



REPORT

DATE ISSUED: September 7, 2023

REPORT NO: HAR23-017

ATTENTION: Chair and Members of the Housing Authority of the City of San Diego
For the Agenda of October 10, 2023

SUBJECT: Final Bond Authorization for Iris at San Ysidro Apartments

COUNCIL DISTRICT: 8

REQUESTED ACTION

Authorize the issuance of tax-exempt Housing Authority of the City of San Diego Multifamily Housing Revenue Bonds, in the aggregate amount not to exceed \$31,500,000 and taxable bonds in an amount not to exceed \$9,000,000 to fund Iris at San Ysidro, LP's acquisition and new construction of Iris at San Ysidro Apartments, a new transit-oriented development at 1663 Dairy Mart Road, San Ysidro, CA 92173. The development will consist of 99 units that will remain affordable for 55 years for households with income of 25 percent to 60 percent of San Diego's Area Median Income (AMI), of which 15 units will be permanent supportive housing for families experiencing homelessness, and one unrestricted manager's unit.

STAFF RECOMMENDATION

That the Housing Authority of the City of San Diego (Housing Authority) take the following actions:

- 1) Authorize the issuance of tax-exempt Multifamily Housing Revenue Bonds in an aggregate amount not to exceed \$31,500,000 and taxable bonds in an amount not to exceed \$9,000,000 to fund Iris at San Ysidro, LP's acquisition and new construction of Iris at San Ysidro, a new affordable rental housing development at 1663 Dairy Mart Road, San Ysidro, CA 92173, which will consist of 99 units that will remain affordable for 55 years for households with income of 25 percent to 60 percent of San Diego's Area Median Income (AMI), including 15 units through the County of San Diego's No Place Like Home program reserved for individuals with a serious mental illness who are at risk of homelessness or experiencing homelessness or chronic homelessness, and one unrestricted manager's unit.
- 2) Authorize the San Diego Housing Commission (Housing Commission) President and Chief Executive Officer (President and CEO), or designee, to execute any and all documents that are necessary to effectuate the transaction and implement these approvals in a form approved by the General Counsel of the Housing Authority and of the Housing Commission and the Bond Counsel, and to take such actions as are necessary, convenient, and/or appropriate to implement these approvals upon advice of the General Counsel and/or the Bond Counsel. Housing Commission staff will notify the Housing Authority and the City Attorney's Office about any subsequent amendments or modifications to the transaction, and other required documents, including amendments to any documents.

SUMMARY

Table 1 –Development Details

Address	1663 Dairy Mart Road, San Ysidro, CA 92173
Council District	District 8
Community Plan Area	San Ysidro Community Planning Group
Developer	National Community Renaissance of California (National CORE)
Development Type	New construction
Construction Type	Type V-A (four stories)
Parking Type	Surface (104 parking spaces)
Local Amenities	<u>Mass Transit:</u> Transit-Oriented Development (TOD). Iris Trolley station is 0.5 mile from the property. <u>Grocery:</u> Pancho Villa Mercado (0.3 mile from the property) <u>Schools:</u> Southwest Middle School (0.8 mile from the property)
Housing Type	Affordable Multifamily, including units set aside for permanent supportive housing
Accessibility	Wheelchair accessibility in 10 percent of the units, and 4 percent of the units accessible to residents with visual and/or hearing impairments.
Lot Size	1.66 acres
Units	100 (99 units restricted/affordable)
Density	60.2/acre (100 units ÷ 1.66 acres = 60.24 per acre)
Unit Mix	42 one-bedroom, 32 two-bedroom, 26 three-bedroom
Gross Building Area	115,424 square feet.
Net Rentable Area	80,813 square feet.
Project Based Housing Vouchers (PBV)	25 PBVs for low-income families earning up to 30% AMI
Affordable Units in Service by Council District	Council District 8 includes 3,992 affordable rental housing units currently in service, which represents 15.6 percent of the 25,527 affordable rental housing units in service citywide.

Background

On June 10, 2022, the Housing Commission Board held a TEFRA hearing and approved taking preliminary steps to authorize the issuance of up to \$35,000,000 of tax-exempt Multifamily Housing Revenue Bonds to finance the acquisition and new construction of Iris at San Ysidro Apartments (Report No. HCR22-086; Resolution No. HC-1959). If bonds are not issued within 12 months of the TEFRA hearing, a new TEFRA hearing is required.

The Housing Commission Board is authorized to hold TEFRA hearings pursuant to Multifamily Mortgage Revenue Bond Program Policy Amendments the Housing Authority approved March 9, 2021 (Report No. HAR20-043; Resolution No. HA-1906).

On May 10, 2023, the California Debt Limit Allocation Committee (CDLAC) approved a \$31,500,000 tax-exempt bonds allocation, and the California Tax Credit Allocation Committee (CTCAC) approved a 4 percent tax credits allocation.

The Development

The Iris at San Ysidro is a proposed 100-unit, new construction, affordable, transit-oriented, family development with a permanent supportive housing component. Once completed, it will consist of 42 one-bedroom, 32 two-bedroom and 26 three-bedroom apartments, including one unrestricted manager's unit. The Housing Commission has awarded the developer, National Community Renaissance of California (National CORE) 25 Project-Based Housing Vouchers (PBV) for families with income at or below 30 percent of San Diego's Area Median Income (AMI, currently \$41,350 per year for a four-person household). These tenants will be selected from the Housing Commission's PBV waiting list and will receive supportive services from Hope through Housing Foundation, Casa Familiar and San Ysidro Health. Pursuant to restrictions from a County of San Diego "No Place Like Home" (NPLH) third-party loan, 15 of the one-bedroom units at Iris at San Ysidro will be set aside as permanent supportive housing for adults experiencing chronic homelessness, at risk of chronic homelessness, or at risk of homelessness with a serious mental illness, with income up to 25 percent of AMI, currently \$27,550 per year for a two-person household. The Department of Housing and Community Development (HCD) has awarded a (Capitalized Operating Subsidy Reserve) COSR for these units.

The building will employ type V-A wood frame construction over four stories. The single structure will be built on grade and feature 104 surface parking spaces.

The development will be at 1663 Dairy Mart Road in the San Ysidro Community Plan Area and within a half mile of the Iris Trolley Station (see Attachment 1 Site Map) – qualifying the site as part of the City's Transit Priority Area. The development is designed to function as a pedestrian-friendly housing option ideal for working people and households interested in using public transportation and related sustainable alternatives as part of their transportation plan. Developers are incorporating several features designed to help connect residents to public transportation, such as bike racks or lockers. Residents will be provided access to electric vehicle charging station spaces, bike racks and bike lockers at both the development site and the nearby trolley station. In addition to the trolley, the site is served by a Metropolitan Transit System bus line and features easy connections to nearby health and wellness facilities, senior centers and neighborhood eateries.

The Property

National CORE holds a purchase option for the development site at 1663 Dairy Mart Road in San Ysidro (Attachment 1 - Site Map). The 1.66-acre, triangular lot is currently improved with two single-family homes and a large storage building. The development plan calls for all existing structures to be razed and all current residents to be relocated, subject to a relocation plan conforming to the relevant CDLAC and State regulations. On June 30, 2023, the developer received its Final Relocation Plan from Overland, Pacific & Cutler, LLC. This plan provides relocation assistance services to the tenant households.

Services

Iris at San Ysidro residents will have access to a range of dedicated permanent supportive housing and general community services. Residents referred as part of the County of San Diego's NPLH program will be directed to mental and health services provided by the County of San Diego Behavior Health

Services. Depending on client need, these services could include case management, crisis counseling, ongoing mental health care peer support, links to other mental or dental care, enrollment in Medi-Cal or other public assistance, and training workshops teaching cooking, unit maintenance, money management and other life skills.

All residents will have access to a range of organized community activities, including social events and celebrations, health and wellness classes, and financial education. In partnership with the Hope Through Housing Foundation (HTHF), a National CORE-affiliated nonprofit, Casa Familiar will provide on-site, drop-in free social services to assist residents with income taxes, translations/interpretations, immigration/naturalization forms, assistance with medical, social security and SSI applications and renewals, and other financial opportunities services and social service referrals.

Additionally, as agreed within the partnership Memorandum of Understanding (MOU), San Ysidro Health (SYH) will provide outreach and engagement within at Iris at San Ysidro to provide options for residents age 55 and older for the San Diego Program of All-Inclusive Care for the Elderly (PACE). Once enrolled, each eligible resident will be provided supportive and case management services to assist in maintaining housing stability and overall wellness. The services may be offered and delivered to residents on-site at the development or at the nearby south county PACE Services location. SYH will also offer a variety of free programs to educate residents on how to manage their conditions, improve their health, and stay healthy.

Developer's Request

In response to the Housing Commission's Fiscal Year (FY) 2020 Notice of Funding Availability (NOFA), Iris at San Ysidro, LP and National CORE submitted an application for a loan and federal PBVs for the Iris at San Ysidro development. On March 11, 2020, Housing Commission staff provided a preliminary recommendation of award of a residual receipts loan of up to \$2,300,000 subject to Housing Commission Board approval and 25 PBVs for the 100-unit development.

On June 11, 2021, the Housing Commission Board (Report No. HCR21-069) approved a Housing Commission residual receipts loan of up to \$2,300,000 to finance the acquisition and new construction of Iris at San Ysidro Apartments.

The nonprofit developer, National CORE, proposes to construct 100 new apartment units, with financing that would include the previously approved Housing Commission loan, a CDLAC bond allocation and 4 percent tax credits allocation from CTCAC, an NPLH loan from the County of San Diego, a City of San Diego Economic Development Department (EDD) loan and other necessary third-party financing as described in this report.

Prevailing Wages

Iris at San Ysidro's proposed use of 25 U.S. Department of Housing and Urban Development Project-Based Housing Vouchers, administered by the Housing Commission, will require the project to pay Federal prevailing wages.

Appraisal

An appraisal of the subject site with an effective date of October 20, 2021, valued the property at \$6,000,000. The developer obtained the appraisal, conducted by Kinetic Valuation Group.

Relocation

The developer plans to demolish three existing buildings, consisting of a storage building and two residential buildings, which occupies a total of 9 residents . In accordance with state and federal relocation regulations, the developer will provide relocation assistance to all nine residents. The developer has obtained a Relocation Plan to provide relocation assistance services to the current tenants of Iris at San Ysidro. The Relocation Plan was prepared by Overland, Pacific & Cutler, LLC.

Accessibility

CTCAC requires wheelchair accessibility in 10 percent of the units, and 4 percent of the units accessible to residents with visual and/or hearing impairment. The same units can satisfy both of these accessibility requirements. If HOME Investment Partnerships Program funds are used to fund the development, 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.

Project Sustainability

Iris at San Ysidro will be constructed in conformance with CTCAC’s minimum energy efficiency standards. National CORE will achieve a minimum LEED Silver or equivalent certification. Planned green features include energy-efficient appliances and water-saving volatile organic compound (VOC) paints. Landscape architecture will be designed using drought-tolerant and native plants.

Development Team

The developer is National CORE. The proposed borrower will be Iris at San Ysidro L.P., which will have National CORE as its General Partner and Wells Fargo Community Lending & Investing as its tax credit investor limited partner (Attachment 2 – Organization Chart). National CORE is an award-winning nonprofit corporation headquartered in Rancho Cucamonga, California. It was established in 1992. National CORE has more than 10,000 rental units under ownership in four states, including 6,700 rental units in Southern California. It is a vertically integrated company with in-house construction and property management. National CORE has acted as the developer on previous affordable housing developments that utilized Housing Commission loans. National CORE is in full compliance on its previous Housing Commission 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 Iris at San Ysidro development.

The proposed borrower will be Iris at San Ysidro L.P., which will include NCRC ISY GP LLC as its Managing General Partner, and Wells Fargo Community Lending & Investing as the tax credit investor limited partner (Attachment 2 – Organization Chart).

Table 2 Development Team Summary

ROLE	FIRM/CONTACT
Developer	National Community Renaissance of California (National CORE)
Owner/Borrower	Iris at San Ysidro, LP
Managing General Partner	NCRC ISY GP LLC
Tax Credit Investor Limited Partner	Wells Fargo Community Lending & Investing

Architect	Studio E Architects
General Contractor	National CORE
Property Management	National CORE
Construction and Permanent Lender	Wells Fargo Community Lending & Investing
Tenant Services Providers	Hope Through Housing First (All residents) Casa Familiar (All Residents) County of San Diego Behavior Health Services (NPLH)

FINANCING STRUCTURE

Iris at San Ysidro has an estimated total development cost of \$66,290,153 (\$662,902 per unit). Financing will include a combination of sources as described in Table 3. The developer’s pro forma is included as Attachment 3 and summarized below.

Table 3 – Iris at San Ysidro Estimated Permanent Sources and Uses

Permanent Financing Sources	Amounts	Permanent Financing Uses	Amounts	Per Unit
Bond Financed Perm Loan	\$9,323,557	Acquisition Costs / Closing	\$6,968,377	\$69,684
City of San Diego EDD	5,000,000	Architecture/ Fees & Permits	1,495,000	14,950
SDHC Loan	2,300,000	Hard Costs	40,185,205	401,852
County of SD IHTF	5,000,000	Indirect Construction/ Legal	2,930,199	29,302
County of SD COSR	2,211,075	Developer’s Fee	6,800,000	68,000
RTCIP/DIF Fee Waiver	431,100	Rent-Up Costs/ Reserves/ COSR	2,900,915	29,009
4 percent (CTCAC) tax credit equity	33,264,788	Financing Costs	5,010,457	50,105
NPLH Funds	3,290,265			
Deferred developer fee	5,469,368			
Total Development Cost	\$66,290,153	Total Development Cost (TDC)	\$66,290,153	\$662,902

Iris at San Ysidro’s \$662,902 development cost per unit is due to various factors, such as:

- The use of 25 U.S. Department of Housing and Urban Development PBVs. The utilization of these vouchers requires the project to pay federal prevailing wages, which adds approximately 20% or \$5.2 million to the property’s construction costs.
- Construction costs inflation has significantly increased (approximately 15%) in the past two years due to market conditions that have increased the demand for construction materials at the national level, resulting in significant price increases.
- Escalation of interest rates (approximately 4 percent in past 10 months). In early 2022, interest rates were in the 3-4 percent range, and, most recently, they are now averaging between 6 and 7 percent.
- Necessary increase in the contingency budget to compensate for increasing interest and construction costs.
- Volatility in the insurance market has increased the insurance costs.

The Housing Commission’s \$2,300,000 residual receipts loan will be funded with \$2,300,000 from the City of San Diego’s Inclusionary Fund, which the Housing Commission administers. The final determination of Housing Commission funding sources will be made by the Housing Commission’s President and CEO, or designee, contingent upon budget availability.

The Housing Commission requires affordable housing developers to pursue all viable sources of funding to reduce the financing gap and amount of Housing Commission subsidy required. If other funding is secured, proceeds will first be used to make an adjustment to reduce the Housing Commission’s loan.

Developer’s Fee

\$6,800,000	Gross Developer’s Fee
- 5,469,368	(minus) Contributed GP Equity
\$1,330,632	Net Cash paid from Development Sources

On April 25, 2017, the Housing Authority approved the “Request for Approval of Updated Developer Fees” (Report No. HAR17-011; 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% eligible basis....” The proposed developer fee, complies with the HAR17-011 “Request for Approval of Updated Developer Fees” guidelines approved by the Housing Authority on April 25, 2017.

Development Cost Key Performance Indicators

Housing Commission staff has identified development cost performance indicators that were used to evaluate the proposed development and make a funding recommendation. The key performance indicators listed in Table 4 are commonly used by industry professionals and affordable housing developers.

Table 4 - Key Performance Indicators

Development Cost Per Unit	$\$66,290,153 \div 100 \text{ units}$ =	\$662,902
Housing Commission Subsidy Per Unit	$\$2,300,000 \div 100 \text{ units}$ =	\$23,000
Land Cost Per Unit	$\$6,968,377 \div 100 \text{ units}$ =	\$69,684
Gross Building Square Foot Hard Cost	$\$40,185,205 \div 115,424$ sq. ft. =	\$348
Net Rentable Square Foot Hard Cost	$\$40,185,205 \div 80,813$ sq. ft. =	\$497

Project Comparison Chart

Multiple factors and variables influence the cost of developing multifamily affordable housing, including but not limited to project location, site conditions, environmental factors, land use approval process, community involvement, construction type, design requirements/constraints, economies of scale, City fees, developer experience and capacity, and the mission and goals of the organization developing the project. Similar construction-type developments (completed or approved) over recent years are listed in Table 5.

These developments are similar in terms of new construction and target population are provided as a comparison to the subject development.

Table 5 - Comparable Development Projects

New Construction Project Name	Year	Units	Total Development Cost	Cost Per Unit	HC Subsidy Per Unit	Gross Hard Cost Per Sq. Ft.
Proposed Subject – Iris at San Ysidro	2023	100	\$66,209,153 (w/ prev. wage)	\$662,902	\$23,000	\$348
Modica	2023	94	\$58,165,819 (w/out prev. wage)	\$618,785	\$31,915	\$378
Serenade on 43rd	2023	65	\$33,784,749 (w prev. wage)	\$519,765	\$30,769	\$330
Ventana al Sur	2021	101	\$57,337,762 (w/ prev. wage)	\$567,701	\$43,564	\$512

TAX EXEMPT AND TAXABLE MULTIFAMILY HOUSING REVENUE BONDS

Proposed Housing Bonds 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 is limited under the U.S. Internal Revenue Code. To issue bonds for a development, the Housing Authority must first submit an application to CDLAC for a bond allocation.

On June 10, 2022, prior to submitting applications to CDLAC, the proposed development was presented to the Housing Commission. A bond inducement resolution was obtained prior to the application submittal to CDLAC.

On February 7, 2023, an application was submitted to CDLAC for a bond allocation of up to \$35,000,000. On May 10, 2023, CDLAC approved a \$31,500,000 bond allocation, and CTCAC approved an allocation of 4 percent tax credits. The developer proposes that the bonds be issued through a tax-exempt private placement bond issuance. The bonds 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 financing amount that will ultimately be set based upon development costs, revenues and interest rates prevailing at the time of the bonds issuance. The financing proceeds will be used for both construction financing and permanent financing. Attachment 4 provides 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.

Public Disclosure and Bond Authorization

The tax-exempt debt, in the form of the bonds/note (Bonds), will be sold through a private placement purchased directly by Wells Fargo Community Lending & Investing (Wells Fargo). Wells Fargo is a “qualified institutional buyer” within the meaning of the U.S. securities laws.

Under the private placement structure for this transaction, Wells Fargo will make a tax-exempt loan and a taxable loan to the Housing Authority pursuant to the terms of a Funding Loan Agreement among Wells Fargo, the Housing Authority, and US Bank as Fiscal Agent (such loans, the Funding Loan). The

Funding Loan will be evidenced by a tax-exempt series of Bonds and taxable series of Bonds, which will obligate the Housing Authority to pay Wells Fargo 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 US Bank amounts sufficient for US Bank to make payments on the Bonds. The Housing Authority's obligation to make payments on the Bonds is limited to the amounts US Bank receives from the Borrower under the Borrower Loan Agreement, and no other funds of the Housing Authority are pledged to make payments on the Bonds.

Pursuant to a forward purchase agreement, to be executed at closing among the Borrower, Wells Fargo and Freddie Mac (Permanent Lender), Wells Fargo will transfer the Bonds to the Permanent Lender at conversion to permanent financing.

The transfer of the Bonds to any subsequent purchaser, including to the Permanent Lender, will comply with Housing Commission's "Bond Issuance and Post-Issuance Compliance Policy" (policy number PO300.301). Moreover, any subsequent Bond holder will be required to represent to the Housing Authority that it is a qualified institutional buyer or institutional accredited investor, who is buying such Bonds for investment purposes and not for resale, and it has made do investigation of any material information necessary in connection with the purchase of the Bonds.

The following documents will be executed on behalf of the Housing Authority with respect to the Bonds: Funding Loan Agreement, the Borrower Loan Agreement, the Regulatory Agreement, and certain other ancillary loan documents (including, but not limited to, an assignment of deed of trust and loan documents (Assignment) and allonges relating to the promissory notes that evidence the loan of Bond proceeds to the Borrower). 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 Bond Counsel.

The Bonds will be issued pursuant to the Funding Loan Agreement. Based upon instructions contained in the Funding Loan Agreement and the Borrower Loan Agreement, Wells Fargo will disburse Bond 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 the repayment and the security for the loan made by the Housing Authority to the Borrower (Borrower Loan), and the Housing Authority assigns its rights to receive repayments under the Borrower Loan Agreement to US Bank for the benefit of Wells Fargo. The Regulatory Agreement will also ensure that the project complies with all applicable federal and state laws. The Assignment, which assigns certain of the Housing Authority's rights and responsibilities relating to the Borrower Loan to US Bank for the benefit of Wells Fargo, is signed by the Housing Authority. Rights and responsibilities that are assigned include the right to collect and enforce the collection of loan payments, monitor project construction and related budgets, and enforce insurance and other requirements. These rights will be used by US Bank and Wells Fargo to protect the financial interests of Wells Fargo as the holder of the Bonds.

Financial Advisor's Recommendation

Jones Hall is the Bond counsel and CSG Advisors is the Bond financial advisor to work on the tax-exempt bond issuance. 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 bond issuance. The financial advisor's analysis and recommendation are at Attachment 5.

Exception to Housing Commission Bond Policy PO 300.301

Section 1.9 of Housing Commission Bond Policy PO300.301 authorizes the Housing Commission's President and CEO, as the Executive Director of the Housing Authority, to grant exceptions to this section of the policy on a case-by-case basis. Section 1.9 of the policy states:

Due to IRS limitations on bond issuances where the bond purchaser and the tax credit investor are the same entities, the Housing Authority shall not allow bond issuances where the tax credit investor is also the bond purchaser. Exceptions may be granted on a case-by-case basis, in the sole reasonable discretion of the Housing Authority's Executive Director.

The borrower has requested an exception to Section 1.9 of the Bond Policy that would allow for the bond purchaser and tax credit investor to be related entities. In the case of Iris at San Ysidro, Wells Fargo is the proposed construction and permanent purchaser as well as tax credit investor. Wells Fargo has indicated that the equity pricing will decrease if Wells Fargo is not both construction bond purchaser and equity investor. With the rising costs to utilize most funding sources, this additional equity will allow the project to confidently move forward. As a result, to assist with the project's financial feasibility, the exception to Section 1.9 of the Housing Commission Bond Policy was granted.

AFFORDABLE HOUSING IMPACT

Project-Based Vouchers (PBV)

The Housing Commission has provided an award of 25 PBVs for the Iris at San Ysidro Apartments, which are for families with low income earning up to 30 percent of AMI. The recommendation for these vouchers is contingent upon additional items including, but not limited to completion of a subsidy layering review, execution of an Agreement to Enter into Housing Assistance Payment and verification of services. Under the PBV program, Work-Able families pay either the minimum monthly rent payment amount or a predetermined amount of rent that is based on the family's annual income, whichever is greater. There is no minimum monthly rent payment amount for Elderly/Disabled families, which currently are households in which all adult family members are 55 or older, disabled, or a full-time student ages 18 to 23. Effective July 1, 2024, minimum age for Elderly/Disabled households will be 62, except for those with disabilities or full-time students ages 18 to 23. The Housing Assistance Payment provides a rental subsidy for residents in the Iris at San Ysidro Apartments' 25 voucher-assisted units. The PBV units are a mix of two- and three-bedroom units. The tenants will be selected from the Housing Commission's PBV Wait List. Although the vouchers are not considered permanent supportive housing, services will be available from Hope Through Housing Foundation, San Ysidro Health and Casa Familiar.

Affordability

The Iris at San Ysidro development will be subject to applicable tax credit and Bond regulatory agreements, which will restrict affordability of 99 of the 100 units for 55 years. The rent and occupancy restrictions required by CTCAC will be applicable.

Table 6 – Affordability and Monthly Estimated Rent Table

Unit Type	AMI	Units	CTCAC Gross Rents
One bedroom (County NPLH Units)	25% (Currently \$27,550 /year for a two-person household)	15	\$689
One bedroom	30% (Currently \$33,100/ year for a two-person household)	5	\$775
One bedroom	50% (Currently \$55,150/ year for a two-person household)	14	\$1,292
One bedroom	60% (Currently \$66,180/ year for a two-person household)	8	\$1,551
Subtotal One Bedroom Units	--	42	--
Two bedrooms (13 Non-PSH S8)	30% (Currently \$37,250/ year for a three-person household)	13	\$930
Two bedrooms	50% (Currently \$62,050/ year for a three-person household)	12	\$1,551
Two bedrooms	60% (Currently \$74,460/ year for a three-person household)	7	\$1,861
Subtotal Two Bedroom Units	--	32	--
Three bedrooms (12 Non-PSH S8)	30% (Currently \$41,350/ year for a four-person household)	12	\$1,075
Three bedrooms	50% (Currently \$68,900/ year for a four-person household)	8	\$1,791
Three bedrooms	60% (Currently \$82,680/ year for a four-person household)	65	\$2,150
Subtotal Three Bedroom Units	--	25	--
Manager’s three bedrooms unit	--	1	
Total Units	--	100	--

FISCAL CONSIDERATIONS

The proposed funding sources and uses approved by this action are included in the Housing Authority-approved Fiscal Year (FY) 2024 Housing Commission Budget.

Funding sources approved by this action will be as follows:

Bond Issuer Fee: (\$31,500,000 (Tax-exempt bonds) + \$9,000,000 (Taxable bonds) X 0.0025 = \$101,250
 Total Funding Sources – up to \$101,250

Funding uses approved by this action:

Administrative costs - \$101,250
 Total Funding Uses - up to \$101,250

The related-party arrangement prevents the loan of Bond proceeds from being treated as a “Program Investment,” and therefore, that issuer fees paid by the borrower (and not otherwise attributable to “qualified administrative costs”) are limited to amounts payable within a “spread” between the bond and loan yields of 0.125% (as compared to 1.5% for Program Investments). The Housing Commission intends to collect, as issuer fee, the maximum fee payable pursuant to the 0.125% yield spread limitation. Furthermore, in order to realize as much as possible of the amounts the Housing

Commission would have received if the bond purchaser and equity investor were not related, the Housing Commission will recover from the borrower the actual qualified administrative costs of the Governmental Lender (which costs are excluded from the 0.125% yield spread calculation, pursuant to Section 1.148-5(e)(3)(ii) of the Treasury Regulations).

The Bonds will not constitute a debt of the City of San Diego. If the Bonds are ultimately issued for the project, the Bonds will not financially obligate the City, the Housing Authority, nor the Housing Commission because security for the repayment of the Bonds will be limited to specific project-related 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 Bonds. The developer is responsible for the payment of all costs under the financing, including the Housing Commission’s issuer fee, annual Bond administration fee, as well as the Housing Commission’s Bond counsel fee and financial advisor’s fee.

Development Schedule

The estimated development timeline is as follows:

Milestones	Estimated Dates
<ul style="list-style-type: none"> • Housing Authority consideration of Bond authorization • City Council consideration of TEFRA resolution • Estimated Bond issuance and escrow/loan closing • Estimated start of construction work • Estimated completion of construction work 	<ul style="list-style-type: none"> • October 10, 2023 • October 10, 2023 • October 2023 • November 2023 • July 2025

EQUAL OPPORTUNITY CONTRACTING AND EQUITY ASSURANCE

National Community Renaissance of California (National CORE) is committed to equity and inclusion as both an employer and a service provider. The Housing Commission included a requirement in the NOFA for prospective applicants to include a narrative and specific example of activities and initiatives that support equity assurance. National CORE demonstrates a commitment to advancing racial equity and inclusion (REI) through project design and operational policies, throughout the proposed project timeline.

HOUSING COMMISSION STRATEGIC PLAN

This item relates to Strategic Priority Area No. 1 in the Housing Commission Strategic Plan for Fiscal Year (FY) 2022-2024: Increasing and Preserving Housing Solutions.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

On August 19, 2019, National CORE presented the proposed development as an action item to the San Ysidro Community Planning Group. The community-planning group voted 6-3-1 to approve the motion supporting the project.

KEY STAKEHOLDERS and PROJECTED IMPACTS

Stakeholders include National CORE as the developer, Hope through Housing, Casa Familiar and San Ysidro as service providers, the County of San Diego and City of San Diego as funders and partner for the supportive housing and services, the Housing Commission as a lender, and the San Ysidro Community Planning Group. 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 99 new, affordable, transit-oriented rental homes for working San Diego families.

STATEMENT for PUBLIC DISCLOSURE

The developer's Disclosure Statement is at Attachment 6.

ENVIRONMENTAL REVIEW

CEQA

This activity has been reviewed for consistency with the Final Program Environmental Impact Report (PEIR) for the San Ysidro Community Plan Update (Project No. 310690/SCH No. 2015111012) which was certified by the San Diego City Council on November 28, 2016 (Resolution R-310803). This activity is a subsequent discretionary action within the scope of the development program evaluated in the Final PEIR and is not considered to be a separate project for the purposes of CEQA review pursuant to CEQA Guidelines Sections 15378(c) and 15060(c)(3). Pursuant to Public Resources Code Section 21166 and CEQA Guidelines Section 15162 there is no change in circumstance, additional information, or project changes to warrant additional environmental review for this action.

NEPA

Federal funds constitute a portion of this project's funding. The project received approval of a National Environmental Policy Act (NEPA) Environmental Assessment from the City of San Diego on May 6, 2020 and Authorities to Use Grant Funds from the US Department of Housing and Urban Development (HUD) on June 15, 2020 and July 8, 2020.

Respectfully submitted,

Jennifer Kreutter

Jennifer Kreutter
Vice President, Multifamily Housing Finance
Real Estate Division

Approved by,

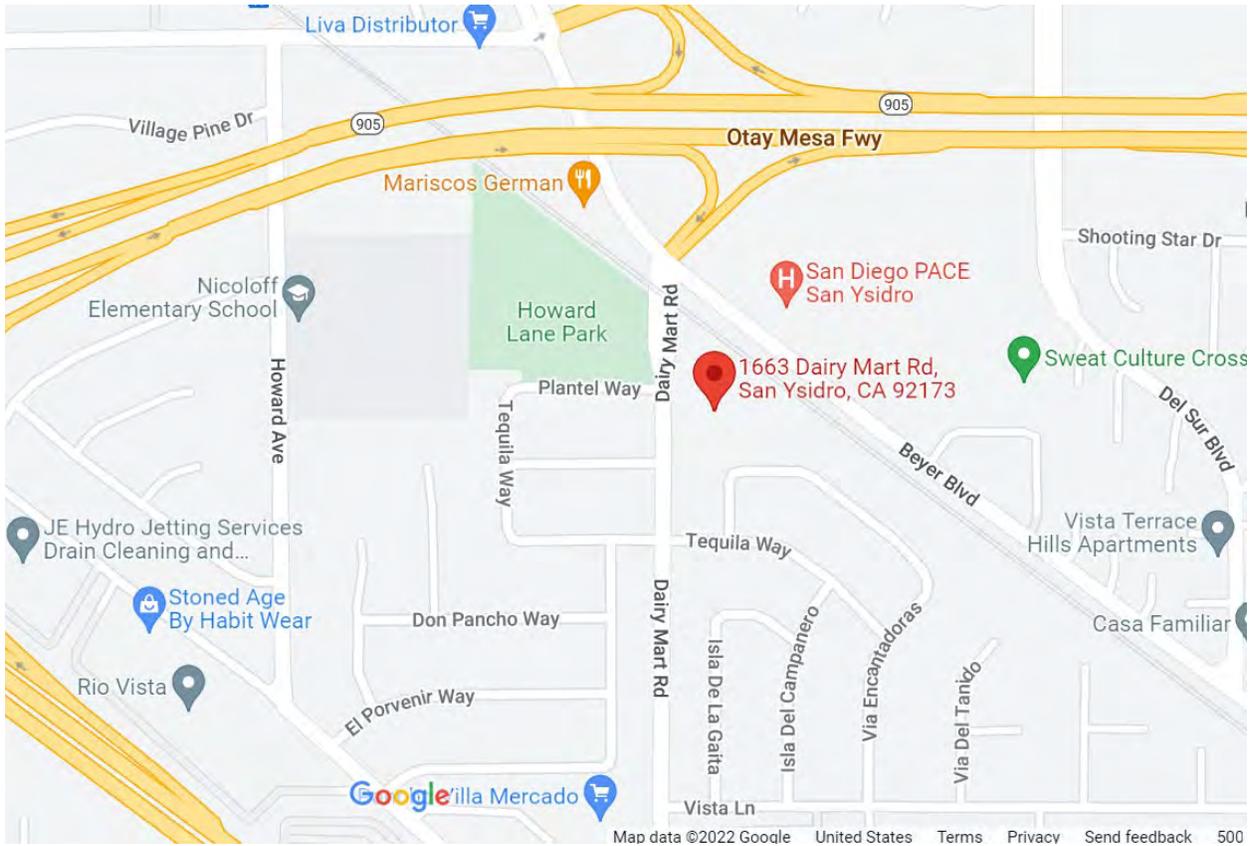
Jeff Davis

Jeff Davis
Interim President & Chief Executive Officer
San Diego Housing Commission

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

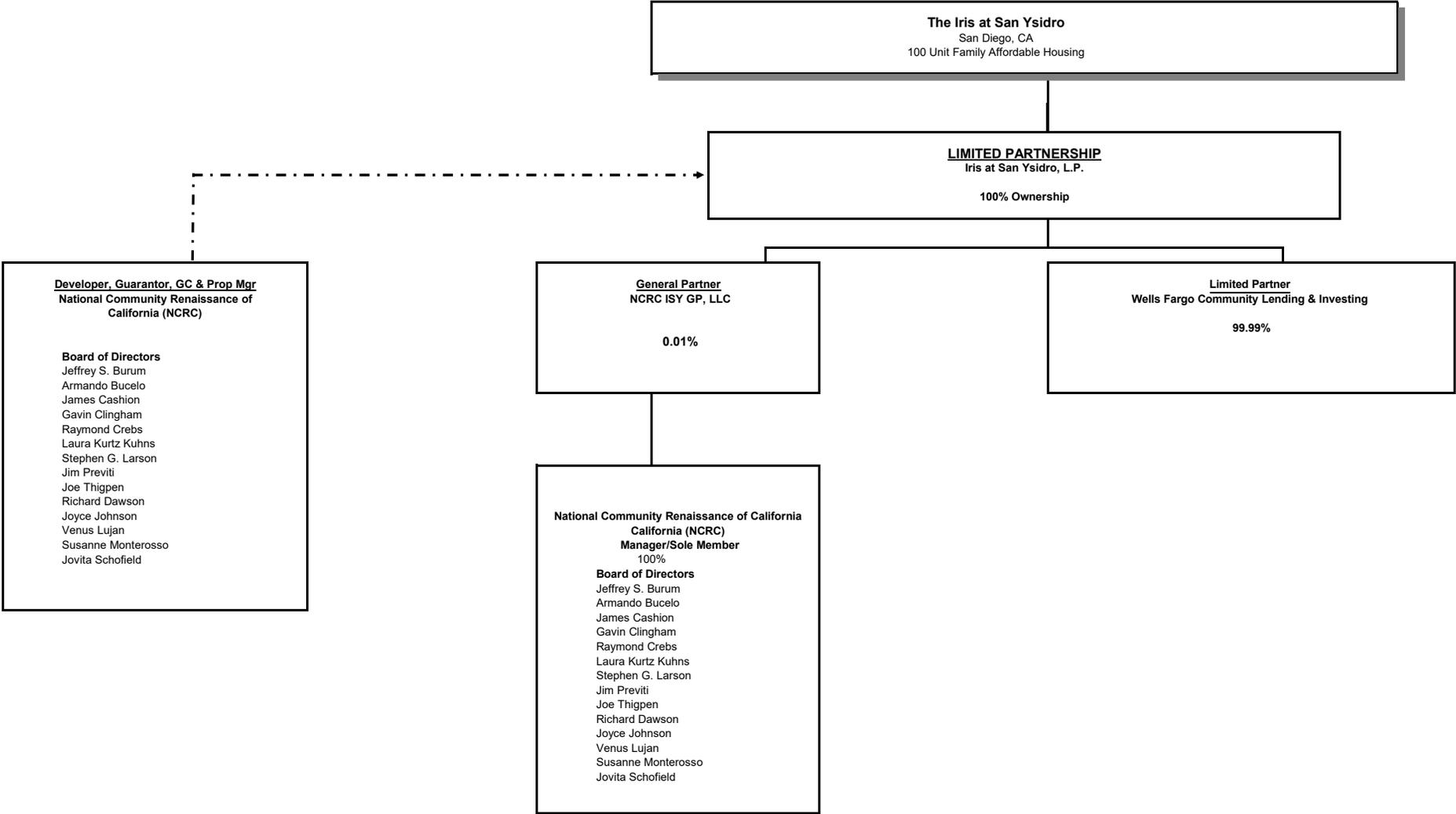
Hard copies are available for review during business hours at the information desk in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101. Docket materials are also available in the "Governance & Legislative Affairs" section of the San Diego Housing Commission website at www.sdhc.org.

Iris at San Ysidro
Attachment 1 – Site Map



Iris at San Ysidro Attachment 2 - Org Chart

Project Ownership And Identity of Interest Disclosure



SOURCES AND USES

Attachment 3 - Developer's Proforma

Project Name: Iris at San Ysidro - 100
Project Financing: 4% Tax Credit/Large Family
Developer: National CORE
Number of Dwelling Units: 100
Gross Building Area: 112,703

SOURCES: CONSTRUCTION

Construction Loan (Tax-Exempt)	\$ 31,500,000
Construction Loan (Taxable)	\$ 7,900,000
SDHC	\$ 2,070,000
City of San Diego EDD	\$ 4,500,000
RTCIP/DIF Fee Waivers	\$ 431,100
Tax Credit Equity	\$ 3,326,479
County of SD IHTF	\$ 4,500,000
NPLH Funds	\$ 2,961,239
Deferred Costs/ Reserves	\$ 9,101,335
Total	\$ 66,290,153

SOURCES: PERMANENT

Permanent Loan	\$ 9,323,557
City of San Diego EDD	\$ 5,000,000
SDHC	\$ 2,300,000
County of SD IHTF	\$ 5,000,000
County of SD COSR	\$ 2,211,075
RTCIP/DIF Fee Waivers	\$ 431,100
Tax Credit Equity	\$ 33,264,788
NPLH Funds	\$ 3,290,265
Deferred/Contributed Developer Fee	\$ 5,469,368
Total	\$ 66,290,153

USES: CONSTRUCTION

Acquisition Costs/Closing	\$ 6,968,377	\$ 69,684
Architecture/Fees & Permits	\$ 1,495,000	\$ 14,950
Construction Cost	\$ 40,185,205	\$ 401,852
Indirect Construction/Legal	\$ 2,930,199	\$ 29,302
Developer's Fee	\$ 6,800,000	\$ 68,000
Rent-Up Costs/Reserves	\$ 2,900,915	\$ 29,009
Financing Costs	\$ 5,010,457	\$ 50,105

Total	\$ 66,290,153	\$ 662,902
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USES: PERMANENT

Acquisition Costs/Closing	\$ 6,968,377	\$ 69,684
Architecture/Fees & Permits	\$ 1,495,000	\$ 14,950
Construction Cost	\$ 40,185,205	\$ 401,852
Indirect Construction/Legal	\$ 2,930,199	\$ 29,302
Developer's Fee	\$ 6,800,000	\$ 68,000
Rent-Up Costs/Reserves/COSR	\$ 2,900,915	\$ 29,009
Financing Costs	\$ 5,010,457	\$ 50,105

Total	\$ 66,290,153	\$ 662,902
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RENT SCHEDULE - CTCAC

Attachment 3 - Developer's Proforma

Project Name: Iris at San Ysidro - 100
Project Financing: 4% Tax Credit/Large Family
County: San Diego
Developer: National CORE
of Dwelling Units: 100
Gross Building Area: 112,703

Unit Type	AMI	Number of Units	Square Footage	2023 TCAC Rents	2023 CRL Rents (1)	Monthly Utility Allow.	Monthly Net Rent	Total Annual CTCAC Rents	Total # of Bedrooms
1BR-PSH	25%	15	576	\$ 646	\$ 700	\$ 98	\$ 169	\$ 30,420	15
1BR	30%	5	576	\$ 775	\$ 700	\$ 98	\$ 602	\$ 36,120	5
1BR	50%	14	576	\$ 1,292	\$ 1,401	\$ 98	\$ 1,194	\$ 200,592	14
1BR	60%	8	576	\$ 1,551	\$ 1,401	\$ 98	\$ 1,303	\$ 125,088	8
Subtotal:		42						\$ 392,220	42
2BR	30%	13	862	\$ 930	\$ 788	\$ 131	\$ 657	\$ 102,492	26
2BR	50%	12	862	\$ 1,551	\$ 1,576	\$ 131	\$ 1,420	\$ 204,480	24
2BR	60%	7	862	\$ 1,861	\$ 1,576	\$ 131	\$ 1,445	\$ 121,380	14
Subtotal:		32						\$ 428,352	64
3BR	30%	12	1,153	\$ 1,075	\$ 876	\$ 168	\$ 708	\$ 101,952	36
3BR	50%	8	1,153	\$ 1,791	\$ 1,752	\$ 168	\$ 1,584	\$ 152,064	24
3BR	60%	5	1,153	\$ 2,150	\$ 1,752	\$ 168	\$ 1,584	\$ 95,040	15
Subtotal:		25						\$ 349,056	75
Subtotal:		0						\$ -	0
3BR	Exempt-Mgr	1	1,153	\$ -	\$ -	\$ -	\$ -	\$ -	3
Subtotal:		1						\$ -	0
CTCAC RENT Total:		100						1,169,628	181

(1) Project funding requires CRL Rents: Extremely Low (30% AMI) and Low (up to 60% AMI)

Rents

Attachment 3 - Developer's Proforma

Project Name: Iris at San Ysidro - 100
Project Financing: 4% Tax Credit/Large Family
Developer: National CORE
Number of Dwelling Units: 100
Gross Building Area: 112,703

Unit Type	AMI	Number of Units	Per Unit Monthly Net Rent	Per Unit Net S8 Rent	Per Unit Monthly S8 Premium	Total Monthly S8 Premium	Total Annual S8 Premium
1BR (PSH S8)	30%	0	\$ 602	\$ 1,292	\$ 690	\$ -	\$ -
	Subtotal:	0			\$ 1,312	\$ -	\$ -
2BR (Non-PSH S8) 2BR (S8)	30%	13	\$ 657	\$ 1,667	\$ 1,010	\$ 13,130	\$ 157,560
	Subtotal:	13			\$ 2,562	\$ 13,130	\$ 157,560
3BR (Non-PSH S8) 3BR (S8)	30%	12	\$ 708	\$ 2,362	\$ 1,654	\$ 19,848	\$ 238,176
	Subtotal:	12			\$ 6,910	\$ 19,848	\$ 238,176
3BR MGR	Exempt-Mgr						
	Subtotal:	0					
Total:		25			\$ 10,784	\$ 32,978	\$ 395,736

Total Gross Revenue S8 Overhang	\$10,784	\$32,978	\$395,736
Total TCAC Gross Revenue			\$1,169,628
Total Gross Revenue (TC and S8 Overhang)			\$1,565,364

OPERATING EXPENSES Attachment 3 - Developer's Proforma

Project Name:

Project Name: Iris at San Ysidro - 100

Developer: National CORE

Number of Dwelling Units: 100

Gross Building Area: 112,703

Description	Annual	Monthly	Per Unit	Unit/Month
1. Management				
Management Fee	\$ 84,000	\$ 7,000.00	\$ 840.00	\$ 70.00
Management Total:	\$ 84,000	\$ 7,000.00	\$ 840.00	\$ 70.00
2. Administration				
Marketing/Credit Checks	\$ 3,000	\$ 250.00	\$ 30.00	\$ 2.50
Audit / File Mgmt (Compliance)	\$ 18,000	\$ 1,500.00	\$ 180.00	\$ 15.00
Legal	\$ 5,000	\$ 416.67	\$ 50.00	\$ 4.17
Security	\$ 50,000	\$ 4,166.67	\$ 500.00	\$ 41.67
Office Expenses/ MISC	\$ 36,000	\$ 3,000.00	\$ 360.00	\$ 30.00
Administration Total:	\$ 112,000	\$ 9,333.33	\$ 1,120.00	\$ 93.33
3. Salaries and Benefits				
Manager/Asst. Manager	\$ 75,000	\$ 6,250.00	\$ 750.00	\$ 62.50
Main Personnel	\$ 60,000	\$ 5,000.00	\$ 600.00	\$ 50.00
Payroll Txs, Ins & Wkr. Comp.	\$ 47,250	\$ 3,937.50	\$ 472.50	\$ 39.38
Salaries and Benefits Total:	\$ 182,250	\$ 15,187.50	\$ 1,822.50	\$ 151.88
4. Maintenance				
General Maintenance/ Janitorial	\$ 8,010	\$ 667.50	\$ 80.10	\$ 6.68
Repairs Contract	\$ 15,000	\$ 1,250.00	\$ 150.00	\$ 12.50
Exterminating	\$ 5,000	\$ 416.67	\$ 50.00	\$ 4.17
Fire Protection/ Security System	\$ 18,000	\$ 1,500.00	\$ 180.00	\$ 15.00
Elevator	\$ 18,000	\$ 1,500.00	\$ 180.00	\$ 15.00
Grounds Contract	\$ 25,000	\$ 2,083.33	\$ 250.00	\$ 20.83
Maintenance Total:	\$ 89,010	\$ 7,417.50	\$ 890.10	\$ 74.18
5. Utilities Not Paid by Tenants				
Electricity and Gas	\$ 35,000	\$ 2,916.67	\$ 350.00	\$ 29.17
Water/Sewer	\$ 75,000	\$ 6,250.00	\$ 750.00	\$ 62.50
Trash Removal	\$ 25,000	\$ 2,083.33	\$ 250.00	\$ 20.83
Utilities Total:	\$ 135,000	\$ 11,250.00	\$ 1,350.00	\$ 112.50
6. Insurance				
Property & Liability Insurance	\$ 63,300	\$ 5,275.00	\$ 633.00	\$ 52.75
Insurance Total:	\$ 63,300	\$ 5,275.00	\$ 633.00	\$ 52.75
7. Tax and Reserves				
Real Estate Taxes	\$ 2,000	\$ 166.67	\$ 20.00	\$ 1.67
Replacement Reserves	\$ 50,000	\$ 4,166.67	\$ 500.00	\$ 41.67
Tax and Reserves Total:	\$ 52,000	\$ 4,333.33	\$ 520.00	\$ 43.33
8. Other				
Licenses/ Permits	\$ 1,000	\$ 83.33	\$ 10.00	\$ 0.83
Social Services	\$ 76,440	\$ 6,370.00	\$ 764.40	\$ 63.70
SDHC/HHSA Monitoring Fees	\$ 23,000	\$ 1,916.67	\$ 230.00	\$ 19.17
Other Total:	\$ 100,440	\$ 8,370.00	\$ 1,004.40	\$ 83.70
Operating Expenses Total:	\$ 818,000	\$ 68,166.67	\$ 8,180.00	\$ 681.67

CASH FLOW ANALYSIS

Project Name: Iris at San Ys
 Project Financing: 4% Tax Credit
 Developer: National COF
 Number of Dwelling Units: 100
 Gross Building Area: 112,703

Attachment 3 - Developer's Proforma

Assumptions

Residential Income Infl. Rate: 2.50%
 Laundry & Misc. Infl. Factor: 2.50%
 Operating Expense Infl. Factor: 3.50%
 Real Estate Infl. Factor: 2.00%
 Vacancy Rate: 5.00%
 Number of Units: 100

	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
Revenue																				
Residential Income - CTCAC	1,916,572	1,964,486	2,013,598	2,063,938	2,115,537	2,168,425	2,222,636	2,278,201	2,335,156	2,393,535	2,453,374	2,514,708	2,577,576	2,642,015	2,708,066	2,775,767	2,845,161	2,916,290	2,989,198	3,063,928
Residential Income - PBV	648,460	664,671	681,288	698,320	715,778	733,672	752,014	770,815	790,085	809,837	830,083	850,835	872,106	893,909	916,256	939,163	962,642	986,708	1,011,376	1,036,660
Laundry & Miscellaneous	19,663	20,155	20,659	21,175	21,705	22,247	22,804	23,374	23,958	24,557	25,171	25,800	26,445	27,106	27,784	28,478	29,190	29,920	30,668	31,435
Gross Income	2,584,695	2,649,312	2,715,545	2,783,433	2,853,019	2,924,345	2,997,453	3,072,390	3,149,199	3,227,929	3,308,628	3,391,343	3,476,127	3,563,030	3,652,106	3,743,408	3,836,994	3,932,918	4,031,241	4,132,022
Vacancy	-129,235	-132,466	-135,777	-139,172	-142,651	-146,217	-149,873	-153,619	-157,460	-161,396	-165,431	-169,567	-173,806	-178,152	-182,605	-187,170	-191,850	-196,646	-201,562	-206,601
Effective Gross Income	2,455,460	2,516,846	2,579,768	2,644,262	2,710,368	2,778,127	2,847,581	2,918,770	2,991,739	3,066,533	3,143,196	3,221,776	3,302,321	3,384,879	3,469,500	3,556,238	3,645,144	3,736,273	3,829,679	3,925,421
Expense																				
Operating Expense	1,372,079	1,420,102	1,469,805	1,521,248	1,574,492	1,629,599	1,686,635	1,745,667	1,806,766	1,870,003	1,935,453	2,003,194	2,073,305	2,145,871	2,220,976	2,298,711	2,379,165	2,462,436	2,548,622	2,637,823
Property Taxes	2,972	3,031	3,092	3,154	3,217	3,281	3,347	3,414	3,482	3,552	3,623	3,695	3,769	3,844	3,921	4,000	4,080	4,161	4,245	4,329
Social Services	138,059	142,201	146,467	150,861	155,387	160,048	164,850	169,795	174,889	180,136	185,540	191,106	196,839	202,745	208,827	215,092	221,544	228,191	235,036	242,088
Replacement Reserve	90,306	93,015	95,805	98,679	101,640	104,689	107,830	111,064	114,396	117,828	121,363	125,004	128,754	132,617	136,595	140,693	144,914	149,261	153,739	158,351
Expense Total	1,603,415	1,658,349	1,715,169	1,773,942	1,834,735	1,897,618	1,962,661	2,029,941	2,099,533	2,171,518	2,245,978	2,322,999	2,402,668	2,485,077	2,570,320	2,658,495	2,749,704	2,844,050	2,941,642	3,042,592
NPLH COSR																				
NOI Before Debt Service	852,044	858,498	864,598	870,319	875,633	880,510	884,919	888,829	892,206	895,014	897,218	898,777	899,653	899,802	899,181	897,743	895,440	892,223	888,038	882,830
Debt Service																				
1st Mortgage Debt Service	637,943	637,943	637,943	637,943	637,943	637,943	637,943	637,943	637,943	637,943	637,943	637,943	637,943	637,943	637,943	637,943	637,943	637,943	637,943	637,943
Bond Monitoring	11,654	11,654	11,654	11,654	11,654	11,654	11,654	11,654	11,654	11,654	11,654	11,654	11,654	11,654	11,654	11,654	11,654	11,654	11,654	11,654
SDHC Payment	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Debt Service Coverage	1.29	1.30	1.31	1.32	1.33	1.33	1.34	1.35	1.35	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.39	1.38	1.38	1.37
CASH AVAILABLE AFTER DEBT SERVICE																				
Available Cash Flow	192,447	198,900	205,001	210,722	216,035	220,912	225,322	229,232	232,608	235,417	237,620	239,180	240,055	240,204	239,583	249,800	247,497	244,280	240,094	234,886
PAYMENTS TO INVESTOR LIMITED PARTNER																				
LP & GP Partnership Asset Management Fees	3.00%	13,151	13,546	13,952	14,371	14,802	15,246	15,703	16,174	16,660	17,159	17,674	18,204	18,751	19,313	19,893	20,489	21,104	21,737	22,389
CASH AVAILABLE FOR DEFERRED DEVELOPER FEE:																				
Available Cash Flow	179,296	185,354	191,048	196,351	201,233	205,666	209,618	213,057	215,949	218,257	219,946	220,975	221,304	220,891	219,690	229,310	226,393	222,543	217,705	211,826
Balance Beginning	1,457,518	1,278,223	1,092,868	901,820	705,469	504,236	298,570	88,951	0	0	0	0	0	0	0	0	0	0	0	0
Simple Interest @ AFR	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payment @ % of RR	100.00%	-179,296	-185,354	-191,048	-196,351	-201,233	-205,666	-209,618	-88,951	0	0	0	0	0	0	0	0	0	0	0
Balance Remaining	\$ 5,469,368	1,278,223	1,092,868	901,820	705,469	504,236	298,570	88,951	0	0	0	0	0	0	0	0	0	0	0	0
CASH AVAILABLE FOR RESIDUAL RECEIPTS DISTRIBUTION:																				
Available Cash Flow	100%	0	0	0	0	0	0	124,106	215,949	218,257	219,946	220,975	221,304	220,891	219,690	229,310	226,393	222,543	217,705	211,826

