower (except to the extent permitted by the Security Instrument and subject to the limitations set forth in Section 5.27 hereof).

(b) Disbursements for fees and expenses of any Borrower Affiliate and developer fees (however characterized) will only be paid to the extent that such fee or expense bears a proportionate relationship to the percentage of completion of the construction of the Improvements, as determined by the Construction Consultant, and only after deducting the applicable Retainage. Except as otherwise permitted hereunder or by the Funding Lender, no Disbursements for the Developer Fee or any “deferred developer fees” shall be made prior to the Conversion Date other than in accordance with the Approved Developer Fee Schedule.

Section 6.14 Amendment of Related Documents or CC&R’s. Without the prior Written Consent of Funding Lender in each instance, except as provided herein or in the Construction Funding Agreement, Borrower shall not enter into or consent to any amendment, termination, modification, or other alteration of any of the Related Documents or any of the CC&R’s (including, without limitation, those contained in this Borrower Loan Agreement, any Architect’s Agreement or Engineer’s Contract, any Construction Contract, and any Management Agreement, but excluding the Partnership Agreement, which is covered by Section 6.10), or any assignment, transfer, pledge or hypothecation of any of its rights thereunder, if any.

Section 6.15 Personal Property. Borrower shall not install materials, personal property, equipment or fixtures subject to any security agreement or other agreement or contract wherein the right is reserved to any Person other than Borrower to remove or repossess any such materials, equipment or fixtures, or whereby title to any of the same is not completely vested in Borrower at the time of installation, without Funding Lender’s prior Written Consent; provided, however, that this Section 6.15 shall not apply to laundry equipment or other equipment that is owned by a third-party vendor and commercial tenants.

Section 6.16 Fiscal Year. Without Funding Lender’s Written Consent, which shall not be unreasonably withheld, neither Borrower nor General Partner shall change the times of commencement or termination of its fiscal year or other accounting periods, or change its methods of accounting, other than to conform to GAAP.

Section 6.17 Publicity. Neither Borrower nor General Partner shall issue any publicity release or other communication to any print, broadcast or on-line media, post any sign or in any other way identify Funding Lender or any of its Affiliates as the source of the financing provided for herein, without the prior written approval of Funding Lender in each instance (provided that nothing herein shall prevent Borrower or General Partner from identifying Funding Lender or its Affiliates as the source of such financing to the extent that Borrower or General Partner are required to do so by disclosure requirements applicable to publicly held companies). With the exception of Equity Investor signage posted on the Project, Borrower and General Partner agree that no sign shall be posted on the Project in connection with the construction of the Improvements unless such sign identifies Citigroup and its affiliates as the source of the financing provided for herein or Funding Lender consents to not being identified on any such sign.

Section 6.18 Subordinate Loan Documents. Without Funding Lender's prior written consent, Borrower will not surrender, terminate, cancel, modify, change, supplement, alter, amend, waive, release, assign, transfer, pledge or hypothecate any of its rights or remedies under the Subordinate Loan Documents.

ARTICLE VII

RESERVED

ARTICLE VIII

DEFAULTS

Section 8.1 Events of Default. Each of the following events shall constitute an "Event of Default" under this Borrower Loan Agreement:

(a) failure by the Borrower to pay any Borrower Loan Payment in the manner and on the date such payment is due in accordance with the terms and provisions of the Borrower Notes, or the failure by the Borrower to pay any Additional Borrower Payment on the date such payment is due in accordance with the terms and provisions of the Borrower Notes, the Security Instrument, this Borrower Loan Agreement or any other Borrower Loan Document;

(b) failure by or on behalf of the Borrower to pay when due any amount (other than as provided in subsection (a) above or elsewhere in this Section 8.1) required to be paid by the Borrower under this Borrower Loan Agreement, the Borrower Notes, the Security Instrument or any of the other Borrower Loan Documents or Funding Loan Documents, including a failure to repay any amounts that have been previously paid but are recovered, attached or enjoined pursuant to any insolvency, receivership, liquidation or similar proceedings, which default remains uncured for a period of five (5) days after Written Notice thereof shall have been given to the Borrower;

(c) an Event of Default, as defined in the Borrower Notes, the Security Instrument or any other Borrower Loan Document, occurs (or to the extent an "Event of Default" is not defined in any other Borrower Loan Document, any default or breach by the Borrower or any Guarantor of its obligations, covenants, representations or warranties under such Borrower Loan Document occurs and any applicable notice and/or cure period has expired);

(d) any representation or warranty made by any of the Borrower, the Guarantor or the General Partner in any Borrower Loan Document or Funding Loan

Document to which it is a party, or in any report, certificate, financial statement or other instrument, agreement or document furnished by the Borrower, the Guarantor or the General Partner in connection with any Borrower Loan Document or Funding Loan Document, shall be false or misleading in any material respect as of the Closing Date;

(e) the Borrower shall make a general assignment for the benefit of creditors, or shall generally not be paying its debts as they become due;

(f) the Borrower Controlling Entity shall make a general assignment for the benefit of creditors, shall generally not be paying its debts as they become due, or an Act of Bankruptcy with respect to the Borrower Controlling Entity shall occur, unless in all cases the Borrower Controlling Entity is replaced with a substitute Borrower Controlling Entity that satisfies the requirements of Section 21 of the Security Instrument; which, in the case of a nonprofit Borrower Controlling Entity, may be replaced within sixty (60) days of such event with another nonprofit Borrower Controlling Entity acceptable to the Funding Lender, in which case no Event of Default shall be deemed to have occurred;

(g) any portion of Borrower Deferred Equity to be made by Equity Investor and required for (i) completion of the construction of the Improvements, (ii) the satisfaction of the Conditions of Conversion or (iii) the operation of the Improvements, is not received in accordance with the Partnership Agreement (and subject to the terms and conditions as set forth therein) after the expiration of all applicable notice and cure periods;

(h) the failure by Borrower or any ERISA Affiliate of Borrower to comply in all respects with ERISA, or the occurrence of any other event (with respect to the failure of Borrower or any ERISA Affiliate to pay any amount required to be paid under ERISA or with respect to the termination of, or withdrawal of Borrower or any ERISA Affiliate from, any employee benefit or welfare plan subject to ERISA) the effect of which is to impose upon Borrower (after giving effect to the tax consequences thereof) for the payment of any amount in excess of Fifty Thousand Dollars (\$50,000);

(i) a Bankruptcy Event shall occur with respect to Borrower, any General Partner or Guarantor, or there shall be a change in the assets, liabilities or financial position of any such Person which has a material adverse effect upon the ability of such Person to perform such Person's obligations under this Borrower Loan Agreement, any other Borrower Loan Document or any Related Document, provided that any such Bankruptcy Event with respect to a Guarantor shall not constitute an Event of Default: (i) if such Bankruptcy Event occurs on or after the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor), or (ii) if such Bankruptcy Event occurs prior to the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor) and the Borrower replaces such Guarantor with a person or entity satisfying the Funding Lender's mortgage credit standards for principals and acceptable to the Funding Lender in its sole and absolute discretion within thirty (30) days after notice thereof from the Funding Lender, and provided further that any such Bankruptcy Event with respect to the Managing General Partner shall not constitute an Event of Default if the Managing General Partner is replaced with a substitute non-profit managing general partner that satisfies the requirements of Section 21 of the Security Instrument and is acceptable to Funding Lender in its sole and absolute discretion within thirty (30) days after notice thereof from Funding Lender;

(j) all or any part of the property of Borrower is attached, levied upon or otherwise seized by legal process, and such attachment, levy or seizure is not quashed, stayed or released: (i) prior to completion of the construction of the Improvements, within ten (10) days of the date thereof or (ii) after completion of the construction of the Improvements, within thirty (30) days of the date thereof;

(k) subject to Section 10.16 hereof, Borrower fails to pay when due any monetary obligation (other than pursuant to this Borrower Loan Agreement) to any Person in excess of \$100,000, and such failure continues beyond the expiration of any applicable cure or grace periods;

(l) any material litigation or proceeding is commenced before any Governmental Authority against or affecting Borrower, any General Partner or Guarantor, or property of Borrower, any General Partner or Guarantor, or any part thereof, and such litigation or proceeding is not defended diligently and in good faith by Borrower, any General Partner or Guarantor, as applicable, provided that any such material litigation or proceeding against a Guarantor shall not constitute an Event of Default: (i) if such material litigation is commenced on or after the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor), or (ii) if such material litigation or proceeding is commenced prior to the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor) and the Borrower replaces such Guarantor with a person or entity satisfying the Funding Lender's mortgage credit standards for principals and acceptable to the Funding Lender in its sole and absolute discretion within thirty (30) days after notice thereof from the Funding Lender, and provided further that any such material litigation or proceeding against the Managing General Partner shall not constitute an Event of Default if the Managing General Partner is replaced with a substitute non-profit managing general partner that satisfies the requirements of Section 21 of the Security Instrument and is acceptable to Funding Lender in its sole and absolute discretion within thirty (30) days after notice thereof from Funding Lender;

(m) a final judgment or decree for monetary damages in excess of \$50,000 or a monetary fine or penalty (not subject to appeal or as to which the time for appeal has expired) is entered against Borrower, any General Partner or Guarantor by any Governmental Authority, and such judgment, decree, fine or penalty is not paid and discharged or stayed (i) prior to completion of the construction of the Improvements, within ten (10) days after entry thereof or (ii) after completion of the construction of the Improvements, within thirty (30) days after entry thereof (or such longer period as may be permitted for payment by the terms of such judgment, fine or penalty) , provided that any such judgment, decree, fine or penalty against a Guarantor shall not constitute an Event of Default: (i) if such judgment, decree, fine or penalty is entered on or after the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor), or (ii) if such judgment, decree, fine or penalty is entered prior to the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor) and the Borrower replaces such Guarantor with a person or entity satisfying the Funding Lender's mortgage credit standards for principals and acceptable to the Funding Lender in its sole

and absolute discretion within thirty (30) days after notice thereof from the Funding Lender, and provided further that any such judgment, decree, fine or penalty against the Managing General Partner shall not constitute an Event of Default if the Managing General Partner is replaced with a substitute non-profit managing general partner that satisfies the requirements of Section 21 of the Security Instrument and is acceptable to Funding Lender in its sole and absolute discretion within thirty (30) days after notice thereof from Funding Lender;

(n) a final, un-appealable and uninsured money judgment or judgments, in favor of any Person other than a Governmental Authority, in the aggregate sum of \$50,000 or more shall be rendered against Borrower, any General Partner or Guarantor, or against any of their respective assets, that is not paid, superseded or stayed (i) prior to completion of the construction of the Improvements, within ten (10) days after entry thereof or (ii) after completion of the construction of the Improvements, within thirty (30) days after entry thereof (or such longer period as may be permitted for payment by the terms of such judgment); or any levy of execution, writ or warrant of attachment, or similar process, is entered or filed against Borrower, any General Partner or Guarantor, or against any of their respective assets (that is likely to have a material adverse effect upon the ability of Borrower, any General Partner or Guarantor to perform their respective obligations under this Borrower Loan Agreement, any other Borrower Loan Document or any Related Document), and such judgment, writ, warrant or process shall remain unsatisfied, unsettled, unvacated, unhande d and unstayed (i) prior to completion of the construction of the Improvements, for a period of ten (10) days or (ii) after completion of the construction of the Improvements, for a period of thirty (30) days, or in any event later than five (5) Business Days prior to the date of any proposed sale thereunder, provided that any such judgment, levy, writ, warrant, attachment or similar process against a Guarantor shall not constitute an Event of Default: (i) if such judgment, levy, writ, warrant, attachment or similar process is entered on or after the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor), or (ii) if such judgment, levy, writ, warrant, attachment or similar process is entered prior to the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor) and the Borrower replaces such Guarantor with a person or entity satisfying the Funding Lender's mortgage credit standards for principals and acceptable to the Funding Lender in its sole and absolute discretion within thirty (30) days after notice thereof from the Funding Lender, and provided further that any such judgment, levy, writ, warrant, attachment or similar process against the Managing General Partner shall not constitute an Event of Default if the Managing General Partner is replaced with a substitute non-profit managing general partner that satisfies the requirements of Section 21 of the Security Instrument and is acceptable to Funding Lender in its sole and absolute discretion within thirty (30) days after notice thereof from Funding Lender;

(o) the inability of Borrower to satisfy any condition for the receipt of a Disbursement hereunder (other than an Event of Default specifically addressed in this Section 8.1) and failure to resolve the situation to the satisfaction of Funding Lender for a period in excess of thirty (30) days after Written Notice from Funding Lender unless (i) such inability shall have been caused by conditions beyond the control of Borrower, including, without limitation, acts of God or the elements, fire, strikes and disruption of shipping; (ii) Borrower shall have made adequate provision, acceptable to Funding Lender, for the protection of materials stored on-site or off-site and for the protection of the Improvements to the extent then constructed against deterioration and against other

loss or damage or theft; (iii) Borrower shall furnish to Funding Lender satisfactory evidence that such cessation of construction will not adversely affect or interfere with the rights of Borrower under labor and materials contracts or subcontracts relating to the construction or operation of the Improvements; and (iv) Borrower shall furnish to Funding Lender satisfactory evidence that the completion of the construction of the Improvements can be accomplished by the Completion Date;

(p) the construction of the Improvements is abandoned or halted prior to completion for any period of thirty (30) consecutive days;

(q) Borrower shall fail to keep in force and effect any material permit, license, consent or approval required under this Borrower Loan Agreement, or any Governmental Authority with jurisdiction over the Mortgaged Property or the Project orders or requires that construction of the Improvements be stopped, in whole or in part, or that any required approval, license or permit be withdrawn or suspended, and the order, requirement, withdrawal or suspension remains in effect for a period of thirty (30) days;

(r) failure by the Borrower to Substantially Complete the construction of the Improvements in accordance with this Borrower Loan Agreement on or prior to the Substantial Completion Date;

(s) failure by Borrower to complete the construction of the Improvements in accordance with this Borrower Loan Agreement on or prior to the Completion Date;

(t) failure by Borrower to satisfy the Conditions to Conversion on or before the Outside Conversion Date or the Extended Outside Conversion Date, if applicable;

(u) failure by any Subordinate Lender to disburse the proceeds of its Subordinate Loan in approximately such amounts and at approximately such times as set forth in the Cost Breakdown and in the Subordinate Loan Documents;

(v) an "Event of Default" or "Default" (as defined in the applicable agreement) shall occur under any of the Subordinate Loan Documents, after the expiration of all applicable notice and cure periods; or

(w) Borrower fails to obtain all grading, foundation, building and all other construction permits, licenses and authorizations from all applicable Governmental Authorities or third parties necessary for the completion of the construction of the Improvements, and the operation of, and access to, the Project, prior to the commencement of any work for which such permit, license or authorization is required; or

(x) any failure by the Borrower to perform or comply with any of its obligations under this Borrower Loan Agreement (other than those specified in this Section 8.1), as and when required, that continues for a period of thirty (30) days after written notice of such failure by Funding Lender or the Servicer on its behalf to the Borrower (with a copy to the limited partner of the Borrower); provided, however, if such failure is susceptible of cure but cannot reasonably be cured within such thirty (30) day period, and the Borrower shall have commenced to cure such failure within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for an additional period of time as is reasonably necessary for the Borrower in the exercise of due diligence to cure such failure, such additional period not to exceed sixty (60) days. However, no such notice or grace

period shall apply to the extent such failure could, in the Funding Lender's judgment, absent immediate exercise by the Funding Lender of a right or remedy under this Borrower Loan Agreement, result in harm to the Funding Lender, impairment of the Borrower Notes or this Borrower Loan Agreement or any security given under any other Borrower Loan Document.

Additionally, except with respect to any payment due on the Borrower Note and Additional Borrower Payments, (a) any Default or Event of Default that occurs by reason of acts or omissions of a general partner of Borrower shall be deemed cured if such general partner of Borrower is replaced, within thirty (30) days after notice to Borrower and the Equity Investor of such Default or Event of Default by Funding Lender, by a substitute general partner approved by Funding Lender in its sole discretion, except if such replacement is an affiliate of the Equity Investor or otherwise permitted pursuant to the Security Instrument or Construction Funding Agreement, no such approval by Funding Lender shall be required, provided in either case such replacement is approved by the Governmental Lender in the manner and to the extent provided in the Regulatory Agreement and such substitute general partner timely cures such Default or Event of Default; and (b) any Default or Event of Default that occurs which can be cured by replacement of any guarantor of the Borrower Loan shall be deemed cured if such guarantor is replaced by a substitute guarantor approved by Funding Lender in its sole discretion, which substitute guarantor executes such guaranty agreements requested by Funding Lender within thirty (30) days after notice to Borrower of such Default or Event of Default by Funding Lender.

Section 8.2 Remedies.

Section 8.2.1 Acceleration. Upon the occurrence of an Event of Default (other than an Event of Default described in paragraph (e), (f) or (i) of Section 8.1) and at any time and from time to time thereafter, as long as such Event of Default continues to exist, in addition to any other rights or remedies available to the Governmental Lender pursuant to the Borrower Loan Documents or at law or in equity, the Funding Lender may, take such action (whether directly or by directing the actions of the Fiscal Agent), without notice or demand, as the Funding Lender deems advisable to protect and enforce its rights against the Borrower and in and to the Project, including declaring the Borrower Payment Obligations to be immediately due and payable (including, without limitation, the principal of, Prepayment Premium, if any, and interest on and all other amounts due on the Borrower Notes to be immediately due and payable), without notice or demand, and apply such payment of the Borrower Payment Obligations in any manner and in any order determined by Funding Lender, in Funding Lender's sole and absolute discretion; and upon any Event of Default described in paragraph (e), (f) or (i) of Section 8.1, the Borrower Payment Obligations shall become immediately due and payable, without notice or demand, and the Borrower hereby expressly waives any such notice or demand, anything contained in any Borrower Loan Document to the contrary notwithstanding. Notwithstanding anything herein to the contrary, enforcement of remedies hereunder and under the Funding Loan Agreement shall be controlled by the Funding Lender.

Section 8.2.2 Remedies Cumulative. Upon the occurrence of an Event of Default, all or any one or more of the rights, powers, privileges and other remedies available to the Funding Lender against the Borrower under the Borrower Loan Documents or at law or in equity may be exercised by the Funding Lender or the Fiscal Agent, at any time and from time to time, whether or not all or any of the Borrower Payment Obligations shall be declared due and payable, and whether or not the Funding Lender shall have commenced any foreclosure proceeding or other action for the enforcement of its rights and remedies under any of the Borrower Loan Documents. Any such actions taken by the Funding Lender shall be cumulative and concurrent and may be pursued independently, singly, successively, together or otherwise, at such time and in such order as the Funding Lender may determine in its sole discretion, to the fullest extent permitted

by law, without impairing or otherwise affecting the other rights and remedies of the Funding Lender permitted by law, equity or contract or as set forth in the Borrower Loan Documents. Without limiting the generality of the foregoing, the Borrower agrees that if an Event of Default is continuing, all Liens and other rights, remedies or privileges provided to the Funding Lender shall remain in full force and effect until they have exhausted all of its remedies, the Security Instrument has been foreclosed, the Project has been sold and/or otherwise realized upon satisfaction of the Borrower Payment Obligations or the Borrower Payment Obligations has been paid in full. To the extent permitted by applicable law, nothing contained in any Borrower Loan Document shall be construed as requiring the Funding Lender to resort to any portion of the Project for the satisfaction of any of the Borrower Payment Obligations in preference or priority to any other portion, and the Funding Lender may seek satisfaction out of the entire Project or any part thereof, in its absolute discretion.

Notwithstanding any provision herein to the contrary, the Governmental Lender, the Fiscal Agent and the Funding Lender agree that any cure of any default made or tendered by the Equity Investor under the Borrower Loan Documents or the Funding Loan Documents shall be deemed to be a cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower.

Section 8.2.3 Delay. No delay or omission to exercise any remedy, right, power accruing upon an Event of Default, or the granting of any indulgence or compromise by the Funding Lender or the Fiscal Agent shall impair any such remedy, right or power hereunder or be construed as a waiver thereof, but any such remedy, right or power may be exercised from time to time and as often as may be deemed expedient. A waiver of one Potential Default or Event of Default shall not be construed to be a waiver of any subsequent Potential Default or Event of Default or to impair any remedy, right or power consequent thereon. Notwithstanding any other provision of this Borrower Loan Agreement, the Funding Lender and the Fiscal Agent reserve the right to seek a deficiency judgment or preserve a deficiency claim, in connection with the foreclosure of the Security Instrument to the extent necessary to foreclose on the Project, the Rents, the funds or any other collateral.

Section 8.2.4 Set Off; Waiver of Set Off. Upon the occurrence of an Event of Default, Funding Lender may, at any time and from time to time, without notice to Borrower or any other Person (any such notice being expressly waived), set off and appropriate and apply (against and on account of any obligations and liabilities of the Borrower to the Funding Lender or the Fiscal Agent arising under or connected with this Borrower Loan Agreement and the other Borrower Loan Documents and the Funding Loan Documents, irrespective of whether or not the Funding Lender shall have made any demand therefor, and although such obligations and liabilities may be contingent or unmatured), and the Borrower hereby grants to the Funding Lender, as security for the Borrower Payment Obligations, a security interest in, any and all deposits (general or special, including but not limited to Debt evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts) and any other Debt at any time held or owing by the Funding Lender to or for the credit or the account of the Borrower.

Section 8.2.5 Assumption of Obligations. In the event that the Funding Lender or its assignee or designee shall become the legal or beneficial owner of the Project by foreclosure or deed in lieu of foreclosure, such party shall succeed to the rights and the obligations of the Borrower under this Borrower Loan Agreement, the Borrower Notes, the Regulatory Agreement, and any other Borrower Loan Documents and Funding Loan Documents to which the Borrower is a party. Such assumption shall be effective from and after the effective date of such acquisition and shall be made with the benefit of the limitations of liability set forth therein and without any liability for the prior acts of the Borrower.

Section 8.2.6 Accounts Receivable. Upon the occurrence of an Event of Default, Funding Lender shall have the right, to the extent permitted by law, to impound and take possession of books, records, notes and other documents evidencing Borrower's accounts, accounts receivable and other claims for payment of money, arising in connection with the Project, and to make direct collections on such accounts, accounts receivable and claims for the benefit of Funding Lender.

Section 8.2.7 Defaults under Other Documents. Funding Lender shall have the right to cure any default under any of the Related Documents and the Subordinate Loan Documents, but shall have no obligation to do so.

Section 8.2.8 Abatement of Disbursements. Notwithstanding any provision to the contrary herein or any of the other Borrower Loan Documents or the Funding Loan Documents, Funding Lender's obligation to make further Disbursements shall abate (i) during the continuance of any Potential Default, (ii) after any disclosure to Funding Lender of any fact or circumstance that, absent such disclosure, would cause any representation or warranty of Borrower to fail to be true and correct in all material respects, unless and until Funding Lender elects to permit further Disbursements notwithstanding such event or circumstance; and (iii) upon the occurrence of any Event of Default.

Section 8.2.9 Completion of Improvements. Upon the occurrence of any Event of Default, Funding Lender shall have the right to cause an independent contractor selected by Funding Lender to enter into possession of the Project and to perform any and all work and labor necessary for the completion of the Project substantially in accordance with the Plans and Specifications, if any, and to perform Borrower's obligations under this Borrower Loan Agreement. All sums expended by Funding Lender for such purposes shall be deemed to have been disbursed to and borrowed by Borrower and shall be secured by the Security Documents.

Section 8.2.10 Right to Directly Enforce. Notwithstanding any other provision hereof to the contrary, the Funding Lender shall have the right to directly enforce all rights and remedies hereunder with or without involvement of the Governmental Lender or the Fiscal Agent, provided that only the Governmental Lender may enforce the Unassigned Rights. In the event that any of the provisions set forth in this Section 8.2.10 are inconsistent with the covenants, terms and conditions of the Security Instrument, the covenants, terms and conditions of the Security Instrument shall prevail.

Section 8.2.11 Power of Attorney. Effective upon the occurrence of an Event of Default, and continuing until and unless such Event of Default is cured or waived, Borrower hereby constitutes and appoints Funding Lender, or an independent contractor selected by Funding Lender, as its true and lawful attorney-in-fact with full power of substitution, for the purposes of completion of the Project and performance of Borrower's obligations under this Borrower Loan Agreement in the name of Borrower, and hereby empowers said attorney-in-fact to do any or all of the following upon the occurrence and continuation of an Event of Default (it being understood and agreed that said power of attorney shall be deemed to be a power coupled with an interest which cannot be revoked until full payment and performance of all obligations under this Borrower Loan Agreement and the other Borrower Loan Documents and the Funding Loan Documents):

- (a) to use any of the funds of Borrower or General Partner, including any balance of the Borrower Loan, as applicable, and any funds which may be held by Funding Lender for Borrower (including all funds in all deposit accounts in which Borrower has granted to Funding Lender a security interest), for the purpose of effecting

completion of the construction of the Improvements, in the manner called for by the Plans and Specifications;

(b) to make such additions, changes and corrections in the Plans and Specifications as shall be necessary or desirable to complete the Project in substantially the manner contemplated by the Plans and Specifications;

(c) to employ any contractors, subcontractors, agents, architects and inspectors required for said purposes;

(d) to employ attorneys to defend against attempts to interfere with the exercise of power granted hereby;

(e) to pay, settle or compromise all existing bills and claims which are or may be liens against the Project or the Improvements, or may be necessary or desirable for the completion of the construction of the Improvements, or clearance of objections to or encumbrances on title;

(f) to execute all applications and certificates in the name of Borrower, which may be required by any other construction contract;

(g) to prosecute and defend all actions or proceedings in connection with the Project and to take such action, require such performance and do any and every other act as is deemed necessary with respect to the completion of the construction of the Improvements, which Borrower might do on its own behalf;

(h) to let new or additional contracts to the extent not prohibited by their existing contracts;

(i) to employ watchmen and erect security fences to protect the Project from injury; and

(j) to take such action and require such performance as it deems necessary under any of the bonds or insurance policies to be furnished hereunder, to make settlements and compromises with the sureties or insurers thereunder, and in connection therewith to execute instruments of release and satisfaction.

It is the intention of the parties hereto that upon the occurrence and continuance of an Event of Default, rights and remedies may be pursued pursuant to the terms of the Borrower Loan Documents and the Funding Loan Documents. The parties hereto acknowledge that, among the possible outcomes to the pursuit of such remedies, is the situation where the Funding Lender assignees or designees become the owner of the Project and assume the obligations identified above, and the Borrower Notes, the Borrower Loan and the other Borrower Loan Documents and Funding Loan Documents remain outstanding.

ARTICLE IX

SPECIAL PROVISIONS

Section 9.1 Sale of Note and Secondary Market Transaction.

Section 9.1.1 Cooperation. Subject to the restrictions of Section 2.4 of the Funding Loan Agreement, at the Funding Lender's or the Servicer's request (to the extent not already required

to be provided by the Borrower under this Borrower Loan Agreement), the Borrower shall use reasonable efforts to satisfy the market standards to which the Funding Lender or the Servicer customarily adheres or which may be reasonably required in the marketplace or by the Funding Lender or the Servicer in connection with one or more sales or assignments of all or a portion of the Governmental Lender Notes or participations therein or securitizations of single or multi-class securities (the "Securities") secured by or evidencing ownership interests in all or a portion of the Governmental Lender Notes (each such sale, assignment and/or securitization, a "Secondary Market Transaction"); provided that neither the Borrower nor the Governmental Lender shall incur any third party or other out-of-pocket costs and expenses in connection with a Secondary Market Transaction, including the costs associated with the delivery of any Provided Information or any opinion required in connection therewith, and all such costs shall be paid by the Funding Lender or the Servicer, and shall not materially modify Borrower's rights or obligations. Without limiting the generality of the foregoing, the Borrower shall, so long as the Borrower Loan is still outstanding:

(a) (i) provide such financial and other information with respect to the Borrower Loan, and with respect to the Project, the Borrower, the Manager, the contractor of the Project or the Borrower Controlling Entity, (ii) provide financial statements, audited, if available, relating to the Project with customary disclaimers for any forward looking statements or lack of audit, and (iii), at the expense of the Funding Lender or the Servicer, perform or permit or cause to be performed or permitted such site inspection, appraisals, surveys, market studies, environmental reviews and reports (Phase I's and, if appropriate, Phase II's), engineering reports and other due diligence investigations of the Project, as may be reasonably requested from time to time by the Funding Lender or the Servicer or the Rating Agencies or as may be necessary or appropriate in connection with a Secondary Market Transaction or Exchange Act requirements (the items provided to the Funding Lender or the Servicer pursuant to this paragraph (a) being called the "Provided Information"), together, if customary, with appropriate verification of and/or consents (including, without limitation, auditor consents) to include or incorporate by reference the Provided Information in an offering document or otherwise provide the Provided Information to investors and potential investors or opinions of counsel of independent attorneys acceptable to the Funding Lender or the Servicer and the Rating Agencies;

(b) make such representations and warranties as of the closing date of any Secondary Market Transaction with respect to the Project, the Borrower, the Borrower Loan Documents and the Funding Loan Documents reasonably acceptable to the Funding Lender or the Servicer, consistent with the facts covered by such representations and warranties as they exist on the date thereof; and

(c) execute such amendments to the Borrower Loan Documents and the Funding Loan Documents to accommodate such Secondary Market Transaction so long as such amendment does not affect the material economic terms of the Borrower Loan Documents and the Funding Loan Documents and is not otherwise adverse to the Borrower in its reasonable discretion.

Section 9.1.2 Use of Information. The Borrower understands that certain of the Provided Information and the required records may be included in disclosure documents in connection with a Secondary Market Transaction, including a prospectus or private placement memorandum (each, a "Secondary Market Disclosure Document"), or provided or made available to investors or prospective investors in the Securities, the Rating Agencies and service providers or other parties relating to the Secondary Market Transaction. In the event that the Secondary Market Disclosure Document is required to be revised, the Borrower shall cooperate, subject to Section 9.1.1(c) hereof, with the Funding Lender and the Servicer in updating the

Provided Information or required records for inclusion or summary in the Secondary Market Disclosure Document or for other use reasonably required in connection with a Secondary Market Transaction by providing all current information pertaining to the Borrower and the Project necessary to keep the Secondary Market Disclosure Document accurate and complete in all material respects with respect to such matters. The Borrower hereby consents to any and all such disclosures of such information.

The Borrower and the Funding Lender agree and acknowledge that the Governmental Lender undertakes no obligation hereunder or in the Funding Loan Agreement to participate in the preparation of, or to approve, any Secondary Market Disclosure Document.

Section 9.1.3 Borrower Obligations Regarding Secondary Market Disclosure Documents. In connection with a Secondary Market Disclosure Document, the Borrower shall provide, or in the case of a Borrower-engaged third party such as the Manager, cause it to provide, information reasonably requested by the Funding Lender pertaining to the Borrower, the Project or such third party (and portions of any other sections reasonably requested by the Funding Lender pertaining to the Borrower, the Project or the third party). The Borrower shall, if requested by the Funding Lender and the Servicer, certify in writing that the Borrower has carefully examined those portions of such Secondary Market Disclosure Document, pertaining to the Borrower, the Project or the Manager, and such portions (and portions of any other sections reasonably requested and pertaining to the Borrower, the Project or the Manager) do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; provided that the Borrower shall not be required to make any representations or warranties regarding any Provided Information obtained from a third party except with respect to information it provided to such parties. Furthermore, the Borrower hereby indemnifies the Funding Lender and the Servicer for any Liabilities to which any such parties may become subject to the extent such Liabilities arise out of or are based upon the use of the Provided Information in a Secondary Market Disclosure Document unless caused by the gross negligence or willful misconduct of such party seeking indemnification.

Section 9.1.4 Borrower Indemnity Regarding Filings. In connection with filings under the Exchange Act or the Securities Act, the Borrower shall (i) indemnify Funding Lender and the underwriter group for any securities (the "Underwriter Group") for any Liabilities to which Funding Lender, the Servicer or the Underwriter Group may become subject insofar as the Liabilities arise out of or are based upon the omission or alleged omission to state in the Provided Information of a material fact required to be stated in the Provided Information in order to make the statements in the Provided Information, in the light of the circumstances under which they were made not misleading and (ii) reimburse the Funding Lender, the Servicer, the Underwriter Group and other indemnified parties listed above for any legal or other expenses reasonably incurred by the Funding Lender, the Servicer or the Underwriter Group in connection with defending or investigating the Liabilities; provided that the Borrower shall not provide any indemnification regarding any Provided Information obtained from unrelated third parties except with respect to information it provided to such parties.

Section 9.1.5 Indemnification Procedure. Promptly after receipt by an indemnified party under Sections 9.1.3 and 9.1.4 hereof of notice of the commencement of any action for which a claim for indemnification is to be made against the Borrower, such indemnified party shall notify the Borrower in writing of such commencement, but the omission to so notify the Borrower will not relieve the Borrower from any liability that it may have to any indemnified party hereunder except to the extent that failure to notify causes prejudice to the Borrower. In the event that any action is brought against any indemnified party, and it notifies the Borrower of the commencement thereof, the Borrower will be entitled, jointly with any other indemnifying party,

to participate therein and, to the extent that it (or they) may elect by Written Notice delivered to the indemnified party promptly after receiving the aforesaid notice of commencement, to assume the defense thereof with counsel selected by the Borrower and reasonably satisfactory to such indemnified party in its sole discretion. After notice from the Borrower to such indemnified party under this Section 9.1.5, the Borrower shall not be responsible for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. No indemnified party shall settle or compromise any claim for which the Borrower may be liable hereunder without the prior Written Consent of the Borrower.

Section 9.1.6 Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in Section 9.1.4 hereof is for any reason held to be unenforceable by an indemnified party in respect of any Liabilities (or action in respect thereof) referred to therein which would otherwise be indemnifiable under Section 9.1.4 hereof, the Borrower shall contribute to the amount paid or payable by the indemnified party as a result of such Liabilities (or action in respect thereof); provided, however, that no Person guilty of fraudulent misrepresentation (within the meaning of Section 10(f) of the Securities Act) shall be entitled to contribution from any Person not guilty of such fraudulent misrepresentation. In determining the amount of contribution to which the respective parties are entitled, the following factors shall be considered: (i) the indemnified parties and the Borrower's relative knowledge and access to information concerning the matter with respect to which the claim was asserted; (ii) the opportunity to correct and prevent any statement or omission; and (iii) any other equitable considerations appropriate in the circumstances. The parties hereto hereby agree that it may not be equitable if the amount of such contribution were determined by pro rata or per capita allocation.

ARTICLE X

MISCELLANEOUS

Section 10.1 Notices. All notices, consents, approvals and requests required or permitted hereunder or under any other Borrower Loan Document or Funding Loan Document (a "notice") shall be deemed to be given and made when delivered by hand, recognized overnight delivery service, confirmed facsimile transmission (provided any telecopy or other electronic transmission received by any party after 4:00 p.m., local time, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day), or five (5) calendar days after deposited in the United States mail, registered or certified, postage prepaid, with return receipt requested, addressed as follows:

If to the Fiscal Agent:

The Bank of New York Mellon Trust
Company, N.A.
400 South Hope Street, Suite 500
Los Angeles, California 90071
Attention: Corporate Trust

If to the Governmental Lender:

Housing Authority of the City of San Diego
1122 Broadway, Suite 300
San Diego, California 92101
Attention: Executive Director
Phone: (619) 578-7575
Facsimile: (619) 578-7356

If to the Borrower: Fairmount Senior Housing CIC, LP
c/o Chelsea Investment Corporation
6339 Paseo Del Lago
Carlsbad, California 92011
Attention: President

with a copy to: Senior Housing Corporation
c/o Serving Seniors
525 14th Street
San Diego, CA 92101
Attention: President/Chief Executive Officer

and a copy to: Odu & Associates, PC
2195 Queensberry Road
Pasadena, California 91104
Attention: Nkechi C. Odu, Esq.

and a copy to: Goldfarb & Lipman LLP
1300 Clay Street, 11th Floor
Oakland, California 94612
Attention: Amy DeVaudreuil, Esq.

and a copy to: Winthrop & Weinstine, P.A.
225 South Sixth Street, Suite 3500
Minneapolis, Minnesota 55402
Attention: Jon L. Peterson, Esq.

If to the Equity Investor: U.S. Bancorp Community Development
Corporation
1307 Washington Avenue, Suite 300
Mail Code: SL MO RMCD
St. Louis, Missouri 63103
Attention: Director of Asset Management
Phone: (314) 335-2600

with a copy to: Kutak Rock LLP
1650 Farnam Street
Omaha, Nebraska 68102
Attention: Jill Goldstein, Esq.

If to the Funding Lender: Citibank, N.A.
388 Greenwich Street, 6th Floor Trading
New York, New York 10013
Attention: Transaction and Asset
Management Group
Re: East Block Senior Apartments
Deal ID No. 60000342
Facsimile: (212) 723 8209

and to: Citibank, N.A.
325 East Hillcrest Drive, Suite 160
Thousand Oaks, California 91360
Attention: Operations Manager/ Asset
Manager
Re: East Block Senior Apartments
Deal ID No. 60000342
Facsimile: (805) 557-0924

prior to the Conversion Date, with
a copy to: Citibank, N.A.
388 Greenwich Street, 6th Floor Trading
New York, New York 10013
Attention: Account Specialist
Re: East Block Senior Apartments
Deal ID No. 60000342
Facsimile: (212) 723-8209

following the Conversion Date
with a copy to: Citibank, N.A.
c/o Berkadia Commercial Servicing
Department
323 Norristown Road, Suite 300
Ambler, Pennsylvania 19002
Attention: Client Relations Manager
Re: East Block Senior Apartments
Deal ID No. 60000342
Facsimile: (215) 328-0305

and a copy of any notices of
default sent to: Citibank, N.A.
388 Greenwich Street
New York, New York 10013
Attention: General Counsel's Office
Re: East Block Senior Apartments
Deal ID No. 60000342
Facsimile: (212) 723-8939

Any party may change such party's address for the notice or demands required under this Borrower Loan Agreement by providing written notice of such change of address to the other parties by written notice as provided herein.

Section 10.2 Brokers and Financial Advisors. The Borrower hereby represents that it has dealt with no financial advisors, brokers, underwriters, placement agents, agents or finders in connection with the Borrower Loan, other than those disclosed to the Funding Lender and whose fees shall be paid by the Borrower pursuant to separate agreements. The Borrower and the Funding Lender shall indemnify and hold the other harmless from and against any and all claims, liabilities, costs and expenses of any kind in any way relating to or arising from a claim by any Person that such Person acted on behalf of the indemnifying party in connection with the transactions contemplated herein. The provisions of this Section 10.2 shall survive the expiration and termination of this Borrower Loan Agreement and the repayment of the Borrower Payment Obligations.

Section 10.3 Survival. This Borrower Loan Agreement and all covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the making by the Governmental Lender of the Borrower Loan and the execution and delivery to the Governmental Lender of the Borrower Notes and the assignment of the

Borrower Notes to the Funding Lender, and shall continue in full force and effect so long as all or any of the Borrower Payment Obligations is unpaid. All the Borrower's covenants and agreements in this Borrower Loan Agreement shall inure to the benefit of the respective legal representatives, successors and assigns of the Governmental Lender, the Fiscal Agent, the Funding Lender and the Servicer.

Section 10.4 Preferences. The Governmental Lender shall have the continuing and exclusive right to apply or reverse and reapply any and all payments by the Borrower to any portion of the Borrower Payment Obligations. To the extent the Borrower makes a payment to the Governmental Lender or the Servicer, or the Governmental Lender or the Servicer receives proceeds of any collateral, which is in whole or part subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds received, the Borrower Payment Obligations or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment or proceeds had not been received by the Governmental Lender or the Servicer.

Section 10.5 Waiver of Notice. The Borrower shall not be entitled to any notices of any nature whatsoever from the Funding Lender, the Fiscal Agent or the Servicer except with respect to matters for which this Borrower Loan Agreement or any other Borrower Loan Document specifically and expressly provides for the giving of notice by the Funding Lender, the Fiscal Agent or the Servicer, as the case may be, to the Borrower and except with respect to matters for which the Borrower is not, pursuant to applicable Legal Requirements, permitted to waive the giving of notice. The Borrower hereby expressly waives the right to receive any notice from the Funding Lender, the Fiscal Agent or the Servicer, as the case may be, with respect to any matter for which no Borrower Loan Document specifically and expressly provides for the giving of notice by the Funding Lender, the Fiscal Agent or the Servicer to the Borrower.

Section 10.6 Offsets, Counterclaims and Defenses. The Borrower hereby waives the right to assert a counterclaim, other than a compulsory counterclaim, in any action or proceeding brought against it by the Funding Lender or the Servicer with respect to a Borrower Loan Payment. Any assignee of Funding Lender's interest in and to the Borrower Loan Documents or the Funding Loan Documents shall take the same free and clear of all offsets, counterclaims or defenses that are unrelated to the Borrower Loan Documents or the Funding Loan Documents which the Borrower may otherwise have against any assignor of such documents, and no such unrelated offset, counterclaim or defense shall be interposed or asserted by the Borrower in any action or proceeding brought by any such assignee upon such documents, and any such right to interpose or assert any such unrelated offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by the Borrower.

Section 10.7 Publicity. The Funding Lender and the Servicer (and any Affiliates of either party) shall have the right to issue press releases, advertisements and other promotional materials describing the Funding Lender's or the Servicer's participation in the making of the Borrower Loan or the Borrower Loan's inclusion in any Secondary Market Transaction effectuated by the Funding Lender or the Servicer or one of its or their Affiliates. All news releases, publicity or advertising by the Borrower or Borrower Affiliates through any media intended to reach the general public, which refers to the Borrower Loan Documents or the Funding Loan Documents, the Borrower Loan, the Funding Lender or the Servicer in a Secondary Market Transaction, shall be subject to the prior Written Consent of the Funding Lender or the Servicer, as applicable.

Section 10.8 Construction of Documents. The parties hereto acknowledge that they were represented by counsel in connection with the negotiation and drafting of the Borrower

Loan Documents and the Funding Loan Documents and that the Borrower Loan Documents and the Funding Loan Documents shall not be subject to the principle of construing their meaning against the party that drafted them.

Section 10.9 No Third Party Beneficiaries. The Borrower Loan Documents and the Funding Loan Documents are solely for the benefit of the Governmental Lender, the Funding Lender, the Servicer, the Fiscal Agent and the Borrower and, with respect to Sections 9.1.3 and 9.1.4 hereof, the Underwriter Group, and with respect to Section 8.2.2, the Equity Investor, and nothing contained in any Borrower Loan Document shall be deemed to confer upon anyone other than the Governmental Lender, the Funding Lender, the Fiscal Agent, the Servicer, and the Borrower any right to insist upon or to enforce the performance or observance of any of the obligations contained therein.

Section 10.10 Assignment. The Borrower Loan, the Security Instrument, the Borrower Loan Documents and the Funding Loan Documents and all Funding Lender's or Fiscal Agent's rights, title, obligations and interests therein may be assigned by the Funding Lender or the Fiscal Agent, as appropriate, at any time in its sole discretion, whether by operation of law (pursuant to a merger or other successor in interest) or otherwise, subject in any event to the provisions of Section 2.4 of the Funding Loan Agreement. Upon such assignment, all references to Funding Lender or the Fiscal Agent, as appropriate, in this Borrower Loan Agreement and in any Borrower Loan Document shall be deemed to refer to such assignee or successor in interest and such assignee or successor in interest shall thereafter stand in the place of the Funding Lender or the Fiscal Agent, as appropriate. The Borrower shall accord full recognition to any such assignment, and all rights and remedies of Funding Lender in connection with the interest so assigned shall be as fully enforceable by such assignee as they were by Funding Lender before such assignment. In connection with any proposed assignment, Funding Lender may disclose to the proposed assignee any information that the Borrower has delivered, or caused to be delivered, to Funding Lender with reference to the Borrower, General Partner, Guarantor or any Borrower Affiliate, or the Project, including information that the Borrower is required to deliver to Funding Lender pursuant to this Borrower Loan Agreement, provided that such proposed assignee agrees to treat such information as confidential. The Borrower may not assign its rights, interests or obligations under this Borrower Loan Agreement or under any of the Borrower Loan Documents or Funding Loan Documents, or the Borrower's interest in any moneys to be disbursed or advanced hereunder, except only as may be expressly permitted hereby.

Section 10.11 [Reserved].

Section 10.12 Governmental Lender, Funding Lender and Servicer Not in Control; No Partnership. None of the covenants or other provisions contained in this Borrower Loan Agreement shall, or shall be deemed to, give the Governmental Lender, the Funding Lender, the Fiscal Agent or the Servicer the right or power to exercise control over the affairs or management of the Borrower, the power of the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer being limited to the rights to exercise the remedies referred to in the Borrower Loan Documents and the Funding Loan Documents. The relationship between the Borrower and the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer is, and at all times shall remain, solely that of debtor and creditor. No covenant or provision of the Borrower Loan Documents or the Funding Loan Documents is intended, nor shall it be deemed or construed, to create a partnership, joint venture, agency or common interest in profits or income between the Borrower and the Governmental Lender, the Funding Lender, the Fiscal Agent or the Servicer or to create an equity interest in the Project in the Governmental Lender, the Funding Lender, the Fiscal Agent or the Servicer. Neither the Governmental Lender, the Funding Lender, the Fiscal Agent nor the Servicer undertakes or assumes any responsibility or duty to the Borrower or to any other person with respect to the Project or the Borrower Loan, except as

expressly provided in the Borrower Loan Documents or the Funding Loan Documents; and notwithstanding any other provision of the Borrower Loan Documents and the Funding Loan Documents: (1) the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer are not, and shall not be construed as, a partner, joint venturer, alter ego, manager, controlling person or other business associate or participant of any kind of the Borrower or its stockholders, members, or partners and the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer do not intend to ever assume such status; (2) the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer shall in no event be liable for any the Borrower Payment Obligations, expenses or losses incurred or sustained by the Borrower; and (3) the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer shall not be deemed responsible for or a participant in any acts, omissions or decisions of the Borrower, the Borrower Controlling Entities or its stockholders, members, or partners. The Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer and the Borrower disclaim any intention to create any partnership, joint venture, agency or common interest in profits or income between the Governmental Lender, the Funding Lender, the Servicer, the Fiscal Agent and the Borrower, or to create an equity interest in the Project in the Governmental Lender, the Funding Lender, the Fiscal Agent or the Servicer, or any sharing of liabilities, losses, costs or expenses.

Section 10.13 Release. The Borrower hereby acknowledges that it is executing this Borrower Loan Agreement and each of the Borrower Loan Documents and the Funding Loan Documents to which it is a party as its own voluntary act free from duress and undue influence.

Section 10.14 Term of Borrower Loan Agreement. This Borrower Loan Agreement shall be in full force and effect until all payment obligations of the Borrower hereunder have been paid in full and the Borrower Loan and the Funding Loan have been retired or the payment thereof has been provided for; except that on and after payment in full of the Borrower Notes, this Borrower Loan Agreement shall be terminated, without further action by the parties hereto; provided, however, that the obligations of the Borrower under Sections 5.11, 5.14, 5.15, 9.1.3, 9.1.4, 9.1.5, 9.1.6 and 10.15 hereof, as well as under Section 5.7 of the Construction Funding Agreement, shall survive the termination of this Borrower Loan Agreement.

Section 10.15 Reimbursement of Expenses. If, upon or after the occurrence of any Event of Default or Potential Default, the Governmental Lender, the Funding Lender, the Fiscal Agent or the Servicer shall employ attorneys or incur other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the Borrower contained herein, the Borrower will on demand therefor reimburse the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer for fees of such attorneys and such other expenses so incurred.

The Borrower's obligation to pay the amounts required to be paid under this Section 10.15 shall be subordinate to its obligations to make payments under the Borrower Notes.

Section 10.16 Permitted Contests. Notwithstanding anything to the contrary contained in this Borrower Loan Agreement, Borrower shall have the right to contest or object in good faith to any claim, demand, levy or assessment (other than in respect of Debt or Contractual Obligations of Borrower under any Borrower Loan Document or Related Document) by appropriate legal proceedings that are not prejudicial to Funding Lender's rights, but this shall not be deemed or construed as in any way relieving, modifying or providing any extension of time with respect to Borrower's covenant to pay and comply with any such claim, demand, levy or assessment, unless Borrower shall have given prior Written Notice to the Funding Lender of Borrower's intent to so contest or object thereto, and unless (i) Borrower has, in the Funding Lender's judgment, a reasonable basis for such contest, (ii) Borrower pays when due any portion of the claim, demand, levy or assessment to which Borrower does not object, (iii) Borrower demonstrates to Funding Lender's satisfaction that such legal proceedings shall conclusively

operate to prevent enforcement prior to final determination of such proceedings, (iv) Borrower furnishes such bond, surety, undertaking or other security in connection therewith as required by law, or as requested by and satisfactory to Funding Lender, to stay such proceeding, which bond, surety, undertaking or other security shall be issued by a bonding company, insurer or surety company reasonably satisfactory to Funding Lender and shall be sufficient to cause the claim, demand, levy or assessment to be insured against by the Title Company or removed as a lien against the Project, (v) Borrower at all times prosecutes the contest with due diligence, and (vi) Borrower pays, promptly following a determination of the amount of such claim, demand, levy or assessment due and owing by Borrower, the amount so determined to be due and owing by Borrower. In the event that Borrower does not make, promptly following a determination of the amount of such claim, demand, levy or assessment due and owing by Borrower, any payment required to be made pursuant to clause (vi) of the preceding sentence, an Event of Default shall have occurred, and Funding Lender may draw or realize upon any bond or other security delivered to Funding Lender in connection with the contest by Borrower, in order to make such payment.

Section 10.17 Funding Lender Approval of Instruments and Parties. All proceedings taken in accordance with transactions provided for herein, and all surveys, appraisals and documents required or contemplated by this Borrower Loan Agreement and the persons responsible for the execution and preparation thereof, shall be satisfactory to and subject to approval by Funding Lender. Funding Lender's approval of any matter in connection with the Project shall be for the sole purpose of protecting the security and rights of Funding Lender. No such approval shall result in a waiver of any default of Borrower. In no event shall Funding Lender's approval be a representation of any kind with regard to the matter being approved.

Section 10.18 Funding Lender Determination of Facts. Funding Lender shall at all times be free to establish independently, to its reasonable satisfaction, the existence or nonexistence of any fact or facts, the existence or nonexistence of which is a condition of this Borrower Loan Agreement.

Section 10.19 Calendar Months. With respect to any payment or obligation that is due or required to be performed within a specified number of Calendar Months after a specified date, such payment or obligation shall become due on the day in the last of such specified number of Calendar Months that corresponds numerically to the date so specified; provided, however, that with respect to any obligation as to which such specified date is the 29th, 30th or 31st day of any Calendar Month: if the Calendar Month in which such payment or obligation would otherwise become due does not have a numerically corresponding date, such obligation shall become due on the first day of the next succeeding Calendar Month.

Section 10.20 Determinations by Lender. Except to the extent expressly set forth in this Borrower Loan Agreement to the contrary, in any instance where the consent or approval of the Governmental Lender and the Funding Lender may be given or is required, or where any determination, judgment or decision is to be rendered by the Governmental Lender and the Funding Lender under this Borrower Loan Agreement, the granting, withholding or denial of such consent or approval and the rendering of such determination, judgment or decision shall be made or exercised by the Governmental Lender and the Funding Lender, as applicable (or its designated representative) at its sole and exclusive option and in its sole and absolute discretion.

Section 10.21 Governing Law. This Borrower Loan Agreement shall be governed by and enforced in accordance with the laws of the State, without giving effect to the choice of law principles of the State that would require the application of the laws of a jurisdiction other than the State.

Section 10.22 Consent to Jurisdiction and Venue. Borrower agrees that any controversy arising under or in relation to this Borrower Loan Agreement shall be litigated exclusively in the State. The state and federal courts and authorities with jurisdiction in the State shall have exclusive jurisdiction over all controversies which shall arise under or in relation to this Borrower Loan Agreement. Borrower irrevocably consents to service, jurisdiction, and venue of such courts for any such litigation and waives any other venue to which it might be entitled by virtue of domicile, habitual residence or otherwise. However, nothing herein is intended to limit Beneficiary Parties' right to bring any suit, action or proceeding relating to matters arising under this Borrower Loan Agreement against Borrower or any of Borrower's assets in any court of any other jurisdiction.

Section 10.23 Successors and Assigns. This Borrower Loan Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors, successors-in-interest and assigns, as appropriate. The terms used to designate any of the parties herein shall be deemed to include the heirs, legal representatives, successors, successors-in-interest and assigns, as appropriate, of such parties. References to a "person" or "persons" shall be deemed to include individuals and entities.

Section 10.24 Severability. The invalidity, illegality or unenforceability of any provision of this Borrower Loan Agreement shall not affect the validity, legality or enforceability of any other provision, and all other provisions shall remain in full force and effect.

Section 10.25 Entire Agreement; Amendment and Waiver. This Borrower Loan Agreement contains the complete and entire understanding of the parties with respect to the matters covered. This Borrower Loan Agreement may not be amended, modified or changed, nor shall any waiver of any provision hereof be effective, except by a written instrument signed by the party against whom enforcement of the waiver, amendment, change, or modification is sought, and then only to the extent set forth in that instrument. No specific waiver of any of the terms of this Borrower Loan Agreement shall be considered as a general waiver. Without limiting the generality of the foregoing, no Disbursement shall constitute a waiver of any conditions to the Governmental Lender's or the Funding Lender's obligation to make further Disbursements nor, in the event Borrower is unable to satisfy any such conditions, shall any such waiver have the effect of precluding the Governmental Lender or the Funding Lender from thereafter declaring such inability to constitute a Potential Default or Event of Default under this Borrower Loan Agreement.

Section 10.26 Counterparts. This Borrower Loan Agreement may be executed in multiple counterparts, each of which shall constitute an original document and all of which together shall constitute one agreement.

Section 10.27 Captions. The captions of the sections of this Borrower Loan Agreement are for convenience only and shall be disregarded in construing this Borrower Loan Agreement.

Section 10.28 Servicer. Borrower hereby acknowledges and agrees that, pursuant to the terms of Section 39 of the Security Instrument: (a) from time to time, the Governmental Lender or the Funding Lender may appoint a servicer to collect payments, escrows and deposits, to give and to receive notices under the Borrower Notes, this Borrower Loan Agreement or the other Borrower Loan Documents, and to otherwise service the Borrower Loan and (b) unless Borrower receives Written Notice from the Governmental Lender or the Funding Lender to the contrary, any action or right which shall or may be taken or exercised by the Governmental Lender or the Funding Lender may be taken or exercised by such servicer with the same force and effect.

Section 10.29 Beneficiary Parties as Third Party Beneficiary. Each of the Beneficiary Parties shall be a third party beneficiary of this Borrower Loan Agreement for all purposes.

Section 10.30 Waiver of Trial by Jury. TO THE MAXIMUM EXTENT PERMITTED UNDER APPLICABLE LAW, EACH OF BORROWER AND THE BENEFICIARY PARTIES (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS BORROWER LOAN AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

IF FOR ANY REASON THIS WAIVER IS DETERMINED TO BE UNENFORCEABLE, ALL DISPUTES WILL BE RESOLVED BY JUDICIAL REFERENCE PURSUANT TO THE PROCEDURES SET FORTH IN THE SECURITY INSTRUMENT.

Section 10.31 Time of the Essence. Time is of the essence with respect to this Borrower Loan Agreement.

Section 10.32 [Reserved].

Section 10.33 Reference Date. This Borrower Loan Agreement is dated for reference purposes only as of the first day of April, 2020, and will not be effective and binding on the parties hereto unless and until the Closing Date (as defined herein) occurs.

ARTICLE XI

LIMITATIONS ON LIABILITY

Section 11.1 Limitation on Liability. Notwithstanding anything to the contrary herein, the liability of the Borrower hereunder and under the other Borrower Loan Documents and the Funding Loan Documents (except under Section 5.15 hereof, with respect to the indemnification of the Fiscal Agent, which shall be full recourse to the Borrower) shall be limited to the extent set forth in the Borrower Notes.

Section 11.2 Limitation on Liability of Governmental Lender. The Governmental Lender shall not be obligated to pay the principal (or prepayment price) of or interest on the Funding Loan, except from moneys and assets received by the Fiscal Agent or the Funding Lender on behalf of the Governmental Lender pursuant to this Borrower Loan Agreement. Neither the faith and credit nor the taxing power of the State, or any political subdivision thereof, nor the faith and credit of the Governmental Lender is pledged to the payment of the principal (or prepayment price) of or interest on the Funding Loan. The Governmental Lender shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Borrower Loan Agreement or the Funding Loan Agreement, except only to the extent amounts are received for the payment thereof from the Borrower under this Borrower Loan Agreement.

The Borrower hereby acknowledges that the Governmental Lender's sole source of moneys to repay the Funding Loan will be provided by the payments made by the Borrower pursuant to this Borrower Loan Agreement, together with investment income on certain funds and accounts held by the Fiscal Agent under the Funding Loan Agreement, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal (or

prepayment price) of and interest on the Funding Loan as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Fiscal Agent, the Funding Lender or the Servicer, the Borrower shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or prepayment price) of or interest on the Funding Loan, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Fiscal Agent, the Funding Lender, the Borrower, the Governmental Lender or any third party, subject to any right of reimbursement from the Fiscal Agent, the Funding Lender, the Governmental Lender or any such third party, as the case may be, therefor.

Section 11.3 Waiver of Personal Liability. No Commissioner, officer, agent or employee of the Governmental Lender shall be individually or personally liable for the payment of any principal (or prepayment price) of or interest on the Funding Loan or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Borrower Loan Agreement; but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Borrower Loan Agreement.

Section 11.4 Limitation on Liability of Governmental Lender's or Funding Lender's Commissioners, Officers, Employees, Etc.

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

(b) None of the Governmental Lender, the Fiscal Agent, the Funding Lender, the other Beneficiary Parties or any of their respective commissioners, officers, directors, employees or agents shall be liable to any contractor, subcontractor, supplier, laborer, architect, engineer or any other party for services performed or materials supplied in connection with the Project. The Governmental Lender, the Fiscal Agent and the Funding Lender shall not be liable for any debts or claims accruing in favor of any such parties against the Borrower or others or against the Project. Borrower is not and shall not be an agent of the Governmental Lender and the Funding Lender for any purpose. Neither the Governmental Lender nor the Funding Lender is a joint venture partner with Borrower in any manner whatsoever. Prior to default by Borrower under this Borrower Loan Agreement and the exercise of remedies granted herein, the Governmental Lender, the Fiscal Agent and the Funding Lender shall not be deemed to be in privity of contract with any contractor or provider of services to the Project, nor shall any payment of funds directly to a contractor, subcontractor or provider of services be deemed to create any third party beneficiary status or recognition of same by the Governmental Lender, the Fiscal Agent and the Funding Lender. Approvals granted by the Governmental Lender, the Fiscal Agent and the Funding Lender for any matters covered under this Borrower Loan Agreement shall be narrowly

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

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

Section 11.5 Delivery of Reports, Etc. The delivery of reports, information and documents to the Governmental Lender, the Fiscal Agent and the Funding Lender as provided herein is for informational purposes only and the Governmental Lender's, the Fiscal Agent's and the Funding Lender's receipt of such shall not constitute constructive knowledge of any information contained therein or determinable from information contained therein. The Governmental Lender, the Fiscal Agent and the Funding Lender shall have no duties or responsibilities except those that are specifically set forth herein, and no other duties or obligations shall be implied in this Borrower Loan Agreement against the Governmental Lender, the Fiscal Agent and the Funding Lender.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Borrower Loan Agreement by their respective authorized representative, as of the date first set forth above.

BORROWER:

FAIRMOUNT SENIOR HOUSING CIC, LP, a
California limited partnership

By: Fairmount SHC Housing, LLC
a California limited liability company,
its Managing General Partner

By: Senior Housing Corporation,
a California nonprofit public benefit
corporation
its Manager and Member

By: _____
Name: Paul Downey
Title: President/Chief Executive
Officer

By: CIC Fairmount Senior Housing, LLC,
a California limited liability company,
its Administrative General Partner

By: Chelsea Investment Corporation
a California corporation
its Manager

By: _____
Name: Cheri Hoffman
Title: President

19048.43;J16753

[Signature Page to Borrower Loan Agreement – East Block Senior Apartments]

GOVERNMENTAL LENDER:

HOUSING AUTHORITY OF THE CITY OF
SAN DIEGO

By: _____
Jeff Davis,
Executive Vice President &
Chief of Staff

Agreed to and Acknowledged by:

FUNDING LENDER:

CITIBANK, N.A.

By: _____
Authorized Signatory

[Signature Page to Borrower Loan Agreement – East Block Senior Apartments]

FUNDING LOAN AGREEMENT

among

**CITIBANK, N.A.,
as Funding Lender**

and

**HOUSING AUTHORITY OF THE CITY OF SAN DIEGO,
as Governmental Lender**

and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Fiscal Agent**

Dated as of April 1, 2020

**Relating to:
\$22,000,000**

**Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(East Block Senior Apartments), Series 2020C-1**

\$ _____

**Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(East Block Senior Apartments), Series 2020C-2 (Taxable)**

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FUNDING LOAN AGREEMENT

This Funding Loan Agreement, dated as of April 1, 2020 (this "Funding Loan Agreement"), is entered into by CITIBANK, N.A. (together with any successor hereunder, the "Funding Lender"), the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body corporate and politic, organized and existing under the laws of the State of California (together with its successors and assigns, the "Governmental Lender") and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under the laws of the United States of America, as fiscal agent (together with its successors and assigns, the "Fiscal Agent").

RECITALS:

WHEREAS, the Governmental Lender is a public body, corporate and politic, duly organized and validly existing under the laws of the State of California; and

WHEREAS, the Governmental Lender is empowered pursuant to Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code (the "Act") to: (a) make loans to any person to provide financing for residential rental developments located within the jurisdiction of the Governmental Lender and intended to be occupied in part by persons of very low and low income; (b) incur indebtedness for the purpose of obtaining moneys to make such loans and provide such financing, to establish any required reserve funds and to pay administrative costs and other costs incurred in connection with the incurrence of such indebtedness of the Governmental Lender; and (c) pledge all or any part of the revenues and receipts to be received by the Governmental Lender from or in connection with such loans, and to mortgage, pledge or grant security interests in such loans in order to secure the payment of the principal of, prepayment premium, if any, on and interest on such indebtedness of the Governmental Lender; and

WHEREAS, Fairmount Senior Housing CIC, LP, a California limited partnership (the "Borrower"), has requested that the Governmental Lender enter into this Funding Loan Agreement under which the Funding Lender will (i) advance funds (the "Funding Loan") to or for the account of the Governmental Lender, and (ii) apply the proceeds of the Funding Loan to make a loan (the "Borrower Loan") to the Borrower to finance costs, and to reimburse advances of the Construction Loan (as defined herein) used to finance costs, of the acquisition and construction of an 117-unit (including two managers' unit) multifamily rental housing project to be located at 4320 44th Street in the City of San Diego, County of San Diego, California, known as East Block Senior Apartments; and

WHEREAS, simultaneously with the delivery of this Funding Loan Agreement, the Governmental Lender and the Borrower will enter into a Borrower Loan Agreement of even date herewith (as it may be supplemented or amended, the "Borrower Loan Agreement"), whereby the Borrower agrees to make loan payments to the Governmental Lender in an amount that, when added to other funds available under this Funding Loan Agreement, will be sufficient to enable the Governmental Lender to repay the Funding Loan and to pay all costs and expenses related thereto when due; and

WHEREAS, to evidence its payment obligations under the Borrower Loan Agreement, the Borrower will execute and deliver to the Governmental Lender its Borrower Notes (as defined herein) and the obligations of the Borrower under the Borrower Notes will be secured by a lien on and security interest in the Project (as defined herein) pursuant to a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (California), of even date herewith

(the "Security Instrument"), made by the Borrower in favor of the Governmental Lender, as assigned to the Funding Lender to secure the performance by the Governmental Lender of its obligations under the Funding Loan; and

WHEREAS, the Governmental Lender has executed and delivered to the Funding Lender its Governmental Lender Notes (as defined herein), evidencing its obligation to make the payments due to the Funding Lender under the Funding Loan as provided in this Funding Loan Agreement, all things necessary to make the Funding Loan Agreement the valid, binding and legal limited obligation of the Governmental Lender, have been done and performed and the execution and delivery of this Funding Loan Agreement and the execution and delivery of the Governmental Lender Notes, subject to the terms hereof, have in all respects been duly authorized.

A G R E E M E N T :

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

ARTICLE I

DEFINITIONS; PRINCIPLES OF CONSTRUCTION

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

(a) Unless specifically defined herein, all capitalized terms shall have the meanings ascribed thereto in the Borrower Loan Agreement.

(b) The terms "herein," "hereof" and "hereunder" and other words of similar import refer to this Funding Loan Agreement as a whole and not to any particular Article, Section or other subdivision. The terms "agree" and "agreements" contained herein are intended to include and mean "covenant" and "covenants."

(c) All references made (i) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, and (ii) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well. Singular terms shall include the plural as well as the singular, and vice versa.

(d) All accounting terms not otherwise defined herein shall have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with the Approved Accounting Method. All references herein to "Approved Accounting Method" refer to such principles as they exist at the date of application thereof.

(e) All references in this instrument to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and subdivisions of this instrument as originally executed.

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

(g) References to the Series 2020C-1 Governmental Lender Note as "tax-exempt" or to the "tax-exempt status" of the Series 2020C-1 Governmental Lender Note

are to the exclusion of interest on the Series 2020C-1 Governmental Lender Note (other than any portion of the Series 2020C-1 Governmental Lender Note held by a “substantial user” of the Project or a “related person” within the meaning of Section 147 of the Code) from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

(h) The following terms have the meanings set forth below:

“Act” means Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code.

“Additional Borrower Payments” shall have the meaning given such term in the Borrower Loan Agreement.

“Affiliate” means, as to any Person, any other Person that, directly or indirectly, is in Control of, is Controlled by or is under common Control with such Person.

“Approved Transferee” means (a) a “qualified institutional buyer” (“QIB”) as defined in Rule 144A promulgated under the Securities Act that is a financial institution or commercial bank having capital and surplus of \$5,000,000,000 or more, (b) an affiliate of the Funding Lender, or (c) a trust or custodial arrangement established by the Funding Lender or one of its affiliates the beneficial interests in which will be owned only by QIBs.

“Authorized Amount” shall mean, (i) with respect to the Series 2020C-1 Governmental Lender Note, \$22,000,000, the maximum principal amount of the Series 2020C-1 Governmental Lender Note authorized under this Funding Loan Agreement; and (ii) with respect to the Series 2020C-2 Governmental Lender Note, \$_____, the maximum principal amount of the Series 2020C-2 Governmental Lender Note authorized under this Funding Loan Agreement..

“Authorized Governmental Lender Representative” means the Chairman, Vice Chairman or Executive Director of the Governmental Lender the Senior Vice President of Real Estate Finance and Portfolio Management, Vice President of Multifamily Housing Finance, or the Executive Vice President and Chief of Staff of the Commission, or any person or persons designated to act on behalf of the Governmental Lender by a certificate filed with the Borrower, Funding Lender and Servicer, if any, containing the specimen signatures of such person or persons and signed on behalf of the Governmental Lender by its Chairman, Vice Chairman or Executive Director of the Governmental Lender or the Senior Vice President of Real Estate Finance and Portfolio Management, or Vice President of Multifamily Housing Finance, or the Executive Vice President and Chief of Staff of the Commission.

“Borrower” means Fairmount Senior Housing CIC, LP, a California limited partnership.

“Borrower Equity Account” shall mean the account within the Project Fund of that name established under Section 7.3(b) hereof.

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

“Borrower Loan Agreement” shall mean the Borrower Loan Agreement, of even date herewith, between the Governmental Lender and the Borrower, as supplemented, amended or replaced from time to time in accordance with its terms.

“Borrower Loan Agreement Default” shall mean any event of default set forth in Section 8.1 of the Borrower Loan Agreement. A Borrower Loan Agreement Default shall “exist” if a

Borrower Loan Agreement Default shall have occurred and be continuing beyond any applicable cure period.

“Borrower Loan Amount” shall mean \$_____, the maximum principal amount of the Borrower Loan under the Borrower Loan Agreement.

“Borrower Loan Documents” shall have the meaning given such term in the Borrower Loan Agreement.

“Borrower Notes” shall mean, collectively, the Series 2020C-1 Borrower Note and the Series 2020C-2 Borrower Note.

“Business Day” shall mean any day other than (i) a Saturday or a Sunday, or (ii) a day on which federally insured depository institutions in New York, New York or California are authorized or obligated by law, regulation, governmental decree or executive order to be closed.

“Closing Costs” has the meaning given to the term Costs of Funding in the Borrower Loan Agreement.

“Closing Costs Fund” shall mean the fund by that name established under Section 7.3(d) hereof.

“Closing Date” shall mean April 10, 2020, the date that initial Funding Loan proceeds are disbursed hereunder.

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

“Commission” shall mean the San Diego Housing Commission, a public agency.

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

“Construction Loan” has the meaning given to such term in the Borrower Loan Agreement.

“Contingency Draw-Down Agreement” means the Contingency Draw-Down Agreement of even date herewith among the Fiscal Agent, the Funding Lender and the Borrower relating to possible conversion of the Funding Loan from a draw down loan to a fully funded loan.

“Control” shall mean, with respect to any Person, either (a) ownership directly or through other entities of more than 50% of all beneficial equity interest in such Person, or (b) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities, by contract or otherwise.

“Conversion” has the meaning given to such term in the Borrower Loan Agreement.

“Conversion Date” shall have the meaning given such term in the Construction Funding Agreement.

“Default” shall mean the occurrence of an event, which, under any Funding Loan Document, would, but for the giving of notice or passage of time, or both, be an event of default under the applicable Funding Loan Document or a Borrower Loan Agreement Default.

“Draw-Down Notice” shall mean a notice described in Section 1.01 of the Contingency Draw-Down Agreement regarding the conversion of the Funding Loan from a draw down loan to a fully funded loan.

“Equity Investor” shall mean U.S. Bancorp Community Development Corporation, and its permitted successors and assigns.

“Event of Default” shall have the meaning ascribed thereto in Section 9.1 hereof.

“Expense Fund” shall mean the fund of that name established under Section 7.3(c) hereof.

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

“Fiscal Agent” shall mean The Bank of New York Mellon Trust Company, N.A., which entity is appointed pursuant to Section 11.1 to serve as Fiscal Agent under this Funding Loan Agreement, and any successor thereto pursuant to Section 11.10.

“Fiscal Agent’s Fees” shall mean the annual administration fee for the Fiscal Agent’s ordinary fees and expenses in rendering its services under this Funding Loan Agreement during each 12-month period, payable annually in arrears on each anniversary of the Closing Date, commencing April __, 2021, which fee is equal to (and shall not exceed) \$_____.

“Funding Lender” shall mean Citibank N.A., a national banking association, and any successor under this Funding Loan Agreement and the Borrower Loan Documents.

“Funding Loan Agreement” shall mean this Funding Loan Agreement, by and among the Funding Lender, the Governmental Lender and the Fiscal Agent, as it may from time to time be supplemented, modified or amended by one or more agreements or other instruments supplemental hereto entered into pursuant to the applicable provisions hereof.

“Funding Loan Documents” shall mean (a) this Funding Loan Agreement, (b) the Borrower Loan Agreement, (c) the Regulatory Agreement, (d) the Tax Certificate, (e) the Borrower Loan Documents, (f) all other documents evidencing, securing, governing or otherwise pertaining to the Funding Loan, and (g) all amendments, modifications, renewals and substitutions of any of the foregoing.

“Funding Loan Payment Fund” shall mean the fund of that name established by Section 7.3(a) hereof.

“Governmental Authority” has the meaning given to such term in the Borrower Loan Agreement.

“Governmental Lender” shall mean the Housing Authority of the City of San Diego.

“Governmental Lender Notes” shall mean, collectively, the Series 2020C-1 Governmental Lender Note and the Series 2020C-2 Governmental Lender Note; and a “Governmental Lender Note” shall mean one of such Governmental Lender Notes.

“Highest Rating Category” shall mean, with respect to a Permitted Investment, that the Permitted Investment is rated by S&P or Moody’s in the highest rating category given by that rating agency for that general category of security. By way of example, the Highest Rating Category for tax-exempt municipal debt established by S&P is “A1+” for debt with a term of one year or less and “AAA” for a term greater than one year, with corresponding ratings by Moody’s of “MIG1” (for fixed rate) or “VMIG1” (for variable rate) for three months or less and “Aaa” for greater than three months. If at any time (a) both S&P and Moody’s rate a Permitted Investment and (b) one of those ratings is below the Highest Rating Category, then such Permitted Investment will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency. For example, a Permitted Investment rated “AAA” by S&P and “Aa3” by Moody’s is rated in the Highest Rating Category. If, however, the lower rating is more than one full rating category below the Highest Rating Category of that rating agency, then the Permitted Investment will be deemed to be rated below the Highest Rating Category. For example, a Permitted Investment rated “AAA” by S&P and “A1” by Moody’s is not rated in the Highest Rating Category.

“Maturity Date” shall mean (i) with respect to the Series 2020C-1 Governmental Lender Note _____ 1, ____, and (ii) with respect to the Series 2020C-2 Governmental Lender Note, _____ 1, ____.

“Maximum Rate” shall mean the lesser of (a) 12% per annum, and (b) the maximum interest rate that may be paid on the Funding Loan under State law.

“Minimum Beneficial Ownership Amount” shall mean an amount no less than fifteen percent (15%) of the outstanding principal amount of the Funding Loan, or the full outstanding principal amount of the Funding Loan, if such principal amount is less than \$100,000.

“Moody’s” shall mean Moody’s Investors Service, Inc., or its successor.

“Negative Arbitrage Account” means the Negative Arbitrage Account of the Project Fund established under Section 7.3, as otherwise described in the Contingency Draw-Down Agreement.

“Negative Arbitrage Deposit” has the meaning set forth in the Contingency Draw-Down Agreement.

“Note Proceeds Account” shall mean the account within the Project Fund established under Section 7.3(b) hereof.

“Noteowner” or “owner of the Governmental Lender Notes” means the owner of the Governmental Lender Notes as shown on the registration books maintained by the Fiscal Agent pursuant to Section 2.4(e).

“Ongoing Governmental Lender Fee” shall mean the ongoing portion of the Governmental Lender Fee (as that term is defined in the Regulatory Agreement) that is payable after the Closing Date.

“Opinion of Counsel” shall mean a written opinion from an attorney or firm of attorneys, acceptable to the Funding Lender and the Governmental Lender with experience in the matters to be covered in the opinion; provided that whenever an Opinion of Counsel is required to address the exclusion of interest on the Series 2020C-1 Governmental Lender Note from gross income for purposes of federal income taxation, such opinion shall be provided by Tax Counsel.

“Permitted Investments” shall mean, to the extent authorized by law for investment of any moneys held under this Funding Loan Agreement, but only to the extent that the same are acquired at Fair Market Value:

(a) Direct obligations of the United States of America including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America (“Government Obligations”).

(b) Direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or instrumentality of the United States of America or direct obligations of the World Bank, which obligations are rated in the Highest Rating Category.

(c) Demand deposits or time deposits with certificates of deposit issued by the Fiscal Agent or its affiliates or any bank organized under the laws of the United States of America or any state or the District of Columbia which has combined capital, surplus and undivided profits of not less than \$50,000,000 and maturing in less than 365 days; provided that the Fiscal Agent or such other institution has been rated at least “VMIG-1”/“A-1+” by Moody’s/S&P which deposits or certificates are fully insured by the Federal Deposit Insurance Corporation or collateralized pursuant to the requirements of the Office of the Comptroller of the Currency.

(d) Bonds (including tax-exempt bonds), bills, notes or other obligations of or secured by Fannie Mae, Freddie Mac, the Federal Home Loan Bank or the Federal Farm Credit Bank.

(e) Money market funds rated AAA by S&P which are registered with the Securities and Exchange Commission and which meet the requirements of Rule 2(a)(7) of the Investment Company Act of 1940, as amended, including those for which the Fiscal Agent or its affiliates receives or retains a fee for providing services, as investment advisor, transfer agent, custodian or otherwise, to the fund.

(f) Collateralized Investment Agreements or Repurchase Agreements with financial institutions rated in the “A” category or higher without regard to qualifiers, by at least one Rating Agency. The agreement must be continually collateralized with

obligations specified in paragraphs (a), (b) and/or (d) above, eligible for wire through the Federal Reserve Bank System or the DTC/PTC as applicable, and at a level of at least 103% of the amount on deposit and valued no less than daily. The collateral must be held by a third party custodian and be free and clear of all liens and claims of third parties. Securities must be valued daily, marked-to-market at current market price plus accrued interest. If the market value of the securities is found to be below the required level, the provider must restore the market value of the securities to the required level within one (1) business day. Permitted collateral must be delivered to and held in a segregated account by the Fiscal Agent or a custodian (the "Collateral Agent"), and the Collateral Agent cannot be the provider. The collateral must be delivered to the Collateral Agent before/simultaneous with payment (perfection by possession of certificated securities). Acceptable collateral must be free and clear of all liens and claims of third parties and shall be registered in the name of the Collateral Agent for the benefit of the Governmental Lender and Fiscal Agent. The agreement shall state that the Collateral Agent has a valid and perfected first priority security interest in the securities, any substituted securities and all proceeds thereof.

(g) Any other investment authorized by the laws of the State, if such investment is approved in advance in writing by the Funding Lender in its sole discretion.

Permitted Investments shall not include any of the following:

(1) Except for any investment described in the next sentence, any investment or any agreement with a maturity profile greater than the date(s) on which funds representing the corpus of the investment may be needed under the Funding Loan Documents. This exception (1) shall not apply to Permitted Investments listed in paragraph (g).

(2) Any obligation bearing interest at an inverse floating rate.

(3) Any investment which may be prepaid or called at a price less than its purchase price prior to stated maturity.

(4) Any investment the interest rate on which is variable and is established other than by reference to a single index plus a fixed spread, if any, and which interest rate moves proportionately with that index.

"Person" shall mean any individual, corporation, limited liability company, partnership, joint venture, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

"Pledged Revenues" shall mean the amounts pledged under this Funding Loan Agreement to the payment of the principal of, prepayment premium, if any, and interest on the Funding Loan and the Governmental Lender Notes, consisting of the following: (i) all income, revenues, proceeds and other amounts to which the Governmental Lender is entitled (other than amounts received by the Governmental Lender with respect to the Unassigned Rights) derived from or in connection with the Project and the Funding Loan Documents, including all Borrower Loan Payments due under the Borrower Loan Agreement and the Borrower Notes, payments with respect to the Borrower Loan Payments and all amounts obtained through the exercise of the remedies provided in the Funding Loan Documents and all receipts credited under the provisions of this Funding Loan Agreement against said amounts payable, and (ii) moneys held

in the funds and accounts established under this Funding Loan Agreement, together with investment earnings thereon.