CASH FLOW ANALYSIS

Project Name: Iris at San Ys
 Project Financing: 4% Tax Credi
 Developer: National COR
 Number of Dwelling Units: 100
 Gross Building Area: 112,703

Attachment 3 - Developer's Proforma

Assumptions

Residential Income Infl. Rate: 2.50%
 Laundry & Misc. Infl. Factor: 2.50%
 Operating Expense Infl. Factor: 3.50%
 Real Estate Infl. Factor: 2.00%
 Vacancy Rate: 5.00%
 Number of Units: 100

	Year 41	Year 42	Year 43	Year 44	Year 45	Year 46	Year 47	Year 48	Year 49	Year 50	Year 51	Year 52	Year 53	Year 54	Year 55
Revenue															
Residential Income - CTCAC	3,140,526	3,219,039	3,299,515	3,382,003	3,466,553	3,553,217	3,642,047	3,733,098	3,826,426	3,922,086	4,020,139	4,120,642	4,223,658	4,329,250	4,437,481
Residential Income - PBV	1,062,576	1,089,141	1,116,369	1,144,279	1,172,886	1,202,208	1,232,263	1,263,069	1,294,646	1,327,012	1,360,188	1,394,192	1,429,047	1,464,773	1,501,393
Laundry & Miscellaneous	32,221	33,026	33,852	34,698	35,566	36,455	37,366	38,300	39,258	40,239	41,245	42,276	43,333	44,417	45,527
Gross Income	4,235,323	4,341,206	4,449,736	4,560,980	4,675,004	4,791,879	4,911,676	5,034,468	5,160,330	5,289,338	5,421,572	5,557,111	5,696,039	5,838,440	5,984,401
Vacancy	-211,766	-217,060	-222,487	-228,049	-233,750	-239,594	-245,584	-251,723	-258,016	-264,467	-271,079	-277,856	-284,802	-291,922	-299,220
Effective Gross Income	4,023,557	4,124,146	4,227,249	4,332,931	4,441,254	4,552,285	4,666,092	4,782,745	4,902,313	5,024,871	5,150,493	5,279,255	5,411,237	5,546,518	5,685,181
Expense															
Operating Expense	2,730,147	2,825,702	2,924,602	3,026,963	3,132,907	3,242,558	3,356,048	3,473,510	3,595,082	3,720,910	3,851,142	3,985,932	4,125,440	4,269,830	4,419,274
Property Taxes	4,416	4,504	4,594	4,686	4,780	4,876	4,973	5,073	5,174	5,278	5,383	5,491	5,601	5,713	5,827
Social Services	249,350	256,831	264,536	272,472	280,646	289,065	297,737	306,669	315,869	325,345	335,106	345,159	355,514	366,179	377,165
Replacement Reserve	163,102	167,995	173,035	178,226	183,573	189,080	194,752	200,595	206,613	212,811	219,195	225,771	232,544	239,521	246,706
Expense Total	3,147,015	3,255,032	3,366,767	3,482,347	3,601,905	3,725,579	3,853,510	3,985,846	4,122,738	4,264,344	4,410,826	4,562,353	4,719,098	4,881,243	5,048,972
NPLH COSR															
NOI Before Debt Service	876,542	869,114	860,483	850,584	839,349	826,706	812,582	796,898	779,575	760,527	739,667	716,902	692,138	665,275	636,209
Debt Service															
1st Mortgage Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bond Monitoring															
SDHC Payment	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Debt Service Coverage	87.65	86.91	86.05	85.06	83.93	82.67	81.26	79.69	77.96	76.05	73.97	71.69	69.21	66.53	63.62
CASH AVAILABLE AFTER DEBT SERVICE															
Available Cash Flow	866,542	859,114	850,483	840,584	829,349	816,706	802,582	786,898	769,575	750,527	729,667	706,902	682,138	655,275	626,209
PAYMENTS TO INVESTOR LIMITED PARTNER															
LP & GP Partnership Asset Management Fees	3.00%	23,753	24,465	25,199	25,955	26,734	27,536	28,362	29,213	30,089	30,992	31,922	32,879	33,866	34,882
CASH AVAILABLE FOR DEFERRED DEVELOPER FEE:															
Available Cash Flow	842,789	834,648	825,283	814,629	802,615	789,170	774,220	757,686	739,486	719,535	697,745	674,023	648,273	620,393	590,281
Balance Beginning	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Simple Interest @ AFR	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payment @ % of RR	100.00%	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance Remaining	\$ 5,469,368	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CASH AVAILABLE FOR RESIDUAL RECEIPTS DISTRIBUTION:															
Available Cash Flow	100%	842,789	834,648	825,283	814,629	802,615	789,170	774,220	757,686	739,486	719,535	697,745	674,023	648,273	620,393

Attachment 3 - Developer's Proforma

Ivy Valley Senior Village
COSR Calculation

Unit Type	AMI %	# NPLH Units	Max COSR/Unit	Max COSR	Max COSR/Year 1
1-Bedroom	25%	15	\$110,554	\$2,211,075	\$110,554

	Per Unit/Yr	Annual Year 1	Annual Year 2	Annual Year 3	Annual Year 4	Annual Year 5	Annual Year 6	Annual Year 7	Annual Year 8	Annual Year 9	Annual Year 10	Annual Year 11	Annual Year 12	Annual Year 13	Annual Year 14	Annual Year 15	Annual Year 16	Annual Year 17	Annual Year 18	Annual Year 19	Annual Year 20
Operating Expense																					
1. Management																					
Management Fee	\$ 840.00																				
Management Total:	\$ 840.00																				
2. Administration																					
Marketing/Credit Checks	\$ 30.00																				
Audit / File Mgmt (Compliance)	\$ 180.00																				
Legal	\$ 50.00																				
Office Expenses/ MISC	\$ 360.00																				
Other - Security																					
Administration Total:	\$ 620.00																				
3. Salaries and Benefits																					
Manager/Asst. Manager	\$ 750.00																				
Main Personnel	\$ 600.00																				
Payroll Txs, Ins & Wkr. Comp.	\$ 472.50																				
Salaries and Benefits Total:	\$ 1,822.50																				
4. Maintenance																					
General Maintenance/ Janitorial	\$ 80.10																				
Repairs Contract	\$ 150.00																				
Exterminating	\$ 50.00																				
Fire Protection/ Security	\$ 180.00																				
Elevator	\$ 180.00																				
Grounds Contract	\$ 250.00																				
Maintenance Total:	\$ 890.10																				
5. Utilities Not Paid by Tenants																					
Electricity and Gas	\$ 350.00																				
Water/Sewer	\$ 750.00																				
Trash Removal	\$ 250.00																				
Utilities Total:	\$ 1,350.00																				
6. Insurance																					
Property & Liability Insurance	\$ 633.00																				
Insurance Total:	\$ 633.00																				
7. Tax and Reserves																					
Real Estate Taxes	\$ 20.00																				
Replacement Reserves	\$ 500.00																				
Tax and Reserves Total:	\$ 520.00																				
8. Other																					
Supportive Services-General	\$ 464.40																				
Supportive Services-Case Manager	\$ 2,000.00																				
Licenses/ Permits	\$ 10.00																				
SDHC Monitoring Fees	\$ 150.00																				
HISA Monitoring Fees - IHTF	\$ 40.00																				
HISA Monitoring Fees - NPLH	\$ 266.67																				
Other Total:	\$ 2,931.07																				
Operating Expenses Total:	\$ 9,606.67																				
Total Operating Expense - NPLH Units	\$ 144,100	\$ 148,423	\$ 152,876	\$ 157,462	\$ 162,186	\$ 167,051	\$ 172,063	\$ 177,225	\$ 182,542	\$ 188,018	\$ 193,658	\$ 199,468	\$ 205,452	\$ 211,616	\$ 217,964	\$ 224,503	\$ 231,238	\$ 238,175	\$ 245,321	\$ 252,680	\$ 260,261
Rental Revenues - NPLH Units:																					
Monthly Rent per NPLH Unit (30% of SSI)	\$ 169																				
Annual Rent from NPLH Units	\$ 25,857	\$ 29,477	\$ 30,067	\$ 30,668	\$ 31,281	\$ 31,907	\$ 32,545	\$ 33,196	\$ 33,860	\$ 34,537	\$ 35,228	\$ 35,932	\$ 36,651	\$ 37,384	\$ 38,132	\$ 38,894	\$ 39,672	\$ 40,466	\$ 41,275	\$ 42,100	\$ 42,942
Difference/Max COSR	\$ 110,554	\$ 110,554	\$ 110,554	\$ 110,554	\$ 110,554	\$ 110,554	\$ 110,554	\$ 110,554	\$ 110,554	\$ 110,554	\$ 110,554	\$ 110,554	\$ 110,554	\$ 110,554	\$ 110,554	\$ 110,554	\$ 110,554	\$ 110,554	\$ 110,554	\$ 110,554	\$ 110,554
Cumulative		\$ 110,554	\$ 221,108	\$ 331,661	\$ 442,215	\$ 552,769	\$ 663,323	\$ 773,876	\$ 884,430	\$ 994,984	\$ 1,105,538	\$ 1,216,091	\$ 1,326,645	\$ 1,437,199	\$ 1,547,753	\$ 1,658,306	\$ 1,768,860	\$ 1,879,414	\$ 1,989,968	\$ 2,100,521	\$ 2,211,075
Annual Rent	\$ 30,420	\$ 31,028	\$ 31,649	\$ 32,282	\$ 32,928	\$ 33,586	\$ 34,258	\$ 34,943	\$ 35,642	\$ 36,355	\$ 37,082	\$ 37,823	\$ 38,580	\$ 39,352	\$ 40,139	\$ 40,941	\$ 41,760	\$ 42,595	\$ 43,447	\$ 44,316	\$ 45,200
Vacancy Rate	15%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Annual Rent	\$ 25,857	\$ 29,477	\$ 30,067	\$ 30,668	\$ 31,281	\$ 31,907	\$ 32,545	\$ 33,196	\$ 33,860	\$ 34,537	\$ 35,228	\$ 35,932	\$ 36,651	\$ 37,384	\$ 38,132	\$ 38,894	\$ 39,672	\$ 40,466	\$ 41,275	\$ 42,100	\$ 42,942

ATTACHMENT 4 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 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 San Diego Housing Commission (Housing Commission) 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, or the 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. This process does not make the Housing Commission, the Housing Authority, or the City of San Diego financially or legally liable for the bonds or for the project.

[Note: Members of the Housing Commission or the San Diego City Council may be asked to take two actions at this stage in the bond process -- one in their capacity as approving the TEFRA hearing resolution and another as approving the bond inducement.]

- 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 Commission 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.

ATTACHMENT 5 - FINANCIAL ADVISOR'S ANALYSIS

Memorandum

To: Colin Miller, Joe Correia - San Diego Housing Commission

From: Nick Jones, Jaime Trejo - PFM Financial Advisors, LLC

RE: Actions related to the proposed issuance of up to \$42,476,918 tax-exempt and \$11,510,690 taxable Multifamily Housing Revenue Bonds (SkyLINE) Series 2023

Dear Mr. Miller and Mr. Correia,

You have asked PFM Financial Advisors, LLC (“PFM”) to review the proposed financing and recommend whether, in our judgment, it is reasonable for the Housing Authority of the City of San Diego (the “Housing Authority”) to issue the Multifamily Housing Revenue Bonds (the “Bonds”) in connection with SkyLINE (the “Project”) by Affirmed Housing Group (the “Borrower” or the “Developer”). In preparing this report, we have reviewed financial projections and background information provided by the Developer and the San Diego Housing Commission (the “Housing Commission” or “SDHC”).

The specific findings this report addresses are:

- Whether the financing will achieve a public purpose by creating or preserving affordable housing
- Whether the Housing Authority will avoid undue financial risk in undertaking the financing
- Whether the Project will be able to meet debt service payments after the proposed financing

As described below, we find that all of the conditions are met and therefore recommend that the Housing Authority authorize the issuance of the Bonds.

Description of the Project

SkyLINE is an affordable rental housing development located at 16785 - 16787 W Bernardo Drive in San Diego. The project consists of 99 restricted rental units and 1 unrestricted manager unit. The restricted units are made up of 25 three-bedroom, 25 two-bedroom, 49 one-bedroom units.

Construction is expected to begin in November 2023 and be completed in 2025.

The current estimate of site acquisition and hard construction costs is \$57,268,585 (\$572,686 per unit). Funds for the development of the Project will be raised through various sources including equity capital and the issuance of the Bonds. The proposed



development pro-forma estimates that there are \$90,948,122 in total project costs (\$909,431 per unit).

The Developer

Bernardo Family Housing, L.P. is a limited partnership formed by the Developer and Compass for Affordable Housing, which is a 501©(3) nonprofit. The Developer was founded in 1992, with a mission to create and maintain exceptional environments for the residents and communities they serve. Compass for Affordable Housing was founded in 2009, with a focus on connecting a diverse group of individuals residing in affordable housing communities to education and resources that navigate and enrich their lives.

The Financing

An aggregate amount not exceeding \$42,476,918 of tax-exempt Housing Authority Bonds will initially be issued to facilitate Bernardo Family Housing, L.P.'s construction of the Project. Bank of America (the "Lender") will serve as the construction lender and equity investor. Lument Securities (the "Underwriter") was selected through an RFP process to underwrite the bonds. Tax credits and tax exemption were allocated to the project by California Tax Credit Allocation Committee ("TCAC") and California Debt Limit Allocation Committee ("CDLAC") in an amount of \$39,204,504 on May 10, 2023. The Project subsequently applied for and received a supplemental CDLAC allocation of \$3,272,414 on July 25, 2023, bringing the total allocation to \$42,476,918. The transaction is scheduled to close before its November 6, 2023 CDLAC closing deadline.

The 2023 Bonds will be publicly offered, rated, and cash-collateralized. The bond proceeds will be deposited into a cash collateralization account held by the Bond Trustee. Bank of America will also be making a taxable construction loan during the construction period. The proceeds of that taxable loan will be advanced to the Bond Trustee to replace draws of tax-exempt bond proceeds that are used for eligible project costs during the construction period, thus maintaining the cash collateral for the bonds.

In addition to the Bonds, the Project will be financed by other Permanent Sources, detailed in Table 1 below:



Table 1
Permanent Financing
Sources and Uses of Funds

Sources:

Tax-Exempt permanent loan	\$	16,120,492
City of San Diego loan		5,000,000
County of San Diego loan		2,000,000
CA HCD Infill Infrastructure Grant		4,469,800
Solar and 45L Credits		204,600
Interest Income		3,823,200
Deferred developer fee		3,880,000
Federal Tax Credit Equity		40,036,982
State Tax Credit Equity		15,408,048
Total Sources	\$	90,943,122

Uses:

Land Acquisition	\$	131,001
Total New Construction Cost		57,268,585
Construction Contingency		4,008,800
Financing Costs		11,322,290
Soft Costs		9,445,598
Soft Cost Contingency		1,128,948
Reserves		522,000
Cost of Issuance		735,900
Developer fee		6,380,000
Total Uses	\$	90,943,122



Achieving Public Purpose

Through the proposed bond issuance, the Project will provide housing for low-income households. The Project proposes to restrict all 99 non-manager units for households earning no greater than 55% of Area Median Income (“AMI”), with 30 of the units targeted at households earning no greater than 30% of AMI. The affordability term of the project is 55 years. Maximum bond rents for the Project are summarized in Table 2 below:

**Table 2
 Rent Comparison**

Unit Type	Area Median Income	Units	Proposed Gross Monthly Rents	Estimated Market Rents	Rent Savings
1 Bedroom	30%	10	\$635	\$1,542	\$907
	50%	20	1,226	1,542	316
	55%	19	1,335	1,542	207
2 Bedroom	30%	10	706	1,979	1,273
	50%	11	1,469	1,979	510
	55%	4	1,494	2,748	1,254
3 Bedroom	30%	10	777	4,381	3,604
	50%	8	1,652	4,381	2,730
	55%	7	1,652	4,381	2,730
Manager	-	1	-	-	-
Total		100	\$117,979	\$237,634	\$119,655
Annual			\$1,415,745	\$2,851,608	\$1,435,863



Meeting Debt Service After Financing

As shown in Table 3 below, the Project will have ample cash flow to meet debt service upon completion and rent-up. Based upon our review of the Developer’s proposed rents and estimated costs, there will be \$1,272,431 of net income (net of reserve deposits) available for the first full year of debt service in 2025. Debt service coverage in the first full year is estimated at 1.15 times. By the fifth full year of debt service, assuming a 2.5% annual increase in gross income and a 3.5% annual increase in operating expenses, debt service coverage is projected to increase to 1.24 times.

Table 3
Estimated Cash Flow

Year:	2025	2026	2027	2028	2029
Rental Income	\$1,415,745	\$1,451,139	\$1,487,417	\$1,524,602	\$1,562,717
Less: Vacancy @ 5%	(70,787)	(72,557)	(74,371)	(76,230)	(78,136)
Rental Subsidy Income	934,354	957,712	981,655	1,006,197	1,031,352
Less: Vacancy @ 5%	(46,718)	(47,886)	(49,083)	(50,310)	(51,568)
Other Income	20,692	21,209	21,740	22,283	22,840
Effective Gross Income	\$2,253,286	\$2,309,618	\$2,367,358	\$2,426,542	\$2,487,206
Less: Operating Expenses	(943,355)	(976,372)	(1,010,545)	(1,045,915)	(1,082,522)
Less: Reserves	(37,500)	(37,500)	(37,500)	(37,500)	(37,500)
Net Income	\$1,272,431	\$1,295,745	\$1,319,313	\$1,343,128	\$1,367,184
Permanent Loan Debt Service	(\$1,106,461)	(\$1,106,461)	(\$1,106,461)	(\$1,106,461)	(\$1,106,461)
Debt Service Coverage ¹	1.15	1.17	1.19	1.21	1.24

¹Calculated by dividing Net Income by Permanent Loan Debt Service

Conclusion

The proposed financing will create no undue risk for the Housing Authority. The Borrower has agreed to pay all costs of issuance for the financing and to indemnify the City, the Housing Authority and the Housing Commission regarding matters relating to the financing. It should be noted that the Borrower will have no significant assets or sources of income other than the Project and neither the Borrower nor the Housing Authority would be required under most circumstances to make up any cash flow shortfalls.

Based upon our review, we recommend that the Housing Authority proceed with the financing. This recommendation is based upon the following findings:

- The financing would achieve a public purpose by providing 99 affordable units, all affordable at 55% of AMI, and 30 targeted at 30% of AMI, for a period of 55 years.



- The Borrower has agreed to indemnify the City, the Housing Authority and the Housing Commission regarding any matters related to the financing. The Borrower will pay all costs of the financing.
- Based upon estimates by the Developer that have been reviewed and confirmed by the bond purchaser, there are sufficient funds to complete the Project, and the Project provides adequate debt service coverage.
- The 2023 Bonds will be structured as publicly offered and cash-collateralized obligations. The proceeds of the 2023 Bonds will be loaned to the Borrower, which is an entity formed by the Developer. The Borrower will use these proceeds and other funds to finance the construction of the Project.

If there is any additional information you require concerning this matter, we will be glad to provide it as a supplement to this report.

Sincerely,
PFM Financial Advisors, LLC

Nick Jones
Senior Managing Consultant



315 W. 5th Street
Los Angeles, CA 90013
tel. 213.405.1416

September 06, 2023

Mr. Matt Granum
San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, California 92101

RE: Iris at San Ysidro Apartments

Dear Mr. Granum:

The San Diego Housing Commission (the "Commission") has retained CSG Advisors, Inc. to analyze the feasibility of the proposed tax-exempt financing for the Iris at San Ysidro 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 National Core (the "Developer"), and on additional conversations and documents provided by representatives of the Developer and Commission staff, and Bond Counsel (Jones Hall). 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 100-unit development (the "Development") to be newly constructed at 1663 Dairy Mart Road in San Ysidro (the "Site"). 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 and tax-exempt debt issued by the Housing Authority of the City of San Diego (the "Housing Authority"). 99 units will be subject to affordability restrictions as further described herein; one 3-bedroom unit will be an unrestricted managers unit.

The Site is currently owned by San Ysidro LP (the Borrower). The Site currently consists of a single parcel. Three small structures located on the site will be demolished as part of the development and construction of the Project.

On June 10, 2022, the Commission adopted a resolution (no. HC-1959) evidencing the official intent, on behalf of the Housing Authority of the City of San Diego, to conduct a tax-exempt

issuance in the not-to-exceed amount of \$35,000,000 for the Project. The Commission also approved in companion consideration the issuance of up to \$2,100,000 in taxable financing 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.

As the Commission is authorized to hold TEFRA hearings pursuant to Multifamily Mortgage Revenue Bond Program Policy Amendments the Housing Authority approved March 9, 2021 (Report No. HAR20-043; Resolution No. HA-1906), the public hearing required pursuant to Section 147(f) of the Internal Revenue Code for tax-exempt issuances (“TEFRA”) was held by the Commission – also on June 10, 2022. Note that, as the TEFRA hearing extends through one year of the hearing date, a new TEFRA will be required before the issuance of tax-exempt bonds for the Project.

On February 07, 2023, the Housing Authority submitted an application to CDLAC for \$31,500,000 in private activity tax-exempt issuance authority for the Project.

On May 10, 2023, CDLAC awarded \$31,500,000 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 \$31,500,000 in a tax-exempt note (the “Note”)¹ for the Project and up to \$9,000,000² in a taxable note (the “Taxable Note,” collectively the “Notes”). The Notes would be issued pursuant to a Loan Agreement between the Housing Authority and the Lender, and separate Loan Agreement between the Housing Authority and the Borrower.

The Developer proposes, pursuant to a Loan Application, dated July 21, 2023, from Wells Fargo Bank (the “Lender”), that the Notes would be purchased and held, on a private-placement basis, by the Lender during the construction phase of the Project. Upon completion, satisfying certain conditions to conversion, and conversion to the permanent phase, the Note would be purchased from Wells Fargo Bank by Freddie Mac in the amount of the permanent loan. The balance of the tax-exempt loan and the taxable loan would be repaid. Construction draws of tax-exempt Note proceeds would be funded on and as-needed “draw-down” basis.

According to projections provided by the Developer, the total development cost (“TDC”) totals approximately \$66,286,170.

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.

² Please note the Developers projections currently show \$7,900,000 taxable debt.

Iris at San Ysidro: Construction and Permanent Source Summary³

	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Note	31,500,000	9,181,800
Taxable Note ⁴	7,900,000	0
Tax Credit Equity	3,326,480	33,264,790
City of San Diego EDD	4,500,000	5,000,000
San Diego Housing Commission	2,070,000	2,300,000
County of San Diego IHTF	4,500,000	5,000,000
County of San Diego COSR	2,211,080	2,211,080
RTCIP/DIF Fee Waivers	431,000	431,100
NPLH Funds	2,961,240	3,290,270
Developer Fee/MGP Loan	<u>5,607,137</u>	<u>5,607,140</u>
Total Sources	65,006,937	66,286,180

Iris at San Ysidro: Permanent Use Summary⁵

	<u>Permanent</u>
Land and Acquisition Costs	6,968,380
Construction Costs (includes infrastructure and parking)	38,277,330
Construction Contingency (Owner + Contractor's)	1,907,870
Developer Fee	6,800,000
Operating Reserve + Transition Reserve	637,420
County of San Diego Capitalized Operating Subsidy Reserve	2,211,080
Capitalized Construction Loan Interest	3,422,850
Other Hard and Soft Costs	6,061,240
Total Uses	66,286,170

Ownership

The Project will be owned by Iris at San Ysidro, L.P. (the “Borrower”). The Borrower will consist of: NCRC ISY GP LLC as the Managing General Partner (with National Community Renaissance of California (NCRC) as its Manager/Sole Member); an entity of the Wells Fargo (the “Tax Credit Investor”) will be the tax credit investor limited partner.

Tax-Exempt Bond Structure and Credit Enhancement

Construction Loan

The Developer proposes that the Housing Authority issue tax-exempt Notes in the combined maximum amount of \$40,500,000 in order to finance the acquisition and construction of the Project. Solely revenues pledged under the respective Loan Agreements will secure the payment of principal and interest to the Lender.

³ Source: Developer projections. Rounding by CSG. Total of Uses and Sources may not equal due to rounding.

⁴ The Lender Construction Loan Term Sheet (July 11, 2023) reflects a maximum \$3,000,000 taxable loan amount.

⁵ Source: Developer/Tax Credit Investor projections. Rounding by CSG. Total of Uses and Sources may not equal due to rounding.

The Notes would be unrated, without credit enhancement, and would be purchased by the Lender on a private placement basis. The Notes would be funded on a draw-down basis through the construction period. Upon stabilization and conversion, the taxable Note and a portion of the tax-exempt Note will be redeemed (from tax credit equity and other sources).

As unrated, non-credit enhanced Bonds sold on a private placement basis, the Note 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 24 months. The Lender's Construction Loan Term Sheet provides for interest of 30-day SOFR plus 1.75% (approximately 7.06% as of September 05, 2023). Payments during the construction period would be interest-only on a 365/360 basis.

Permanent Loan

Upon conversion to the permanent loan, the Borrower proposes to redeem the taxable Note and a portion of the outstanding tax-exempt Note with available sources (e.g., tax credit equity). The remaining outstanding tax-exempt Note will convert to a permanent loan.

According to the Lender's Commitment, the permanent loan would have a term of 16 years following the Conversion and an amortization period of 35 years. The rate-setting formula as set forth in the Lender's Commitment would result in fixed rate of 6.276% as of September 04, 2023.

Projected Issuance Date

The Developer proposes that the Housing Authority issue the Notes on or about October 30, 2023. The Authority received an allocation tax-exempt authority in the amount of \$31,500,000 from CDLAC at its May 10, 2023 allocation meeting date. The allocation expiration date provided by CDLAC is November 06, 2023.

Commission Financial Involvement

The Commission will provide a subordinate loan to the Project in the amount of \$2,300,000.

Affordability Restrictions

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

Source of Restriction	Restriction	Total Restricted Units	Expiration Date
County of San Diego NPLH	15 units at 25% AMI	15	55 years
County of San Diego IHTF	15 units at 25% AMI 30 units at 30% AMI 34 units at 50% AMI 20 units at 60% AMI	99	99 years
SDHC Subordinate Loan	15 units at 25% AMI 30 units at 30% AMI 21 units at 50% AMI 33 units at 60% AMI	99	55 years
CDLAC Debt Limit Allocation Committee and California Tax Credit Allocation Committee	79 units at 50% AMI or below 20 units at 60% AMI or below	99	55 years

PROJECT'S PROJECTED FINANCIAL STATUS

Under the proposed financing – according to information provided by the Developer and analysis by CSG – annual permanent debt service on the proposed senior permanent loan of \$9,181,803 would total approximately \$584,253. 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 \$122,824 at a debt coverage ratio (DCR) of 1.21. Cash flow after reserves would total approximately \$72,824 at a DCR of 1.12. *Note that this DCR is in below the minimum of 1.15 required under the Wells Fargo Freddie Mac Loan Application (July 21, 2023).*

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 Bonds.

As proposed, the financing will create 99 affordable units in the City of San Diego. These units will remain long-term affordable for approximately 99 years under the most restrictive requirements of the County of San Diego’s Innovative Housing Trust Fund (IHTF) loan.

Housing Authority Issuer Fee

The relationship of Wells Fargo as holder of the tax-exempt Note and as limited partner of the Borrower results in a limit to the amount of issuer’s fee that would be otherwise payable to the Housing Authority. I.e., the related party arrangement *prevents* the loan of Bond proceeds from being treated as a “Program Investment” and, therefore, issuer fees paid by the borrower (and not otherwise attributable to “qualified administrative costs”) are limited to amounts payable within a “spread” between the bond and loan yields of 0.125% (as compared to 1.5% for Program Investments).

Section 1.9 of the Housing Commission Bond Policy PO300.301 states, in part, “...the Housing Commission will not recommend, and the Housing Authority will not issue, bonds for projects where the tax credit investor is also the same or a related entity to the bond purchaser...” Further, however, Section 1.9 provides that “Exceptions may be granted on an extremely limited case-by-case basis and at the discretion of the Housing Authority’s Executive Director or designee.”

As the relationship of the tax-exempt Note holder and the Tax Credit Investor violates this Section 1.9, the Developer has requested an exception to the Section of the 1.9 of the Housing Commission Housing Bond Policy on the basis of “beneficial” tax credit equity pricing from Wells Fargo in connection with Wells Fargo as both Lender and Tax Credit Investor.

CSG Advisors has performed a preliminary analysis of the effect of the related party arrangement on the present value⁶ of issuer’s fee, summarized below.⁷

	<u>Without Related Parties</u>	<u>With Related Parties</u>
Fee Due at Close	78,750	\$0
Nominal Construction Period Annual Fee	78,750	\$0
Nominal Permanent Period Fees ⁸	636,192	177,760
Total Nominal Fee	793,692	177,760
Present Value Total Nominal Fee	394,737	111,204

In order to receive the amounts that the Housing Authority would otherwise expect in the absence of certain related parties, the Housing Authority plans, as necessary, to recover from the

⁶ Using 4.29% discount rate

⁷ The amounts payable w/in the 0.125% spread limit would be recalculated on or near conversion to the permanent loan, to reflect actual tax-exempt draws, etc

⁸ For 55 years (to end of CDLAC restriction period). Fees past Note maturity with related parties not payable w/in yield limits.

borrower “qualified administrative costs” (the Housing Authority may recover such costs outside of the yield spread limit) in amounts that, in total with the amounts payable as issuer fee, will not exceed the amounts that would otherwise have been payable to the Housing Authority.

PUBLIC PURPOSE

The proposed financing will result in the creation of 99 affordable family housing units in the City of San Diego. The proposed financing will result in new CDLAC, CTCAC and Commission regulatory restrictions for 55 years, and in the most restrictive regulatory requirements of the County of San Diego IHTF loan as follows as follows::

- 15 units at 25% AMI
- 30 units at 30% AMI
- 34 units at 50% AMI
- 33 units at 60% AMI

NEGOTIATION OF ADDITIONAL PUBLIC BENEFIT

As noted above, the financing will result in long-term affordability restrictions on 99 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 99 affordable family units in the City of San Diego with long-term affordability covenants.
- The Commission has received tax-exempt authority of \$31,500,000 from CDLAC for the Project.
- The Lender and the Tax Credit Investor are currently underwriting the Project.
- The net Tax-Exempt note financing and tax credit equity will provide approximately \$42,446,600 for development costs.

Contingent Items

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

- The Project’s financial underwriting must be consistent among the Developer, the Lender and the Tax Credit Investor.

- As of this writing, neither the Lender nor the Tax Credit Investor has provided final credit approval for the financing. The Notes cannot be issued without these final approvals.
- Final Notes documents and approving resolution must be approved by the Housing Authority.
- The Commission and the Housing Authority must agree to waive the requirement Section 1.9 of the Housing Commission Bond Policy PO300.301
- The Borrower and the Housing Authority shall agree on the method by which the Housing Authority shall recover, to the greatest permissible extent, amounts it would have expected to receive but for the limitations resulting from certain related parties in the transaction.

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

Attachment 5 - Feasibility Analysis

Exhibit A

Iris at San Ysidro

date of rev: 09 04 2023

Long-Term Tax-Exempt Loan Loan

	<u>Tranche A</u>	<u>Tranche B</u>	<u>Total</u>
Principal Amount ¹	\$ 9,181,803	\$ -	\$ 9,181,803
Mortgage Rate ²	6.276%	0.000%	
Amortization Term (yrs) ²	35	0	
Underwriting Monthly Debt Service	\$ 48,688	\$ -	\$ 48,688
Underwriting Annual Debt Service	\$ 584,253	\$ -	\$ 584,253

¹ Source: Developer projections dated 08 16 2023. Wells Fargo Freddie Mac Loan Application (07 21 2023) max of \$9,440,000

² Formula per Wells Fargo Freddie Mac Loan Application (07 21 2023) 10yr Treasury + 2.09%. 10yr Treasury is 4.186% as of 09 04 2023. Developer projections reflect 6.0%

Post-Financing Operations Analysis ¹

		Stabilized Year				
		1	2	3	4	5
Income						
Gross Tax Credit Rental Income ¹	2.50% Inflation	\$ 1,169,628	\$ 1,198,869	\$ 1,228,840	\$ 1,259,561	\$ 1,291,050
Other Income	2.50% Inflation	\$ 383,076	\$ 392,653	\$ 402,469	\$ 412,531	\$ 422,844
Gross Potential Income (GPI)		\$ 1,552,704	\$ 1,591,522	\$ 1,631,310	\$ 1,672,092	\$ 1,713,895
Vacancy Collection Loss ²	5.00%	(77,630)	(79,576)	(81,565)	(83,605)	(85,695)
Effective Gross Income		\$ 1,475,074	\$ 1,511,946	\$ 1,549,744	\$ 1,588,488	\$ 1,628,200
Expenses						
Operating Expenses	3.50% Inflation	\$ (752,023)	\$ (778,344)	\$ (805,586)	\$ (833,781)	\$ (862,963)
RE Taxes	2.00% Inflation	\$ (2,000)	\$ (2,040)	\$ (2,081)	\$ (2,122)	\$ (2,165)
Issuer Fee ³	\$ 10,000 min	0.125%	\$ (11,477)	\$ (11,477)	\$ (11,477)	\$ (11,477)
Trustee Fee ⁴	\$ 2,500 min	0.004%	\$ (2,500)	\$ (2,500)	\$ (2,500)	\$ (2,500)
Total Expenses		\$ (768,000)	\$ (794,361)	\$ (821,644)	\$ (849,881)	\$ (879,106)
Net Operating Income		\$ 707,074	\$ 717,585	\$ 728,101	\$ 738,607	\$ 749,094
Required Debt Service		\$ (818,000)				
Senior		\$ (584,250)				
Real Estate Loan		\$ (584,250)	\$ (584,250)	\$ (584,250)	\$ (584,250)	\$ (584,250)
Cash Flow before Reserves		\$ 122,824	\$ 133,335	\$ 143,851	\$ 154,357	\$ 164,844
Debt Coverage Ratio Before Reserves		1.21	1.23	1.25	1.26	1.28
Reserves	500 per unit	0% Inflation	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ (50,000)
Cash Flow After Reserves		\$ 72,824	\$ 83,335	\$ 93,851	\$ 104,357	\$ 114,844
Overall Debt Coverage Ratio (DCR)		1.12	1.14	1.16	1.18	1.20
Cash Flow Including Commercial Income		72,824	83,335	93,851	104,357	114,844
Debt Coverage Ratio Including Commercial Income ⁵		1.12	1.14	1.16	1.18	1.20

¹ Source: Developer projections dated 08 16 2023. Not inflated to placed-in-service (PIS). Rounding by CSG Advisors

² Of Gross Potential Income.

³ Issuer's fee to be underwritten per Issuer's policy; however, actual fee will be subject to .125% yield spread limitation attributable to Purpose Investments. Developer Projections show only 10k Issuer fee

⁴ Estimated Fiscal Agent fees.

⁵ Minimum coverage per Wells Fargo Freddie Mac Loan Application is 1.15

Attachment 5 - Feasibility Analysis

Exhibit A

Iris at San Ysidro Permanent Sources and Uses of Funds

Sources ¹	
Tax-Exempt Note	\$ 9,181,800
Tax Credit Equity	\$ 33,264,790
City of San Diego EDD	\$ 5,000,000
San Diego Housing Commission	\$ 2,300,000
County of San Diego IHTF	\$ 5,000,000
County of San Diego Capitalized Operating Subsidy Reserve	\$ 2,211,080
RTCIP/DIF Fee Waivers	\$ 431,100
NPLH Funds	\$ 3,290,270
Developer Fee/MGP Loan	<u>\$ 5,607,140</u>
Total Sources	\$ 66,286,180

Uses ¹	
Land and Acquisition Costs	\$ 6,968,380
Construction Costs	\$ 38,277,330
Construction Contingency (Owner + Contractor's)	\$ 1,907,870
Developer Fee	\$ 6,800,000
Operating Reserve + Transition Reserve	\$ 637,420
County of San Diego Capitalized Operating Subsidy Reserve	\$ 2,211,080
Capitalized Construction Loan Interest	\$ 3,422,850
Other Hard and Soft Costs	<u>\$ 6,061,240</u>
Total Uses	\$ 66,286,170

Surplus(Deficit) ²	\$ 10
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¹ Source: Information provided by Developer. Rounding by CSG

² Surplus due to rounding



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: National Community Renaissance of California, a nonprofit public benefit corporation (NCRC)
2. Email: lhampton@nationalcore.org
2. Address and Zip Code: 9421 Haven Ave, Rancho Cucamonga, CA 91730
3. Telephone Number: 909-483-2444
4. Name of Principal Contact for CONTRACTOR: Lesley Hampton, Vice President
5. Federal Identification Number or Social Security Number of CONTRACTOR: 33-0521215
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 (*select and upload requested documents*):

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

Check one:

- General Partnership (*Upload* statement of General Partnership)
- Limited Partnership (*Upload* Certificate of Limited Partnership)
- A business association or a joint venture known as: _____
(*Upload* joint venture or business association agreement)
- A Federal, State or local government or instrumentality thereof.
- Other (*Please explain*): _____

7. If the CONTRACTOR is not an individual or a government agency or instrumentality, give date of organization:

March 20, 1992; (Name change on February 15, 2007)

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 A TAX-EXEMPT MULTIFAMILY HOUSING REVENUE NOTE, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$31,500,000, AND A TAXABLE MULTIFAMILY HOUSING REVENUE NOTE, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$9,000,000, TO FINANCE THE ACQUISITION, CONSTRUCTION AND DEVELOPMENT OF A MULTIFAMILY RENTAL HOUSING FACILITY TO BE KNOWN AS IRIS AT SAN YSIDRO, 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 development of multifamily rental housing; and

WHEREAS, Iris at San Ysidro LP, a California limited partnership (Borrower), has requested that the Authority borrow funds and loan the funds to the Borrower to finance Borrower's acquisition, construction and development of a multifamily residential rental housing facility known as "Iris at San Ysidro" (Project), consisting of 100 apartment units (including one unrestricted manager's unit) to be located at 1663 Dairy Mart Road in the City of San Diego (City); 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 revenue notes to finance costs of the acquisition, construction and development of the Project; and

WHEREAS, the Authority intends to issue and sell its Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-1 (Series D-1 Governmental Note), in a principal amount not to exceed \$31,500,000, and its Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-2 (Taxable) (Series D-2 Governmental Note, and collectively with the Series D-1 Governmental Note, the Governmental Notes), in a principal amount not to exceed \$9,000,000, to Wells Fargo Bank, National Association (Bank), collectively evidencing a loan from the Bank to the Authority (Funding Loan) and apply the sale proceeds of the Funding Loan to fund a loan to the Borrower (Project Loan); and

WHEREAS, the Authority will fund the Project Loan, and the Borrower will use the proceeds of the Governmental Notes to finance costs of the acquisition, construction and development of the Project; and

WHEREAS, the issuance of tax-exempt bonds or notes by the Authority is subject to the approval by the City Council of the City of San Diego (City Council), after publication of a “TEFRA” notice and the holding of a “TEFRA” hearing, as required by the Internal Revenue Code of 1986, as amended (Code), and applicable United States Treasury Regulations; and

WHEREAS, on September 15, 2023, the San Diego Housing Commission (Housing Commission) held on behalf of the City, under authority delegated to the Housing Commission by the City, a duly noticed public hearing in accordance with all applicable law and an opportunity was provided at such hearing for interested persons to express their views on

the issuance of the Series D-1 Governmental Note and on the nature and location of the Project;
and

WHEREAS, the City Council, as the applicable elected representative under section 147(f) of the Code, approved the Authority's issuance of the Series D-1 Governmental Note in an aggregate principal amount not to exceed \$31,500,000; 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 May 10, 2023, CDLAC allocated to the Project \$31,500,000 of available State of California volume cap for private activity bonds under section 146 of the Code; and

WHEREAS, the following documents are presented for consideration:

(1) The form of Project Loan Agreement (Project Loan Agreement), by and among the Authority, U.S. Bank Trust Company, National Association, as fiscal agent (Fiscal Agent), and the Borrower,

(2) The form of Funding Loan Agreement (Funding Loan Agreement), by and among the Authority, the Fiscal Agent, and the Bank, including the forms of the Series D-1 Governmental Note and Series D-2 Governmental Note attached thereto as Exhibit A,

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

(4) The form of Assignment of Deed of Trust and Loan Documents, by the Authority in favor of Fiscal Agent; 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; and

WHEREAS, the Project is consistent with the Final Program Environmental Impact Report (PEIR) for the San Ysidro Community Plan Update (Project No. 310690/SCH No. 2015111012), which was certified by the City Council on November 28, 2016 (Resolution R-310803) in compliance with the California Environmental Quality Act (CEQA) (Public Resources Code sections 21000-21189.70.10). This action to approve the issuance of Governmental Notes for the Project is a subsequent discretionary action within the scope of the development program evaluated in the PEIR and is not considered to be a separate project under CEQA Guidelines sections 15378(c) and 15060(c)(3). Under Public Resources Code section 21166 and CEQA Guidelines section 15162, Housing Commission staff determined that there is no change in circumstance, additional information, or project changes to warrant additional environmental review for this action; and

WHEREAS, the Project received approval of a National Environmental Policy Act Environmental Assessment from the City of San Diego on May 5, 2020 and Authority to Use Grant Funds from the United States Department of Housing and Urban Development on June 15, 2020 and July 8, 2020; and

WHEREAS, the Office of the City Attorney has drafted this Resolution based on the information provided by Housing Commission staff, and verified by the Housing Commission's General Counsel, with the understanding that this information is sufficient to allow for a proper and complete analysis of this matter; 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, construction and development of the Project through the execution and delivery of the Governmental 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 Governmental Notes. For the purpose of financing the acquisition, construction and development of the Project, the Authority approves the issuance of the Series D-1 Governmental Note, in any number of subseries, in an aggregate principal amount not to exceed \$31,500,000 and the Series D-2 Governmental Note, in any number of subseries, in an aggregate principal amount not to exceed \$9,000,000. The Governmental Notes shall be issued in the principal amount 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 Governmental 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 Governmental 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 Governmental Notes. The Governmental Notes shall be executed on behalf of the Authority by the manual or facsimile signature of the Chairperson of the Authority (Chairperson), Vice Chairperson of the Authority (Vice Chairperson), Executive Director of the Authority (Executive Director), President & CEO, Deputy CEO, Executive VP Real Estate, Senior Vice President Housing Finance & Property Management, or Vice President Multifamily Housing Finance.

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 Chairperson, Vice Chairperson, Executive Director, President & CEO, Deputy CEO, Executive VP Real Estate, Senior Vice President Housing Finance & Property Management, or Vice President Multifamily Housing Finance, and Deputy Secretary of the Authority, or the designee of any such officer (such officers and any of his or her respective designees are referred to as the Designated Officers) are each 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 in this Resolution.

Section 5. Approval of Project Loan Agreement. The Project Loan Agreement, in the form on file in the Housing Commission offices, is approved. The Designated Officers are each authorized to execute and deliver the Project 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 Project Loan Agreement approved in this Resolution.

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 in this Resolution.

Section 7. Approval of Assignment. The Assignment, in the form on file in the Housing Commission offices, is approved. The Designated Officers are each authorized to execute and deliver the Assignment 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 Assignment approved in this Resolution.

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 Governmental 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 certificate as to arbitrage), and other documents, including but not limited to those described in any of the documents approved by this Resolution, that they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Governmental Notes and the making of the Funding Loan and Project Loan 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 Governmental Notes and the lending program financed by the Governmental Notes, including without limitation any of the foregoing that may be necessary or desirable in connection with any amendment of such documents, any transfer of the Project, any substitution of security for the

Governmental Notes, or any prepayment or redemption of the Governmental 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 that 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 Middaugh
Deputy General Counsel

MEM:jdf
09/25/2023
Or.Dept: Housing Authority
Doc. No.: 3424651
Companion to R-2024-107

EXHIBIT A

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that the San Diego Housing Commission of the City of San Diego (the “SDHC”) on Friday, September 15, 2023, on behalf of and by authority delegated to it by the City of San Diego, at the hour of 9:00 a.m. or as soon thereafter as the matter may be heard, in the SDHC’s 4th Floor Conference Room, 1122 Broadway Street, San Diego, California, will hold a public hearing in accordance with section 147(f) of the Internal Revenue Code of 1986, as amended, with respect to the proposed issuance by the Housing Authority of the City of San Diego, pursuant to a plan of financing, of its tax-exempt multifamily housing revenue bonds or notes in the maximum amount set forth below (together with a like amount of refunding obligations) (Obligations) in order to finance the acquisition, construction, and equipping of the multifamily rental housing development described below (Project).

<u>Name</u>	<u>Location</u>	<u>Number of Units</u>	<u>Aggregate Maximum Bond Amount</u>
Iris at San Ysidro	1663 Dairy Mart Road, San Diego, California 92173 (on a parcel located south and southwest of Beyer Boulevard and north of Tequila Way)	100 (including 1 manager’s unit)	\$31,500,000

The owner of the Project is expected to be Iris at San Ysidro LP, a California limited partnership, or another limited partnership to be formed by NCRC ISY GP LLC, a California limited liability company, or another affiliate of National Community Renaissance of California, a California nonprofit public benefit corporation. Ninety-nine of the 100 units in the Project are to be income and rent restricted and will be occupied by very low- or low-income tenants at affordable rents. The unrestricted unit will be a manager’s unit.

Notice is further given that at said hearing, all interested parties will have an opportunity to be heard on the question of whether or not the Obligations should be issued or on the nature and location of the Project. Written comments may also be submitted prior to the hearing, c/o Jennifer Kreutter, Vice President Multifamily Housing Finance, San Diego Housing Commission, 1122 Broadway Street, Suite 300, San Diego, California 92101.

Dated: September 7, 2023

San Diego Housing Commission



**SAN DIEGO
HOUSING
COMMISSION**

Real Estate Department

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. [Please see attached list of board members and officers \(with contact information\)](#)
 - 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:	
Address:	
Name:	
Address:	
Name:	
Address:	

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**



**SAN DIEGO
HOUSING
COMMISSION**

Real Estate Department

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): *N/A*

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:	

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:	

[See list of NCRC Executive Leadership Team contact information attached.](#)



**SAN DIEGO
HOUSING
COMMISSION**

Real Estate Department

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: Hope Through Housing Foundation	Affiliated nonprofit organization, shared board of directors
Address: 9421 Haven Avenue	
Rancho Cucamonga, CA 91730	
Name:	
Address:	
Name:	
Address:	

14. Provide description of 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 financial statements that was requested (attached) as part of the Application, including, but not necessarily limited to, profit and loss statements and statements of financial position: [Audited financials are attached.](#)

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:
[See attached financing plan.](#)

16. Provide sources and amount of cash available to CONTRACTOR to meet equity requirements of the proposed undertaking: [The developer is utilizing low income housing tax credit equity and other public and private sources of funds to finance the construction of Nestor Senior Village. NCRC will provide predevelopment funding to finance development expenditures prior to closing construction financing. See attached financial statements.](#)

- a. In banks/savings and loans:
- Name: _____
- Address: _____
- Amount: \$ _____
- b. By loans from affiliated or associated corporations or firms: [See attached financial statements.](#)
- Name: _____
- Address: _____
- Amount: \$ _____



**SAN DIEGO
HOUSING
COMMISSION**

Real Estate Department

c. By sale of readily salable assets/including marketable securities: [See attached financial statements.](#)

Description	Market Value (\$)	Mortgages or Liens (\$)

Additional Information, as needed: _____

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

Name and Address	Contact Name
Name: Wells Frago Bank	Ivy Wong (909)481-6534
Address: 4141 Inland Empire Blvd., #350 Ontario, CA 91764	
Name: Citizens Business Bank	Peter Agarwal (714)773-0600
Address: 310 N. Harbor Blvd Fullerton, CA 92832	
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, provide 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, for each case, provide (1) date, (2) charge, (3) place, (4) court, and (5) action taken. *Upload* any explanation deemed necessary:



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Real Estate Department

Case 1: _____

Case 2: _____

Case 3: _____

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:

Type of Bond	Project Description	Date of Completion	Amount of Bond	Action on Bond
Payment & Performance	Encanto Village: 66-unit family apartments (includes 8 PSH)	12/4/2019	\$13,950,548	None
Payment & Performance	Vista Grande Court: 66-unit senior apartments	10/18/2019	\$12,861,211	None
Payment & Performance	Vista del Puente: 52-unit family apartments (includes 38 PSH units)	10/31/2018	\$12,878,344	None
Payment & Performance	Oakcrest Heights; 54-unit family apartments (includes 14 PSH units)	10/29/2018	\$13,072,606	None

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: National Community Renaissance of California	Same entity as developer
Address: 9421 Haven Avenue	
Rancho Cucamonga, CA 91730	
Name:	
Address:	
Name:	
Address:	



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- 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: \$ 250 million

General description of such work: _____

NCRC is the General Contractor on numerous affordable developments located in Los Angeles, Orange, San Bernardino and San Diego Counties. Project sizes range from 19 to 184 units and consist of seniors, family and special needs housing. NCRC has completed Type III, Type V over podium, subterranean construction and modular construction.

Complete one table for each project:

Project Name	See attached Project List	
Project Owner Contact Information		
	Name	Address
Project Location		
Project Details		
Bonding Company Involved	HCC Surety Group provides bonding if required by lender	
	Name	Amount of Contract
Change Order Details		
Change Order Cost		
Litigation Details	There has been no litigation for any of the Litigation Details projects	
	Location/Date	Outcome Details



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COMMISSION

Real Estate Department

Project Name		
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

Project Name		
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



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

Identification of Contract or Development	Location	Amount	Date to be Completed
Legacy Square	Santa Ana, CA	\$26,139,808	12/01/2022
Villa Serena	San Marcos, CA	\$25,628,254	12/05/2022
3rd & Dangler	Los Angeles, CA	\$26,590,860	04/17/2023

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:

NCRC is a full-service construction contractor that provides predevelopment/pre-construction services, proforma level cost estimating, design management, construction management, project field superintending, and project engineering services.

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:



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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:

Additional attachments following this certification include a list of projects developed and constructed by NCRC and a list of trade references.

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

Yes No

If yes, please 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.

IMA, Inc., 1705 17th Street, Suite 100, Denver, CO 80202, (310) 534-4567

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)]: See attached certificate, \$1 million

Check coverage(s) carried:

- Comprehensive Form
- Owned
- Hired
- Non-Owned



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- c. Workers Compensation [*Attach* certificate of insurance showing the amount of coverage and coverage period(s)]:
\$1 million limit, see attached certificate

- d. Professional Liability (Errors and Omissions) [*Attach* certificate of insurance showing the amount of coverage and coverage period(s)]:
N/A for General Contractor, will obtain from architect, engineers, and other third parties.

- e. Excess Liability [*Attach* certificate(s) of insurance showing the amount of coverage and coverage period(s)]:
\$5 million limit, see attached certificate

- f. Other (Specify) [*Attach* certificate(s) of insurance showing the amount of coverage and coverage period(s)]:
Umbrella Liability Policy, see attached certificate

- 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.



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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:

Government Complaint	Entity	Making	Date	Resolution
None				

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)
Contractors State License Board	B (General Contractor's License)	747393	3/24/1998	Current and Active	No



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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.

There are no 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 SDHC.

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.