“Prepayment Premium” shall mean (i) any premium payable by the Borrower pursuant to the Borrower Loan Documents in connection with a prepayment of the Borrower Notes (including any prepayment premium as set forth in the Borrower Notes) and (ii) any premium payable on the Governmental Lender Notes pursuant to this Funding Loan Agreement.

“Project” shall have the meaning given to that term in the Borrower Loan Agreement.

“Project Fund” shall mean the fund by that name established under Section 7.3(b) hereof.

“Qualified Project Costs” shall have the meaning given to that term in the Borrower Loan Agreement.

“Rebate Fund” shall mean the fund of that name established by Section 7.3(e) hereof.

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

“Regulatory Agreement” shall mean that certain Regulatory Agreement and Declaration of Restrictive Covenants, dated as of the date hereof, between the Governmental Lender and the Borrower, as hereafter amended or modified.

“Remaining Funding Loan Proceeds Account” means the Remaining Funding Loan Proceeds Account of the Project Fund established under Section 7.3, as otherwise described in the Contingency Draw-Down Agreement.

“Remaining Funding Loan Proceeds Account Earnings Subaccount” has the meaning set forth in the Contingency Draw-Down Agreement.

“Required Transferee Representations” shall mean the representations in substantially the form attached to this Funding Loan Agreement as Exhibit B.

“Resolution” shall mean the resolution of the Governmental Lender authorizing the Funding Loan and the execution and delivery of the Funding Loan Documents to which the Governmental Lender is a party.

“Responsible Officer” means, when used with respect to the Fiscal Agent, the president, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any senior associate, any associate or any other officer of the Fiscal Agent within the corporate trust office designated for the Fiscal Agent in Section 12.1 hereof (or any successor corporate trust office, the “Corporate Trust Office”) customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Corporate Trust Office because of such person’s knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Funding Loan Agreement.

“Securities Act” shall mean the Securities Act of 1933, as amended.

“Security” shall have the meaning assigned to it in Section 4.1.

“Security Instrument” shall mean the Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (California) (as amended, restated and/or supplemented from time to time) of even date herewith, made by the Borrower in favor of the Governmental Lender, as assigned to the Funding Lender to secure the performance by the Governmental Lender of its obligations under the Funding Loan.

“Series 2020C-1 Borrower Note” shall mean that certain Multifamily Note, dated the Closing Date, in the original maximum principal amount of \$22,000,000, made by the Borrower and payable to the Governmental Lender, evidencing the loan of the proceeds of the Series 2020C-1 Governmental Lender Note, as endorsed and assigned by the Governmental Lender without recourse to the Funding Lender, as executed by the Borrower, and as it may thereafter be amended or supplemented from time to time.

“Series 2020C-1 Governmental Lender Note” shall mean that certain Housing Authority of the City of San Diego Multifamily Housing Revenue Note (East Block Senior Apartments), Series 2020C-1, dated the Closing Date, in the original maximum principal amount of \$22,000,000, made by the Governmental Lender and payable to the Funding Lender, as executed by the Governmental Lender and as it may thereafter be amended or supplemented from time to time.

“Series 2020C-2 Borrower Note” shall mean that certain Multifamily Note, dated the Closing Date, in the original maximum principal amount of \$_____, made by the Borrower and payable to the Governmental Lender, evidencing the loan of the proceeds of the Series 2020C-2 Governmental Lender Note, as endorsed and assigned by the Governmental Lender without recourse to the Funding Lender, as executed by the Borrower, and as it may thereafter be amended or supplemented from time to time.

“Series 2020C-2 Governmental Lender Note” shall mean that certain Housing Authority of the City of San Diego Multifamily Housing Revenue Note (East Block Senior Apartments), Series 2020C-2 (Taxable), dated the Closing Date, in the original maximum principal amount of \$_____, made by the Governmental Lender and payable to the Funding Lender, as executed by the Governmental Lender and as it may thereafter be amended or supplemented from time to time

“Servicer” shall mean any Servicer appointed by the Funding Lender to perform certain servicing functions with respect to the Funding Loan and on the Borrower Loan pursuant to a separate servicing agreement to be entered into between the Funding Lender and the Servicer. Initially the Servicer shall be the Funding Lender pursuant to this Funding Loan Agreement.

“Servicing Agreement” shall mean any servicing agreement entered into between the Funding Lender and a Servicer with respect to the servicing of the Funding Loan and/or the Borrower Loan.

“S&P” shall mean S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, and its successors

“State” shall mean the State of California.

“Tax Certificate” shall mean the Certificate as to Arbitrage (and Borrower Tax Compliance Procedures), dated the Closing Date, executed and delivered by the Governmental Lender and the Borrower, together with the Certificate Regarding Use of Proceeds, dated the Closing Date, executed and delivered by the Borrower.

“Tax Counsel” shall mean (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys designated by the Governmental Lender and approved by the Funding Lender having a national reputation for skill in connection with the authorization and issuance of municipal obligations under Sections 103 and 141 through 150 (or any successor provisions) of the Code.

“Tax Counsel Approving Opinion” shall mean an opinion of Tax Counsel substantially to the effect that the Governmental Lender Notes constitute valid and binding obligations of the Governmental Lender and that, under existing statutes, regulations published rulings and judicial decisions, the interest on the Series 2020C-1 Governmental Lender Note is excludable from gross income of the owner thereof for federal income tax purposes (subject to the inclusion of such customary exceptions as are acceptable to the recipient thereof).

“Tax Counsel No Adverse Effect Opinion” shall mean an opinion of Tax Counsel substantially to the effect that the taking of the action specified therein will not, in and of itself, adversely affect any exclusion of interest on the Series 2020C-1 Governmental Lender Note from gross income of the owner thereof for purposes of federal income taxation (subject to the inclusion of such customary exceptions as are acceptable to the recipient thereof).

“Title Company” shall mean, as of the Closing Date, First American Title Insurance Company.

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

“Unassigned Rights” shall mean the Governmental Lender’s rights to (a) reimbursement and payment of its fees, costs and expenses and the Rebate Amount under Sections 2.5 and 5.35 of the Borrower Loan Agreement and Sections 2(h), 7 and 20 of the Regulatory Agreement, (b) access to the Project under Section 5.17 of the Borrower Loan Agreement, (c) indemnification under Section 5.15 of the Borrower Loan Agreement and Section 9 of the Regulatory Agreement, (d) attorneys’ fees under Sections 5.11, 5.14 and 10.15 of the Borrower Loan Agreement and Section 17 of the Regulatory Agreement, (e) receive notices, reports and other statements and its rights to consent to certain matters, including but not limited to its right to consent to amendments to this Funding Loan Agreement, the Borrower Loan Agreement and the Regulatory Agreement, and otherwise as provided in this Funding Loan Agreement and the Borrower Loan Agreement, (f) seek performance by the Borrower of its obligations under the Regulatory Agreement, and (g) seek performance of, and enforce, various tax covenants as described in Section 2.2(b)(i) of the Borrower Loan Agreement, including but not limited to those in Sections 5.34 and 5.35 of the Borrower Loan Agreement.

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

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

Section 1.2 Effect of Headings and Table of Contents. The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.3 Date of Funding Loan Agreement. The date of this Funding Loan Agreement is intended as and for a date for the convenient identification of this Funding Loan Agreement and is not intended to indicate that this Funding Loan Agreement was executed and delivered on said date.

Section 1.4 Designation of Time for Performance. Except as otherwise expressly provided herein, any reference in this Funding Loan Agreement to the time of day shall mean the time of day in the city where the Funding Lender maintains its place of business for the performance of its obligations under this Funding Loan Agreement.

Section 1.5 Interpretation. The parties hereto acknowledge that each of them and their respective counsel have participated in the drafting and revision of this Funding Loan Agreement. Accordingly, the parties agree that any rule of construction that disfavors the drafting party shall not apply in the interpretation of this Funding Loan Agreement or any amendment or supplement or exhibit hereto.

ARTICLE II

TERMS; GOVERNMENTAL LENDER NOTES

Section 2.1 Terms.

(a) Principal Amount. The total principal amount of the Funding Loan is hereby expressly limited to the Authorized Amount.

(b) Draw-Down Funding. The Funding Loan is originated on a draw-down basis. The proceeds of the Funding Loan shall be advanced by the Funding Lender to the Fiscal Agent for deposit by the Fiscal Agent to the Project Fund for the account of the Governmental Lender as and when needed to make each advance in accordance with the disbursement provisions of the Borrower Loan Agreement and the Construction Funding Agreement. Subject to the terms and conditions of the Borrower Loan Agreement, the Funding Lender agrees to advance, on behalf of the Governmental Lender, to the Fiscal Agent for deposit by the Fiscal Agent to the Project Fund \$50,001 on the Closing Date. The Borrower Loan advances and Funding Loan advances shall be allocated first to the Series 2020C-1 Borrower Note and the related Series 2020C-1 Governmental Lender Note and, once the foregoing have been fully funded, then to the Series 2020C-2 Borrower Note and the related Series 2020C-2 Governmental Lender Note. Notwithstanding anything in this Funding Loan Agreement to the contrary, no additional amounts of the Funding Loan may be drawn down and funded hereunder after April 1, 2023; provided, however, that upon the delivery of a Tax Counsel No Adverse Effect Opinion to the Governmental Lender and the Funding Lender such date may be changed to a later date as specified in such Tax Counsel No Adverse Effect Opinion.

The Governmental Lender consents to the terms of the Contingency Draw-Down Agreement and agrees to take all actions requested in writing by the Funding Lender or the Borrower that are reasonably required of the Governmental Lender, in connection with the conversion of the Funding Loan to a fully drawn loan pursuant to the provisions of the Contingency Draw-Down Agreement in the event a Draw-Down Notice is filed by the Funding Lender or the Borrower, all at the expense of the Borrower. The Funding Lender authorizes and directs the Fiscal Agent to enter into the Contingency Draw-Down Agreement.

(c) Origination Date; Maturity. The Funding Loan shall be originated on the Closing Date and shall mature on the corresponding Maturity Date at which time the entire principal amount of the portion of the Funding Loan evidenced by the applicable Governmental Lender

Note, to the extent not previously paid, and all accrued and unpaid interest, shall be due and payable.

(d) Principal. The outstanding principal amount of each Governmental Lender Note and of the Funding Loan as of any given date shall be the total amount advanced to the Fiscal Agent by the Funding Lender to or for the account of the Governmental Lender to fund corresponding advances with respect to the corresponding Borrower Note under the Borrower Loan Agreement and the Construction Funding Agreement as proceeds of the Borrower Loan, less any payments of principal of the Governmental Lender Note previously received upon payment of corresponding principal amounts under the corresponding Borrower Note, including regularly scheduled principal payments and voluntary and mandatory prepayments. The principal amount of each Governmental Lender Note and interest thereon shall be payable on the basis specified in this paragraph (d) and in paragraphs (e) and (f) of this Section 2.1.

The Fiscal Agent shall keep a record of all principal advances and principal repayments made under each Governmental Lender Note and shall upon written request provide the Governmental Lender with a statement of the outstanding principal balance of each Governmental Lender Note and the Funding Loan.

(e) Interest. Interest shall be paid on the outstanding principal amount of each Governmental Lender Note at the rate or rates set forth in the corresponding Borrower Note and otherwise as set forth in the Borrower Loan Agreement.

(f) Corresponding Payments. The payment or prepayment of principal, interest and premium, if any, due on the Funding Loan and each Governmental Lender Note shall be identical with and shall be made on the same dates, terms and conditions, as the principal, interest, premiums, late payment fees and other amounts due on the corresponding Borrower Note. The Series 2020C-1 Governmental Lender Note shall be payable from payments on the corresponding Series 2020C-1 Borrower Note and the Series 2020C-2 Governmental Lender Note shall be payable from payments on the related Series 2020C-2 Borrower Note. Any payment or prepayment made by the Borrower of principal, interest, premium, if any, due on a Borrower Note shall be deemed to be like payments or prepayments of principal, interest and Premium, if any, due on the Funding Loan and the corresponding Governmental Lender Note.

(g) Usury. The Governmental Lender intends to conform strictly to the usury laws applicable to this Funding Loan Agreement and the Governmental Lender Notes and all agreements made in the Governmental Lender Notes, this Funding Loan Agreement and the Funding Loan Documents are expressly limited so that in no event whatsoever shall the amount paid or agreed to be paid as interest or the amounts paid for the use of money advanced or to be advanced hereunder exceed the highest lawful rate prescribed under any law which a court of competent jurisdiction may deem applicable hereto. If, from any circumstances whatsoever, the fulfillment of any provision of the Governmental Lender Notes, this Funding Loan Agreement or the other Funding Loan Documents shall involve the payment of interest in excess of the limit prescribed by any law which a court of competent jurisdiction may deem applicable hereto, then the obligation to pay interest hereunder shall be reduced to the maximum limit prescribed by law. If from any circumstances whatsoever, the Funding Lender shall ever receive anything of value deemed interest, the amount of which would exceed the highest lawful rate, such amount as would be excessive interest shall be deemed to have been applied, as of the date of receipt by the Funding Lender, to the reduction of the principal remaining unpaid hereunder and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance, such excess shall be refunded to the Borrower. In no event shall the interest on the Governmental Lender Notes exceed the Maximum Rate. This paragraph shall control every other provision of the

Governmental Lender Notes, this Funding Loan Agreement and all other Funding Loan Documents.

In determining whether the amount of interest charged and paid might otherwise exceed the limit prescribed by law, the Governmental Lender intends and agrees that (i) interest shall be computed upon the assumption that payments under the Borrower Loan Agreement and other Funding Loan Documents will be paid according to the agreed terms, and (ii) any sums of money that are taken into account in the calculation of interest, even though paid at one time, shall be spread over the actual term of the Funding Loan.

Section 2.2 Form of Governmental Lender Notes. As evidence of its obligation to repay the Funding Loan, simultaneously with the delivery of this Funding Loan Agreement to the Funding Lender, the Governmental Lender hereby agrees to execute and deliver the Governmental Lender Notes. The Governmental Lender Notes shall be substantially in the form set forth in Exhibit A attached hereto, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Funding Loan Agreement.

In connection with Conversion, the Funding Lender shall have the right to exchange the then existing Series 2020C-1 Governmental Lender Note on or after the Conversion Date for a new Series 2020C-1 Governmental Lender Note with a dated date of the Conversion Date and in a stated principal amount equal to the then outstanding principal amount of the Series 2020C-1 Governmental Lender Note, which amount will equal the Permanent Period Amount (as defined in the Borrower Loan Agreement) of the Borrower Loan, but shall not otherwise change any material terms of the Series 2020C-1 Governmental Lender Note.

Section 2.3 Execution and Delivery of Governmental Lender Notes. The Governmental Lender Notes shall be executed on behalf of the Governmental Lender by the manual or facsimile signature of the Authorized Governmental Lender Representative and attested by the manual or facsimile signature of its Secretary or Deputy Secretary of Housing Authority of the City of San Diego. The manual or facsimile signatures of individuals who were the proper officers of the Governmental Lender at the time of execution shall bind the Governmental Lender, notwithstanding that such individuals or any of them shall have ceased to hold such offices prior to the execution and delivery of the Governmental Lender Notes or shall not have held such offices at the date of the Governmental Lender Notes.

Following execution by the Governmental Lender, the Governmental Lender Notes shall not be valid or obligatory for any purpose or be entitled to any security or benefit under this Funding Loan Agreement unless and until a certificate of authentication on each such Governmental Lender Note substantially in the form contained on Exhibit A attached hereto shall have been duly executed by the Fiscal Agent. The certificate of authentication appearing on each Governmental Lender Note shall be deemed to have been duly executed by the Fiscal Agent if manually signed by an authorized officer or employee of the Fiscal Agent. Such authentication certificate of the Fiscal Agent shall be conclusive evidence that the applicable Governmental Lender Note so registered or authenticated has been duly executed, registered, or authenticated and delivered.

Section 2.4 Required Transferee Representations; Participations; Sale and Assignment.

(a) The Funding Lender shall deliver to the Governmental Lender and the Fiscal Agent the Required Transferee Representations in substantially the form attached hereto as Exhibit B on the Closing Date.

(b) The Funding Lender shall have the right to sell (i) the Governmental Lender Notes and the Funding Loan or (ii) any portion of or a participation interest in the Governmental Lender Notes and the Funding Loan, to the extent permitted by clause (c) below, provided that such sale shall be only to Approved Transferees that execute and deliver to the Funding Lender, with a copy to the Governmental Lender and the Fiscal Agent, the Required Transferee Representations.

(c) Notwithstanding the other provisions of this Section 2.4, no beneficial ownership interest in the Governmental Lender Notes and Funding Loan shall be sold in an amount that is less than the Minimum Beneficial Ownership Amount.

(d) No service charge shall be made for any sale or assignment of any portion of the Governmental Lender Notes, but the Governmental Lender may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any such sale or assignment. Such sums shall be paid in every instance by the purchaser or assignee of the Funding Loan or portion thereof.

(e) The Governmental Lender Notes, or any interest therein, shall be in fully registered form transferable to subsequent owners only on the registration books which shall be maintained by the Fiscal Agent for such purpose and which shall be open to inspection by the Governmental Lender and the Funding Lender. The Governmental Lender Notes shall not be transferred through the services of the Depository Trust Company or any other third party registrar.

The Fiscal Agent acknowledges that the Funding Lender is the initial registered owner of the Governmental Lender Notes and shall remain the sole registered owner of the Governmental Lender Notes except as provided herein. The Funding Lender shall provide written notice to the Fiscal Agent of any transfer by the Funding Lender of the Governmental Lender Notes or any interest of the Funding Lender in the Governmental Lender Notes.

Prior to any transfer of the Governmental Lender Note, the transferor shall provide or cause to be provided to the Fiscal Agent all information necessary to allow the Fiscal Agent to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Fiscal Agent shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

(f) The parties agree that no rating shall be sought from a rating agency with respect to the Funding Loan or the Governmental Lender Notes.

ARTICLE III

PREPAYMENT

Section 3.1 Prepayment of the Governmental Lender Notes from Prepayment under the Corresponding Borrower Notes. The Governmental Lender Notes are subject to voluntary and mandatory prepayment as follows:

(a) Each Governmental Lender Note shall be subject to voluntary prepayment in full or in part by the Governmental Lender, from funds received by the Fiscal Agent from the Borrower under the Borrower Loan Agreement to the extent and in the manner and on any date that the related Borrower Note is subject to voluntary prepayment as set forth therein, at a prepayment price equal to the principal balance of the related Borrower Note to be prepaid, plus interest thereon to the date of prepayment and the amount of any

Prepayment Premium payable under the related Borrower Note, plus any Additional Borrower Payments due and payable under the Borrower Loan Agreement through the date of prepayment.

Except as specifically permitted in the Borrower Notes, the Borrower shall not have the right to voluntarily prepay all or any portion of the Borrower Notes, thereby causing the related Governmental Lender Note to be prepaid, without the prior written consent of Funding Lender, which may be withheld in Funding Lender's sole and absolute discretion.

(b) Each Governmental Lender Note shall be subject to mandatory prepayment in whole or in part upon prepayment of the related Borrower Note at the direction of the Funding Lender in accordance with the terms of the related Borrower Note at a prepayment price equal to the outstanding principal balance of the related Borrower Note prepaid, plus accrued interest plus any other amounts payable under the related Borrower Note or the Borrower Loan Agreement.

Section 3.2 Notice of Prepayment. Notice of prepayment of a Governmental Lender Note shall be deemed given to the extent that notice of prepayment of the related Borrower Note is timely and properly given to the Funding Lender (with a copy to the Governmental Lender) in accordance with the terms of the related Borrower Note and the Borrower Loan Agreement, and no separate notice of prepayment of a Governmental Lender Note is required to be given.

ARTICLE IV

SECURITY

Section 4.1 Security for the Funding Loan. To secure the payment of the Funding Loan and each Governmental Lender Note, to declare the terms and conditions on which the Funding Loan and each Governmental Lender Note are secured, and in consideration of the premises and of the funding of the Funding Loan by the Funding Lender, the Governmental Lender by these presents does grant, bargain, sell, remise, release, convey, assign, transfer, mortgage, hypothecate, pledge, set over and confirm to the Funding Lender (except as limited herein), a lien on and security interest in the following described property (excepting, however, in each case, the Unassigned Rights) (said property, rights and privileges being herein collectively called, the "Security"):

(a) All right, title and interest of the Governmental Lender in, to and under the Borrower Loan Agreement and the Borrower Notes, including, without limitation, all rents, revenues and receipts derived by the Governmental Lender from the Borrower relating to the Project and including, without limitation, all Pledged Revenues, Borrower Loan Payments and Additional Borrower Payments derived by the Governmental Lender under and pursuant to, and subject to the provisions of, the Borrower Loan Agreement; provided that the pledge and assignment made under this Funding Loan Agreement shall be limited to the Security received by the Governmental Lender from the Borrower, but subject to such limitation shall not impair or diminish the obligations of the Governmental Lender under the provisions of the Borrower Loan Agreement;

(b) All right, title and interest of the Governmental Lender in, to and under, together with all rights, remedies, privileges and options pertaining to, the Funding Loan Documents, and all other payments, revenues and receipts derived by the Governmental Lender under and pursuant to, and subject to the provisions of, the Funding Loan Documents;

(c) Any and all moneys and investments from time to time on deposit in, or forming a part of, all funds and accounts created and held under this Funding Loan Agreement and any amounts held at any time in the Remaining Funding Loan Proceeds Account, any Negative Arbitrage Deposit and any other amounts held under the Contingency Draw-Down Agreement, subject to the provisions of this Funding Loan Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein; and

(d) Any and all other real or personal property of every kind and nature or description, which may from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien of this Funding Loan Agreement as additional security by the Governmental Lender or anyone on its part or with its consent, or which pursuant to any of the provisions hereof or of the Borrower Loan Agreement may come into the possession or control of the Fiscal Agent, the Funding Lender or a receiver appointed pursuant to this Funding Loan Agreement; and the Funding Lender and the Fiscal Agent are hereby authorized to receive any and all such property as and for additional security for the Funding Loan and each Governmental Lender Note and to hold and apply all such property subject to the terms hereof.

The pledge and assignment of and the security interest granted in the Security pursuant to this Section 4.1 for the payment of the principal of, premium, if any, and interest on each Governmental Lender Note, in accordance with its terms and provisions, and for the payment of all other amounts due hereunder, shall attach and be valid and binding from and after the time of the delivery of the Governmental Lender Notes by the Governmental Lender. The Security so pledged and then or thereafter received by the Governmental Lender, Fiscal Agent or the Funding Lender shall immediately be subject to the lien of such pledge and security interest without any physical delivery or recording thereof or further act, and the lien of such pledge and security interest shall be valid and binding and prior to the claims of any and all parties having claims of any kind in tort, contract or otherwise against the Governmental Lender irrespective of whether such parties have notice thereof.

Section 4.2 Delivery of Security. To provide security for the payment of the Funding Loan and each Governmental Lender Note, the Governmental Lender has pledged and assigned to secure payment of the Funding Loan and the Governmental Lender Notes its right, title and interest in the Security to the Funding Lender. In connection with such pledge, assignment, transfer and conveyance, there shall be delivered to the Funding Lender, by or at the expense of the Borrower, the following documents or instruments promptly following their execution and, to the extent applicable, their recording or filing:

(a) Each Borrower Note endorsed without recourse to the Funding Lender by the Governmental Lender;

(b) The originally executed Borrower Loan Agreement and Regulatory Agreement;

(c) The originally executed Security Instrument and all other Borrower Loan Documents existing at the time of delivery of the Borrower Notes and an assignment for security of the Security Instrument from the Governmental Lender to the Funding Lender, in recordable form;

(d) Uniform Commercial Code financing statements or other chattel security documents giving notice of the Funding Lender's status as an assignee of the

Governmental Lender's security interest in any personal property forming part of the Project, in form suitable for filing; and

(e) Uniform Commercial Code financing statements giving notice of the pledge by the Governmental Lender of the Security pledged under this Funding Loan Agreement.

There shall be delivered and deposited with the Funding Lender such additional documents, financing statements, and instruments as the Funding Lender may reasonably require from time to time for the better perfecting and assuring to the Funding Lender of its lien and security interest in and to the Security including, at the request of the Funding Lender, any amounts held under the Contingency Draw-Down Agreement, in each case at the expense of the Borrower.

ARTICLE V

LIMITED LIABILITY

Section 5.1 Source of Payment of Funding Loan and Other Obligations. The Funding Loan is a limited obligation of the Governmental Lender, payable solely from the Pledged Revenues and other funds and moneys and Security pledged and assigned hereunder. NONE OF THE GOVERNMENTAL LENDER (EXCEPT AS PROVIDED IN THE FIRST SENTENCE OF THIS SECTION 5.1), THE CITY OF SAN DIEGO, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE GOVERNMENTAL LENDER, TO THE LIMITED EXTENT SET FORTH HEREIN), SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE FUNDING LOAN OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER WITH RESPECT THERETO EXCEPT AS SET FORTH HEREIN, AND NONE OF THE FUNDING LOAN, OR THE GOVERNMENTAL LENDER NOTES OR ANY OF THE GOVERNMENTAL LENDER'S AGREEMENTS OR OBLIGATIONS WITH RESPECT TO THE FUNDING LOAN, THE GOVERNMENTAL LENDER NOTES, OR HEREUNDER OR UNDER ANY OF THE OTHER FUNDING LOAN DOCUMENTS, SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF OR A MORAL OBLIGATION OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. THE GOVERNMENTAL LENDER HAS NO TAXING POWER.

Section 5.2 Exempt from Individual Liability. No covenant, condition or agreement contained herein shall be deemed to be a covenant, agreement or obligation of any present or future member of the Board of Commissioners, officer, director, employee or agent of the Governmental Lender in his individual capacity, and none of the members of the Board of Commissioners, the officers, directors, employees or agents of the Governmental Lender executing the Governmental Lender Notes or this Funding Loan Agreement shall be liable personally on the Governmental Lender Notes or under this Funding Loan Agreement or be subject to any personal liability or accountability by reason of the issuance of the Governmental Lender Notes or the execution of this Funding Loan Agreement or any of the Funding Loan Documents.

ARTICLE VI

CLOSING CONDITIONS; APPLICATION OF FUNDS

Section 6.1 Conditions Precedent to Closing. Closing of the Funding Loan on the Closing Date shall be conditioned upon satisfaction or waiver by the Funding Lender in its sole discretion of each of the conditions precedent to closing set forth in this Funding Loan Agreement, including but not limited to the following:

- (a) Receipt by the Funding Lender of the original Governmental Lender Notes, authenticated by the Fiscal Agent;
- (b) Receipt by the Funding Lender of the original executed Borrower Notes, endorsed without recourse to the Funding Lender by the Governmental Lender;
- (c) Receipt by the Funding Lender of executed counterpart copies of this Funding Loan Agreement, the Borrower Loan Agreement, the Construction Funding Agreement, the Regulatory Agreement, the Tax Certificate and the Security Instrument;
- (d) Receipt by the Funding Lender of a certified copy of the Resolution;
- (e) Executed Required Transferee Representations from the Funding Lender;
- (f) Delivery into escrow of all amounts required to be paid in connection with the origination of the Borrower Loan and the Funding Loan and any underlying real estate transfers or transactions, including the Costs of Funding Deposit, in accordance with Section 2.3(c)(ii) of, and as such capitalized term is defined in, the Borrower Loan Agreement;
- (g) Receipt by the Funding Lender of a Tax Counsel Approving Opinion;
- (h) Receipt by the Funding Lender of an Opinion of Counsel from Tax Counsel to the effect that the Governmental Lender Notes are exempt from registration under the Securities Act of 1933, as amended, and this Funding Loan Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended;
- (i) Delivery of an opinion of counsel to the Borrower addressed to the Governmental Lender to the effect that the Borrower Loan Documents and the Regulatory Agreement are valid and binding obligations of the Borrower that are enforceable against the Borrower in accordance with their terms, subject to such exceptions and qualifications as are acceptable to the Governmental Lender; and
- (j) Receipt by the Funding Lender of any other documents or opinions that the Funding Lender or Tax Counsel may require.

Upon making the initial advance of the Funding Loan, the Funding Lender shall have deemed satisfied or waived each of the conditions to the closing of the Funding Loan set forth above.

ARTICLE VII

FUNDS AND ACCOUNTS

Section 7.1 Authorization to Create Funds and Accounts. Except as provided in Section 7.3 hereof, no funds or accounts shall be established in connection with the Funding Loan at the time of closing and origination of the Funding Loan. The Funding Lender, the Fiscal Agent (as directed in writing by the Funding Lender) and the Servicer, if any, and any designee of the Funding Lender or the Servicer, are authorized to establish and create from time to time such other funds and accounts or subaccounts as may be necessary for the deposit of moneys (including, without limitation, insurance proceeds and/or condemnation awards), if any, received by the Governmental Lender, the Fiscal Agent, the Funding Lender or the Servicer pursuant to the terms hereof or any of the other Funding Loan Documents and not immediately transferred or disbursed pursuant to the terms of the Funding Loan Documents and/or the Borrower Loan Documents.

Section 7.2 Investment of Funds. Amounts held in any funds or accounts created under this Funding Loan Agreement shall be invested by the Fiscal Agent, the Funding Lender, the Servicer or the designee of the Funding Lender or Servicer, as applicable, in Permitted Investments at the Written Direction of the Borrower, which direction shall take into account the restrictions of Section 8.7 hereof and of the Tax Certificate (compliance with which the Fiscal Agent shall have no duty to confirm). The Borrower's instruction shall be sufficient evidence that the investment constitutes a Permitted Investment (including as to the legality thereof). In the absence of any such instruction, monies shall be held uninvested. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in such fund or account. For purposes of acquiring any investments hereunder, the Fiscal Agent may commingle funds held by it hereunder, except as provided in Section 7.8(h) hereof with respect to the Rebate Fund. The Fiscal Agent shall incur no liability for losses arising from any investments made pursuant to this Section.

The Fiscal Agent shall furnish the Borrower and Funding Lender periodic cash transaction statements that include detail for all investment transactions effected by the Fiscal Agent or brokers selected by the Borrower. Upon the Borrower's or Funding Lender's election, such statements will be delivered via the Fiscal Agent's online service, and upon electing such service, paper statements will be provided only upon request. The Borrower waives the right to receive brokerage confirmations of security transactions effected by the Fiscal Agent as they occur, to the extent permitted by law. The Borrower further understands that trade confirmations for securities transactions effected by the Fiscal Agent will be available upon request and at no additional cost, and other trade confirmations may be obtained from the applicable broker.

Section 7.3 Establishment of Funds. There are established with the Fiscal Agent the following funds and accounts:

- (a) The Funding Loan Payment Fund;
- (b) The Project Fund (consisting solely of a Note Proceeds Account, an Equity Account, a Remaining Funding Loan Proceeds Account and a Negative Arbitrage Account);
- (c) The Expense Fund;

(d) The Closing Costs Fund; and

(e) The Rebate Fund (to be established by the Fiscal Agent once the Fiscal Agent is required to deposit or transfer, as applicable, amounts to the Rebate Fund in accordance with Section 7.8(a)).

All money required to be deposited with or paid to the Fiscal Agent for the account of any of the funds or accounts created by this Funding Loan Agreement shall be held by the Fiscal Agent for the benefit of the Funding Lender, and except for money held in the Expense Fund or the Rebate Fund, shall, while held by the Fiscal Agent, constitute part of the Pledged Revenues and be subject to the lien hereof.

Section 7.4 Funding Loan Payment Fund. The Governmental Lender and the Borrower shall have no interest in the Funding Loan Payment Fund or the moneys therein, which shall always be maintained by the Fiscal Agent completely separate and segregated from all other moneys held hereunder and from any other moneys of the Governmental Lender and the Borrower.

The Fiscal Agent shall deposit into the Funding Loan Payment Fund any amounts received from or on behalf of the Borrower as payments of principal of or premium and interest on the Borrower Loan and any other amounts received by the Fiscal Agent that are subject to the lien and pledge of this Funding Loan Agreement, including any Pledged Revenues not required to be deposited to the Expense Fund or not otherwise specifically directed in writing to be deposited into other funds created by this Funding Loan Agreement.

The Fiscal Agent shall apply all amounts on deposit in the Funding Loan Payment Fund in the following order of priority:

First, to pay or provide for the payment of the interest then due on the Funding Loan to the Funding Lender or any transferee of the Funding Lender with respect to the Funding Loan;

Second, to pay or provide for the payment or the prepayment (together with any Prepayment Premium payable in connection with such prepayment) of principal on the Funding Loan to the Funding Lender or any transferee of the Funding Lender with respect to the Funding Loan, provided moneys have been transferred or deposited into the Funding Loan Payment Fund for such purpose; and

Third, to pay or provide for the payment of the Funding Loan on the Maturity Date to the Funding Lender or any transferee of the Funding Lender with respect to the Funding Loan.

Section 7.5 Expense Fund. The Fiscal Agent shall deposit into the Expense Fund the amounts required by the Regulatory Agreement or the Borrower Loan Agreement to be paid by the Borrower to the Governmental Lender or the Fiscal Agent on behalf of the Borrower. Amounts on deposit in the Expense Fund shall be used to pay the fees and expenses of the Governmental Lender and the Fiscal Agent, as and when the same become due. In that regard, moneys in the Expense Fund shall be withdrawn or maintained, as appropriate, by the Fiscal Agent to pay (i) the Ongoing Governmental Lender Fee to the Governmental Lender as and when due, (ii) the Fiscal Agent's Fees to the Fiscal Agent when due, (iii) upon receipt, to the Fiscal Agent, any amounts due to the Fiscal Agent which have not been paid, other than amounts paid in accordance with clause (ii) hereof, and (iv) upon receipt, to, or at the Written Direction of, the

Governmental Lender, any amounts owing the Governmental Lender by the Borrower and then due and unpaid, other than amounts paid in accordance with clause (i) hereof.

In the event that the amounts on deposit in the Expense Fund are not equal to the amounts payable from the Expense Fund as provided in the preceding paragraph on any date on which such amounts are due and payable, the Fiscal Agent shall give notice to the Borrower of such deficiency and of the amount of such deficiency and request payment within two Business Days to the Fiscal Agent of the amount of such deficiency.

Written notice of any insufficiency, which would result in the Governmental Lender not receiving the Ongoing Governmental Lender Fee on the applicable due date, shall be provided by the Fiscal Agent to the Governmental Lender (with a copy to the Borrower and the Funding Lender) within 10 days of the respective due date.

Upon payment by the Borrower to the Fiscal Agent of such deficiency, the amounts for which such deficiency was requested shall be paid by the Fiscal Agent.

Notwithstanding anything herein to the contrary, the Fiscal Agent, on behalf of the Governmental Lender, shall prepare and submit a written invoice to the Borrower for payment of the Ongoing Governmental Lender Fee not later than 30 days prior to the due date for payment of such Ongoing Governmental Lender Fee, and shall remit moneys received by the Borrower to the Governmental Lender for payment of such fee.

Section 7.6 Closing Costs Fund. Amounts in the Closing Costs Fund shall be disbursed by the Fiscal Agent to pay Closing Costs on the Closing Date or as soon as practicable thereafter as follows: moneys on deposit in the Closing Costs Fund shall be applied to pay Closing Costs at the written direction of the Authorized Borrower Representative, consented to by the Funding Lender and the Governmental Lender, in the form attached hereto as Exhibit D. Any interest earnings on amounts on deposit in the Closing Costs Fund shall remain in the Fund. Any moneys remaining in the Closing Costs Fund (including investment proceeds) after the earlier of (i) the payment of all costs of issuance as certified in writing to the Fiscal Agent by the Borrower or (ii) a period of six (6) months after the Closing Date, shall be paid to or at the direction of the Borrower and the Closing Costs Fund shall be closed.

Section 7.7 Project Fund.

(a) All proceeds of the Funding Loan provided by the Funding Lender shall be deposited to the Note Proceeds Account of the Project Fund and disbursed as herein provided; provided, however, that (i) the initial disbursement of the Funding Loan on the Closing Date shall be sent by the Funding Lender to Fiscal Agent, which shall then transfer such funds to the Title Company, and (ii) any proceeds of the Funding Loan funded pursuant to the Contingency Draw-Down Agreement shall be deposited to the Remaining Funding Loan Proceeds Account of the Project Fund and disbursed as herein provided. The Fiscal Agent shall disburse moneys in the Project Fund for the construction, improvement and equipping of the Project, to pay other Qualified Project Costs and to pay other costs related to the Project and to reimburse advances of the Construction Loan used for such purposes, as provided herein.

Not less than 97% of the moneys deposited in and credited to the Note Proceeds Account and Remaining Funding Loan Proceeds Account of the Project Fund representing the proceeds of the Series 2020C-1 Governmental Lender Note, including Investment Income thereon, will be expended for Qualified Project Costs (the "97% Requirement"). The amounts on deposit in the Note Proceeds Account and Remaining Funding Loan Proceeds Account of the Project Fund shall not be applied to the payment of Closing Costs.

Notwithstanding anything to the contrary set forth in any of the documents evidencing or securing the Series 2020C-1 Governmental Lender Note (the "Tax Exempt Obligation"), all of the proceeds of the Tax Exempt Obligation shall, for federal income tax purposes, be (i) allocated on a pro rata basis to each building in the Project and the land on which it is located and (ii) used by the Borrower exclusively to pay costs of the construction of the Project which are includable in the aggregate basis of any building and the land on which the building is located (the "Eligible Costs") in a manner such that each building satisfies the requirements of Section 42(h)(4)(B) of the Code. Accordingly, none of the proceeds of the Tax Exempt Obligations will be deemed to have been used to pay any of the Closing Costs in connection with the delivery of the Governmental Notes, or to fund any reserve account or Project fund account to be used to pay Eligible Costs. The Governmental Lender is relying solely on the Borrower for compliance with the foregoing provisions of this paragraph.

Before any payment shall be made from the Note Proceeds Account of the Project Fund, the Regulatory Agreement shall have been executed and submitted to a title company for recordation in the official records of San Diego County and there shall be filed with the Fiscal Agent a Written Requisition of the Borrower substantially in the form attached hereto as Exhibit C and approved by the Funding Lender pursuant to the terms, conditions and provisions of the Construction Funding Agreement.

In addition to the above, in connection with a Written Requisition:

(i) Only the signature of an authorized officer of the Funding Lender shall be required on a Written Requisition during any period in which a default by the Borrower has occurred and is then continuing under the Borrower Loan (Written Notice of which default has been given in writing by an authorized officer of the Funding Lender to the Fiscal Agent and the Governmental Lender, and the Fiscal Agent shall be entitled to conclusively rely on any such Written Notice as to the occurrence and continuation of such a default).

(ii) The Fiscal Agent shall disburse amounts in the Note Proceeds Account of the Project Fund for the payment of interest due on the Governmental Lender Notes upon receipt from the Funding Lender of a statement detailing the amount due (and without any need for a Written Requisition signed by the Funding Lender or any approval by an Authorized Representative of the Borrower) so long as the amounts to be disbursed do not exceed the total Authorized Amount of the Governmental Notes.

(iii) The Fiscal Agent may conclusively rely on all Written Requisitions, the execution of the Written Requisitions by the Authorized Borrower Representative and the approval of all Written Requisitions by the Funding Lender, as required by this Section, as conditions of payment from the Project Fund, which Written Requisitions constitute, as to the Fiscal Agent, irrevocable determinations that all conditions to payment of the specified amounts from the Project Fund have been satisfied. These documents shall be retained by the Fiscal Agent, subject at all reasonable times to examination by the Borrower, the Governmental Lender, the Funding Lender and the agents and representatives thereof upon reasonable notice to the Fiscal Agent. The Fiscal Agent is not required to inspect the Project or the construction work or to make any independent investigation with respect to the matters set forth in any Written Requisition or other statements, orders, certifications and approvals received by the Fiscal Agent. The Fiscal Agent is not required to obtain completion bonds, lien releases or otherwise supervise the acquisition, construction, equipping, improvement and installation of the Project.