NCRC has a long and successful track record of financing, developing, building and managing affordable housing and partnering with numerous public agencies throughout the country. Having NCRC's general contractor and property management group in-house allows close coordination between Development, Construction and Management from pre-development through construction, lease-up, and operations. This will ensure the feasibility of Nestor Senior Village and timely repayment of debt to financial partners such as SDHC.

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
11/30/2018	San Ysidro Senior Village: SDHC City of San Diego	Current Current	\$760,000 \$5,500,000
2/01/2017	Encanto Village: SDHC City of San Diego	Current Current	\$1,060,000 \$6,250,000
6/15/2017	Vista del Puente: SDHC	Current	\$4,100,000

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, please 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, please explain: _____



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HOUSING
COMMISSION**

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

1. Name: Holly Nelson, City of Escondido
 Address: 201 North Broadway Escondido, CA
 Phone: 760-839-4518 hnelson@escondido.org
 Project Name and Description: Valley Senior Village, 50 Units
2. Name: Candi Roberts, City of San Marcos
 Address: 1 Civic Center Drive, San Marcos, CA 92069
 Phone: 760-744-1050 x 3178; croberts@san-marcos.net
 Project Name and Description: Villa Serena, Westlake Village
3. Name: Eli Sanchez, Civic San Diego
 Address: 8989 Rio San Diego Dr., Ste. 100, San Diego, CA 92108-1647
 Phone: 619-533-7121; sanchez@civicsd.com
 Project Name and Description: Encanto Village, 66 units; San Ysidro Senior Village, 51 units

39. Provide 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.

NCRC is a full-service construction contractor that provides predevelopment/pre-construction services, pro forma level cost estimating, design management, construction management, project field superintending, and project engineering services.

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

Name	Experience
Dennis Woerle	Mr. Woerle joined the National CORE construction department in 2018. He has worked in the construction industry for over 30 years, including over 20 years as a Superintendent overseeing single family and multifamily apartment construction.



SAN DIEGO
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Real Estate Department

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 4 day of May, 20 22, at San Diego, California.
Rancho Cucamonga

CONTRACTOR

By: [Signature]

Signature

Chief Financial Officer

Title



Real Estate Department

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: [Signature]

By: _____

Title: Chief Financial Officer

Title: _____

Dated: 5/4/22

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

CALIFORNIA JURAT

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 Bernardino)

Subscribed and sworn to (or affirmed) before me this 4 day of May, 2022
by Michael Finn proved to me on the
basis of satisfactory evidence to be the person(s) who appeared before me.



(Seal)

[Signature]
Signature of Notary Public

My Commission Expires: May 26, 2025

Optional

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

Description of Attached Document

Title or type of Document: _____

Document Date: _____ Number of Pages: _____ (not including this page)

Signer(s) Other Than Named Above: _____

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Date: JUN 13 2007

Person to Contact:
Gregory Renier
ID #31-07231

NATIONAL COMMUNITY RENAISSANCE OF
CALIFORNIA
9065 HAVEN AVE STE 100
RANCHO CUCUMONGA CA 91730

Toil Free Telephone Number:
877-829-5500
Employer Identification Number:
33-0521215

Dear Sir or Madam:

This is in response to the amendment to your organization's Articles of Incorporation filed with the state on February 21, 2007. We have updated our records to reflect the name change from Southern California Housing Development Corporation to National Community Renaissance of California.

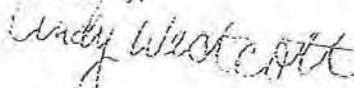
Our records indicate that a determination letter was issued in October 1996 that recognized you as exempt from Federal income tax, and reflect that you are currently exempt under section 501(c)(3) of the Internal Revenue Code.

Our records also indicate you are not a private foundation within the meaning of section 509(a) of the Code because you are described in section 509(a)(1) and 170(b)(1)(A)(vi).

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely,



Cindy Westcott
Manager, Exempt Organizations
Determinations

04/22/2004 12:48 FAX 513 263 3756

TE/GE CINTI

002/002

Internal Revenue Service

Date: April 22, 2004

Adam Kobus
400 Sansome St
San Francisco, CA 94111

Department of the Treasury
P. O. Box 2508
Cincinnati, OH 45201

Person to Contact:
Ms. K. Hilson 31-07340
Customer Service Representative
Toll Free Telephone Number:
8:00 a.m. to 6:30 p.m. EST
877-829-5500
Fax Number:
513-263-3756

Dear Sir:

This is in response to your request of April 22, 2004, regarding affirmation of the tax-exempt status of Southern California Housing Development Corporation.

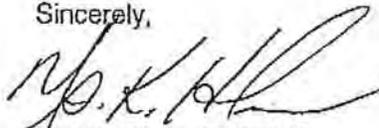
Our records indicate that a determination letter issued in October 1996 granted this organization exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code. That letter is still in effect.

Based on information subsequently submitted, we classified this organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section 509(a)(1) and 170(b)(1)(A)(vi).

Donors may deduct contributions to this organization as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to the organization or for its use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely,



Ms. K. Hilson 31-07340
Customer Account Services

04/22/2004 12:48 FAX 513 263 3756

18/001 08001

04001/001

Internal Revenue Service

Date: April 22, 2004

Adam Kohler
400 Sansome St
San Francisco, CA 94111

Department of the Treasury
P. O. Box 2500
Cincinnati, OH 45201

Person to Contact
Ms. K. Hilson 31 07340
Customer Service Representative
Toll Free Telephone Number:
8:00 a.m. to 6:30 p.m. EST
877-829-5500
Fax Number:
513-263-3756

Dear Sir:

This is in response to your request of April 22, 2004, regarding affirmation of the tax-exempt status of Southern California Housing Development Corporation.

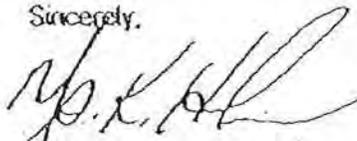
Our records indicate that a determination letter issued in October 1996 granted this organization exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code. That letter is still in effect.

Based on information subsequently submitted, we classified this organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section 509(a)(1) and 170(b)(1)(A)(vi).

Donors may deduct contributions to this organization as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to the organization or for its use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely,



Ms. K. Hilson 31-07340
Customer Account Services

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

▷ Southern California Housing
Development Corporation
8265 Aspen Ave., Ste 100
Rancho Cucamonga, CA 91730

Person to Contact: Bree Ermentrout
Telephone Number: (202) 622-7373
Refer Reply to: CP:E:EO:T:5
Date: **MAR - 4 1997**

EIN: 33-0521215
Key District: Western (Los Angeles, CA)

. Dear Applicant:

This is in response to your request for a ruling, dated January 14, 1997 regarding the tax consequences under the Internal Revenue Code of the change to your bylaws.

You were organized to provide housing to low and moderate income families in California. As an organization lessening the burdens of government, you are exempt from tax under section 501(c)(3) of the Internal Revenue Code. Your exemption was based on many factors. Primarily, you work in close contact with local governments. Apart from local funding approval, each local government must separately approve each project as one that will ease local low-income housing problems. In addition, you must provide ongoing local reports to the local governments.

Your bylaws were originally drafted to include government representatives. After discovering that these representatives were unable to devote the necessary time to carry out their responsibilities as directors, you reduced the size of your board and eliminated any specific class of director. You also created a non-voting advisory board. Any local government that desires to have input can become a member of this board.

Section 501(c)(3) of the Code provides, in part, for the exemption from federal income tax for corporations organized and operated exclusively for charitable, scientific or educational purposes, provided no part of the net earnings inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(d)(2) of the regulations provides that the term 'charitable' is used in section 501(c)(3) of the Code in its generally accepted legal sense, and includes lessening the burdens of government.

Rev. Rul. 85-2, 1985-1 C.B. 178 provides that an organization wishing to be recognized as exempt under section 501(c)(3) of the Code as an organization lessening the burdens of

-2-

Southern California Housing
Development Corporation

government must satisfy two tests. First, it must perform an activity which the governmental unit considers to be its burden. Second, the activity must actually lessen such burden of government.

To assure that you would remain responsive to local governments, your exemption requires that local governments must separately approve each and every project you develop, acquire or operate. They must also allocate public monies to these projects. Local governments also provide oversight. Under this close and continuing governmental contact, the presence of a few governmental officials as board members constituting a minority, was not regarded as a significant factor in your exemption.

This governmental approval and financial commitment will remain notwithstanding any bylaw change. Further, the change to your bylaws continues to allow local governments to provide input as members of an advisory board. You will therefore still perform an activity which a governmental unit considers to be its burden as required by Rev. Rul. 85-2.

Your activities will not change in any way. You will continue to provide housing to low and moderate income families. You will continue to lessen the burden of government.

Accordingly, we rule as follows:

The elimination of the requirement for governmental directors as provided in the original bylaws will not jeopardize your status as an organization described in section 501(c)(3) of the Code.

We are informing your key District Director of this ruling. Because this ruling could help resolve future questions about your federal income tax status, you should keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown in the address above.

Because this letter could help resolve any further questions about your exempt status and unrelated trade or business activities, you should keep it for your permanent records.

-3-

Southern California Housing
Development Corporation

For other matters including questions concerning reporting requirements, please contact your key District Director.

Sincerely yours,



Garland A. Carter
Chief, Exempt Organizations
Technical Branch 5

INTERNAL REVENUE SERVICE
DISTRICT DIRECTOR
2 CUPANIA CIRCLE
MONTEREY PARK, CA 91755-7406

DEPARTMENT OF THE TREASURY

Date: OCT 08 1996

THE SOUTHERN CALIFORNIA HOUSING
DEVELOPMENT CORPORATION
10300 FOURTH, SUITE 200
RANCHO CUCAMONGA, CA 91730-5808

Employer Identification Number:
33-0521215
Case Number:
956263019
Contact Person:
TYRONE THOMAS
Contact Telephone Number:
(213) 894-2289
Our Letter Dated:
September 1992
Addendum Applies:
No

Dear Applicant:

This modifies our letter of the above date in which we stated that you would be treated as an organization that is not a private foundation until the expiration of your advance ruling period.

Your exempt status under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3) is still in effect. Based on the information you submitted, we have determined that you are not a private foundation within the meaning of section 509(a) of the Code because you are an organization of the type described in section 509(a)(1) and 170(b)(1)(A)(vi).

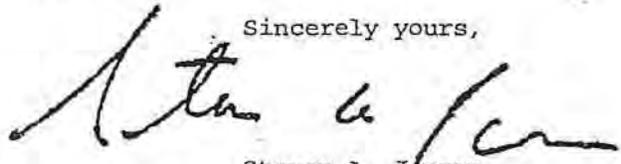
Grantors and contributors may rely on this determination unless the Internal Revenue Service publishes notice to the contrary. However, if you lose your section 509(a)(1) status, a grantor or contributor may not rely on this determination if he or she was in part responsible for, or was aware of, the act or failure to act, or the substantial or material change on the part of the organization that resulted in your loss of such status, or if he or she acquired knowledge that the Internal Revenue Service had given notice that you would no longer be classified as a section 509(a)(1) organization.

If we have indicated in the heading of this letter that an addendum applies, the addendum enclosed is an integral part of this letter.

Because this letter could help resolve any questions about your private foundation status, please keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,



Steven A. Jensen
District Director

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

The Southern California Housing
Development Corporation
c/o Andrew B. Wright
190 North Arrowhead, Suite E
Rialto, CA 92376

Person to Contact: J. O'Malley
Telephone Number: (202) 622-7247
(202) 622-7323
Refer Reply to: E:EO:R:1
Date: SEP 30 1992

Employer Identification Number: 33-0521215
Key District: Los Angeles
Accounting Period Ending: June 30
Foundation Status Classification: 509(a)(2)
Advance Ruling Period Begins: March 26, 1992
Advance Ruling Period Ends: June 30, 1996
Effective Date of Exemption: March 26, 1992
Form 990 Required: Yes

Dear Applicant:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3), beginning on your effective date of exemption.

Because you are a newly created organization, we are not now making a final determination of your foundation status under section 509(a) of the Code. However, we have determined that you can reasonably be expected to be a publicly supported organization described in the section(s) shown above.

Accordingly, you will be treated as a publicly supported organization, and not as a private foundation, during an advance ruling period. This advance ruling period begins and ends on the dates shown above.

Within 90 days after the end of your advance ruling period, you must submit to your key District Director information needed to determine whether you have met the requirements of the applicable support test during the advance ruling period. If you establish that you have been a publicly supported organization, you will be classified as a section 509(a)(1) or 509(a)(2) organization as long as you continue to meet the requirements of the applicable support test. If you do not meet the public support requirements during the advance ruling period, you will be classified as a private foundation for future periods. Also,

The Southern California Housing
Development Corporation

if you are classified as a private foundation, you will be treated as a private foundation from the date of your inception for purposes of sections 507(d) and 4940.

Donors may deduct contributions to you as provided in section 170 of the Code, beginning on your effective date of exemption. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for federal estate and gift tax purposes, if they meet the applicable provisions of sections 2055, 2106, and 2522, beginning on your effective date of exemption.

Donors (including private foundations) may rely on the advance ruling that you are not a private foundation until 90 days after your advance ruling period ends. If you submit the required information within the 90 days, donors may continue to rely on the advance ruling until we make a final determination of your foundation status. However, if notice that you will no longer be treated as the type of organization shown above is published in the Internal Revenue Bulletin, donors may not rely on this advance ruling after the date of such publication. Also, donors (other than private foundations) may not rely on the classification shown above if they were in part responsible for, or were aware of, the act that resulted in your loss of that classification, or if they acquired knowledge that the Internal Revenue Service had given notice that you would be removed from that classification. Private foundations may rely on the classification as long as you were not directly or indirectly controlled by them or by disqualified persons with respect to them. However, private foundations may not rely on the classification shown above if they acquired knowledge that the Internal Revenue Service had given notice that you would be removed from that classification.

If your sources of support, or your purposes, character, or method of operation change, please let your key district know so that office can consider the effect of the change on your exempt status and foundation status. In the case of an amended document or bylaws, please send a copy of the amended document or bylaws to your key district. Also, you should inform your key District Director of all changes in your name or address.

As of January 1, 1984, you are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of \$100 or more you pay to each of your employees during a calendar year. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

The Southern California Housing
Development Corporation

Organizations that are not private foundations are not subject to the excise taxes under Chapter 42 of the Code. However, you are not automatically exempt from other federal excise taxes. If you have any questions about excise, employment, or other federal taxes, please contact your key District Director.

If you conduct fund-raising events such as benefit dinners, auctions, membership drives, etc., where something of value is received in return for contributions, you can help your donors avoid difficulties with their income tax returns by assisting them in determining the proper tax treatment of their contributions. To do this you should, in advance of the event, determine the fair market value of the benefit received and state it in your fund-raising materials such as solicitations, tickets, and receipts in such a way that your donors can determine how much is deductible and how much is not. To assist you in this, the Service has issued Publication 1391, Deductibility of Payments Made to Organizations Conducting Fund-Raising Events. You may obtain copies of Publication 1391 from your key district office.

In the heading of this letter we have indicated whether you must file Form 990, Return of Organization Exempt from Income Tax. If Yes is indicated, you are required to file Form 990 only if your gross receipts each year are normally more than \$25,000. If your gross receipts each year are not normally more than \$25,000, we ask that you establish that you are not required to file Form 990 by completing Part I of that Form for your first year. Thereafter, you will not be required to file a return until your gross receipts exceed the \$25,000 minimum. For guidance in determining if your gross receipts are "normally" not more than the \$25,000 limit, see the instructions for the Form 990. If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. A penalty of \$10 a day is charged when a return is filed late, unless there is reasonable cause for the delay. The maximum penalty charged cannot exceed \$5,000 or 5 percent of your gross receipts for the year, whichever is less. This penalty may also be charged if a return is not complete, so please be sure your return is complete before you file it.

You are required to make your annual return available for public inspection for three years after the return is due. You are also required to make available a copy of your exemption application, and supporting documents, and this exemption letter. Failure to make these documents available for public inspection may subject you to a penalty of \$10 per day for each day there is a failure to comply (up to a maximum of \$5,000 in the case of an

The Southern California Housing
Development Corporation

annual return). See Internal Revenue Service Notice 88-120,
1988-2 C.B. 454, for additional information.

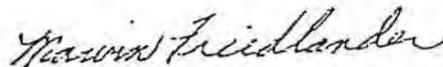
You are not required to file federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T, Exempt Organization Business Income Tax Return. In this letter we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You need an employer identification number even if you have no employees. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

We are informing your key District Director of this ruling. Because this letter could help resolve any questions about your exempt status and foundation status, you should keep it in your permanent records.

If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter. For other matters, including questions concerning reporting requirements, please contact your key District Director.

Sincerely,



Marvin Friedlander
Chief, Exempt Organizations
Rulings Branch 1

Enclosure: Form 872-C

A0657184

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

FEB 21 2007

**CERTIFICATE OF AMENDMENT
OF
ARTICLES OF INCORPORATION
OF
THE SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION**

Rebecca Clark and Doretta Bryan certify that:

1. They are the President and the Secretary, respectively, of The Southern California Housing Development Corporation, a California nonprofit public benefit corporation (the "Corporation").
2. Article I of the Articles of Incorporation of the Corporation shall be amended to read in its entirety as follows:

"I

The name of this corporation is: NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA."

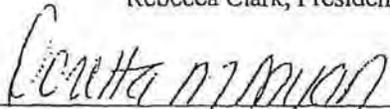
3. The foregoing amendment of the Articles of Incorporation has been duly approved by the Board of Directors.
4. The Corporation has no members.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

DATE: February 15, 2007



Rebecca Clark, President



Doretta Bryan, Secretary



18 11 11
18-7911

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

MAR 23 1992

MARCH FONG EU, Secretary of State

ARTICLES OF INCORPORATION
OF
THE SOUTHERN CALIFORNIA HOUSING DEVELOPMENT CORPORATION

I.

The name of this corporation is The Southern California Housing Development Corporation.

II.

A. This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for charitable purposes.

B. The specific purpose of this corporation is to lessen the burdens of the governments of cities located in Imperial County, Kern County, Los Angeles County, Orange County, Riverside County, San Bernardino County, San Diego County, Santa Barbara County and Ventura County, California, by assisting such cities in the development of affordable housing, as defined by the State of California Community Redevelopment Law (Health and Safety Code Section 33000 et. seq.), as it may be amended from time to time.

III.

The name and address in the State of California of this corporation's initial agent for service of process is:

Andrew Wright
356 West Eleventh Street
Claremont, California 91711

IV.

A. This corporation is organized and operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code.

B. Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code or (ii) by a corporation contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code.

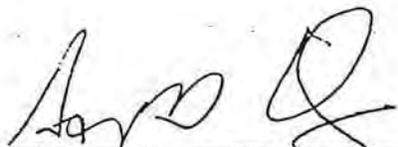
C. No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidate for public office.

V.

A. The property of this corporation is irrevocably dedicated to charitable purposes and no part of the net income or assets of this corporation shall ever inure to the benefit of any director, officer or member thereof or to the benefit of any private person.

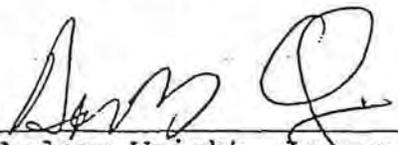
B. Upon the dissolution or winding up of the corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to a nonprofit fund, foundation or corporation which is organized and operated exclusively for charitable purposes and which has established its tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

Dated: March 20 1992



Andrew Wright, Incorporator

I hereby declare that I am the person who executed the foregoing Articles of Incorporation, and that this instrument is my act and deed.



Andrew Wright, Incorporator

LISTING OF ORGANIZATION'S BOARD MEMBERS**(All Board Members are voting members)**

Names & Addresses of all Board Members (Also please: 1. Note any titles such as Chairperson, Vice-Chair, Treasurer, Secretary; and 2. State the start and the end of the Board Member's Term)	Number of the Census Tract in which the Board Member Resides (See Thomas Bros. Map Book)	Is this Board Member a resident of a low-income neighborhood? (If yes, specify which one)	Is this Board Member a low-income (annual gross income less than 80% of area median income) person? (If yes, a self certification signed by the Board Member may be required)	Is this Board Member an elected representative of a low-income neighborhood organization? (If yes, specify which one)	Is this Board Member a representative of the public sector? (Are there any public officials or any public employees on the Board)
1. Jeffrey Burum - Chairman 10621 Civic Center Drive Rancho Cucamonga, CA 91730 Start of Term: June 2019 End of Term: April 2020	06 071 0021.10	No	No	No	No
2. Armando J. Bucelo, Jr. Esq. 6303 Blue Lagoon Dr Ste 390 Miami, FL 33126-6005 Start of Term: June 2019 End of Term: April 2020	12 086 0074.00	No	No	No	No
3. James D. Cashion 100 East Corson St., Ste. 200 Pasadena, CA 91103 Start of Term: June 2019 End of Term: April 2020	06 037 4619.02	No	No	No	No
4. Gavin Michael Clingham 5412 Blackistone Rd. Bethesda, MD 20816 Start of Term: June 2019 End of Term: April 2020	24 031 7057.02	No	No	No	No
5. Raymond Crebs 2110 N. Laurel Avenue Upland, CA 91784 Start of Term: June 2019 End of Term: April 2020	06 071 0008.14	No	No	No	No
6. Laura Kuhns P.O. Box 2585 Fairmount, WV 26554 Start of Term: June 2019 End of Term: April 2020	54 049 0203.00	No	No	No	No
7. James Previti 8300 Utica Avenue, Suite 300 Rancho Cucamonga, CA 91730 Start of Term: June 2019 End of Term: April 2020	06 071 0021.10	No	No	No	No
8. Stephen G. Larson 555 South Flower St., Ste. 4400 Los Angeles, CA 90071 Start of Term: June 2019 End of Term: April 2020	06 037 2077.10	No	No	No	No

9. Dr. Joe Inigpen 673 Turkey Creek Alachua, FL 32615 Start of Term: June 2019 End of Term: April 2020	12 001 0018.14	No	No	No	No
10. Susanne Monterosso 22765 EastPark Drive, #2205 Yorba Linda, CA 92887 Start of Term: June 2019 End of Term: April 2020	06 059 0219.24	Yes	Yes	No	No
11. Venus Lujan 1578 W. Persimmon St. Rialto, CA 92377 Start of Term: June 2019 End of Term: April 2020	06 071 0027.04	No	Yes	No	No
12. Jovita Schofield 10220 Foothill Blvd., #6101 Rancho Cucamonga, CA 91730 Start of Term: June 2019 End of Term: April 2020	06 071 0020.28	Yes	Yes	No	No
13. Richard Dawson 2650 Jamacha Rd., #47, PMB 263 El Cajon, CA 92019 Start of Term: June 2019 End of Term: April 2020	06 073 0136.06	Yes	Yes	No	No
14. Susan Burton 1720 North Wilmington Compton, CA 90222 State of Term: June 2019 End of Term: April 2020	06 037 5413.00	Yes	Yes	No	No

National Community Renaissance of California

Executive Leadership Team

Company Officers

Steve PonTell, CEO and President

Mr. PonTell, as Chief Executive Officer and President of NCRC and Hope through Housing Foundation, oversees two large nonprofits that serve over 25,000 low-income residents in over 8,000 apartment units under ownership and management throughout Arkansas, California, Florida and Texas. Mr. PonTell has extensive experience managing large-scale innovative community based projects. He is a nationally recognized authority on community development and creating forward-thinking organizations to maximize evolving market environments.

Mr. PonTell, with a track record of success in organizational development, is improving NCRC's in-house model that guarantees superior quality control and results. He is building on the organization's demonstrated capacity to build on its successes through prudent financial management and a holistic approach to building and preserving affordable housing.

Prior to leading NCRC, Mr. PonTell founded the La Jolla Institute in 1996, a California-based nonprofit think tank. While at La Jolla Institute, Mr. PonTell was vigorously involved in "Pioneering the New Community". The La Jolla Institute worked on major research projects ranging from studying critical community indicators in San Bernardino County to bringing together four counties: Los Angeles, San Bernardino, Riverside, and Orange County with the four Corners Coalition. In addition, he has served as a strategic consultant to both corporations and communities helping them to adapt to changes impacting the economy and the workplace. Mr. PonTell's clients included the County of San Bernardino; The Four Corners Coalition; and the Ventura Auto Center. Mr. PonTell has an MBA from the Claremont Graduate School Drucker Center, and he holds a Bachelor of Science degree in City and Regional Planning from California Polytechnic State University.

Michael Ruane, Executive Vice President

As Executive Vice President, Mr. Ruane is responsible for overseeing the operations of a NCRC, one of the nation's largest nonprofit affordable housing developers. He leads the development of NCRC's program and business strategies as well as oversees the communication of NCRC's mission to internal and external stakeholders. Prior to this position, Mr. Ruane served as Interim Chief Operating Officer and Chief of Strategy and Public Affairs for Cal Optima, the community health plan for Orange County. He has more than 20 years of experience working for the County of Orange in various positions, including as Assistant County Executive Officer for Strategic and Intergovernmental Affairs, and as Executive Director of the Children and Families Commission of Orange County. Mr. Ruane is the immediate past Chair of the Orange County/Inland Empire District Council of the Urban Land Institute. He holds a Master's Degree in Architecture and Urban Planning from UCLA and is an Adjunct Lecturer in the Department of Policy, Planning and Design at UC Irvine.

Michael Finn, Chief Financial Officer

Mr. Finn is NCRC's Chief Financial Officer. As CFO, Mike is responsible for the overall financial strategy and fiscal practices of the organization. Before joining NCRC, Mike served as CFO for a major healthcare technology company. With more than 25 years of management experience in finance and accounting, Mike has spent the majority of his career working for mid-market companies. He has significant experience in the technology, healthcare, real estate, construction, manufacturing, and entertainment fields. His expertise is in strategic financial planning and analysis, financial reporting and forecasting, mergers and acquisitions, corporate governance, and corporate restructuring. He received his bachelor's degree in economics from UCLA.

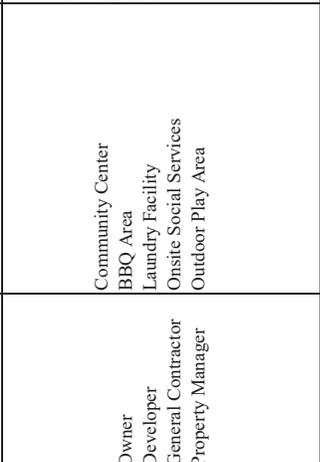
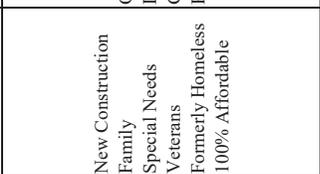
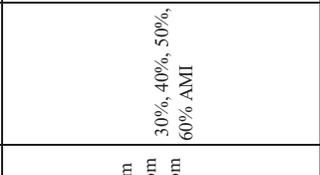
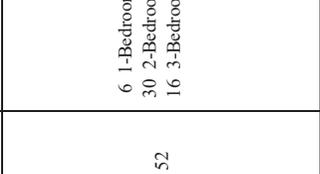
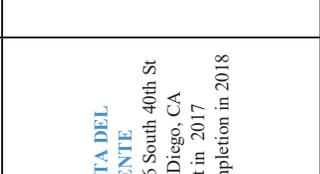
Robert Diaz, General Counsel

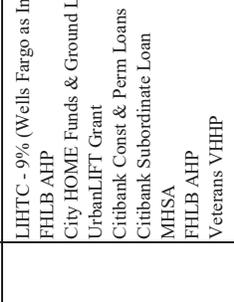
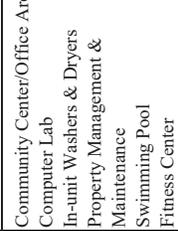
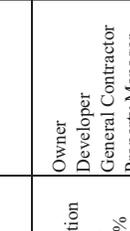
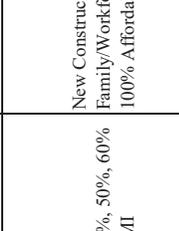
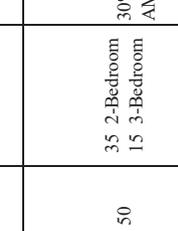
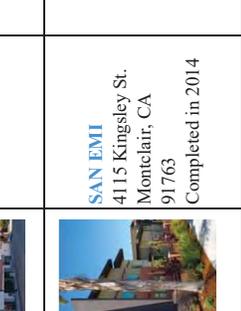
Robert Diaz, NCRC's General Counsel, joined NCRC in 2017. Robert brings significant experience in the areas of debt finance, corporate governance, banking regulations, mergers and acquisitions and general corporate law. Robert has also focused on the development and implementation of corporate controls and structure and has previously played a major role in managing significant portions of large-scale regulatory remediation efforts. Robert graduated from the University of Chicago Law School in 2000 and received his B.S. degree in Business Administration from Chapman University in 1997. He was commissioned as an officer in the United States Army Reserve and served as a member of the Army's JAG Corps for 15 years. Fluent in Spanish, Robert has represented clients in cross-border transactions in Latin America.

Gregory Bradbard, President of Hope through Housing Foundation

Gregory J. Bradbard, President of the Hope through Housing Foundation and NCRC's Senior Vice President of Strategic Partnerships has more than 20 years of experience as a community leader and fundraiser throughout Southern California. Prior to joining Hope through Housing and NCRC, Greg served as President and Chief Executive Officer of the Inland Empire United Way (IEUW). Under his leadership, IEUW increased its community impact by launching several new programs to improve youth and family self-sufficiency. Greg holds a B.A. in Psychology and Social Behavior from UC Irvine, and past roles have included serving as the Executive Director for Court Appointed Special Advocates (CASA) of Orange County, Executive Director for the Irvine Public Schools Foundation, and Director of Development for Families Forward.

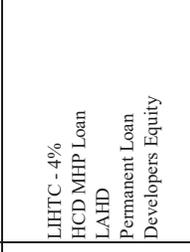
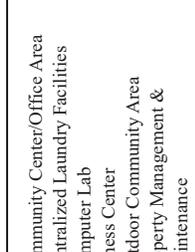
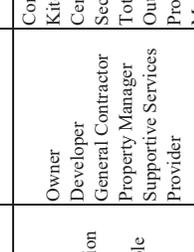
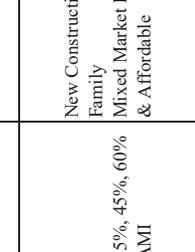
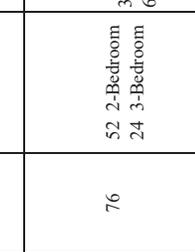
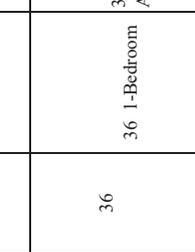
PROPERTY NAME & LOCATION	TOTAL UNITS	BEDROOM UNIT BREAKDOWN	AMI BREAKDOWN	TYPE	ROLE	ONSITE AMENITIES	FINANCING SOURCES
 <p>DAY CREEK VILLAS R Cucamonga, CA Start in 2019 Completion in 2020</p>	140	131 1-Bedroom 9 2-Bedroom	30%, 45%, 50%, 60% AMI	New Construction Senior 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center Warming Lobby Fitness Room Computer Room Pool Outdoor Fireplaces Bike Storage	City of Rancho Cucamonga Land Loan City of Rancho Cucamonga Dev Loan 9%+4% Hybrid LIHTC HACSB PBV (8) IEHP Loan Conventional Mortgage FHLLB AHP
 <p>ARROWHEAD GROVE PH III San Bernardino CA Start in 2019 Completion in 2021</p>	184	28 1-Bedroom 102 2-Bedroom 46 3-Bedroom 10 - 4-Bedroom	30%, 45%, 50%, 60% AMI	New Construction Family Mixed Income	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center Computer Center Laundry Facilities Pool Tot Lots Community Garden Private Bike Storage	AHSC HRI Grant AHSC AHD Loan Tax-Exempt Mortgage City of San Bernardino Loan County of San Bernardino Loan HACSB Capital + RAD PBV 4% LIHTC
 <p>VISTA VERDE Ontario, CA Start in 2019 Completion in 2021</p>	101	69 2-Bedroom 32 3-Bedroom	30%, 45%, 50%, 60% AMI	New Construction Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center Computer Center Laundry Facilities Pool Community Garden Private Bike Storage	Affordable Housing and Sustainable Communities Loan City of Ontario Land Loan City of Ontario Loan 4% LIHTC Tax-Exempt Mortgage
 <p>SAN YSIDRO SENIOR VILLAGE 517 W. San Ysidro Blvd. San Ysidro, CA Start in 2018 Completion in 2020</p>	51	50 Studio 1 2-Bedroom	30%, 40%, 50% AMI	New Construction Senior Permanent Supportive Housing 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center Computer Center Laundry Facilities Outdoor Gathering Spaces	San Diego Housing Commission City of San Diego 9% LIHTC FHLLB-SF AHP Funds Permanent Loan
 <p>VISTA GRANDE COURT 1116 Sonora Avenue Glendale, CA Start in 2018 Completion in 2020</p>	66	60 1-Bedroom 6 2-Bedroom	30%, 45%, 50%, 60% AMI	New Construction Senior 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Large Resident Community Center Community Garden Outdoor Fireplace BBQ Area Computer Room Elevator Laundry Facilities	City of Glendale Capital One, NA Century Housing 9% LIHTC Raymond James Tax Credit Funds FHLLB of San Francisco AHP Funds (City National Bank)
 <p>ENCANTO VILLAGE 6315 Imperial Ave San Diego, CA Start in 2018 Completion in 2020</p>	66	30 1-Bedroom 18 2-Bedroom 18 3-Bedroom	30%, 45%, 50%, 60% AMI	New Construction Mixed-Use Transit-Oriented Family Seniors Homeless Veterans 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Station/Bus Stop Bicycle Storage Areas Community Center Community Gardens EV Charging Stations Onsite Laundry Facilities Outdoor Play Area	U.S. Department of Housing and Urban Development San Diego Housing Commission Civic San Diego Bank of America 9% LIHTC

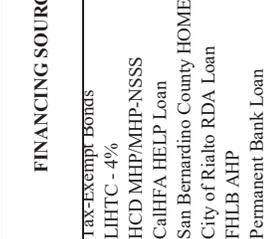
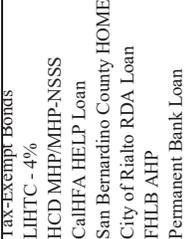
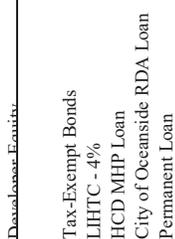
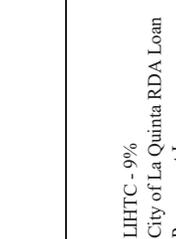
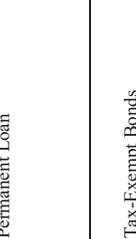
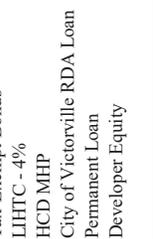
	PROPERTY NAME & LOCATION	TOTAL UNITS	BEDROOM UNIT BREAKDOWN	AMI BREAKDOWN	TYPE	ROLE	ONSITE AMENITIES	FINANCING SOURCES
	<p>VISTA DEL PUENTE 1436 South 40th St San Diego, CA Start in 2017 Completion in 2018</p>	52	<p>6 1-Bedroom 30 2-Bedroom 16 3-Bedroom</p>	<p>30%, 40%, 50%, 60% AMI</p>	<p>New Construction Family Special Needs Veterans Formerly Homeless 100% Affordable</p>	<p>Owner Developer General Contractor Property Manager</p>	<p>Community Center BBQ Area Laundry Facility Onsite Social Services Outdoor Play Area</p>	<p>CA HCD VHHF Loan San Diego Housing Commission Loan + PBV (38) City of San Diego Conventional Mortgage 9% LIHTC Equity FHLB AHP Home Depot Foundation Grant Fundrs Together End Homelessness</p>
	<p>OAKCREST HEIGHTS 22733 Oakerest Circle Yorba Linda, CA Start in June 2017 Completed in 2018</p>	54	<p>9 1-Bedroom 27 2-Bedroom 18 3-Bedroom</p>	<p>30%, 45%, 50%, 60% AMI</p>	<p>New Construction Family 100% Affordable</p>	<p>Owner Developer General Contractor Property Manager Supportive Services Provider</p>	<p>Onsite Preschool Community Center Onsite Laundry Facilities Private Patios/Balconies Outdoor Gathering Spaces</p>	<p>Citibank Permanent Loan Raymond James LIHTC Equity – 9% City of Yorba Linda FHLB AHP CHEA - MHSA Orange County Housing Authority County of Orange</p>
	<p>MISSION COVE II 3247 Anchor Way Oceanside, CA Start in March 2017 Completed in 2018</p>	60	<p>32 2-Bedroom 28 3-Bedroom</p>	<p>30%, 45%, 50%, 60% AMI</p>	<p>New Construction Mixed - Use Special Needs 100% Affordable</p>	<p>Owner Developer General Contractor Property Manager Supportive Services Provider</p>	<p>Community Center/Preschool Computer Lab In-unit Washers & Dryers Residential Private Outdoor Patio/Balcony Fitness Center Office/Retail Space</p>	<p>City of Oceanside Bank of America Permanent Loan Hudson Housing Capital LIHTC Equity FHLB AHP</p>
	<p>THREE OAKS Santa Clarita, CA Start in March 2016 Completed in 2017</p>	30	<p>21 2-Bedroom 9 3-Bedroom</p>	<p>30%, 40%, 50%, 60% AMI</p>	<p>New Construction Family 100% Affordable</p>	<p>Owner Developer General Contractor Supportive Services Provider</p>	<p>Community Center/Office Area Computer Lab./After-School Program Children's Play Area</p>	<p>LIHTC - 9% City RDA/Bond & CDBG Funds Wells Fargo Const & Perm Loan</p>
	<p>OLIVE MEADOW San Bernardino, CA Start in March 2016 Completed in 2017</p>	62	<p>12 1-Bedroom 30 2-Bedroom 20 3-Bedroom</p>	<p>30%, 45%, 50%, 60% AMI</p>	<p>New Construction Family 100% Affordable</p>	<p>Owner Developer General Contractor Property Manager Supportive Services Provider</p>	<p>Community Center/Office Area Computer Lab./After-School Program In-unit Washers & Dryers Children's Play Area Fitness Center Elevators in 3-story Building</p>	<p>LIHTC - 9% HUD Rental Assistance Demonstration City HOME Funds Housing Authority of County of San Bernardino, PBVs & Loan Ground Lease FHLB AHP Wells Fargo HUD/FHA 221(d)(4) Loan</p>
	<p>OAKCREST TERRACE 22744 Eastpark Dr. Yorba Linda, CA Completed in 2017</p>	69	<p>15 1-Bedroom 33 2-Bedroom 21 3-Bedroom</p>	<p>30%, 45%, 50%, 60% AMI</p>	<p>New Construction Family 100% Affordable</p>	<p>Owner Developer General Contractor Property Manager Supportive Services Provider</p>	<p>Community Center/After-School Program Facilities Centralized Laundry Facilities Tot-Lot Computer Lab Elevators in 3-story Building</p>	<p>LIHTC - 9% FHLB AHP City of Yorba Linda RDA Loan Citibank Const & Perm Loans Citibank Subordinate Loan</p>

	PROPERTY NAME & LOCATION	TOTAL UNITS	BEDROOM UNIT BREAKDOWN	AMI BREAKDOWN	TYPE	ROLE	ONSITE AMENITIES	FINANCING SOURCES
	<p>MISSION COVE I 3247 Anchor Way Oceanside, CA Completed in 2017</p>	90	<p>26 1-Bedroom 32 2-Bedroom 32 3-Bedroom</p>	<p>30%, 45%, 50%, 60% AMI</p>	<p>New Construction Mixed - Use Special Needs 100% Affordable</p>	<p>Owner Co-Developer General Contractor Property Manager Supportive Services Provider</p>	<p>Community Center/Preschool Computer Lab In-unit Washers & Dryers Residential Private Outdoor Patio/Balcony Fitness Center Office/Retail Space</p>	<p>LIHTC - 9% (Wells Fargo as Investor) FHLB AHP City HOME Funds & Ground Lease UrbanLIFT Grant Citibank Const & Perm Loans Citibank Subordinate Loan MHSA FHLB AHP Veterans VHHF</p>
	<p>VALENCIA VISTA San Bernardino, CA Start in 2015 Completed in 2016</p>	76	<p>10 1-Bedroom 40 2-Bedroom 22 3-Bedroom 4 4-Bedroom</p>	<p>30%, 45%, 50%, 60% AMI</p>	<p>New Construction Family 100% Affordable</p>	<p>Owner Developer General Contractor Property Manager Supportive Services Provider</p>	<p>Community Center/Office Area Computer Lab In-unit Washers & Dryers Property Management & Maintenance Swimming Pool Fitness Center Elevators in 3-story Building</p>	<p>LIHTC - 9% (Wells Fargo as Investor) HUD Rental Assistance Demonstration City HOME Funds Housing Authority of County of San Bernardino, PBVs & Loan PNC HUD/FHA 221(d)(4) Loan</p>
	<p>MARV'S PLACE Pasadena, CA Start in 2015 Completed in 2016</p>	20	<p>10 1-Bedroom 10 2-Bedroom</p>	<p>30% AMI</p>	<p>New Construction Special Needs Homeless 100% Affordable</p>	<p>Owner Developer General Contractor Property Manager</p>	<p>Community Center/Office Area Computer Lab Central Laundry Facilities Property Management & Maintenance</p>	<p>LIHTC - 9% City of Pasadena Housing Funds & PBV's County of Los Angeles Industry & First 5 Funds</p>
	<p>LAS PALMAS VILLAGE 107-115 Ave. Serra San Clemente, CA 92673 Completed in 2015</p>	19	<p>19 1-Bedroom</p>	<p>30%, 50%, 60% AMI</p>	<p>New Construction Family/Workforce 100% Affordable</p>	<p>Owner Developer General Contractor Property Manager Supportive Services Provider</p>	<p>Community Center/Office Area Computer Lab Central Laundry Facilities Property Management & Maintenance</p>	<p>LIHTC - 4% City of San Clemente Inclusionary Funds HCD IIG Tax-exempt Bonds (Citibank) Citibank Subordinate Loan</p>
	<p>THE VIEW 8314 2nd Street Downey, CA 90241 Completed in 2014</p>	50	<p>35 2-Bedroom 15 3-Bedroom</p>	<p>30%, 45%, 50% AMI</p>	<p>New Construction Family 100% Affordable</p>	<p>Owner Developer General Contractor Property Manager Supportive Services Provider</p>	<p>Community Center/Office Area Tot-Lot Computer Lab Central Laundry Facilities Outdoor Community Areas Property Management & Maintenance</p>	<p>LIHTC - 9% City of Downey HOME/Set-Asides Los Angeles County Industry Funds Permanent Bank Loan with JP Morgan Chase</p>
	<p>SAN EMI 4115 Kingsley St. Montclair, CA 91763 Completed in 2014</p>	18	<p>18 1-Bedroom</p>	<p>30%, 45%, 50% AMI</p>	<p>New Construction Special Needs 100% Affordable</p>	<p>Owner Developer Property Manager</p>	<p>Office Area Outdoor Community Areas Share Community Facilities with Adjacent National CORE Projects Property Management & Maintenance</p>	<p>LIHTC - 9% HUD 811 City of Montclair AHP</p>

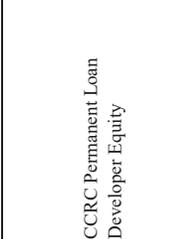
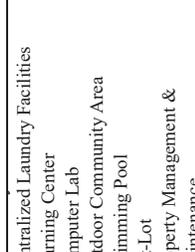
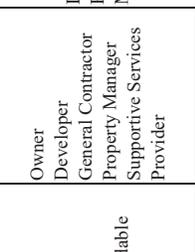
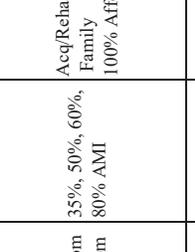
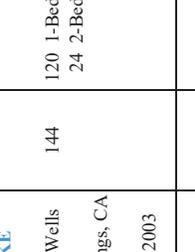
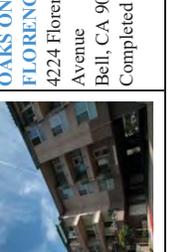
	PROPERTY NAME & LOCATION	TOTAL UNITS	BEDROOM UNIT BREAKDOWN	AMI BREAKDOWN	TYPE	ROLE	ONSITE AMENITIES	FINANCING SOURCES
	DUMOSA SENIOR VILLAGE 57110 29 Palms Hwy Yucca Valley, CA 92884 Completed in 2014	75	74 1-Bedroom 1 2-Bedroom	30%, 40%, 50%, 55% AMI	New Construction Senior 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Computer Lab Central Laundry Facilities Outdoor Community Areas Property Management & Maintenance	LIHTC - 9% Town of Yucca Valley Funds County of San Bernardino HOME USDA Section 538 Permanent Loan AHP
	WESTLAKE VILLAGE II 405 & 419 Autumn Drive San Marcos, CA 92069 Completed in 2014	57	21 1-Bedroom 18 2-Bedroom 18 3-Bedroom	30%, 45%, 50%, 55% AMI	New Construction Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Centralized Laundry Facilities Tot-Lot Outdoor Community Areas Share Community Center with Westlake Village I Property Management & Maintenance	LIHTC - 9% City of San Marcos RDA Loan Permanent Loan
	DESERT MEADOWS 44071 Clinton St. Indio, CA 92201 Completed in 2013	80		25%, 35%, 40% AMI	New Construction Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Swimming Pool Tot-Lot Computer Lab Central Laundry Facilities Outdoor Community Areas Property Management & Maintenance	LIHTC - 4% County of Riverside RDA Funds FHLB AHP State of CA HCD MHP Funds
	RIVER CANYON 34300 Corridor Drive Cathedral City, CA 92234 Completed in 2011	60	41 2-Bedroom 19 3-Bedroom	30%, 45%, 50%, 60% AMI	New Construction Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Centralized Laundry Facilities Swimming Pool Outdoor Community Areas Property Management & Maintenance	LIHTC - 9% City of Cathedral City RDA Loan Infill Grant Permanent Loan Developer Equity County of Riverside Home Funds
	ALTA VISTA 5051 E. 3rd St. Los Angeles, CA 90022 Completed in 2012	60	41 2-Bedroom 19 3-Bedroom	30%, 45%, 50% AMI	New Construction Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Tot-Lot Central Laundry Facilities Outdoor Community Areas Property Management & Maintenance	Los Angeles County Industry Funds Los Angeles County CDC HOME Los Angeles County 1st District Funds State of CA HCD IIG State of CA HCD TOD LIHTC - 9% Permanent Bank Loan
	ENCANTO COURT 1345 W. 105th St. Los Angeles, CA 90044 Completed in 2012	62	56 1-Bedroom 6 2-Bedroom	25%, 45%, 50% AMI	New Construction Senior Infill 100% Affordable	Owner Developer Property Manager Supportive Services Provider	Community Center/Office Area Centralized Laundry Facilities Security Gates and Fencing Property Management & Maintenance	LIHTC - 9% CDC HOME/DDA Loan CDC CCP Homeless Loan Infill Infrastructure Grant HACOLA Industry Loan FHLB AHP Permanent Loan Developer Equity

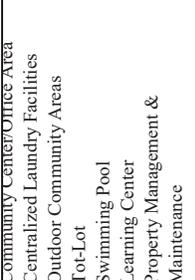
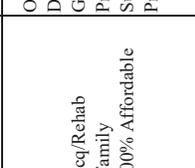
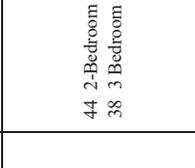
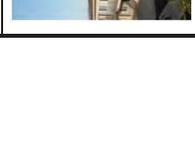
	PROPERTY NAME & LOCATION	TOTAL UNITS	BEDROOM UNIT BREAKDOWN	AMI BREAKDOWN	TYPE	ROLE	ONSITE AMENITIES	FINANCING SOURCES
	SIGNATURE AT FAIRFIELD 1189 Tabor Ave. Fairfield, CA 94533 Completed in 2012	93		30%, 40%, 50%, 60% AMI	Acq/Rehab Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Centralized Laundry Facility Outdoor Community Areas Tot-Lot Swimming Pool Learning Center Property Management & Maintenance	Tax-Exempt Bonds LIHTC - 4% CaHFA MHSA State of CA HOME Funds City of Fairfield RDA Funds Permanent Loan Developer Equity
	WESTLAKE VILLAGE I 405 Autumn Drive San Marcos, CA 92069 Completed in November 2013	49	15 1-Bedroom 18 2-Bedroom 16 3-Bedroom	35%, 45%, 50%, 60% AMI	New Construction Family Mixed-Use 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center Centralized Laundry Facilities Learning Center Swimming Pool and Spa Outdoor Community Areas Property Management & Maintenance	LIHTC - 9% City of San Marcos RDA Loan FHLB AHP Permanent Loan
	JUNIPER SENIOR VILLAGE 215 E. Washington Avenue Escondido, CA 92025 Completed in 2011	61		35%, 45%, 50, 60% AMI	New Construction Senior 100% Affordable	Owner Developer Property Manager Supportive Services Provider	Community Center/Office Area with a Service Kitchen Centralized Laundry Facilities Swimming Pool and Spa Outdoor Community Areas Property Management & Maintenance	LIHTC - 9% City of Escondido RDA/HOME Loan HCD Infill Infrastructure Grant Permanent Loan Developer Equity
	VISTA DEL CIELO 10319 Mills Avenue Montclair, CA 91763 Completed in 2011	50	1 1-Bedroom 34 2-Bedroom 15 3-Bedroom	30%, 45%, 50, 60% AMI	New Construction Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Centralized Laundry Facilities Swimming Pool Outdoor Community Areas Property Management & Maintenance	LIHTC - 9% County of San Bernardino HOME Loan City of Montclair RDA Loan Permanent Bank Loan Developer Equity
	MISSION VILLAGE SENIOR 8989 Mission Blvd. Riverside, CA 92509 Completed 2010	110	99 1-Bedroom 11 2-Bedroom	50% AMI	New Construction Senior 100% Affordable	Owner Developer Property Manager Supportive Services Provider	Community Center/Office Area with a Service Kitchen Centralized Laundry Facilities Swimming Pool and Spa Outdoor Community Areas Property Management & Maintenance	Tax Exempt Bonds LIHTC - 4% City of Riverside RDA Loan FHLB AHP Permanent Loan Developer Equity
	SAN MARINO 10355 Mills Avenue Montclair, CA 91763 Completed 2010	85	84 1-Bedroom 1 2-Bedroom	50%, 60% AMI	New Construction Senior 3 Phase Project 100% Affordable	Owner Developer Property Manager Supportive Services Provider	Community Center/Office Area Outdoor Community Areas Centralized Laundry Facilities Security Gates and Fencing Property Management & Maintenance	LIHTC - 9% HUD 202 HUD Predevelopment Loan City of Montclair RDA Loan FHLB AHP Permanent Loan Developer Equity