(b) Upon receipt of each Written Requisition submitted by the Borrower and approved in writing by the Funding Lender, the Fiscal Agent shall promptly, but in any case within three Business Days, make payment from the appropriate Account within the Project Fund in accordance with such Written Requisition. The Fiscal Agent shall have no duty to determine whether any requested disbursement from the Project Fund complies with the terms, conditions and provisions of the Funding Loan Documents, constitutes payment of Qualified Project Costs or complies with the 97% Requirement. The approval in writing of a Written Requisition by the Funding Lender shall be deemed a certification and, insofar as the Fiscal Agent and the Governmental Lender, as applicable, are concerned, shall constitute conclusive evidence that all of the terms, conditions and requirements of the Funding Loan Documents applicable to such disbursement have been fully satisfied or waived and the Written Requisition from the Borrower shall, insofar as the Fiscal Agent and the Governmental Lender, as applicable, are concerned, constitute conclusive evidence that the costs described in the Written Requisition constitute Qualified Project Costs or other permitted Project costs.

The Fiscal Agent shall promptly provide Written Notice to the Borrower, the Funding Lender and the Governmental Lender if there are not sufficient funds available to or on deposit with the Fiscal Agent to make the disbursements as and when required by this Section 7.7(b). Except as provided in the next sentence, all such disbursements shall be made by check or draft payable, or by wire transfer, either: (i) directly to the person, firm or corporation to be paid; (ii) to the Borrower and such person, firm or corporation; or (iii) upon receipt by the Funding Lender of evidence that the Borrower has previously paid such amount and Written Direction to the Fiscal Agent as to such as evidenced by the Funding Lender's approval of the Written Requisition, to the Borrower. The Fiscal Agent shall conclusively rely on the payment instructions provided in any Written Requisition or invoices provided in connection therewith, and the Fiscal Agent shall have no duty to authenticate or investigate such payment instructions or the authority under which they were given. Upon the occurrence of an Event of Default of the Borrower of which the Fiscal Agent has knowledge as provided herein, which is continuing under the Funding Loan Documents, with the Written Consent of the Funding Lender, the Fiscal Agent may apply amounts on deposit in the Project Fund to the payment of principal of and interest on the Funding Loan. If a Written Requisition signed by the Authorized Borrower Representative and countersigned by an authorized officer of the Funding Lender is received by the Fiscal Agent, the requested disbursement shall be paid by the Fiscal Agent as soon as practicable, but in no event later than three Business Days following receipt thereof by the Fiscal Agent. Upon final disbursement of all amounts on deposit in the Project Fund, the Fiscal Agent shall close the Project Fund.

(c) Moneys deposited to the Negative Arbitrage Account of the Project Fund pursuant to the Contingency Draw-Down Agreement, together with investment earnings thereon, which shall be retained therein, shall be transferred to the Funding Loan Payment Fund and applied pursuant to Section 7.4 on each Borrower Loan Payment Date to the extent necessary to enable the Fiscal Agent to pay interest due on the Funding Loan on such date. The transfer of moneys from the Negative Arbitrage Account of the Project Fund to the Funding Loan Payment Fund shall occur automatically without the need for a Written Requisition of the Borrower, or consent of the Funding Lender.

(d) Amounts on deposit in the Borrower Equity Account of the Project Fund shall be disbursed from time to time by the Fiscal Agent to pay designated amounts as set forth in and upon receipt of a Written Requisition of the Borrower signed by an Authorized Borrower Representative and the Funding Lender.

(e) Prior to any mandatory prepayment of the Funding Loan pursuant to the terms hereof, any amounts then remaining in the Project Fund shall, at the written direction of the

Funding Lender, be transferred to the Funding Loan Payment Fund to be applied to the prepayment of the Funding Loan pursuant hereto.

Section 7.8 Rebate Fund.

(a) The Fiscal Agent shall deposit or transfer to the credit of the Rebate Fund each amount delivered to the Fiscal Agent by the Borrower for deposit thereto and each amount directed by the Borrower to be transferred thereto.

(b) Within 15 days after each receipt or transfer of funds to the Rebate Fund, the Fiscal Agent shall withdraw from the Rebate Fund and pay to the United States of America the entire balance of the Rebate Fund.

(c) All payments to the United States of America pursuant to this Section shall be made by the Fiscal Agent for the account and in the name of the Governmental Lender and shall be paid through the United States Mail (return receipt requested or overnight delivery), addressed to the appropriate Internal Revenue Service Center and accompanied by the appropriate Internal Revenue Service forms (such completed and signed forms to be provided to the Fiscal Agent by the Borrower or the Rebate Analyst).

(d) The Fiscal Agent shall preserve all statements, forms and explanations received from the Borrower and delivered to the Fiscal Agent and all records of transactions in the Rebate Fund until six years after the retirement of the Governmental Lender Notes.

(e) The Fiscal Agent may conclusively rely on the instructions of the Borrower (based upon the report of the Rebate Analyst) with regard to any actions to be taken by it pursuant to this Section and shall have no liability for any consequences of any failure of the Borrower or the Rebate Analyst to perform its duties or obligations or to supply accurate or sufficient instructions. Except as specifically provided in subsection (b) above, the Fiscal Agent shall have no duty or responsibility with respect to the Rebate Fund or the Borrower's duties and responsibilities with respect thereto except to follow the Borrower's specific written instruction related thereto.

(f) If at any time during the term of this Funding Loan Agreement the Governmental Lender, the Fiscal Agent or the Borrower desires to take any action that would otherwise be prohibited by the terms of this Section, such person shall be permitted to take such action if it shall first obtain and provide to the other persons named herein, a Tax Counsel No Adverse Effect Opinion and an opinion of Tax Counsel that such action shall be in compliance with the laws of the State and the terms of this Funding Loan Agreement.

(g) Moneys and securities held by the Fiscal Agent in the Rebate Fund shall not be deemed funds of the Governmental Lender and are not pledged or otherwise subject to any security interest in favor of the Owners to secure the Governmental Lender Notes or any other obligations.

(h) Moneys in the Rebate Fund may be separately invested and reinvested by the Fiscal Agent, at the request of and as directed in writing by the Borrower (taking into account the Code, compliance with which the Fiscal Agent has no duty to monitor), in Permitted Investments. The Fiscal Agent shall sell and reduce to cash a sufficient amount of such Permitted Investments, as directed in writing by the Borrower, whenever the cash balance in the Rebate Fund is insufficient for its purposes.

(i) Notwithstanding anything to the contrary in this Funding Loan Agreement, no payment shall be made by the Fiscal Agent to the United States if the Borrower shall furnish to

the Governmental Lender and the Fiscal Agent an opinion of Tax Counsel to the effect that such payment is not required under Section 148(d) and (f) of the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2020C-1 Governmental Lender Note. In such event the Borrower shall be entitled to withdraw funds from the Rebate Fund to the extent the Borrower shall provide a Tax Counsel No Adverse Effect Opinion to the Governmental Lender and the Fiscal Agent with respect to such withdrawal.

(j) The Fiscal Agent shall keep and make available to the Governmental Lender and the Borrower records concerning the investments of all funds held by the Fiscal Agent pursuant to the Funding Loan Agreement including date bought and sold, price and commission paid, and bids taken, if any, and shall keep all such records until six years after the date on which neither of the Governmental Lender Notes are Outstanding (or until such later time as required by the Fiscal Agent's policies and procedures) in order to enable the Borrower to make the computations required under Section 148(f) of the Code.

(k) Notwithstanding the foregoing, the computations and payments of rebate amounts referred to in this Section 7.8 need not be made to the extent that neither the Governmental Lender nor the Borrower will thereby fail to comply with any requirements of Section 148(f) of the Code based on a Tax Counsel No Adverse Effect Opinion, a copy of which shall be provided to the Fiscal Agent and the Governmental Lender. In the event of any conflict between the requirements of this Section 7.8 and those of the Tax Certificate, the Tax Certificate shall control (to the extent identified to the Fiscal Agent in writing).

Section 7.9. Investments.

(a) Amounts on deposit in the Project Fund shall be invested in Permitted Investments directed in writing by the Borrower. Investment Income earned on amounts on deposit in each account of the Project Fund shall be retained in and credited to and become a part of the amounts on deposit in that account of the Project Fund.

(b) Amounts on deposit in the Funding Loan Payment Fund, Expense Fund, Rebate Fund and Closing Costs Fund shall be invested in Permitted Investments directed in writing by the Borrower. Investment Income earned on amounts on deposit in each account of the Funding Loan Payment Fund, Expense Fund, Rebate Fund and Closing Costs Fund shall be retained in and credited to and become a part of the amounts on deposit in that account of the Funding Loan Payment Fund, Expense Fund, Rebate Fund and Closing Costs Fund.

The Fiscal Agent may make any and all investments permitted under this Funding Loan Agreement through its own trust or banking department or any affiliate and may pay said department reasonable, customary fees for placing such investments. The Fiscal Agent and its affiliates may act as principal, agent, sponsor, advisor or depository with respect to Permitted Investments under this Funding Loan Agreement. The Fiscal Agent shall not be liable for any losses from investments made by the Fiscal Agent in accordance with this Funding Loan Agreement.

The Governmental Lender, the Funding Lender and the Borrower (by its execution of the Borrower Loan Agreement) acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Governmental Lender or the Funding Lender the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the Governmental Lender and the Funding Lender will not receive such confirmations to the extent permitted by law. The Fiscal Agent shall furnish the Borrower, the Funding Lender and the Governmental Lender (to the extent requested by such parties) periodic

cash transaction statements which shall include detail for all investment transactions, if any, made by the Fiscal Agent hereunder.

ARTICLE VIII

REPRESENTATIONS AND COVENANTS

Section 8.1 General Representations. The Governmental Lender makes the following representations as the basis for the undertakings on its part herein contained:

(a) The Governmental Lender is a public body corporate and politic, organized and existing under the laws of the State, has the power and authority to (i) enter into the Funding Loan Documents to which it is a party and the transactions contemplated thereby, (ii) incur the limited obligation represented by the Governmental Lender Notes and the Funding Loan, and apply the proceeds of such obligation or loan to finance the Project, and (iii) carry out its other obligations under this Funding Loan Agreement and the Governmental Lender Notes, and by proper action has duly authorized the Governmental Lender's execution and delivery of, and its performance under, the Funding Loan Documents to which it is a party.

(b) The Governmental Lender is not in default under or in violation of, and the execution and delivery of the Funding Loan Documents to which it is a party and its compliance with the terms and conditions thereof will not conflict or constitute a default under or a violation of, (i) the Act, (ii) to its knowledge, any other existing laws, rules, regulations, judgments, decrees and orders applicable to it, or (iii) to its knowledge, the provisions of any agreements and instruments to which the Governmental Lender is a party, a default under or violation of which would prevent it from entering into the Funding Loan Agreement, executing and delivering the Governmental Lender Notes, financing the Project, executing and delivering the other Funding Loan Documents to which it is a party or consummating the transactions on its part contemplated thereby, and, to its knowledge, no event has occurred and is continuing under the provisions of any such agreement or instrument or otherwise that with the lapse of time or the giving of notice, or both, would constitute such a default or violation (it being understood, however, that the Governmental Lender is making no representations as to the necessity of registering the Governmental Lender Notes or the Borrower Notes pursuant to any securities laws or complying with any other requirements of securities laws).

(c) To the best knowledge of the Governmental Lender, no litigation, inquiry or investigation of any kind in or by any judicial or administrative court or agency is pending with respect to which the Governmental Lender has been served with process or, to the knowledge of the Governmental Lender, is threatened against the Governmental Lender with respect to (i) the organization and existence of the Governmental Lender, (ii) its authority to execute or deliver the Funding Loan Documents to which it is a party, (iii) the validity or enforceability of any such Funding Loan Documents or the transactions contemplated thereby, (iv) the title of any officer of the Governmental Lender who executed such Funding Loan Documents or (v) any authority or proceedings relating to the execution and delivery of such Funding Loan Documents on behalf of the Governmental Lender, and no such authority or proceedings have been repealed, revoked, rescinded or amended but are in full force and effect.

(d) The revenues and receipts to be derived from the Borrower Loan Agreement, the Borrower Notes and this Funding Loan Agreement have not been pledged

previously by the Governmental Lender to secure any of its notes or bonds other than the Funding Loan Agreement as evidenced by the Governmental Lender Notes.

THE GOVERNMENTAL LENDER MAKES NO REPRESENTATION, COVENANT OR AGREEMENT AS TO THE FINANCIAL POSITION OR BUSINESS CONDITION OF THE BORROWER OR THE PROJECT AND DOES NOT REPRESENT OR WARRANT AS TO ANY STATEMENTS, MATERIALS, REPRESENTATIONS OR CERTIFICATIONS FURNISHED BY THE BORROWER IN CONNECTION WITH THE FUNDING LOAN OR THE BORROWER LOAN, OR AS TO THE CORRECTNESS, COMPLETENESS OR ACCURACY THEREOF.

Section 8.2 No Encumbrance on Security. The Governmental Lender will not knowingly create or knowingly permit the creation of any mortgage, pledge, lien, charge or encumbrance of any kind on the Security or any part thereof prior to or on a parity with the lien of this Funding Loan Agreement, except as expressly permitted or contemplated by the Funding Loan Documents.

Section 8.3 Repayment of Funding Loan. Subject to the provisions of Articles III and V hereof, the Governmental Lender will duly and punctually repay, or cause to be repaid, the Funding Loan, as evidenced by the Governmental Lender Notes, as and when the same shall become due, all in accordance with the terms of the Governmental Lender Notes and this Funding Loan Agreement.

Section 8.4 Servicer. The Funding Lender may appoint a Servicer to service and administer the Funding Loan and/or the Borrower Loan on behalf of the Funding Lender, including without limitation the fulfillment of rights and responsibilities granted by Governmental Lender to Funding Lender pursuant to Section 2.1 of the Borrower Loan Agreement.

Section 8.5 Borrower Loan Agreement Performance.

(a) The Funding Lender and the Servicer, if any, on behalf of the Governmental Lender, may (but shall not be required or obligated to) perform and observe any agreement or covenant of the Governmental Lender under the Borrower Loan Agreement subject to the terms and provisions contained therein, all to the end that the Governmental Lender's rights under the Borrower Loan Agreement may be unimpaired and free from default.

(b) The Governmental Lender will promptly notify the Borrower, the Servicer and the Funding Lender in writing of the occurrence of any Borrower Loan Agreement Default, provided that the Governmental Lender has received written notice of such event.

Section 8.6 Maintenance of Records; Inspection of Records.

(a) The Fiscal Agent shall keep and maintain adequate records pertaining to any funds and accounts established hereunder, including all deposits to and disbursements from said funds and accounts and shall keep and maintain the registration books for the Governmental Lender Notes and interests therein. The Fiscal Agent shall retain in its possession all certifications and other documents presented to it, all such records and all records of principal, interest and premium paid on the Funding Loan, subject to the inspection of the Funding Lender and the Governmental Lender and their representatives at all reasonable times and upon reasonable prior notice.

(b) The Governmental Lender and the Funding Lender will at any and all times, upon the reasonable request of the Servicer, if any, the Borrower, the Fiscal Agent, the Governmental

Lender or the Funding Lender, afford and procure a reasonable opportunity by their respective representatives to inspect the books, records, reports and other papers of the Governmental Lender or the Funding Lender, as appropriate, relating to the Project and the Funding Loan, if any, and (at their own expense) to make copies thereof.

Section 8.7 Tax Covenants. The Governmental Lender covenants to and for the benefit of the Funding Lender that, notwithstanding any other provisions of this Funding Loan Agreement or of any other instrument, it will:

(a) Require the Borrower to execute the Regulatory Agreement as a condition of funding the Borrower Loan;

(b) Not take or cause to be taken any action or actions, or fail to take any action or actions, which would cause the interest payable on the Series 2020C-1 Governmental Lender Note to be includable in gross income of the Noteowner for federal income tax purposes;

(c) Whenever and so often as requested in writing by Funding Lender, the Governmental Lender (at the sole cost and expense of the Borrower), shall do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Governmental Lender on the Series 2020C-1 Governmental Lender Note will be excluded from the gross income of the Noteowner, for federal income tax purposes, pursuant to Section 103 of the Code, except in the event where any owner of the Governmental Lender Notes or a portion thereof is a “substantial user” of the facilities financed with the Funding Loan or a “related person” within the meaning of Section 147(a) of the Code;

(d) Not take any action nor, solely in reliance upon the covenants and representations of the Borrower in the Borrower Loan Agreement, in the Regulatory Agreement and in the Tax Certificate, knowingly permit or suffer any action to be taken if the result of the same would be to cause the Governmental Lender Notes to be “federally guaranteed” within the meaning of Section 149(b) of the Code and the Regulations;

(e) Require the Borrower to agree, solely by causing the Borrower to execute and deliver the Borrower Loan Agreement, not to commit any act and not to make any use of the proceeds of the Funding Loan corresponding to the Series 2020C-1 Governmental Lender Note, or any other moneys which may be deemed to be proceeds of such portion of the Funding Loan pursuant to the Code, which would cause the Series 2020C-1 Governmental Lender Note to be an “arbitrage bond” within the meaning of Sections 103(b) and 148 the Code, and to comply with the requirements of the Code throughout the term of the Funding Loan corresponding to the Series 2020C-1 Governmental Lender Note; and

(f) Require the Borrower, solely by causing the Borrower to execute and deliver the Borrower Loan Agreement, to take all steps necessary to compute and pay any rebatable arbitrage in accordance with Section 148(f) of the Code.

In furtherance of the covenants in this Section 8.7, the Governmental Lender and the Borrower shall execute, deliver and comply with the provisions of the Tax Certificate (it being understood that the obligations of the Fiscal Agent with respect to the Tax Certificate are to follow the written directions of the Governmental Lender or Borrower, and that the Fiscal Agent shall not be responsible for monitoring the compliance of the Governmental Lender or Borrower therewith), which are by this reference incorporated into this Funding Loan Agreement and made

a part of this Funding Loan Agreement as if set forth in this Funding Loan Agreement in full. In the event of any conflict between this Funding Loan Agreement and the Tax Certificate, the requirements of the Tax Certificate shall control.

For purposes of this Section 8.7 the Governmental Lender's compliance shall be based solely on matters within the Governmental Lender's knowledge and control and no acts, omissions or directions of the Borrower, the Funding Lender or any other Persons shall be attributed to the Governmental Lender.

In complying with the foregoing covenants, the Governmental Lender may rely from time to time on a Tax Counsel No Adverse Effect Opinion or other appropriate opinion of Tax Counsel.

Section 8.8 Performance by the Borrower. Without relieving the Governmental Lender from the responsibility for performance and observance of the agreements and covenants required to be performed and observed by it hereunder, the Borrower, on behalf of the Governmental Lender, may (but is under no obligation to) perform any such agreement or covenant if no Borrower Loan Agreement Default or Potential Default under (and as such term is defined in) the Borrower Loan Agreement exists.

ARTICLE IX

DEFAULT; REMEDIES

Section 9.1 Events of Default. Any one or more of the following shall constitute an event of default (an "Event of Default") under this Funding Loan Agreement (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative authority or Governmental Authority):

(a) A default in the payment of any interest on the Governmental Lender Notes when such interest becomes due and payable;

(b) A default in the payment of principal of, or premium on, the Governmental Lender Notes when such principal or premium becomes due and payable, whether at its stated maturity, by declaration of acceleration or call for mandatory prepayment or otherwise;

(c) Subject to Section 8.8 hereof, default in the performance or breach of any material covenant or warranty of the Governmental Lender in this Funding Loan Agreement (other than a covenant or warranty or default in the performance or breach of which is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 30 days after there has been given written notice, as provided in Section 12.1 hereof, to the Governmental Lender and the Borrower by the Funding Lender or the Servicer, specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under this Funding Loan Agreement; provided that, so long as the Governmental Lender has commenced to cure such failure to observe or perform within the thirty (30) day cure period, the subject matter of the default is not capable of cure within said thirty (30) day period and the Governmental Lender is diligently pursuing such cure to the Funding Lender's satisfaction, with the Funding Lender's Written Direction or Written Consent, then the Governmental Lender shall have an additional period of time as reasonably necessary (not to exceed 30 days unless extended in writing by the Funding Lender) within which to cure such default;

- (d) A default in the payment of any Additional Borrower Payments; or
- (e) Any other “Default” or “Event of Default” under any of the other Funding Loan Documents (taking into account any applicable grace periods therein).

Section 9.2 Acceleration of Maturity; Rescission and Annulment.

(a) Subject to the provisions of Section 9.9 hereof, upon the occurrence of an Event of Default under Section 9.1 hereof, then and in every such case, the Funding Lender may declare the principal of the Funding Loan and the Governmental Lender Notes and the interest accrued to be immediately due and payable, by notice to the Governmental Lender, Borrower and the Equity Investor, and upon any such declaration, all principal of and Prepayment Premium, if any, and interest on the Funding Loan and the Governmental Lender Notes shall become immediately due and payable.

(b) At any time after a declaration of acceleration has been made pursuant to subsection (a) of this Section, the Funding Lender may by Written Notice to the Governmental Lender rescind and annul such declaration and its consequences if:

(i) there has been deposited with the Funding Lender a sum sufficient to pay (1) all overdue installments of interest on the Funding Loan, (2) the principal of and Prepayment Premium on the Funding Loan that has become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in the Funding Loan, (3) to the extent that payment of such interest is lawful, interest upon overdue installments of interest at the rate or rates prescribed therefor in the Funding Loan, and (4) all sums paid or advanced by the Funding Lender and the reasonable compensation, expenses, disbursements and advances of the Funding Lender, its agents and counsel (but only to the extent not duplicative with subclauses (1) and (3) above); and

(ii) all Events of Default, other than the non-payment of the principal of the Funding Loan that has become due solely by such declaration of acceleration, have been cured or have been waived in writing as provided in Section 9.9 hereof.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

(c) Notwithstanding the occurrence and continuation of an Event of Default, it is understood that the Funding Lender shall pursue no remedies against the Borrower, any of the Borrower’s partners or the Project if no Borrower Loan Agreement Default has occurred and is continuing. An Event of Default hereunder shall not in and of itself constitute a Borrower Loan Agreement Default.

Section 9.3 Additional Remedies; Funding Lender Enforcement.

(a) Upon the occurrence of an Event of Default, the Funding Lender may, subject to the provisions of this Section 9.3 and Section 9.9 hereof, proceed to protect and enforce its rights by mandamus or other suit, action or proceeding at law or in equity. No remedy conferred by this Funding Loan Agreement upon or remedy reserved to the Funding Lender is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to any other remedy given to the Funding Lender hereunder or now or hereafter existing at law or in equity or by statute.

(b) Upon the occurrence and continuation of any Event of Default, the Funding Lender may proceed forthwith to protect and enforce its rights and this Funding Loan Agreement by such suits, actions or proceedings as the Funding Lender, in its sole discretion, shall deem expedient. Funding Lender shall have upon the occurrence and continuation of any Event of Default all rights, powers, and remedies with respect to the Security as are available under the Uniform Commercial Code applicable thereto or as are available under any other applicable law at the time in effect and, without limiting the generality of the foregoing, the Funding Lender may proceed at law or in equity or otherwise, to the extent permitted by applicable law:

(i) to take possession of the Security or any part thereof, with or without legal process, and to hold, service, administer and enforce any rights thereunder or thereto, and otherwise exercise all rights of ownership thereof, including (but not limited to) the sale of all or part of the Security;

(ii) to become mortgagee of record for the Borrower Loan including, without limitation, completing the assignment of the Security Instrument by the Governmental Lender to the Funding Lender as anticipated by this Funding Loan Agreement, and recording the same in the real estate records of the jurisdiction in which the Project is located, without further act or consent of the Governmental Lender, and to service and administer the same for its own account;

(iii) to service and administer the Funding Loan as agent and on behalf of the Governmental Lender or otherwise, and, if applicable, to take such actions necessary to enforce the Borrower Loan Documents and the Funding Loan Documents on its own behalf, and to take such alternative courses of action, as it may deem appropriate; or

(iv) to take such steps to protect and enforce its rights whether by action, suit or proceeding in equity or at law for the specific performance of any covenant, condition or agreement in the Governmental Lender Notes, this Funding Loan Agreement or the other Funding Loan Documents, or the Borrower Loan Documents, or in and of the execution of any power herein granted, or for foreclosure hereunder, or for enforcement of any other appropriate legal or equitable remedy or otherwise as the Funding Lender may elect.

(c) Whether or not an Event of Default has occurred, the Funding Lender, in its sole discretion, shall have the sole right to waive or forbear from enforcing any term, condition, covenant or agreement of the Security Instrument, the Borrower Loan Agreement, the Borrower Notes or any other Borrower Loan Documents or Funding Loan Documents applicable to the Borrower, or any breach thereof, other than a covenant that would adversely impact the tax-exempt status of the interest on the Governmental Lender Notes, and provided that the Governmental Lender may seek specific performance by the Borrower to enforce the Unassigned Rights; provided, however, that any such forbearance by the Funding Lender in the exercise of its remedies under the Funding Loan Documents shall not be construed as a waiver by the Funding Lender of any Conditions to Conversion (as such term is defined in the Borrower Loan Agreement).

(d) If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in the Regulatory Agreement, and if such default remains uncured for a period of 60 days after the Borrower, the Equity Investor and the Funding Lender receive Written Notice stating that a default under the Regulatory Agreement has occurred and specifying the nature of the default, the Funding Lender shall have the right to seek specific performance of the provisions of the Regulatory Agreement or to exercise its other rights or remedies thereunder.

(e) If the Borrower defaults in the performance of its obligations under the Borrower Loan Agreement (subject to applicable notice and cure periods) to make rebate payments, to comply with any applicable continuing disclosure requirements, or to make payments owed pursuant to Sections 2.5, 5.14 or 5.15 of the Borrower Loan Agreement for fees, expenses or indemnification, the Funding Lender shall have the right to exercise all its rights and remedies thereunder (subject to the last paragraph of Section 9.14 hereof).

Section 9.4 Application of Money Collected. Any money collected by the Funding Lender pursuant to this Article and any other sums then held by the Funding Lender as part of the Security, shall be applied in the following order, at the date or dates fixed by the Funding Lender:

(a) First: To the payment of any and all amounts due under the Funding Loan Documents other than with respect to principal and interest accrued on the Funding Loan, including, without limitation, any amounts due to the Governmental Lender, the Funding Lender, the Servicer, the Fiscal Agent and the Rebate Analyst;

(b) Second: To the payment of the whole amount of the Funding Loan, as evidenced by the Governmental Lender Notes, then due and unpaid in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Funding Loan) on overdue principal of, and Prepayment Premium and overdue installments of interest on the Funding Loan; provided, however, that partial interests in any portion of the Funding Loan shall be paid in such order of priority as may be prescribed by Written Direction of the Funding Lender in its sole and absolute discretion; and

(c) Third: The payment of the remainder, if any, to the Borrower or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

If and to the extent this Section 9.4 conflicts with the provisions of the Servicing Agreement, the provisions of the Servicing Agreement shall control. Capitalized terms used in this Section 9.4 but not otherwise defined in this Funding Loan Agreement shall have the meanings given such terms in the Servicing Agreement.

Section 9.5 Remedies Vested in Funding Lender. All rights of action and claims under this Funding Loan Agreement or the Governmental Lender Notes may be prosecuted and enforced by the Funding Lender without the possession of the Governmental Lender Notes or the production thereof in any proceeding relating thereto.

Section 9.6 Restoration of Positions. If Funding Lender shall have instituted any proceeding to enforce any right or remedy under this Funding Loan Agreement and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Funding Lender, then and in every such case the Governmental Lender and the Funding Lender shall, subject to any determination in such proceeding, be restored to their former positions hereunder, and thereafter all rights and remedies of the Governmental Lender and the Funding Lender shall continue as though no such proceeding had been instituted.

Section 9.7 Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Funding Lender is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 9.8 Delay or Omission Not Waiver. No delay or omission of the Funding Lender to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Funding Lender may be exercised from time to time, and as often as may be deemed expedient, by Funding Lender. No waiver of any default or Event of Default pursuant to Section 9.9 hereof shall extend to or shall affect any subsequent default or Event of Default hereunder or shall impair any rights or remedies consequent thereon.

Section 9.9 Waiver of Past Defaults. Before any judgment or decree for payment of money due has been obtained by the Funding Lender, the Funding Lender may, subject to Section 9.6 hereof, by Written Notice to the Governmental Lender and the Borrower, waive any past default hereunder or under the Borrower Loan Agreement and its consequences except for default in obligations due the Governmental Lender pursuant to or under the Unassigned Rights. Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Funding Loan Agreement and the Borrower Loan Agreement; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 9.10 Remedies Under Borrower Loan Agreement or Borrower Notes. As set forth in this Section 9.10 but subject to Section 9.9 hereof, the Funding Lender shall have the right, in its own name or on behalf of the Governmental Lender, to declare any default and exercise any remedies under the Borrower Loan Agreement or the Borrower Notes, whether or not the Governmental Lender Notes have been accelerated or declared due and payable by reason of an Event of Default.

Section 9.11 Waiver of Appraisal and Other Laws.

(a) To the extent permitted by law, the Governmental Lender will not at any time insist upon, plead, claim or take the benefit or advantage of, any appraisal, valuation, stay, extension or redemption law now or hereafter in force, in order to prevent or hinder the enforcement of this Funding Loan Agreement; and the Governmental Lender, for itself and all who may claim under it, so far as it or they now or hereafter may lawfully do so, hereby waives the benefit of all such laws. The Governmental Lender, for itself and all who may claim under it, waives, to the extent that it may lawfully do so, all right to have the property in the Security marshaled upon any enforcement hereof.

(b) If any law now in effect prohibiting the waiver referred to in clause (a) shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to constitute any part of the contract herein contained or to preclude the application of this Section 9.11.

Section 9.12 Suits to Protect the Security. The Funding Lender shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Security by any acts that may be unlawful or in violation of this Funding Loan Agreement and to protect its interests in the Security and in the rents, issues, profits, revenues and other income arising therefrom, including power to institute and maintain proceedings to restrain the

enforcement of or compliance with any Governmental Authority enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security hereunder or be prejudicial to the interests of the Funding Lender.

Section 9.13 Remedies Subject to Applicable Law. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Funding Loan Agreement invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law.

Section 9.14 Assumption of Obligations. In the event that the Funding Lender or its assignee or designee shall become the legal or beneficial owner of the Project by foreclosure or deed in lieu of foreclosure, such party shall succeed to the rights and the obligations of the Borrower under the Borrower Loan Agreement, the Borrower Notes, the Regulatory Agreement and any other Funding Loan Documents to which the Borrower is a party. Such assumption shall be effective from and after the effective date of such acquisition and shall be made with the benefit of the limitations of liability set forth therein and without any liability for the prior acts of the Borrower.

It is the intention of the parties hereto that upon the occurrence and continuance of an Event of Default hereunder, rights and remedies may be pursued pursuant to the terms of the Funding Loan Documents.

ARTICLE X

AMENDMENT; AMENDMENT OF BORROWER LOAN AGREEMENT AND OTHER DOCUMENTS

Section 10.1 Amendment of Funding Loan Agreement. Any of the terms of this Funding Loan Agreement and the Governmental Lender Notes may be amended or waived only by an instrument signed by the Funding Lender and the Governmental Lender, provided, however, no such amendment which materially affects the rights, duties, obligations or other interests of the Borrower or Fiscal Agent shall be made without the consent of the Borrower or Fiscal Agent, as applicable, and, provided further, that if the Borrower is in default under any Funding Loan Document, no Borrower consent shall be required unless such amendment has a material adverse effect on the rights, duties, obligations or other interests of the Borrower. All of the terms of this Funding Loan Agreement shall be binding upon the successors and assigns of and all persons claiming under or through the Governmental Lender or any such successor or assign, and shall inure to the benefit of and be enforceable by the successors and assigns of the Funding Lender.

Section 10.2 Amendments Require Funding Lender Consent. The Governmental Lender shall not consent to any amendment, change or modification of the Borrower Loan Agreement or any other Borrower Loan Document or Funding Loan Document without the prior Written Consent of the Funding Lender.

Section 10.3 Consents and Opinions. No amendment to this Funding Loan Agreement or any other Funding Loan Document entered into under this Article X or any amendment, change or modification otherwise permitted under this Article X shall become effective unless and until (i) the Funding Lender shall have approved the same in writing in its sole discretion

and (ii) the Funding Lender shall have received, at the expense of the Borrower, a Tax Counsel No Adverse Effect Opinion and an Opinion of Counsel substantially to the effect that any such proposed amendment is authorized and complies with the provisions of this Funding Loan Agreement and is a valid and binding obligation of the parties thereto, subject to normal exceptions relating to bankruptcy, insolvency and equitable principles limitations.

ARTICLE XI

THE FISCAL AGENT

Section 11.1 Appointment of Fiscal Agent; Acceptance. The Governmental Lender hereby appoints Fiscal Agent as fiscal agent hereunder. The Fiscal Agent shall signify its acceptance of the duties and obligations imposed upon it by this Funding Loan Agreement by executing this Funding Loan Agreement.

Section 11.2 Certain Duties and Responsibilities of Fiscal Agent.

(a) The Fiscal Agent undertakes to perform such duties and only such duties as are specifically set forth in this Funding Loan Agreement, and no implied covenants or obligations shall be read into this Funding Loan Agreement against the Fiscal Agent.

(b) If an event of default exists hereunder or under any Borrower Loan Document, the Fiscal Agent shall exercise such of the rights and powers vested in it by this Funding Loan Agreement, and exercise any rights or duties or remedies solely at the written direction of the Funding Lender.

(c) No provision of this Funding Loan Agreement shall be construed to relieve the Fiscal Agent from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, in each case, as finally adjudicated by a court of law, except that:

(i) This subsection shall not be construed to limit the effect of subsection (a) of this Section;

(ii) The Fiscal Agent shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts;

(iii) The Fiscal Agent shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Funding Lender relating to the time, method and place of conducting any proceeding for any remedy available to the Fiscal Agent, or exercising any power conferred upon the Fiscal Agent under this Funding Loan Agreement; and

(iv) No provision of this Funding Loan Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it in its sole discretion.

(v) Subject to its rights to indemnification pursuant to Section 11.4 hereof, the Fiscal Agent is directed to enter into the Borrower Loan Documents to which it is a party solely in its capacity as Fiscal Agent.

(d) Whether or not therein expressly so provided, every provision of this Funding Loan Agreement and the other Funding Loan Documents relating to the conduct or affecting the liability of or affording protection to the Fiscal Agent shall be subject to the provisions of this Section.

(e) The Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of this Funding Loan Agreement; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Funding Loan Agreement on their face.

(f) The permissive rights of the Fiscal Agent to do things enumerated in this Funding Loan Agreement shall not be construed as a duty.

(g) The rights of the Fiscal Agent and limitations of liability enumerated herein and in Section 11.4 shall extend to actions taken or omitted in its role as assignee of the Governmental Lender under the Borrower Loan Agreement and the other Funding Loan Documents.

Section 11.3 Notice of Defaults. Upon the occurrence of any default hereunder or under any Borrower Loan Document and provided that a Responsible Officer of the Fiscal Agent has actual knowledge or has received Written Notice of the existence of such default, promptly, and in any event within 15 days, the Fiscal Agent shall transmit to the Governmental Lender, the Borrower, the Equity Investor, the Servicer, if any, and the Funding Lender, in the manner and at the addresses for notices set forth in Section 12.1 hereof, notice of such default hereunder known to the Fiscal Agent pursuant to Section 11.4(g) hereof, unless such default shall have been cured or waived.

Section 11.4 Certain Rights of Fiscal Agent. Except as otherwise provided in Section 11.1 hereof:

(a) The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, debenture, coupon or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) Any request or direction of the Governmental Lender mentioned herein shall be sufficiently evidenced by a certificate or order executed by an Authorized Governmental Lender Representative;

(c) Whenever in the administration of this Funding Loan Agreement or any Borrower Loan Document the Fiscal Agent shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Fiscal Agent (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a Written Certificate of the Governmental Lender, the Funding Lender, the Servicer or the Borrower, as appropriate;

(d) The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Funding Loan Agreement or any Borrower Loan Document at the request or direction of the Funding Lender, pursuant to this Funding Loan

Agreement, unless the Funding Lender shall have offered to the Fiscal Agent in writing security or indemnity reasonably satisfactory to the Fiscal Agent against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction, except costs, expenses and liabilities which are adjudicated to have resulted from its own negligence or willful misconduct, provided, that nothing contained in this subparagraph (d) shall be construed to require such security or indemnity for the performance by the Fiscal Agent of its obligations under Article VII hereof;

(e) The Fiscal Agent shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, debenture, coupon or other paper or document but the Fiscal Agent, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Fiscal Agent shall determine to make such further inquiry or investigation, it shall be entitled to examine the books and records of the Governmental Lender, if any, and of the Borrower, in either case personally or by agent or attorney after reasonable notice and during normal business hours;

(f) The Fiscal Agent may execute any of its powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and pay reasonable compensation thereto and the Fiscal Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder. The Fiscal Agent may act upon the advice of counsel of its choice concerning all matters hereof and the Fiscal Agent shall not be responsible for any loss or damage resulting from any action or inaction taken in good faith reliance upon said advice; and

(g) The Fiscal Agent shall not be required to take notice or be deemed to have notice of any default hereunder or under any Borrower Loan Document except for failure by the Borrower to make payments of principal, interest, premium, if any, or Ongoing Governmental Lender Fee when due, unless a Responsible Officer of the Fiscal Agent shall be specifically notified by a Written Direction of such default by the Governmental Lender, the Servicer or the Funding Lender, and all notices or other instruments required by this Funding Loan Agreement or under any Borrower Loan Document to be delivered to the Fiscal Agent, must, in order to be effective, be delivered in writing to a Responsible Officer of the Fiscal Agent at the Office of the Fiscal Agent, and in the absence of such Written Notice so delivered the Fiscal Agent may conclusively assume there is no default as aforesaid. In no event shall the Fiscal Agent be required to institute or participate in a foreclosure of the Project.

(h) The Fiscal Agent shall not be accountable for the use or application by the Borrower of the Governmental Lender Notes or the proceeds thereof or for the use or application of any money paid over by the Fiscal Agent in accordance with the provisions of this Funding Loan Agreement or for the use and application of money received by any paying agent.

(i) The Fiscal Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Funding Loan Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Fiscal Agent, or another method or system specified by the Fiscal Agent as available for use in connection with its services hereunder); provided, however, that the Governmental Lender, Funding Lender, Servicer and/or Borrower shall

provide to the Fiscal Agent an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Governmental Lender, Funding Lender, Servicer and/or the Borrower whenever a person is to be added or deleted from the listing. If the Governmental Lender, Funding Lender, Servicer and/or Borrower elects to give the Fiscal Agent Instructions using Electronic Means and the Fiscal Agent in its discretion elects to act upon such Instructions, the Fiscal Agent’s understanding of such Instructions shall be deemed controlling. The Governmental Lender, Funding Lender, Servicer and Borrower understand and agree that the Fiscal Agent cannot determine the identity of the actual sender of such Instructions and that the Fiscal Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Fiscal Agent have been sent by such Authorized Officer. The Governmental Lender, Funding Lender, Servicer and Borrower shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Fiscal Agent and that the Governmental Lender, Funding Lender, Servicer, Borrower and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Governmental Lender, Funding Lender, Servicer and/or Borrower. The Fiscal Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Governmental Lender, Funding Lender, Servicer and Borrower agree: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Fiscal Agent, including without limitation the risk of the Fiscal Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Fiscal Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Governmental Lender, Funding Lender, Servicer and/or Borrower; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Fiscal Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

Section 11.5 Not Responsible for Recitals. The recitals contained herein and in the Governmental Lender Notes shall be taken as the statements of the Governmental Lender, and the Fiscal Agent assumes no responsibility for their correctness. The Fiscal Agent makes no representations as to the value or condition of the Pledged Revenues, the Security or any part thereof, or as to the title of the Governmental Lender thereto or as to the security afforded thereby or hereby, or as to the validity or sufficiency of this Funding Loan Agreement or of the Funding Loan.

The Fiscal Agent shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the funding of the Funding Loan.

The Fiscal Agent shall not be required to monitor the financial condition of the Borrower or the physical condition of the Project. The Fiscal Agent shall be under no obligation to analyze, review or make any credit decisions with respect to any financial statements, reports, notices, certificates or documents received hereunder but shall hold such financial statements reports, notices, certificates and documents solely for the benefit of, and review by, the Funding Lender

and such other parties to whom the Fiscal Agent may provide such information pursuant to this Funding Loan Agreement.

The Fiscal Agent makes no representations as to and shall have no responsibility for the sufficiency of the insurance required under any of the Borrower Loan Documents.

Section 11.6 May Hold Funding Loan. The Fiscal Agent in its individual or any other capacity may become the owner or pledgee of the Funding Loan and may otherwise deal with the Governmental Lender, the Funding Lender and the Borrower with the same rights it would have if it were not Fiscal Agent.

Section 11.7 Moneys Held Hereunder. Moneys held by the Fiscal Agent hereunder need not be segregated from other funds except to the extent required by law. The Fiscal Agent shall be under no liability for interest on any moneys received by it hereunder except as otherwise provided herein.

Section 11.8 Compensation and Reimbursement. Under the Borrower Loan Agreement, the Borrower has agreed to, except as otherwise expressly provided herein, pay the Fiscal Agent its fees and reimburse the Fiscal Agent as provided in this Funding Loan Agreement or the Borrower Loan Agreement, upon its request for all reasonable expenses, disbursements and advances incurred or made by the Fiscal Agent in accordance with any provision of this Funding Loan Agreement (including the reasonable fees, expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Fiscal Agent's negligence or willful misconduct, both as finally adjudicated by a court of law.

When the Fiscal Agent incurs expenses or renders service in connection with any bankruptcy or insolvency proceeding, such expenses (including the fees and expenses of its counsel) and the compensation for such services are intended to constitute expenses of administration under any bankruptcy law or law relating to creditors rights generally.

(a) The Governmental Lender has no obligation to pay the Fiscal Agent for services rendered.

(b) As security for the performance of the obligations of the Borrower under this Section and for the payment of such compensation, expenses, reimbursements and indemnity, the Fiscal Agent shall have the right to use and apply any moneys held by it as Pledged Revenues.

(c) The Fiscal Agent's rights to compensation and reimbursement shall survive its resignation or removal, the payment of the Funding Loan or the Borrower Loan or the release of this Funding Loan Agreement.

Section 11.9 Fiscal Agent Required; Eligibility. Any successor Fiscal Agent shall at all times be a trust company, a state banking corporation or a national banking association with the authority to accept trusts in the State approved in writing by the Governmental Lender and either (a) have a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition, (b) be a wholly owned subsidiary of a bank holding company, or a wholly owned subsidiary of a company that is a wholly owned subsidiary of a bank holding company, having a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition and have at least \$500,000,000 of trust assets under management, or (c) be otherwise acceptable to the Funding Lender in its sole and absolute discretion.

Section 11.10 Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Fiscal Agent hereunder and no appointment of a successor Fiscal Agent pursuant to this Article shall become effective until the written acceptance by the successor Fiscal Agent of such appointment.

(b) The Fiscal Agent may resign at any time by giving 60 days' Written Notice thereof to the Governmental Lender, the Borrower, the Servicer, if any, and the Funding Lender.

(c) The Fiscal Agent may be removed at any time with 30 days' notice by (i) the Governmental Lender, (ii) the Borrower (unless the Borrower is in default under any of the Borrower Loan Documents), subject to applicable notice and cure periods, with the Written Consent of the Funding Lender and the Governmental Lender, or (iii) the Funding Lender with the Written Consent of the Governmental Lender and Written Notice delivered to the Fiscal Agent and the Borrower.

(d) If the Fiscal Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the Office of the Fiscal Agent for any cause, the Governmental Lender shall promptly appoint a successor Fiscal Agent, with the consent of the Funding Lender, which consent shall not be unreasonably withheld. In case all or substantially all of the Pledged Revenues and Security shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee may similarly appoint a successor to fill such vacancy until a new Fiscal Agent shall be so appointed by the Governmental Lender. If, within 60 days after such resignation, removal or incapability or the occurrence of such vacancy, the Governmental Lender has failed to so appoint a successor Fiscal Agent, then a successor Fiscal Agent shall be appointed by the Funding Lender (from any of the institutions approved by the Governmental Lender to serve as a fiscal agent or trustee) with Written Notice thereof delivered to the Governmental Lender, the Borrower, the Servicer, if any, and the retiring Fiscal Agent, and the successor Fiscal Agent so appointed shall, forthwith upon its acceptance of such appointment, become the successor Fiscal Agent and supersede the successor Fiscal Agent appointed by such receiver or Fiscal Agent. If no successor Fiscal Agent shall have been appointed by the Governmental Lender or the Funding Lender and accepted appointment within 60 days after such resignation, removal or incapability or the occurrence of such vacancy, the Fiscal Agent may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent.

(e) The retiring Fiscal Agent shall cause Written Notice of each resignation and each removal of the Fiscal Agent and each appointment of a successor Fiscal Agent to be provided to the Funding Lender. Each notice shall include the name of the successor Fiscal Agent and the address of the office of the successor Fiscal Agent.

Section 11.11 Acceptance of Appointment by Successor.

(a) Every successor Fiscal Agent appointed hereunder shall execute, acknowledge and deliver to the Governmental Lender and to the retiring Fiscal Agent an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Fiscal Agent shall become effective and such successor Fiscal Agent, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers and duties of the retiring Fiscal Agent; notwithstanding the foregoing, on request of the Governmental Lender or the successor Fiscal Agent, such retiring Fiscal Agent shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Fiscal Agent all the estates, properties, rights, powers and trusts of the retiring Fiscal Agent, and shall duly assign, transfer and deliver to such successor Fiscal Agent all property and money held by such retiring Fiscal

Agent hereunder. Upon request of any such successor Fiscal Agent, the Governmental Lender shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Fiscal Agent all such estates, properties, rights and powers.

(b) No successor Fiscal Agent shall accept its appointment unless at the time of such acceptance such successor Fiscal Agent shall be qualified and eligible under this Article, to the extent operative.

Section 11.12 Merger, Conversion, Consolidation or Succession to Business. Any corporation into which the Fiscal Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Fiscal Agent shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Fiscal Agent, shall be the successor of the Fiscal Agent hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, to the extent operative, without the execution or filing of any paper or any further act on the part of any of the parties hereto. Notwithstanding the foregoing, any such successor Fiscal Agent shall cause Written Notice of such succession to be delivered to the Funding Lender within 30 days of such succession.

Section 11.13 Appointment of Co-Fiscal Agent. It is recognized that in case of litigation under this Funding Loan Agreement, the Borrower Loan Agreement, any other Borrower Loan Document or the Regulatory Agreement, and in particular in case of the enforcement of any of them on default, or in case the Fiscal Agent deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Fiscal Agent or hold title to the properties, as herein provided, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Fiscal Agent appoint an additional individual or institution as a separate or co-fiscal agent. The following provisions of this Section are adopted to these ends.

The Fiscal Agent is hereby authorized to appoint an additional individual or institution as a separate or co-fiscal agent hereunder, upon Written Notice to the Governmental Lender, the Funding Lender and the Borrower, and with the consent of the Governmental Lender and the Funding Lender, but without the necessity of further authorization or consent, in which event each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Funding Loan Agreement, any Borrower Loan Document, the Regulatory Agreement or the Borrower Loan Agreement to be exercised by or vested in or conveyed to the Fiscal Agent with respect thereto shall be exercisable by and vest in such separate or co-fiscal agent but only to the extent necessary to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-fiscal agent shall run to and be enforceable by either of them.

Should any instrument in writing from the Governmental Lender be required by the separate fiscal agent or co-fiscal agent appointed by the Fiscal Agent for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, duties and obligations, any and all such instruments in writing shall, on request of the Fiscal Agent, be executed, acknowledged and delivered by the Governmental Lender. In case any separate fiscal agent or co-fiscal agent, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, duties and obligations of such separate fiscal agent or co-fiscal agent, so far as permitted by law, shall vest in and be exercised by the Fiscal Agent until the appointment of a successor to such separate fiscal agent or co fiscal agent.

Section 11.14 Loan Servicing. The Governmental Lender and the Fiscal Agent acknowledge that the Funding Lender shall have the right to appoint a Servicer to service and

administer the Funding Loan and the Borrower Loan as set forth in a Servicing Agreement. The Governmental Lender and the Fiscal Agent shall not be responsible for monitoring the performance of any Servicer or for any acts or omissions of such Servicer. The Funding Lender may, in its sole discretion, terminate or replace the Servicer.

Section 11.15 No Recourse Against Officers or Employees of Fiscal Agent. No recourse with respect to any claim related to any obligation, duty or agreement contained in this Funding Loan Agreement or any other Funding Loan Document shall be had against any officer or employee, as such, of the Fiscal Agent, it being expressly understood that the obligations, duties and agreements of the Fiscal Agent contained in this Funding Loan Agreement and the other Funding Loan Documents are solely corporate in nature.

ARTICLE XII

MISCELLANEOUS

Section 12.1 Notices. All notices, demands, requests and other communications required or permitted to be given by any provision of this Funding Loan Agreement shall be in writing and sent by first class, regular, registered or certified mail, commercial delivery service, overnight courier, telegraph, telex, telecopier or facsimile transmission, air or other courier, hand delivery, to the party to be notified addressed as follows:

If to the Fiscal Agent:	The Bank of New York Mellon Trust Company, N.A. 400 South Hope Street, Suite 500 Los Angeles, California 90071 Attention: Corporate Trust
If to the Governmental Lender:	Housing Authority of the City of San Diego 1122 Broadway, Suite 300 San Diego, California 92101 Attention: Executive Director Telephone: (619) 578-7575 Facsimile: (619) 578-7356
If to the Borrower:	Fairmount Senior Housing CIC, LP c/o Chelsea Investment Corporation 6339 Paseo Del Lago Carlsbad, California 92011 Attention: President
with a copy to:	Senior Housing Corporation c/o Serving Seniors 525 14th Street San Diego, CA 92101 Attention: President/Chief Executive Officer
and a copy to:	Odu & Associates, PC 2195 Queensberry Road Pasadena, California 91104 Attention: Nkechi C. Odu, Esq.

and a copy to: Goldfarb & Lipman LLP
1300 Clay Street, 11th Floor
Oakland, California 94612
Attention: Amy DeVaudreuil, Esq.

and a copy to: Winthrop & Weinstine, P.A.
255 South Sixth Street, Suite 3500
Minneapolis, Minnesota 55402
Attention: Jon L. Peterson, Esq.

If to the Equity Investor: U.S. Bancorp Community Development
Corporation
1307 Washington Avenue, Suite 300
Mail Code: SL MO RMCD
St. Louis, Missouri 63103
Attention: Director of Asset Management
Phone: (314) 335-2600

with a copy to: Kutak Rock LLP
1650 Farnam Street
Omaha, Nebraska 68102
Attention: Jill Goldstein, Esq.

If to the Funding Lender: Citibank, N.A.
388 Greenwich Street, 6th Floor Trading
New York, New York 10013
Attention: Transaction and Asset
Management Group
Re: East Block Senior Apartments
Deal ID #
Facsimile: (212) 723-8209

and to: Citibank, N.A.
325 East Hillcrest Drive, Suite 160
Thousand Oaks, California 91360
Attention: Operations Manager / Asset
Manager
Re: East Block Senior Apartments
Deal ID #60000342
Facsimile: (805) 557-0924

prior to the Conversion Date, with
a copy to: Citibank, N.A.
388 Greenwich Street, 6th Floor Trading
New York, New York 10013
Attention: Account Specialist
Re: East Block Senior Apartments
Deal ID #60000342
Facsimile: (212) 723-8209

following the Conversion Date
with a copy to:

Citibank, N.A.
to: c/o Berkadia Commercial Servicing
Department
323 Norristown Road, Suite 300
Ambler, Pennsylvania 19002
Attention: Client Relations Manager
Re: East Block Senior Apartments
Deal ID #60000342
Facsimile: (215) 328-0305

and a copy of any notices of default
sent to:

Citibank, N.A.
388 Greenwich Street, 17th Floor
New York, New York 10013
Attention: General Counsel's Office
Re: East Block Senior Apartments
Deal ID #60000342
Facsimile: (646) 291-5754

Any such notice, demand, request or communication shall be deemed to have been given and received for all purposes under this Funding Loan Agreement: (i) three Business Days after the same is deposited in any official depository or receptacle of the United States Postal Service first class, or, if applicable, certified mail, return receipt requested, postage prepaid; (ii) on the date of transmission when delivered by telecopier or facsimile transmission, telex, telegraph or other telecommunication device, provided any telecopy or other electronic transmission received by any party after 4:00 p.m., local time, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day; (iii) on the next Business Day after the same is deposited with a nationally recognized overnight delivery service that guarantees overnight delivery; and (iv) on the date of actual delivery to such party by any other means; provided, however, if the day such notice, demand, request or communication shall be deemed to have been given and received as aforesaid is not a Business Day, such notice, demand, request or communication shall be deemed to have been given and received on the next Business Day. Any facsimile signature by a Person on a document, notice, demand, request or communication required or permitted by this Funding Loan Agreement shall constitute a legal, valid and binding execution thereof by such Person.

Any party to this Funding Loan Agreement may change such party's address for the purpose of notice, demands, requests and communications required or permitted under this Funding Loan Agreement by providing written notice of such change of address to all of the parties by written notice as provided herein.

Section 12.2 Term of Funding Loan Agreement. This Funding Loan Agreement shall be in full force and effect until all payment obligations of the Governmental Lender hereunder have been paid in full and the Funding Loan has been retired or the payment thereof has been provided for; except that on and after payment in full of the Governmental Lender Notes, this Funding Loan Agreement shall be terminated, without further action by the parties hereto.

Section 12.3 Successors and Assigns. All covenants and agreements in this Funding Loan Agreement by the Governmental Lender shall bind its successors and assigns, whether so expressed or not.

Section 12.4 Legal Holidays. In any case in which the date of payment of any amount due hereunder or the date on which any other act is to be performed pursuant to this Funding Loan Agreement shall be a day that is not a Business Day, then payment of such amount or such

act need not be made on such date but may be made on the next succeeding Business Day, and such later payment or such act shall have the same force and effect as if made on the date of payment or the date fixed for prepayment or the date fixed for such act, and no additional interest shall accrue for the period from and after such date and prior to the date of payment.

Section 12.5 Governing Law. This Funding Loan Agreement shall be governed by and shall be enforceable in accordance with the laws of the State applicable to contracts made and performed in the State.

Section 12.6 Severability. If any provision of this Funding Loan Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions shall not in any way be affected or impaired. In case any covenant, stipulation, obligation or agreement contained in the Governmental Lender Notes or in this Funding Loan Agreement shall for any reason be held to be usurious or in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Governmental Lender or the Funding Lender only to the full extent permitted by law.

Section 12.7 Execution in Several Counterparts. This Funding Loan Agreement may be contemporaneously executed in several counterparts, all of which shall constitute one and the same instrument and each of which shall be, and shall be deemed to be, an original.

Section 12.8 Nonrecourse Obligation of the Borrower. Except as otherwise provided in the Borrower Loan Agreement, any obligations of the Borrower under this Funding Loan Agreement are without recourse to the Borrower or to the Borrower's partners or members, as the case may be, and the provisions of Section 11.1 of the Borrower Loan Agreement are by this reference incorporated herein.

Section 12.9 Waiver of Trial by Jury. IF AND TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, EACH OF THE GOVERNMENTAL LENDER AND THE FUNDING LENDER (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS FUNDING LOAN AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

IF FOR ANY REASON THIS WAIVER IS DETERMINED TO BE UNENFORCEABLE, ALL DISPUTES WILL BE RESOLVED BY JUDICIAL REFERENCE PURSUANT TO THE PROCEDURES SET FORTH IN THE SECURITY INSTRUMENT.

Section 12.10 Electronic Transactions. The transactions described in this Funding Loan Agreement may be conducted and the related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 12.11 Reference Date. This Funding Loan Agreement is dated for reference purposes only as of the first day of April, 2020.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Funding Lender, the Fiscal Agent and the Governmental Lender have caused this Funding Loan Agreement to be duly executed as of the date first written above.

FUNDING LENDER:

CITIBANK, N.A.

By: _____
Authorized Signatory

19048.43;J16754

[Signature Page to Funding Loan Agreement – East Block Senior Apartments]

GOVERNMENTAL LENDER:

HOUSING AUTHORITY OF THE CITY OF
SAN DIEGO

By: _____
Jeff Davis,
Executive Vice President &
Chief of Staff

19048.43;J16754

[Signature Page to Funding Loan Agreement – East Block Senior Apartments]

FISCAL AGENT:

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Fiscal Agent

By: _____
Authorized Signatory

19048.43;J16754

[Signature Page to Funding Loan Agreement – East Block Senior Apartments]

EXHIBIT A

FORM OF GOVERNMENTAL LENDER NOTES

THIS NOTE MAY BE OWNED ONLY BY A PERMITTED TRANSFEREE IN ACCORDANCE WITH THE TERMS OF THE FUNDING LOAN AGREEMENT, AND THE HOLDER HEREOF, BY THE ACCEPTANCE OF THIS FUNDING LOAN AGREEMENT (A) REPRESENTS THAT IT IS A PERMITTED TRANSFEREE AND (B) ACKNOWLEDGES THAT IT CAN ONLY TRANSFER THIS GOVERNMENTAL LENDER NOTE TO ANOTHER PERMITTED TRANSFEREE IN ACCORDANCE WITH THE TERMS OF THE FUNDING LOAN AGREEMENT.

**HOUSING AUTHORITY OF THE CITY OF SAN DIEGO
MULTISENIOR HOUSING REVENUE NOTE
(EAST BLOCK SENIOR APARTMENTS),
SERIES 2020C-____**

\$ _____

April __, 2020

FOR VALUE RECEIVED, the undersigned HOUSING AUTHORITY OF THE CITY OF SAN DIEGO (“Obligor”) promises to pay to the order of CITIBANK, N.A. (“Holder”) the maximum principal sum of _____ MILLION _____ THOUSAND DOLLARS (\$ _____), on _____, ____, or earlier as provided herein, together with interest thereon at the rates, at the times and in the amounts provided below.

Obligor shall pay to the Holder on or before each date on which payment is due under that certain Funding Loan Agreement, dated as of April 1, 2020 (the “Funding Loan Agreement”), among Obligor, Holder and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (“Fiscal Agent”), an amount in immediately available funds sufficient to pay the principal amount of and Prepayment Premium, if any, on this Governmental Lender Note then due and payable, whether by maturity, acceleration, prepayment or otherwise. In the event that amounts held derived from proceeds of this Governmental Lender Note, condemnation awards or insurance proceeds or investment earnings thereon are applied to the payment of principal due on this Governmental Lender Note in accordance with the Funding Loan Agreement, the principal amount due hereunder shall be reduced to the extent of the principal amount of this Governmental Lender Note so paid. Capitalized terms not otherwise defined herein shall have the meaning assigned in the Funding Loan Agreement.

Obligor shall pay to the Holder on or before each date on which interest on the Funding Loan is payable interest on the unpaid balance hereof in an amount in immediately available funds sufficient to pay the interest on this Governmental Lender Note then due and payable in the amounts and at the rate or rates set forth in the Funding Loan Agreement.

This Governmental Lender Note is a pass-through obligation relating to a construction and permanent loan (the “Borrower Loan”) made by Obligor from proceeds of the Funding Loan to Fairmount Senior Housing CIC, LP, a California limited partnership, as borrower (the “Borrower”), under that certain Borrower Loan Agreement, dated as of April 1, 2020, (as the same may be modified, amended or supplemented from time to time, the “Borrower Loan Agreement”), between the Obligor and the Borrower, evidenced by the [Series 2020C-1][Series 2020C-2] Borrower Note (as defined in the Borrower Loan Agreement). Reference is made to the Borrower Loan Agreement and to the [Series 2020C-1][Series 2020C-2] Borrower Note for complete payment and prepayment terms of the [Series 2020C-1][Series 2020C-2] Borrower Note, payments on which are passed-through under this Governmental Lender Note.

This Governmental Lender Note is a limited obligation of the Obligor, payable solely from the Pledged Revenues and other funds and moneys and Security pledged and assigned under the Funding Loan Agreement. None of the Governmental Lender, the State, or any political subdivision thereof (except the Governmental Lender, to the limited extent set forth herein) or any public agency shall in any event be liable for the payment of the principal of, premium (if any) or interest on this Governmental Lender Note or the Funding Loan or for the performance of any pledge, obligation or agreement of any kind whatsoever with respect thereto except as set forth herein and in the Funding Loan Agreement, and none of the Funding Loan or this Governmental Lender Note or any of the Governmental Lender's agreements or obligations with respect to the Funding Loan or this Governmental Lender Note shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of or a moral obligation of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever. The Governmental Lender has no taxing power.

All capitalized terms used but not defined herein shall have the meanings ascribed to them in the Funding Loan Agreement or in the Borrower Loan Agreement.

This Governmental Lender Note is subject to the express condition that at no time shall interest be payable on this Governmental Lender Note or the Funding Loan at a rate in excess of the Maximum Rate provided in the Funding Loan Agreement; and Obligor shall not be obligated or required to pay, nor shall the Holder be permitted to charge or collect, interest at a rate in excess of such Maximum Rate. If by the terms of this Governmental Lender Note or of the Funding Loan Agreement, Obligor is required to pay interest at a rate in excess of such Maximum Rate, the rate of interest hereunder or thereunder shall be deemed to be reduced immediately and automatically to such Maximum Rate, and any such excess payment previously made shall be immediately and automatically applied to the unpaid balance of the principal sum hereof and not to the payment of interest.

Amounts payable hereunder representing late payments, penalty payments or the like shall be payable to the extent allowed by law.

This Governmental Lender Note is subject to all of the terms, conditions, and provisions of the Funding Loan Agreement, including those respecting prepayment and the acceleration of maturity and those respecting limitations of liability in Article V of the Funding Loan Agreement.

If there is an Event of Default under the Funding Loan Documents, then in any such event and subject to the requirements set forth in the Funding Loan Agreement, the Holder may declare the entire unpaid principal balance of this Governmental Lender Note and accrued interest, if any, due and payable at once. All of the covenants, conditions and agreements contained in the Funding Loan Documents are hereby made part of this Governmental Lender Note.

No delay or omission on the part of the Holder in exercising any remedy, right or option under this Governmental Lender Note or the Funding Loan Documents shall operate as a waiver of such remedy, right or option. In any event a waiver on any one occasion shall not be construed as a waiver or bar to any such remedy, right or option on a future occasion. The rights, remedies and options of the Holder under this Governmental Lender Note and the Funding Loan Documents are and shall be cumulative and are in addition to all of the rights, remedies and options of the Holder at law or in equity or under any other agreement.

Obligor shall pay all costs of collection on demand by the Holder, including without limitation, reasonable attorneys' fees and disbursements, which costs may be added to the

indebtedness hereunder, together with interest thereon, to the extent allowed by law, as set forth in the Funding Loan Agreement.

This Governmental Lender Note may not be changed orally. Presentment for payment, notice of dishonor, protest and notice of protest are hereby waived. The acceptance by the Holder of any amount after the same is due shall not constitute a waiver of the right to require prompt payment, when due, of all other amounts due hereunder. The acceptance by the Holder of any sum in an amount less than the amount then due shall be deemed an acceptance on account only and upon condition that such acceptance shall not constitute a waiver of the obligation of Obligor to pay the entire sum then due, and Obligor's failure to pay such amount then due shall be and continue to be a default notwithstanding such acceptance of such amount on account, as aforesaid. Consent by the Holder to any action of Obligor which is subject to consent or approval of the Holder hereunder shall not be deemed a waiver of the right to require such consent or approval to future or successive actions.

This Governmental Lender Note (and the Funding Loan that it represents), and any interests herein or therein, are transferable by the registered owner hereof, but only in the manner, subject to the limitations and upon payment of the charges provided in the Funding Loan Agreement. Upon such transfer a new fully registered Governmental Lender Note will be issued to the transferee in exchange herefor. The Obligor, the Funding Lender and the Fiscal Agent may treat the registered owner hereof as the absolute owner hereof for all purposes, and the Obligor and the Funding Lender shall not be affected by any notice to the contrary.

The Obligor hereby certifies that all of the conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Governmental Lender Note do exist, have happened and have been performed in due time, form and manner as required by the Constitution and laws of the State (including the Act) and that the amount of this Governmental Lender Note, together with all other indebtedness of the Obligor, does not exceed any limit prescribed by the Constitution or laws of the State.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Governmental Lender Note by its authorized representative as of the date first set forth above. The undersigned intends that this instrument shall be deemed to be signed and delivered as a sealed instrument.

OBLIGOR:

HOUSING AUTHORITY OF THE CITY OF
SAN DIEGO

By: _____
Jeff Davis,
Executive Vice President &
Chief of Staff

[Signature Page to Series 2020-___ Governmental Lender Note – East Block Senior Apartments]

CERTIFICATE OF AUTHENTICATION

This Governmental Lender Note is the Series 2020-___ Governmental Lender Note described in the within mentioned Funding Loan Agreement.

Date of Authentication: _____

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Fiscal Agent

By: _____
Authorized Signatory

[Signature Page to Series 2020-___ Governmental Lender Note – East Block Senior Apartments]

EXHIBIT B

FORM OF REQUIRED TRANSFEREE REPRESENTATIONS

[_____, 20__]

The undersigned, as holder (the "Holder") of a loan (the "Funding Loan") in the maximum principal amount of \$_____ from CITIBANK, N.A. ("Funding Lender") to HOUSING AUTHORITY OF THE CITY OF SAN DIEGO ("Governmental Lender") pursuant to a Funding Loan Agreement dated as of April 1, 2020 (the "Funding Loan Agreement") among the Funding Lender, the Governmental Lender and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Funding Loan"), evidenced by the Housing Authority of the City of San Diego Multifamily Housing Revenue Note (East Block Senior Apartments), Series 2020C-1 and the Housing Authority of the City of San Diego Multifamily Housing Revenue Note (East Block Senior Apartments), Series 2020C-2 (Taxable) (together, the "Governmental Lender Notes"), or an interest therein, hereby represents that:

1. The Holder has sufficient knowledge and experience in financial and business matters with respect to the evaluation of residential real estate developments such as the Project to be able to evaluate the risk and merits of the investment represented by the Funding Loan. We are able to bear the economic risks of such investment.

2. The Holder acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and the Holder has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Governmental Lender, the Project, the use of proceeds of the Funding Loan and the Funding Loan and the security therefor so that, as a reasonable investor, the Holder has been able to make its decision to [extend/ purchase] the Funding Loan [or an interest therein]. In entering into this transaction, the Holder acknowledges that it has not relied upon any representations or opinions of the Governmental Lender relating to the legal consequences to the Funding Lender or other aspects of its making the Funding Loan and acquiring the Governmental Lender Note, nor has it looked to or expected, the Governmental Lender to undertake or require any credit investigation or due diligence reviews relating to the Borrower, its financial condition or business operations, the Project (including the financing or management thereof), or any other matter pertaining to the merits or risks of the transactions contemplated by the Funding Loan Agreement and the Borrower Loan Agreement, or the adequacy of the funds pledged to the Funding Lender to secure repayment of the Governmental Lender Note.

3. The Holder is an Approved Transferee.

4. The Holder acknowledges that it is purchasing [an interest in] the Funding Loan for investment for its own account and not with a present view toward resale or the distribution thereof, in that it does not now intend to resell or otherwise dispose of all or any part of its interests in the Funding Loan; provided, however, that the Holder may sell or transfer the Governmental Lender Note and the Funding Loan as provided in Section 2.4 of the Funding Loan Agreement.

5. In the event any placement memorandum to be provided to any subsequent buyer or beneficial owner of such portion of the Funding Loan will disclose information with respect to the Governmental Lender other than its name, location and

type of political subdivision and general information with respect to the Funding Loan and Borrower Loan and related documents, the Holder will provide the Governmental Lender with a draft of such placement memorandum and the Governmental Lender shall have the right to approve any description of the Governmental Lender therein (which approval shall not be unreasonably withheld).

6. The Holder understands that the Funding Loan is a limited obligation of the Governmental Lender; payable solely from funds and moneys pledged and assigned under the Funding Loan Agreement, and that the liabilities and obligations of the Governmental Lender with respect to the Funding Loan are expressly limited as set forth in the Funding Loan Agreement and related documents.

7. Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Funding Loan Agreement.

[_____], as Holder

By: _____
Name: _____
Its: _____

EXHIBIT C

FORM OF WRITTEN REQUISITION OF THE BORROWER – PROJECT FUND

Draw # _____

To: The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent (the “Fiscal Agent”) under that certain Funding Loan Agreement, dated as of April 1, 2020, among Citibank, N.A., as Funding Lender, the Housing Authority of the City of San Diego, as Governmental Lender, and the Fiscal Agent (the “Funding Loan Agreement”), pursuant to which the Housing Authority of the City of San Diego Multifamily Housing Revenue Notes (East Block Senior Apartments), Series 2020C-1 and, Series 2020C-2 (Taxable) (collectively, the “Governmental Lender Notes”) were issued.

1. You are requested to disburse funds from the Project Fund pursuant to Section 7.7 of the Funding Loan Agreement in the amount(s), to the person(s) and for the purpose(s) set forth on Schedule I attached hereto and incorporated herein by reference. An invoice or other appropriate evidence of the obligations described on Schedule I is attached hereto.

2. The undersigned certifies that:

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

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

(iii) the obligation stated on the requisition has been incurred in connection with the construction or equipping of the Project, or the reimbursement of advances of the Construction Loan (as defined in the Funding Loan Agreement) for such purposes, each item is a proper charge against the Project Fund, and the obligation has not been the basis for a prior requisition that has been paid;

(iv) such requisition contains no items representing any Costs of Issuance or any other amount constituting an issuance cost under Section 147(g) of the Code, unless such item is being paid solely from the Equity Account of the Project Fund;

(v) not less than 97% of the sum of: (A) the amounts requisitioned by this Requisition to be funded with the proceeds of the Series 2020C-1 Governmental Lender Note plus (B) all amounts allocated to the Series 2020C-1 Governmental Lender Note previously disbursed from the Note Proceeds Account of the Project Fund, have been or will be applied by the Borrower to pay Qualified Project Costs;

(vi) to the undersigned’s current, actual knowledge, as of the date hereof no event or condition has happened or is happening or exists that constitutes, or that with

notice or lapse of time or both, would constitute, an Event of Default under the Funding Loan Agreement; and

(vii) attached as Schedule I to this Requisition is an exhibit that allocates the amount requested hereby from each account of the Project Fund among the sources for payment.

Dated: _____

FAIRMOUNT SENIOR HOUSING CIC, LP, a
California limited partnership

By: Fairmount SHC Housing, LLC
a California limited liability company,
its Managing General Partner

By: Senior Housing Corporation,
a California nonprofit public benefit
corporation
its Manager and Member

By: _____
Name: Paul Downey
Title: President/Chief Executive
Officer

By: CIC Fairmount Senior Housing, LLC,
a California limited liability company,
its Administrative General Partner

By: Chelsea Investment Corporation
a California corporation
its Manager

By: _____
Name: Cheri Hoffman
Title: President

Approved by:

CITIBANK, N.A.,
as Funding Lender

By: _____
Authorized Signer

Schedule I
Payment Instructions

EXHIBIT D

**FORM OF WRITTEN REQUISITION
OF THE BORROWER – CLOSING COSTS FUND**

To: The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent (the “Fiscal Agent”) under that certain Funding Loan Agreement, dated as of April 1, 2020, among Citibank, N.A., as Funding Lender, Housing Authority of the City of San Diego, as Governmental Lender, and the Fiscal Agent (the “Funding Loan Agreement”).

1. You are requested to disburse funds from the Closing Costs Fund pursuant to Section 7.6 of the Funding Loan Agreement in the amount(s), to the person(s) and for the purpose(s) set forth on Schedule I attached hereto and incorporated herein by reference. An invoice or other appropriate evidence of the obligations described on Schedule I is attached hereto. All payments will be made by check or wire transfer in accordance with the payment instructions set forth on Schedule I (or on the attached invoice) and the Fiscal Agent shall have no obligation to authenticate such payment instructions or the authority under which they were given.

2. The undersigned certifies that as of the date hereof no event or condition has happened or is happening or exists that constitutes, or that with notice or lapse of time or both, would constitute, an Event of Default under the Funding Loan Agreement.

Dated: _____

BORROWER:

FAIRMOUNT SENIOR HOUSING CIC, LP, a
California limited partnership

By: Fairmount SHC Housing, LLC
a California limited liability company,
its Managing General Partner

By: Senior Housing Corporation,
a California nonprofit public benefit
corporation
its Manager and Member

By: _____
Name: Paul Downey
Title: President/Chief Executive
Officer

By: CIC Fairmount Senior Housing, LLC,
a California limited liability company,
its Administrative General Partner

By: Chelsea Investment Corporation
a California corporation
its Manager

By: _____
Name: Cheri Hoffman
Title: President

The foregoing Requisition is hereby consented to:

FUNDING LENDER:

CITIBANK, N.A.

By: _____
Name: _____
Title: _____

GOVERNMENTAL LENDER:

HOUSING AUTHORITY OF THE CITY OF
SAN DIEGO

By: _____
Jeff Davis, Executive Vice President
& Chief of Staff

Schedule I
Payment Instructions

<u>Payee</u>	<u>Purpose</u>	<u>Amount of Payment</u>
--------------	----------------	--------------------------

**RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:**

Quint & Thimmig LLP
900 Larkspur Landing Circle, Suite 270
Larkspur, CA 94939-1726
Attention: Paul J. Thimmig, Esq.

**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

by and between the

HOUSING AUTHORITY OF THE CITY OF SAN DIEGO,

and

FAIRMOUNT SENIOR HOUSING CIC, LP

Dated as of April 1, 2020

Relating to:

\$22,000,000

**Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(East Block Senior Apartments),
Series 2020C-1**

and

\$_____

**Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(East Block Senior Apartments),
Series 2020C-2 (Taxable)**

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REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (as supplemented and amended from time to time, this "Regulatory Agreement") is made and entered into as of April 1, 2020, by and between the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body, corporate and politic, duly organized and existing under the laws of the State of California (together with any successor to its rights, duties and obligations, the "Governmental Lender"), and FAIRMOUNT SENIOR HOUSING CIC, LP, a California limited partnership, duly organized, validly existing and in good standing under the laws of the State of California (together with any successor to its rights, duties and obligations hereunder and as owner of the Project identified herein, the "Borrower").

R E C I T A L S :

WHEREAS, pursuant to Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code (as amended, the "Housing Law"), and the hereinafter defined Funding Loan Agreement, the Governmental Lender has agreed to execute and deliver its Housing Authority of the City of San Diego Multifamily Housing Revenue Note (East Block Senior Apartments), Series 2020C-1 (the "Series 2020C-1 Governmental Lender Note") and its Housing Authority of the City of San Diego Multifamily Housing Revenue Note (East Block Senior Apartments), Series 2020C-2 (Taxable) (collectively, the "Governmental Lender Notes");

WHEREAS, the Governmental Lender Notes will be executed and delivered pursuant to a Funding Loan Agreement, dated as of April 1, 2020 (the "Funding Loan Agreement"), among the Governmental Lender, Citibank, N.A., the Funding Lender (the "Funding Lender") and the Fiscal Agent;

WHEREAS, the proceeds of the Governmental Lender Notes will be used to fund a loan (the "Borrower Loan" as defined in the Funding Loan Agreement) to the Borrower to finance costs, and to reimburse advances of the Construction Loan (as defined in the Funding Loan Agreement) used to finance costs, of the acquisition and construction of the multifamily rental housing development to be known as East Block Senior Apartments, located on the real property site described in Exhibit A hereto (as more particularly described herein, the "Project"); and

WHEREAS, to assure the Governmental Lender and the owners of the Series 2020C-1 Governmental Lender Note that interest on the Series 2020C-1 Governmental Lender Note will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), and to satisfy the public purposes for which the Governmental Lender Notes are authorized to be executed and delivered under the Housing Law, and to satisfy the purposes of the Governmental Lender in determining to execute and deliver the Governmental Lender Notes, certain limits on the occupancy of units in the Project need to be established and certain other requirements need to be met.

A G R E E M E N T :

NOW, THEREFORE, in consideration of the execution and delivery of the Governmental Lender Notes by the Governmental Lender and the mutual covenants and undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Governmental Lender and the Borrower hereby agree as follows:

Section 1. Definitions and Interpretation. Unless the context otherwise requires, the capitalized terms used herein shall have the respective meanings assigned to them in the first paragraph hereof and the recitals hereto, in this Section 1, or in the Funding Loan Agreement.

“Administrator” means the Governmental Lender or any administrator or program monitor appointed by the Governmental Lender to administer this Regulatory Agreement, and any successor administrator appointed by the Governmental Lender.

“Area” means the Metropolitan Statistical Area or County, as applicable, in which the Project is located as defined by the United States Department of Housing and Urban Development.

“Available Units” means residential units in the Project that are actually occupied and residential units in the Project that are vacant and have been occupied at least once after becoming available for occupancy, provided that (a) a residential unit that is vacant on the later of (i) the date the Project is acquired or (ii) the Closing Date is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after such date, and (b) a residential unit that is not available for occupancy due to renovations is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after the renovations are completed.

“CDLAC” means the California Debt Limit Allocation Committee or its successors.

“CDLAC Conditions” has the meaning given such term in Section 29.

“CDLAC Resolution” means CDLAC Resolution No. 19-164 attached hereto as Exhibit E, adopted on October 16, 2019 and relating to the Project, as such resolution may be modified or amended from time to time.

“Certificate of Continuing Program Compliance” means the Certificate to be filed by the Borrower with the Administrator, on behalf of the Governmental Lender, pursuant to Section 4(f) hereof, which shall be substantially in the form attached as Exhibit C hereto or in such other comparable form as may be provided by the Governmental Lender to the Borrower, or as otherwise approved by the Governmental Lender.

“City” means the City of San Diego, California.

“Closing Date” means the date the Governmental Lender Notes are originally executed and delivered.

“Completion Certificate” means the certificate of completion of the construction of the Project required to be delivered to the Issuer by the Borrower pursuant to Section 2(i) of this Regulatory Agreement, which shall be substantially in the form attached to this Regulatory Agreement as Exhibit D.

“Completion Date” means the date of completion of the construction of the Project, as that date shall be certified as provided in Section 2(i) of this Regulatory Agreement.

“Compliance Period” means the period beginning on the first day of the Qualified Project Period and ending on the later of the end of the Qualified Project Period or such later date as set forth in Section 29(c) of this Regulatory Agreement.

“Conversion Date” means the date, if any, upon which the Loan converts from the construction phase to the permanent phase in accordance with the terms of the Loan Agreement.

“County” means the County of San Diego, California.