	PROPERTY NAME & LOCATION	TOTAL UNITS	BEDROOM UNIT BREAKDOWN	AMI BREAKDOWN	TYPE	ROLE	ONSITE AMENITIES	FINANCING SOURCES
	<p>TRES LOMAS 4343 Toland Way Los Angeles, CA 90041 Completed 2010</p>	46	45 1-Bedroom 1 2-Bedroom	30%, 40%, 50%, 60% AMI	Acq/Rehab Senior 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Outdoor Community Areas Centralized Laundry Facilities Security Gates and Fencing Property Management & Maintenance	LIHTC - 4% HCD MHP Loan LAHD Permanent Loan Developers Equity
	<p>VISTA CASCADE 1432 N. Willow Avenue Rialto, CA Completed in 2010</p>	42	29 2-Bedroom 13 3-Bedroom	50% AMI	Acq/Rehab Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Centralized Laundry Facilities Computer Lab Fitness Center Outdoor Community Area Property Management & Maintenance	LIHTC - 4% HCD MHP Loan AHP Permanent Loan Developers Equity
	<p>RANCHO VERDE EAST EXPANSION 8837 Grove Avenue Rancho Cucamonga, CA Completed in 2009</p>	40	40 3-Bedroom	35%, 45%, 60% AMI	New Construction Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center with Service Kitchen Centralized Laundry Facilities Security Gates and Fencing Tot Lot Outdoor Community Areas Property Management and Maintenance	Tax Exempt Bonds LIHTC - 4% County of San Bernardino HOME Loan City of Rancho Cucamonga RDA Loan Permanent Loan Developer Equity
	<p>VILLAGGIO ON ROUTE 66 10220 Foothill Blvd. Rancho Cucamonga, CA Completed in 2009</p>	166	104 2-Bedroom 62 2-Bedroom	35%, 45%, 60% AMI	New Construction Family Mixed Market Rate & Affordable	Owner Developer Property Manager Supportive Services Provider	Community Center/Office Area Centralized Laundry Facilities Swimming Pool Tot Lot Learning Center Outdoor Community Areas Property Management & Maintenance	Tax Exempt Bonds LIHTC - 4% HCD MHP City of Rancho Cucamonga RDA Loan Permanent Loan Developer Equity
	<p>VILLA PLUMOSA 4672 Plumosa Drive Yorba Linda, CA 92886 Completed in 2009</p>	76	52 2-Bedroom 24 3-Bedroom	30%, 45%, 50%, 60% AMI	Acq/Rehab Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Central Laundry Facilities Outdoor Community Areas Property Management & Maintenance	LIHTC - 9% City of Yorba Linda RDA Loan Permanent Loan Developer Equity
	<p>CAPE COD VILLAS 1710 Maxson Street Oceanside, CA 92054 Completed in 2008</p>	36	36 1-Bedroom	30%, 50%, 60% AMI	Acq/Rehab Senior 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Central Laundry Facilities Outdoor Community Areas Property Management & Maintenance	Tax-Exempt Bonds LIHTC - 4% City of Oceanside RDA Loan

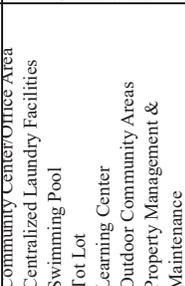
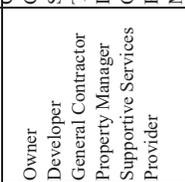
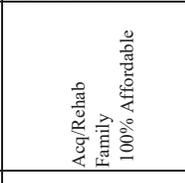
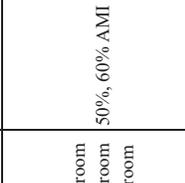
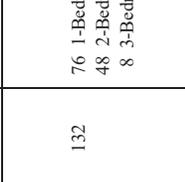
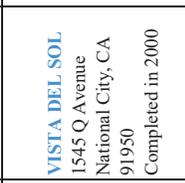
PROPERTY NAME & LOCATION	TOTAL UNITS	BEDROOM UNIT BREAKDOWN	AMI BREAKDOWN	TYPE	ROLE	ONSITE AMENITIES	FINANCING SOURCES
 <p>CITRUS GROVE AT RIALTO 1432 Willow Avenue Rialto, CA 92376 Completed in 2008</p>	152	100 2-Bedroom 52 3-Bedroom	30%, 40%, 50%, 60% AMI	Acq/Rehab Family 2 Phase Project 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Centralized Laundry Facilities Computer Lab Fitness Center Outdoor Community Area Property Management & Maintenance	Tax-Exempt Bonds LIHTC - 4% HCD MHP/MHP-NSSS CalHFA HELP Loan San Bernardino County HOME Loan City of Rialto RDA Loan FHLB AHP Permanent Bank Loan Developer Equity
 <p>LA MISION VILLAGE 3220 Mission Avenue Oceanside, CA 92054 Completed in 2008</p>	80	3 1-Bedroom 46 2-Bedroom 31 3-Bedroom	40%, 60% AMI	New Construction Family 100% Affordable	Owner Developer Property Manager Supportive Services Provider	Day Care Center with a Service Kitchen Commercial Lease Area Tot-Lot Central Laundry Facilities Outdoor Community Areas Property Management & Maintenance	Tax-Exempt Bonds LIHTC - 4% HCD MHP Loan City of Oceanside RDA Loan Permanent Loan
 <p>VISTA DUNES 44-950 Vista Dunes Lane La Quinta, CA 92201 Completed in 2008</p>	80	14 1-Bedroom 38 2-Bedroom 28 3-Bedroom	30%, 45%, 50% AMI	New Construction Family Certified LEED Platinum 100% Affordable	Owner Developer Property Manager Supportive Services Provider	Community Center/Office Area Centralized Laundry Facilities Swimming Pool Sports Court Outdoor Community Areas Property Management & Maintenance	LIHTC - 9% City of La Quinta RDA Loan Permanent Loan
 <p>NORTHGATE VILLAGE 17251 Dante Street Victorville, CA 92392 Completed in 2007</p>	140	42 1-Bedroom 73 2-Bedroom 25 3-Bedroom	50%, 80% AMI	Acq/Rehab Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Centralized Laundry Facilities Swimming Pool Tot Lot Outdoor Community Areas Property Management & Maintenance	Tax-Exempt Bonds LIHTC - 4% HCD MHP City of Victorville RDA Loan Permanent Loan Developer Equity
 <p>PARK VIEW TERRACE 6728 Clara Street Bell Gardens, CA 90201 Completed in 2007</p>	72	65 1-Bedroom 7 2-Bedroom	50% AMI	New Construction Senior Infill 100% Affordable	Owner Developer Property Manager	Community Center/Office Area with a Service Kitchen Centralized Laundry Facilities Fitness Center Reflection Pond Outdoor Patio/Picnic Area Central Courtyard Property Management & Maintenance	Tax-Exempt Bonds LIHTC - 4% HACOLA HOME Loan LACDC Loan City of Industry Loan City of Bell Gardens CDC Loan FHLB AHP Developer Equity
 <p>SAN ANTONIO VISTA 10410 Pradera Avenue Montclair, CA 91763 Completed in 2007</p>	75	50 2-Bedroom 25 3-Bedroom	30%, 45%, 50%, 60% AMI	New Construction Family 3 Phase Project 100% Affordable	Owner Developer General Contractor Property Manager Co-Supportive Services Provider	Community Center/Office Area with a Service Kitchen Centralized Laundry Facilities Outdoor Community Areas Tot-Lot Swimming Pool Property Management & Maintenance	LIHTC - 9% County of San Bernardino HOME Loan City of Montclair RDA Loan Permanent Bank Loan Developer Equity

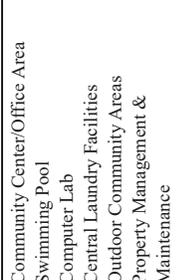
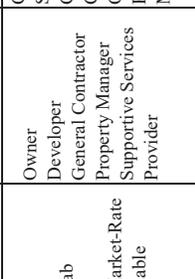
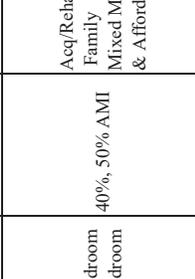
PROPERTY NAME & LOCATION	TOTAL UNITS	BEDROOM UNIT BREAKDOWN	AMI BREAKDOWN	TYPE	ROLE	ONSITE AMENITIES	FINANCING SOURCES
 <p>SUNSET HEIGHTS 6230 Haven Avenue Alta Loma, CA 91737 Completed in 2007</p>	117	80 2-Bedroom 37 3-Bedroom	35%, 45%, 60% AMI	Acq/Rehab Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	a Service Kitchen Centralized Laundry Facilities Learning Center Computer Lab Outdoor Patio/Picnic Area Tot-Lot Property Management & Maintenance	Tax-Exempt Bonds LIHTC - 4% CalHFA Perm - A Bonds CalHFA Perm - B Bonds City of Rancho Cucamonga RDA Loan
 <p>MELROSE VILLAS 1820 Melrose Drive San Marcos, CA 92069 Completed in 2006</p>	114	12 1-Bedroom 63 2-Bedroom 39 3-Bedroom	35%, 60% AMI	New Construction Family Inclusionary 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	a Service Kitchen Centralized Laundry Facilities Learning Center Computer Lab Outdoor Patio/Picnic Area Tot-Lot Property Management & Maintenance	Tax-Exempt Bonds LIHTC - 4% HCD MHP Loan Developer Equity
 <p>TALMADGE SENIOR VILLAGE 5252 El Cajon Boulevard San Diego, CA 92115 Completed in 2006</p>	91	88 1-Bedroom 3 2-Bedroom	30%, 45%, 50% AMI	New Construction Senior Infill 100% Affordable	Owner Developer Property Manager Co-Supportive Services Provider	Community Center/Office Area with a Service Kitchen Centralized Laundry Facilities Underground Parking Computer Lab Outdoor Community Areas Property Management & Maintenance	LIHTC - 9% City of San Diego RDA NOFA Loan Permanent Bank Loan Developer Equity
 <p>VISTA TERRAZA 7735 Via Solare San Diego, CA 92129 Completed in 2006</p>	123	12 1-Bedroom 71 2-Bedroom 40 3-Bedroom	35%, 60% AMI	New Construction Family Inclusionary 100% Affordable	Owner Developer Property Manager Supportive Services Provider	Community Center/Office Area with a Service Kitchen Centralized Laundry Facilities Learning Center Swimming Pool and Spa Outdoor Community Areas Property Management & Maintenance	Tax-Exempt Bonds LIHTC - 4% HCD MHP Loan Developer Equity
 <p>FOUNTAINS AT SIERRA 16946 Ceres Avenue Fontana, CA 92335 Completed in 2005</p>	93	75 1-Bedroom 18 2-Bedroom	30%, 45%, 50% AMI	New Construction Senior 3 Phase Project 100% Affordable	Co-Owner Co-Developer Property Manager Supportive Services Provider	Community Center/Office Area Centralized Laundry Facilities Swimming Pool and Spa Fitness Room Outdoor Community Areas Property Management & Maintenance	LIHTC - 9% City of Fontana RDA Loan FHLB AHP CCRC Permanent Loan
 <p>GARDENS AT SIERRA 16838 Ceres Avenue Fontana, CA 92335 Completed in 2005</p>	93	75 1-Bedroom 18 2-Bedroom	50% AMI	New Construction Senior 3 Phase Project 100% Affordable	Co-Owner Co-Developer Property Manager Supportive Services Provider	Community Center/Office Area Centralized Laundry Facilities Swimming Pool and Spa Fitness Room Outdoor Community Areas Property Management & Maintenance	Tax-Exempt Bonds LIHTC - 4% City of Fontana RDA Loan FHLB AHP CCRC Permanent Loan

	PROPERTY NAME & LOCATION	TOTAL UNITS	BEDROOM UNIT BREAKDOWN	AMI BREAKDOWN	TYPE	ROLE	ONSITE AMENITIES	FINANCING SOURCES
	<p>HAWTHORNE TERRACE 13006 Komblum Avenue Hawthorne, CA 90250 Completed in 2005</p>	<p>100</p>	<p>40 1-Bedroom 36 2-Bedroom 24 3-Bedroom</p>	<p>35%, 50%, 60%, 80% AMI</p>	<p>Acq/Rehab Family Inclusionary 100% Affordable</p>	<p>Owner Developer General Contractor Property Manager Supportive Services Provider</p>	<p>Community Center/Office Area Centralized Laundry Facilities Tot Lot Learning Center Outdoor Community Areas Property Management & Maintenance</p>	<p>CCRC Permanent Loan Developer Equity</p>
	<p>MISSION POINTE 2750 Topaz Drive Riverside, CA 92507 Completed in 2005</p>	<p>64</p>	<p>44 2-Bedroom 20 3-Bedroom</p>	<p>40%, 55% AMI</p>	<p>Acq/Rehab Family Neighborhood Revitalization 100% Affordable</p>	<p>Owner Developer General Contractor Property Manager Supportive Services Provider</p>	<p>Centralized Laundry Facilities Learning Center Computer Lab Outdoor Community Area Swimming Pool Tot-Lot Property Management & Maintenance</p>	<p>Tax-Exempt Bonds LIHTC - 4% HCD MHP Permanent Loan Developer Equity</p>
	<p>CLARK MANOR 13032 Clark Avenue Downey, CA 90242 Completed in 2004</p>	<p>41</p>	<p>13 1-Bedroom 20 2-Bedroom 8 3-Bedroom</p>	<p>35%, 50%, 60%, 80% AMI</p>	<p>Acq/Rehab Family 100% Affordable</p>	<p>Owner Developer General Contractor Property Manager Supportive Services Provider</p>	<p>Laundry Facility Property Management & Maintenance</p>	<p>City of Downey HOME Loan Washington Mutual</p>
	<p>MULBERRY VILLAS 14950 Mulberry Drive Whittier, CA 90604 Completed in 2004</p>	<p>51</p>	<p>31 1-Bedroom 20 2-Bedroom</p>	<p>35%, 50%, 60%, 80% AMI</p>	<p>Acq/Rehab Family 100% Affordable</p>	<p>Owner Developer General Contractor Property Manager Supportive Services Provider</p>	<p>Community Center/Office Area Centralized Laundry Facilities Outdoor Community Areas Property Management & Maintenance</p>	<p>Washington Mutual Permanent Loan</p>
	<p>LITTLE LAKE VILLAGE 10902 Fulton Wells Avenue Santa Fe Springs, CA 90670 Completed in 2003</p>	<p>144</p>	<p>120 1-Bedroom 24 2-Bedroom</p>	<p>50%, 60% AMI</p>	<p>New Construction Senior 100% Affordable</p>	<p>Owner Developer Property Manager Supportive Services Provider</p>	<p>Community Center/Office Area with a Service Kitchen Centralized Laundry Facilities Computer Lab Outdoor Community Area Property Management & Maintenance</p>	<p>Tax-Exempt Bonds LIHTC - 4% LACDC HOME Loan City of Industry Loan City of Santa Fe Springs CDC Loan Permanent Loan</p>
	<p>OAKS ON FLORENCE 4224 Florence Avenue Bell, CA 90201 Completed in 2003</p>	<p>63</p>	<p>55 1-Bedroom 8 2-Bedroom</p>	<p>50% AMI</p>	<p>New Construction Senior Infill 100% Affordable</p>	<p>Owner Developer Property Manager Co-Supportive Services Provider</p>	<p>Community Center/Office Area Centralized Laundry Facilities Computer Lab Outdoor Community Areas Property Management & Maintenance</p>	<p>Tax-Exempt Bonds LIHTC - 4% City of Industry Loan Bell Land Loan LACDC HOME Loan FHLB AHP Developer Equity</p>

	PROPERTY NAME & LOCATION	TOTAL UNITS	BEDROOM UNIT BREAKDOWN	AMI BREAKDOWN	TYPE	ROLE	ONSITE AMENITIES	FINANCING SOURCES
	<p>SHADOW HILL 11085 Woodside Avenue Santee, CA 92071 Completed in 2003</p>	82	44 2-Bedroom 38 3 Bedroom	20%, 30%, 60% AMI	Acq/Rehab Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Centralized Laundry Facilities Outdoor Community Areas Tot-Lot Swimming Pool Learning Center Property Management & Maintenance	Tax-Exempt Bonds LIHTC - 4% HCD MHP CalHFA HELP County of San Diego HOME/HOPWA City of Santee CDC Loan Permanent Loan Developer Equity
	<p>SPRING VALLEY 8885 Orville Street Spring Valley, CA 91977 Completed in 2003</p>	60	16 Efficiency 27 1-Bedroom 16 2-Bedroom	50%, 60% AMI	Acq/Rehab Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Centralized Laundry Facility Outdoor Community Areas Tot-Lot Swimming Pool Learning Center Property Management & Maintenance	Tax-Exempt Bonds LIHTC - 4% County of San Diego HOME/HOPWA Loan Permanent Loan Developer Equity
	<p>VILLAGE AT SIERRA 8684 Sierra Avenue Fontana, CA 92335 Completed in 2003</p>	108	107 1-Bedroom 1 2-Bedroom	45%, 50%, 60% AMI	New Construction Senior 3 Phase Project 100% Affordable	Co-Owner Co-Developer Property Manager Supportive Services Provider	Community Center/Office Area Centralized Laundry Facilities Swimming Pool and Spa Fitness Room Outdoor Community Areas Property Management & Maintenance	LIHTC - 9% City of Fontana RDA Loan FHLB AHP CCRC Permanent Loan
	<p>HERITAGE POINTE 8590 Malven Avenue Rancho Cucamonga, CA 91730 Completed in 2003</p>	49	49 1-Bedroom	35%, 45%, 60% AMI	New Construction Senior 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area with a Service Kitchen Centralized Laundry Facilities Computer Lab Outdoor Community Areas Property Management & Maintenance	Tax-Exempt Bonds LIHTC - 4% County of San Bernardino HOME Loan MHRB/Rancho Cucamonga RDA Loan Permanent Loan (WAMU)
	<p>IMPRESSIONS AT VALLEY CENTER 15500 Midtown Drive Victorville, CA 92392 Completed in 2003</p>	100	68 2-Bedroom 32 3-Bedroom	45%, 50% AMI	New Construction Family 100% Affordable	Owner Developer Property Manager Supportive Services Provider	Centralized Laundry Facilities Swimming Pool and Spa Computer Lab Learning Center Tot-Lot Outdoor Community Areas Property Management & Maintenance	LIHTC - 9% San Bernardino County HOME Loan City of Victorville RDA Loan Permanent Loan Developer Equity
	<p>COBBLESTONE VILLAGE 360 E. Washington Avenue Escondido, CA 92025 Completed in 2002</p>	44	44 3-Bedroom	20%, 30%, 60% AMI 100% Affordable	Acq/Rehab Family All-3 Bedrooms	Owner Developer General Contractor Property Manager Supportive Services Provider	Central Laundry Facilities Outdoor Community Areas Property Management & Maintenance	Tax-Exempt Bonds LIHTC - 4% HCD MHP City of Escondido RDA Loan FHLB AHP CCRC Permanent Loan Developer Equity

PROPERTY NAME & LOCATION	TOTAL UNITS	BEDROOM UNIT BREAKDOWN	AMI BREAKDOWN	TYPE	ROLE	ONSITE AMENITIES	FINANCING SOURCES
 <p>PARKSIDE 4035 Park Haven Court, #D San Diego, CA 92113 Completed in 2002</p>	40	5 1-Bedroom 30 2-Bedroom 5 3-Bedroom	50%, 60% AMI	Acq/Rehab Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Centralized Laundry Facilities Learning Center Tot Lot Outdoor Community Areas Property Management & Maintenance	Tax-Exempt Bonds LIHTC - 4% San Diego Housing Commission Funds Permanent Loan Developer Equity
 <p>PASEO DEL ORO 432 West Mission Road, Suite 106 San Marcos, CA 92069 Completed in 2002</p>	120	24 1-Bedroom 59 2-Bedroom 37 3-Bedroom	30%, 45%, 50% AMI	New Construction Family Mixed-Use Smart Growth Mixed Market-Rate & Affordable	Co-Owner Developer Property Manager Supportive Services Provider	Community Center/Office Area Centralized Laundry Facilities Learning Center Swimming Pool Outdoor Community Areas Property Management & Maintenance	LIHTC - 9% County of San Diego HOME/HOPWA Loan City of San Marcos RDA Loan FHFB AHP Permanent Loan
 <p>SUMMERIDGE 818 E. Alvarado Street Fallbrook, CA 92028 Completed in 2002</p>	96	32 Efficiency 48 1-Bedroom 16 2-Bedroom	50%, 60%, 80% AMI	Acq/Rehab Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Centralized Laundry Facility Outdoor Community Areas Tot-Lot Swimming Pool and Spa Learning Center Property Management & Maintenance	CalHFA HELP County of San Diego HOME Funds Permanent Loan
 <p>CORONA DE ORO 680 West Second Street Corona, CA 92882 Completed in 2001</p>	72	50 2-Bedroom 22 3-Bedroom	45%, 50% AMI	Acq/Rehab Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Swimming Pool Tot-Lot Learning Center Central Laundry Facilities Outdoor Community Areas Property Management & Maintenance	LIHTC - 9% City of Corona HOME Loan City of Corona RDA Loan FHFB AHP Permanent Bank Loan
 <p>SIERRA VISTA 422 Los Vallecitos Boulevard San Marcos, CA 92069 Completed in 2001</p>	192	96 2-Bedroom 96 3-Bedroom	50%, 60% AMI	Acq/Rehab Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Centralized Laundry Facilities Outdoor Community Areas Tot-Lot Swimming Pool and Spa Learning Center Property Management & Maintenance	Tax-Exempt Bonds LIHTC - 4% County of San Diego HOME/HOPWA Loan City of San Marcos RDA Loan Permanent Loan
 <p>CROSSINGS 177 W. South Street Rialto, CA 92376 Completed in 2000</p>	100	48 2-Bedroom 52 3-Bedroom	30%, 45%, 50% AMI	New Construction Family 100% Affordable	Owner Developer Property Manager Supportive Services Provider	Community Center/Office Area Swimming Pool Tot-Lot Computer Lab Central Laundry Facilities Outdoor Community Areas Property Management & Maintenance	LIHTC - 9% County of San Bernardino HOME Funds FHFB AHP Permanent Bank Loan

	PROPERTY NAME & LOCATION	TOTAL UNITS	BEDROOM UNIT BREAKDOWN	AMI BREAKDOWN	TYPE	ROLE	ONSITE AMENITIES	FINANCING SOURCES
	VISTA DEL SOL 1545 Q Avenue National City, CA 91950 Completed in 2000	132	76 1-Bedroom 48 2-Bedroom 8 3-Bedroom	50%, 60% AMI	Acq/Rehab Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Centralized Laundry Facilities Swimming Pool Tot Lot Learning Center Outdoor Community Areas Property Management & Maintenance	Tax-Exempt Bonds LIHTC - 4% City of National City CDC Loan Permanent Bank Loan
	ARBOR VILLAS 4661 Plumosa Drive Yorba Linda, CA 92886 Completed in 1999	67	7 40% AMI 26 50% AMI 34 60% AMI	40%, 50%, 60% AMI	Acq/Rehab Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Swimming Pool Tot-Lot Central Laundry Facilities Outdoor Community Areas Property Management & Maintenance	City of Yorba Linda RDA Loan FHLB AHP Permanent Bank Loan
	CORONA DEL REY 1148 D Street Corona, CA 92882 Completed in 1999	160	160 2-Bedroom	50%, 60%, 80% AMI	Acq/Rehab Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Tot-Lot Central Laundry Facilities Outdoor Community Areas Property Management & Maintenance	County of Riverside HOME Loan City of Corona HOME Loan City of Corona RDA Loan FHLB AHP Permanent Bank Loan
	PROMENADE 1333 W. Garvey Avenue North West Covina, CA 91790 Completed in 1999	124	28 Studio 96 1-Bedroom	40%, 50%, 60% AMI	Acq/Rehab Family Hotel Conversion 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Centralized Laundry Facilities Swimming Pool and Spa Tot Lot Outdoor Community Areas Property Management & Maintenance	Tax-Exempt Bonds LIHTC - 4% City of West Covina RDA Loan FHLB AHP Permanent Loan
	VILLA SERENA 339-340 Marcos Street San Marcos, CA 92069 Completed in 1999	136	36 1-Bedroom 98 2-Bedroom 2 3-Bedroom	35%, 45%, 50%, 60% AMI	Acq/Rehab Family 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area with a Service Kitchen Centralized Laundry Facilities Swimming Pool Tot Lot Outdoor Community Areas Property Management & Maintenance	Tax-Exempt Bonds LIHTC - 4% County of San Diego HOME Loan City of San Marcos RDA Loan FHLB AHP Permanent Loan
	CATHEDRAL PALMS 31-750 Landau Boulevard Cathedral City, CA 92234 Completed in 1997	231	191 Studio 40 2-Bedroom	40%, 50% AMI	Acq/Rehab Senior 100% Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Swimming Pool and Spa Central Laundry Facilities Outdoor Community Areas Property Management & Maintenance	County of Riverside HOME Loan City of Cathedral City RDA Loan FHLB AHP Permanent Bank Loan

	PROPERTY NAME & LOCATION	TOTAL UNITS	BEDROOM UNIT BREAKDOWN	AMI BREAKDOWN	TYPE	ROLE	ONSITE AMENITIES	FINANCING SOURCES
	COLONY 221 New York Street Redlands, CA 92373 Completed in 1996	88	20 1-Bedroom 68 2-Bedroom	40%, 50% AMI	Acq/Rehab Family Mixed Market-Rate & Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Swimming Pool Computer Lab Central Laundry Facilities Outdoor Community Areas Property Management & Maintenance	City of San Bernardino HOME Loan Permanent Loan
	MONTEREY VILLAGE 10244 Arrow Route Rancho Cucamonga, CA 91730 Completed in 1996	224	96 1-Bedroom 128 2-Bedroom	35%, 45%, 60%, 80% AMI	Acq/Rehab Family Mixed Market-Rate & Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Swimming Pool (2) and Spa Tot-Lot (2) Sports Courts Tennis Court Fitness Center Central Laundry Facilities Outdoor Community Areas Property Management & Maintenance	CalHFA City of Rancho Cucamonga RDA Loan Permanent Bank Loan
	MOUNTAINSIDE 9181 Foothill Boulevard Rancho Cucamonga, CA 91730 Completed in 1996	384	160 1-Bedroom 224 2-Bedroom	35%, 45%, 60%, 80% AMI	Acq/Rehab Family Mixed Market-Rate & Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Centralized Laundry Facilities Swimming Pool and Spa Computer Lab Learning Center Sports Courts Outdoor Community Areas Property Management & Maintenance	CalHFA City of Rancho Cucamonga RDA Loan Permanent Bank Loan
	RENAISSANCE VILLAGE 220 N. Glenwood Avenue Rialto, CA 92376 Completed in 1996	144	18 1-Bedroom 35 2-Bedroom 90 3-Bedroom 1 4-Bedroom	50%, 60% AMI	Acq/Rehab Family Neighborhood Revitalization 100% Affordable	Owner Developer General Contractor Property Manager Co-Supportive Services Provider	Community Center/Office Area Centralized Laundry Facilities Swimming Pool Tot Lot Learning Center Outdoor Community Areas Property Management & Maintenance	City of Rialto RDA Loan PHLB AHP Permanent Loan
	SYCAMORE VILLAGE 7127 Archibald Avenue Alta Loma, CA 91701 Completed in 1995	240	96 1-Bedroom 144 2-Bedroom	35%, 45%, 60%, 80% AMI	Acq/Rehab Family Mixed Market-Rate & Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area with a Service Kitchen Centralized Laundry Facilities Learning Center Outdoor Patio/Picnic Area Tot-Lot Property Management & Maintenance	CalHFA City of Rancho Cucamonga RDA Loan Permanent Bank Loan
	RANCHO VERDE VILLAGE 8837 Grove Avenue Rancho Cucamonga, CA 91730 Completed in 1993	248	120 1-Bedroom 128 2-Bedroom	35%, 45%, 60%, 80% AMI	Acq/Rehab Family Mixed Market-Rate & Affordable	Owner Developer General Contractor Property Manager Supportive Services Provider	Community Center/Office Area Centralized Laundry Facilities Swimming Pool and Spa Tot Lot Learning Center Outdoor Community Areas Property Management & Maintenance	City of Rancho Cucamonga RDA Loan Essex Corporation Permanent Bank Loan

	PROPERTY NAME & LOCATION	TOTAL UNITS	BEDROOM UNIT BREAKDOWN	AMI BREAKDOWN	TYPE	ROLE	ONSITE AMENITIES	FINANCING SOURCES
	<p>COUNTRYSIDE VILLAGE 625 Wilson Road Humble, TX 77338 Acquired 2003; Rehab Started 2011, Completed 2012</p>	<p>182</p>	<p>58 1 Bedroom 114 Two Bedroom 10 Three Bedroom</p>	<p>30%, 50% AMI</p>	<p>Acq/Rehab Family 100% Affordable PBS8</p>	<p>Owner Developer Property Manager Supportive Services Provider</p>	<p>Office Area Centralized Laundry Facility Outdoor Community Areas Tot-Lot Swimming Pool Property Management & Maintenance</p>	<p>CDBG DR FHA 223 (f) Perm Loan</p>
	<p>COLONY OF HUMBLE 831 Wilson Road Humble, TX 77338 Acquired 2003; Rehab Completed 2012</p>	<p>200</p>	<p>112 1 Bedroom 88 Two Bedroom</p>	<p>30%, 50% AMI; Market</p>	<p>Acq/Rehab Family 75% Affordable PBS8</p>	<p>Owner Developer Property Manager Supportive Services Provider</p>	<p>Community Center Centralized Laundry Facility Outdoor Community Areas Tot-Lot Swimming Pool Property Management & Maintenance</p>	<p>CDBG DR FHA 223 (f) Perm Loan</p>
	<p>SUNFLOWER TERRACE 5050 Sunflower Terrace Houston TX 77033 Acquired 2003; Rehab completed 2012</p>	<p>160</p>	<p>24 1 Bedroom 72 Two Bedroom 52 Three Bedroom 12 Four Bedroom</p>	<p>30%, 50% AMI</p>	<p>Acq/Rehab Family 100% Affordable PBS8</p>	<p>Owner Developer Property Manager Supportive Services Provider</p>	<p>Community Center Centralized Laundry Facility Outdoor Community Areas Tot-Lot Property Management & Maintenance</p>	<p>HOME (City of Houston) Perm Loan FHA 223 (f)</p>
	<p>LEXINGTON SQUARE 1324 E Hospital Drive Angleton, TX 77515 Acquired 2003; Rehab started 2011, Completed 2012</p>	<p>80</p>	<p>20 One Bedroom 40 Two Bedroom 20 Three Bedroom</p>	<p>30%, 50%, 60% AMI</p>	<p>Acq/Rehab Family 100% Affordable PBS8</p>	<p>Owner Developer Property Manager Supportive Services Provider</p>	<p>Community Center Centralized Laundry Facility Outdoor Community Areas Tot-Lot Property Management & Maintenance</p>	<p>CDBG DR Loan, FHA 223 (f) TCEP Perm</p>
	<p>LA POSADA DEL REY 3135 Roosevelt Ave San Antonio, TX 78217 Acquired 2005; Rehab completed 2012</p>	<p>145</p>	<p>26 One Bedroom 64 Two Bedroom 55 Three Bedroom</p>	<p>30%, 50%, 60% AMI</p>	<p>Acq/Rehab Family 100% Affordable PBS8</p>	<p>Owner Developer Property Manager Supportive Services Provider</p>	<p>Community Center Centralized Laundry Facility Fitness Center Outdoor Community Areas Tot-Lot Property Management & Maintenance</p>	<p>9% LIHTC Loan FHA 221(d)(4) Perm</p>

	PROPERTY NAME & LOCATION	TOTAL UNITS	BEDROOM UNIT BREAKDOWN	AMI BREAKDOWN	TYPE	ROLE	ONSITE AMENITIES	FINANCING SOURCES
	THE COTTAGES 10434 W 34th Street Little Rock, AR 72204 Acquired 2005; Rehab 2006	144	140 One Bedroom 4 Two Bedroom	30%, 50%, 60% AMI	Acq/Rehab Senior 100% Affordable PBS8	Owner Developer Property Manager Supportive Services Provider	Community Center Centralized Laundry Facility Outdoor Community Areas Tot-Lot Property Management & Maintenance	9% LIHTC Perm Loan (Fannie Mae) HOME
	CERNY VILLAGE 5227 Cerny Road Pensacola, FL 32526 Acquired 2004	60	16 One Bedroom 28 Two Bedroom 16 Three Bedroom	30%, 50% AMI	Acquisition Family 100% Affordable PBS8	Owner	Community Center Centralized Laundry Facility Tot-Lot Property Management & Maintenance	Perm Loan (Fannie Mae)
	FAIRFIELD VILLAGE 601 N. Fairfield Dr. Pensacola, FL 32506 Acquired 2004	72	33 One Bedroom 31 Two Bedroom 8 Three Bedroom	30%, 50% AMI	Acquisition Family 100% Affordable PBS8	Owner	Community Center Centralized Laundry Facility Outdoor Community Areas Tot-Lot Property Management & Maintenance	Perm Loan (Fannie Mae)
	FOREST HILLS 7214 Forest City Rd Orlando, FL 32810 Acquired 2004	60	20 One Bedroom 40 Two Bedroom	30%, 50% AMI	Acquisition Family 100% Affordable PBS8	Owner	Community Center Centralized Laundry Facility Tot-Lot Property Management & Maintenance	Perm Loan (Fannie Mae)
	HAMPTON COURT 6415 NW 23rd Terrace Gainesville, FL 32653 Acquired 2004	42	16 One Bedroom 22 Two Bedroom 4 Three Bedroom	30%, 50% AMI	Acquisition Family 100% Affordable PBS8	Owner	Community Center Centralized Laundry Facility Tot-Lot Property Management & Maintenance	Perm Loan (Fannie Mae)
	SANDPIPER VILLAGE 300 S Walton Ave Tarpon Springs, FL 34689 Acquired 2004	80	48 One Bedroom 32 Two Bedroom	30%, 50% AMI	Acquisition Family 100% Affordable PBS8	Owner	Community Center Centralized Laundry Facility Tot-Lot Property Management & Maintenance	Perm Loan (Fannie Mae)

TRADE REFERENCES	SUBCONTRACTOR	TRADE	Contact Name	Contact email	Address	Phone Number
A&D Fire Sprinklers		Fire Sprinklers	JC Lyn Grace Archeta Project Co	adfiresprinklers.com; tbeneg@adfiresprinklers.com	1601 West Orangewood Avenue, Orange CA 92668	714-634-3923
Advance Iron Works		Wrought Iron	Steve Berger; Kyle Nordby	bergrtalk@aol.com; advanceironworksmail@gmail.com	945 W Markham St, Perris CA 92571	951-657-6676
Advantage Painting		Painting	Steve Wiers; Daniel Lang	steve@advantagepaintingsolutions.com; danie@advantagepaintingsolutions.com	1880 N. Deillah Street, Corona, CA 92879	951-668-8838
Aero Cine Pros		Drone/Time Lapse	Eryn Griffith	evyngtriff@ridout.com	12155 Paine Place, Poway, CA 92064	(909) 260-7633
Aitec Testing & Engineering		Demo/Abatement	Patrick Adams	padams@atectesting.com	6035 Fremont Street, Riverside, CA 92504	951-352-6510
Art Deck Inc		Waterproofing	Jacque, Rosanne, and Sonia, Terr	info@waterproofing.net;sonia@waterproofing.net	20800 Dearborn St., Chatsworth CA 91311	818-350-0776
Bay Sheet Metal		Sheet Metal	Mike Hayes and Sean Decker	baysheetmetalinc@gmail.com; sean@baysheetmetalinc.sdoxmail.com; mike@bsm.sdoxmail.com	9343 Bond Ave. Ste C, El Cajon CA 92021	619-401-9770
Cal Solar (California Solar Integrators)		Photovoltaic Solar System	Sean Neman	sean@calolarinc.com	200 S San Pedro St., Suite 500, Los Angeles, CA 90012	800-784-7612
Circle City Roofing		Roofing	Ray Rike; Cindy Kleppe	rarike@yahoo.com; cindykleppe@yahoo.com	454 6th Street, Norco, CA 92860	951-736-5252
Coastline Steel		Structural Steel	Dwilsen@coastlinesteel.com	dwlson@coastlinesteel.com	8903 Miner St., Los Angeles, CA 90002	310-764-0227
Dan Moore Electric		Electrical/Low Voltage/Dry Utility	dust@dmelectric-inc.com; dan@dmelectric-inc.com	dust@dmelectric-inc.com	1833 Riverview Dr., San Bernardino, CA 92408	909-888-8639
DCC		Concrete Flatwork, Curb, Gutter	Nick D'Agostini; Crystal Garvey; S Nick@dccengineering.com; sharon@dccengineering.com; derek@dccengineering.com	nick@dccengineering.com; crystal@dccengineering.com; sharon@dccengineering.com; derek@dccengineering.com	1035 N. Armando Street, Ste. Y, Anaheim, CA 92806	714-537-7601
Endrizzi Enterprises		Grading	Rezend@att.net; mike@endrizzi.net	rezend@att.net; mike@endrizzi.net	3576 Highland Drive, Carlsbad, CA 92008	760-730-7533
Gauthier Construction		Rough Carpentry	Ray Gauthier	gauthierconstruction@msn.com	28203 Tamarack Lane, Santa Clarita, CA 91390	661-297-0357
HRM Security Systems		Fire Alarm/Burglar Alarm	Henry Mieske	hmieske@sbglobal.net	19740 Jolora Ave, Corona, CA 92881	951-520-9755
Imac Construction		Structural Concrete	Mike McMaister Annette Salorio	mike@imacconstruction.com; annette@imacconstruction.com	1410 La Mirada Drive, San Marcos, CA 92078	(760) 621-7300
Kenyon Plastering		Stucco	Jake Kenyon; Kevin Anderson	jkenyon@kenyonweb.com; landersen@kenyonweb.com	28447 Witherspoon Parkway, Valencia, CA 91355	661-295-1974
Landscape Development		Landscaping	Julie Robinson; Caroline DeBlaise; robinson@landscapedevelopment.com; cdeblaise@landscapedevelopment.com	robinson@landscapedevelopment.com; cdeblaise@landscapedevelopment.com	426 Constitution Ave, Camarillo, CA 93012	805-658-1974
Marina Sash & Lock		Windows	Jim Louate; Sam Rodriguez	jim@marinasash.com; sam@marinasash.com	600 S. Vincent, Acusa, CA 91702	626-812-6070
OJ Insulation		OJ Insulation	Adam Jenkins; Christina Cortez; KJenkins@ojinc.com; kbuss@ojinc.com	adams@ojinc.com; kbuss@ojinc.com	P.O. Box 740846, Los Angeles, CA 90074	(909) 614-2900
Professional Cabinet Solutions		Cabinets	Jake McKee; Yolanda Teuluso	jcmckee@pccsabinetry.com; yteuluso@pccsabinetry.com	P.O. Box 740846, Los Angeles, CA 90074	714-701-4200
Residential Design Services		Flooring	Scott Johnson; Denette Raab; Col Johnson@resdesign.com; drab@resdesign.com; dgercia@resdesign.com	scottjohnson@resdesign.com; drab@resdesign.com; dgercia@resdesign.com	1341 W. Arrow Hwy, San Dimas, CA 91773	909-539-4091
Rockwell Drywall		Drywall/Acoustical Ceilings	Danny Gates; Stasi Catania; Kim Tdgates@rockwelldrywall.com; scatania@rockwelldrywall.com	dannygates@rockwelldrywall.com; scatania@rockwelldrywall.com	4 Faraday, Irvine, CA 92618	562-944-2450
Royal Countertops		Countertops	Shaee Askew; Bruce Smith; Aneth	shaee@thecountertopfactory.net; bruce@thecountertopfactory.net; aneth@thecountertopfactory.net		
True Air Mechanical		HVAC	Brad Tunby; Cheryl Atkins	brunby@trueairinc.com; catkins@trueairinc.com		949-382-6338

ACORD™ EVIDENCE OF COMMERCIAL PROPERTY INSURANCEDATE (MM/DD/YYYY)
10/21/2020

THIS EVIDENCE OF COMMERCIAL PROPERTY INSURANCE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE ADDITIONAL INTEREST NAMED BELOW. THIS EVIDENCE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS EVIDENCE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE ADDITIONAL INTEREST.

PRODUCER NAME, CONTACT PERSON AND ADDRESS IMA, Inc. – Colorado Division 1705 17 th Street, Suite 100 Denver, CO 80202		PHONE (A/C, No, Ext): 303-534-4567	COMPANY NAME AND ADDRESS Lexington Insurance Company	NAIC NO: 19437
FAX (A/C, No): 303-534-0600	E-MAIL ADDRESS: HPIExServices@imacorp.com		IF MULTIPLE COMPANIES, COMPLETE SEPARATE FORM FOR EACH	
CODE:	SUB CODE: 425		POLICY TYPE Commercial Property Policy	
AGENCY CUSTOMER ID #: 34403	NAMED INSURED AND ADDRESS National Community Renaissance of California 9421 Haven Avenue Rancho Cucamonga, CA 91730		LOAN NUMBER	POLICY NUMBER 03571510320
ADDITIONAL NAMED INSURED(S) -	THIS REPLACES PRIOR EVIDENCE DATED:		EFFECTIVE DATE 1/1/2020	EXPIRATION DATE 1/1/2021
			<input type="checkbox"/> CONTINUED UNTIL TERMINATED IF CHECKED	

PROPERTY INFORMATION (ACORD 101 may be attached if more space is required) BUILDING OR BUSINESS PERSONAL PROPERTY

LOCATION/DESCRIPTION

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS EVIDENCE OF PROPERTY INSURANCE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

COVERAGE INFORMATION PERILS INSURED BASIC BROAD SPECIAL

COMMERCIAL PROPERTY COVERAGE AMOUNT OF INSURANCE:	See Remarks	Loss Limit	DED: \$ 5,000
<input checked="" type="checkbox"/> BUSINESS INCOME	<input checked="" type="checkbox"/> RENTAL VALUE	YES NO N/A	If YES, LIMIT: See Remarks <input checked="" type="checkbox"/> Actual Loss Sustained; # of months: 12
BLANKET COVERAGE			If YES, indicate value(s) reported on property identified above: \$
TERRORISM COVERAGE		X	Attach Disclosure Notice / DEC
IS THERE A TERRORISM-SPECIFIC EXCLUSION?	X		
IS DOMESTIC TERRORISM EXCLUDED?	X		
LIMITED FUNGUS COVERAGE	X		If YES, LIMIT: See Remarks DED: \$ 5,000
FUNGUS EXCLUSION (IF "YES," specify organization's form used)	X		
REPLACEMENT COST	X		
AGREED VALUE	X		
COINSURANCE		X	If Yes, %
EQUIPMENT BREAKDOWN (If Applicable)	X		If YES, LIMIT: Incl. in Loss Limit DED: \$ 5,000
ORDINANCE OR LAW – Coverage for loss to undamaged portion of bldg	X		If YES, LIMIT: Incl. in Loss Limit DED: \$ 5,000
– Demolition Costs	X		If YES, LIMIT: See Remarks DED: \$ 5,000
– Incr. Cost of Construction	X		If YES, LIMIT: See Remarks DED: \$ 5,000
EARTH MOVEMENT (If Applicable)	X		If YES, LIMIT: See Remarks DED: See Remarks
FLOOD (If Applicable)	X		If YES, LIMIT: See Remarks DED: See Remarks
WIND/HAIL INCL <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO Subject to Different Provisions:	X		If YES, LIMIT: See Remarks DED: \$ 5,000
NAMED STORM INCL <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO Subject to Different Provisions:	X		If YES, LIMIT: See Remarks DED: \$ 5,000
PERMISSION TO WAIVE SUBROGATION IN FAVOR OF MORTGAGE HOLDER PRIOR TO LOSS	X		

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

ADDITIONAL INTEREST

ADDITIONAL INSURED	LENDER'S LOSS PAYABLE	LENDER SERVICING AGENT NAME AND ADDRESS
MORTGAGEE	LOSS PAYEE	
NAME AND ADDRESS For Information Only		AUTHORIZED REPRESENTATIVE 

EVIDENCE OF COMMERCIAL PROPERTY INSURANCE REMARKS – Including Special Conditions (Use only if more space is required)

Subject to the policy Terms and Conditions, in the event of a covered loss, the following limits will apply:

Builders Risk Hard Costs:

Builders Risk Soft Costs:

Extra Expense Per Occurrence Limit: \$10,000,000

Coverage is provided for Property under the Course of Construction (Builders Risk) on a completed value / non-reporting form basis. There is no Permit or Permission to Occupy exclusion on the policy. Buildings under construction or renovation are not considered vacant. Vandalism and Malicious Mischief is included. Coverage for Cold Testing is included.

All entities listed as Named Insured(s) on the referenced policy have common ownership or common management

Roofs are valued at replacement cost, regardless of age

Property In Transit, including covered property during Course of Construction - \$500,000 Each Occurrence

Property Off Premises including covered property during Course of Construction - \$500,000 Each Occurrence

Building Ordinance or Law: Demolition and Increased Cost of Construction Sub-Limit: Total Any One Occurrence - \$10,000,000

'Period of restoration' includes any increased period required to repair or reconstruct the property to comply with the minimum standards or any ordinance or law, in force at the time of loss, that regulates the construction or repair or requires the tearing down of any property. The expiration date of this policy will not cut short the 'period of restoration'

Earthquake – \$5,000,000 Any One Occurrence; \$5,000,000 Annual Aggregate; Deductible 2% of RC of damaged structure(s) or \$25,000 Minimum per Occurrence. Earthquake coverage is excluded in California, Hawaii, Alaska, Puerto Rico, Canada and New Madrid Zone States and Counties as defined by the policy.

Flood – \$5,000,000 Any One Occurrence; \$5,000,000 Annual Aggregate; Deductible 2% of RC of damaged structure(s) or \$25,000 Minimum per Occurrence. Flood coverage is excluded in Zones A, B or V.

Wind/Hail/Named Windstorm Included, Except:

Exclusion for Named Windstorm, Flood & Storm Surge as defined by the policy: Tier 1A States, Counties and Parishes as defined by the policy in Alabama, Florida (entire state), Georgia, Hawaii (entire state), Louisiana, Mississippi, North Carolina, South Carolina and Texas.

Wind/Hail/Named Windstorm includes coverage for Business Income (including Loss of Rents), except as excluded above.

Back-Up of Sewers or Drains: \$600,000 Sublimit (Coverage is excluded in Flood Zones A, B, and V)

Limited Fungus Coverage - \$500,000 per occurrence / \$500,000 annual aggregate; clean-up only as a result of a covered cause of loss.

Debris Removal: 25% of the sum of the deductible plus the amount for direct physical loss or damage to Covered Property that has sustained loss or damage. Additional \$25,000 applies if loss exceeds specified limits of insurance.

Employee Dishonesty: \$100,000 Sub-Limit

Extended Business Income (Extended Period of Indemnity) – 180 Consecutive days and as defined by policy.

No Waiting Period applies to Business Income (including Loss of Rents).

Definition of Business Income is expanded to include Soft Costs as defined by the policy.

Subject to policy the Terms and Conditions; in the event of a loss, blanket limit will apply.

Subject to the policy Terms and Conditions, in the event of a covered loss, the following limits will apply:

Builders Risk Hard Costs: \$37,024,424

Builders Risk Soft Costs: \$4,551,982

Draft- Coverage effective upon written bind order to the producer



ADDITIONAL REMARKS SCHEDULE

AGENCY IMA, Inc. - Colorado Division		NAMED INSURED National Community Renaissance of California 9421 Haven Avenue Rancho Cucamonga CA 91730	
POLICY NUMBER		EFFECTIVE DATE:	
CARRIER	NAIC CODE		

ADDITIONAL REMARKS

THIS ADDITIONAL REMARKS FORM IS A SCHEDULE TO ACORD FORM,
FORM NUMBER: 25 **FORM TITLE:** CERTIFICATE OF LIABILITY INSURANCE

Excess Third Layer Coverage: Policy #SXS005087402
 Eff Date: 01/01/20-01/01/21 Insurer: XL Insurance America Inc
 \$10,000,000 Each Occurrence; \$10,000,000 Aggregate

Excess Fourth Layer Coverage: Policy #3406407820
 Eff Date: 01/01/20-01/01/21 Insurer E: See Above
 \$5,000,000 Each Occurrence; \$5,000,000 Aggregate

For Information Only

National Community Renaissance of California

Consolidating Financial Statements

September 30, 2021

Unaudited

National Community Renaissance of California

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

September 30, 2021

Unaudited

Assets

	National Community Renaissance of California	Housing Affiliates	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 16,106,356	\$ 15,743,083	\$ -	\$ 31,849,439
Reserve for security deposits held in trust	1,718,540	2,901,925	-	4,620,465
Restricted cash	19,297,833	28,969,373	-	48,267,207
Accounts receivable, net	4,542,659	2,320,812	-	6,863,471
Prepaid expenses	2,332,851	7,953,497	-	10,286,348
Advance due from affiliate, net	26,701,202	-	(21,936,230)	4,764,972
Notes and interest receivable	65,423,595	475,831	(65,887,913)	11,512
Project development costs receivable	953,550	-	-	953,550
Developer fee receivable	14,234,664	-	(14,170,995)	63,669
Investments	18,019,503	-	(2,237,505)	15,781,997
Property, equipment and improvements, net	202,540,454	941,991,378	(55,804,342)	1,088,727,490
Deferred costs, net	1,558,067	1,234,377	-	2,792,444
Total assets	<u>\$ 373,429,274</u>	<u>\$ 1,001,590,277</u>	<u>\$ (160,036,987)</u>	<u>\$ 1,214,982,564</u>

Liabilities and Net Assets

Liabilities				
Accounts payable	\$ 8,814,689	\$ 19,923,805		\$ 28,738,494
Accrued expenses	3,058,008	963,505		4,021,513
Security deposits payable	1,692,670	2,768,806		4,461,476
Deferred revenue	731,360	435,698	-	1,167,058
Accrued Interest	23,727,859	88,347,787	(1,209,813)	110,865,833
Mortgages and notes payable, net	164,886,827	663,540,432	(65,232,300)	763,194,960
Due to affiliates	7,789,890	11,836,110	(12,786,405)	6,839,595
Developer fee payable	1,102,847	8,677,752	(8,983,161)	797,438
Total liabilities	211,804,151	796,493,894	(88,211,679)	920,086,366
Net assets				
Without donor restriction, controlling	\$ 115,203,968	\$ 16,926,460	\$ (95,243,630)	\$ 36,886,797
Without donor restriction, non-controlling	-	188,169,922	23,418,323	211,588,245
Total net assets without donor restrictions	115,203,968	205,096,382	(71,825,307)	248,475,043
Net assets with donor restrictions	46,421,155	-	-	46,421,155
Total net assets	<u>161,625,123</u>	<u>205,096,382</u>	<u>(71,825,307)</u>	<u>294,896,198</u>
Total liabilities and net assets	<u>\$ 373,429,274</u>	<u>\$ 1,001,590,277</u>	<u>\$ (160,036,987)</u>	<u>\$ 1,214,982,564</u>

National Community Renaissance of California

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Period Ending September 30, 2021

Unaudited

Unrestricted Net Assets

	National Community Renaissance of California	Housing Affiliates	Temporarily Restricted Net Assets	Eliminations	Total
Revenues and gains					
Rental income	\$ 23,708,391	\$ 34,362,212	\$ -	\$ -	\$ 58,070,603
Other rental income	846,135	202,511	-	-	1,048,647
Consulting, development and partnership fees	17,817,035	2,757	-	(17,262,145)	557,647
Social Service fees	-	-	-	-	-
Management fees	4,359,801	-	-	(3,950,929)	408,872
Grants, including release of temporarily restricted net assets	2,015,888	63,264	511,784	-	2,590,935
Interest Income	976,763	30,583	-	(546,783)	460,562
Gain on sale of rental property	-	-	-	-	-
Other revenue	339,868	518,842	-	(298,634)	560,076
	<u>50,063,880</u>	<u>35,180,169</u>	<u>511,784</u>	<u>(22,058,491)</u>	<u>63,697,342</u>
Expenses					
Administrative	4,290,614	2,708,573	-	-	6,999,187
Salaries and related expenses	15,660,295	5,498,583	-	(72,077)	21,086,801
Utilities	3,082,332	4,701,490	-	-	7,783,822
Operating and maintenance	5,010,393	5,347,972	-	-	10,358,365
Professional services	1,667,268	531,334	-	-	2,198,603
Taxes and insurance	2,180,443	1,665,064	-	-	3,845,507
Interest	3,783,310	13,296,682	-	(363,135)	16,716,858
Depreciation	4,922,303	19,764,205	-	-	24,686,508
Amortization	36,266	152,808	-	-	189,074
Management fees	2,086,934	4,204,527	-	(5,760,897)	530,563
Other expense	520,088	73,385	-	-	593,473
Total expenses	<u>43,240,245</u>	<u>57,944,625</u>	<u>-</u>	<u>(6,196,109)</u>	<u>94,988,761</u>
Change in net assets before non- controlling interest	6,823,635	(22,764,456)	511,784	(15,862,382)	(31,291,419)
Less: attributable to non-controlling interest		(21,773,292)			(21,773,292)
Changes in net assets	<u>\$ 6,823,635</u>	<u>\$ (991,164)</u>	<u>\$ 511,784</u>	<u>\$ (15,862,382)</u>	<u>\$ (9,518,127)</u>



National Community Renaissance of California

AND SUBSIDIARIES

**Consolidated Financial Statements and Supplementary Information
with Report of Independent Auditors**

December 31, 2020

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**

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CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors

To the Board of Directors of
National Community Renaissance of California:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Community Renaissance of California and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Community Renaissance of California and Subsidiaries as of December 31, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note 2 to the financial statements, National Community Renaissance of California adopted changes in accounting principles related to financial instruments. Our opinion is not modified with respect to those matters.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position, statement of activities and changes in net assets, and consolidating statement of income are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and they are not a required part of the consolidated financial statements. The consolidating statement of income presents earnings before interest, taxes, depreciation and amortization, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 17, 2021, on our consideration of National Community Renaissance of California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of National Community Renaissance of California's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering National Community Renaissance of California's internal control over financial reporting and compliance.

Novogradac & Company LLP

Walnut Creek, California
August 17, 2021

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

	National Community Renaissance of California	Housing Affiliates	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 22,613,228	\$ 22,214,116	\$ -	\$ 44,827,344
Reserve for security deposits held in trust	1,671,511	2,730,208	-	4,401,719
Restricted cash	18,710,800	27,353,589	-	46,064,389
Accounts receivable, net	1,817,811	1,574,746	-	3,392,557
Prepaid expense	687,797	7,778,720	-	8,466,517
Advance due from affiliates, net	20,872,256	3,833	(15,448,085)	5,428,004
Notes and interest receivable	63,545,855	467,164	(63,053,335)	959,684
Project development costs receivable	953,550	-	-	953,550
Developer fee receivable	16,081,986	-	(14,665,532)	1,416,454
Investments	6,744,605	-	-	6,744,605
Property, equipment and improvements, net	160,041,064	899,262,831	(58,433,627)	1,000,870,268
Deferred costs, net	1,594,330	1,387,175	-	2,981,505
	<u>\$ 315,334,793</u>	<u>\$ 962,772,382</u>	<u>\$ (151,600,579)</u>	<u>\$ 1,126,506,596</u>
Total assets				
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 2,692,160	\$ 22,836,074	\$ -	\$ 25,528,234
Security deposits payable	1,721,070	2,599,717	-	4,320,787
Accrued expenses	3,000,033	778,858	-	3,778,891
Deferred revenue	576,440	345,650	(379,000)	543,090
Accrued interest	23,859,100	80,682,301	(865,368)	103,676,033
Mortgages and notes payable, net	137,855,323	640,985,920	(60,858,871)	717,982,372
Due to affiliates	2,479,026	8,048,649	(7,286,024)	3,241,651
Developer fee payable	-	11,346,258	(9,561,971)	1,784,287
Total liabilities	<u>172,183,152</u>	<u>767,623,427</u>	<u>(78,951,234)</u>	<u>860,855,345</u>
Net assets				
Without donor restriction, controlling	96,218,702	16,493,349	(96,067,668)	16,644,383
Without donor restriction, non-controlling	-	178,655,606	23,418,323	202,073,929
Total net assets without donor restrictions	<u>96,218,702</u>	<u>195,148,955</u>	<u>(72,649,345)</u>	<u>218,718,312</u>
Net assets with donor restrictions	46,932,939	-	-	46,932,939
Total net assets	<u>143,151,641</u>	<u>195,148,955</u>	<u>(72,649,345)</u>	<u>265,651,251</u>
Total liabilities and net assets	<u>\$ 315,334,793</u>	<u>\$ 962,772,382</u>	<u>\$ (151,600,579)</u>	<u>\$ 1,126,506,596</u>

see accompanying notes

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	National Community Renaissance of California	Housing Affiliates	Net Assets with donor restrictions	Eliminations	Total
REVENUE AND OTHER INCOME					
Rental income, net of vacancy	\$ 33,051,300	\$ 42,594,587	\$ -	\$ -	\$ 75,645,887
Other rental income	953,037	1,851,981	-	-	2,805,018
Social service fee income	998,036	-	-	(691,310)	306,726
Consulting, development and partnership fees	17,080,513	5,240	-	(16,035,683)	1,050,070
Management fees	3,230,228	-	-	(2,667,021)	563,207
Grants and contributions, including release of net assets with donor restrictions	5,232,294	72,857	(196,836)	-	5,108,315
Interest income	983,722	30,388	-	(433,477)	580,633
Forgiveness by lender	1,000,000	-	-	-	1,000,000
PPP loan forgiveness	3,800,000	-	-	-	3,800,000
Gain on sale	12,470,142	-	-	(12,470,142)	-
Other income	844,518	-	-	-	844,518
Total revenue and other income	79,643,790	44,555,053	(196,836)	(32,297,633)	91,704,374
EXPENSES					
Program services	32,438,528	65,546,309	-	(973,015)	97,011,822
Management and general	22,731,675	7,884,171	-	(3,887,810)	26,728,036
Fundraising expenses	172,372	-	-	-	172,372
Total expenses	55,342,575	73,430,480	-	(4,860,825)	123,912,230
Changes in net assets before non-controlling interest	24,301,215	(28,875,427)	(196,836)	(27,436,808)	(32,207,856)
Less: attributable to non-controlling interest	-	(27,618,191)	-	-	(27,618,191)
Changes in net assets, controlling interest	\$ 24,301,215	\$ (1,257,236)	\$ (196,836)	\$ (27,436,808)	\$ (4,589,665)

see accompanying notes

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	National Community Renaissance of California and Wholly-Owned Subsidiaries			Housing Affiliates			Total
	Program Services	Management and General	Fundraising Expense	Program Services	Management and General	Eliminations	
EXPENDITURES							
General and administrative							
Contracted program services - Hope Through Housing	869,681	-	-	-	-	-	869,681
Rent	236,030	-	-	-	-	-	236,030
Fundraising events	-	-	52,578	-	-	-	52,578
Payroll	6,036,747	14,783,610	119,794	6,727,560	-	(67,602)	27,600,109
Utilities	3,869,451	68,372	-	5,688,019	-	-	9,625,842
Repairs and maintenance	6,663,301	424,213	-	7,490,337	-	-	14,577,851
Property management fees	-	65,272	-	-	4,918,317	(4,359,746)	623,843
Legal and other professional services	86,702	1,473,686	-	-	540,908	-	2,101,296
Taxes and insurance	2,179,238	194,374	-	2,141,206	-	-	4,514,818
Interest expense	5,033,851	185,399	-	17,981,472	-	(905,413)	22,295,309
Depreciation and amortization expense	6,349,814	320,168	-	25,138,453	-	-	31,808,435
Casualty losses	-	748,117	-	-	-	-	748,117
Other expenses	1,113,713	347,671	-	379,262	-	471,936	2,312,582
Total expenditures	\$ 32,438,528	\$ 22,731,675	\$ 172,372	\$ 65,546,309	\$ 7,884,171	\$ (4,860,825)	\$ 123,912,230

see accompanying notes

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Controlling</u>	<u>Non-Controlling</u>	<u>Total</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS			
Net assets without donor restrictions, January 1, 2020	\$ 21,234,048	\$ 179,466,403	\$ 200,700,451
Contributions	-	47,516,696	47,516,696
Distributions	-	(283,625)	(283,625)
Changes in net assets	(4,589,665)	(27,618,191)	(32,207,856)
Deconsolidation of affiliate	-	3,062,646	3,062,646
Syndication costs	-	(70,000)	(70,000)
Balance at December 31, 2020	<u>\$ 16,644,383</u>	<u>\$ 202,073,929</u>	<u>\$ 218,718,312</u>
NET ASSETS WITH DONOR RESTRICTIONS			
Net assets with donor restrictions January 1, 2020	\$ 47,129,775	\$ -	\$ 47,129,775
Grant income - Pledge agreement grant	339,200	-	339,200
Grant and contribution income - Hope Through Housing	763,319	-	763,319
Release of donor restrictions	(1,299,355)	-	(1,299,355)
Balance at December 31, 2020	<u>\$ 46,932,939</u>	<u>\$ -</u>	<u>\$ 46,932,939</u>

see accompanying notes

**NATIONAL COMMUNITY RENAISSANCE CORPORATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets without donor restrictions	\$ (32,207,856)
Decrease in net assets with donor restrictions	(196,836)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Forgiveness by lender	(1,000,000)
PPP loan forgiveness	(3,800,000)
Bad debts	102,567
Interest expense - debt issuance costs	574,530
Depreciation and amortization	31,808,435
(Increase) decrease in assets:	
Accounts receivable	(965,603)
Prepaid expenses	(463,199)
Advance due from affiliates	(2,694,833)
Project development costs receivable	(3)
Developer fee receivable	(1,131,238)
Investments	(6,720)
Notes and interest receivable	(959,684)
Increase (decrease) in liabilities:	
Accounts payable	(4,030,842)
Accrued expenses	543,796
Security deposits payable	300,770
Deferred revenue	134,394
Accrued interest	10,866,945
Due to affiliates	174,279
Developer fee payable	(2,114,876)
Net cash used in operating activities	<u>(5,065,974)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales of fixed assets	321,841
Purchases of property, equipment and improvements	(92,622,659)
Payment of deferred costs	(271,281)
Payment of construction payables	(2,162,307)
Net cash used in investing activities	<u>(94,734,406)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from PPP loan	3,800,000
Principal payments of mortgages and notes payable	(59,601,995)
Proceeds from mortgages and notes payable	105,576,089
Payment of debt issuance costs	(619,589)
Syndication costs	(70,000)
Capital contributions	47,565,604
Capital distributions	(283,625)
Net cash provided by financing activities	<u>96,366,484</u>
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(3,433,896)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	<u>98,727,348</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u>\$ 95,293,452</u>
Cash and cash equivalents	\$ 44,827,344
Tenant security deposits	4,401,719
Restricted cash	46,064,389
Total cash, cash equivalents and restricted cash	<u>\$ 95,293,452</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid for interest - expensed	\$ 12,423,855
Cash paid for interest - capitalized	<u>\$ 829,749</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:	
Disposal of fully depreciated deferred charges	\$ 33,825
Decrease in notes payable from forgiveness by lender	<u>\$ 1,000,000</u>
Increase in property, equipment and improvements from accounts payable - construction	<u>\$ 17,503,346</u>

see accompanying notes

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. Organization and nature of operations

National Community Renaissance of California (“NCRC”) (formerly known as Southern California Housing Development Corporation “SCHDC”) is a non-profit organization dedicated to improving the quality of life for low-income families by stabilizing and revitalizing neighborhoods via development, renovation, and preservation of affordable housing developments. NCRC's principal sources of revenue are rental income from tenants, grants, property management fees and consulting and developer fees.

NCRC, its wholly-owned subsidiaries and affiliated entities receive significant funding from federal, state and local government subsidies in various forms, including low-income housing tax credits, low-interest rate loans, grants, and rent subsidies for qualifying very-low, low- and moderate-income tenants.

NCRC has an economic relationship with National Community Renaissance Development Corporation (“NCRDC”), a non-profit organization, which has some overlapping board of director members and shares facilities. NCRC also provides back office support to NCRDC. NCRC has provided voluntary operating advances to NCRDC. NCRC, NCRDC and their consolidated subsidiaries and affiliates are collectively known as National Community Renaissance, or National CORE.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of NCRC and of corporations and partnerships in which NCRC is the sole member, and investments in limited partnerships or limited liability companies in which NCRC has a controlling interest. Additionally, the consolidated financial statements include the accounts of limited partnerships in which NCRC owns a minority financial interest, but has a controlling interest. NCRC is the general partner in these entities and has determined that the presumption of control for the limited partnerships has not been overcome, and therefore, the limited partnerships have been consolidated. All material intercompany balances and transactions have been eliminated in consolidation.

The following not-for-profit supporting entities are consolidated in NCRC in the accompanying consolidated financial statements:

- Hope Through Access
- San Antonio Gateway Housing Corporation
- Southern California Affordable Housing Corporation
- SCHDC of Inland Empire
- SCHDC of Los Angeles
- SCHDC of Orange
- SCHDC of Riverside
- SCHDC of San Diego
- SCHDC of Rancho Cucamonga

SCHDC of Rancho Cucamonga owns 100% of the following affordable housing projects:

- Monterey Village Apartments
- Mountainside Apartments
- Sycamore Springs Apartments

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

1. Organization and nature of operations (continued)

Hope Through Housing Foundation, a separate 501(c)(3) entity, has some overlapping board of director members with, and is economically dependent on, NCRC.

Projects and subsidiaries which are owned 100% by NCRC, either directly or through wholly-owned subsidiaries, as of December 31, 2020 are as follows:

Affordable housing projects:

- Arbor Villas Apartments, LLC
- Bell Gardens Housing Partners, LP
- Clark Manor Apartments
- Corona de Oro Apartments, LP
- Corona del Rey Apartments
- Courson Senior Partners, LP
- Hawthorne Terrace Apartments
- Malvern Housing Partners, LP
- NCRC Interim Spring Valley, LLC
- Northgate Village Apartments
- Rancho Verde Village Apartments
- Riverside Housing Partners, LP
- Santa Fe Springs Housing Partners, LP
- Santee Apartments, LP
- UC Housing Partners, LP
- Victorville Housing Partners, LP
- Villa Serena Apartments, LP
- Vista Terraza II Apartments
- West Mission Housing Partners, LLC
- NCRC Mountain View, LLC (office project)

Under development:

- 3rd & Dangler, LP
- Golden Pierce
- La Sierra
- Legacy Square, LP
- Placentia Blessed Sacrament Church
- SGNTR VC, LLC
- The Iris at San Ysidro
- Villa Serena

Seller carryback loans:

- Autumn Ridge Apartments, LP
- Bolt Housing Partners, LP
- Copper Hills Housing Partners, LP
- Escondido Housing Partners, LP
- Executive Lodge Apartments, LP
- San Marcos Housing Partners, LP
- Spring Valley Housing Partners, LP

Passthrough entities:

- ANF Family Partners, LP
- CG Affordable Housing Partners, LLC
- CORE Hermosa Village 1 MGP, LLC
- CORE Rialto Metro South MGP, LLC
- Corona Del Rey Housing Partners GP, LLC
- Day Creek Housing Partners 2 MGP, LLC
- Day Creek Senior Housing Ptners MGP, LLC
- Mission Cove Family I MGP, LLC
- National CORE Newhall Ave. Hsg MGP, LLC
- NCRC Dangler, LLC
- NCRC Fairview MGP, LLC
- NCRC Glendale GP, LLC
- NCRC Ontario GP, LLC
- NCRC VDP, LLC
- River Canyon GP, LLC
- San Ysidro Senior Village GP, LLC
- Val 9 MGP, LLC
- WG Partners 1 MGP, LLC
- WG Partners 2 MGP, LLC

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. Organization and nature of operations (continued)

The for-profit housing affiliates (“Housing Affiliates”) are comprised of the following limited partnerships and limited liability companies, and the respective NCRC-owned nonprofit entities who have general partner and managing member interests:

For-profit Housing Affiliate	Nonprofit general partner	%
Avenida Serra Housing Partners, LP	Avenida Serra Hsg Ptrs GP, LLC	0.01%
Avenida Serra Hsg Ptrs GP, LLC	SCHDC of Orange	79.00%
Bell Housing Partners, LP	SCHDC of Los Angeles	0.01%
Cathedral Family Housing Partners, LP	SCHDC of Inland Empire	0.01%
Citrus Grove Housing Partners, LP	SCHDC of Inland Empire	0.01%
Cobblestone Apartments, LP	Cobblestone GP, LLC	0.01%
Cobblestone GP, LLC	NCRC	79.00%
CP Senior Apartments, LP	CP Senior GP, LLC	0.009%
CP Senior GP, LLC	NCRC	79.00%
Day Creek Senior Housing Partners, LP	NCRC	0.009%
Day Creek Senior Housing Partners 2, LP	Day Creek Senior Hsg Ptrs 2 MGP, LLC	0.01%
Desert Meadows Housing Partners, LP	SCHDC of Inland Empire	0.01%
Downey Housing Partners, LP	SCHDC of Los Angeles	0.01%
Eagle Rock Housing Partners, LP	SCHDC of Los Angeles	0.01%
East Rancho Verde Housing Partners, LP	SCHDC of Inland Empire	0.01%
EMI Partners, LP	SCHDC of Inland Empire	0.01%
Escondido Senior Housing Partners, LP	SCHDC of Orange	0.01%
Fontana Housing Partners, LP	SCHDC of Orange	99.992%
Fontana II Housing Partners, LP	SCHDC of Orange	99.99625%
Fontana III Housing Partners, LP	SCHDC of Orange	99.99625%
Fontana IV Housing Partners, LP	SCHDC of Orange	0.005%
Inland Valley Housing Partners, LP	SCHDC of Inland Empire	0.01%
Ken-Tal Senior Housing Partners, LP	SCHDC of Orange	0.005%
LINC-CORE Fairview Metro, LP	NCRC Fairview MGP, LLC	0.005%
LINC-CORE Housing Ptrs Glendale, LP	NCRC Glendale GP, LLC	0.005%
LINC-CORE San Pedro Lofts, LP	NCRC	0.005%
Mar Vista Union Housing Partners, LP	SCHDC of Los Angeles	0.01%
Mills Family Housing Partners, LP	SCHDC of Inland Empire	0.01%
Mission Cove Family I Housing, LP	Mission Cove Family I MGP, LLC	0.01%
Mission Cove Family II Housing, LP	SCHDC of Orange	0.01%
Mission Village Senior Apartments, LP	SCHDC of Inland Empire	0.005%
Montclair Family Housing Partners, LP	SCHDC of Inland Empire	0.01%
Montclair Senior Housing Partners, LP	San Antonio Gateway Hsg Corp	0.01%
NCRC Encanto, LP	NCRC	0.01%
NCRC SYSV, LP	San Ysidro Senior Village GP, LLC	0.01%
Normandie Senior Housing Partners, LP	Normandie Senior Hsg Ptrs GP, LLC	0.008%
Normandie Senior Hsg Ptrs GP, LLC	SCHDC of Los Angeles	79.00%
Oceanside Housing Partners, LP	SCHDC of Orange	0.01%

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. Organization and nature of operations (continued)

For-profit Housing Affiliate	Nonprofit general partner	%
Oceanside Senior Housing, LP	SCHDC of Orange	0.01%
Palmdale Senior Housing Partners, LP	SCHDC of Los Angeles	0.01%
Parkside SD Apartments, LP	Parkside GP, LLC	0.01%
Parkside GP, LLC	NCRC	79.00%
Paseo del Oro Apartments, LP	Paseo del Oro GP, LLC	0.01%
Paseo del Oro GP, LLC	NCRC	79.00%
Rancho Workforce Housing Partners, LP	SCHDC of Inland Empire	0.0045%
Renaissance Village Housing Partners, LP	RV Housing Partners GP, LLC	0.01%
RV Housing Partners GP, LLC	SCHDC of Inland Empire	79.00%
Rialto Housing Partners, LP	SCHDC of Inland Empire	0.005%
Richmar Housing Partners, LP	SCHDC of Orange	0.01%
Savi Ranch Housing Partners, LP	SCHDC of Orange	0.01%
Savi Ranch II Housing Partners, LP	Oakcrest Heights MGP, LLC	0.01%
Oakcrest Heights MGP, LLC	NCRC	79.00%
SVSM Apartments, LP	SVSM GP, LLC	0.01%
SVSM GP, LLC	NCRC	79.00%
The Promenade Housing Partners, LP	The Promenade Hsg Ptrs GP, LLC	0.01%
The Promenade Hsg Partners GP, LLC	NCRC	79.00%
Val 9 Housing Partners, LP	Val 9 MGP, LLC	0.008%
Virginia-Holt Housing, LP	NCRC Ontario GP, LLC	0.01%
Vista del Sol Apartments, LP	Vista Del Sol GP, LLC	0.008%
Vista Del Sol GP, LLC	NCRC	79.00%
Vista Dunes Housing Partners, LP	Vista Dunes GP, LLC	0.008%
Vista Dunes GP, LLC	SCHDC of Inland Empire	75.00%
Vista Terraza Housing Partners, LP	SCHDC of Orange	0.010%
Waterman Gardens Partners 1, LP	WG Partners 1 MGP, LLC	0.01%
Waterman Gardens Partners 2, L.P.	WG Partners 2 MGP, LLC	0.006%
Westlake Village Housing Partners, LP	SCHDC of Orange	0.01%
Woods Family Housing Partners, LP	Woods Family Hsg Ptrs GP, LLC	0.010%
Woods Family Hsg Ptrs GP, LLC	SCHDC of Los Angeles	79.00%
Yorba Linda Housing Partners, LP	SCHDC of Orange	0.010%
Yucca Valley Senior Housing Ptrs, LP	SCHDC of Inland Empire	0.01%

Grey highlighted entities in the table above are the general partner limited liability companies of the operating entity partnership listed immediately above it. NCRC or its wholly-controlled subsidiary is the controlling member with an unrelated not-profit organization as the noncontrolling member in these limited liability companies.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. Summary of significant accounting policies

Basis of accounting

NCRC prepares its consolidated financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and reflects the accounts and operations of NCRC and those of its subsidiaries in which NCRC has a controlling financial interest. See Note 1. All intercompany transactions and balances have been eliminated upon consolidation.

Non-controlling interests

Non-controlling interests represent the portion of net assets associated with consolidated entities that are not owned by the consolidating entity. NCRC has determined for its consolidated subsidiaries that the ownership percentages associated with each member interest does correspond to the economic substance of the transaction and, therefore, net income and losses are allocated to the non-controlling interests based on their ownership interest.

Basis of presentation

NCRC is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of NCRC. These net assets may be used at the discretion of NCRC's management and the boards of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, which will be met by actions of NCRC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities.

Changes in accounting principles

On January 1, 2020, NCRC adopted a new accounting standard for financial instruments that affects the accounting for certain equity investments (formerly cost-method investments). The new standard requires such investments to be reported at fair value unless such investments do not have a readily determinable fair value and the entity elects a measurement alternative. Adopting the standard did not have a quantitative impact on the consolidated financial statements due to the nature of NCRC's investments.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. Summary of significant accounting policies (continued)

Economic concentrations

NCRC's subsidiaries operate properties primarily in southern California. Future operations could be affected by changes in the economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing. In addition, these projects operate in a heavily regulated environment. The operations of these projects are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to U.S. Department of Housing and Urban Development ("HUD"). Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions for funding of operating deficits, repairs or improvements to the buildings that extend their useful lives, annual payments of tax and insurance, and debt service payments. See Note 4. Restricted cash does not fall under the criteria for net assets with donor restrictions as these funds are held for operational purposes rather than donor-imposed restrictions. Tenant security deposits are restricted cash maintained in a separate account.

Concentration of credit risk

NCRC maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. NCRC has not experienced any losses in such accounts. NCRC believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the valuation allowance and a credit to trade accounts receivable. As of December 31, 2020, the balance of the allowance for doubtful accounts was \$122,349 and bad debt expense for tenant receivables for the year ended December 31, 2020 was \$102,567.

Advances due from affiliates

The advances due from affiliates are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on expected future operating performance and other factors. It is reasonably possible that management's estimate of the allowance will change. As of December 31, 2020, the allowance for doubtful accounts was \$0.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. Summary of significant accounting policies (continued)

Investments

NCRC has elected the measurement alternative pursuant to FASB ASC 321 whereby equity investments without readily determinable fair values that do not qualify for consolidation or equity method accounting are measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. These investments are not consolidated since NCRC is a limited partner or member in the investments, with no substantive participating rights or kick-out rights. Such investments include cooperative investment Housing Partnership Network Group Insurance Initiative (see Note 5), and the following:

For-profit housing investment	Non-controlling partner/member	%
HB Housing Partners, LP	SCHDC of Inland Empire	0.005%
Anaheim Revitalization Partners III, LP	SCHDC of Los Angeles	0.005%
Anaheim Revitalization Partners IV, LP	SCHDC of Los Angeles	0.005%
Vista Del Puente, LP	NCRC VDP, LLC	0.002%
Hermosa Village Phase I Hsg Ptrs, LP	CORE Hermosa Village I MGP, LLC	0.004%
Hermosa Village Phase II Hsg Ptrs, LP	CORE Hermosa Village II MGP, LLC	0.002%
ANF Family Partners II, LP	SCHDC of Los Angeles (via South PACE GP, LLC)	0.0021%
Jordan Bayou Developer, LLC	NCRC	25.00%
MHP Jordan Bayou, LLC	NCRC	99.00%

NCRC periodically evaluates its investments for impairment and records a write down if it is determined that impairment in value exists. If impairment exists at the for-profit housing investment entity, management assesses the need to apply impairment to the carrying value of NCRC's investment based on the facts and circumstances. All of NCRC's investments in the table above are materially insignificant. There were no impairment losses recognized during 2020.

Project development costs

NCRC incurs costs in connection with properties it is considering for development as well as costs associated with projects in the initial stages of development. These costs include such items as market studies, purchase options, environmental study costs, legal and accounting costs. Project development costs are capitalized to construction in progress. Project development costs related to projects that are ultimately developed are subsequently recorded as receivables to be repaid by the applicable project partnerships. If a project is no longer considered desirable or feasible, the costs are expensed. During the year ended December 31, 2020, \$179,993 of project development costs were expensed and are included in other expense on the accompanying consolidated statement of functional expenses.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. Summary of significant accounting policies (continued)

Fixed assets and depreciation

Purchases of property, equipment or improvements costing more than \$5,000 are recorded at cost. Major improvements are charged to the fixed asset account, while maintenance and repairs, which do not extend the life of the respective assets, are expensed. When fixed assets are retired or otherwise disposed, the cost of the fixed asset and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in income. Depreciation is computed on the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years.

Impairment of long-lived assets

NCRC reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. There were no impairment losses recognized during 2020.

Deferred costs

Tax credit fees are amortized on a straight-line basis over the 15-year tax credit compliance period. Amortization expense for the year ended December 31, 2020 was \$196,275.

Costs related to obtaining leasehold interests are capitalized and amortized on the straight-line method over the life of the related ground lease.

The deferred costs consist of the following:

	Tax Credit Monitoring fees	Leasehold interest	Total
Deferred costs	\$ 3,289,470	\$ 2,212,203	\$ 5,501,673
Accumulated amortization	(1,531,487)	(988,681)	(2,520,168)
Deferred costs, net	<u>\$ 1,757,983</u>	<u>\$ 1,223,522</u>	<u>\$ 2,981,505</u>

Derivative instrument and fair value measurement

To minimize the effect of changes in interest rates, in 2015, NCRC entered into an interest rate swap agreement with Wells Fargo in connection with the mortgage on NCRC's corporate office building. During 2019, the building was sold and leased back (see Note 17). During 2020, the interest rate swap was paid off for \$72,700, which is including in interest expense on the accompanying consolidated statement of functional expenses. Before it was paid off, the interest rate swap was carried on the consolidated statement of financial position at fair value with changes in fair value estimated and recorded in interest expense on the accompanying consolidated statement of functional expenses.

No assets or liabilities are measured at fair value as of December 31, 2020.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. Summary of significant accounting policies (continued)

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction from the face amount of the mortgage loan payable to which costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Revenue recognition

Rental revenue attributable to residential leases is recorded when due from residents, generally upon the first day of each month. Leases are for periods of up to one year, with rental payments due monthly. Other income includes fees for late payments, cleaning, damages, laundry facilities and other charges and is recorded when earned. Advance receipts of revenue are deferred and classified as liabilities until earned. Subsidy payments from HUD under Section 8 of the National Housing Act account for a portion of the rental income. See Note 10.

NCRC earns contractor fees based on services provided in the development of projects of affiliated limited partnerships and wholly owned properties. Such fees are capitalized into fixed assets on the limited partnerships' financial statements.

Developer fees are earned in connection with the construction and oversight of the development of properties. The developer fees are recognized as revenue commencing with the closing of a project's construction loan (the "Closing") based on the percentage of completion method, taking into account the total anticipated development costs and potential operating deficit obligation through the period from the Closing through the end of the operating deficit obligation period (typically three years from the achievement of Breakeven Operations, as defined in partnership agreements). Generally, NCRC utilizes the following formula to determine the amount of the developer fee earned as of a specific date: The developer fee multiplied by the fraction having as its denominator (i) the total development costs plus (ii) the total operating deficit obligation for the obligation period, and as its numerator (i) the total development costs incurred to the specific date of calculation plus (ii) the total operating deficits funded as of the specific date of calculation. Upon construction completion, the remaining developer fee is recorded as an asset with a corresponding offset to deferred revenue if the amount of developer fee owed exceeds the amount of developer fee earned to such date in accordance with the preceding formula. In the event that a portion or all of the developer fee is not paid at the end of the development period, the deferred developer fee is generally assumed to be paid from the future cash flow of the property and thereby recognized when paid. Developer fees that are earned during construction and paid for with investor equity or project debt are capitalized. The deferred developer fees expected to be paid from property operations are generally eliminated upon consolidation.

Laundry and cable income, and prepaid rent received in advance are deferred until earned. Property management fee income is earned monthly based on the applicable management agreements.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. Summary of significant accounting policies (continued)

Private donations

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Private donations include in-kind contributions, which generally consist of donated food, new toys, and services such as nursing student hours, and are recorded at estimated fair value at the time the goods and services are received.

Grant revenue

Grants received from governments, agencies and others are recognized when all significant conditions are met, all due diligence has been completed and they are approved by staff or board committee. Funds received but not yet spent are recorded as net assets with donor restrictions. Funds for qualifying costs incurred and recognized as revenue but not yet received are recorded as accounts receivable. See Note 16.

Income taxes

NCRC, including Hope Through Housing Foundation, is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and from California income and franchise taxes under Revenue and Taxation Code Section 23701(d). Income taxes on partnership and LLC income are levied on the partners and members in their individual capacity. Accordingly, all profits and losses of the consolidated entities are recognized by each partner and member on their respective tax return.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the entity to report information regarding its exposure to various tax positions taken by the entity. NCRC has determined whether any tax positions have met the recognition threshold and has measured NCRC's exposure to those tax positions. Management believes that NCRC has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to NCRC are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying consolidated financial statements.

Functional expenses

The costs of providing program services and other activities have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Accordingly, certain costs have been allocated among program services, management and general, and fundraising expenses. Such allocations are determined by management on an equitable basis. Payroll expenses are allocated based on time and effort.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. Liquidity and availability of financial assets

The following represents NCRC's financial assets at December 31, 2020:

Financial assets at year end:

Cash and cash equivalents	\$ 44,827,344
Restricted cash, including security deposits	50,466,108
Accounts receivable, net	<u>3,392,557</u>
Total financial assets	98,686,009

Less amounts not available to be used within one year:

Net assets with donor restrictions	<u>(46,932,939)</u>
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Financial assets available to meet general expenditures
over the next twelve months

\$ 51,753,070

Financial assets available to meet general expenditures over the next twelve months are not subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date. NCRC's goal is generally to maintain financial assets to meet 90 days of operating expenses.

4. Restricted cash

The regulatory and loan agreements of the subsidiaries and affiliates of NCRC generally require monthly impound deposits for insurance premiums, property taxes, replacements and operating expenses. The restricted accounts are held by the various lender agencies and expenditures are subject to their supervision and approval. The carrying value of restricted cash approximates fair value because of the short-term maturity of those instruments.

Restricted cash includes \$963,333 held in escrow in connection with various purchase and sales agreements as of December 31, 2020.

A summary of the restricted cash balances as of December 31, 2020 is as follows:

Operating reserves	\$ 17,047,071
Replacement reserves	15,737,962
Other reserves and escrows	10,085,584
Tax and insurance reserves	2,657,510
Residual receipts reserves	<u>536,262</u>
Total restricted cash	<u>\$ 46,064,389</u>

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

5. Investments

On March 30, 2004, NCRC invested in the Housing Partnership Network Group Insurance Initiative, a cooperative of other real estate investment companies, whose purpose is to offer low-cost insurance and worker's compensation to companies with a history of low-loss ratios. In 2004, NCRC purchased one share of Class A stock for \$10,000, and 277 shares of Class B stock at \$1,000 per share. In 2013, NCRC purchased 275 Class C shares at \$555 per share. NCRC is entitled to dividend payments in proportion to their investment once they are declared. No dividends were received during the year ended December 31, 2020. The investment is accounted for under the equity method of accounting and the investment has been recorded at cost. As of December 31, 2020, the investment balance was \$697,815.

Investments include \$6,000,000 paid over the course of 2017 and 2018 to acquire the limited partner interests in twenty Housing Affiliates for \$300,000 each, from an unrelated party.

NCRC consolidates its ownership interest in limited partnerships which it controls (see Note 1).

6. Property, equipment and improvements, net

Property, equipment and improvements consist of the following as of December 31, 2020:

Land	\$ 143,173,026
Buildings and improvements	1,013,963,512
Furniture, fixtures and equipment	41,358,970
Construction in progress	<u>113,013,052</u>
Subtotal	1,311,508,560
Less: accumulated depreciation	<u>(310,638,292)</u>
Total property, equipment and improvements, net	<u>\$ 1,000,870,268</u>

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7. Mortgages and notes payable, net

Mortgages and notes payable are as follows as of December 31, 2020:

Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
Dept of Housing and Urban Development	San Antonio Gateway Hsg Corp	0.00%	(3)	3/1/2066	\$ 10,604,000
Citibank - AHP	NCRC	0.00%	(3)	9/1/2071	680,000
Citibank - AHP	NCRC	0.00%	(4)	4/1/2069	480,000
Citizens Business Bank	NCRC	Variable	(4)	7/15/2021*	2,000,000
JP Morgan Chase	NCRC (Note for Rancho Verde)	3.39%	11,206	8/1/2047	1,000,000
JPMorgan - AHP	NCRC	0.00%	(4)	5/1/2067	500,000
Wells Fargo Bank	NCRC	2.00%	(4)	11/1/2023	1,000,000
Wells Fargo Bank	NCRC	2.00%	(4)	11/1/2023	343,750
Wells Fargo Bank	NCRC	2.00%	(4)	11/1/2023	156,250
JP Morgan Chase Bank	CP Senior Apartments, LP	Variable	Variable	7/1/2035	1,295,712
NCRC	CP Senior Apartments, LP	2.25%	2,185	7/1/2077	1,165,125
NCRC	CP Senior Apartments, LP	3.00%	33,618	7/1/2077	13,447,000
Chase Commercial Term Lending	NCRC Interim Spring Valley	5.09%	12,852	10/31/2032	3,500,000
County of San Diego	NCRC Interim Spring Valley	3.00%	4,563	2/15/2056	1,825,000
County of San Diego HCD Services	NCRC Interim Spring Valley	3.00%	5,750	4/14/2075	2,300,000
CCRC	Woods Family Housing Ptrs, LP	8.50%	10,765	11/1/2043	1,301,572
LACDC - CDBG funds	Woods Family Housing Ptrs, LP	3.00%	(1)	9/1/2063	1,000,000
LACDC - First District Loan	Woods Family Housing Ptrs, LP	3.00%	(1)	9/1/2063	1,000,000
LACDC - HOME funds	Woods Family Housing Ptrs, LP	3.00%	(1)	9/1/2063	2,047,376
LACDC - Industry funds	Woods Family Housing Ptrs, LP	3.00%	(1)	9/1/2063	1,249,201
LACDC - Maravilla funds	Woods Family Housing Ptrs, LP	3.00%	(1)	9/1/2063	1,000,000
NCRC (HCD Grant)	Woods Family Housing Ptrs, LP	0.00%	(1)	1/1/2066	2,465,846
Greystone Servicing	NCRC / Arbor Villas Apts	3.96%	27,487	11/1/2049	5,554,062
Century Housing	Rialto Housing Partners, LP	5.50%	10,450	4/24/2021*	2,255,000
Home-City	Rialto Housing Partners, LP	3.00%	(1)	1/1/2054	1,000,000
City of Oceanside	Oceanside Senior Hsg Ptrs, LP	3.00%	(1)	7/1/2063	3,772,340
JPMorgan Chase Bank	Oceanside Senior Hsg Ptrs, LP	5.08%	4,956	10/1/2038	696,521
California HCD	Inland Valley Hsg Ptrs, LP	3.00%	(2)	7/1/2064	8,362,659
City of Rialto Housing Authority	Inland Valley Hsg Ptrs, LP	3.00%	(1)	8/1/2061	14,054,480
Cnty San Bernardino HOME funds	Inland Valley Hsg Ptrs, LP	3.00%	(1)	6/1/2060	3,000,000
Miss Valley Life Ins. - AHP	Inland Valley Hsg Ptrs, LP	0.00%	(3)	2/1/2064	1,000,000
US Bank	Inland Valley Hsg Ptrs, LP	5.97%	15,408	8/1/2038	2,140,801
City of Long Beach	NCRC / Clark Manor	4.00%	(1)	6/1/2058	550,000
JPMorgan Chase Bank	NCRC / Clark Manor	4.93%	7,833	8/1/2033	883,570
Berkadia Commercial Mort.	Corona de Oro Apts. LP	7.25%	8,784	7/1/2032	824,508

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7. Mortgages and notes payable, net (continued)

Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
Citibank - AHP	Corona de Oro Apts. LP	0.00%	\$ 8,784	7/26/2032	\$ 181,873
City of Corona HOME Funds	Corona de Oro Apts. LP	1.00%	1,499	9/1/2055	149,900
City of Corona RDA	Corona de Oro Apts. LP	3.00%	(1)	3/1/2055	4,725,000
City of Corona RDA	NCRC / Corona del Rey	0.00%	(1)	5/1/2051	643,340
County of Riverside	NCRC / Corona del Rey	3.00%	1,304	7/1/2028	106,046
JPMorgan Chase Bank	NCRC / Corona del Rey	Variable	21,524	8/1/2022	2,168,062
California HCD	Cobblestone Apartments, LP	3.00%	(2)	3/1/2058	1,345,219
City of Escondido	Cobblestone Apartments, LP	2.98%	(1)	8/1/2073	3,168,027
Escondido Hsg Partners, LP	Cobblestone Apartments, LP	2.95%	(1)	8/1/2073	191,334
Pacific Western Bank	Cobblestone Apartments, LP	5.00%	10,678	9/1/2050	1,965,872
California HCD	Desert Meadows Hsg Partners, LP	3.00%	(1)	4/1/2069	5,954,244
Riverside County RDA	Desert Meadows Hsg Partners, LP	0.25%	(1)	8/1/2066	7,698,385
Union Bank of California - AHP	Desert Meadows Hsg Partners, LP	0.00%	(3)	1/1/2067	790,000
AHP Funds	Yucca Valley Senior Hsg Ptrs, LP	0.00%	(3)	1/1/2030	1,180,000
Bonneville Mortgage	Yucca Valley Senior Hsg Ptrs, LP	4.21%	3,664	2/1/2056	807,037
San Bernardino County	Yucca Valley Senior Hsg Ptrs, LP	3.00%	(1)	12/1/2069	1,622,830
Town of Yucca Valley	Yucca Valley Senior Hsg Ptrs, LP	0.50%	(1)	4/1/2068	2,925,000
City of Downey	Downey Housing Partners, LP	3.00%	(1)	2/1/2068	4,550,000
City of Downey	Downey Housing Partners, LP	3.00%	(1)	2/1/2068	450,000
Housing Authority of Los Angeles County	Downey Housing Partners, LP	3.00%	(1)	2/1/2070	2,386,720
JP Morgan Chase	Downey Housing Partners, LP	5.88%	13,201	9/1/2045	2,046,742
CDC - County of LA Homeless & Hsg Program Fund	Normandie Senior Hsg Ptrs, LP	3.00%	(1)	6/1/2067	600,000
CDC - County of Los Angeles	Normandie Senior Hsg Ptrs, LP	6.75%	4,864	10/1/2040	667,546
County of Los Angeles - Home Funds	Normandie Senior Hsg Ptrs, LP	0.00%	(1)	3/1/2065	1,989,155
County of Los Angeles - Industry Funds	Normandie Senior Hsg Ptrs, LP	3.00%	(1)	3/1/2065	5,428,582
NCRC Infill Grant Loan	Normandie Senior Hsg Ptrs, LP	0.00%	(1)	1/1/2065	1,033,418
City of Rancho Cucamonga Redev Agency	East Rancho Verde Hsg Ptrs, LP	1.50%	(1)	6/1/2060	6,500,000
Cnty of San Bernardino, Dept of Comm Dev and Hsg	East Rancho Verde Hsg Ptrs, LP	3.00%	(1)	3/1/2065	1,100,000
JPMorgan Chase Bank	East Rancho Verde Hsg Ptrs, LP	5.13%	8,717	10/1/2040	1,300,268
California Community Reinvestment Corp	Fontana II Hsg Ptrs, LP	6.75%	8,821	12/1/2036	1,000,015
City of Fontana	Fontana II Hsg Ptrs, LP	1.00%	(1)	2/1/2059	2,500,000

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7. Mortgages and notes payable, net (continued)

Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
Bank of the West - AHP	Fontana III Hsg Ptrs, LP	0.00%	(3)	3/1/2061	\$ 350,000
City of Fontana	Fontana III Hsg Ptrs, LP	1.00%	(1)	6/1/2060	7,153,254
NorthMarq Capital, LLC	Fontana III Hsg Ptrs, LP	5.79%	Variable	4/1/2036	1,384,000
Chase	Malvern Housing Partners, LP	8.06%	\$ 2,780	10/1/2026	154,863
City of Rancho Cucamonga RDA	Malvern Housing Partners, LP	1.00%	(1)	4/1/2025	3,801,209
County of San Bernardino	Malvern Housing Partners, LP	3.00%	(1)	12/1/2022	400,000
City of Hawthorne	NCRC / Hawthorne Terrace	Variable	(1)	10/1/2059	250,000
City of Hawthorne	NCRC / Hawthorne Terrace	3.00%	(1)	10/1/2059	1,998,855
City of Hawthorne HOME Funds	NCRC / Hawthorne Terrace	0.00%	(1)	3/1/2021*	207,645
JPMorgan Chase Bank	NCRC / Hawthorne Terrace	5.55%	11,142	10/1/2029	1,673,000
NCRC	Hope Through Access	0.00%	(1)	(c)	2,000,000
County of San Bernardino	Victorville Housing Ptrs, LP	3.00%	(1)	9/1/2057	794,602
US Bank	Victorville Housing Ptrs, LP	6.66%	11,689	10/1/2021*	1,266,945
Victorville Redevelopment Agency	Victorville Housing Ptrs, LP	3.00%	(1)	9/1/2022	970,733
CCRC	Escondido Senior Hsg Ptrs, LP	7.37%	12,460	11/1/2041	1,597,751
City of Escondido	Escondido Senior Hsg Ptrs, LP	5.32%	(1)	12/1/2075	3,051,230
City of Escondido	Escondido Senior Hsg Ptrs, LP	3.00%	(1)	12/1/2075	1,948,770
City of Escondido	Escondido Senior Hsg Ptrs, LP	3.00%	(1)	5/1/2065	500,000
NCRC	Escondido Senior Hsg Ptrs, LP	0.00%	(1)	2/1/2065	650,959
NCRC	Escondido Senior Hsg Ptrs, LP	0.00%	(1)	2/1/2065	400,000
SCHDC of Orange (AHP-JPMorgan)	Escondido Senior Hsg Ptrs, LP	0.00%	(1)	4/1/2067	500,000
HACOLA	Santa Fe Springs Hsg Ptrs, LP	3.00%	(1)	3/1/2034	740,087
LACDC	Santa Fe Springs Hsg Ptrs, LP	3.00%	(1)	3/1/2032	672,554
SFSCDC	Santa Fe Springs Hsg Ptrs, LP	3.00%	(1)	9/1/2057	1,592,784
US Bank	Santa Fe Springs Hsg Ptrs, LP	5.36%	24,598	4/1/2034	2,890,678
City of Oceanside	Oceanside Housing Ptrs, LP	3.00%	(1)	6/1/2061	6,244,000
MuniMae TE Bond Subsidiary, LLC	Oceanside Housing Ptrs, LP	5.75%	23,980	5/1/2049	4,024,034
State of California HCD	Oceanside Housing Ptrs, LP	3.00%	(1)	5/1/2064	4,151,008
Citibank N.A. - Perm Loan	Avenida Serra Hsg Partners, LP	5.48%	2,314	9/1/2044	410,711
Citibank N.A. - Subordinate Loan	Avenida Serra Hsg Partners, LP	1.00%	(1)	10/1/2070	187,249
City of San Clemente	Avenida Serra Hsg Partners, LP	3.36%	(1)	12/31/2070	3,430,771
NCRC	Avenida Serra Hsg Partners, LP	0.00%	(1)	3/1/2069	730,800
California Housing Finance Agency	SCHD / Mountainside Apts	7.25%	44,171	9/1/2026	2,515,101
California Housing Finance Agency	Mission Cove Family I Hsg, LP	0.00%	(3)	10/1/2072	5,900,000
Citi Bank, N.A	Mission Cove Family I Hsg, LP	5.54%	4,555	10/1/2038	618,437
Citibank, N.A.	Mission Cove Family I Hsg, LP	1.00%	(3)	4/1/2071	1,344,831

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7. Mortgages and notes payable, net (continued)

Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
Citibank, N.A. (Construction Loan)	Mission Cove Family I Hsg, LP	0.00%	(3)	9/1/2073	\$ 890,000
City of Oceanside	Mission Cove Family I Hsg, LP	3.00%	(1)	10/1/2072	4,407,778
Wells Fargo Bank (AHP Loan)	Mission Cove Family I Hsg, LP	3.00%	(1)	3/1/2071	943,470
Bank of America	Mission Cove Family II Hsg, LP	5.26%	\$ 14,255	5/1/2035	2,664,670
City of Oceanside	Mission Cove Family II Hsg, LP	3.00%	(1)	5/1/2073	4,178,983
City of Oceanside (AHP Loan)	Mission Cove Family II Hsg, LP	0.00%	(1)	3/30/2072	590,000
City of Oceanside (Ground Lease Loan)	Mission Cove Family II Hsg, LP	0.00%	(1)	4/1/2072	5,000,000
California HCD	Riverside Housing Ptrs, LP	3.00%	(2)	3/1/2061	2,930,000
City of Riverside	Riverside Housing Ptrs, LP	3.00%	(1)	7/1/2059	4,496,135
US Bank	Riverside Housing Ptrs, LP	6.21%	9,779	7/1/2036	1,191,910
Agency IV - First 5 LA	Mar Vista Union Hsg Ptrs, LP	3.00%	(1)	6/1/2072	931,437
AHP Funds	Mar Vista Union Hsg Ptrs, LP	0.00%	(3)	6/1/2070	300,000
CDC - County of Los Angeles	Mar Vista Union Hsg Ptrs, LP	3.00%	(1)	3/1/2072	895,726
City of Pasadena	Mar Vista Union Hsg Ptrs, LP	3.00%	(1)	4/1/2065	1,417,273
Federal Home Funds	Mar Vista Union Hsg Ptrs, LP	3.00%	(1)	7/1/2067	1,475,397
Inclusionary Housing Fund	Mar Vista Union Hsg Ptrs, LP	3.00%	(1)	7/1/2067	646,077
Brookfield University Commons, LLC	UC Housing Partners, LP	2.00%	(3)	11/1/2059	1,463,164
California HCD	UC Housing Partners, LP	3.00%	(2)	7/1/2062	6,382,879
CSCDA	UC Housing Partners, LP	5.60%	23,618	8/1/2037	3,066,432
AHP Funds	Mission Village Senior Hsg, LP	0.00%	(3)	3/1/2065	500,000
Redevelopment Agency of the County of Riverside	Mission Village Senior Hsg, LP	3.00%	(1)	9/1/2064	10,472,118
US Bank	Mission Village Senior Hsg, LP	5.89%	17,893	3/1/2040	2,493,972
California Housing Finance Agency	SCHD / Monterey Village	7.25%	34,791	10/1/2026	1,981,005
California Housing Finance Agency	SCHD / Northgate Village	6.00%	33,444	10/1/2034	3,766,070
Victorville RDA	SCHD / Northgate Village	3.00%	(1)	12/1/2035	4,364,812
CDC County of LA (HOME funds)	Bell Housing Ptrs, LP	3.00%	(1)	3/1/2033	1,886,091
HACOLA	Bell Housing Ptrs, LP	3.00%	(1)	3/1/2033	1,000,000
JPMorgan Chase Bank	Bell Housing Ptrs, LP	6.25%	8,441	1/1/2034	903,719
JPMorgan Chase Bank - AHP	Bell Housing Ptrs, LP	0.00%	(3)	1/1/2034	240,000
California Housing Finance Agency	Savi Ranch II Hsg Ptrs, LP	3.00%	(1)	6/1/2072	1,692,007
Citi Bank	Savi Ranch II Hsg Ptrs, LP	5.70%	16,920	7/1/2035	2,857,808
City of Orange	Savi Ranch II Hsg Ptrs, LP	3.00%	(1)	6/7/2072	1,504,100
City of Yorba Linda	Savi Ranch II Hsg Ptrs, LP	3.00%	(1)	6/1/2072	2,000,000

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7. Mortgages and notes payable, net (continued)

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Orange County Housing Authority	Savi Ranch II Hsg Ptrs, LP	3.00%	(1)	6/7/2072	\$ 140,200
Pacific Western Bank - AHP	Savi Ranch II Hsg Ptrs, LP	0.00%	(3)	6/7/2072	530,000
RDA - City of Yorba Linda	Savi Ranch II Hsg Ptrs, LP	3.00%	(1)	6/1/2072	2,415,321
City of San Bernardino HOME Funds	Waterman Gardens Ptrs 1, LP	3.00%	(1)	(a)	734,000
Housing Authority of San Bernardino	Waterman Gardens Ptrs 1, LP	2.33%	(1)	(a)	663,000
Wells Fargo Bank	Waterman Gardens Ptrs 1, LP	3.65%	\$ 35,164	10/1/2057	8,540,833
Wells Fargo Bank	Waterman Gardens Ptrs 1, LP	0%	(1)	(a)	762,000
Citi Bank	Savi Ranch Housing Ptrs, LP	5.40%	17,241	7/1/2033	3,135,648
Citi Bank - Subordinate Loan	Savi Ranch Housing Ptrs, LP	1.00%	(1)	4/1/2070	550,000
City of Yorba Linda	Savi Ranch Housing Ptrs, LP	3.00%	(1)	3/1/2066	6,212,314
NCRC	Savi Ranch Housing Ptrs, LP	0.00%	(3)	9/1/2071	680,000
Bank of the West	Promenade Housing Ptrs, LP	variable	20,284	5/1/2054	4,038,772
CDC of the City of West Covina	Promenade Housing Ptrs, LP	2.82%	(1)	4/1/2072	6,056,621
Executive Lodge LP - Seller Carryback	Promenade Housing Ptrs, LP	5.00%	(1)	12/31/2072	1,356,422
NCRC	Promenade Housing Ptrs, LP	3.00%	(1)	12/31/2072	575,014
Bolt Housing Partners - Seller Carryback	Parkside SD Apartments, LP	3.80%	(1)	6/30/2055	2,699,411
Pacific Western Bank	Parkside SD Apartments, LP	5.00%	13,543	3/1/2037	2,638,050
San Diego Housing Commission	Parkside SD Apartments, LP	3.00%	(1)	11/16/2056	1,725,528
Citibank	Paseo Del Oro Apartments, LP	5.09%	35,042	4/1/2035	6,767,160
City of San Marcos	Paseo Del Oro Apartments, LP	3.00%	(1)	12/1/2073	3,465,670
County of San Diego	Paseo Del Oro Apartments, LP	5.98%	(3)	3/1/2073	1,497,051
San Marcos Hsg Partners, LP – Seller Carryback	Paseo Del Oro Apartments, LP	4.50%	(1)	3/1/2073	4,801,338
California Community Reinvestment Corp	Fontana IV Hsg Ptrs, LP	6.50%	13,896	9/1/2045	2,049,679
Fontana Housing Authority	Fontana IV Hsg Ptrs, LP	0.25%	(1)	6/30/2065	6,834,539
AHP Funds	Bell Gardens Hsg Partners, LP	0.00%	(1)	3/1/2064	284,000
CCRC	Bell Gardens Hsg Partners, LP	5.52%	(5)	7/1/2038	1,778,081
City of Bell CDC	Bell Gardens Hsg Partners, LP	3.00%	(1)	4/1/2060	3,812,203
City of L.A. HOME Funds	Bell Gardens Hsg Partners, LP	3.00%	(1)	3/1/2063	2,785,367
Housing Authority Co. of L.A.	Bell Gardens Hsg Partners, LP	3.00%	(1)	3/1/2063	1,500,000
CA Community Reinvestment Corp	Cathedral Family Hsg Ptrs, LP	7.25%	3,355	3/1/2028	531,651
City of Cathedral City - RDA	Cathedral Family Hsg Ptrs, LP	2.00%	(1)	4/1/2066	4,006,162
County of Riverside - HOME Funds	Cathedral Family Hsg Ptrs, LP	1.00%	(1)	7/1/2066	1,250,000
Federal Home Loan Bank - AHP	Cathedral Family Hsg Ptrs, LP	0.00%	(1)	4/1/2067	590,000