“Deed of Trust” means the “Security Instrument” as defined in the Funding Loan Agreement, as the same may be modified, amended or supplemented from time to time, or any deed of trust (or similar security instrument) containing a power of sale clause reflecting a valid, perfected first-priority lien on the fee interest in the Project delivered by the Borrower to secure the Borrower’s obligations to a third-party lender.

“Gross Income” means the gross income of a person (together with the gross income of all persons who intend to reside with such person in one residential unit) as calculated in the manner prescribed in under Section 8 of the Housing Act.

“Housing Act” means the United States Housing Act of 1937, as amended, or its successor.

“Housing Law” means Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code, as amended.

“Income Certification” means a Tenant Income Certification and a Tenant Income Certification Questionnaire in the form attached as Exhibit B hereto or in such other comparable form as may be provided by the Governmental Lender to the Borrower, or as otherwise approved by the Governmental Lender.

“Inducement Date” means July 16, 2019, being the date on which the Board of Commissioners of the Issuer adopted Resolution No. HA-1825, expressing its intent to issue the Bond to provide financing for the Project.

“Investor Limited Partner” means U.S. Bancorp Community Development Corporation, a Minnesota corporation, or any other successor entity or assignee in such entity’s capacity as a limited partner of the Borrower.

“Low Income Tenant” means a tenant occupying a Low Income Unit.

“Low Income Unit” means any Available Unit if the aggregate Gross Income of all tenants therein does not exceed limits determined in a manner consistent with determinations of “low-income families” under Section 8 of the Housing Act, provided that the percentage of median gross income that qualifies as low income hereunder shall be sixty percent (60%) of median gross income for the Area, with adjustments for family size. A unit occupied by one or more students shall only constitute a Low Income Unit if such students meet the requirements of Section 142(d)(2)(C) of the Code. The determination of an Available Unit’s status as a Low Income Unit shall be made by the Borrower upon commencement of each lease term with respect to such unit, and annually thereafter, on the basis of an Income Certification executed by each tenant.

“Manager” means a property manager meeting the requirements of Section 27 hereof. ConAm Management, Inc. is the initial Manager.

“Project” means the 117-unit multifamily rental housing development (including two managers’ unit) to be located at 4320 44th Street in the City of San Diego, San Diego

County, on the real property site described in Exhibit A hereto, consisting of those facilities, including real property, structures, buildings, fixtures or equipment situated thereon, as it may at any time exist, the acquisition, construction and development of which facilities are to be financed, in whole or in part, from the proceeds of the sale of the Governmental Lender Notes or the proceeds of any payment by the Borrower pursuant to the Loan Agreement, and any real property, structures, buildings, fixtures or equipment acquired in substitution for, as a renewal or replacement of, or a modification or improvement to, all or any part of the facilities described in the Loan Agreement.

“Project Costs” means, to the extent authorized by the Housing Law, any and all costs and expenses incurred by the Borrower with respect to the acquisition, construction and/or operation of the Project, whether paid or incurred prior to or after the Closing Date, including, without limitation, costs for the acquisition of property, the cost of consultant, accounting and legal services, appraisal costs, other expenses necessary or incident to the acquisition and construction of the Project, and administrative expenses, and interest on the Borrower Loan.

“Qualified Project Costs” has the meaning given to such term in the Borrower Loan Agreement.

“Qualified Project Period” means the period beginning on the first day on which at least 10% of the units in the Project are first occupied and ending on the later of the following:

- (A) the date that is fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied;
- (B) the first date on which no Tax-Exempt private activity bonds with respect to the Project are Outstanding; or
- (C) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates.

“Regulations” means the Income Tax Regulations of the Department of the Treasury applicable under the Code from time to time.

“Regulatory Agreement” means this Regulatory Agreement and Declaration of Restrictive Covenants, as it may be supplemented and amended from time to time.

“Rental Payments” means the rental payments paid by the occupant of a unit, excluding any supplemental rental assistance to the occupant from the State, the federal government, or any other public agency, but including any mandatory fees or charges imposed on the occupant by the Borrower as a condition of occupancy of the unit.

“Tax-Exempt” means with respect to interest on any obligations of a state or local government, including the Series 2020C-1 Governmental Lender Note, that such interest is excluded from gross income for federal income tax purposes; provided, however, that such interest may be includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

“Transfer” means the conveyance, assignment, sale or other disposition of all or any portion of the Project other than in connection with the leasing of individual

residential rental units in the ordinary course of business; and shall also include, without limitation to the foregoing, the following: (1) an installment sales agreement wherein Borrower agrees to sell the Project or any part thereof for a price to be paid in installments; and (2) an agreement by the Borrower leasing all or a substantial part of the Project to one or more persons or entities pursuant to a single or related transactions.

“Very Low Income Tenant” means a tenant occupying a Very Low Income Unit.

“Very Low Income Unit” means any Available Unit if the aggregate Gross Income of all tenants therein does not exceed limits determined in a manner consistent with determinations of “very low-income families” under Section 8 of the Housing Act, provided that the percentage of median gross income that qualifies as very low income hereunder shall be fifty percent (50%) of median gross income for the Area, with adjustments for family size. A unit occupied by one or more students shall only constitute a Very Low Income Unit if such students meet the requirements of Section 142(d)(2)(C) of the Code. The determination of an Available Unit’s status as a Very Low Income Unit shall be made by the Borrower upon commencement of each lease term with respect to such unit, and annually thereafter, on the basis of an Income Certification executed by each tenant.

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

The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

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

Section 2. Representations, Covenants and Warranties of the Borrower.

(a) The statements made in the various certificates delivered by the Borrower to the Governmental Lender, the Funding Lender or the Fiscal Agent on the Closing Date are true and correct.

(b) The Borrower (and any person related to it within the meaning of Section 147(a)(2) of the Code) will not take or omit to take, as is applicable, any action if such action or omission would in any way cause the proceeds of the Borrower Loan to be applied in a manner contrary to the requirements of the Borrower Loan Agreement and this Regulatory Agreement.

(c) The Borrower will not take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Series 2020C-1 Governmental Lender Note, or the exemption from California personal income taxation of the interest on the Governmental Lender

Notes and, if it should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof; provided that the Borrower shall not have violated this covenant if the interest on the Series 2020C-1 Governmental Lender Note becomes taxable to a person solely because such person is a “substantial user” of the Project or a “related person,” within the meaning of Section 147(a) of the Code.

(d) The Borrower will take such action or actions as may be necessary, in the written opinion of Bond Counsel filed with the Governmental Lender, the Fiscal Agent and the Borrower, to comply fully with the Act, the Code and all applicable rules, rulings, policies, procedures, Regulations or other official statements promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service to the extent necessary to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2020C-1 Governmental Lender Note.

(e) The acquisition by the Borrower of a fee interest in the site on which the Project is located and the commencement of the construction of the Project occurred after the date which was 60 days prior to the Inducement Date. The Borrower has incurred a substantial binding obligation to expend proceeds of the Borrower Loan pursuant to which the Borrower is obligated to expend at least five percent (5%) of the maximum principal amount of the Borrower Loan.

(f) The Borrower will proceed with due diligence to complete the construction of the Project and the full expenditure of the proceeds of the Borrower Loan. The Borrower reasonably expects to complete the acquisition and construction of the Project and to expend the full \$_____ principal amount of the Borrower Loan by April 30, 2022.

(g) The Borrower’s reasonable expectations respecting the total expenditure of the proceeds of the Series 2020C-1 Governmental Lender Note have been accurately set forth in a certificate of the Borrower delivered to the Governmental Lender on the Closing Date. At all times, the aggregate disbursements of the proceeds of the Series 2020C-1 Governmental Lender Note will have been applied to pay or to reimburse the Borrower for the payment of Qualified Project Costs in an amount equal to ninety seven percent (97%) or more of such disbursements, and less than twenty-five percent (25%) of such disbursements shall have been used to pay for the acquisition of land or an interest therein.

(h) Notwithstanding the provisions of Sections 5.34(d) or 5.35 of the Borrower Loan Agreement and in addition thereto, the Borrower agrees to obtain a written report from an independent firm with experience in calculating excess investment earnings for purposes of Section 148(f) of the Code, not less than once on or about each five year anniversary of the Closing Date and within thirty (30) days of the date the Series 2020C-1 Governmental Lender Note has been paid in full, determining that either (i) no excess investment earnings subject to rebate to the federal government under Section 148(f) of the Code have arisen with respect to the Series 2020C-1 Governmental Lender Note in the prior five-year period (or, with respect to the final such report following the repayment of the Series 2020C-1 Governmental Lender Note, have arisen since the last five-year report); or (ii) excess investment earnings have so arisen with respect to the Series 2020C-1 Governmental Lender Note during the prior five-year period (or, with respect to the final such report following the repayment of the Series 2020C-1 Governmental Lender Note, have arisen since the last five-year report), and specifying the amount thereof that needs to be rebated to the federal government and the date by which such amount needs to be so rebated. The Borrower shall provide a copy of each report prepared in accordance with the preceding sentence to the Governmental Lender and the Funding Lender, each time within one week of its receipt of the same from the independent firm that prepared the respective report. The Borrower agrees to

remit to the Fiscal Agent any amount described in the preceding clause (ii) for deposit to the Rebate Fund established under Section 7.8 of the Funding Loan Agreement.

Notwithstanding the foregoing, the computations and payments of rebatable arbitrage need not be made to the extent that neither the Governmental Lender nor the Borrower will thereby fail to comply with any requirements of Section 148(f) of the Code based on an opinion of Bond Counsel to the effect that such failure will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2020C-1 Governmental Lender Note, a copy of which shall be provided to the Fiscal Agent, the Funding Lender and the Governmental Lender, at the expense of the Borrower.

(i) As soon as practicable after the Completion Date, the Borrower shall deliver to the Governmental Lender and the Fiscal Agent a duly executed Completion Certificate.

(j) The Borrower acknowledges that the Governmental Lender has appointed the Administrator to administer this Regulatory Agreement and to monitor performance by the Borrower of the terms, provisions and requirements hereof. The Borrower shall comply with any reasonable request by the Governmental Lender or the Administrator to deliver to any such Administrator, in addition to or instead of the Governmental Lender, any reports, notices or other documents required to be delivered pursuant hereto, and to make the Project and the books and records with respect thereto available for inspection by the Administrator as an agent of the Governmental Lender.

(k) [reserved]

(l) Money on deposit in any fund or account in connection with the Funding Loan or the Borrower Loan, whether or not such money was derived from other sources, shall not be used by or under the direction of the Borrower, in a manner which would cause the Series 2020C-1 Governmental Lender Note to be an "arbitrage bond" within the meaning of Section 148 of the Code, and the Borrower specifically agrees that the investment of money in any such fund shall be restricted as may be necessary to prevent the Series 2020C-1 Governmental Lender Note from being an "arbitrage bond" under the Code.

(m) All of the proceeds of the Borrower Loan and earnings from the investment of such proceeds will be used to pay Project Costs either directly by the Borrower or to reimburse the Borrower for such costs paid from proceeds of a loan made to the Borrower for such purpose; and no more than two percent (2%) of the proceeds of the Series 2020C-1 Governmental Lender Note will be used to pay issuance costs of the Governmental Lender Notes, within the meaning of Section 147(g) of the Code.

(n) No portion of the proceeds of the Series 2020C-1 Governmental Lender Note shall be used to provide any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises. No portion of the proceeds of the Series 2020C-1 Governmental Lender Note shall be used for an office unless the office is located on the premises of the facilities constituting the Project and unless not more than a de minimis amount of the functions to be performed at such office is not related to the day-to-day operations of the Project.

(o) In accordance with Section 147(b) of the Code, the average maturity of the Series 2020C-1 Governmental Lender Note does not exceed 120% of the average reasonably expected economic life of the facilities being financed by the Series 2020C-1 Governmental Lender Note.

(p) The Borrower shall comply with all applicable requirements of Section 65863.10 of the California Government Code pertaining to the Project, including the requirements for providing notices in Sections (b), (c), (d) and (e) thereof, and with all applicable requirements of Section 65863.11 of the California Government Code pertaining to the Project.

(q) The Borrower shall pay all of the Closing Costs.

(r) The Borrower hereby incorporates herein, as if set forth in full herein, each of the representations, covenants and warranties of the Borrower contained in the Tax Certificate and the Borrower Loan Agreement relating to the Project.

(s) The Borrower hereby represents and warrants that the Project is located entirely within the City.

(t) The Borrower agrees to comply with the provisions of Sections 2.5, 5.34 and 5.35 of the Borrower Loan Agreement, as in effect on the Closing Date.

(u) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions contemplated by this Regulatory Agreement; that it is familiar with the provisions of all of the documents related to the Borrower Loan to which it is a party or of which it is a beneficiary; that it understands the financial and legal risks inherent in such transactions; and that it has not relied on the Governmental Lender for any guidance or expertise in analyzing the financial or other consequences of such financing transactions or otherwise relied on the Governmental Lender in any manner except to issue the Governmental Lender Notes in order to provide funds to assist the Borrower in financing costs of the construction of the Project.

Section 3. Qualified Residential Rental Project. The Borrower hereby acknowledges and agrees that the Project is to be owned, managed and operated as a “residential rental project” (within the meaning of Section 142(d) of the Code) for a term equal to the Compliance Period. To that end, and for the term of this Regulatory Agreement, the Borrower hereby represents, covenants, warrants and agrees as follows:

(a) The Project will be acquired, constructed, developed and operated for the purpose of providing multifamily residential rental property. The Borrower will own, manage and operate the Project as a project to provide multifamily residential rental property comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with Section 142(d) of the Code, Section 1.103-8(b) of the Regulations and the provisions of the Housing Law, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the dwelling units in the Project (except for not more than one unit set aside for a resident manager or other administrative use) will be similarly constructed units, and each dwelling unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis or rented for a period of less than 30 consecutive days, or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park; provided that the use of

certain units for tenant guests on an intermittent basis shall not be considered transient use for purposes of this Regulatory Agreement.

(d) No part of the Project will at any time during the Compliance Period be owned by a cooperative housing corporation, nor shall the Borrower take any steps in connection with a conversion to such ownership or use, and the Borrower will not take any steps in connection with a conversion of the Project to condominium ownership during the Compliance Period (except that the Borrower may obtain final map approval and the Final Subdivision Public Report from the California Department of Real Estate and may file a condominium plan with the City).

(e) All of the Available Units in the Project (except for not more than two units set aside for a resident managers or other administrative use) will be available for rental during the period beginning on the date hereof and ending on the termination of the Compliance Period on a continuous, "first-come, first-served" basis to members of the general public, and the Borrower will not give preference to any particular class or group in renting the dwelling units in the Project, except (i) not more than two units may be set aside for resident managers or other administrative use, (ii) to the extent that dwelling units are required to be leased or rented in such a manner that they constitute Low Income Units or otherwise as necessary to comply with Section 6(a), (b) and (c), (iii) to the extent required under any "extended low-income housing commitment" (an "Extended Use Agreement") applicable to the Project, (iv) to the extent required by the provisions of any documents related to the provision of State or federal low income housing tax credits for the Project, (v) to the extent units are required to be rented to seniors, or (iv) to the extent required under the County of San Diego Health and Human Services Agency Memorandum of Restrictive Covenants and Regulatory Agreement, dated as of April __, 2020, between the County of San Diego Health and Human Services Agency and the Borrower.

(f) The Project consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the facilities of the Project comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) The Borrower shall not discriminate on the basis of race, creed, color, sex, source of income (e.g. TANF, SSI), physical disability, age, national origin or marital status in the rental, lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the operation and management of the Project.

(h) No dwelling unit in the Project shall be occupied by the Borrower. Notwithstanding the foregoing, if the Project contains five or more dwelling units, this paragraph shall not be construed to prohibit occupancy of dwelling units by one or more resident managers or maintenance personnel any of whom may be the Borrower; provided that the number of such managers or maintenance personnel is not unreasonable given industry standards in the area for the number of dwelling units in the Project.

(i) The Borrower will not sell dwelling units within the Project.

(j) Should involuntary noncompliance with the provisions of Section 1.103-8(b) of the Regulations be caused by fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency after the

Closing Date which prevents the Governmental Lender from enforcing the requirements of the Code and the Regulations as applicable to the Project, or condemnation or similar event, the Borrower covenants that, within a "reasonable period" determined in accordance with the applicable Regulations, it will either prepay the Borrower Loan or, if permitted under the provisions of the Borrower Loan Agreement, apply any proceeds received as a result of any of the preceding events to construct the Project to meet the requirements of Section 142(d) of the Code and the applicable Regulations.

(k) During the Qualified Project Period, the Borrower shall submit a completed Internal Revenue Code Form 8703 or such other annual certification as required by the Code with respect to the Project to the Secretary of the Treasury on or before March 31 of each year (or such other date as may be required by the Code).

Section 4. Low Income Tenants and Very Low Income Tenants; Reporting Requirements. Pursuant to the requirements of the Code and the Housing Law, the Borrower hereby represents, warrants and covenants as follows:

(a) During the Compliance Period, no less than 40% of the total number of completed units in the Project shall at all times be Low Income Units and no less than 10% of the total number of completed units in the Project shall at all times be Very Low Income Units. For the purposes of this paragraph (a), a vacant unit that was most recently a Low Income Unit or Very Low Income Unit is treated as a Low Income Unit or Very Low Income Unit, respectively, until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such unit shall be redetermined.

(b) No tenant qualifying as a Low Income Tenant or Very Low Income Tenant upon initial occupancy shall be denied continued occupancy of a unit in the Project because, after admission, the aggregate Gross Income of all tenants in the unit occupied by such Low Income Tenant or Very Low Income Tenant, respectively, increases to exceed the qualifying limit for a Low Income Unit or Very Low Income Unit, respectively. However, should the aggregate Gross Income of tenants in a Low Income Unit or Very Low Income Unit as of the most recent determination thereof, exceed one hundred forty percent (140%) of the applicable income limit for a Low Income Unit or Very Low Income Unit, respectively, occupied by the same number of tenants, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) Low Income Tenant(s) or Very Low Income Tenant(s), respectively. The unit occupied by such tenants whose aggregate Gross Income exceeds such applicable income limit shall continue to be treated as a Low Income Unit or Very Low Income Unit for purposes of the 40% or 10%, respectively, requirement of Section 4(a) hereof unless and until an Available Unit of comparable or smaller size is rented to persons other than Low Income Tenants or Very Low Income Tenants, respectively.

(c) For the Compliance Period, the Borrower will obtain, complete and maintain on file Income Certifications for each Low Income Tenant and Very Low Income Tenant, including (i) an Income Certification dated immediately prior to the initial occupancy of such Low Income Tenant or Very Low Income Tenant, respectively, in the unit and (ii) thereafter, an annual Income Certification with respect to each Low Income Tenant or Very Low Income Tenant, respectively. The Borrower will provide such additional information as may be required in the future by the Code, the State or the Governmental Lender, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to Tax

Exempt obligations. Upon request of the Administrator or the Governmental Lender, copies of Income Certifications for Low Income Tenants and/or Very Low Income Tenants commencing or continuing occupation of a Low Income Unit or Very Low Income Unit, respectively, shall be submitted to the Administrator or the Governmental Lender, as requested.

(d) The Borrower shall make a good faith effort to verify that the income information provided by an applicant in an Income Certification is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain pay stubs for the three most recent pay periods, (2) obtain an income tax return for the most recent tax year, (3) obtain a credit report or conduct a similar type credit search, (4) obtain an income verification from the applicant's current employer, (5) obtain an income verification from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies, or (6) if the applicant is unemployed and does not have an income tax return, obtain another form of independent verification reasonably acceptable to the Governmental Lender.

(e) The Borrower will maintain complete and accurate records pertaining to the Low Income Units and Very Low Income Units, and will permit any duly authorized representative of the Governmental Lender, the Fiscal Agent, the Department of the Treasury or the Internal Revenue Service to inspect during normal business hours the books and records of the Borrower pertaining to the Project upon reasonable written notice, including those records pertaining to the occupancy of the Low Income Units and the Very Low Income Units.

(f) The Borrower will prepare and submit to the Administrator, on behalf of the Governmental Lender, not less than annually, commencing the first anniversary of the Closing Date and each anniversary thereafter, a Certificate of Continuing Program Compliance executed by the Borrower in substantially the form attached hereto as Exhibit C. During the Compliance Period, the Borrower shall submit a completed Internal Revenue Code Form 8703 or such other annual certification as required by the Code with respect to the Project, to the Secretary of the Treasury on or before March 31 of each year (or such other date as may be required by the Code).

(g) For the Compliance Period, all tenant leases or rental agreements shall be subordinate to this Regulatory Agreement and the Deed of Trust. All leases pertaining to Low Income Units or Very Low Income Units shall contain clauses, among others, wherein each tenant who occupies a Low Income Unit or a Very Low Income Unit, respectively: (i) certifies the accuracy of the statements made by such tenant in the Income Certification; (ii) agrees that the family income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy of such tenant, that such tenant will comply promptly with all requests for information with respect thereto from the Borrower, the Fiscal Agent, the Governmental Lender or the Administrator on behalf of the Governmental Lender, and that the failure to provide accurate information in the Income Certification or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the tenancy of such tenant; (iii) acknowledges that the Borrower has relied on the statements made by such tenant in the Income Certification and supporting information supplied by the Low Income Tenant or the Very Low Income Tenant, respectively, in determining qualification for occupancy of a Low Income Unit or the Very Low Income Unit, respectively, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement; and (iv) agrees that the tenant's income is subject to annual certification in accordance with Section 4(c) and that

if upon any such certification the aggregate Gross Income of tenants in such unit exceeds the applicable income limit under Section 4(b), the unit occupied by such tenant may cease to qualify as a Low Income Unit or Very Low Income Unit, respectively, and such unit's rent may be subject to increase.

For purposes of this Section 4, no unit occupied by a residential manager shall be treated as a rental unit during the time of such occupation.

Section 5. Tax-Exempt Status of Series 2020C-1 Governmental Lender Note. The Borrower and the Governmental Lender, as applicable, each hereby represents, warrants and agrees as follows:

(a) The Borrower and the Governmental Lender will not knowingly take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the Tax-Exempt nature of the interest on the Series 2020C-1 Governmental Lender Note and, if either of them should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof.

(b) The Borrower and the Governmental Lender will file of record such documents and take such other steps as are necessary, in the written opinion of Tax Counsel filed with the Governmental Lender, the Funding Lender and the Fiscal Agent (with a copy to the Borrower), in order to ensure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of this Regulatory Agreement in the real property records of the County.

Section 6. Requirements of the Housing Law. In addition to the other requirements set forth herein, pursuant to the requirements of Section 34312.3 of the Housing Law, the Borrower agrees that it shall comply with the following:

(a) Not less than 20% of the total number of units in the Project shall be available for occupancy on a priority basis by persons of low income as required by subsection (c)(1)(A) of Section 34312.3 of the Housing Law. If a unit in the Project is rented to a person of low income or a very low income household as necessary to satisfy this Section 6(a), it may be counted towards the requirements of Section 4(a) if it otherwise satisfies the requirements of Section 4(a).

(b) The rental payments made by the persons of low income occupying units pursuant to Section 6(a) shall not exceed 30% of an amount equal to 60% of the Area median gross income, adjusted for family size as determined pursuant to Section 8 of the Housing Act, less a reasonable deduction (as determined by the Administrator) for utilities so long as utilities (gas, electric, water and sewer, trash removal) are paid by the tenant.

(c) As required by Section 34312.3(c)(2)(A) of the Housing Law, not less than one-half of twenty percent (20%) of the units in the Project shall be occupied by, or made available to, very low income households as defined in Section 50105 of the California Health and Safety Code. The rental payments made by the very low income households occupying units pursuant to this Section 6(c) shall not exceed 30% of an amount equal to 50% of the area median gross Income, adjusted for family size as determined pursuant to Section 8 of the Housing Act, less a reasonable deduction (as determined by the Administrator) for utilities so long as utilities (gas, electric, water and sewer, trash

removal) are paid by the tenant. For units reserved for very low income households as required by this Section 6(c), the base rents shall be adjusted for household size, and in making such adjustments it shall be assumed that one person will occupy a studio unit, two persons will occupy a one-bedroom unit, three persons will occupy a two-bedroom unit, four persons will occupy a three-bedroom unit, and five persons will occupy a four-bedroom unit.

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

(e) No tenant residing in a unit reserved for persons of low income or very low income households under Sections 6(a) and (c) shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Gross Income increases to exceed the qualifying limit for persons of low income or very low income households, as applicable. However, should the Gross Income of a tenant residing in a unit reserved for persons of low income or very low income households under Section 6(a) or (c), as applicable, increase to exceed the applicable qualifying limit, the next available unit in the Project must be rented to (or held vacant and available for immediate occupancy by) persons of low income or very low income households, as applicable. Until such next available unit is rented to a qualified tenant, the former persons of low income or very low income household that has ceased to qualify as such shall be deemed to continue to be persons of low income or very low income households, as applicable, for purposes of the requirement of Section 6(a) or (c), as applicable, hereof until the rental of an available unit of comparable or smaller size to a tenant who is not a person of low income or very low income household, as applicable.

(f) The units to be rented to persons of low income and very low income households under this Section 6 shall remain occupied by, or shall be made available on a priority basis for occupancy by, persons of low income or very low income households, respectively, until the Funding Loan has been paid in full.

(g) Following the expiration or termination of the Compliance Period, except in the event of foreclosure and repayment in full of the Funding Loan, deed in lieu of foreclosure, eminent domain, or action of a federal agency preventing enforcement, units required by Sections 6(a) and (c) to be reserved for occupancy by persons of low income or very low income households shall remain available to any eligible persons of low income or very low income households occupying such units at the date of expiration or termination, at a rent not greater than the amount required by Section 6(b) or (c), as applicable, prior to the date of termination or expiration, until the earliest of any of the following occur:

(i) The household's income exceeds 140 percent of the maximum eligible income required by Section 6(a) or (c), as applicable, for such units, as applicable.

(ii) The household voluntarily moves or is evicted for "good cause." For these purposes, "good cause" means the nonpayment of rent or allegation of facts necessary to prove major, or repeated minor, violations of material provisions of the lease agreement which detrimentally affect the health and safety of other persons or the structure, the fiscal integrity of the Project in which the unit is

located, or the purposes or special programs of the Project in which the unit is located.

(iii) Thirty (30) years after the commencement of the Compliance Period.

(iv) The Borrower pays the relocation assistance and benefits to such persons of low income or very low income households, as applicable, as provided in Section 7264(b) of the Government Code of the State of California.

(h) This Section shall not be construed to require the Governmental Lender to monitor the Borrower's compliance with the provisions of Section 6(g), or that the Governmental Lender shall have any liability whatsoever in the event of the failure by the Borrower to comply with any of the provisions of this Regulatory Agreement.

Section 7. Requirements of the Governmental Lender. In addition to other requirements set forth herein and to the extent not prohibited by the requirements set forth in Sections 4 through 6 hereof, the Borrower hereby agrees to comply with each of the requirements of the Governmental Lender set forth in this Section 7, as follows:

(a) Notwithstanding any prepayment of the Borrower Loan and notwithstanding a discharge of the Borrower Loan Agreement, the Borrower shall pay to the Governmental Lender:

(i) An administrative fee on the Closing Date, in an amount equal to 25 basis points (0.25%) of the maximum authorized principal amount of the Funding Loan (being \$_____);

(ii) An annual ongoing administrative fee in an amount equal to (A) prior to the Conversion Date, 0.125% of the maximum authorized principal amount of the Funding Loan as of the Closing Date (being \$_____); and (B) from and after the Conversion Date, 0.125% of the principal amount of the Funding Loan immediately after the Conversion Date; however the annual ongoing fee in any event will not be less than \$10,000.00; which annual fee shall be payable annually, in advance, commencing on the Closing Date and thereafter on each anniversary of the Closing Date and continuing throughout the Compliance Period;

(iii) within 30 days after receipt of a written request for payment thereof, all reasonable out-of-pocket expenses of the Governmental Lender (not including salaries and wages of the Governmental Lender employees) related to the Funding Loan, the Borrower Loan, the Project and the financing thereof, including, without limitation, legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Project, the Funding Loan or the Borrower Loan; and

(iv) An annual occupancy monitoring fee, separately from, and in addition to, the annual ongoing administrative fee referred to in Section 7(a)(ii) above, to the San Diego Housing Commission (the "Commission"), for the greater of: (A) 115 units (98.29% of the 117 units in the Project) at an initial amount of \$150/unit = \$17,250.00, or (B) the total number of units monitored by the Commission. The annual occupancy monitoring fee is subject to annual adjustment. The Borrower agrees to pay the Commission, an initial occupancy monitoring fee in the amount set forth in schedules promulgated by Commission from time to time.

The annual fee referred to in Section 7(a)(ii) above will be charged each year during the Compliance Period to recover administrative and monitoring costs of the Commission. The ongoing annual fee referred to in Section 7(a)(ii) above will be due and payable without the requirement for any invoice to be delivered to the Borrower, on the first day of the month in which the anniversary of the Closing Date occurs based on the facts in existence as of such first day of such month. The annual ongoing administrative fee will remain fixed following the payment in full of the Funding Loan and the Funding Loan based on using the principal amount of the Funding Loan outstanding at its final maturity or earlier prepayment in full redemption.

Failure to timely pay any of the fees referred to in this Section 7(a) shall constitute a material default under this Regulatory Agreement.

The fees of the Governmental Lender referenced in this Section 7(a) shall in no way limit amounts payable by the Borrower under Section 9 hereof, or otherwise arising in connection with the Governmental Lender's enforcement of the provisions of this Regulatory Agreement, but the Governmental Lender does agree to compensate any third party Administrator appointed by it from its annual administrative fees for the ordinary duties of the Administrator hereunder. In addition to the foregoing, the Borrower shall pay to the Governmental Lender, promptly following a written demand from the Governmental Lender to the Borrower therefore, any out-of-pocket expenses of the Governmental Lender incurred in connection with the administration of any of the documents related to the Funding Loan or the Borrower Loan.

Notwithstanding the foregoing provisions of this Section 7(a), in no event shall the fees payable to the Governmental Lender under this Section 7(a) exceed any applicable limitation imposed by the Code in respect of bonds issued under Section 148 of the Code.

(b) All tenant lists, applications and waiting lists relating to the Project shall at all times be kept separate and identifiable from any other business of the Borrower and shall be maintained as required by the Administrator or the Governmental Lender, in a reasonable condition for proper audit and subject to examination, upon reasonable written notice, during business hours by representatives of the Administrator, the Governmental Lender and the Fiscal Agent.

(c) The Borrower shall submit to the Administrator, within fifteen (15) Business Days after receipt of a written request, any other information or completed forms requested by the Governmental Lender in order to comply with reporting requirements of the Internal Revenue Service or the State.

(d) The covenants and conditions of this Regulatory Agreement shall be binding upon successors in interest of the Borrower.

(e) Each of the requirements of Sections 3, 4, 6 and 29 hereof is hereby incorporated as a specific requirement of the Governmental Lender, whether or not required by State or federal law, and shall be in force for the Compliance Period.

(f) The Borrower acknowledges that the Governmental Lender may act as Administrator itself or may appoint an Administrator other than the initial Administrator to administer this Regulatory Agreement and to monitor performance by the Borrower of the terms, provisions and requirements hereof. In such event, the Borrower shall comply with any request by the Governmental Lender to deliver to any such Administrator, in addition to or instead of the Governmental Lender, any reports, notices or other

documents required to be delivered pursuant hereto, and to make the Project and the books and records with respect thereto available for inspection by the Administrator as an agent of the Governmental Lender. The fees and charges of the Administrator, if any, shall be the responsibility of the Governmental Lender.

(g) The Low Income Units and the Very Low Income Units (i) shall have characteristics comparable to all other units in the Project with the same number of bedrooms, including with respect to floor area and amenities, (ii) shall be distributed throughout the Project, and (iii) shall have the same access to Project facilities as all other units in the Project.

(h) In accordance with the Governmental Lender's Bond Issuance and Post-Issuance Compliance Policy for its Multifamily Mortgage Revenue Bond Program, notwithstanding the termination of the Compliance Period, the rent of "in-place" Very Low Income Tenants at the conclusion of the Compliance Period will continue to be governed by the applicable affordability restrictions in Sections 4 and 6, so long as those tenants continue to live in the Project.

(i) The Borrower will comply with the following post issuance compliance procedures of the Governmental Lender:

(i) At the completion of the construction of the Project, the Borrower shall provide to the Administrator a certification from the Borrower's architect (or other appropriate representative acceptable to the Governmental Lender, such as a HERS Rater, GreenPoint Rater, energy consultant, etc.) for the Project to the effect that the Project includes all design elements that formed the basis for CDLAC adopting the CDLAC Resolution (including but not limited to sustainable building methods and/or energy efficiency elements).

(ii) On or as soon as practicable after the Completion Date, the Borrower shall provide the Administrator with final actual sources and uses of funds for the acquisition and construction of the Project, and shall confirm to the staff of the Administrator that such sources and uses of funds complies with all applicable State and federal legal requirements, including those set forth in the Tax Certificate.

(iii) Annually, on or before January 1 of each year until the expiration of the Compliance Period, the Borrower shall provide a written certificate of compliance to the Administrator to confirm that the Project meets the terms and conditions stated in the CDLAC Resolution. The Administrator may request that the Borrower provide evidence of compliance by the Project with the terms and conditions of the CDLAC Resolution, including supporting documentation as necessary in the sole reasonable discretion of the Administrator, and the Borrower shall timely and completely comply with any such request.

(iv) Subject to the provisions of the next paragraph, the Administrator shall have the right to approve any voluntary change in ownership (A) that results in a transfer of 50% or more of the total equity interests in the Borrower, or (B) that results in a transfer of any general partner or managing member interest in the Borrower. Such approval to transfer ownership shall be at the discretion of the Administrator, and shall be in addition to any applicable requirements set forth in this Regulatory Agreement, the Borrower Loan Agreement, or the Construction Funding Agreement (as defined in the Borrower Loan Agreement) or any

document referenced in the Construction Funding Agreement. The Administrator may review management practices of the proposed transferee's current and previously owned properties, if any. Any proposed transferee (including individuals with an ownership interest) whose currently-owned properties have been found by the Administrator to have deficiencies that have not been resolved within the time frame prescribed by the City, the Governmental Lender, the Administrator or other local government authority, may not assume ownership of the Project. The Administrator may initiate additional inspections, at the proposed transferee's request, to verify findings. The Borrower agrees that it will provide the Administrator with notice of any such transfer within thirty (30) days thereof.

Notwithstanding the foregoing, any of the following shall not require the prior consent of the Governmental Lender or the Administrator: (A) transfers of or in the limited partner interests of the Borrower, (B) the removal and replacement or the transfer or assignment of the interest of the general partner of the Borrower in accordance with the terms of the Borrower's partnership agreement, (C) foreclosure (or acceptance of a deed in lieu of foreclosure), or the first transfer of the Project following acceptance of a deed in lieu of such foreclosure, and (D) any transfer referred to in the third paragraph of Section 12 of this Regulatory Agreement.

(v) The Borrower shall provide the Administrator's staff with all documentation necessary, in the sole discretion of the Administrator's staff, to confirm the Borrower's and the Project's compliance with federal tax laws as set forth in the Tax Certificate, the Borrower Loan Agreement and this Regulatory Agreement, including the requirements of Sections 5.34 and 5.35 of the Borrower Loan Agreement and Section 2(h) of this Regulatory Agreement regarding rebate compliance.

Any of the foregoing requirements of the Governmental Lender contained in this Section 7 may be expressly waived by the Governmental Lender, in its sole discretion, in writing, but (i) no waiver by the Governmental Lender of any requirement of this Section 7 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement except to the extent the Governmental Lender has received an opinion of Tax Counsel that any such provision is not required by the Act and the Housing Law and may be waived without adversely affecting the exclusion from gross income of interest on the Series 2020C-1 Governmental Lender Note for federal income tax purposes; and (ii) any requirement of this Section 7 shall be void and of no force and effect if the Governmental Lender and the Borrower receive a written opinion of Tax Counsel to the effect that compliance with any such requirement would cause interest on the Series 2020C-1 Governmental Lender Note to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Housing Law or any other state or federal law.

Section 8. Modification of Covenants. The Borrower and the Governmental Lender hereby agree as follows:

(a) To the extent any amendments to the Housing Law, the Regulations or the Code shall, in the written opinion of Tax Counsel filed with the Governmental Lender, the Fiscal Agent and the Borrower, retroactively impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement, and if such requirements are applicable to the Project and compliance therewith is necessary to maintain the validity of, or the Tax-Exempt status of interest on the Series 2020C-1 Governmental Lender Note, this Regulatory Agreement

shall be deemed to be automatically amended to impose such additional or more restrictive requirements.

(b) To the extent that the Housing Law, the Regulations or the Code, or any amendments thereto, shall, in the written opinion of Tax Counsel filed with the Governmental Lender, the Fiscal Agent and the Borrower, impose requirements upon the ownership or operation of the Project less restrictive than imposed by this Regulatory Agreement, this Regulatory Agreement may be amended or modified to provide such less restrictive requirements but only by written amendment signed by the Governmental Lender, at its sole discretion, the Fiscal Agent and the Borrower, with the consent of the Funding Lender, and only upon receipt by the Governmental Lender and the Fiscal Agent of the written opinion of Tax Counsel to the effect that such amendment will not affect the Tax-Exempt status of interest on the Series 2020C-1 Governmental Lender Note or violate the requirements of the Housing Law, and otherwise in accordance with Section 22 hereof.

(c) The Borrower and the Governmental Lender shall execute, deliver and, if applicable, the Borrower or the Governmental Lender shall file of record any and all documents and instruments necessary to effectuate the intent of this Section 8, and each of the Borrower and the Governmental Lender hereby appoints the Funding Lender as its true and lawful attorney-in-fact to execute, deliver and, if applicable, file of record (it being understood that the Funding Lender has no duty or obligation to take such action) on behalf of the Borrower or the Governmental Lender, as is applicable, any such document or instrument (in such form as may be approved in writing by Tax Counsel) if either the Borrower or the Governmental Lender defaults in the performance of its obligations under this subsection (c); provided, however, that unless directed in writing by the Governmental Lender or the Borrower, the Funding Lender shall take no action under this subsection without first notifying the Borrower or the Governmental Lender, or both of them, as is applicable, and without first providing the Borrower or the Governmental Lender, or both of them, as is applicable, an opportunity to comply with the requirements of this Section 8. Nothing in this subsection (c) shall be construed to allow the Funding Lender to execute an amendment to this Regulatory Agreement on behalf of the Governmental Lender or the Borrower.

Section 9. Indemnification; Other Payments. To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Governmental Lender, the City, the Fiscal Agent and each of its officers, governing members, directors, officials, employees, attorneys, agents, and program participants (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees and expenses, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under or any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Governmental Lender Notes, the Funding Loan Agreement, the Borrower Loan Agreement, this Regulatory Agreement or the Tax Certificate and all documents related thereto, or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including, as applicable, the execution and delivery or transfer of interests in the Governmental Lender Notes;

(ii) any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees in connection with the Borrower Loan or the Project, the operation of the Project, or the condition, environmental or otherwise, occupancy, use,

possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation, construction/rehabilitation of, the Project or any part thereof;

(iii) any lien or charge upon payments by the Borrower to the Governmental Lender or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Governmental Lender in respect of any portion of the Project;

(iv) any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from, the Project or any part thereof;

(v) the defeasance and/or redemption, in whole or in part, of the Governmental Lender Notes;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering statement or disclosure document for the Governmental Lender Notes or any of the documents relating to the Governmental Lender Notes, or any omission or alleged omission from any offering statement or disclosure document for the Governmental Lender Notes of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; or

(vii) any declaration of taxability of interest on the Series 2020C-1 Governmental Lender Note, or allegations (or regulatory inquiry) that interest on the Series 2020C-1 Governmental Lender Note is taxable, for federal tax purposes;

except to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Borrower if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

In addition to the foregoing, the Borrower will pay upon demand all of the fees and expenses paid or incurred by the Fiscal Agent and/or the Governmental Lender in enforcing the provisions hereof, as more fully set forth in the Borrower Loan Agreement.

The provisions of this Section 9 shall survive the final payment or defeasance of the Governmental Lender Notes and this Regulatory Agreement; provided, however, the provisions of this Section shall, in the case of the Fiscal Agent, survive the term of this Regulatory Agreement or the resignation or removal of the Fiscal Agent, but only as to claims arising from events occurring during the term of this Regulatory Agreement or the Fiscal Agent's tenure as Fiscal Agent under the Funding Loan Agreement, and shall, in the case of the Governmental Lender,

survive the term of this Regulatory Agreement, but only as to claims arising from events occurring during the term of this Regulatory Agreement.

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

Nothing contained in this Section 9 shall cause the obligation of the Borrower to pay principal and interest on the Governmental Lender Notes or the Funding Loan, as applicable, to be a recourse obligation of the Borrower.

Section 10. Consideration. The Governmental Lender has agreed to execute and deliver the Governmental Lender Notes to provide funds to lend to the Borrower to finance costs, and to reimburse advances of the Construction Loan used to pay costs, of the construction of the Project, all for the purpose, among others, of inducing the Borrower to acquire, construct, develop and operate the Project. In consideration of the execution and delivery of the Governmental Lender Notes by the Governmental Lender, the Borrower has entered into this Regulatory Agreement and has agreed to restrict the uses to which this Project can be put on the terms and conditions set forth herein.

Section 11. Reliance. The Governmental Lender and the Borrower hereby recognize and agree that the representations and covenants set forth herein may be relied upon by all persons, including but not limited to the Administrator and Fiscal Agent, interested in the legality and validity of the Governmental Lender Notes, in the exemption from California personal income taxation of interest on the Governmental Lender Notes and in the Tax-Exempt status of the interest on the Series 2020C-1 Governmental Lender Note. In performing their duties and obligations hereunder, the Governmental Lender, the Administrator and the Fiscal Agent may rely upon statements and certificates of the Low Income Tenants and the Very Low Income Tenants, and upon audits of the books and records of the Borrower pertaining to the Project. In addition, the Governmental Lender and the Fiscal Agent 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 Governmental Lender or the Fiscal Agent hereunder in good faith and in conformity with such opinion. In determining whether any default or lack of compliance by the Borrower exists under this Regulatory Agreement, the Fiscal Agent shall not be required to conduct any investigation into or review of the operations or records of the Borrower and may rely solely on any written notice or certificate delivered to the Fiscal Agent by the Borrower or the Governmental Lender with respect to the occurrence of a default, and in the absence of such certificate, may assume that no default or lack of compliance exists.

Section 12. Transfer of the Project. For the Compliance Period, the Borrower shall not Transfer the Project, in whole or in part, without the prior written consent of the Governmental Lender, which consent shall not be unreasonably withheld or delayed if the following conditions are satisfied: (A) the receipt by the Governmental Lender of evidence acceptable to the Governmental Lender that (1) the Borrower shall not be in default hereunder or under the Borrower Loan Agreement, if in effect (which may be evidenced by a Certificate of Continuing Program Compliance), or the transferee undertakes to cure any defaults of the Borrower to the reasonable satisfaction of the Governmental Lender; (2) the continued operation of the Project shall comply with the provisions of this Regulatory Agreement; (3) either (a) the transferee, or its general partner or member, or its Manager has at least three years' experience in the ownership, operation and management of similar size rental housing projects, and at least one year's

experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects, or (b) the transferee agrees to retain a Manager with the experience and record described in subclause (a) above, or (c) the transferring Borrower or its management company will continue to manage the Project, or another management company reasonably acceptable to the Governmental Lender will manage, for at least one year following such Transfer and, if applicable, during such period the transferring Borrower or its management company will provide training to the transferee and its manager in the responsibilities relating to the Low Income Units and the Very Low Income Units; and (4) the person or entity that is to acquire the Project does not have pending against it, and does not have a history of significant and material building code violations or complaints concerning the maintenance, upkeep, operation, and regulatory agreement compliance of any of its projects as identified by any local, state or federal regulatory agencies; (B) the execution by the transferee of any document reasonably requested by the Governmental Lender with respect to the assumption of the Borrower's obligations under this Regulatory Agreement and the Borrower Loan Agreement (if then in effect), including without limitation an instrument of assumption hereof and thereof, and delivery to the Governmental Lender and the Fiscal Agent of an opinion of such transferee's counsel to the effect that each such document and this Regulatory Agreement are valid, binding and enforceable obligations of such transferee, subject to bankruptcy and other standard limitations affecting creditor's rights; (C) receipt by the Governmental Lender and the Fiscal Agent of an opinion of Tax Counsel to the effect that any such Transfer will not adversely affect the Tax-Exempt status of interest on the Series 2020C-1 Governmental Lender Note; (D) receipt by the Governmental Lender of all fees and/or expenses then currently due and payable to the Governmental Lender by the Borrower and (E) receipt by the Governmental Lender of evidence of satisfaction of compliance with the provisions of Section 29(d)(i) related to notice to CDLAC of transfer of the Project.

It is hereby expressly stipulated and agreed that any Transfer of the Project in violation of this Section 12 shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under this Regulatory Agreement. The written consent of the Governmental Lender to any Transfer of the Project shall constitute conclusive evidence that the Transfer is not in violation of this Section 12. Nothing in this Section shall affect any provision of any other document or instrument between the Borrower and any other party which requires the Borrower to satisfy certain conditions or obtain the prior written consent of such other party in order to Transfer the Project. Upon any Transfer that complies with this Regulatory Agreement, the Borrower shall be fully released from its obligations hereunder to the extent such obligations have been fully assumed in writing by the transferee of the Project.

The foregoing notwithstanding, the Project may be transferred pursuant to a foreclosure, exercise of power of sale or deed in lieu of foreclosure or comparable conversion under any deed of trust recorded against the Project without the consent of the Governmental Lender or compliance with the provisions of this Section 12. The Governmental Lender also hereby approves (A) the transfer of limited partnership interests in the Borrower to affiliates of the Investor Limited Partner of the Borrower, including, without limitation, the transfer of partnership interests in the Borrower from the Investor Limited Partner and non-managing membership interests in the limited partner of the Borrower, (B) the withdrawal of any partner of the Borrower under the Borrower's partnership agreement, or (C) any other transfer of interests pursuant to the provisions of the Borrower's partnership agreement as in effect from time to time, including but not limited to the removal of a general partner of the Borrower (including removal of the managing general partner of the Borrower) and replacement thereof by an affiliate of any partner of the Borrower. The Governmental Lender also approves a removal of the general

partner by the Investor Limited Partner and replacement with an entity approved by the Governmental Lender in its reasonable discretion.

For the Compliance Period, the Borrower shall not: (1) encumber any of the Project or grant commercial leases of any part thereof, or permit the conveyance, transfer or encumbrance of any part of the Project, except for (A) the Deed of Trust and Permitted Encumbrances (as defined in the Deed of Trust), or (B) a Transfer in accordance with the terms of this Regulatory Agreement, in each case (excepting a limited partner transfer or foreclosure or comparable conversion of any deed of trust recorded against the Project) upon receipt by the Governmental Lender and the Fiscal Agent of an opinion of Tax Counsel to the effect that such action will not adversely affect the Tax-Exempt status of interest on the Series 2020C-1 Governmental Lender Note (provided that such opinion will not be required with respect to any encumbrance, lease or transfer relating to a commercial operation or ancillary facility that will be available for tenant use and is customary to the operation of multifamily housing developments similar to the Project, as certified in writing by the Borrower to the Governmental Lender and the Fiscal Agent); (2) demolish any part of the Project or substantially subtract from any real or personal property of the Project, except to the extent that what is demolished or removed is replaced with comparable property or such demolition or removal is otherwise permitted by the Borrower Loan Agreement or the Deed of Trust; or (3) permit the use of the dwelling accommodations of the Project for any purpose except rental residences.

Section 13. Term. This Regulatory Agreement and all and several of the terms hereof shall become effective upon its execution and delivery, and shall remain in full force and effect for the period provided herein and shall terminate as to any provision not otherwise provided with a specific termination date and shall terminate in its entirety at the end of the Compliance Period, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Governmental Lender Notes and discharge of the Funding Loan Agreement and the Borrower Loan Agreement; provided, however, the Fiscal Agent shall no longer be deemed a party hereto, as set forth in the last paragraph of Section 18 hereof.

The terms of this Regulatory Agreement to the contrary notwithstanding, the requirements of this Regulatory Agreement shall terminate and be of no further force and effect in the event of involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire or other casualty, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency after the Closing Date, which prevents the Governmental Lender and the Fiscal Agent from enforcing such provisions, or condemnation or a similar event, but only if, within a reasonable period, either the Governmental Lender Notes are retired or amounts received as a consequence of such event are used to provide a project that meets the requirements hereof; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes. The Borrower hereby agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Borrower nor any such related person as described above will obtain an ownership interest in the Project for federal tax purposes. Notwithstanding anything to the contrary contained elsewhere herein, U.S. Bank National Association, in its capacity as "Administrative Agent" and "Initial lender" under the Construction Loan Agreement, shall have the right, upon completion of any foreclosure or comparable conversion under any deed of trust securing the Construction Loan, to pay, or cause to be paid, in full, all principal and accrued and unpaid interest under the Governmental Lender Notes, whereupon this Agreement shall automatically terminate and be of no further force or effect.

Notwithstanding any other provision of this Regulatory Agreement, this Regulatory Agreement may be terminated upon agreement by the Governmental Lender, the Fiscal Agent and the Borrower, with the consent of CDLAC, upon receipt by the Governmental Lender and the Fiscal Agent of an opinion of Tax Counsel to the effect that such termination will not adversely affect the exclusion from gross income of interest on the Series 2020C-1 Governmental Lender Note for federal income tax purposes. Upon the termination of the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver and (in the case of the Governmental Lender and the Borrower) record appropriate instruments of release and discharge of the terms hereof prepared by or on behalf of the Borrower or the Governmental Lender; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms.

Section 14. Covenants to Run With the Land. Notwithstanding Section 1461 of the California Civil Code, the Borrower hereby subjects the Project to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Governmental Lender and the Borrower hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Borrower's successors in title to the Project; provided, however, that on the termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

Section 15. Burden and Benefit. The Governmental Lender and the Borrower hereby declare their understanding and intent that the burdens of the covenants set forth herein touch and concern the land in that the Borrower's legal interest in the Project is rendered less valuable thereby. The Governmental Lender and the Borrower hereby further declare their understanding and intent that the benefits of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Low Income Tenants and Very Low Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Governmental Lender Notes were executed and delivered.

Section 16. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use of the site on which the Project is located.

Section 17. Default; Enforcement. If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in this Regulatory Agreement, and if such default remains uncured for a period of 60 days after written notice thereof shall have been given by the Governmental Lender, the Funding Lender or the Fiscal Agent to the Borrower, or for a period of 60 days from the date the Borrower should, with reasonable diligence, have discovered such default, then the Governmental Lender or the Fiscal Agent shall declare an "Event of Default" to have occurred hereunder; provided, however, that if the default is of such a nature that it cannot be corrected within 60 days, such default shall not constitute an Event of Default hereunder so long as (i) the Borrower institutes corrective action within said 60 days and diligently pursues such action (to the satisfaction of the Governmental Lender) until the default is corrected, and (ii) in the opinion of Tax Counsel, the failure to cure said default within 60 days will not adversely affect the Tax-Exempt status of interest on the Series 2020C-1 Governmental Lender Note. The Governmental Lender and the Fiscal Agent (at the direction of the Funding Lender) shall have the right to enforce the obligations of the Borrower

under this Regulatory Agreement within shorter periods of time than are otherwise provided herein if necessary to insure compliance with the Housing Law or the Code.

The Investor Limited Partner shall have the right but not the obligation to cure defaults hereunder in the same manner as the Borrower, and the Governmental Lender, Funding Lender, and Fiscal Agent agree to accept any cure tendered by any such Investor Limited Partner on behalf of the Borrower within any cure period specified herein.

Following the declaration of an Event of Default hereunder, the Governmental Lender or the Fiscal Agent, at the written direction of Governmental Lender and the Funding Lender, subject to the terms of the Funding Loan Agreement, may take any one or more of the following steps, in addition to all other remedies provided by law or equity:

(i) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants hereunder or enjoin any acts or things that may be unlawful or in violation of the rights of the Governmental Lender or the Fiscal Agent hereunder;

(ii) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Project;

(iii) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower hereunder; and

(iv) with the consent of the Funding Lender, which consent shall not be unreasonably withheld, declare a default under the Borrower Loan Agreement and proceed with any remedies provided therein.

The Borrower hereby agrees that specific enforcement of the Borrower's agreements contained herein is the only means by which the Governmental Lender may fully obtain the benefits of this Regulatory Agreement made by the Borrower herein, and the Borrower therefore agrees to the imposition of the remedy of specific performance against it in the case of any Event of Default by the Borrower hereunder.

The Fiscal Agent shall have the right, in accordance with this Section and the provisions of the Funding Loan Agreement, without the consent or approval of the Governmental Lender, but with the consent of the Funding Lender, which consent shall not be unreasonably withheld, to exercise any or all of the rights or remedies of the Governmental Lender hereunder; provided that prior to taking any such action the Fiscal Agent shall give the Governmental Lender written notice of its intended action. After the Funding Loan Agreement has been discharged, the Governmental Lender may act on its own behalf to declare an "Event of Default" to have occurred and to take any one or more of the steps specified hereinabove to the same extent and with the same effect as if taken by the Fiscal Agent.

The Governmental Lender and the Fiscal Agent hereby agree that cure of any Event of Default made or tendered by any partner of the Borrower shall be deemed to be a cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower.

All reasonable fees, costs and expenses (including reasonable attorney's fees and expenses) of the Fiscal Agent and the Governmental Lender incurred in taking any action pursuant to this Section shall be the sole responsibility of the Borrower; provided, however, that

in the event that any action arises hereunder in which the Borrower and the Fiscal Agent are adversaries, the prevailing party, if any, shall be entitled to recover legal fees and costs from the other party; provided, further, if the prevailing party is not the Fiscal Agent, the Fiscal Agent shall remain entitled to any indemnity applicable to it hereunder, or under the Funding Loan Agreement or the Borrower Loan Agreement, for the payment of such legal fees and costs.

Section 18. The Fiscal Agent. The Fiscal Agent shall act as specifically provided herein and in the Funding Loan Agreement and may exercise such additional powers as are reasonably incidental hereto and thereto. The Fiscal Agent shall have no duty to act with respect to enforcement of the Borrower's performance hereunder as described in Section 17 unless it shall have actual knowledge of any such default as provided in Section 17 and the Fiscal Agent has received written direction from the Funding Lender and has been indemnified to its satisfaction. The Fiscal Agent may act as the agent of and on behalf of the Governmental Lender, and any act required to be performed by the Governmental Lender as herein provided shall be deemed taken if such act is performed by the Fiscal Agent. In connection with any such performance, the Fiscal Agent is acting solely as Fiscal Agent under the Funding Loan Agreement and not in its individual capacity, and, except as expressly provided herein, all provisions of the Funding Loan Agreement relating to the rights, privileges, powers and protections of the Fiscal Agent shall apply with equal force and effect to all actions taken (or omitted to be taken) by the Fiscal Agent in connection with this Regulatory Agreement. Neither the Fiscal Agent nor any of its officers, directors or employees shall be liable for any action taken or omitted to be taken by it or them hereunder or in connection herewith except for its or their own gross negligence or willful misconduct.

No provision of this Regulatory Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to it.

The Governmental Lender shall be (or shall cause the Administrator to be) responsible for the monitoring of the Borrower's compliance with the terms of this Regulatory Agreement. The Fiscal Agent shall not be responsible for such monitoring.

After the date on which no portion of the Governmental Lender Notes remains Outstanding, as provided in the Funding Loan Agreement, the Fiscal Agent shall no longer have any duties or responsibilities under this Regulatory Agreement and all references to the Fiscal Agent in this Regulatory Agreement shall be deemed references to the Governmental Lender.

Section 19. Recording and Filing. (a) The Borrower shall cause this Regulatory Agreement and all amendments and supplements hereto and thereto, to be recorded and filed in the real property records of the County, and in such other places as the Governmental Lender may reasonably request. The Borrower shall pay all fees and charges incurred in connection with any such recording.

(b) The Borrower and the Governmental Lender will file of record such other documents and take such other steps as are reasonably necessary, in the opinion of Tax Counsel, in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project.

(c) The Borrower hereby covenants to include or reference the requirements and restrictions contained in this Regulatory Agreement in any documents transferring any interest in the Project to another person to the end that such transferee has notice of, and is bound by,

such restrictions, and, except in the case of a foreclosure or comparable involuntary conversion of the Deed of Trust, whereby the Funding Lender becomes the owner of the Project, to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement.

Section 20. Payment of Fees. Notwithstanding any prepayment of the Borrower Loan and discharge of the Funding Loan Agreement, throughout the Compliance Period, the Borrower shall continue to pay the fees of the Governmental Lender as provided in Section 7(a).

If the Borrower fails to make payment of the Governmental Lender's annual fee for a period of two consecutive years or more, then the Governmental Lender may, in its sole discretion, declare the total amount of the annual fee of the Governmental Lender through the end of the Compliance Period immediately due and payable, such amount to be discounted at a rate equal to the then current market rate for U.S. Treasury obligations of a maturity equal to the remaining term of the Compliance Period.

Section 21. Governing Law. This Regulatory Agreement shall be governed by the laws of the State of California applicable to contracts made and performed in California.

Section 22. Amendments; Waivers. (a) Except as provided in Section 8(a) hereof, this Regulatory Agreement may be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County, and only upon (i) receipt by the Governmental Lender and the Fiscal Agent of an opinion from Tax Counsel that such amendment will not adversely affect the Tax-Exempt status of interest on the Series 2020C-1 Governmental Lender Note and is not contrary to the provisions of the Housing Law and (ii) the written consent of the Funding Lender, who shall receive a copy of any such amendment.

(b) Anything to the contrary contained herein notwithstanding, the Governmental Lender and the Borrower hereby agree to amend this Regulatory Agreement to the extent required, in the opinion of Tax Counsel, in order that interest on the Series 2020C-1 Governmental Lender Note remains Tax-Exempt. The parties requesting such amendment shall notify the other parties to this Regulatory Agreement of the proposed amendment, with a copy of such proposed amendment to Tax Counsel and a request that Tax Counsel render to the Governmental Lender and the Fiscal Agent an opinion as to the effect of such proposed amendment upon the Tax-Exempt status of interest on the Series 2020C-1 Governmental Lender Note. This provision shall not be subject to any provision of any other agreement requiring any party hereto to obtain the consent of any other person in order to amend this Regulatory Agreement.

(c) Any waiver of, or consent to, any condition under this Regulatory Agreement must be expressly made in writing.

Section 23. Notices. Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery, overnight delivery, certified or registered mail, postage prepaid, return receipt requested, or by telecopy, in each case at the respective addresses specified in the Funding Loan Agreement, or at such other addresses as may be specified in writing by the parties hereto. Unless otherwise specified by the Administrator, the address of the Administrator is:

San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101
Attention: Bond Project Manager-Real Estate Department
Telephone: (619) 578-7582
Facsimile: (619) 578-7356

Unless otherwise specified by CDLAC, the address of CDLAC is:

California Debt Limit Allocation Committee
915 Capitol Mall, Room 311
Sacramento, CA 95814
Attention: Executive Director

The Governmental Lender, the Administrator, the Fiscal Agent, CDLAC and the Borrower may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Notice shall be deemed given on the date evidenced by the postal or courier receipt or other written evidence of delivery or electronic transmission; provided that any telecopy or other electronic transmission received by any party after 4:00 p.m., local time of the receiving party, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day. A copy of each notice of default provided to the Borrower hereunder shall also be provided to the Investor Limited Partner and the Funding Lender at the addresses set forth in the Funding Loan Agreement.

A copy of each notice sent by or to the Borrower shall also be sent to the Manager at the address of the Manager provided by the Borrower to the Administrator and to the Investor Limited Partner at its address set forth in the Funding Loan Agreement; but such copies shall not constitute notice to the Borrower, nor shall any failure to send such copies constitute a breach of this Regulatory Agreement or a failure of or defect in notice to the Borrower.

The Borrower shall notify the Governmental Lender and the Administrator in writing of any change to the name of the Project or any change of name or address for the Borrower or the Manager. The Borrower shall notify CDLAC in writing of any event provided in Section 29(d) hereof.

Section 24. Severability. If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

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

Section 26. Limitation on Liability. Notwithstanding the foregoing or any other provision or obligation to the contrary contained in this Regulatory Agreement, (i) the liability of the Borrower under this Regulatory Agreement to any person or entity, including, but not limited to, the Funding Lender, the Fiscal Agent or the Governmental Lender and their successors and assigns, is limited to the Borrower's interest in the Project, the Pledged Revenues and the amounts held in the funds and accounts created under the Funding Loan Agreement, or any rights of the Borrower under any guarantees relating to the Project, and such persons and entities shall look exclusively thereto, or to such other security as may from time to time be given for the payment of obligations arising out of this Regulatory Agreement or any other agreement securing the

obligations of the Borrower under this Regulatory Agreement; and (ii) from and after the date of this Regulatory Agreement, no deficiency or other personal judgment, nor any order or decree of specific performance (other than pertaining to this Regulatory Agreement, any agreement pertaining to any Project or any other agreement securing the Borrower's obligations under this Regulatory Agreement), shall be rendered against the Borrower, the assets of the Borrower (other than the Borrower's interest in the Project, this Regulatory Agreement, amounts held in the funds and accounts created under the Funding Loan Agreement, or any rights of the Borrower under the Funding Loan Agreement or any other documents relating to the Governmental Lender Notes or any rights of the Borrower under any guarantees relating to the Project), its partners, members, successors, transferees or assigns and each of their respective officers, directors, employees, partners, agents, heirs and personal representatives, as the case may be, in any action or proceeding arising out of this Regulatory Agreement, the Funding Loan Agreement or any agreement securing the obligations of the Borrower under this Regulatory Agreement, or any judgment, order or decree rendered pursuant to any such action or proceeding, except to the extent provided in the Borrower Loan Agreement.

Section 27. Property Management. The Borrower agrees that at all times the Project shall be managed by a property manager (i) approved by the Governmental Lender in its reasonable discretion and (ii) who has at least three years' experience in the ownership, operation and management of similar size rental housing projects, and at least one year's experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects (the "Manager"). The Governmental Lender has approved ConAm Management Corporation, as the initial Manager. The Borrower shall submit to the Governmental Lender from time to time such information about the background, experience and financial condition of any existing or proposed Manager as the Governmental Lender may reasonably require to determine whether such Manager meets the requirements for a Manager set forth herein. The Governmental Lender reserves the right to conduct periodic reviews of the management practices and of the Manager to determine if the Project is being operated and managed in accordance with the requirements and standards of this Regulatory Agreement. The Borrower agrees to cooperate with the Governmental Lender in such reviews.

Replacement of Manager. If the Governmental Lender determines in its reasonable judgment that the Project is not being operated and managed in accordance with one or more of the material requirements or standards of this Regulatory Agreement, the Governmental Lender may deliver written notice to the Borrower, the Fiscal Agent and the Funding Lender requesting replacement of the Manager, which notice shall state clearly the reasons for such request. The Borrower agrees that, upon receipt of such notice, it shall within 60 days submit to the Governmental Lender, with copies to the Fiscal Agent and the Funding Lender, a proposal to engage a new Manager meeting the requirements of this Section 27. Each of the Governmental Lender and the Funding Lender shall respond within 30 days to such proposal or such approval shall be deemed given. Upon receipt of such consent or deemed consent, the Borrower shall within 60 days terminate the existing Manager's engagement and engage the new Manager.

Notwithstanding any other provision of this Section 27 to the contrary, the Funding Lender may at any time by written instruction to the Governmental Lender, the Fiscal Agent and the Borrower deny the Governmental Lender's request for a replacement Manager and direct that the existing Manager be retained.

Section 28. Third-Party Beneficiaries. The Administrator, the Fiscal Agent, CDLAC and the San Diego Housing Commission are intended to be and shall each be a third-party beneficiary of this Regulatory Agreement. The Administrator shall have the right (but not the

obligation) to enforce, separately or jointly with the Governmental Lender and/or the Fiscal Agent, the terms of this Regulatory Agreement and to pursue an action for specific performance or other available remedy at law or in equity in accordance with Section 17 hereof. CDLAC shall have the right (but not the obligation) to enforce the CDLAC Conditions and to pursue an action for specific performance or other available remedy at law or in equity in accordance with Section 17 hereof, provided that any such action or remedy shall not materially adversely affect the interests and rights of any owners of the Governmental Lender Notes.

Notwithstanding the foregoing, from and after the date on which the Funding Loan has been paid in full, all references in this Regulatory Agreement to the Funding Lender shall no longer be applicable.

Section 29. Requirements of CDLAC. In addition to other requirements set forth herein and to the extent not prohibited by the requirements set forth in Sections 4 through 6 hereof, the Borrower hereby agrees to comply with each of the requirements of CDLAC set forth in this Section 29, as follows:

(a) The Borrower shall comply with the CDLAC Resolution attached hereto as Exhibit D and the CDLAC Conditions set forth in Exhibit A thereto (collectively, the "CDLAC Conditions"), which conditions are incorporated herein by reference and made a part hereof. The Borrower will prepare and submit to the Governmental Lender, not later than February 1 of each year, until the Project is completed, and on February 1 every three years thereafter until the end of the Compliance Period, a Certificate of Compliance II for Qualified Residential Rental Projects, in substantially the form attached to the CDLAC Conditions or otherwise as provided by CDLAC from time to time, executed by an authorized representative of the Borrower. Such Certificate of Compliance II for Qualified Residential Rental Projects shall be prepared pursuant to the terms of the CDLAC Conditions. Additionally, the Borrower will prepare and submit to the Governmental Lender, a Certificate of Completion, in substantially the form attached to the CDLAC Conditions or otherwise provided by CDLAC from time to time, executed by an authorized representative of the Borrower certifying among other things to the substantial completion of the Project. Following the submission of the Certificate of Completion, the Borrower will prepare and submit to the Governmental Lender, not later than February 1, every three years thereafter until the end of the Compliance Period, a California Tax Credit Allocation Committee Project Status Report or equivalent documentation in substantially the form required or otherwise provided by CDLAC from time to time. Compliance with the terms of the CDLAC Conditions not contained within this Regulatory Agreement, but referred to in the CDLAC Conditions are the responsibility of the Borrower to report to the Governmental Lender.

(b) The Borrower acknowledges that the Governmental Lender shall monitor the Borrower's compliance with the terms of the CDLAC Conditions. The Borrower acknowledges that the Governmental Lender will prepare and submit to CDLAC, not later than March 1 of each year, until the Project is completed, and on March 1 every three years thereafter until the end of the Compliance Period, a Self-Certification Certificate in the form provided by CDLAC. The Borrower will cooperate fully with the Governmental Lender in connection with such monitoring and reporting requirements.

(c) Except as otherwise provided in Section 13 of this Regulatory Agreement, this Regulatory Agreement shall terminate on the date 55 years after the date on which at least fifty percent (50%) of the units in the Project are first occupied or otherwise after the commencement of the Qualified Project Period.

(d) The Borrower shall notify CDLAC in writing of: (i) any change in ownership of the Project, (ii) any change in the Governmental Lender, (iii) any change in the name of the Project or the Manager; (iv) any material default under the Indenture, the Borrower Loan Agreement or this Regulatory Agreement, including, but not limited to, such defaults associated with the Tax-Exempt status of the Series 2020C-1 Governmental Lender Note, and the income and rental requirements as provided in Sections 4 and 6 hereof and the CDLAC Conditions; or (v) termination of this Regulatory Agreement.

(e) CDLAC shall have the right, but not the obligation, to deliver revised CDLAC Conditions to the Borrower after the Closing Date at any time, that are not more restrictive than the original CDLAC Conditions; provided however, that, with the prior consent of the Lender, which shall not be unreasonably withheld: (i) any changes in the terms and conditions of such revised CDLAC Conditions prior to the recordation against the Project in the real property records of the County of a regulatory agreement between Borrower and the California Tax Credit Allocation Committee ("TCAC Regulatory Agreement") shall be limited to such changes as are necessary to correct any factual errors or to otherwise conform the CDLAC Conditions to any change in facts or circumstances applicable to the Borrower or the Project; and (ii) after recordation of the TCAC Regulatory Agreement, any changes in the terms and conditions of such revised CDLAC Conditions shall be limited to such changes as are necessary to conform Items 1, 6, 7, 10, 11, 12, 14, 15, 16, 18, 19, 20, 21, 22, 23, 24, 25, 26 and/or 37 of Exhibit A to the CDLAC Conditions to any change in terms and conditions requested by Borrower and approved by CDLAC. The Governmental Lender may, in its sole and absolute discretion, require the Borrower to record or cause to be recorded in the real property records of the County an amendment to this Regulatory Agreement containing such revised CDLAC Conditions, executed by the parties hereto or their successor in title and pay any expenses in connection therewith. The Borrower shall provide CDLAC with a copy of that recorded amendment reflecting the revised CDLAC Conditions.

Any of the foregoing requirements of the CDLAC contained in this Section 29 may be expressly waived by CDLAC, in its sole discretion, in writing, but (i) no waiver by CDLAC of any requirement of this Section 29 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement except to the extent the Governmental Lender has received an opinion of Bond Counsel that any such provision is not required by the Housing Law and may be waived without adversely affecting the exclusion from gross income of interest on the Series 2020C-1 Governmental Lender Note for federal income tax purposes; and (ii) any requirement of this Section 29 shall be void and of no force and effect if the Governmental Lender and the Borrower receive a written opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Series 2020C-1 Governmental Lender Note to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Housing Law or any other state or federal law.

Section 30. Annual Reporting Covenant. No later than January 31 of each calendar year (commencing January 31, 2021), the Borrower, on behalf of the Governmental Lender, agrees to provide to the California Debt and Investment Advisory Commission, by any method approved by the California Debt and Investment Advisory Commission, with a copy to the Governmental Lender, the annual report information required by Section 8855(k)(1) of the California Government Code. This covenant shall remain in effect until the later of the date (i) the Governmental Lender Notes are no longer outstanding or (ii) the proceeds of the Governmental Lender Notes and the Borrower Loan have been fully spent.

Section 31. Limited Liability of Governmental Lender. All obligations of the Governmental Lender incurred under this Regulatory Agreement shall be limited obligations,

payable solely and only from amounts derived by the Governmental Lender from the Borrower Loan or otherwise under the Borrower Loan Agreement.

Section 32. Conflict With Other Affordability Agreements. Notwithstanding any provision in this Regulatory Agreement to the contrary, in the event of any conflict between the provisions of this Regulatory Agreement and any other agreement that imposes affordability requirements on the Project, including those referenced in Section 3(e) hereof, the provisions providing for the most affordable units, with the most affordability, in the Project shall prevail, so long as at all times the requirements of Section 2, 3, 4, 6, 7 and 29 of this Regulatory Agreement are in any event satisfied. Notwithstanding the foregoing, a breach or default under any agreement referenced in Section 3(e) hereof shall not, in itself, constitute a breach or a default under this Regulatory Agreement.

IN WITNESS WHEREOF, the Governmental Lender, the Fiscal Agent and the Borrower have executed this Regulatory Agreement by duly authorized representatives, all as of the date first above written.

HOUSING AUTHORITY OF THE CITY OF
SAN DIEGO

By: _____
Jeff Davis,
Executive Vice President &
Chief of Staff

19048.43:J16756

[Signature Page – East Block Senior Apartments Regulatory Agreement]

FAIRMOUNT SENIOR HOUSING CIC, LP, a
California limited partnership

By: Fairmount SHC Housing, LLC
a California limited liability company,
its Managing General Partner

By: Senior Housing Corporation,
a California nonprofit public benefit
corporation
its Manager and Member

By: _____
Name: Paul Downey
Title: President/Chief Executive
Officer

By: CIC Fairmount Senior Housing, LLC,
a California limited liability company,
its Administrative General Partner

By: Chelsea Investment Corporation
a California corporation
its Manager

By: _____
Name: Cheri Hoffman
Title: President

19048.43:J16756

[Signature Page – East Block Senior Apartments Regulatory Agreement]

NOTARY ACKNOWLEDGMENT

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

State of California

ss.

County of _____

On _____, before me, _____, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared _____
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ [Seal]
Notary Public

NOTARY ACKNOWLEDGMENT

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

State of California

ss.

County of _____

On _____, before me, _____, **Notary Public**
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared _____
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ [Seal]
Notary Public

NOTARY ACKNOWLEDGMENT

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

State of California

ss.

County of _____

On _____, before me, _____, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared _____
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ [Seal]
Notary Public

EXHIBIT A

DESCRIPTION OF REAL PROPERTY

Real property in the City of San Diego, County of San Diego, State of California, described as follows:

[to come]

EXHIBIT B

FORM OF INCOME CERTIFICATION

TENANT INCOME CERTIFICATION

Initial Certification
 1st Recertification
 Other:

Effective Date:
Move-in Date: (YYYY-MM-DD)

PART I - DEVELOPMENT DATA

Property Name: East Block Senior Apartments	County: San Diego	BIN #:
Address: 4320 44 th Street, San Diego, CA	Unit Number:	# Bedrooms:

PART II. HOUSEHOLD COMPOSITION

<input type="checkbox"/> Vacant							
HH Mbr #	Last Name	First Name	Middle Initial	Relationship to Head of Household	Date of Birth (YYYY/MM/DD)	F/T Student (Y or N)	Last 4 digits of Social Security #
1				HEAD			
2							
3							
4							
5							
6							
7							

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr #	(A) Employment or Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income
TOTALS	\$	\$	\$	\$

Add totals from (A) through (D), above

TOTAL INCOME (E):

\$

PART IV. INCOME FROM ASSETS

Hshld Mbr #	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
TOTALS:			\$	\$
Enter Column (H) Total If over \$5000		\$	X 2.00%	= (J) Imputed Income
Enter the greater of the total of column I, or J: imputed income				TOTAL INCOME FROM ASSETS (K)
				\$

(L) Total Annual Household Income from all Sources [Add (E) + (K)]

\$

Effective Date of Move-in Income Certification:

Household Size at Move-in Certification:

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

Signature

(Date)

Signature

(Date)

Signature

(Date)

Signature

(Date)

PART V. DETERMINATION OF INCOME ELIGIBILITY

TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES: From item (L) on page 1	\$ _____	Unit Meets Income Restriction at: <input type="checkbox"/> 60% <input type="checkbox"/> 50% <input type="checkbox"/> 40% <input type="checkbox"/> 30% <input type="checkbox"/> %	RECERTIFICATION ONLY: Current Income Limit x 140%: \$ _____ Household Income exceeds 140% at recertification: <input type="checkbox"/> Yes <input type="checkbox"/> No
Current Income Limit per Family Size:	\$ _____		
Household Income at Move-in:	\$ _____	Household Size at Move-in:	_____

PART VI. RENT

Tenant Paid Rent \$ _____ Utility Allowance \$ _____	Rent Assistance: \$ _____ Other non-optional charges: \$ _____	Unit Meets Rent Restriction at: <input type="checkbox"/> 60% <input type="checkbox"/> 50% <input type="checkbox"/> 40% <input type="checkbox"/> 30% <input type="checkbox"/> %
GROSS RENT FOR UNIT: (Tenant paid rent plus Utility Allowance & other non-optional charges)	\$ _____	
Maximum Rent Limit for this unit:	\$ _____	

PART VII. STUDENT STATUS

ARE ALL OCCUPANTS FULL TIME STUDENTS? <input type="checkbox"/> yes <input type="checkbox"/> no	If yes, Enter student explanation* (also attach documentation)	*Student Explanation: 1 AFDC / TANF Assistance 2 Job Training Program 3 Single Parent / Dependent Child 4 Married / Joint Return 5 Former Foster Care
	Enter 1-5	

PART VIII. PROGRAM TYPE

Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification.

a. Tax Credit <input type="checkbox"/> See Part V above.	b. HOME <input type="checkbox"/> <i>Income Status</i> <input type="checkbox"/> ≤ 50% AMGI <input type="checkbox"/> ≤ 60% AMGI <input type="checkbox"/> ≤ 80% AMGI <input type="checkbox"/> OI**	c. Tax Exempt <input type="checkbox"/> <i>Income Status</i> <input type="checkbox"/> 50% AMGI <input type="checkbox"/> 60% AMGI <input type="checkbox"/> 80% AMGI <input type="checkbox"/> OI**	d. AHDP <input type="checkbox"/> <i>Income Status</i> <input type="checkbox"/> 50% AMGI <input type="checkbox"/> 80% AMGI <input type="checkbox"/> OI**	e. _____ <input type="checkbox"/> (Name of Program) <i>Income Status</i> <input type="checkbox"/> _____ <input type="checkbox"/> _____ <input type="checkbox"/> OI**
---	--	--	---	---

** Upon recertification, household was determined over-income (OI) according to eligibility requirements of the program(s) marked above.

SIGNATURE OF OWNER/REPRESENTATIVE

Based on the representations herein and upon the proof and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Land Use Restriction Agreement (if applicable), to live in a unit in this Project.

SIGNATURE OF OWNER/REPRESENTATIVE

DATE

INSTRUCTIONS FOR COMPLETING TENANT INCOME CERTIFICATION

This form is to be completed by the owner or an authorized representative.

Part I - Project Data

Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other. If Other, designate the purpose of the recertification (i.e., a unit transfer, a change in household composition, or other state-required recertification).

- | | |
|-----------------|---|
| *Move-in Date | Enter the date the tenant has or will take occupancy of the unit. (YYYY-MM-DD) |
| *Effective Date | Enter the effective date of the certification. For move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re)certification. (YYYY-MM-DD) |
| Property Name | Enter the name of the development. |
| County | Enter the county (or equivalent) in which the building is located. |
| BIN # | Enter the Building Identification Number (BIN) assigned to the building (from IRS Form 8609). |
| Address | Enter the address of the building. |
| Unit Number | Enter the unit number. |
| # Bedrooms | Enter the number of bedrooms in the unit. |
| *Vacant Unit | Check if unit was vacant on December 31 of requesting year. |

Part II - Household Composition

List all occupants of the unit. State each household member's relationship to the head of household by using one of the following coded definitions:

- | | | | | | |
|---|---|-------------------|---|---|----------------------------|
| H | - | Head of Household | S | - | Spouse |
| A | - | Adult co-tenant | O | - | Other family member |
| C | - | Child | F | - | Foster child(ren)/adult(s) |
| L | - | Live-in caretaker | N | - | None of the above |

Enter the date of birth, student status, and last four digits of social security number or alien registration number for each occupant. If tenant does not have a Social Security Number (SSN) or alien registration number, please enter the numerical birth month and last two digits of birth year (e.g. birthday January 1, 1970, enter "0170"). If tenant has no SSN number or date of birth, please enter the last 4 digits of the BIN.

If there are more than 7 occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification.

Part III - Annual Income

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income, including acceptable forms of verification.

From the third party verification forms obtained from each income source, enter the gross amount anticipated to be received for the twelve months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List **each** respective household member number from Part II. Include anticipated income only if documentation exists verifying pending employment. If any adult states zero-income, please note "zero" in the columns of Part III.