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Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
NCRC	Cathedral Family Hsg Ptrs, LP	0.00%	(1)	1/1/2065	\$ 638,471
JPMorgan Chase Bank	NCRC / Rancho Verde Apts	2.75%	\$ 21,696	4/1/2025	1,062,432
JPMorgan Chase Bank	NCRC / Rancho Verde Apts	5.16%	11,206	4/1/2025	1,891,993
County of San Bernardino	Renaissance Village Hsg Ptrs, LP	3.06%	(1)	9/1/2034	273,303
Greystone	Renaissance Village Hsg Ptrs, LP	5.60%	25,972	1/1/2035	4,284,385
NCRC	Renaissance Village Hsg Ptrs, LP	3.06%	(1)	3/1/2030	650,812
NCRC	Renaissance Village Hsg Ptrs, LP	3.06%	(1)	7/1/2069	400,000
City of Montclair RDA	Montclair Family Hsg Ptrs, LP	3.00%	(1)	5/1/2061	1,943,765
County of San Bernardino (HOME)	Montclair Family Hsg Ptrs, LP	5.00%	(1)	5/1/2061	1,500,000
US Bank	Montclair Family Hsg Ptrs, LP	7.73%	9,802	11/1/2037	1,123,511
AHP Funds	EMI Housing Partners, LP	0.00%	(1)	3/1/2044	158,357
City of Montclair	EMI Housing Partners, LP	4.00%	(1)	4/1/2069	682,119
Wells Fargo Bank	EMI Housing Partners, LP	0.00%	(1)	10/1/2055	2,869,900
California HCD	Santee Apts, LP	3.00%	(2)	12/1/2058	3,270,535
Community Development Commission	Santee Apts, LP	3.00%	(1)	3/1/2055	3,016,248
County of San Diego	Santee Apts, LP	3.00%	(1)	12/1/2055	240,000
JPMorgan Chase Bank	Santee Apts, LP	5.95%	12,278	5/1/2028	1,535,229
City of Montclair Redevelopment Agency	Montclair Senior Hsg Ptrs, LP	3.00%	(1)	7/1/2063	1,528,280
San Antonio Gateway Housing Corp - Seller Carryback	Montclair Senior Hsg Ptrs, LP	0.00%	(3)	3/1/2066	10,604,000
California Housing Finance Agency	SCHD / Sycamore Springs Apts	7.25%	30,186	9/1/2026	1,718,815
AHP Funds	Palmdale Senior Hsg Ptrs, LP	0.00%	(3)	1/1/2066	600,000
Citi Bank	Palmdale Senior Hsg Ptrs, LP	5.65%	14,476	12/1/2026	2,389,326
City of Palmdale HOME	Palmdale Senior Hsg Ptrs, LP	3.00%	(1)	6/1/2059	750,000
Cmty Redevelopment Agency of the City of Palmdale	Palmdale Senior Hsg Ptrs, LP	3.00%	(1)	6/1/2059	1,000,000
Autumn Ridge Apts, LP	SVSM Apartments, LP	0%	(1)	3/31/2073	6,609,821
Citibank, N.A.	SVSM Apartments, LP	5.09%	85,499	10/1/2050	16,587,687
San Marcos Redevelopment Agency	SVSM Apartments, LP	3.00%	(1)	12/31/2073	5,467,067
California HCD	Eagle Rock Hsg Partners, LP	3.00%	(2)	6/1/2066	1,708,526
City of Los Angeles (HOME)	Eagle Rock Hsg Partners, LP	4.45%	(1)	12/1/2063	2,325,360
NHDC Tres Lomas, LP	Eagle Rock Hsg Partners, LP	4.45%	(1)	12/1/2069	692,428
US Bank (EastWest Bank)	Eagle Rock Hsg Partners, LP	8.00%	4,243	6/1/2039	486,905
San Diego Housing Commission	Ken Tal Senior Partners, LP	5.00%	1,691	12/1/2034	225,641
San Diego RDA	Ken Tal Senior Partners, LP	3.00%	(1)	10/30/2059	5,216,424

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7. Mortgages and notes payable, net (continued)

Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
CCRC (Wells Fargo bond trustee)	Citrus Grove Hsg Ptrs, LP	6.25%	\$ 5,110	6/1/2041	\$ 707,830
Rialto Housing Authority	Citrus Grove Hsg Ptrs, LP	0.00%	(1)	5/1/2065	333,037
Rialto Housing Authority	Citrus Grove Hsg Ptrs, LP	0.00%	(1)	5/1/2065	6,800,703
Rialto Housing Authority	Citrus Grove Hsg Ptrs, LP	0.00%	(1)	5/1/2065	1,492,973
Calif Community Reinvestment Corp	Mills Family Housing, LP	7.50%	5,943	9/1/2041	749,383
City of Montclair	Mills Family Housing, LP	3.00%	(1)	8/1/2064	4,283,084
County of San Bernardino	Mills Family Housing, LP	3.00%	(1)	7/1/2066	2,000,000
NCRC	Vista Dunes Housing Ptrs, LP	4.88%	(1)	9/1/2062	5,200,000
NCRC	Vista Dunes Housing Ptrs, LP	1.00%	(1)	12/1/2062	2,101,689
US Bank National Bank	Vista Dunes Housing Ptrs, LP	6.90%	7,788	11/1/2038	955,471
City of Yorba Linda RDA	Yorba Linda Housing Ptrs, LP	3.00%	(1)	5/1/2061	12,726,406
JPMorgan Chase Bank	Yorba Linda Housing Ptrs, LP	6.07%	29,280	12/1/2031	3,965,269
JPMorgan Chase Bank	Yorba Linda Housing Ptrs, LP	0.00%	(1)	11/1/2039	750,000
California Community Reinvestment Corp.	Rancho Workforce Housing, LP	6.04%	51,996	10/1/2040	8,016,506
City of Rancho Cucamonga Redevelopment Agency	Rancho Workforce Housing, LP	2.39%	(1)	9/1/2063	25,868,857
AHP Funds	Fontana Hsg Ptrs, LP	0.00%	(3)	9/1/2033	500,000
CCRC	Fontana Hsg Ptrs, LP	variable	9,158	9/1/2033	1,007,277
City of Fontana	Fontana Hsg Ptrs, LP	3.00%	(1)	6/30/2059	1,002,187
FHLB Affordable Housing Program	Villa Serena Apartments, LP	0.00%	(3)	5/1/2030	337,680
JPMorgan Chase Bank	Villa Serena Apartments, LP	5.80%	13,761	5/1/2030	1,193,310
San Marcos RDA	Villa Serena Apartments, LP	3.00%	(1)	2/1/2027	5,717,212
Community Dev. Commission of National City	Vista del Sol Apartments, LP	3.00%	(1)	12/31/2073	7,234,762
Copper Hills Apartments LP	Vista del Sol Apartments, LP	5.00%	(1)	12/31/2074	2,500,000
Pacific Western Bank	Vista del Sol Apartments, LP	4.00%	39,815	2/1/2054	8,765,021
California HCD	Vista Terraza Hsg Partners, LP	3.00%	(2)	5/1/2062	7,000,302
US Bank	Vista Terraza Hsg Partners, LP	5.81%	25,343	5/1/2037	3,276,372
WPH	Vista Terraza Hsg Partners, LP	4.70%	(1)	4/1/2060	4,673,244
City of San Bernardino	Val 9 Housing Partners, LP	3.00%	(1)	9/1/2071	500,000
County of San Bernardino Housing Authority of San Bernardino	Val 9 Housing Partners, LP	3.00%	(1)	3/1/2070	1,500,000
	Val 9 Housing Partners, LP	3.00%	(1)	8/1/2070	810,000
PNC Bank	Val 9 Housing Partners, LP	3.47%	41,791	11/1/2046	10,096,292
Wells Fargo Bank	Val 9 Housing Partners, LP	3.00%	(1)	12/1/2071	750,000
California HCD	Courson Senior Partners, LP	3.00%	(1)	6/1/2062	2,341,584

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7. Mortgages and notes payable, net (continued)

Lender	Secured Entity	Interest rate	Monthly principal and int or other repymt terms	Maturity	Principal balance
City of Palmdale RDA	Courson Senior Partners, LP	3.00%	(1)	12/1/2060	\$ 2,850,000
FHLB-AHP California Community Reinvestment Corporation (CCRC)	Courson Senior Partners, LP	0.00%	(3)	1/1/2039	350,000
CitiBank, N.A.	Westlake Housing Partners, LP	6.25%	\$ 6,773	4/1/2039	889,978
City of San Marcos	Westlake Housing Partners, LP	5.87%	3,930	6/1/2030	652,031
NCRC - AHP	Westlake Housing Partners, LP	3.00%	(1)	12/31/2071	13,330,252
Berkadia	Westlake Housing Partners, LP	0.00%	(1)	4/1/2069	480,000
City of San Marcos	Richmar Housing Partners, LP	5.12%	5,764	9/1/2049	1,041,310
City of San Marcos	Richmar Housing Partners, LP	3.00%	963	1/1/2068	385,288
City of San Marcos	Richmar Housing Partners, LP	3.00%	(1)	10/1/2071	3,397,973
Century Housing Corporation	Day Creek Senior Hsg Partners, LP	0.00%	(3)	12/31/2073	1,390,000
City of Rancho Cucamonga	Day Creek Senior Hsg Partners, LP	2.91%	(4)	12/31/2073	4,896,303
JPMorgan Chase Bank - Construction loan	Day Creek Senior Hsg Partners, LP	variable	(4)	6/14/2021*	14,456,448
Century Housing Corporation	Day Creek Senior Hsg Ptrs 2, LP	0.00%	(3)	2074	490,000
City of Rancho Cucamonga	Day Creek Senior Hsg Ptrs 2, LP	3.00%	(4)	12/31/2073	2,194,807
City of Rancho Cucamonga - Seller Carryback	Day Creek Senior Hsg Ptrs 2, LP	2.91%	(4)	12/31/2073	2,803,697
JPMorgan Chase Bank - Construction loan	Day Creek Senior Hsg Ptrs 2, LP	variable	(4)	6/14/2021*	7,500,366
Bank of America	NCRC Encanto, LP	5.73%	21,399	8/1/2036	3,825,823
Bank of America - AHP	NCRC Encanto, LP	0.00%	(3)	8/30/2073	650,000
City of San Diego	NCRC Encanto, LP	4.00%	(1)	12/6/2074	6,250,000
San Diego Housing Commission	NCRC Encanto, LP	4.00%	(1)	6/30/2074	1,060,000
City of Victorville RDA	SGNTR VC, LLC	3.00%	(1)	12/1/2061	1,394,841
City of San Diego	NCRC SYSV, LP	3.00%	(1)	(b)	4,500,000
Pacific Western Bank	NCRC SYSV, LP	4.25%	(4)	7/1/2038	9,243,364
Pacific Western Bank	NCRC SYSV, LP	0.00%	(3)	12/1/2073	1,000,000
San Diego Housing Commission	NCRC SYSV, LP	3.00%	(1)	12/31/2075	722,000
Century Housing Corporation	LINC-CORE Hsg Ptrs-Glendale, LP	5.68%	12,402	6/11/2037	2,246,244
City National Bank	LINC-CORE Hsg Ptrs-Glendale, LP	0.00%	(3)	3/12/2073	650,000
City of Glendale	LINC-CORE Hsg Ptrs-Glendale, LP	3%	(3)	(d)	7,485,944
Housing Authority - City of Glendale	LINC-CORE Hsg Ptrs-Glendale, LP	3.0%	(3)	(d)	1,814,056
City of Ontario	Virginia Holt Housing, LP	variable	(4)	5/1/2021*	14,848,352
Ontario Housing Authority	Virginia Holt Housing, LP	2.89%	(1)	4/1/2074	2,420,000

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7. Mortgages and notes payable, net (continued)

<u>Lender</u>	<u>Secured Entity</u>	<u>Interest rate</u>	<u>Monthly principal and int or other repymt terms</u>	<u>Maturity</u>	<u>Principal balance</u>
Ontario Housing Authority	Virginia Holt Housing, LP	3.00%	(1)	4/1/2074	\$ 2,000,000
Bank of America	Waterman Gardens Ptrs 2, LP	3.00%	(4)	6/1/2022	26,912,642
City of San Bernardino	Waterman Gardens Ptrs 2, LP	3.00%	(4)	9/30/2074	600,000
City of San Bernardino - HOME loan	Waterman Gardens Ptrs 2, LP	3.00%	(1)	9/30/2074	830,000
County of San Bernardino	Waterman Gardens Ptrs 2, LP	3.00%	(1)	(a)	2,610,000
Dignity Health	Waterman Gardens Ptrs 2, LP	2.00%	\$ 2,000	11/1/2028	1,200,000
HACSB Land Loan	Waterman Gardens Ptrs 2, LP	2.21%	(1)	12/31/2073	970,000
Housing Authority of San Bernardino	Waterman Gardens Ptrs 2, LP	3.00%	(1)	(a)	3,412,000
Bank of America	LINC-CORE Fairview Metro, LP	variable	Variable	3/17/2023	2,431,375
LACDA (measure H)	LINC-CORE Fairview Metro, LP	3.00%	6,162	12/17/2076	2,464,900
LACDA (MHHP)	LINC-CORE Fairview Metro, LP	3.00%	4,670	12/17/2076	1,868,171
LACDA (Prop A)	LINC-CORE Fairview Metro, LP	0.00%	(1)	12/17/2076	461,233
LACDA Measure H	LINC-CORE Fairview Metro, LP	3.00%	(1)	12/1/2076	2,644,383
Century Housing Corporation	NCRC Mountain View LLC (Lake Forest)	variable	(4)	5/1/2021*	10,530,000
Citizens Business Bank	La Sierra 34, LP	variable	(4)	4/16/2024	159,756
Bank of America	Linc-CORE San Pedro Lofts, L.P.	variable	(4)	1/1/2024	773,094
LINC Community Development Corp	Linc-CORE San Pedro Lofts, L.P.	3.00%	(4)	1/1/2024	592,123
NCRC	Linc-CORE San Pedro Lofts, L.P.	3.00%	(4)	1/1/2024	592,123
Chase San Marcos RDA	Villa Serena Apartments, LP	0.00%	(3)	(a)	437,523
San Marcos RDA	West Mission Partners, LLC	3.00%	(1)	5/1/2031	1,320,000
			Subtotal		\$ 789,711,508
			Less: intercompany notes eliminated upon consolidation		(63,858,871)
			Consolidated subtotal		725,852,637
			Less: unamortized debt issuance costs		(7,870,265)
			Mortgages and notes payable, net		<u>\$ 717,982,372</u>

(a) Maturity Date will be 55 years from completion of construction.

(b) Maturity Date will be 55 years from the Certificate of Occupancy.

(c) Maturity Date will be 55 years from the later of commencement date or conversion date.

(d) Maturity Date will be 55 years from the date of conversion.

(1) Payment is based on residual receipts.

(2) Payment in the amount of .42% per annum.

(3) Full payment at maturity.

(4) Interest only monthly, principal payment at maturity.

(5) From \$10,000 to \$55,000 until maturity.

* See Note 20 subsequent events.

Debt issuance costs are being amortized to interest expense over the term of the loan. For the year ended December 31, 2020, the effective interest rate was 3.12%. During 2020, amortization expense for debt issuance costs was \$591,791.

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7. Mortgages and notes payable, net (continued)

The aggregate maturities of the mortgages over each of the next five years and thereafter are as follows:

2021	\$ 47,144,928
2022	47,012,211
2023	9,119,157
2024	7,004,486
2025	11,159,787
Thereafter	<u>604,412,068</u>
 Total	 <u>\$ 725,852,637</u>

8. Net assets with donor restrictions

Note Payable La Quinta Redevelopment Agency

For the year ended June 30, 2008, NCRC acquired a partially constructed project from the La Quinta Redevelopment Agency (the "Agency") for \$24,000,000 pursuant to the Amended and Restated Affordability Housing Agreement dated October 31, 2007. NCRC gave the Agency a note in the same amount of \$24,000,000. The \$24,000,000 represented the amount that the Agency had spent on construction as of the date of the sale of the partially completed project to NCRC. The note does not bear interest and is automatically forgiven five years after the date that Vista Dunes Housing Partners, L.P. (an entity in which NCRC holds a general partner interest through an affiliate) executes its permanent loan (which occurred on February 1, 2009), as long as NCRC does not violate any of the agreement covenants. On October 31, 2007, NCRC sold the project to Vista Dunes Housing Partners, L.P. for \$5,200,000. The sales price of \$5,200,000 was determined by an appraisal commissioned by NCRC. NCRC believes the fair value of the project's assets sold to Vista Dunes Housing Partners, L.P. is \$5,200,000. Therefore, NCRC believes that the fair value of the project assets acquired from the Agency, and the note payable to the Agency, is \$5,200,000. The fair value of the \$24,000,000 note at face value was set at \$5,200,000.

On February 10, 2015 the loan was re-conveyed and will be amortized over the remaining compliance period of the Vista Dunes project. Consequently, the entire \$5,200,000 was classified as net assets with donor restrictions on the accompanying consolidated statement of financial position. Release of restriction on this grant commenced in February 2015 and will continue over a 46-year period on a straight-line basis. For the year ended December 31, 2020, \$113,043 of net assets with donor restrictions was released, recognized as income and is included in other rental income on the accompanying consolidated statement of activities. Amortization in subsequent years will be approximately \$113,043 per year. As of December 31, 2020, NCRC has a balance of net assets with donor restrictions of \$4,531,162 attributable to the loan forgiveness.

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8. Net assets with donor restrictions (continued)

Note Payable La Quinta Redevelopment Agency (continued)

There were additional advances from the Agency totaling \$1,910,067. The entire amount was forgiven in a prior year and is classified as net assets with donor restrictions on the consolidated statement of financial position. Release of restriction on this grant commenced in February 2015 and will continue over a 46-year period on the straight-line basis. For the year ended December 31, 2020, \$38,213 of net assets with donor restrictions was released, recognized as income and is included in other rental income on the accompanying consolidated statement of activities. Amortization in subsequent years will be approximately \$38,213 per year. As of December 31, 2020, NCRC has a balance of net assets with donor restrictions of \$1,601,751 attributable to the forgiveness of advances.

Extended affordability agreement

In 2008, NCRC received a \$42,500,000 donation under the terms of an Extended Affordability Agreement with the Rancho Cucamonga Redevelopment Agency, in which NCRC agreed to add certain units to the existing below market units currently specified at four affordable housing properties named in the agreement and to keep all the below market units at each property at the agreed upon below market rate for a minimum of 99 years. The agreement to keep the properties as regulated affordable housing for a minimum of 99 years is a restriction on NCRC. The restriction is removed as progress is made in satisfying the 99-year term of the rent affordability restriction in the agreement. Consequently, the entire \$42,500,000 was classified as net assets with donor restrictions on the consolidated statement of financial position. Amortization of this grant commenced in December 2007 over the 99-year term on a straight-line basis. For the year ended December 31, 2020, \$429,292 of net assets with donor restrictions were added to net assets without donor restrictions. Amortization in subsequent years will be approximately \$429,300 per year. As of December 31, 2020, NCRC has a balance of net assets with donor restrictions of \$36,929,373 attributable to the extended affordability agreement.

Pledge Agreement grant

On July 24, 1994, NCRC executed a Pledge Agreement (the "Pledge Agreement") with the Redevelopment Agency of the City of Rancho Cucamonga (the "Redevelopment Agency"). The purpose of the agreement is to enable the Redevelopment Agency to provide NCRC funds on an annual basis over a period of thirty years to assist NCRC in acquiring qualifying apartment projects from the Redevelopment Agency's set-aside funds. As a result of this agreement NCRC acquired three qualifying projects. NCRC executed a Regulatory Agreement and Declaration of Restrictive Covenants for each of the three projects which impose tenant income and rent restrictions.

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8. Net assets with donor restrictions (continued)

Pledge Agreement grant (continued)

Over time, the Pledge Agreement was amended to satisfy certain requirements of the Redevelopment Agency. The Redevelopment Agency successor agency is the City of Rancho Cucamonga, and continued funding of the Pledge Agreement grant is included in the Rancho Cucamonga Redevelopment Agency's Enforceable Obligation Payment Schedule.

For the year ended December 31, 2020, the Redevelopment Agency funded \$339,200 under the Pledge Agreement, which is included in net assets with donor restrictions on the accompanying consolidated statement of activities. The funding is accounted for as grant income with donor restrictions. As expenditures from the replacement reserves are made, net assets with donor restrictions are released in the same amount. For the year ended December 31, 2020, \$324,019 of net assets with donor restrictions were added to net assets without donor restrictions. As of December 31, 2020, NCRC has a balance of net assets with donor restrictions of \$3,365,863 attributable to the Pledge Agreement grant.

9. Retirement plan

NCRC maintains a Voluntary 401(k) Retirement Plan that covers substantially all full-time employees of NCRC. Contributions are matched as follows: 200% match for 1% deferral, up to statutory limits; 100% match for 2%, 3%, and 4% deferrals, up to statutory limits; 100% vested in matching contribution, up to statutory limits; and annual discretionary contributions. Discretionary contributions are determined by management and are allocated to all eligible employees based upon compensation. For the year ended December 31, 2020, \$603,594 was contributed by NCRC to the retirement plan and is included in payroll expense on the accompanying consolidated statement of activities and changes in net assets. As of December 31, 2020, accrued retirement plan payables totaled \$618,341 and is included in accrued expenses on the accompanying consolidated statement of financial position.

10. Housing assistance payments and contracts

HUD has contracted pursuant to Section 8 of the Housing Act of 1937 to make housing assistance payments to four affiliates controlled by NCRC on behalf of qualified tenants. The agreements have various expiration dates, with contract terms of generally 5-20 years. For the year ended December 31, 2020, the affiliates received \$973,657 under these agreements, which is included in rental income on the accompanying consolidated statement of activities.

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11. Related party transactions

In the ordinary course of business, NCRC has significant related party transactions with its wholly-owned subsidiaries and affiliates. It provides funding in connection with the development and management of projects. In certain cases, NCRC pays operating expenses on behalf of affiliates. Such amounts are unsecured, non-interest bearing and payable upon demand.

NCRC earns construction contractor's fees, supervisory management and asset management fees, construction supervisory management fees, social services fees and property management fees in connection with services rendered to consolidated affiliated entities. Such amounts are generally payable from available cash flows. All intercompany amounts are eliminated upon consolidation.

Advances due from affiliates

The amounts loaned by NCRC to affiliates primarily represent development loans and other entity expenses that do not eliminate upon consolidation. These loans are unsecured, due on demand and some bear interest. As of December 31, 2020, such amounts due are \$862,312.

From time-to-time, NCRC advances funds to NCRDC to cover operating deficits. The advances are unsecured and due on demand. As of December 31, 2020, such advances totaled \$4,565,692, which is included in advances due from affiliates on the accompanying consolidated statement of financial position. NCRDC's management has provided to the management of NCRC their plans, as well as their underlying estimates and assumptions, to repay the advances. Management of NCRC has reviewed the plans, estimates and assumptions and accordingly has determined that no allowance for doubtful accounts is required as of December 31, 2020.

General and administrative expense allocation

NCRC allocates 7% of its general and administrative expenses to NCRDC. The allocation is based on a combination of total organization head count and total properties managed by each organization.

12. Gain on sale of rental property

On October 10, 2020, Spring Valley Housing Partners, LP sold its apartment project for a total purchase price of \$6,300,000 to NCRC Interim Spring Valley, LLC, an entity wholly-owned by NCRC. Since the parties involved in the transaction are affiliates under common control of NCRC, GAAP requires that the transaction be recorded based on the seller's carrying value of the assets and liabilities at the time of surrender. The buyer acquired the building and certain assets and liabilities, which resulted in an excess common control of \$3,099,174 that is included in net assets and eliminated upon consolidation on the accompanying consolidated financial statements.

On July 23, 2020, NCRC sold its wholly-owned apartment project Cathedral Palms for a total purchase price of \$14,800,000 to CP Senior Apartments, LP. The buyer is a Housing Affiliate. The buyer acquired the building and certain assets and liabilities. NCRC recognized gain upon sale of \$12,470,142 and provided loans to the project totaling \$14,612,125 as of December 31, 2020, all of which is eliminated upon consolidation on the accompanying consolidated financial statements.

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13. Sale of State LIHTCs

In June 2020, one of the Housing Affiliates, LINC-CORE San Pedro Lofts, LP (“San Pedro”), received a preliminary reservation of California state low income housing tax credits (“State LIHTCs”) in the amount of \$13,306,136. On December 22, 2020, NCRC entered into a purchase and transfer agreement with an unrelated party (the “Buyer”) to sell the Buyer the State LIHTCs for a projected amount of \$11,842,461, or \$0.89 per \$1.00 of State LIHTCs. All funds received in connection with the State LIHTCs sale are immediately loaned to San Pedro. NCRC and the co-general partner in San Pedro are 50%/50% co-guarantors on the State LIHTCs agreement, and therefore, split the sale proceeds and corresponding notes payable for San Pedro. As of December 31, 2020, NCRC’s 50% share of net loan receivable from San Pedro was \$592,123, which is included in notes and interest receivable on the accompanying consolidated statement of financial position and eliminated upon consolidation. As of December 31, 2020, NCRC’s 50% share of income earned on the sale of State LIHTCs was \$592,123, which is included in other income on the accompanying consolidated statement of activities and changes in net assets.

14. Guarantees

In its role as general partner of the various Housing Affiliates, NCRC is liable for recourse liabilities. In connection with their general partnership interests and in accordance with the partnership agreements, certain guarantees have been made to the affiliate partnerships.

Development deficit guaranty

NCRC, or its affiliates, are obligated to pay any development deficits or, at the option of the investor limited partner, to purchase the interest of the investor limited partner if the project is not completed or if permanent financing has not been obtained. This obligation terminates at achievement of break-even operations, as defined. As of December 31, 2020, no amounts were due under these guarantees.

Operating deficit guaranty

NCRC, or its affiliates, are obligated to make non-interest bearing loans to cover operating shortfalls and are repayable through available cash flow. The guaranty is generally for a period of three to five years, commencing with the break-even date, as defined. As of December 31, 2020, no amounts were due under these guarantees.

Recapture guaranty

The Housing Affiliates’ projects are operated in a manner necessary to qualify for federal low-income housing tax credits under IRC Section 42 (the “Tax Credits”). In order to qualify for these credits, the projects must comply with various federal and state requirements. Because the Tax Credits are subject to compliance with certain requirements, there can be no assurance that the aggregate amount of Tax Credits will be realized, and failure to meet all such requirements or to correct noncompliance within a specified time period may result in recapture of Tax Credits previously allocated. A recapture would require credit deficit payments to the limited partners for any recaptured credits plus any associated penalties, interest or additional taxes due, commencing with the break-even date, as defined. As of December 31, 2020, no amounts were due under these guarantees.

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15. Surplus cash and residual receipts

Some of the properties owned by or affiliated with NCRC and its subsidiaries are subject to regulatory agreements with HUD or state and local regulatory agencies, which restrict the use of the property and limit the use of project cash. Under the regulatory agreements, the partners of the affiliate partnerships are precluded from receiving any distributions of operating cash except to the extent of a portion of annual surplus cash, as defined.

16. Commitments and contingencies

Grant and property use restrictions

Many of the properties owned and operated by NCRC were developed using monies provided by grants and restrictive, low-interest rate loans. The terms of these loans restrict the use of the property and generally require it be rented to low-income qualified tenants for the period of the grant or related loan term. NCRC also receives grants with restrictions other than property use. Failure to comply with the terms of the grant or the loans would result in a requirement to repay a portion or all of the proceeds received.

Litigation

NCRC is subject to lawsuits and claims which arise out of the normal course of its activities. In the opinion of management, based upon the opinions of legal counsel, the disposition of any and all such actions, of which it is aware, will not have a material effect on the financial position of NCRC.

Other

As general partners in the Housing Affiliates, NCRC may be subject to other liabilities, should the affected Housing Affiliates' assets become insufficient to meet their obligations. In the opinion of management, future revenues and the value of the underlying assets of each of these Housing Affiliates will be sufficient to meet ongoing and future obligations.

17. Lease commitments

NCRC leases its corporate office space under a non-cancelable lease expiring June 11, 2022, with three one-year options to extend. Rental expense totaled \$379,739 for the year ended December 31, 2020.

Future minimum lease payments under the operating lease, excluding extension options, are as follows:

Year ending December 31,	
2021	\$ 324,384
2022	<u>150,688</u>
Total	<u>\$ 475,072</u>

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DECEMBER 31, 2020

18. Paycheck Protection Program Loan

In response to the COVID-19 outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act that, among other economic stimulus measures, established the U.S. Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) to provide loans to small businesses for qualified payroll expenses. On May 6, 2020, NCRC received a PPP loan directly from Citizens Business Bank in the amount of \$3,800,000. The loan was forgivable upon submission of a forgiveness application and approval from SBA. The PPP loan was fully forgiven and NCRC has recognized grant income in the amount of \$3,800,000 for the year ended December 31, 2020. See Note 20.

19. Vulnerability – impact of COVID-19

The severity of the impact of COVID-19 on NCRC and its subsidiaries’ and affiliates’ operations will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on NCRC’s tenants, all of which are uncertain and cannot be predicted. NCRC’s future results could be adversely impacted by delays in rent collections. Management is unable to predict with absolute certainty the impact of COVID-19 on its financial condition, results of operations or cash flows. Due to the uncertainty, management is reviewing cash waterfalls of its subsidiaries and affiliates and may elect to defer certain distributions. When management determines it is prudent to restart distributions, any distributions that are deferred will be paid on a cumulative basis not to exceed the amount that was deferred.

20. Subsequent events

Subsequent events have been evaluated through August 17, 2021, which is the date the financial statements were available to be issued. The following is a summary of significant transactions through August 17, 2021:

On June 14, 2021, the PPP loan forgiveness in full was approved by SBA. See Note 18.

On August 9, 2021, NCRC received an A+ credit rating from Standard & Poor’s (S&P) Global Ratings.

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

20. Subsequent events (continued)

As reported in Note 7, the following loans were to mature during 2021:

Lender	Secured Entity	Principal	Original Maturity Date	Extended Maturity or Other
City of Hawthorne	NCRC Hawthorne Terrace	\$ 207,645	3/1/2021	AHP loan forgiven
Century Housing Corp.	Rialto Housing Partners, LP	2,255,000	4/24/2021	Extended to 4/24/2022
City of Ontario	Virginia-Holt Housing, LP	14,848,352	5/1/2021	Extended to 11/1/2021 when it is expected to convert to permanent loan
Century Housing Corp.	NCRC Mountain View, LLC	10,530,000	5/1/2021	Extended to 5/1/2022
JPMorgan Chase Bank	Day Creek Senior Housing Partners, LP	14,456,448	6/14/2021	Extended to 12/14/2021; expected to convert to permanent loan by 8/31/2021
JPMorgan Chase Bank	Day Creek Senior Housing Partners 2, LP	7,500,366	6/14/2021	Extended to 12/14/2021; expected to convert to permanent loan by 8/31/2021
Citizens Bank	NCRC	2,000,000	7/15/2021	Extended 90 days; longer extension expected after lender receives these audited financial statements.
US Bank	Victorville Housing Partners, LP	1,266,945	10/1/2021	Extension or refinance with lender in progress

SUPPLEMENTARY INFORMATION

CONSOLIDATING SCHEDULES

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SUPPLEMENTAL SCHEDULE
DECEMBER 31, 2020

	National Community Renaissance of California	Hope Through Housing	Wholly-Owned	Eliminating Entries	National CORE of California	Housing Affiliates	Eliminating Entries	Total
ASSETS								
Cash and cash equivalents	\$ 5,393,441	\$ 1,964,142	\$ 15,255,645	\$ -	\$ 22,613,228	\$ 22,214,116	\$ -	\$ 44,827,344
Reserve for security deposits held in trust	-	-	1,671,511	-	1,671,511	2,730,208	-	4,401,719
Restricted cash	3,686,794	-	15,024,006	-	18,710,800	27,353,589	-	46,064,389
Accounts receivable, net	637,025	27,744	1,153,042	-	1,817,811	1,574,746	-	3,392,557
Prepaid expense	400,431	-	287,366	-	687,797	7,778,720	-	8,466,517
Advance due from affiliates, net	35,628,135	679,299	3,906,116	(19,341,294)	20,872,256	3,833	(15,448,085)	5,428,004
Notes and interest receivable	12,357,127	-	53,188,728	(2,000,000)	63,545,855	467,164	(63,053,335)	959,684
Project development costs receivable	953,550	-	-	-	953,550	-	-	953,550
Developer fee receivable	17,200,125	-	-	(1,118,139)	16,081,986	-	(14,665,532)	1,416,454
Investments	8,982,110	-	-	(2,237,505)	6,744,605	-	-	6,744,605
Property, equipment and improvements, net	3,312,381	397,357	156,331,326	-	160,041,064	899,262,831	(58,433,627)	1,000,870,268
Deferred costs, net	-	-	1,594,330	-	1,594,330	1,387,175	-	2,981,505
Total assets	\$ 88,551,119	\$ 3,068,542	\$ 248,412,070	\$ (24,696,938)	\$ 315,334,793	\$ 962,772,382	\$ (151,600,579)	\$ 1,126,506,596
LIABILITIES AND NET ASSETS								
Accounts payable	\$ 1,364,304	\$ 193,920	\$ 1,133,936	\$ -	\$ 2,692,160	\$ 22,836,074	\$ -	\$ 25,528,234
Security deposits	18,652	-	1,702,418	-	1,721,070	2,599,717	-	4,320,787
Accrued expenses	2,479,635	151,184	369,214	-	3,000,033	778,858	-	3,778,891
Deferred revenue	-	379,000	197,440	-	576,440	345,650	(379,000)	543,090
Accrued interest	-	-	23,859,100	-	23,859,100	80,682,301	(865,368)	103,676,033
Mortgages and notes payable, net	6,160,000	-	134,695,323	(3,000,000)	137,855,323	640,985,920	(60,858,871)	717,982,372
Due to affiliates	2,479,026	5,634	18,335,660	(18,341,294)	2,479,026	8,048,649	(7,286,024)	3,241,651
Developer fee payable	-	-	1,118,139	(1,118,139)	-	11,346,258	(9,561,971)	1,784,287
Total liabilities	12,501,617	729,738	181,411,230	(22,459,433)	172,183,152	767,623,427	(78,951,234)	860,855,345
Net assets								
Net assets without donor restrictions, controlling	44,098,201	1,834,008	52,523,998	(2,237,505)	96,218,702	16,493,349	(96,067,668)	16,644,383
Net assets without donor restrictions, non-controlling	-	-	-	-	-	178,655,606	23,418,323	202,073,929
Total net assets without donor restrictions	44,098,201	1,834,008	52,523,998	(2,237,505)	96,218,702	195,148,955	(72,649,345)	218,718,312
Net assets with donor restrictions	31,951,301	504,796	14,476,842	-	46,932,939	-	-	46,932,939
Total net assets	76,049,502	2,338,804	67,000,840	(2,237,505)	143,151,641	195,148,955	(72,649,345)	265,651,251
Total liabilities and net assets	\$ 88,551,119	\$ 3,068,542	\$ 248,412,070	\$ (24,696,938)	\$ 315,334,793	\$ 962,772,382	\$ (151,600,579)	\$ 1,126,506,596

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS - SUPPLEMENTAL SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2020

	National Community Renaissance of California	Hope Through Housing	Wholly-Owned	Eliminating Entries	National CORE of California	Housing Affiliates	Net Assets with Donor Restrictions	Eliminating Entries	Total
REVENUE AND OTHER INCOME:	\$ 300,132	\$ -	\$ 32,751,168	\$ -	\$ 33,051,300	\$ 42,594,387	\$ -	\$ -	\$ 75,645,887
Rental revenue, net of vacancy	194,688	-	758,349	-	953,037	1,851,981	-	-	2,805,018
Other rental revenue	-	-	-	(428,049)	998,036	-	-	(691,310)	306,726
Social service fee income	20,879,379	1,426,085	-	(3,798,866)	17,080,513	5,240	-	(16,035,685)	1,050,070
Consulting, development and partnership fees	5,491,017	-	-	(2,267,789)	3,223,228	-	-	(2,667,021)	505,207
Management fees	-	-	-	-	-	-	-	-	-
Grants and contributions, including release of net assets with donor restrictions	2,533,489	2,850,154	(151,349)	-	5,232,294	72,857	(196,836)	(433,477)	5,108,215
Interest income	562,828	-	453,469	(32,575)	983,722	30,388	-	-	590,633
Forgiveness by lender	-	-	1,000,000	-	1,000,000	-	-	-	1,000,000
PPP loan forgiveness	3,800,000	-	-	-	3,800,000	-	-	-	3,800,000
Gain on sale	602,123	242,595	12,470,142	-	12,470,142	-	-	(12,470,142)	844,518
Other income	-	-	-	-	844,518	-	-	-	-
Total revenue and other income	34,363,656	4,518,634	47,281,779	(6,520,279)	79,643,790	44,555,053	(196,836)	(632,297,633)	91,704,374
PROGRAM EXPENSES									
Connected program services - Hope Through Housing	-	869,681	-	-	869,681	-	-	-	869,681
Rent - Hope Through Housing	-	236,030	-	-	236,030	-	-	-	236,030
Payroll	-	1,377,628	4,687,619	(28,500)	6,036,747	6,727,560	-	(67,602)	12,696,705
Utilities	-	7,734	3,861,717	-	3,869,451	5,688,019	-	-	9,557,470
Repairs and maintenance	-	838	6,662,463	-	6,663,301	7,490,337	-	-	14,153,638
Legal and other professional services	-	86,702	-	-	86,702	-	-	-	86,702
Taxes and insurance	-	5,652	2,173,386	-	2,179,038	2,141,206	-	-	4,320,444
Interest expense	-	-	5,066,426	(32,575)	5,033,851	17,981,472	-	(903,413)	22,109,910
Depreciation and amortization expense	-	18,833	6,330,981	-	6,349,814	25,138,453	-	-	31,488,267
Other program expenses	-	1,113,713	-	-	1,113,713	379,262	-	-	1,492,975
Total program expenses	-	3,716,811	28,782,792	(61,075)	32,438,528	65,546,309	-	(973,015)	97,011,822
MANAGEMENT AND GENERAL EXPENSES									
General and administrative	2,595,181	249,818	1,275,794	-	4,120,793	2,424,946	-	-	6,545,739
Rent	-	-	-	-	-	-	-	-	-
Payroll	14,634,729	148,881	-	-	14,783,610	-	-	-	14,783,610
Utilities	68,372	-	-	-	68,372	-	-	-	68,372
Repairs and maintenance	424,213	-	-	-	424,213	-	-	-	424,213
Property management fees	17,146	-	2,869,728	(2,821,602)	65,272	4,918,317	-	(4,359,746)	623,843
Legal and other professional services	1,138,483	43,926	291,277	-	1,473,686	540,908	-	-	2,014,594
Taxes and insurance	194,374	-	-	-	194,374	-	-	-	194,374
Interest expense	185,309	-	-	-	185,309	-	-	-	185,309
Depreciation and amortization expense	320,168	-	748,117	-	320,168	-	-	-	320,168
Casualty losses	-	-	38,744	-	38,744	-	-	-	78,117
Other expenses	308,927	-	-	-	308,927	-	-	471,956	819,607
Total management and general expenses	19,886,992	442,625	5,223,660	(2,821,602)	22,731,675	7,884,171	-	(3,887,810)	26,728,036
FUNDRAISING EXPENSES									
Payroll	-	119,794	-	-	119,794	-	-	-	119,794
Fundraising events	681	51,897	-	-	52,578	-	-	-	52,578
Total fundraising expenses	681	171,691	-	-	172,372	-	-	-	172,372
Total expenses	19,887,673	4,331,127	34,006,452	(2,882,677)	55,342,575	73,430,480	-	(4,860,825)	123,912,230
Changes in net assets	\$ 14,475,983	\$ 187,507	\$ 13,275,327	\$ (3,637,602)	\$ 24,301,215	\$ (28,875,427)	\$ (196,836)	\$ (27,436,808)	\$ (32,207,860)
Net assets									
Controlling interest									
Without donor restrictions, beginning of year	\$ 30,073,978	\$ 1,586,808	\$ 42,691,042	\$ (2,237,505)	\$ 72,114,323	\$ 17,846,531	\$ -	\$ (68,726,806)	\$ 21,234,048
Distributions (partnerships)	-	-	(179,967)	179,967	-	(95,946)	-	95,946	-
Return of capital (non-profit entities)	-	-	(3,457,635)	3,457,635	-	-	-	-	-
Changes in net assets without donor restrictions	14,024,223	247,200	13,470,558	(3,637,602)	24,104,379	(1,237,236)	-	(27,436,808)	(4,589,665)
Without donor restrictions, end of year	\$ 44,098,201	\$ 1,834,008	\$ 52,323,998	\$ (2,237,505)	\$ 96,218,702	\$ 16,493,349	\$ -	\$ (96,067,668)	\$ 16,644,383
With donor restrictions, beginning of year	\$ 32,403,061	\$ 445,103	\$ 14,281,611	\$ -	\$ 47,129,775	\$ -	\$ -	\$ -	\$ 47,129,775
Increase in net assets with donor restrictions	763,319	(703,626)	(143,969)	-	1,102,519	-	-	-	1,102,519
Release of net assets with donor restrictions	(451,760)	-	-	-	(451,760)	-	-	(1,299,355)	(4,589,665)
With donor restrictions, end of year	\$ 31,951,301	\$ 504,796	\$ 14,476,842	\$ -	\$ 46,932,939	\$ -	\$ -	\$ -	\$ 46,932,939
Non-controlling interest									
Without donor restrictions, beginning of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169,119,124	\$ -	\$ 10,347,279	\$ 179,466,403
Contributions	-	-	-	-	-	34,445,652	-	13,071,044	47,516,696
Distributions	-	-	-	-	-	(283,625)	-	-	(283,625)
Changes in net assets without donor restrictions	-	-	-	-	-	(27,618,191)	-	-	(27,618,191)
Decommodation of affiliate	-	-	-	-	-	3,062,646	-	-	3,062,646
Syndication costs	-	-	-	-	-	(70,000)	-	-	(70,000)
Without donor restrictions, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 178,635,606	\$ -	\$ 23,418,323	\$ 202,073,929

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
AND SUBSIDIARIES**
CONSOLIDATING STATEMENT OF INCOME (EBITDA) (Non-GAAP) - SUPPLEMENTAL SCHEDULE *
FOR THE YEAR ENDED DECEMBER 31, 2020

	National Community Renaissance of California	Hope Through Housing	Wholly-Owned	Eliminating Entries	National CORE of California	Housing Affiliates	Net Assets with Donor Restrictions	Eliminating Entries	Total
REVENUE AND OTHER INCOME									
Rental revenue, net of vacancy	\$ 300,132	\$ -	\$ 32,751,168	\$ -	\$ 33,051,300	\$ 42,594,587	\$ -	\$ -	\$ 75,645,887
Other rental revenue	194,688	-	758,349	-	953,037	1,851,981	-	-	2,805,018
Social service fee income	20,879,379	1,426,083	-	(428,049)	998,036	-	-	(691,310)	306,726
Consulting, development and partnership fees	5,491,017	-	-	(3,798,866)	17,080,513	5,240	-	(16,035,683)	1,050,070
Management fees	-	-	-	(2,260,789)	3,230,228	-	-	(2,667,021)	563,207
Grants and contributions, including release of net assets with donor restrictions	2,533,489	2,850,154	(151,349)	-	5,232,294	72,857	(196,836)	-	5,108,315
Other income	602,123	242,395	-	-	844,518	-	-	-	844,518
Total operating revenue and other income	30,000,828	4,518,634	33,358,168	(6,487,704)	61,389,926	44,524,665	(196,836)	(19,394,014)	86,323,741
PROGRAM EXPENSES									
Contracted program services - Hope Through Housing	-	869,681	-	-	869,681	-	-	-	869,681
Rent - Hope Through Housing	-	236,030	-	-	236,030	-	-	-	236,030
Payroll	-	1,377,628	4,687,619	(28,500)	6,036,747	6,727,560	-	(67,602)	12,696,705
Utilities	-	7,734	3,861,717	-	3,869,451	5,688,019	-	-	9,557,470
Repairs and maintenance	-	838	6,662,463	-	6,663,301	7,490,337	-	-	14,153,638
Legal and other professional services	-	86,702	-	-	86,702	-	-	-	86,702
Taxes and insurance	-	5,502	2,137,648	-	2,143,150	2,088,894	-	-	4,232,044
Other program expenses	-	1,113,713	-	-	1,113,713	379,262	-	-	1,492,975
Total program expenses	-	3,697,828	17,349,447	(28,500)	21,018,775	22,374,072	-	(67,602)	43,335,245
MANAGEMENT AND GENERAL EXPENSES									
General and administrative	2,595,181	249,818	1,275,794	-	4,120,793	2,424,946	-	-	6,545,739
Rent	-	-	-	-	-	-	-	-	-
Payroll	14,634,729	148,881	-	-	14,783,610	-	-	-	14,783,610
Utilities	68,372	-	-	-	68,372	-	-	-	68,372
Repairs and maintenance	424,213	-	-	-	424,213	-	-	-	424,213
Property management fees	17,146	-	2,869,728	(2,821,602)	65,272	4,918,317	-	(4,359,746)	623,843
Legal and other professional services	1,138,483	43,926	291,277	-	1,473,686	540,908	-	-	2,014,594
Taxes and insurance	193,824	-	38,744	-	193,824	-	-	-	193,824
Other expenses	308,927	-	38,744	-	347,671	-	-	471,936	819,607
Total management and general expenses	19,380,875	442,625	4,475,543	(2,821,602)	21,477,441	7,884,171	-	(3,887,810)	25,473,802
FUNDRAISING EXPENSES									
Payroll	-	119,794	-	-	119,794	-	-	-	119,794
Fundraising events	681	51,897	-	-	52,578	-	-	-	52,578
Total fundraising expenses	681	171,691	-	-	172,372	-	-	-	172,372
Total operating expenses	19,381,556	4,312,144	21,824,990	(2,850,102)	42,668,588	30,258,243	-	(3,955,412)	68,971,419
OPERATING INCOME (EBITDA)	10,619,272	206,490	11,533,178	(3,637,602)	18,721,338	14,266,422	(196,836)	(15,438,602)	17,352,322
DEPRECIATION AND AMORTIZATION									
Depreciation expense	(320,168)	(18,833)	(6,281,443)	-	(6,620,444)	(24,877,465)	-	-	(31,497,909)
Amortization expense	(320,168)	(18,833)	(49,538)	-	(49,538)	(260,988)	-	-	(310,526)
Depreciation and amortization expense	(640,336)	(37,666)	(6,330,981)	-	(6,669,982)	(25,138,453)	-	-	(31,808,435)
OTHER INCOME AND (LOSS)									
Forgiveness by lender	-	-	1,000,000	-	1,000,000	-	-	-	1,000,000
PPP loan forgiveness	3,800,000	-	-	-	3,800,000	-	-	-	3,800,000
Gain on sale	-	-	12,470,142	-	12,470,142	-	-	(12,470,142)	-
Casualty losses	-	-	(748,117)	-	(748,117)	-	-	-	(748,117)
Other income and (loss), net	3,800,000	-	12,722,025	-	16,522,025	-	-	(12,470,142)	4,051,883
INCOME (LOSS) BEFORE INTEREST AND TAXES	14,099,104	187,657	17,924,222	(3,637,602)	28,575,381	(10,872,031)	(196,836)	(27,908,744)	(10,404,230)
INTEREST									
Interest expense	(185,399)	-	(5,066,426)	32,575	(5,219,250)	(17,981,472)	-	905,413	(22,295,309)
Interest income	562,828	-	453,469	(32,575)	983,722	30,388	-	(433,477)	580,633
Interest, net	377,429	-	(4,612,957)	-	(4,235,528)	(17,951,084)	-	471,936	(21,714,676)
TAXES									
Franchise tax fees	(550)	(150)	(35,938)	-	(36,638)	(52,312)	-	-	(88,950)
CHANGES IN NET ASSETS	14,475,983	187,507	13,275,327	(3,637,602)	24,301,215	(25,875,427)	(196,836)	(27,436,808)	(32,207,856)

* This schedule is intended to present earnings, before interest, taxes, depreciation and amortization (EBITDA), which is a basis of presentation other than accounting principles generally accepted in the United States of America (non-GAAP).

SUPPLEMENTARY INFORMATION REQUIRED BY THE UNIFORM GUIDANCE

NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2020

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Agreement Number	Total Federal Expenditures
U.S. Department of Housing and Urban Development, passed through from Long Beach Affordable Housing Coalition, Inc. City of Hawthorne County of Riverside			
HOME Investment Partnerships Program	14.239	N/A	\$ 875,959
			<hr/>
Total expenditures of federal awards			<u>\$ 875,959</u>

see report of independent auditors and accompanying notes to
Schedule of Expenditures of Federal Awards

NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2020

1. Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the expenditures of National Community Renaissance of California (the "Organization") under programs of the federal government for the year ended December 31, 2020. The information in the Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

For purposes of the Schedule, federal awards include all sub awards to the Organization by nonfederal organizations pursuant to federal grants, contracts and similar agreements.

2. Summary of significant accounting policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122 *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowed. Catalogue of Federal Domestic Assistance numbers ("CFDA No.") are provided when available. The Organization elected not to use the 10% de minimis indirect cost rate.

3. Outstanding federal loans

The following represents the amount of outstanding loans identified by CFDA No. All loans are provided by U.S. Department of Housing and Urban Development and are included in the Schedule.

CFDA No.	Program title	Loans received in 2020	Prior year loans with continuing compliance requirements	Total outstanding loans December 31, 2020
14.239	HOME Investment Partnerships Program	\$ 0	\$ 863,691	\$ 863,691

No. HOME units	Project	Pass-through entity	CFDA Number	Outstanding balance as of 12/31/2020
11	Clark	Long Beach Affordable Housing Coalition, Inc.	14.239	\$ 550,000
13	Hawthorne	City of Hawthorne	14.239	207,645
11	Corona del Rey	County of Riverside	14.239	106,046
35	Total of HOME Investments Partnership Program			<u>\$ 863,691</u>



CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
National Community Renaissance of California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of National Community Renaissance of California, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 17, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered National Community Renaissance of California's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of National Community Renaissance of California's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether National Community Renaissance of California's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Novogradac & Company LLP

Walnut Creek, California
August 17, 2021



CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
National Community Renaissance of California

Report on Compliance for Each Major Federal Program

We have audited National Community Renaissance of California's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of National Community Renaissance of California's major federal programs for the year ended December 31, 2020. National Community Renaissance of California's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of National Community Renaissance of California's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about National Community Renaissance of California's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of National Community Renaissance of California's compliance.

Opinion on Each Major Federal Program

In our opinion, National Community Renaissance of California complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Other Matters

Report on Internal Control over Compliance

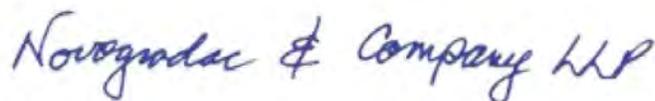
Management of National Community Renaissance of California is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered National Community Renaissance of California's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of National Community Renaissance of California's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Walnut Creek, California
August 17, 2021

NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	_____ x _____	No
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes	_____ x _____	None reported
Noncompliance material to financial statements noted?	_____ Yes	_____ x _____	No

Federal Awards

Internal Control over major programs:			
Material weakness(es) identified?	_____ Yes	_____ x _____	No
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes	_____ x _____	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified		
Audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	_____ Yes	_____ x _____	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME Investment Partnerships Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? x Yes No

NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND RECOMMENDATIONS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Section II - Financial Statement Findings

There were no findings noted.

Section III - Federal Award Findings and Questioned Costs

There were no findings noted.

NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA
SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2020

There were no prior year audit findings.