- Column (A) Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business.
- Column (B) Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.
- Column (C) Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.).
- Column (D) Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household.
- Row (E) Add the totals from columns (A) through (D), above. Enter this amount.

Part IV - Income from Assets

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income from assets, including acceptable forms of verification.

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the twelve months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member.

- Column (F) List the type of asset (i.e., checking account, savings account, etc.)
- Column (G) Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification).
- Column (H) Enter the cash value of the respective asset.
- Column (I) Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate).
- TOTALS Add the total of Column (H) and Column (I), respectively.

If the total in Column (H) is greater than \$5,000, you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by 2% and enter the amount in (J), Imputed Income.

- Row (K) Enter the greater of the total in Column (I) or (J)
- Row (L) Total Annual Household Income From all Sources Add (E) and (K) and enter the total
- *Effective Date of Income Certification Enter the effective date of the income certification corresponding to the total annual household income entered in Box L. If annual income certification is not required, this may be different from the effective date listed in Part I.
- *Household Size at Certification Enter the number of tenants corresponding to the total annual household income entered in Box L. If annual income certification is not required, this may be different from the number of tenants listed in Part II.

HOUSEHOLD CERTIFICATION AND SIGNATURES

After all verifications of income and / or assets have been received and calculated, each household member age 18 or older must sign and date the Tenant Income Certification. For move-in, it is recommended that the Tenant Income Certification be signed no earlier than 5 days prior to the effective date of the certification.

Part V – Determination of Income Eligibility

Total Annual Household Income from all Sources	Enter the number from item (L).
Current Income Limit per Family Size	Enter the Current Move-in Income Limit for the household size.
Household income at move-in Household size at move-in	For recertifications, only. Enter the household income from the move-in certification. On the adjacent line, enter the number of household members from the move-in certification.
Current Income Limit x 140%	For recertifications only. Multiply the Current Maximum Move-in Income Limit by 140% and enter the total. 140% is based on the Federal Set-Aside of 20/50 or 40/60, as elected by the owner for the property, not deeper targeting elections of 30%, 40%, 45%, 50%, etc. Below, indicate whether the household income exceeds that total. If the Gross Annual Income at recertification is greater than 140% of the current income limit, then the available unit rule must be followed.
*Units Meets Income Restriction at	Check the appropriate box for the income restriction that the household meets according to what is required by the set-aside(s) for the project.

Part VI - Rent

Tenant Paid Rent	Enter the amount the tenant pays toward rent (not including rent assistance payments such as Section 8).
Rent Assistance	Enter the amount of rent assistance, if any.
Utility Allowance	Enter the utility allowance. If the owner pays all utilities, enter zero.
Other non-optional charges	Enter the amount of <u>non-optional</u> charges, such as mandatory garage rent, storage lockers, charges for services provided by the development, etc.
Gross Rent for Unit	Enter the total of Tenant Paid Rent plus Utility Allowance and other non-optional charges.
Maximum Rent Limit for this unit	Enter the maximum allowable gross rent for the unit.
Unit Meets Rent Restriction at	Check the appropriate rent restriction that the unit meets according to what is required by the set-aside(s) for the project.

Part VII - Student Status

If all household members are full time* students, check "yes". If at least one household member is not a full time student, check "no".

If "yes" is checked, the appropriate exemption must be listed in the box to the right. If none of the exemptions apply, the household is ineligible to rent the unit.

Full time is determined by the school the student attends.

Part VIII – Program Type

Mark the program(s) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification. If the property does not participate in the HOME, Tax-Exempt Bond, Affordable Housing Disposition, or other housing program, leave those sections blank.

Tax Credit	See Part V above.
HOME	If the property participates in the HOME program and the unit this household will occupy will count towards the HOME program set-asides, mark the appropriate box indicating the household's designation.
Tax Exempt	If the property participates in the Tax Exempt Bond program; mark the appropriate box indicating the household's designation.
AHDP	If the property participates in the Affordable Housing Disposition Program (AHDP), and this household's unit will count towards the set-aside requirements, mark the appropriate box indicating the household's designation.
Other	If the property participates in any other affordable housing program, complete the information as appropriate.

SIGNATURE OF OWNER/REPRESENTATIVE

It is the responsibility of the owner or the owner's representative to sign and date this document immediately following execution by the resident(s).

The responsibility of documenting and determining eligibility (including completing and signing the Tenant Income Certification form) and ensuring such documentation is kept in the tenant file is extremely important and should be conducted by someone well trained in tax credit compliance.

These instructions should not be considered a complete guide on tax credit compliance. The responsibility for compliance with federal program regulations lies with the owner of the building(s) for which the credit is allowable.

PART IX. SUPPLEMENTAL INFORMATION

Tenant Demographic Profile	Complete for each member of the household, including minors, for move-in. Use codes listed on supplemental form for Race, Ethnicity, and Disability Status.
Resident/Applicant Initials	All tenants who wish not to furnish supplemental information should initial this section. Parent/guardian may complete and initial for minor child(ren).

** Please note areas with asterisks are new or have been modified. Please ensure to note the changes or formats now being requested.*

TENANT INCOME CERTIFICATION QUESTIONNAIRE

Name: _____

Telephone Number: _____

()

<input type="checkbox"/>	Initial Certification	BIN #
<input type="checkbox"/>	Re-certification	
<input type="checkbox"/>	Other	Unit #

INCOME INFORMATION

Yes	No		MONTHLY GROSS INCOME
<input type="checkbox"/>	<input type="checkbox"/>	I am self employed. (List nature of self employment)	(use <u>net</u> income from business) \$
<input type="checkbox"/>	<input type="checkbox"/>	I have a job and receive wages, salary, overtime pay, commissions, fees, tips, bonuses, and/or other compensation: List the businesses and/or companies that pay you: <u>Name of Employer</u> 1) _____ 2) _____ 3) _____	\$ \$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I receive cash contributions of gifts including rent or utility payments, on an ongoing basis from persons not living with me.	\$
<input type="checkbox"/>	<input type="checkbox"/>	I receive unemployment benefits.	\$
<input type="checkbox"/>	<input type="checkbox"/>	I receive Veteran's Administration, GI Bill, or National Guard/Military benefits/income.	\$
<input type="checkbox"/>	<input type="checkbox"/>	I receive periodic social security payments.	\$
<input type="checkbox"/>	<input type="checkbox"/>	The household receives <u>unearned</u> income from family members age 17 or under (example: Social Security, Trust Fund disbursements, etc.).	\$
<input type="checkbox"/>	<input type="checkbox"/>	I receive Supplemental Security Income (SSI).	\$
<input type="checkbox"/>	<input type="checkbox"/>	I receive disability or death benefits other than Social Security.	\$
<input type="checkbox"/>	<input type="checkbox"/>	I receive Public Assistance Income (examples: TANF, AFDC)	\$
<input type="checkbox"/>	<input type="checkbox"/>	I am entitled to receive child support payments.	\$
<input type="checkbox"/>	<input type="checkbox"/>	I am currently receiving child support payments. If yes, from how many persons do you receive support? _____	\$
<input type="checkbox"/>	<input type="checkbox"/>	I am currently making efforts to collect child support owed to me. List efforts being made to collect child support: _____ _____	
<input type="checkbox"/>	<input type="checkbox"/>	I receive alimony/spousal support payments	\$
<input type="checkbox"/>	<input type="checkbox"/>	I receive periodic payments from trusts, annuities, inheritance, retirement funds or pensions, insurance policies, or lottery winnings. If yes, list sources: 1) _____ 2) _____	\$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I receive income from real or personal property.	(use <u>net</u> earned income) \$
<input type="checkbox"/>	<input type="checkbox"/>	Student financial aid (public or private, not including student loans) Subtract cost of tuition from Aid received	\$

Asset information

YES	NO		INTEREST RATE	CASH VALUE
<input type="checkbox"/>	<input type="checkbox"/>	I have a checking account(s). If yes, list bank(s) 1) 2)	% %	\$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I have a savings account(s) If yes, list bank(s) 1) 2)	% %	\$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I have a revocable trust(s) If yes, list bank(s) 1)	%	\$
<input type="checkbox"/>	<input type="checkbox"/>	I own real estate. If yes, provide description:		\$
<input type="checkbox"/>	<input type="checkbox"/>	I own stocks, bonds, or Treasury Bills If yes, list sources/bank names 1) 2) 3)	% % %	\$ \$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I have Certificates of Deposit (CD) or Money Market Account(s). If yes, list sources/bank names 1) 2) 3)	% % %	\$ \$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I have an IRA/Lump Sum Pension/Keogh Account/401K. If yes, list bank(s) 1) 2)	% %	\$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I have a whole life insurance policy. If yes, how many policies		\$
<input type="checkbox"/>	<input type="checkbox"/>	I have cash on hand.		\$
<input type="checkbox"/>	<input type="checkbox"/>	I have disposed of assets (i.e. gave away money/assets) for less than the fair market value in the past 2 years. If yes, list items and date disposed: 1) 2)		\$ \$

STUDENT STATUS

YES NO

<input type="checkbox"/>	<input type="checkbox"/>	Does the household consist of all persons who are <u>full-time</u> students (Examples: College/University, trade school, etc.)? Does the household consist of all persons who have been a <u>full-time</u> student in the previous 5 months? Does your household anticipate becoming an all full-time student household in the next 12 months?
<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	If you answered yes to any of the previous three questions are you: <ul style="list-style-type: none"> • Receiving assistance under Title IV of the Social Security Act (AFDC/TANF/Cal Works - not SSA/SSI) • Enrolled in a job training program receiving assistance through the Job Training Participation Act (JTPA) or other similar program • Married and filing (or are entitled to file) a joint tax return • Single parent with a dependent child or children and neither you nor your child(ren) are dependent of another individual • Previously enrolled in the Foster Care program (age 18-24)
<input type="checkbox"/>	<input type="checkbox"/>	

UNDER PENALTIES OF PERJURY, I CERTIFY THAT THE INFORMATION PRESENTED ON THIS FORM IS TRUE AND ACCURATE TO THE BEST OF MY/OUR KNOWLEDGE. THE UNDERSIGNED FURTHER UNDERSTANDS THAT PROVIDING FALSE REPRESENTATIONS HEREIN CONSTITUTES AN ACT OF FRAUD. FALSE, MISLEADING OR INCOMPLETE INFORMATION WILL RESULT IN THE DENIAL OF APPLICATION OR TERMINATION OF THE LEASE AGREEMENT.

PRINTED NAME OF APPLICANT/TENANT

SIGNATURE OF APPLICANT/TENANT

DATE

WITNESSED BY (SIGNATURE OF OWNER/REPRESENTATIVE)

DATE

EXHIBIT C

FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

EAST BLOCK SENIOR APARTMENTS

The undersigned, being _____ of Fairmount Senior Housing CIC, LP, a California limited partnership (the "Borrower") has read and is thoroughly familiar with the provisions of the various documents associated with the Borrower's participation in the Housing Authority of the City of San Diego (the "Governmental Lender") Multifamily Housing Program, such documents including: (a) the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of February 1, 2020 (the "Regulatory Agreement") between the Borrower and the Governmental Lender; and (b) the Borrower Loan Agreement, dated as of February 1, 2020, by and between the Governmental Lender and the Borrower referred to in the Regulatory Agreement.

In connection with the foregoing, the undersigned does hereby certify that:

1. During the preceding reporting period (i) the Project was continually in compliance with the Regulatory Agreement, and (ii) (a) ___% of the units in the Project were occupied by Low Income Tenants (including units referenced in the succeeding clause (b), minimum of 40%) and (b) ___% of the units in the Project were occupied by Very Low Income Tenants (minimum of 10%).

2. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief.

Set forth below are the names of Low Income Tenants and Very Low Income Tenants who commenced or terminated occupancy during the preceding reporting period.

Commenced Occupancy	Terminated Occupancy
1.	1.
2.	2.

The units occupied by Low Income Tenants and Very Low Income Tenants are of similar size and quality to other units and are dispersed throughout the Project. Attached is a separate sheet listing the number of each unit and indicating which units are occupied by Low Income Tenants and Very Low Income Tenants, the size, the number of bedrooms of such units and the number of Low Income Tenants and Very Low Income Tenants who commenced occupancy of units during the preceding reporting period.

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

4. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief.

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

Date: _____

FAIRMOUNT SENIOR HOUSING CIC, LP, a
California limited partnership

By: Fairmount SHC Housing, LLC
a California limited liability company,
its Managing General Partner

By: Senior Housing Corporation,
a California nonprofit public benefit
corporation
its Manager and Member

By: _____
Name: Paul Downey
Title: President/Chief Executive
Officer

By: CIC Fairmount Senior Housing, LLC,
a California limited liability company,
its Administrative General Partner

By: Chelsea Investment Corporation
a California corporation
its Manager

By: _____
Name: Cheri Hoffman
Title: President

EXHIBIT D

FORM OF COMPLETION CERTIFICATE

The undersigned hereby certifies that the acquisition and construction of the Project was substantially completed as of _____.

The undersigned hereby further certifies that:

- (1) the aggregate amount disbursed on the Borrower Loan to date is \$_____;
- (2) all amounts disbursed on the Borrower Loan have been applied to pay or reimburse the undersigned for the payment of Project Costs or for advances on the Construction Loan (as defined in the Borrower Loan Agreement) used to pay Project Costs, and none of the amounts disbursed on the Borrower Loan have been applied to pay or reimburse any party for the payment of costs or expenses other than Project Costs;
- (3) at least ninety-seven percent (97%) of the amounts disbursed on the Borrower Loan derived from proceeds of the Series 2020C-1 Governmental Lender Note have been applied to pay or reimburse the Borrower for the payment of Qualified Project Costs, and less than twenty-five percent (25%) of such disbursements have been used for the acquisition of land or an interest therein; and
- (4) the Borrower is in compliance with the provisions of the Regulatory Agreement and the Borrower Loan Agreement.

Capitalized terms used in this Completion Certificate have the meanings given such terms in the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of February 1, 2020, between Fairmount Senior Housing CIC, LP, a California limited partnership and the Housing Authority of the City of San Diego.

FAIRMOUNT SENIOR HOUSING CIC, LP, a
California limited partnership

By: Fairmount SHC Housing, LLC
a California limited liability company,
its Managing General Partner

By: Senior Housing Corporation,
a California nonprofit public benefit
corporation
its Manager and Member

By: _____
Name: Paul Downey
Title: President/Chief Executive
Officer

By: CIC Fairmount Senior Housing, LLC,
a California limited liability company,
its Administrative General Partner

By: Chelsea Investment Corporation
a California corporation
its Manager

By: _____
Name: Cheri Hoffman
Title: President

EXHIBIT E
CDLAC RESOLUTION

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

RESOLUTION NO. 19-164

**A RESOLUTION TRANSFERRING A PORTION OF THE 2019 STATE CEILING
ON QUALIFIED PRIVATE ACTIVITY BONDS AND
AUTHORIZING THE MAKING OF A CARRYFORWARD ELECTION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

WHEREAS, the California Debt Limit Allocation Committee ("Committee") has received an application ("Application") from the Housing Authority of the City of San Diego ("Applicant") for the transfer to the Applicant of a portion of the 2019 State Ceiling on Qualified Private Activity Bonds under Section 146 of the Internal Revenue Code of 1986, as amended, for use by the Applicant to issue bonds or other obligations ("Bonds") for a Project as specifically described in Exhibit A ("Project") (capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Regulations of the Committee implementing the Allocation of the State Ceiling on Qualified Private Activity Bonds); and

WHEREAS, the Project Sponsor has represented and the Applicant has confirmed in the Application certain facts and information concerning the Project; and

WHEREAS, in evaluating the Project and allocating a portion of the State Ceiling on Qualified Private Activity Bonds to the Applicant for the benefit of the Project, the Committee has relied upon the written facts and information represented in the Application by the Project Sponsor and the Applicant; and

WHEREAS, it is appropriate for the Committee to make a transfer of a portion of the 2019 State Ceiling On Qualified Private Activity Bonds ("Allocation") in order to benefit such Project described in the Application; and

WHEREAS, the Committee has determined that it is appropriate to authorize the Applicant to make an election to carryforward Allocation to calendar year 2020 with respect to the Project described in the Application.

NOW, THEREFORE, the California Debt Limit Allocation Committee resolves as follows:

Section 1. There is hereby transferred to the Applicant authorization to use **\$22,000,000** of the 2019 State Ceiling on Qualified Private Activity Bonds. Such Allocation may be used only by the Applicant and only for the issuance of Bonds for the Project, as specifically described in Exhibit A. All of the terms and conditions of Exhibit A are incorporated herein as though set forth in full (this resolution, together with Exhibit A are hereafter referred to collectively as this "Resolution").

Section 2. The terms and conditions of this Resolution shall be incorporated in appropriate documents relating to the Bonds. The Project Sponsor and the Applicant, and all their respective successors and assignees, will be bound by such terms and conditions. The Applicant shall monitor the Project for compliance with the terms and conditions of this Resolution. In addition, the Project shall be subject to the monitoring provisions of California Code of Regulations, Title 4, Section 10337(c) and Section 5220 of the Committee's Regulations.

Section 3. Any modification to the Project made prior to the issuance of the Bonds that impacts the resolution must be reported to the Executive Director and, if the Executive Director determines such modification to be material in light of the Committee's Regulations, shall require reconsideration by the Committee before the Allocation may be used for the Project. After Bonds are issued, the terms and conditions set forth in this Resolution shall be enforceable by the Committee through an action for specific performance or any other available remedy. In addition, after bonds are issued, changes to Items #1, #6, #7, #10 thru #12, #14 thru #16, #18 thru #26, and #37 of the Exhibit A require Committee or Executive Director approval for the term of commitment; changes to item #2, #13, #17, #27, and #39 thru #41 of the Exhibit A cannot be altered; changes to Items #3 thru #5 of the Exhibit A require no Committee or Executive Director approval but any alterations must be reported to CDLAC staff for the affordability period; changes to Items #8 and #9 of the Exhibit A require no CDLAC notification; and changes to Items #28 thru #36 and #38 of the Exhibit A require Committee or Executive Director approval only prior to the Project being Placed in Service by the CA Tax Credit Allocation Committee (TCAC).

RESOLUTION NO. 19-164

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Section 4. Any material changes in the structure of the bond sale prior to the issuance of the Bonds and not previously approved by the Committee shall require approval of the Committee Chair or the Executive Director.

Section 5. The transfer of proceeds from the sale of bonds to a project other than the Project subject to this Resolution is allowable only with the prior approval of the Executive Director in consultation with the Chair, except when the Project is unable to utilize any of its allocation and the Applicant is requesting the transfer of the entire Allocation to different project(s). In such case, prior approval of the Committee must be obtained. Any transfer made pursuant to this section may only be made to another/other project(s) of the same issuer that has been previously approved by the Committee.

Section 6. The Applicant is authorized to use the Allocation transferred hereby to make a carryforward election with respect to the Project. The Applicant is not authorized to transfer the Carryforward Allocation to any governmental unit in the State other than the Committee.

Section 7. The Allocation transferred herein to the Applicant shall automatically revert to this Committee unless the Applicant has issued Bonds for the Project by the close of business on **April 13, 2020**. Upon the discretion of the Executive Director, the expiration may be extended pursuant to the provisions in Chapter 1, Article 8 of the Committee's Regulations.

Section 8. Prior to being submitted to the IRS, draft Carryforward Elections must be emailed to CDLAC at cdlac@treasurer.ca.gov no later than February 1, 2020 for CDLAC approval of election amounts.

Section 9. Within twenty-four (24) hours of using the Allocation to issue Qualified Private Activity Bonds, the Applicant shall notify the Committee at CDLAC@treasurer.ca.gov that the Allocation has been used. This notice shall identify the Applicant, the project or program, the date the Allocation was used, and the amount of Allocation used.

Section 10. Within fifteen (15) calendar days of the Bond closing, the Applicant or its counsel shall formally transmit to the Committee information regarding the issuance of the Bonds by submitting a completed Report of Action Taken in a form prescribed by and made available by the Committee.

Section 11. Any differences between the amount of Bonds issued and the amount of the Carryforward Allocation granted in Section 1 of this Resolution shall be retained by the Applicant for the period allowed by Section 146(f)(3)(A) of the Internal Revenue Code regarding carryforward elections. Use of any unused Carryforward Allocation shall be in accordance with Section 5132 of the Committee's Regulations regarding carryforward elections.

Section 12. The staff of the Committee is authorized and directed to transmit a copy of this Resolution to the Applicant together with a request that the Applicant retain a copy of this Resolution in the Applicant's official records for the term of the Bonds under this Carryforward Allocation or the term of the income and rental restrictions whichever is longer. The Committee staff is further directed to retain a copy of this Resolution in the files of the Committee (or any successor thereto) for the same period of time.

Section 13. In consideration of the Allocation transferred to the Applicant and the Project Sponsor, the Applicant and the Project Sponsor shall comply with all of the terms and conditions contained in this Resolution and ensure that these terms and conditions are included in the documents related to the Bonds. Further, the Applicant and the Project Sponsor expressly agree that the terms and conditions of this Resolution may be enforced by the Committee through an action for specific performance or any other available remedy, provided however, that the Committee agrees not to take such action or enforce any such remedy that would be materially adverse to the interests of Bondholders. In addition, the Applicant and the Project Sponsor shall ensure that the Bond documents, as appropriate, expressly provide that the Committee is a third party beneficiary of the terms and conditions set forth in this Resolution.

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Section 14. The Certification of Compliance II or equivalent form is to be submitted by the Project Sponsor to the Applicant by the Applicant's specified deadline, but no later than March 1st annually until the project's Certificate of Completion has been submitted to the Applicant. Following the submission of the Certificate of Completion or equivalent form to the Applicant, the Certification of Compliance II is to be submitted March 1st every three years thereafter. In addition, an Annual Applicant Public Benefits and On-going Compliance Self-Certification (Self Certification) form must be submitted by the Applicant online every year until the Certificate of Completion has been submitted to the Applicant. After the completion of the project has been reported, the Self Certification will be required to be submitted March 1st every three years thereafter pursuant to Section 5144 of the CDLAC Regulations. Verification to CDLAC of income and rental information is not required in advance of the submission of the Certificate of Completion. A copy of the Certification of Compliance II and the Certificate of Completion forms may be found at this website location: <http://www.treasurer.ca.gov/cdlac>. Failure to submit compliance may result in disqualification from future program participation.

Section 15. This Resolution shall take effect immediately upon its adoption.

* * *
CERTIFICATION

I, Larry Flood, Executive Director of the California Debt Limit Allocation Committee, hereby certify that the above is a full, true, and correct copy of the Resolution adopted at a meeting of the Committee held in the State Personnel Board Building, 801 Capitol Mall, Room 150, Sacramento, California 95814, on October 16, 2019 at 10:11 a.m. with the following votes recorded:

AYES: Jovan Agee for State Treasurer Fiona Ma, CPA
Gayle Miller for Governor Gavin Newsom
Anthony Sertich for State Controller Betty T. Yee

NOES: None
ABSTENTIONS: None
ABSENCES: None



Larry Flood, Executive Director

Date: October 16, 2019

RESOLUTION NO. 19-164
(QUALIFIED RESIDENTIAL RENTAL PROJECT)
EXHIBIT A

1. Applicant: Housing Authority of the City of San Diego
2. Application No.: 19-557
3. Project Sponsor: Fairmount Senior Housing CIC, LP (Fairmount SHC Housing, LLC and CIC Fairmount Senior Housing, LLC)
4. Project Management Co.: CIC Management, Inc.
5. Project Name: East Block Senior Apartments
6. Type of Project: New Construction/Senior Citizens
7. Location: San Diego, CA
8. Private Placement Purchaser: **Citibank, N.A.**
Cash Flow Bond: **Not Applicable**

All units identified in the CDLAC resolution, including both the Federally Bond-Restricted Units and the Other Restricted Units, will be incorporated into the Bond Regulatory Agreement. Assumptions to be included in the Bond Regulatory Agreement regarding the Other Restricted Units will include the AMI as outlined in the CDLAC resolution, a limitation that tenants pay no more than 30% of their income and 1.5 persons per bedroom occupancy standard to determine the applicable rent.

9. Public Sale: **Not Applicable**
Credit Enhancement Provider: **Not Applicable**
10. Total Number of Units: **115 plus 2** unrestricted manager units
11. Total Number of Restricted Rental Units: **115**
12. The term of the income and rental restrictions for the Project will be at least 55 years from the date 50% occupancy is achieved or when the project is otherwise placed in service.
13. The Regulatory Agreement shall not terminate prior to the end of the CDLAC Resolution affordability term in the event of foreclosure, exercise of power of sale, and/or transfer of title by deed in lieu of foreclosure in connection with a deed of trust directly or indirectly securing the repayment of Cash Flow Permanent Bonds.
14. The Project will utilize Gross Rents as defined in Section 5170 of the Committee's Regulations.
Applicable
15. Income and Rental Restrictions:
 - a. Federally Bond-Restricted Set-aside Units:
At least **40%** of the total units will be restricted at 60% of the Area Median Income.
 - b. Other Restricted Units
For the entire term of the income and rental restrictions, the Project will have:

At least **16** Qualified Residential units rented or held vacant for rental for persons or families whose income is at or below 50% of the Area Median Income.

At least **99** Qualified Residential units rented or held vacant for rental for persons or families whose income is at or below 60% of the Area Median Income.

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16. **10%** of the units will be restricted to households with incomes no greater than 50% of the Area Median Income in accordance with Section 5191 of the Committee's Regulations. These units will be distributed as follows:
Applicable

Studios:	0
One-bedroom:	12
Two-bedroom:	0
Three-bedroom:	0
Four-bedroom:	0
Five-bedroom:	0
17. For acquisition and rehabilitation projects, a minimum of \$15,000 in hard construction costs will be expended for each Project unit.
Not Applicable
18. A minimum of \$6,750,000 of public funds will be expended for the Project.
Applicable
19. At a minimum, the financing for the Project shall include a Taxable Tail in the amount of \$0,000. Taxable debt may only be utilized for Project related expenses, not for the cost of issuance for which the Project Sponsor could otherwise have used tax-exempt financing.
Not Applicable
20. If the Project received points for having large family units for the entire term of the income and rental restrictions, the Project will have at least 0 three-bedroom or larger units.
Not Applicable
21. For a period of fifteen (15) years after the Project is placed in use, the Project will provide to Project residents high-speed Internet or wireless (WiFi) service in each Project unit.
Not Applicable
22. For a period of fifteen (15) years after the Project is placed in use, the Project will offer to Project residents an after school program of an ongoing nature on-site, or there must be an after school program available to Project residents within 1/2 mile of the Project except where the Project will provide no cost round trip transportation. The program shall include, but is not limited to: tutoring, mentoring, homework club, art, and recreation activities to be provided weekdays throughout the school year for at least ten (10) hours per week.
Not Applicable
23. For a period of fifteen (15) years after the Project is placed in use, the Project will offer to Project residents instructor-led educational, health and wellness, or skill building classes. The classes shall include, but are not limited to: financial literacy, computer training, home-buyer education, GED, resume building, ESL, nutrition, exercise, health information/awareness, art, parenting, on-site food cultivation & preparation, and smoking cessation. Classes shall be provided at a minimum of 84 hours per year (drop-in computer labs, monitoring and technical assistance shall not qualify) and be located within 1/2 mile of the Project or except where Project will provide no cost round trip transportation.
Not Applicable
24. For a period of fifteen (15) years after the Project is placed in use, the Project will offer to Project residents 20 hours or more per week of licensed childcare on-site or there must be 20 hours or more per week of licensed childcare available to Project residents within 1/2 mile of the Project except where Project will provide no cost round trip transportation.
Not Applicable

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25. For a period of fifteen (15) years after the Project is placed in use, the Project will offer to Project residents health and wellness services and programs within 1/2 mile of the Project or except where the Project will provide no cost round trip transportation. Such services and programs shall provide individualized support for tenants (not group classes) but need to be provided by licensed individuals or organizations. The services shall include, but are not limited to: visiting nurses programs, intergenerational visiting programs and senior companion programs. Services shall be provided for a minimum of 100 hours per year.

Not Applicable

26. For a period of fifteen (15) years after the Project is placed in use, the Project will offer to Project residents a bona fide service coordinator. The responsibilities must include, but are not limited to: (a) providing tenants with information about available services in the community, (b) assisting tenants with access services through referral and advocacy, and (c) organizing community-building and/or enrichment activities for tenants (such as holiday events, tenant council, etc.).

Not Applicable

27. Minimum sustainable specifications will be incorporated into the project design per Section 5205 of the CDLAC Regulations.

Applicable

Section Waived:

- Energy Efficiency
- Landscaping
- Roofs
- Exterior Doors
- Appliances (ENERGY STAR)
- Window Coverings
- Water Heater
- Floor Coverings
- Insulation (Greengard Emission Criteria)

28. The Project commits to becoming certified under any one of the following programs upon completion:
- a. Leadership in Energy & Environmental Design (LEED for Homes) **Not Applicable**
 - b. Green Communities **Not Applicable**
 - c. Passive House Institute US (PHIUS) **Not Applicable**
 - d. Passive House **Not Applicable**
 - e. Living Building Challenge **Not Applicable**
 - f. National Green Building Standard ICC / ASRAE – 700 silver or higher rating **Not Applicable**
 - g. Green Point Rated Multifamily Guidelines **Not Applicable**
 - h. WELL **Not Applicable**

29. The Project is a New Construction or Adaptive Reuse Project that commits to Energy Efficiency (including heating, cooling, fan energy, and water heating but not the following end uses: lighting, plug load, appliances, or process energy) beyond the requirements in Title 24, Part 6 of California Building Code (Percentage Better than the 2016 Standards):

- a. 7% **Not Applicable**
- b. 12% **Applicable**

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39. As specified in Section 5144(b) of the Committee's Regulations, sponsors will be required to utilize TCAC's Compliance Manual specifically Section VI: Qualify Tenants for Low Income Housing Tax Credit Units, to verify tenant income in conjunction with initial occupancy. No less than every three (3) years after the project is completed, the Sponsor must collect and retain the following income and verification documentation related to all the Federally Bond-Restricted units identified in the Committee Resolution: TCAC Tax Income Calculation (TIC) or equivalent documentation, all associated source income documentation, evidence of the verifying income computation and unit lease.

Applicable

40. As specified in Section 5144(c) of the Committee's Regulations, compliance with the income and rental requirements of the Federally Bond-Restricted Units identified in the Committee Resolution and the Bond Regulatory Agreement must be demonstrated by the Applicants initial review of 20% of all management files associated with the Federally Bond-Restricted units and subsequent review every three (3) years of 20% of all management files associated with the Federally Bond-Restricted units.

Applicable

41. As specified in Section 5144(d) of the Committee's Regulations, applicants are required to ensure an onsite inspection as well as an on-site review of the 20% Federally Bond-Restricted units is performed every three (3) years after the Qualified Project Period has commenced.

The following entity will conduct the site and file inspections:

Not Applicable

**Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(East Block Senior Apartments), Series 2020C-1
and
Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(East Block Senior Apartments), Series 2020C-2 (Taxable)**

GUARANTOR INDEMNIFICATION

April __, 2020

This Guarantor Indemnification (this "Indemnification"), is delivered as of April 10, 2020, by the undersigned (the "Guarantor") for the benefit of the Housing Authority of the City of San Diego (the "Governmental Lender") and the Indemnified Parties (as hereinafter defined). Capitalized terms used and not otherwise defined herein have the meanings given to them in the Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement"), dated as of April 1, 2020, between the Issuer and Fairmount Senior Housing CIC, LP, a California limited partnership (the "Borrower"), relating to the Housing Authority of the City of San Diego Multifamily Housing Revenue Note (East Block Senior Apartments), Series 2020C-1 and the Housing Authority of the City of San Diego Multifamily Housing Revenue Note (East Block Senior Apartments), Series 2020C-2 (Taxable) (together, the "Governmental Lender Notes").

To the fullest extent permitted by law, the Guarantor agrees to indemnify, hold harmless and defend the Governmental Lender, the Fiscal Agent and the San Diego Housing Commission, and each of their respective commissioners, officers, officials, employees, attorneys and agents (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under or any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Governmental Lender Notes, the Funding Loan Agreement, the Borrower Loan Agreement, the Regulatory Agreement or the Tax Certificate and all of the other documents related thereto, or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including, as applicable, the execution and delivery or transfer of interests in the Governmental Lender Notes;

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

(iii) any lien or charge upon payments by the Borrower to the Governmental Lender or any taxes (including, without limitation, all ad valorem taxes and sales taxes),

assessments, impositions and other charges imposed on the Governmental Lender in respect of any portion of the Project;

(iv) any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from, the Project or any part thereof;

(v) the defeasance and/or redemption, in whole or in part, of the Governmental Lender Notes;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any information provided by or on behalf of the Borrower and included in any disclosure document for the Governmental Lender Notes or any of the documents relating to the Governmental Lender Notes, or any omission or alleged omission from any disclosure document for the Governmental Lender Notes of any material fact related to the Borrower or the Project necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; or

(vii) any declaration of taxability of interest on the Series 2020C-1 Governmental Lender Note, or allegations (or regulatory inquiry) that interest on the Series 2020C-1 Governmental Lender Note is taxable for federal tax purposes;

except to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Guarantor, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Guarantor shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Guarantor if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

In addition thereto, the Guarantor will pay upon demand all of the fees and expenses paid or incurred by the Fiscal Agent and/or the Governmental Lender in enforcing this Indemnification and the provisions of the Regulatory Agreement.

This Indemnification shall survive the final payment or defeasance of the Governmental Lender Notes and the termination of the Regulatory Agreement; provided, however, that this Indemnification shall, in the case of the Fiscal Agent, survive the term of the Regulatory Agreement or the resignation or removal of the Fiscal Agent, but only as to claims arising from events occurring during the Fiscal Agent's tenure as Fiscal Agent under the Funding Loan Agreement, and shall, in the case of the Governmental Lender and the San Diego Housing Commission, survive the term of the Regulatory Agreement, but only as to claims arising from events occurring during the term of the Regulatory Agreement.

All obligations of the Guarantor under this Indemnification shall be deemed satisfied to the extent such obligations are paid or otherwise performed by the Borrower.

Notwithstanding the foregoing, the Guarantor and/or Borrower (as applicable) shall not be personally liable for any repayment of principal and/or interest on the Governmental Lender Notes.

The obligations of the Guarantor under this Indemnification are independent of any other contractual obligation of the Borrower or any other party to provide indemnity to the Governmental Lender, the San Diego Housing Commission or the Fiscal Agent, and the obligation of the Guarantor to provide indemnity hereunder shall not be interpreted, construed or limited in light of any other separate indemnification obligation of the Borrower or any other party. The Governmental Lender, the San Diego Housing Commission and the Fiscal Agent shall be entitled simultaneously to seek indemnity under this Indemnification and any other agreement under which it respectively is entitled to indemnity.

IN WITNESS WHEREOF, the undersigned has executed this Indemnification on behalf of the Guarantor as of the date first written above.

CHELSEA INVESTMENT CORPORATION,
a California corporation

By: _____
Cheri Hoffman,
President

19048.43;J16793

March 17, 2020

VIA EMAIL

Marguerite Middaugh, Esq.
City of San Diego
Office of the City Attorney
1200 Third Avenue, Suite 1620
San Diego, California 92101
Email: mmiddaugh@saniego.gov

Colin Miller
Joe Correia
San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, California 92101
Email: colinm@sdhc.org
joec@sdhc.org

From: Paul J. Thimmig, Quint & Thimmig LLP, Bond Counsel

Re: East Block Senior Apartments Financing

If the Housing Authority of the City of San Diego (the "Authority") adopts a resolution authorizing the issuance of the Housing Authority of the City of San Diego Multifamily Housing Revenue Bond (East Block Senior Apartments), Series 2020C (the "Bond"), it is expected that the Bond will be sold and issued in April of this year.

The primary legal documents for the Bond that are referenced in the Resolution of the Authority authorizing the issuance of the Bond (the "Resolution") currently contain a number of blanks that are related to various dates and other matters. The following table sets forth a summary of the blanks in the primary legal documents for the Bond referenced in the Resolution, and describes when, and by whom, the information will be provided in order to fill in the blanks.

<u>Document</u>	<u>Location of Blank</u>	<u>When Completed</u>	<u>Responsible Party</u>
Funding Loan Agreement	<u>Cover Page</u>	Prior to Closing	Funding Lender
	<ul style="list-style-type: none"> • Final Amount of Series 2020C-2 Note 		
Funding Loan Agreement	<u>Section 1.1 - Definitions</u>	Prior to Closing	Funding Lender
	<ul style="list-style-type: none"> • Authorized Amount of Series 2020C-2 Note • Borrower Loan Amount • Fiscal Agent's Fees • Maturity Dates • Series 2020C-2 Borrower Note Amount • Series 2020C-2 Governmental Lender Note Amount 		

Document	Location of Blank	When Completed	Responsible Party
Borrower Loan Agreement	<u>Exhibit A – Form of Governmental Lender Note</u>	Prior to Closing	Completion of above-listed blanks will allow Bond Counsel to complete blanks in the Form of Notes
	<ul style="list-style-type: none"> • Principal Amount of Note • Issue Date • Series of Note 		
	<u>Exhibit B – Form of Required Transferee Representations</u>	Prior to Closing	
	<ul style="list-style-type: none"> • Date of Document • Final Note Amount 		
	<u>Exhibit C – Project Fund Requisition</u>	Prior to Draw of Note Funds	Borrower
	<ul style="list-style-type: none"> • Draw Number • Payment Instructions 		
	<u>Exhibit D – Costs of Issuance Fund Requisition</u>	Prior to Draw of Funds	Borrower
	<ul style="list-style-type: none"> • Draw Number • Payment Instructions 		
	<u>Cover Page</u>	Prior to Closing	Funding lender
	<ul style="list-style-type: none"> • Final Amount of Series 2020C-2 Note 		
Regulatory Agreement and Declaration of Restrictive Covenants	<u>Section 1.1 - Defined Terms</u>	Prior to Closing	Funding Lender
	<ul style="list-style-type: none"> • Borrower Loan Amount • Funding Loan Amount • Interim Phase Amount • Outside Conversion Date • Date of Partnership Agreement • Series 2020C-2 Governmental Lender Note Amount • Series 2020C-2 Borrower Note Amount • Subordinate Debt • Subordinate Lender 		Borrower Funding Lender
	<u>Cover Page</u>	Prior to Closing	Funding Lender
	<ul style="list-style-type: none"> • Amount of Series 2020C-2 Note 		
	<u>Section 2(f) – Borrower Representations and Covenants</u>	Prior to Closing	Funding Lender
	<ul style="list-style-type: none"> • Amount of Borrower Loan 		
	<u>Section 3(e) – Qualified Project</u>	Prior to Closing	Borrower
	<ul style="list-style-type: none"> • Date of County Agreement 		
	<u>Section 7(a) - Requirements of the Issuer</u>	Prior to Closing; (Depends Upon Final Note Amount)	Housing Authority
	<ul style="list-style-type: none"> • Amounts of Issuer Fees 		
Regulatory Agreement and Declaration of Restrictive Covenants	<u>Exhibit A – Legal Description of the Site</u>	Prior to Closing	Title Company
	<ul style="list-style-type: none"> • Description of the Site 		



The City of San Diego
Item Approvals

Item Subject: Final Bond Authorization for East Block Senior Apartments.

Contributing Department	Approval Date
DOCKET OFFICE	03/17/2020

Approving Authority	Approver	Approval Date
HOUSING COMMISSION FINAL DEPARTMENT APPROVER	MARSHALL, SCOTT	03/16/2020
EXECUTIVE VICE PRESIDENT	DAVIS, JEFF	03/17/2020
CITY ATTORNEY	MIDDAUGH, MARGUERITE	03/20/2020