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

Wells Fargo Bank, National Association
Attention: Brittany Hudson
MAC D1086-239
550 S Tryon Street, 23rd Floor
Charlotte, NC 28202
Loan No. 1021600

SPACE ABOVE THIS LINE FOR RECORDER'S USE

ASSIGNMENT OF DEED OF TRUST AND LOAN DOCUMENTS

This Assignment of Deed of Trust and Loan Documents ("**Assignment**") is dated as of **October 1, 2023**, and is executed by the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body corporate and politic, duly organized and existing under the Constitution and the laws of the State of California (the "**Assignor**"), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association, as fiscal agent (the "**Assignee**"), in accordance with the Funding Loan Agreement dated as of the date hereof (the "**Funding Loan Agreement**") among Wells Fargo Bank, National Association as Funding Lender ("**Funding Lender**"), the Assignor as Governmental Lender and the Assignee as Fiscal Agent.

Pursuant to the Funding Loan Agreement, Governmental Lender is issuing (i) that certain Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-1 dated as of the Closing Date in the maximum principal amount of \$ [REDACTED] (the "**Tax-Exempt Governmental Note**") and (ii) that certain Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-2 (Taxable) dated as of the Closing Date in the maximum principal amount of \$ [REDACTED] (the "**Taxable Governmental Note**" and, together with the Tax-Exempt Governmental Note and all riders and addenda thereto, collectively, the "**Governmental Note**"). Pursuant to that certain Project Loan Agreement (the "**Loan Agreement**") dated as of the date hereof and executed by and among Assignor, Assignee and Iris at San Ysidro LP, a California limited partnership ("**Borrower**"), Assignor has agreed to issue the Governmental Note in order to fund a loan in the aggregate maximum principal amount of \$ [REDACTED] (the "**Project Loan**") to Borrower of the proceeds of the sale of the Governmental Note, and pursuant to the terms of that certain Construction Loan Agreement dated as of even date herewith, by and between Funding Lender and Borrower (the "**Funding Agreement**"), Funding Lender has agreed to fund the Project Loan. The Borrower Loan is evidenced by (i) that certain Promissory Note (SOFR In Advance) (Tax-Exempt) payable to the order of Governmental Lender in the maximum principal amount of \$ [REDACTED] (the "**Tax-Exempt Project Note**") and (ii) that certain Promissory Note (SOFR In Advance) (Taxable) payable to the order of Governmental Lender in the maximum principal amount of \$ [REDACTED] (the "**Taxable Project Note**" and, together with the Tax-Exempt Project Note, collectively, the "**Project Note**"), each dated as of the Closing Date and each executed by Borrower in favor of Assignor, and is further evidenced by the documents described in the Funding Agreement as the "Project Loan Documents." The Governmental Note is secured by, among other things, that certain Construction Deed of Trust With Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing (the "**Deed of Trust**"), executed by Borrower, as Trustor, to TRSTE, Inc., a Virginia corporation, as Trustee, in favor of Assignor, as Beneficiary, which is to be recorded substantially concurrently herewith encumbering the real property and any and all improvements thereon described on Exhibit A attached hereto and incorporated herein by this reference ("**Property**").

RECITALS

The Borrower has:

- (A) entered into the Loan Agreement;
- (B) executed and delivered to the Assignor the Project Note, evidencing the obligation of the Borrower to repay the Project Loan; and
- (C) executed and delivered to the Assignor the Deed of Trust, securing the obligations of the Borrower in connection with the Loan, recorded in the Official Records of the County of San Diego, California, and relating to the Property.

The documents identified in paragraphs A, B, and C above, together with all financing and continuation statements to perfect the liens and security interests granted thereby, are collectively referred to herein as the "**Deed of Trust Documents**."

The Assignor desires to assign and transfer to the Assignee all its right, title and interest to and its obligations under (but not any of its obligations which are not assignable as a matter of law) the Deed of Trust Documents for the benefit of Funding Lender, excluding all the Unassigned Rights (as defined in the Funding Loan Agreement), and the Assignee desires to acquire the Assignor's rights, title and interest as aforesaid under the Deed of Trust Documents in accordance with the terms hereof. The Assignee is joining in the execution of this Assignment in order to evidence its acceptance hereof and to agree to provide notice, opportunity to cure and approval rights as more fully set forth herein.

The Borrower and Funding Lender are joining in the execution of this Assignment in order to evidence their consent hereto and in order to agree that the Deed of Trust Documents shall be effective to secure the obligations of the Borrower to the Assignee as more fully set forth therein and herein.

AGREEMENT

NOW, THEREFORE, the parties hereby agree as follows:

Section 1. Definitions. All capitalized words and phrases not defined herein shall have the meaning ascribed to such words and phrases in the Funding Agreement.

Section 2. Assignment. The Assignor assigns, sets over and transfers to the Assignee all the right, title and interest of the Assignor in, to and under (but not any of its obligations which are not assignable as a matter of law) the Deed of Trust Documents for the benefit of Funding Lender, excluding the Unassigned Rights (as defined in the Funding Loan Agreement). This Assignment is made and shall be without recourse, warranty or representation of the Assignor. This Assignment is made pursuant to the Funding Loan Agreement, in connection with the issuance of the Governmental Note.

Section 3. Acceptance. The Assignee hereby accepts the assignment made pursuant to Section 2. The Assignee shall have the same rights, protections, immunities and indemnities hereunder as accorded to it under the Funding Loan Agreement and the Loan Agreement.

Section 4. Miscellaneous. In case any one or more of the provisions contained in this Assignment are invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein will not be affected or impaired thereby. This Assignment may be executed in any number of counterparts, each executed counterpart constituting an original, but all counterparts together constituting only one instrument. It is the intention of the parties hereto that this Assignment and the rights and obligations of the parties hereunder shall be governed, construed and enforced in accordance with the laws of the State of California, without reference to the conflicts of laws of the State of California.

Section 5. Successor and Assigns. This Assignment shall be binding upon and inure to the benefit of the heirs, legal representatives, assigns, and successors-in-interest of Borrower, Funding Lender, Assignee and Assignor; provided, however, this shall not be construed and is not intended to waive any restrictions on assignment, sale, transfer, mortgage, pledge, hypothecation or encumbrance by Borrower contained in any of the Deed of Trust Documents.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the undersigned have executed this Assignment of Deed of Trust and Loan Documents as of the date first above written.

ASSIGNOR:

HOUSING AUTHORITY OF THE CITY OF SAN DIEGO

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM:

By: _____
Name: _____
Title: _____

[CONFIRM SIGNATURE BLOCK]

ASSIGNEE:

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
a national banking association
as Fiscal Agent

By: _____
Name: _____
Title: _____

The undersigned, being the Funding Lender referred to in the foregoing Assignment of Deed of Trust and Loan Documents, hereby acknowledges receipt and acceptance thereof and consents and agrees to the Assignment made therein and to the terms and provisions thereof to such Assignment.

FUNDING LENDER:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
a national banking association

By: _____
Name: _____
Title: _____

The undersigned, being the Borrower referred to in the foregoing Assignment of Deed of Trust and Loan Documents, hereby acknowledges receipt and acceptance thereof and consents and agrees to the Assignment made therein and to the terms and provisions thereof to such Assignment.

BORROWER:

IRIS AT SAN YSIDRO LP,
a California limited partnership

By: NCRC ISY GP LLC,
a California limited liability company
Its General Partner

By: National Community Renaissance of California,
a California nonprofit public benefit corporation
Its Sole Member and Manager

By: _____
Michael Finn
Chief Financial Officer

CALIFORNIA ALL-PURPOSE 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 _____)
)SS.:
COUNTY OF _____)

On _____ before me, _____ (here insert name and title of officer), personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

Print Name: _____

My commission expires:

EXHIBIT A - PROPERTY DESCRIPTION

All that certain real property situated in the City of San Ysidro, County of San Diego, State of California, described as follows:

THAT PORTION OF THE SOUTH HALF OF THE SOUTH HALF OF THE NORTHEAST QUARTER OF THE NORTHWEST QUARTER OF SECTION 35, TOWNSHIP 18 SOUTH, RANGE 2 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO UNITED STATES GOVERNMENT SURVEY APPROVED FEBRUARY 25, 1870, LYING SOUTHERLY OF THE RIGHT OF WAY OF THE SAN DIEGO AND ARIZONA RAILWAY.

EXCEPTING THEREFROM THAT PORTION DESCRIBED AS FOLLOWS:

BEGINNING **AS** THE INTERSECTION OF THE NORTHERLY LINE OF LAND DESCRIBED IN DEED TO EMIL KAMBER AND ROSA E. KAMBER, RECORDED JUNE 17, 1960 AS INSTRUMENT NO. 124436 OF OFFICIAL RECORDS, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY WITH THE EASTERLY LINE OF DAIRY MART ROAD 40.00 FEET WIDE AS SAID STREET IS LOCATED AND ESTABLISHED ON AUGUST 19, 1979; THENCE SOUTH 89°24'48" EAST ALONG SAID NORTHERLY LINE, 29.00 FEET, SAID POINT HEREIN SET OUT AS POINT "A" FOR PURPOSES OF THIS DESCRIPTION; THENCE SOUTH 00°35'47" WEST ON A LINE PARALLEL TO AND 29.00 FEET EASTERLY OF SAID EASTERLY LINE OF DAIRY MART ROAD, 329.69 FEET TO A POINT ON THE SOUTHERLY LINE OF SAID LAND DESCRIBED IN DEED TO EMIL KAMBER AND ROSA E. KAMBER; THENCE NORTH 89°23'41" WEST ALONG SAID SOUTHERLY LINE 29.00 FEET TO A POINT ON SAID EASTERLY LINE OF DAIRY MART ROAD; THENCE NORTH 00°35'47" EAST ALONG SAID EASTERLY LINE, 329.68 FEET, RETURNING TO THE POINT OF BEGINNING.

APN: 637-021-17-00

Funding Loan Agreement – Fixed Rate – TEL (Forward)

(Revised 6-27-2023)

THIS FUNDING LOAN AGREEMENT (“**Funding Loan Agreement**”) dated as of October 1, 2023, is made by and among HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body corporate and politic, duly organized and existing under the Constitution and the laws of the State of California (the “**Governmental Lender**”), U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as fiscal agent (the “**Fiscal Agent**”), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association (the “**Initial Funding Lender**”).

RECITALS

- A. Pursuant to the Housing Authorities Law, being Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code (the “**Act**”), and the Project Loan Agreement, dated as of the date hereof (as the same may be amended, restated, supplemented or otherwise modified from time to time, the “**Project Loan Agreement**”), among Governmental Lender, Fiscal Agent, and Iris at San Ysidro LP, a California limited partnership (the “**Borrower**”), Governmental Lender is agreeing to make a mortgage loan to Borrower in the maximum aggregate principal amount of \$[Total Amount] (the “**Project Loan**”) to provide for the financing of a multifamily rental housing development located at 1663 Dairy Mart Road in San Diego, California, and known as Iris at San Ysidro. The Land, Improvements, and Fixtures (each as defined in the Security Instrument) are collectively referred to herein as the “**Project**”.
- B. Governmental Lender is making the Project Loan with the proceeds received from the separate loan being made to Governmental Lender pursuant to this Funding Loan Agreement in the maximum aggregate principal amount of \$[Total Amount] (the “**Funding Loan**” and together with the Project Loan, the “**Loans**”). A portion of the Funding Loan is evidenced by the Governmental Lender’s \$31,500,000 Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-1 (the “**Series D-1 Governmental Note**,” as the same may be amended, restated, supplemented or otherwise modified from time to time, or any note executed in substitution therefor, as such substitute note may be amended, restated, supplemented or otherwise modified from time to time, and together with all addenda thereto), and the remaining portion of the Funding Loan is evidenced by the Governmental Lender’s \$[D-2 Amount] Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-2 (Taxable) (the “**Series D-2 Governmental Note**,” as the same may be amended, restated, supplemented or otherwise modified from time to time, and individually or collectively with the Series D-1 Governmental Note, as the context may require, the “**Governmental Note**”), each dated [Closing Date] (the “**Delivery Date**”) and executed by Governmental Lender and authenticated by Fiscal Agent in favor of Initial Funding Lender, in the forms attached hereto as Exhibit A.
- C. Pursuant to the terms and subject to the conditions of this Funding Loan Agreement, the Construction Phase Financing Agreement, and the Construction Continuing Covenant Agreement, Initial Funding Lender has agreed to originate and fund the Funding Loan to Governmental Lender on a draw-down basis, which proceeds of the Funding Loan will be used by Governmental Lender to fund the Project Loan to Borrower in corresponding installments pursuant to the Project Loan Agreement. Initial Funding Lender will administer the Loans during the Construction Phase in accordance with the Financing Documents.
- D. Borrower has agreed to use the proceeds of the Project Loan to finance the acquisition, construction and development of the Project.
- E. Borrower’s payment obligations in respect of the portion of the Project Loan relating to the Series D-1 Governmental Note will be evidenced by a Promissory Note (Tax-Exempt) (the “**Series D-1 Project Note**,” as the same will be amended and restated into the form attached to the Construction Phase Financing Agreement upon the occurrence of the Conversion Date, and as the same may be further amended, restated, supplemented or otherwise modified from time to time, or any note executed in substitution therefor, as such substitute note may be amended, restated, supplemented or otherwise modified from time to time, and together with all riders and addenda thereto), and the Borrower’s payment

obligations in respect of the portion of the Project Loan relating to the Series D-2 Governmental Note will be evidenced by a Promissory Note (Taxable) (the “**Series D-2 Project Note**,” as the same may be amended, restated, supplemented or otherwise modified from time to time, or any note executed in substitution therefor, as such substitute note may be amended, restated, supplemented or otherwise modified from time to time, and together with all riders and addenda thereto, and individually or collectively with the Series D-1 Project Note, as the context may require, the “**Project Note**”), each dated the Delivery Date, delivered to Governmental Lender, which Project Note will be endorsed by Governmental Lender to Fiscal Agent as security for the Funding Loan.

- F. To secure Borrower’s obligations under the Project Note, Borrower will execute and deliver to Governmental Lender a Construction Deed of Trust, with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of the dated hereof (as the same will be amended and restated into the form attached to the Construction Phase Financing Agreement upon the occurrence of the Conversion Date, and as the same may be further amended, restated, supplemented or otherwise modified from time to time, the “**Security Instrument**”) granting a first priority mortgage and security interest in the Project in favor of Governmental Lender. Pursuant to the Assignment, the Security Instrument will be assigned by Governmental Lender to Fiscal Agent as security for the Funding Loan.
- G. Freddie Mac has entered into a commitment with Wells Fargo Bank, National Association (“**Seller/Servicer**”) dated _____, 2023 (as the same may be amended, modified or supplemented from time to time, the “**Freddie Mac Commitment**”), whereby Freddie Mac has agreed, subject to the satisfaction of the Conditions to Conversion set forth in the Construction Phase Financing Agreement on or before the Forward Commitment Maturity Date, to facilitate the financing of the Project in the Permanent Phase by purchasing the Series D-1 Governmental Note from Seller/Servicer following the Conversion Date.
- H. If the Conditions to Conversion are satisfied on or before the Forward Commitment Maturity Date as provided for in the Freddie Mac Commitment and the Construction Phase Financing Agreement, the Project Loan will convert from the Construction Phase to the Permanent Phase on the Conversion Date and, on such Conversion Date, Initial Funding Lender will deliver, and Seller/Servicer will purchase the Series D-1 Governmental Note. If the Conditions to Conversion are not satisfied on or before the Forward Commitment Maturity Date, (i) the Project Loan will not convert from the Construction Phase to the Permanent Phase, (ii) neither Seller/Servicer nor Freddie Mac will have any obligation with respect to the purchase of the Funding Loan, and (iii) Initial Funding Lender will remain the owner of the Funding Loan as the holder of the Governmental Note.
- I. As Conditions to Conversion, the Series D-1 Project Note and the Security Instrument are required to be amended and restated and Borrower is required to enter into a Continuing Covenant Agreement with Seller/Servicer (as the same may be amended, restated, supplemented or otherwise modified from time to time, and together with all addenda thereto, the “**Freddie Mac Continuing Covenant Agreement**”), in each case pursuant to the forms attached to the Construction Phase Financing Agreement.
- J. If the Conditions to Conversion are satisfied and the Funding Loan is purchased by Seller/Servicer on the Conversion Date as set forth above, Seller/Servicer shall deliver the Series D-1 Governmental Note to Freddie Mac for purchase pursuant to the terms of the Freddie Mac Commitment and the Guide (such date of purchase by Freddie Mac being referred to as the “**Freddie Mac Purchase Date**”).
- K. Upon the occurrence of the Freddie Mac Purchase Date, Seller/Servicer will assign to Freddie Mac all of its rights and interest in the portion of the Funding Loan evidenced by the Series D-1 Governmental Note (the “**Series D-1 Funding Loan**”), the Series D-1 Governmental Note, this Funding Loan Agreement, the Freddie Mac Continuing Covenant Agreement, and the other Financing Documents. On and after the Freddie Mac Purchase Date, Freddie Mac will act as Funding Lender Representative with respect to the Loans and Wells Fargo Bank, National Association, will act as Loan Servicer for the Loans on behalf of Funding Lender Representative.

- L. Governmental Lender has determined that all things necessary to incur the Funding Loan and to make the Governmental Note, when executed by Governmental Lender and authenticated by Fiscal Agent and issued in accordance with this Funding Loan Agreement, the valid, binding and legal obligation of Governmental Lender and to constitute this Funding Loan Agreement a valid lien on the properties, interests, revenues and payments herein pledged to the payment of the principal of, Prepayment Premium, if any, and interest on, the Governmental Note, have been duly taken, and the creation, execution and delivery of this Funding Loan Agreement and the execution and delivery of the Governmental Note, subject to the terms of this Funding Loan Agreement, have been duly authorized by Governmental Lender.
- M. Fiscal Agent has the power and authority to enter into this Funding Loan Agreement, including corporate trust powers to accept the trusts hereunder and to accept and assume its other responsibilities hereunder as Fiscal Agent as evidenced by its execution of this Funding Loan Agreement.

NOW, THEREFORE, in consideration of the premises and of the origination and funding of the Funding Loan by Initial Funding Lender, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I DEFINITIONS; INTERPETATION; SCHEDULES AND EXHIBITS.

1.01 Definitions. The terms used in this Funding Loan Agreement (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Funding Loan Agreement and of any amendment or supplement hereto shall have the respective meanings specified below. Terms used herein (including when used in the Recitals) not otherwise defined shall have the respective meanings set forth in the Project Loan Agreement and the Continuing Covenant Agreement.

“**Act**” is defined in the Recitals of this Funding Loan Agreement.

“**Actual Project Loan Amount**” is defined in the Construction Phase Financing Agreement.

“**Additional Servicing Fee**” is defined in Section 2.09 hereof.

“**Administration Subaccount**” means the Administration Subaccount of the Administration Fund.

“**Administration Fund**” means the Administration Fund established by Fiscal Agent pursuant to Section 4.01 hereof.

“**Advance Request**” means a request by Borrower to Initial Funding Lender that Initial Funding Lender disburse proceeds of the Funding Loan to Fiscal Agent as provided hereunder, which request shall be in the form prescribed by the Construction Continuing Covenant Agreement.

“**Advance Termination Date**” means the earliest to occur of (a) the date when the sum of the aggregate advances of the Funding Loan made by Initial Funding Lender equals the Authorized Amount, (b) the date that is three years after the Delivery Date, (c) the Conversion Date, (d) the date of a Determination of Taxability or (e) the occurrence of an Event of Default hereunder.

“**Assignment**” means the Assignment of Deed of Trust and Loan Documents dated as of the Delivery Date by Governmental Lender assigning its interest in the Security Instrument to Fiscal Agent.

“**Authorized Amount**” means \$[Total Amount], the maximum aggregate principal amount of the Funding Loan authorized under this Funding Loan Agreement.

“**Authorized Officer**” means (a) when used with respect to Governmental Lender, the Designated Officer (as that term is defined in the Resolution) of Governmental Lender and such additional Person or Persons, if any, duly designated by Governmental Lender in writing to act on its behalf, (b) when used with respect to Borrower, 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 Representative and the Fiscal Agent 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, (c) when used with respect to Fiscal Agent, any authorized signatory of Fiscal Agent, or any Person who is authorized in writing to take the action in question on behalf of Fiscal Agent, (d) when used with respect to Loan Servicer, any Person or Persons duly designated by Loan Servicer in writing to act on its behalf, and (e) when used with respect to Funding Lender Representative, any Person who is authorized in writing to take the action in question on behalf of Funding Lender Representative.

“Bankruptcy Code” means the United States Bankruptcy Code, 11 U.S.C. Section 101 et seq., as amended from time to time.

“Bond Counsel” means (a) on the Delivery Date, the law firm or law firms delivering the approving opinion(s) with respect to the Governmental Note, or (b) any other firm of attorneys selected by Governmental Lender that is experienced in matters relating to the issuance of obligations by states and their political subdivisions that is listed as municipal bond attorneys in The Bond Buyer’s Municipal Marketplace and is acceptable to Funding Lender Representative.

“Borrower” means the entity identified as “Borrower” in the Recitals of this Funding Loan Agreement, together with any of its permitted successors and assigns, as owner of the Project.

“Borrower Controlling Entity” shall mean any general partner or managing partner of the Borrower.

“Borrower Equity Account” means the Borrower Equity Account of the Project Loan Fund established by Fiscal Agent pursuant to Section 2.11 hereof.

“Borrower Equity Deposit” means \$ _____, which shall be comprised of sources other than the proceeds of the Project Loan.

“Business Day” means any day other than a Saturday, a Sunday, or any other day on which Fiscal Agent, Funding Lender or the national banking associations are not open for business.

“Certificate of Governmental Lender” and **“Request of Governmental Lender”** mean, respectively, a written certificate or request signed in the name of Governmental Lender by an Authorized Officer of Governmental Lender or such other Person as may be designated and authorized to sign for Governmental Lender. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Series D-1 Governmental Note or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Series D-1 Governmental Note, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Conditions to Conversion” is defined in the Construction Phase Financing Agreement.

“Construction Continuing Covenant Agreement” means the Construction Loan Agreement dated as of the date hereof by and between Borrower and Initial Funding Lender, as the same may be amended, modified or supplemented from time to time.

“Construction Loan Documents” means the Construction Phase Financing Agreement, the Construction Continuing Covenant Agreement, and all other documents to be executed and delivered by Borrower to Initial Funding Lender in connection with the Project.

"Construction Phase" means the construction phase of the Project Loan, which time period shall commence on the Delivery Date and remain in effect to, but not including, the Conversion Date.

"Construction Phase Financing Agreement" means the Construction Phase Financing Agreement dated as of October 1, 2023, by and among Initial Funding Lender, Freddie Mac, and Seller/Servicer, and acknowledged and agreed to by Borrower, as the same may be amended, modified or supplemented from time to time.

"Construction Phase Interest Rate" means the interest rate set forth in Exhibit F to this Funding Loan Agreement.

"Continuing Covenant Agreement" means (a) prior to the Conversion Date, the Construction Continuing Covenant Agreement, and (b) from and after the Conversion Date, the Freddie Mac Continuing Covenant Agreement.

"Conversion" means conversion of the Project Loan from the Construction Phase to the Permanent Phase on the Conversion Date.

"Conversion Date" means the date that Seller/Servicer purchases the Funding Loan from Initial Funding Lender upon the satisfaction of the Conditions to Conversion, as such Conversion Date is specified by Seller/Servicer in the Conversion Notice, which date shall be at least two (2) days following the date on which the Conversion Notice is delivered.

"Conversion Notice" means a written notice to be delivered via electronic mail not less than two (2) days prior to the Conversion Date by Seller/Servicer to Governmental Lender, Fiscal Agent, Borrower, Initial Funding Lender and Freddie Mac pursuant to the Construction Phase Financing Agreement:

- (a) Stating that the Conditions to Conversion have been satisfied on or before the Forward Commitment Maturity Date or, if any Condition to Conversion has not been satisfied on or before the Forward Commitment Maturity Date, stating that such Condition to Conversion has been waived in writing by Freddie Mac (if a waiver is permitted and is granted by Freddie Mac in its sole and absolute discretion) on or before the Forward Commitment Maturity Date;
- (b) Confirming the Conversion Date; and
- (c) Providing a revised Funding Loan Amortization Schedule and Project Loan Amortization Schedule, as described in Section 2.01(e) hereof.

"Cost," "Costs" or "Costs of the Project" means costs paid with respect to the Project that:

- (a) Are properly chargeable to capital account (or would be so chargeable with a proper election by Borrower or but for a proper election by Borrower to deduct such costs) in accordance with general federal income tax principles and in accordance with United States Treasury Regulations Section 1.103-8(a)(1),
- (b) Are paid with respect to a qualified residential rental project or projects within the meaning of Section 142(d) of the Code,
- (c) Are paid after the earlier of (i) 60 days prior to the date of a resolution of Governmental Lender to reimburse costs of the Project with proceeds of the Loans or (ii) the Delivery Date, and
- (d) If previously paid and to be reimbursed with proceeds of the Loans, were:
 - (i) Costs of Issuance of the Governmental Note,

- (ii) Preliminary capital expenditures (within the meaning of United States Treasury Regulations Section 1.150-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or construction of the Project that do not exceed twenty percent (20%) of the issue price of the Governmental Note (as defined in Section 1.148-1 of the Treasury Regulations), or
- (iii) Capital expenditures with respect to the Project that are reimbursed no later than eighteen (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 (3) years after the expenditure is paid);

provided however, that if any portion of the Project is being constructed or developed by Borrower or an affiliate (whether as a developer, a general contractor or a subcontractor), "Cost," "Costs" or "Costs of the Project" shall include only (A) the actual out-of-pocket costs incurred by Borrower or such affiliate in developing or constructing the Project (or any portion thereof), (B) any reasonable fees for supervisory services actually rendered by Borrower or such affiliate (but excluding any profit component) and (C) any overhead expenses incurred by Borrower or 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 acquisition, construction or development of the Project or payments received by such affiliate due to early completion of the Project (or any portion thereof).

"Costs of Issuance Fund" means the Costs of Issuance Fund established by Fiscal Agent pursuant to Section 4.01 hereof.

"Costs of Issuance" means, as applicable, (a) the fees (excluding ongoing fees), costs and expenses of (i) Governmental Lender, Governmental Lender's counsel and Governmental Lender's financial advisor, (ii) Bond Counsel, (iii) Fiscal Agent and Fiscal Agent's counsel, (iv) Initial Funding Lender and Initial Funding Lender's counsel, (v) Seller/Service and Seller/Service's counsel, (vi) Freddie Mac and Freddie Mac's counsel, and (vii) Borrower's counsel attributable to the funding of the Loans and Borrower's financial advisor, if any, and (b) all other fees, costs and expenses directly associated with the Funding Loan and the Project Loan, including, without limitation, printing costs, costs of reproducing documents, filing and recording fees.

"Costs of Issuance Deposit" means the deposit to be made by Borrower with Fiscal Agent on the Delivery Date, which deposit shall equal \$[5,000] and shall be comprised of sources other than the proceeds of the Project Loan.

"Cure Amount" is defined in Section 6.02 hereof.

"Default Rate" means the lower of (a) the Construction Phase Interest Rate or Permanent Phase Interest Rate, as applicable, otherwise in effect notwithstanding the default plus five percent (5%), during the Construction Phase, and four percent (4%), during the Permanent Phase, per annum or (b) the Maximum Interest Rate.

"Delivery Date" means the date identified as "Delivery Date" in the Recitals of this Funding Loan Agreement, which is the date of funding of the initial advance of the Funding Loan and the delivery of the Governmental Note by Governmental Lender to Initial Funding Lender.

"Determination of Taxability" means, (a) a determination by the Commissioner or any District Director of the Internal Revenue Service, (b) a private ruling or Technical Advice Memorandum issued by the National Office of the Internal Revenue Service in which Governmental Lender and Borrower were afforded the opportunity to participate, (c) a determination by any court of competent jurisdiction, (d) the enactment of legislation or (e) receipt by Fiscal Agent or Funding Lender Representative, at the request

of Governmental Lender, Borrower, Fiscal Agent or Funding Lender Representative, of an opinion of Bond Counsel, in each case to the effect that the interest on the Series D-1 Governmental Note is includable in the gross income for federal income tax purposes of Funding Lender or any former Funding Lender other than a Funding Lender 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 (a) or (c) shall be deemed to have occurred if Governmental Lender (at the sole expense of Borrower) or 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 (i) a final determination from which no appeal may be taken with respect to such determination, (ii) abandonment of such appeal by Governmental Lender or Borrower, as the case may be, or (iii) one year from the date of initial determination.

“Electronic Instruction and Notice” means delivery of written instructions, directions and/or notice signed by an Authorized Officer in a Word format or a Portable Document Format (PDF) by electronic mail to the electronic mail addresses listed in Section 10.04 hereof (if any); provided, that if a sender receives notice that the electronic mail is undeliverable, notice must be sent as otherwise required by Section 10.04 hereof.

“Event of Default” means the occurrence of any event listed in Section 6.01 hereof.

“Extraordinary Services” means and includes, but not by way of limitation, services, actions and things carried out and all expenses incurred by Fiscal Agent, in respect of or to prevent default under this Funding Loan Agreement or the Project Loan Documents, including any reasonable attorneys’ or agents’ fees and expenses and other litigation costs that are entitled to reimbursement under the terms of the Project Loan Agreement, and other actions taken and carried out by Fiscal Agent which are not expressly set forth in this Funding Loan Agreement or the Project Loan Documents.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (a) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (b) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (c) the investment is a United States Treasury 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 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.

“Fee Component” is defined in the Project Loan Agreement.

“Financing Documents” means, collectively, this Funding Loan Agreement, the Governmental Note, the Tax Certificate, the Project Loan Documents, the Construction Loan Documents (during the Construction Phase) and all other documents or instruments evidencing, securing or relating to the Loans.

“Fiscal Agent” means the entity identified as “Fiscal Agent” in the introductory paragraph of this Funding Loan Agreement, together with any successor Fiscal Agent(s) appointed hereunder.

“Fiscal Agent’s Extraordinary Fees and Expenses” means all those fees, expenses and reimbursements earned or incurred by Fiscal Agent as described in Section 7.05 hereof for Extraordinary Services, as set forth in a detailed invoice to Borrower, Loan Servicer and Funding Lender Representative.

“Fiscal Agent’s Ordinary Fees and Expenses” means the annual administration fee for Fiscal Agent’s ordinary fees and expenses in rendering its services under this Funding Loan Agreement during each twelve month period, which fee is equal to (and shall not exceed) \$[_____] and shall be payable [semi-]annually [in arrears on][in advance on the Delivery Date and] each [_____] and [_____] [commencing _____][thereafter].

“Forward Commitment Maturity Date” means [May 1, 2026], subject to extension by Freddie Mac as provided in the Construction Phase Financing Agreement.

“Freddie Mac” means the Federal Home Loan Mortgage Corporation, a shareholder owned government sponsored enterprise organized and existing under the laws of the United States of America, and its successors and assigns.

“Freddie Mac Commitment” is defined in the Recitals of this Funding Loan Agreement.

“Freddie Mac Continuing Covenant Agreement” is defined in the Recitals of this Funding Loan Agreement.

“Freddie Mac Purchase Date” is defined in the Recitals of this Funding Loan Agreement.

“Funding Lender” means any Person who is the holder of the Governmental Note.

“Funding Lender Representative” means Funding Lender or any Person designated by Funding Lender to act on behalf of Funding Lender as provided in Section 10.05, or an assignee of such Person as provided in Section 10.05. The initial Funding Lender Representative shall be Initial Funding Lender. Seller/Service Provider shall become Funding Lender Representative upon the occurrence of the Conversion Date, and Freddie Mac shall become Funding Lender Representative upon the occurrence of the Freddie Mac Purchase Date.

“Funding Loan” is defined in the Recitals of this Funding Loan Agreement.

“Funding Loan Agreement” means this Funding Loan Agreement, as it may be amended, restated, supplemented or otherwise modified from time to time.

“Funding Loan Amortization Schedule” means the Funding Loan Amortization Schedule attached as Schedule 1 to the Series D-1 Governmental Note.

“Funding Loan Payment Date” means (a) the first day of each calendar month, commencing [November] 1, 2023, (b) the date of any prepayment of the Funding Loan, but only with respect to the portion of the Funding Loan subject to prepayment, (c) the Conversion Date, with respect to the payment of accrued interest at the Construction Phase Interest Rate to but not including the Conversion Date, and (d) the Maturity Date.

“Government Obligations” means investments meeting the requirements of clause (a) or (b) of the definition of “Qualified Investments” herein.

“Governmental Lender” means the entity identified as “Governmental Lender” in the introductory paragraph of this Funding Loan Agreement.

“Governmental Lender Fee” has the meaning given to the term “Authority Fee” in the TEL Regulatory Agreement.

“Governmental Lender Fee Subaccount” means the Governmental Lender Fee Subaccount of the Administration Fund.

“Governmental Note” is defined in the Recitals of this Funding Loan Agreement.

“Guide” means the *Freddie Mac Multifamily Seller/Servicer Guide*, as the same may be amended, modified or supplemented from time to time.

“Initial Funding Lender” means the entity identified as “Initial Funding Lender” in the introductory paragraph of this Funding Loan Agreement.

“Investment Income” means the earnings and profits derived from the investment of money pursuant to Section 4.07 hereof.

“Investor Limited Partner” means Wells Fargo Affordable Housing Corp., a North Carolina corporation, and its successors and assigns.

“Loan Payment Fund” means the Loan Payment Fund established by Fiscal Agent pursuant to Section 4.01 hereof.

“Loan Prepayment Fund” means the Loan Prepayment Fund established by Fiscal Agent pursuant to Section 4.01 hereof.

“Loan Servicer” means any entity appointed by Funding Lender Representative to service the Loans and any successor in such capacity as appointed by Funding Lender Representative pursuant to Section 3.02 of the Project Loan Agreement. During the Construction Phase, Loan Servicer shall be Wells Fargo Bank, National Association. During the Permanent Phase, Loan Servicer shall be Wells Fargo Bank, National Association.

“Loans” is defined in the Recitals of this Funding Loan Agreement.

“Maturity Date” means, with respect to the Series D-1 Governmental Note, [May 1, 2042], and with respect to the Series D-2 Governmental Note, [D-2 Maturity Date], which is the same as the Scheduled Maturity Date as defined in the related Project Note.

“Maximum Interest Rate” means the rate of interest which results in the maximum amount of interest allowed by applicable law.

“Minimum Governmental Lender Fee” means a \$_____ (**“Minimum Dollar Amount”**) portion of the Governmental Lender Fee due annually; provided, however, that the Minimum Dollar Amount shall be subject to change, with respect to future payments of the Minimum Governmental Lender Fee, as notified in writing by the Governmental Lender to the Fiscal Agent.

“Net Proceeds” when used with respect to any insurance or condemnation award, means the proceeds from the insurance or condemnation award with respect to which that term is used remaining after payment of all reasonable expenses incurred in the collection of such insurance proceeds or condemnation award, including reasonable attorneys’ fees.

“New Borrower” is defined in Section 6.12 hereof.

“New Project Loan” is defined in Section 6.12 hereof.

“Notes” means, together, the Project Note and the Governmental Note.

“Permanent Phase” means the permanent phase of the Project Loan, which time period shall commence on the Conversion Date and remain in effect through the remaining term of the Project Loan.

“Permanent Phase Interest Rate” means, during the Permanent Phase, the interest rate of [___]% per annum; provided during the continuance of any Event of Default hereunder, the Permanent Phase

Interest Rate shall be the Default Rate, in each case computed on the basis of a 360-day year and the actual number of days elapsed.

“Person” means any natural person, sole proprietorship, corporation, general partnership, limited partnership, limited liability company, limited liability partnership, limited liability limited partnership, joint venture, association, joint stock company, bank, trust, estate, unincorporated organization, any federal, state, county or municipal government (or any agency or political subdivision thereof), endowment fund or any other form of entity.

“Pledged Security” is defined in Section 2.02 hereof.

“Pre-Conversion Loan Equalization Payment” means a mandatory prepayment of the Project Loan by Borrower (and corresponding prepayment of the Funding Loan hereunder) prior to Conversion in order to reduce the principal amount of the Project Loan and the Funding Loan to the Actual Project Loan Amount.

“Prepayment Premium” means any premium payable hereunder in connection with a prepayment of the Funding Loan, which premium shall be in an amount equal to (a) during the Construction Phase, the amount payable by Borrower under Section [] of the Project Note and (b) during the Permanent Phase, the amount payable by Borrower under Section 4(d) of the Project Note, in each case in connection with a prepayment of the Project Loan.

“Principal Office of Fiscal Agent” means the office of Fiscal Agent referenced in Section 10.04(a) hereof, or such other office or offices as Fiscal Agent may designate in writing from time to time, or the office of any successor Fiscal Agent where it principally conducts its business of serving as Fiscal Agent under indentures pursuant to which municipal or governmental obligations are issued.

“Project” is defined in the Recitals of this Funding Loan Agreement.

“Project Account” means the Project Account of the Project Loan Fund established by Fiscal Agent pursuant to Section 2.11 hereof.

“Project Loan” is defined in the Recitals of this Funding Loan Agreement.

“Project Loan Agreement” is defined in the Recitals of this Funding Loan Agreement.

“Project Loan Amortization Schedule” is defined in the Project Loan Agreement.

“Project Loan Documents” means the Security Instrument, the Project Note, the Project Loan Agreement, the TEL Regulatory Agreement, the Assignment, the Continuing Covenant Agreement, any Subordination Agreement(s) and any and all other instruments and other documents evidencing, securing, or otherwise relating to the Project Loan or any portion thereof.

“Project Loan Fund” means the Project Loan Fund established by Fiscal Agent pursuant to Section 2.11 hereof.

“Project Note” is defined in the Recitals of this Funding Loan Agreement.

“Property Jurisdiction” means the State of California.

“Qualified Investments” means any of the following if and to the extent permitted by law:

- (a) Direct and general obligations of the United States of America.
- (b) Obligations of any agency or instrumentality of the United States of America the payment of the principal of and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America.

- (c) Senior debt obligations of Freddie Mac.
- (d) Senior debt obligations of the Federal National Mortgage Association (i.e., Fannie Mae).
- (e) Demand deposits or time deposits with, or certificates of deposit issued by, Fiscal Agent or its affiliates or any bank organized under the laws of the United States of America or any state or the District of Columbia which has combined capital, surplus and undivided profits of not less than \$50,000,000; provided that Fiscal Agent or such other institution has been rated at least "VMIG 1"/"A 1+" by one of the Rating Agencies 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.
- (f) Investment agreements with a bank or any insurance company or other financial institution which has a rating assigned by one of the Rating Agencies to its outstanding long term unsecured debt which is the highest rating (as defined below) for long term unsecured debt obligations assigned by one of the Rating Agencies, and which are approved by Funding Lender Representative.
- (g) Shares or units in any money market mutual fund rated "Aaa" / "AAA" by one of the Rating Agencies (or if a new rating scale is implemented, the equivalent rating category given by the Rating Agency for that general category of security) (including mutual funds of Fiscal Agent or its affiliates or for which Fiscal Agent or an affiliate thereof serves as investment advisor or provides other services to such mutual fund receives reasonable compensation therefor) registered under the Investment Company Act of 1940, as amended, whose investment portfolio consists solely of (i) direct obligations of the government of the United States of America or (ii) tax-exempt obligations.
- (h)
 - (i) Tax-exempt obligations rated in the highest short term rating category by one of the Rating Agencies, or
 - (ii) Shares of a tax-exempt municipal money market mutual fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the Securities Act, having assets of at least \$100,000,000, and having a rating of "Aaa" / "AAA" by one of the Rating Agencies (or if a new rating scale is implemented, the equivalent rating category given by the Rating Agency for that general category of security), for which at least 95% of the income paid to the holders on interest in such money market fund will be excludable from gross income under Section 103 of the Code, including money market funds for which Fiscal Agent or its affiliates receive a fee for investment advisory or other services to the fund.
- (i) Any other investments approved in writing by Funding Lender Representative.

For purposes of this definition, the "highest rating" shall mean a rating of at least "VMIG 1" / "A 1+" for obligations with less than one year maturity; at least "Aaa" / "VMIG 1" / "AAA" / "A 1+" for obligations with a maturity of one year or greater but less than three years; and at least "Aaa" / "AAA" for obligations with a maturity of three years or greater. Qualified Investments must be limited to instruments that have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change and interest, if tied to an index, shall be tied to a single interest rate index plus a single fixed spread, if any, and move proportionately with such index. Ratings of Qualified Investments shall be determined only at the time of purchase of such Qualified Investments and without regard to ratings subcategories.

"Qualified Transferee" is defined in Section 2.08 hereof.

“Rating Agencies” means Fitch, Inc., Moody’s Investors Service, Inc., or S&P Global Ratings, a division of S&P Global Inc., or any successor entity of the foregoing, or any other nationally recognized statistical rating organization.

“Rebatable Arbitrage” is defined in Section 4.10 hereof.

“Rebate Analyst” means a certified public accountant, financial analyst or Bond Counsel, or any firm of the foregoing, or financial institution (which may include Fiscal Agent) experienced in making the arbitrage and rebate calculations required pursuant to Section 148 of the Code, selected and retained by Borrower at the expense of Borrower, with the prior written consent of Governmental Lender, to make the rebate computations required under this Funding Loan Agreement and the Project Loan Agreement.

“Rebate Fund” means the Rebate Fund established by Fiscal Agent pursuant to Section 4.01 hereof.

“Rebate Year” means each one-year period that ends at the close of business on the day in the calendar year that is selected by Borrower as indicated in the Tax Certificate. The first and last Rebate Years may be short periods. If no day is selected by Borrower before the earlier of the Maturity Date or the date that is five years after the Delivery Date, each Rebate Year ends on each anniversary of the Delivery Date and on the Maturity Date or date of earlier payment in full of the Series D-1 Governmental Note.

“Record of Advances” is defined in Section 2.01(c) hereof.

“Requisition” means, with respect to the Project Loan Fund, the requisition in the form of Exhibit E to this Funding Loan Agreement required to be submitted in connection with disbursements from the Project Account and/or the Borrower Equity Account of the Project Loan Fund, and with respect to the Costs of Issuance Fund, the requisition in the form of Exhibit D to this Funding Loan Agreement required to be submitted in connection with disbursements from the Costs of Issuance Fund.

“Resolution” means the resolution adopted by Governmental Lender authorizing the Funding Loan, the Project Loan and the execution and delivery of the Financing Documents to which it is a party.

“Responsible Officer” means any officer of Fiscal Agent employed within or otherwise having regular responsibility in connection with the corporate trust department of Fiscal Agent and the trusts created hereunder.

“Revenue Fund” means the Revenue Fund established by Fiscal Agent pursuant to Section 4.01 hereof.

“Revenues” means (a) all payments made with respect to the Project Loan pursuant to the Project Loan Agreement, the Project Note or the Security Instrument, including but not limited to all casualty or other insurance benefits and condemnation awards paid in connection therewith and all payments obtained through the exercise of remedies under the Financing Documents, and (b) all money and securities held by Fiscal Agent in the funds and accounts established pursuant to this Funding Loan Agreement (excluding money or securities designated for deposit into and held in the Costs of Issuance Fund, the Administration Fund and the Rebate Fund), together with all investment earnings thereon.

“Security Instrument” is defined in the Recitals of this Funding Loan Agreement.

“Securities Act” means the Securities Act of 1933, as amended.

“Seller/Service” is defined in the Recitals of this Funding Loan Agreement.

“Series D-1 Funding Loan” means the portion of the Funding Loan funded from proceeds of the Series D-1 Governmental Note.

“Series D-1 Governmental Note” is defined in the Recitals of this Funding Loan Agreement.

“Series D-1 Project Note” is defined in the Recitals of this Funding Loan Agreement.

“Series D-1 Project Subaccount” means the Series D-1 Project Subaccount of the Project Account.

“Series D-2 Funding Loan” means the portion of the Funding Loan funded from proceeds of the Series D-2 Governmental Note.

“Series D-2 Governmental Note” is defined in the Recitals of this Funding Loan Agreement.

“Series D-2 Project Note” is defined in the Recitals of this Funding Loan Agreement.

“Series D-2 Project Subaccount” means the Series D-2 Project Subaccount of the Project Account.

“Servicing Fee” is defined in the Project Loan Agreement.

“Stub Payment Amount” means an amount equal to the sum of (a) the interest payable on the Funding Loan and (b) the ongoing fees and expenses payable with respect to the Project Loan (as provided in Section 4.02 of the Project Loan Agreement), in each case for the period commencing on the Delivery Date to but not including the first day of the calendar month immediately succeeding the Delivery Date.

“Subordination Agreement” means any subordination or intercreditor agreement(s) entered into with respect to any subordinate financing related to the Project, as the same may be amended, supplemented or restated.

“Tax Certificate” means, collectively, the Certificate as to Arbitrage executed by Governmental Lender and Borrower on the Delivery Date and the Certificate Regarding Use of Proceeds executed by the Borrower on the Delivery Date.

“TEL Regulatory Agreement” means the Regulatory Agreement and Declaration of Restrictive Covenants dated as of October 1, 2023, by and between the Governmental Lender and Borrower.

“Transferee Representations Letter” is defined in Section 2.08 hereof.

“Treasury Regulations” is defined in Section 5.07 hereof.

“Unassigned Rights” means all of the rights of Governmental Lender and its directors, officers, commissioners, elected officials, attorneys, accountants, employees, agents and consultants to be held harmless and indemnified, to be paid its fees and expenses, to give or withhold consent to amendments, changes, modifications and alterations, to receive notices and the right to enforce such rights.

“Uniform Commercial Code” means the Uniform Commercial Code as promulgated in the applicable jurisdiction.

“Window Period” means the three (3) consecutive month period prior to the Maturity Date for the Series D-1 Governmental Note.

1.02 Interpretation. The words “hereof,” “herein,” “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. References to Articles, Sections, and other subdivisions of this Funding Loan Agreement are to the designated Articles, Sections and other subdivisions of this Funding Loan Agreement as originally executed. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa unless the context shall otherwise indicate. Words importing persons include firms, partnerships, limited liability companies, joint ventures, associations and corporations. All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally

accepted accounting principles as in effect from time to time. The headings of this Funding Loan Agreement are for convenience only and shall not define or limit the provisions hereof.

1.03 Schedules and Exhibits

Schedules and Exhibits	
Schedule I	List of Funding Loan Agreement Sections
Exhibit A	Forms of Governmental Note
Exhibit B	Notice of Appointment of Funding Lender Representative
Exhibit C	Transferee Representations Letter
Exhibit D	Costs of Issuance Fund Requisition
Exhibit E	Project Loan Fund Requisition
Exhibit F	Construction Phase Interest Rate

ARTICLE II THE FUNDING LOAN.

2.01 Terms.

- (a) The total principal amount of the Funding Loan is hereby expressly limited to the Authorized Amount. Subject to Section 2.10 hereof, the Funding Loan shall be originated and funded by Initial Funding Lender to Governmental Lender in accordance with Section 2.01(b) below. The Series D-1 Funding Loan shall be evidenced by the Series D-1 Governmental Note and shall bear interest and be paid in accordance with the payment terms set forth in the Series D-1 Governmental Note and this Funding Loan Agreement, and the Series D-2 Funding Loan shall be evidenced by the Series D-2 Governmental Note and shall bear interest and be paid in accordance with the payment terms set forth in the Series D-2 Governmental Note and this Funding Loan Agreement.

- (b) The Funding Loan shall be originated by Initial Funding Lender on a draw-down basis. The proceeds of the Series D-1 Funding Loan shall be advanced by Initial Funding Lender in installments directly to Fiscal Agent for deposit into the Series D-1 Project Subaccount, and the proceeds of the Series D-2 Funding Loan shall be advanced by Initial Funding Lender in installments directly to Fiscal Agent for deposit into the Series D-2 Project Subaccount, upon receipt of an Advance Request and the satisfaction of the conditions to such advance set forth in the Construction Continuing Covenant Agreement and the form of requisition attached as Exhibit E hereto. Upon the advancement of the proceeds of the Funding Loan in accordance with the terms hereof, the principal amount of the relevant Governmental Note in a principal amount equal to the amount so advanced shall be deemed to be increased automatically and without further acts on the part of Governmental Lender or Fiscal Agent; provided that advances on the Funding Loan shall be allocated, first, to the Series D-1 Governmental Note and related Series D-1 Project Note until they are fully funded and, then, to the Series D-2 Governmental Note and related Series D-2 Project Note. The initial installment of the Funding Loan shall be in the amount of \$ _____, which amount shall be advanced by Initial Funding Lender and deposited into the Project Loan Fund on the Delivery Date for application as provided in Section 2.11. 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 the Advance Termination Date. Any extension of the Advance Termination Date shall be subject to receipt by Fiscal Agent of (i) the prior written consent of Initial Funding Lender and Freddie Mac and (ii) an opinion of Bond Counsel (which shall also be addressed to Funding Lender Representative) to

the effect that such extension will not adversely affect the tax-exempt status of the Series D-1 Governmental Note.

- (c) Fiscal Agent shall maintain in its books a log which shall reflect the principal amount of the Funding Loan advanced by Initial Funding Lender from time to time in accordance with the provisions of Section 2.01(b) above (the "**Record of Advances**"). The principal amount due on a Governmental Note shall be only such amount as has been advanced with respect thereto by Initial Funding Lender as reflected in the Record of Advances and not otherwise prepaid pursuant to the terms of this Funding Loan Agreement. The records maintained by Fiscal Agent in such regard will be conclusive evidence of the outstanding principal amount of the Funding Loan (absent manifest error). Fiscal Agent shall notify Governmental Lender, Seller/Servicer, Freddie Mac and Borrower if any advance of the proceeds of the Funding Loan is not made by Initial Funding Lender when due hereunder.
- (d) The Funding Loan shall bear interest payable on each Funding Loan Payment Date at (i) the Construction Phase Interest Rate during the Construction Phase and (ii) the Permanent Phase Interest Rate during the Permanent Phase. Interest shall accrue on the principal amount of the Funding Loan which has been advanced hereunder and is outstanding as reflected in the Record of Advances.
- (e) The Governmental Note shall mature on their respective Maturity Dates, subject to scheduled monthly principal payments (in the case of the Series D-1 Governmental Note) and to optional and mandatory prepayment prior to maturity as provided in Article III hereof. If the Conversion Date occurs on or prior to the initial Forward Commitment Maturity Date, then the unpaid principal balance of the Series D-1 Funding Loan shall be paid on the dates and in the amounts set forth on the initial Funding Loan Amortization Schedule provided on the Delivery Date and attached as Schedule 1 to the Series D-1 Governmental Note, provided that, at Funding Lender's discretion, a new Funding Loan Amortization Schedule may be provided on the Conversion Date that reflects the Conversion Date and the term of the Permanent Phase. If the Forward Commitment Maturity Date is changed by Freddie Mac in accordance with the Freddie Mac Commitment and the Construction Phase Financing Agreement, the first principal payment date under the Funding Loan Amortization Schedule may be changed consistent with the terms thereof; provided, however, if the Forward Commitment Maturity Date is extended, the Funding Loan Amortization Schedule shall automatically be extended to (i) the first day of the month immediately succeeding the Conversion Date if the Conversion Date occurs on the first calendar day of a month or (ii) the first day of the second month immediately succeeding the Conversion Date if the Conversion Date occurs on a day other than the first calendar day of the month (in either case with the succeeding principal installments remaining consistent with the original schedule but for them occurring on later dates) and, in any case, any change of amortization with respect to the Series D-1 Governmental Note shall be subject to the receipt by Fiscal Agent, Initial Funding Lender, and Governmental Lender of an opinion of Bond Counsel (which shall also be addressed to Seller/Servicer and Freddie Mac) on or prior to the Conversion Date to the effect that such change of the Funding Loan Amortization Schedule will not adversely affect the tax-exempt status of the Series D-1 Governmental Note. Additionally, in the event the outstanding amount of the Funding Loan on the Conversion Date is greater than or less than the starting principal amount set forth in the initial Funding Loan Amortization Schedule, a new Funding Loan Amortization Schedule will be generated on the Conversion Date at such greater or lesser outstanding principal amount based on the parameters set forth in the Freddie Mac Commitment, subject to receipt of an opinion of Bond Counsel as aforesaid. In the event the initial Funding Loan Amortization Schedule is modified in accordance with this Section 2.01(e), a replacement Funding Loan Amortization Schedule will be provided by Seller/Servicer which will be attached to the Series D-1 Governmental Note on the Conversion Date. All unpaid principal and all accrued and unpaid interest outstanding under the Governmental Note shall be due and payable on their respective Maturity Dates.

- (f) Payment of principal of, Prepayment Premium, if any, and interest on the Funding Loan shall be paid by wire transfer in immediately available funds to an account within the United States of America designated by Funding Lender (unless otherwise directed by Funding Lender).
- (g) Subject to Section 2.12 hereof, on or before the date fixed for payment, money shall be deposited with Fiscal Agent to pay, and Fiscal Agent is hereby authorized and directed to apply such money to the payment of, the Funding Loan, together with accrued interest thereon to the date of payment.
- (h) In no contingency or event whatsoever shall the aggregate of all amounts deemed interest hereunder and charged or collected pursuant to the terms of this Funding Loan Agreement exceed the lesser of 12% per annum or the highest rate permissible under any law that a court of competent jurisdiction shall, in a final determination, deem applicable hereto. In the event that such court determines Funding Lender has charged or received interest hereunder in excess of the highest applicable rate, Funding Lender shall apply, in its sole discretion, and set off such excess interest received by Funding Lender against other obligations due or to become due under the Financing Documents and such rate shall automatically be reduced to the maximum rate permitted by such law.

2.02 Pledged Security. To secure the payment of the principal of, Prepayment Premium, if any, and interest on the Funding Loan according to its tenor and effect, and the performance and observance by Governmental Lender of all the covenants expressed or implied herein and in the Governmental Note, and the payment and performance of all amounts and obligations under the Continuing Covenant Agreement, Governmental Lender does hereby grant, bargain, sell, convey, pledge and assign a security interest, unto Fiscal Agent, and its successors in such capacity and its and their assigns in and to the following (said property being herein referred to as the “**Pledged Security**”) for the benefit of Funding Lender:

- (a) All right, title and interest of Governmental Lender in and to all Revenues.
- (b) All right, title and interest of Governmental Lender in and to the Project Loan Agreement, the Project Note, the Security Instrument and the other Project Loan Documents (other than the Unassigned Rights), including all extensions and renewals of the terms thereof, if any, including, but without limiting the generality of the foregoing, the present and continuing right to receive, receipt for, collect or make claim for any of the money, income, revenues, issues, profits and other amounts payable or receivable thereunder (including all casualty insurance proceeds or condemnation awards, payments, settlements or other compensation to be paid in connection therewith), whether payable under the above referenced documents or otherwise, to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which Governmental Lender or any other Person is or may become entitled to do under said documents.
- (c) Except for funds, money or securities in the Costs of Issuance Fund, the Administration Fund and the Rebate Fund, all funds, money and securities and any and all other rights and interests in property whether tangible or intangible from time to time hereafter by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder for the Funding Loan by Governmental Lender or by anyone on its behalf or with its written consent to Fiscal Agent, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

The foregoing notwithstanding, if Governmental Lender or its successors or assigns shall pay or cause to be paid to Funding Lender in full the principal, interest and Prepayment Premium, if any, to become due with respect to the Funding Loan at the times and in the manner provided in Article IX hereof, and if Governmental Lender shall keep, perform and observe, or cause to be kept, performed and observed, all of its covenants, warranties and agreements contained herein, then these presents and the estate and rights hereby granted shall, at the option of Governmental Lender, cease, terminate and be void, and

thereupon Fiscal Agent shall cancel and discharge the lien of this Funding Loan Agreement and execute and deliver to Governmental Lender such instruments in writing as shall be requisite to satisfy the lien hereof, and, subject to the provisions of Sections 4.09 and 4.10 hereof and Article IX hereof, reconvey to Governmental Lender the estate hereby conveyed, and assign and deliver to Governmental Lender any property at the time subject to the lien of this Funding Loan Agreement that may then be in its possession, except for the Rebate Fund and cash held by Fiscal Agent for the payment of interest on and principal of the Governmental Note; otherwise this Funding Loan Agreement is to be and shall remain in full force and effect.

- 2.03 Limited Obligations.** The Funding Loan and the Governmental Note are limited obligations of the Governmental Lender, payable solely from the Revenues and other Pledged Security. Neither the Governmental Lender, any of its program participants, the State, nor any political subdivision thereof (except the Governmental Lender, to the limited extent set forth herein) nor any public agency shall in any event be liable for the payment of the principal of, Prepayment Premium (if any) or interest on the Funding Loan or the Governmental Note 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 Note or any of the Governmental Lender's agreements or obligations with respect to the Funding Loan, the Governmental Note, or hereunder, shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of or a moral obligation of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever. The Governmental Lender has no taxing power.
- 2.04 Funding Loan Agreement Constitutes Contract.** In consideration of the origination and funding of the Funding Loan by Initial Funding Lender, the provisions of this Funding Loan Agreement shall be part of the contract of Governmental Lender with Initial Funding Lender and any successors or assigns thereof in such capacity from time to time.
- 2.05 Form and Execution.** The Governmental Note shall be in substantially the respective forms attached as Exhibit A. The Governmental Note shall be executed on behalf of Governmental Lender by the manual or facsimile signature of the Authorized Officer of Governmental Lender. Any facsimile signatures shall have the same force and effect as if said officers had manually signed such Governmental Note.
- 2.06 Authentication.** A Governmental Note shall not be valid or obligatory for any purpose or entitled to any security or benefit under this Funding Loan Agreement unless a certificate of authentication on such Governmental Note, substantially in the form set forth in Exhibit A, shall have been duly executed by an Authorized Officer of Fiscal Agent; and such executed certificate of authentication upon such Governmental Note shall be conclusive evidence that such Governmental Note has been duly executed, registered, authenticated and delivered under this Funding Loan Agreement.
- 2.07 Mutilated, Lost, Stolen or Destroyed Governmental Note.** In the event a Governmental Note is mutilated, lost, stolen or destroyed, Governmental Lender shall execute and Fiscal Agent shall authenticate a new Governmental Note substantially in the form set forth in Exhibit A in exchange and substitution for and upon cancellation of the mutilated Governmental Note or in lieu of and in substitution for such lost, stolen or destroyed Governmental Note, upon payment by Funding Lender of any applicable tax or governmental charge and the reasonable expenses and charges of Governmental Lender and Fiscal Agent in connection therewith, and in the case where a Governmental Note is lost, stolen or destroyed, the filing with Fiscal Agent of evidence satisfactory to it that such Governmental Note was lost, stolen or destroyed, and of the ownership thereof, and furnishing Governmental Lender and Fiscal Agent with indemnity satisfactory to each of them. In the event where such Governmental Note shall have matured, instead of delivering a new Governmental Note, Governmental Lender may pay the same without surrender thereof.
- 2.08 Registration; Transfer of Funding Loan; Transferee Representations Letter.**
- (a) The Funding Loan shall be fully registered as to principal and interest in the manner and with any additional designation as Fiscal Agent deems necessary for the purpose of identifying the

registered owner thereof. The Funding Loan shall be transferable only on the registration books of Fiscal Agent. Fiscal Agent shall maintain books or other records showing the name and date of registration, address and employer identification number of the registered owner of the Funding Loan and any transfers of the Funding Loan as provided herein. The Funding Loan shall initially be registered to Initial Funding Lender, and then, the Funding Loan shall (i) upon the Conversion Date be registered to Seller/Servicer and (ii) upon the Freddie Mac Purchase Date, be registered to Freddie Mac.

- (b) Funding Lender shall have the right to sell, assign or otherwise transfer in whole the Funding Loan and the Governmental Note or to grant a participation interest in the Funding Loan and Governmental Note in a percentage of not less than twenty-five percent (25%) of the outstanding principal amount of the Funding Loan; and provided that the Funding Loan and Governmental Note may be transferred, or any participation interest therein granted, only to an institutional “accredited investor” as that term is defined in Sections 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act (or any entity in which all of the equity owners meet the requirements of one such subsection) or a “qualified institutional buyer” as that term is defined under Rule 144A of the Securities Act (such institutional “accredited investor” or “qualified institutional buyer” a “**Qualified Transferee**”) that delivers a letter to Fiscal Agent substantially in the form attached hereto as Exhibit C setting forth certain representations with respect to such Qualified Transferee (the “**Transferee Representations Letter**”). Notwithstanding the preceding sentence, no Transferee Representations Letter shall be required for Funding Lender to:
- (i) Transfer the Funding Loan and the Governmental Note to any affiliate or other party related to Funding Lender that is a Qualified Transferee.
 - (ii) Sell or transfer the Funding Loan and the Governmental Note to a special purpose entity, a trust or a custodial or similar pooling arrangement from which the Funding Loan or securitized interests therein are not expected to be sold or transferred except to (A) owners or beneficial owners thereof that are Qualified Transferees or (B) in circumstances where secondary market credit enhancement is provided for such securitized interests resulting in a rating thereof of at least “A” or better.

In connection with any sale, assignment or transfer of the Funding Loan and the Governmental Note, Funding Lender shall give notice of such sale, assignment or transfer to the Governmental Lender and Fiscal Agent and Fiscal Agent shall record such sale, assignment or transfer on its books or other records maintained for the registration of transfer of the Funding Loan and the Governmental Note. It shall not be necessary to present, exchange, or re-authenticate a Governmental Note in connection with any sale, assignment or transfer of the Governmental Note, provided that Funding Lender shall provide Fiscal Agent with the name and date of registration, address, and employer identification number of the assignee or transferee, so that Fiscal Agent may maintain the registration records, together with any information necessary to allow Fiscal Agent to comply with any applicable tax reporting obligations.

Any sale, assignment or transfer of the Funding Loan and the Governmental Note (including any participation interest therein) that fails to comply with the requirements of this Section 2.08 shall be null and void.

2.09 Securitization; Allocation of Funding Loan Interest. In accordance with the provisions of Section 2.08 hereof, Funding Lender may transfer the Funding Loan and the Governmental Note to a Qualified Transferee in connection with the securitization of the Funding Loan and the Governmental Note, in which event Funding Lender Representative may direct Fiscal Agent to make all future payments with respect to the Funding Loan and the Governmental Note to the appointed master servicer for that securitization (or an account designated by such master servicer), and Fiscal Agent shall accept such direction from Funding Lender Representative. In the event that Funding Lender transfers the Funding Loan and the Governmental Note to a Qualified Transferee in accordance with the provisions of Section 2.08 hereof, Funding Lender Representative may also give notice to Fiscal Agent that Funding Lender has agreed to

allow Loan Servicer to retain a portion of the monthly interest payable on the Funding Loan and the Governmental Note as additional compensation for the servicing of the Funding Loan (an “**Additional Servicing Fee**”), which Additional Servicing Fee will equal no more than an annual 2 basis points with respect to the unpaid principal balance of the Governmental Note, in which event Fiscal Agent shall accept and pay to Funding Lender such lesser amount of interest received from Loan Servicer and shall consider such payment to be in full compliance with the terms of the Funding Loan and the Governmental Note, the Project Note and all other Financing Documents with regard to the interest owed on the Funding Loan.

- 2.10 Funding Loan Closing Conditions; Delivery of Governmental Note.** Closing of the Funding Loan on the Delivery Date shall be conditioned upon, and Governmental Lender shall only execute and deliver to Fiscal Agent, and Fiscal Agent shall only authenticate the Governmental Note and deliver the Governmental Note to Initial Funding Lender upon, receipt by Fiscal Agent of all of the following:
- (a) Executed counterparts of this Funding Loan Agreement, the Project Loan Agreement, the TEL Regulatory Agreement and the Tax Certificate.
 - (b) An opinion of Bond Counsel or counsel to Governmental Lender to the effect that Governmental Lender is duly organized and existing under the laws of the Property Jurisdiction and has duly authorized, executed and delivered this Funding Loan Agreement, the Governmental Note and the other Financing Documents to which it is a party, and such documents are valid and binding special, limited obligations of Governmental Lender enforceable in accordance with their terms subject to customary exceptions.
 - (c) The initial advance of the proceeds of the Funding Loan by Initial Funding Lender in the amount set forth in Section 2.01(b) hereof.
 - (d) The executed Project Note and an endorsement of the Project Note by Governmental Lender in favor of Fiscal Agent.
 - (e) A copy of the executed Security Instrument, the Assignment, the Construction Phase Financing Agreement, and the Construction Continuing Covenant Agreement.
 - (f) An opinion of counsel to Borrower to the effect that Borrower is duly organized and validly existing and in good standing under the laws of the state in which it has been organized and in good standing under the laws of each other state in which Borrower transacts business and has full power and authority to enter into the Financing Documents to which it is a party, that its execution and delivery of and performance of its covenants in such documents do not contravene law or any provision of any other documents to which it is a party or by which it or such property is bound or affected, and that all such agreements have been duly authorized, executed and delivered by Borrower, and are legal, valid and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.
 - (g) A customary approving opinion of Bond Counsel, including but not limited to an opinion to the effect that the interest on the Governmental Note, under laws in effect on the date of such opinion, is excluded from the gross income of the holders thereof for federal income tax purposes and, where applicable, for state income tax purposes in the Property Jurisdiction.
 - (h) [Reserved].
 - (i) A certified copy of the Resolution.
 - (j) The written request and authorization to Fiscal Agent by Governmental Lender to authenticate and deliver the Governmental Note to Initial Funding Lender upon funding to Fiscal Agent of the initial advance of proceeds of the Funding Loan.

- (k) Amounts specified in Section 2.11 of this Funding Loan Agreement and Section 3.03 of the Project Loan Agreement.
- (l) A Transferee Representations Letter from Initial Funding Lender.
- (m) Confirmation that all conditions stated in Section 3.01 of the Project Loan Agreement have been satisfied.

2.11 Establishment of Project Loan Fund; Application of Funding Loan Proceeds and Other Money.

- (a) Fiscal Agent shall establish, maintain and hold in trust and there is hereby established with Fiscal Agent a Project Loan Fund and therein (i) a Project Account, containing a Series D-1 Project Subaccount and Series D-2 Project Subaccount, and (ii) a Borrower Equity Account. No amount shall be charged against the Project Loan Fund except as expressly provided in this Section 2.11 and Section 4.02 hereof.
- (b) The proceeds of the Funding Loan shall be delivered by Initial Funding Lender to Fiscal Agent on behalf of Governmental Lender in the initial installment on the Delivery Date and thereafter on a draw-down basis as provided in Section 2.01(b) hereof. Upon receipt, Fiscal Agent shall deposit proceeds of the Series D-1 Funding Loan to the credit of the Series D-1 Project Subaccount and proceeds of the Series D-2 Funding Loan to the credit of the Series D-2 Project Subaccount. Other than as provided in Section 4.02(b) hereof with respect to the initial installment on the Delivery Date, amounts in the Project Loan Fund shall be disbursed as provided in subparagraph (d) below, subject to the conditions set forth in Section 3.01 of the Project Loan Agreement.
- (c) Governmental Lender shall cause Borrower to deliver from sources other than the Loans: (i) to Fiscal Agent, on or prior to the Delivery Date, the Costs of Issuance Deposit for deposit to the credit of the Costs of Issuance Fund and the Borrower Equity Deposit for deposit to the credit of the Borrower Equity Account; and (ii) to Loan Servicer, on or prior to the Delivery Date, the Stub Payment Amount. Fiscal Agent shall also deposit in the Costs of Issuance Deposit and the Borrower Equity Account any additional amounts delivered from time to time to Fiscal Agent and directed by Borrower or Loan Servicer to be deposited therein, excluding any proceeds of the Loans.
- (d) Upon the making of the initial deposits described above in this Section 2.11, Governmental Lender shall originate the Project Loan pursuant to the Project Loan Agreement and Fiscal Agent shall make disbursements of amounts in the Project Loan Fund to Borrower or otherwise as provided in Section 4.02 hereof.

2.12 Direct Loan Payments to Funding Lender; Loan Servicer Disbursement of Fees.

- (a) Notwithstanding any provision in this Funding Loan Agreement to the contrary, during any period within the Permanent Phase that a Loan Servicer is engaged with respect to the Loans, Governmental Lender and Fiscal Agent agree that all payments of principal of, Prepayment Premium, if any, and interest on the Funding Loan and all payments due hereunder and under the Project Loan Agreement shall be paid by Borrower to Loan Servicer. Loan Servicer shall retain its Servicing Fee (if any) and shall remit all such payments to the Fiscal Agent. Any payment made in accordance with the provisions of this Section 2.12 shall be accompanied by sufficient information to identify the source and proper application of such payment. Loan Servicer shall promptly notify Fiscal Agent, Funding Lender Representative and Governmental Lender in writing of any failure of Borrower to make any payment of principal of, Prepayment Premium, if any, and interest on the Funding Loan when due or to pay any other amounts due hereunder or under the Project Loan Agreement, and Fiscal Agent and Governmental Lender shall not be deemed to have any notice of such failure unless it has received such notice in writing.

- (b) If the Governmental Note is sold or transferred as provided in Section 2.08, Funding Lender Representative shall notify Fiscal Agent, Governmental Lender and Borrower in writing of the name and address of the transferee.
- (c) Reserved.

2.13 Conversion. If the Conversion Notice is issued in compliance with the terms of the Construction Phase Financing Agreement, Conversion will occur on the Conversion Date indicated in such Conversion Notice. If the Conversion Notice is not so issued, Conversion will not occur and neither Seller/Service nor Freddie Mac will have any obligations with respect to the purchase of any portion of the Funding Loan or otherwise with respect to the Loans or the Project.

ARTICLE III PREPAYMENT OF THE FUNDING LOAN.

3.01 Prepayment of the Funding Loan Prior to Maturity.

- (a) Optional Prepayment. The Governmental Note, together with accrued interest thereon and any Prepayment Premium, are subject to optional prepayment in whole upon optional prepayment of the Project Loan in accordance with the notice and other prepayment provisions set forth in the Project Note.
- (b) Mandatory Prepayment. The Governmental Note, together with accrued interest thereon and any Prepayment Premium, are subject to mandatory prepayment on any Business Day, in whole or in part as indicated below, at the earliest practicable date upon the occurrence of any of the following:
 - (i) In whole or in part, upon the occurrence of a mandatory prepayment of the Project Loan pursuant to the Project Note and receipt by Fiscal Agent of a written direction by Funding Lender Representative that the Funding Loan shall be subject to mandatory prepayment as a result thereof.
 - (ii) In part, on the Funding Loan Payment Date next following the completion of the construction of the Project, to the extent amounts remaining in the Project Account of the Project Loan Fund are transferred to the Loan Prepayment Fund pursuant to Section 4.02(e) hereof.
 - (iii) In part, in the event Borrower makes a Pre-Conversion Loan Equalization Payment.
 - (iv) In whole, on or after the Forward Commitment Maturity Date, at the written direction of Initial Funding Lender, if the Conversion Notice is not issued by Seller/Service prior to the Forward Commitment Maturity Date.

3.02 Notice of Prepayment. Notice of the intended prepayment of the Governmental Note shall be given by Fiscal Agent by first class mail, postage prepaid, or by overnight delivery service, to Funding Lender. All such prepayment notices shall be given not less than ten (10) days (not less than thirty (30) days in the case of optional prepayment) nor more than sixty (60) days prior to the date fixed for prepayment. Notices of prepayment shall state all of the following:

- (a) The prepayment date.
- (b) The prepayment amount.
- (c) The place or places where amounts due upon such prepayment will be payable.

Notice of such prepayment shall also be sent by first class mail, postage prepaid, or by overnight delivery service, to Loan Servicer, not later than the time of mailing of notices required by the first paragraph above, and in any event no later than simultaneously with the mailing of notices required by the first paragraph above; provided, that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of the Funding Loan.

Notwithstanding the foregoing, in the event Fiscal Agent is not collecting and remitting loan payments hereunder, Fiscal Agent shall have no obligation to send prepayment notices pursuant to this Section 3.02.

ARTICLE IV REVENUES AND FUNDS.

4.01 Pledge of Revenues and Assets; Establishment of Funds. The pledge and assignment of and the security interest granted in the Pledged Security pursuant to Section 2.02 hereof shall attach, be perfected and be valid and binding from and after the time of the closing of the Funding Loan and delivery of the Governmental Note by Fiscal Agent or by any Person authorized by Fiscal Agent to deliver the Governmental Note. The Pledged Security so pledged and then or thereafter received by Fiscal Agent shall immediately be subject to the lien of such pledge and security interest without any physical delivery 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 Governmental Lender irrespective of whether such parties have notice thereof.

In addition to the Project Loan Fund established pursuant to Section 2.11 hereof, Fiscal Agent shall establish, maintain and hold in trust the following funds and accounts, each of which is hereby established and each of which shall be disbursed and applied only as herein authorized:

- (a) Revenue Fund;
- (b) Loan Payment Fund;
- (c) Loan Prepayment Fund;
- (d) Administration Fund, containing an Administration Subaccount and Governmental Lender Fee Subaccount;
- (e) Costs of Issuance Fund; and
- (f) Rebate Fund.

The funds and accounts established pursuant to Section 2.11 and this Section 4.01 shall be maintained in the corporate trust department of Fiscal Agent as segregated trust accounts, separate and identifiable from all other funds held by Fiscal Agent. Fiscal Agent shall, at the written direction of an Authorized Officer of Governmental Lender, and may, in its discretion, establish such additional accounts within any Fund, and subaccounts within any of the accounts, as Governmental Lender or Fiscal Agent may deem necessary or useful for the purpose of identifying more precisely the sources of payments into and disbursements from that fund and its accounts, or for the purpose of complying with the requirements of the Code relating to arbitrage, but the establishment of any such account or subaccount shall not alter or modify any of the requirements of this Funding Loan Agreement with respect to a deposit or use of money in the funds established hereunder, or result in commingling of funds not permitted hereunder.

4.02 Project Loan Fund.

- (a) Deposit. Fiscal Agent shall deposit the proceeds of the Series D-1 Funding Loan and Series D-2 Funding Loan delivered by Initial Funding Lender into the Series D-1 Project Subaccount and Series D-2 Subaccount, respectively, upon each receipt of each advance thereof as provided in

Section 2.11(b) hereof. Fiscal Agent shall deposit the Borrower Equity Deposit into the Borrower Equity Account of the Project Loan Fund, as well as any additional amounts delivered from time to time to Fiscal Agent and directed by Borrower or Loan Servicer to be deposited therein (excluding any proceeds of the Loans), as provided in Section 2.11(c) hereof.

- (b) Disbursements. Amounts on deposit in the Project Loan Fund shall be disbursed from time to time by Fiscal Agent for the purpose of (i) paying interest on the Funding Loan and the Fee Component in each case when due during the Construction Phase and (ii) paying Costs of the Project; provided however, that immediately upon depositing the initial installment of the Funding on the Delivery Date pursuant to Section 2.11 hereof, the Fiscal Agent shall immediately disburse such amount to the title escrow established by the Borrower with Fidelity National Title Insurance Company for the origination of the Project Loan. In addition, amounts in the Project Loan Fund shall be transferred to the Loan Prepayment Fund, the Rebate Fund and Borrower at the times and in the manner provided in subsection (e) of this Section 4.02.
- (c) Transfers and Requisitions. Fiscal Agent shall automatically transfer amounts from the Borrower Equity Account of the Project Loan Fund to the Administration Fund to pay to the appropriate party its accrued fees that are included in the Fee Component that are due and payable as set forth herein or upon receipt of an invoice, without any need for a Requisition or other written direction. Unless Fiscal Agent is instructed otherwise by Initial Funding Lender, Fiscal Agent shall automatically transfer amounts in the [Project Loan Account][Borrower Equity Account] of the Project Loan Fund to the Loan Payment Fund to pay interest on the Project Loan and the Funding Loan without any need for a Requisition or other written direction.] Fiscal Agent shall make disbursements from the respective accounts of the Project Loan Fund for purposes described in subsection (b)[(ii)] of this Section 4.02 only upon the receipt of Requisitions signed by an Authorized Officer of Borrower and countersigned by an Authorized Officer of Loan Servicer (signifying the consent to the Requisition by Loan Servicer). Fiscal Agent shall have no right or duty to determine whether any requested disbursement from the Project Loan Fund complies with the terms, conditions and provisions of the Construction Continuing Covenant Agreement. The countersignature of the Authorized Officer of Loan Servicer on a Requisition shall be deemed a certification and, insofar as Fiscal Agent and Governmental Lender are concerned, constitute conclusive evidence, that all of the terms, conditions and requirements of the Construction Continuing Covenant Agreement applicable to such disbursement have been fully satisfied or waived. Fiscal Agent shall, immediately upon each receipt of a completed Requisition signed by an Authorized Officer of Borrower and countersigned by an Authorized Officer of Loan Servicer, initiate procedures with the provider of a Qualified Investment to make withdrawals as necessary to fund the Requisition.

Notwithstanding anything to the contrary contained herein, during any period in which an Event of Default has occurred and is then continuing under the Loans or any Financing Document (notice of which default has been given in writing by Funding Lender Representative or Loan Servicer to Fiscal Agent and Governmental Lender, and Fiscal Agent shall be entitled to conclusively rely on any such written notice as to the occurrence and continuation of such a default), no signature of an Authorized Officer of Borrower shall be required for any Requisition duly signed by an Authorized Officer of Loan Servicer.

- (d) If a Requisition signed by an Authorized Officer of Borrower and countersigned by an Authorized Officer of Loan Servicer or (as permitted hereunder) solely by an Authorized Officer of Loan Servicer, is received by Fiscal Agent, the requested disbursement shall be paid by Fiscal Agent as soon as practicable, but in no event later than three (3) Business Days following receipt thereof by Fiscal Agent. Upon final disbursement of all amounts on deposit in the Project Loan Fund, including all interest accrued therein, Fiscal Agent shall close the Project Loan Fund.
- (e) Immediately prior to any mandatory prepayment of the Governmental Note pursuant to Section 3.01(b)(i) hereof, any amount then remaining in the Project Loan Fund shall, at the written direction of Funding Lender Representative, be transferred to the Loan Prepayment Fund to pay

amounts due on the related Governmental Note, if any. In addition, any amount funded from proceeds of the Series D-1 Governmental Note remaining in the Series D-1 Project Subaccount following completion of the construction of the Project in accordance with the Construction Continuing Covenant Agreement, evidenced by an instrument signed by Funding Lender Representative or Loan Servicer, shall be transferred to the Loan Prepayment Fund and used to prepay the Series D-1 Governmental Note in accordance with Section 3.01(b)(ii) hereof, unless Fiscal Agent receives an opinion of Bond Counsel (which shall also be addressed to Funding Lender Representative) to the effect that a use of such money for other than prepayment of the Funding Loan will not adversely affect the tax-exempt status of the Series D-1 Governmental Note; provided, that any amounts in the Series D-1 Project Subaccount in excess of the amount needed to fund the related prepayment of the Series D-1 Governmental Note shall be transferred to the Rebate Fund. In the event that (i) there are funds remaining in the Borrower Equity Account following completion of the construction of the Project in accordance with the Construction Continuing Covenant Agreement (as evidenced by an instrument signed by Funding Lender Representative), (ii) the Conversion Date has occurred, and (iii) no default by Borrower exists under this Funding Loan Agreement or any of the Project Loan Documents, such funds shall be paid by Fiscal Agent to Borrower at the written direction of Funding Lender Representative or Loan Servicer.

- (f) Amounts on deposit in the Project Loan Fund shall be invested as provided in Section 4.07 hereof. All Investment Income on amounts on deposit in the Project Loan Fund shall be retained in and credited to and become a part of the amounts on deposit in the Project Loan Fund, and shall constitute part of any transfers required by subsection (b) or (e) of this Section 4.02.

4.03 Application of Revenues.

- (a) All Revenues received by Fiscal Agent shall be deposited by Fiscal Agent, promptly upon receipt thereof, to the Revenue Fund, except for each of the following:
 - (i) Proceeds of the Funding Loan received by Fiscal Agent pursuant to Section 2.01(b), which shall be applied in accordance with the provisions of Section 2.11 hereof.
 - (ii) Deposits into the Loan Prepayment Fund as required under subsection (c) of this Section 4.03.
 - (iii) Investment Income to the extent required under the terms hereof to be retained in the funds and accounts to which they are attributable.
 - (iv) Amounts required to be transferred between funds and accounts as provided in this Article IV.
- (b) Subject to Section 2.12 hereof, on each Funding Loan Payment Date or any other date on which payment of principal of or interest on the Funding Loan becomes due and payable, Fiscal Agent, out of money in the Revenue Fund, shall credit the following amounts to the following funds, but in the order and within the limitations hereinafter indicated with respect thereto, as follows:

FIRST, to the Loan Payment Fund, an amount equal to the principal of and interest due on the Funding Loan on such date (including, with respect to the Series D-1 Governmental Note, scheduled principal pursuant to the Funding Loan Amortization Schedule); and

SECOND, to the Loan Prepayment Fund, an amount equal to the principal and interest due on the Funding Loan on such date with respect to a mandatory prepayment of all or a portion of the Funding Loan pursuant to Section 3.01(b) hereof (other than any extraordinary mandatory prepayment as described in Section 4.03(c)(i) or (iii) below).

- (c) Promptly upon receipt, Fiscal Agent shall deposit each of the following directly into the Loan Prepayment Fund:
 - (i) Net Proceeds representing casualty insurance proceeds or condemnation awards paid as a prepayment of the Project Loan, such amount to be applied to provide for the extraordinary mandatory prepayment of all or a portion of the Funding Loan pursuant to Section 3.01(b)(i) hereof.
 - (ii) Funds paid to Fiscal Agent to be applied to the optional prepayment of all or a portion of the Funding Loan pursuant to Section 3.01(a).
 - (iii) Amounts transferred to the Loan Prepayment Fund from the Project Loan Fund pursuant to Section 4.02(e) hereof.
- (d) Subject to Section 2.12 hereof, should the amount in the Loan Payment Fund be insufficient to pay the amount due on the Funding Loan on any given Funding Loan Payment Date, Fiscal Agent shall credit to the Loan Payment Fund the amount of such deficiency by charging the following funds and accounts in the following order of priority: (i) the Revenue Fund; and (ii) the Loan Prepayment Fund, except no such charge to the Loan Prepayment Fund shall be made from money to be used to effect a prepayment for which notice of prepayment has been provided for hereunder.

4.04 Application of Loan Payment Fund. Subject to Section 2.12 hereof, Fiscal Agent shall charge the Loan Payment Fund, on each Funding Loan Payment Date, an amount equal to the unpaid interest and principal due on the Funding Loan on such Funding Loan Payment Date as provided in Section 4.03(a) and (b), and shall cause the same to be applied to the payment of such interest and principal when due. Any money remaining in the Loan Payment Fund on any Funding Loan Payment Date after application as provided in the preceding sentence may, to the extent there shall exist any deficiency in the Loan Prepayment Fund to prepay the Funding Loan if called for prepayment on such Funding Loan Payment Date, be transferred to the Loan Prepayment Fund to be applied for such purpose. Any Investment Income on amounts on deposit in the Loan Payment Fund shall be deposited by Fiscal Agent upon receipt thereof in the Revenue Fund. No amount shall be charged against the Loan Payment Fund except as expressly provided in this Article IV and in Section 6.05 hereof.

4.05 Application of Loan Prepayment Fund. Any money credited to the Loan Prepayment Fund shall be applied as set forth in Sections 4.03(b) and 4.03(c) hereof; provided, however, that to the extent any money credited to the Loan Prepayment Fund is in excess of the amount necessary to effect the prepayments described in Sections 4.03(b) and 4.03(c) hereof it shall be applied to make up any deficiency in the Loan Payment Fund on any Funding Loan Payment Date, to the extent money then available in accordance with Section 4.03(d) hereof in the Revenue Fund is insufficient to make up such deficiency; provided that no money to be used to effect a prepayment for which a notice of prepayment has been provided shall be so transferred to the Loan Payment Fund. On or before each Funding Loan Payment Date, any Investment Income on amounts on deposit in the Loan Prepayment Fund shall be credited by Fiscal Agent to the Revenue Fund. No amount shall be charged against the Loan Prepayment Fund except as expressly provided in this Article IV and in Section 6.05 hereof.

4.06 Administration Fund.

- (a) Fiscal Agent shall deposit into the Administration Subaccount of the Administration Fund, promptly upon receipt thereof, all amounts received from Loan Servicer (or Borrower if no Loan Servicer exists for the Loans) designated for deposit into such subaccount, together with amounts transferred by Fiscal Agent from the Project Loan Fund for deposit into the Administration Fund pursuant to Section 4.02(c). Amounts in the Administration Subaccount shall be withdrawn or maintained, as appropriate, by Fiscal Agent and used:

FIRST, to pay to Fiscal Agent when due the Fiscal Agent's Ordinary Fees and Expenses;

SECOND, to pay when due the reasonable fees and expenses of a Rebate Analyst in connection with the computations relating to arbitrage rebate required under this Funding Loan Agreement and the Project Loan Agreement, upon receipt of an invoice from Rebate Analyst;

THIRD, to pay to Fiscal Agent any Fiscal Agent's Extraordinary Fees and Expenses due and payable from time to time, as set forth in an invoice submitted to Borrower and Loan Servicer;

FOURTH, to pay to Governmental Lender any extraordinary expenses it may incur in connection with the Loans or this Funding Loan Agreement from time to time, as set forth in an invoice submitted to Fiscal Agent and Loan Servicer;

FIFTH, to pay to Funding Lender Representative any unpaid amounts due under the Continuing Covenant Agreement, as certified in writing by Funding Lender Representative to Fiscal Agent;

SIXTH, to make up any deficiency in the Loan Prepayment Fund on any prepayment date of the Funding Loan, to the extent money then available in accordance with Section 4.03(d) hereof in the Loan Prepayment Fund is insufficient to prepay the Funding Loan scheduled for prepayment on such prepayment date; and

SEVENTH, to transfer any remaining balance after application as aforesaid to the Revenue Fund.

In the event that the amounts on deposit in the Administration Subaccount are not equal to the amounts payable from the Administration Subaccount as provided in the preceding paragraph on any date on which such amounts are due and payable, Fiscal Agent shall give notice to Borrower and Loan Servicer of such deficiency and of the amount of such deficiency and request payment within two (2) Business Days to Fiscal Agent of the amount of such deficiency. Upon payment by Borrower or Loan Servicer of such deficiency, the amounts for which such deficiency was requested shall be paid by Fiscal Agent. On or before each Funding Loan Payment Date, any Investment Income on amounts on deposit in the Administration Subaccount not needed to pay the foregoing amounts shall be credited by Fiscal Agent to the Revenue Fund. No amount shall be charged against the Administration Subaccount except as expressly provided in this Article IV and Section 6.05 hereof.

- (b) Fiscal Agent shall deposit into the Governmental Lender Fee Subaccount of the Administration Fund, promptly upon receipt thereof, all amounts received from Loan Servicer (or Borrower if no Loan Servicer exists for the Loans) designated for deposit into such subaccount. Amounts in the Governmental Lender Fee Subaccount shall be withdrawn to pay the Minimum Governmental Lender Fee to the Governmental Lender Fee upon each due date of the Governmental Lender Fee (as required under the Regulatory Agreement). In addition, the Fiscal Agent shall pay to the Governmental Lender, from amounts on deposit in the Governmental Lender Fee Subaccount, any amount specified in a written requisition of an Authorized Officer of the Governmental Lender in the form attached as Exhibit G hereof. Notwithstanding anything contained to the contrary herein, amounts held in the Governmental Lender Fee Subaccount shall not be invested. Any amounts remaining in the Governmental Lender Fee Subaccount (after payment in accordance with the foregoing provisions of this paragraph (b)) upon payoff of the Governmental Note and discharge of the lien of this Funding Loan Agreement in accordance with Article IX hereof shall be returned to the Borrower unless otherwise directed in writing by the Governmental Lender at such time.

4.07 Investment of Funds. The money held by Fiscal Agent shall constitute trust funds for the purposes hereof. Any money attributable to each of the funds and accounts hereunder shall be, except as otherwise expressly provided herein, invested by Fiscal Agent, at the written direction of Borrower (or, in the case of the Rebate Fund, as provided in Section 5.07(b)), in Qualified Investments which mature or shall be subject to prepayment or withdrawal at par without penalty on or prior to the earlier of (a) six (6) months from the date of investment and (b) the date such money is needed; provided, that if Fiscal Agent

shall have entered into any investment agreement requiring investment of money in any fund or account hereunder in accordance with such investment agreement and if such investment agreement constitutes a Qualified Investment, such money shall be invested in accordance with such requirements. Such investments may be made through the investment or securities department of Fiscal Agent. Fiscal Agent may purchase from or sell to itself or an affiliate, as principal or agent, securities herein authorized and, in such capacity, Fiscal Agent or such affiliate may charge its ordinary and customary fees for such trades, including account maintenance fees, which fees, for purposes of this Funding Loan Agreement, shall be treated as Fiscal Agent's Extraordinary Fees and Expenses. Fiscal Agent shall be entitled to assume, absent receipt by Fiscal Agent of written notice to the contrary, that any investment which at the time of purchase is a Qualified Investment remains a Qualified Investment thereafter. In no event shall Fiscal Agent be required to provide supervision, recommendations, or advice with respect to any investment. In the absence of written direction from Borrower, Fiscal Agent shall hold amounts on deposit in the funds and accounts established under this Funding Loan Agreement uninvested.

Qualified Investments representing an investment of money attributable to any fund or account shall be deemed at all times to be a part of said fund or account, and, except as otherwise may be provided expressly in other Sections hereof, the interest thereon and any profit arising on the sale thereof shall be credited to the Revenue Fund, and any loss resulting on the sale thereof shall be charged against the Revenue Fund. Such investments shall be sold at the current market price obtainable (but not less than par) whenever it shall be necessary to do so in order to provide money to make any transfer, withdrawal, payment or disbursement from said fund or account. In the case of any required transfer of money to another such fund or account, such investments may be transferred to that fund or account in lieu of the required money if permitted hereby as an investment of money in that fund or account. Fiscal Agent shall not be liable or responsible for any loss resulting from any investment made in accordance herewith.

Governmental Lender acknowledges that to the extent that regulations of the Office of the Comptroller of the Currency or other applicable regulatory agency grant Governmental Lender the right to receive brokerage confirmations of the security transactions as they occur, to the extent permitted by law, Governmental Lender specifically waives compliance with 12 C.F.R. 12 and hereby notifies Fiscal Agent hereunder, that no brokerage confirmations need be sent relating to the security transactions as they occur.

In computing for any purpose hereunder the amount in any fund or account on any date, obligations so purchased shall be valued at Fair Market Value.

- 4.08 Accounting Records.** Fiscal Agent shall maintain accurate books and records for all funds and accounts established hereunder.
- 4.09 Amounts Remaining in Funds.** After full payment of the Funding Loan (or provision for payment thereof having been made in accordance with Section 9.01 hereof) and full payment of the fees, charges and expenses of Governmental Lender, Fiscal Agent, Rebate Analyst, Funding Lender and Loan Servicer and other amounts required to be paid hereunder or under any of the Project Loan Documents, including, but not limited to, the Continuing Covenant Agreement (as certified in writing to Fiscal Agent by Governmental Lender with respect to amounts due to Governmental Lender and by Funding Lender Representative or Loan Servicer on its behalf with respect to amounts owed under the Continuing Covenant Agreement and by Rebate Analyst with respect to amounts due to Rebate Analyst), any amounts remaining in any fund or account hereunder other than the Rebate Fund shall be paid to Borrower.
- 4.10 Rebate Fund; Compliance with Tax Certificate.** The Rebate Fund shall be established by Fiscal Agent and held and applied as provided in this Section 4.10. On any date on which any amounts are required by applicable federal tax law to be rebated to the federal government, amounts shall be deposited into the Rebate Fund by Borrower for such purpose. All money at any time deposited in the Rebate Fund shall be held by Fiscal Agent in trust, to the extent required to satisfy the rebate requirement (as set forth in the Tax Certificate) and as calculated by Rebate Analyst, for payment to the government of the United States of America, and neither Governmental Lender, Borrower nor Funding Lender shall have any rights in or

claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section 4.10 and by the Tax Certificate. Fiscal Agent shall conclusively be deemed to have complied with such provisions if it follows the written instructions of Governmental Lender, Bond Counsel or Rebate Analyst, including supplying all necessary information in the manner set forth in the Tax Certificate, and shall not be required to take any actions under the Tax Certificate in the absence of written instructions from Governmental Lender, Bond Counsel or Rebate Analyst.

Within 55 days of the end of each fifth Rebate Year, Borrower shall cause Rebate Analyst to calculate the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code)), for this purpose treating the last day of the applicable Rebate Year as a (computation) date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “**Rebatable Arbitrage**”). Pursuant to Section 2.04 of the Project Loan Agreement, Borrower shall cause Rebate Analyst to provide such calculations to Fiscal Agent and Governmental Lender. In the event that Borrower fails to provide such information to Fiscal Agent and Governmental Lender within 55 days of the end of each fifth Rebate Year, Fiscal Agent, at the expense of Borrower, shall select Rebate Analyst, with the prior written approval of Governmental Lender, and shall cause Rebate Analyst to calculate the amount of rebatable arbitrage as required herein.

Within 55 days of the end of each fifth Rebate Year, upon the written direction of Governmental Lender, Bond Counsel or Rebate Analyst, an amount shall be deposited to the Rebate Fund by Fiscal Agent from amounts provided by Borrower, if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with the preceding paragraph.

Fiscal Agent shall pay, as directed by Governmental Lender, Bond Counsel or Rebate Analyst, to the United States Department of the Treasury, out of amounts in the Rebate Fund:

- (a) Not later than 60 days after the end of (i) the fifth Rebate Year and (ii) each applicable fifth Rebate Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Rebate Year; and
- (b) Not later than 60 days after the payment in whole of the Funding Loan, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Rebate Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

Each payment required to be made under this Section 4.10 shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 (or such other address provided in such direction), on or before the date on which such payment is due and shall be accompanied by Internal Revenue Service Form 8038 T, which shall be prepared by Rebate Analyst and provided to Fiscal Agent.

Notwithstanding any provision of this Funding Loan Agreement to the contrary, the obligation to remit payment of the Rebatable Arbitrage to the United States of America and to comply with all other requirements of Sections 2.04 and 4.03 of the Project Loan Agreement and this Section 4.10, and the requirements of the Tax Certificate shall survive the defeasance or payment in full of the Funding Loan.

Any funds remaining in the Rebate Fund after payment in full of the Funding Loan and payment and satisfaction of any rebate requirement, or provision made therefor satisfactory to Fiscal Agent, shall be withdrawn and remitted to Borrower.

Fiscal Agent shall obtain and keep such records of the computations made pursuant to this Section 4.10 as are required under Section 148(f) of the Code to the extent furnished to Fiscal Agent. Borrower shall or shall cause Rebate Analyst to provide to Governmental Lender and Fiscal Agent copies of all rebate computations made pursuant to this Section 4.10. Fiscal Agent shall keep and make available to Borrower such records concerning the investments of the gross proceeds of the Funding Loan and the

investments of earnings from those investments made by Fiscal Agent as may be requested by Borrower in order to enable Borrower to cause Rebate Analyst to make the aforesaid computations as are required under Section 148(f) of the Code.

Notwithstanding the foregoing, the computations and payments of Rebateable Arbitrage need not be made to the extent that neither Governmental Lender nor 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 of interest on the Series D-1 Governmental Note from the gross income of the holders thereof for federal income tax purposes, a copy of which shall be provided to Fiscal Agent and Funding Lender Representative, at the expense of Borrower.

- 4.11 Costs of Issuance Fund.** Fiscal Agent shall use the Costs of Issuance Deposit to pay the fee of the California Debt and Investment Advisory Committee upon receipt of the invoice thereof. Amounts remaining on deposit in the Costs of Issuance Fund six (6) months after the Delivery Date shall be transferred to Borrower. Upon such final disbursement, Fiscal Agent shall close the Costs of Issuance Fund.
- 4.12 Reports from Fiscal Agent.** Fiscal Agent shall, on or before the fifteenth (15th) day of each month, file with Funding Lender Representative, Loan Servicer, Governmental Lender (at its written request) and Borrower a statement setting forth in respect of the preceding calendar month all of the following:
- (a) The amount withdrawn or transferred by it, and the amount deposited within or on account of each fund and account held by it under the provisions of this Funding Loan Agreement, including the amount of investment income on each fund and account.
 - (b) The amount on deposit with it at the end of such month to the credit of each fund and account.
 - (c) A brief description of all obligations held by it as an investment of money in each such fund and account.
 - (d) Any other information which Funding Lender Representative or Governmental Lender may reasonably request and to which Fiscal Agent has access in the ordinary course of its operations.

Upon the written request of Funding Lender, Fiscal Agent, at the cost of Borrower, shall provide a copy of such statement to Funding Lender. All records and files pertaining to the Pledged Security shall be open at all reasonable times to the inspection of Governmental Lender and Funding Lender Representative or Loan Servicer and their agents and representatives upon reasonable prior notice during normal business hours.

ARTICLE V GENERAL COVENANTS AND REPRESENTATIONS.

- 5.01 Payment of Principal and Interest.** Governmental Lender covenants that it will promptly pay or cause to be paid, but only from the sources identified herein, sufficient amounts to provide for the payment of the principal of, Prepayment Premium, if any, and interest on the Funding Loan at the place, on the dates and in the manner provided herein and in the Governmental Note, according to the true intent and meaning thereof.
- 5.02 Performance of Covenants.** Governmental Lender covenants that it will faithfully perform at all times any and all of its covenants, undertakings, stipulations and provisions contained in this Funding Loan Agreement, in the Governmental Note and in all proceedings pertaining thereto.
- 5.03 Instruments of Further Assurance.** Governmental Lender covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such supplements hereto, and such further acts, instruments and transfers as may be reasonably required for the better assuring, transferring, conveying, pledging, assigning and confirming unto Fiscal Agent all and singular its

interest in the property herein described and the revenues, receipts and other amounts pledged hereby to the payment of the principal of, Prepayment Premium, if any, and interest on the Funding Loan. Any and all interest in property hereafter acquired which is of any kind or nature herein provided to be and become subject to the lien hereof shall and without any further conveyance, assignment or act on the part of Governmental Lender or Fiscal Agent, become and be subject to the lien of this Funding Loan Agreement as fully and completely as though specifically described herein, but nothing in this sentence shall be deemed to modify or change the obligations of Governmental Lender under this Section 5.03.

Governmental Lender covenants and agrees that, except as herein otherwise expressly provided, it has not and will not sell, convey, mortgage, encumber or otherwise dispose of any part of its interest in the Pledged Security or the revenues or receipts therefrom.

Governmental Lender will promptly notify Fiscal Agent, Funding Lender Representative and Loan Servicer in writing of the occurrence of any of the following:

- (a) The submission of any claim or the initiation of any legal process, litigation or administrative or judicial investigation against Governmental Lender with respect to the Loans.
- (b) Any change in the location of Governmental Lender's principal office or any change in the location of Governmental Lender's books and records relating to the transactions contemplated hereby.
- (c) The occurrence of any default or Event of Default of which Governmental Lender has actual knowledge.
- (d) The commencement of any proceedings or any proceedings instituted by or against Governmental Lender in any federal, state or local court or before any governmental body or agency, or before any arbitration board, relating to the Notes.
- (e) The commencement of any proceedings by or against Governmental Lender under any applicable bankruptcy, reorganization, liquidation, rehabilitation, insolvency or other similar law now or hereafter in effect or of any proceeding in which a receiver, liquidator, conservator, trustee or similar official shall have been, or may be, appointed or requested for Governmental Lender or any of its assets relating to the Loans.

5.04 Inspection of Project Books. Governmental Lender covenants and agrees that all books and documents in its possession relating to the Project shall, upon reasonable prior notice, during normal business hours, be open to inspection and copying by such accountants or other agents as Fiscal Agent or Funding Lender Representative may from time to time reasonably designate.

5.05 No Modification of Security; Additional Indebtedness. Governmental Lender covenants to and for the benefit of Funding Lender that it will not, without the prior written consent of Funding Lender Representative, take any of the following actions:

- (a) Alter, modify or cancel, or agree to consent to alter, modify or cancel any agreement to which Governmental Lender is a party, or which has been assigned to Governmental Lender, and which relates to or affects the security for the Loans or the payment of any amount owed under the Financing Documents; or
- (b) Create or suffer to be created any lien upon the Pledged Security or any part thereof other than the lien created hereby and by the Security Instrument.

5.06 Damage, Destruction or Condemnation. Net Proceeds resulting from casualty to or condemnation of the Project shall be applied as provided in the Continuing Covenant Agreement and, to the extent consistent therewith, Section 3.01(b)(i) hereof.

5.07 Tax Covenants.

- (a) Governmental Lender's Covenants. Governmental Lender covenants to and for the benefit of Funding Lender that it will:
- (i) Neither make or use nor cause to be made or used any investment or other use of the proceeds of the Funding Loan or the money and investments held in the funds and accounts in any manner which would cause the Series D-1 Governmental Note to be an "arbitrage bond" under Section 148 of the Code and the regulations issued under Section 148 of the Code (the "**Treasury Regulations**") or which would otherwise cause the interest payable on the Series D-1 Governmental Note to be includable in the gross income of the holders thereof for federal income tax purposes;
 - (ii) Enforce or cause to be enforced all obligations of Borrower under the TEL Regulatory Agreement in accordance with its terms and seek to cause Borrower to correct any violation of the TEL Regulatory Agreement within a reasonable period after it first discovers or becomes aware of any such violation;
 - (iii) Not take or cause to be taken any other action or actions, or fail to take any action or actions, if the same would cause the interest payable on the Series D-1 Governmental Note to be includable in the gross income of the holders thereof for federal income tax purposes;
 - (iv) At all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by Governmental Lender on the Funding Loan will be excluded from the gross income of the holders thereof for federal income tax purposes pursuant to the Code, except in the event where Funding Lender is a "substantial user" of the facilities financed with the Loans or a "related person" within the meaning of the Code; and
 - (v) Not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series D-1 Governmental Note to be "federally guaranteed" within the meaning of Section 149(b) of the Code and the regulations issued under Section 149 of the Code.

In furtherance of the covenants in this Section 5.07, Governmental Lender and Borrower shall execute, deliver and comply with the provisions of the Tax Certificate, which is 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. By its acceptance of this Funding Loan Agreement Fiscal Agent acknowledges receipt of the Tax Certificate and acknowledges its incorporation into this Funding Loan Agreement by this reference and agrees to comply with the terms specifically applicable.

- (b) Fiscal Agent's Covenants. Fiscal Agent agrees that it will invest funds held under this Funding Loan Agreement in accordance with the covenants and terms of this Funding Loan Agreement and the Tax Certificate. This covenant shall extend through the term of the Funding Loan to all funds and accounts created under this Funding Loan Agreement and all money on deposit to the credit of any such fund or account. Fiscal Agent covenants to and for the benefit of Funding Lender that, notwithstanding any other provisions of this Funding Loan Agreement or of any other Financing Document, it will not knowingly make or cause to be made any investment or other use of the money in the funds or accounts created hereunder which would cause the Series D-1 Governmental Note to be classified as an "arbitrage bond" within the meaning of Sections 103(b) and 148 of the Code or would cause the interest on the Series D-1 Governmental Note to be includable in the gross income of the holders thereof for federal income tax purposes; provided that Fiscal Agent shall be deemed to have complied with such requirements and shall have no liability to the extent it reasonably follows the written directions of Borrower, Governmental Lender, Funding Lender Representative, Bond Counsel or Rebate Analyst. This covenant shall

extend, throughout the term of the Funding Loan, to all funds created under this Funding Loan Agreement and all money on deposit to the credit of any such fund. Pursuant to this covenant, with respect to the investments of the funds and accounts under this Funding Loan Agreement, Fiscal Agent obligates itself to comply throughout the term of the Funding Loan with the requirements of Sections 103(b) and 148 of the Code; provided that Fiscal Agent shall be deemed to have complied with such requirements and shall have no liability to the extent it reasonably follows the written directions of Borrower, Governmental Lender, Bond Counsel or Rebate Analyst. Fiscal Agent further covenants that should Governmental Lender or Borrower file with Fiscal Agent (it being understood that neither Governmental Lender nor Borrower has an obligation to so file), or should Fiscal Agent receive, an opinion of Bond Counsel to the effect that any proposed investment or other use of proceeds of the Funding Loan would cause the Series D-1 Governmental Note to become an "arbitrage bond," then Fiscal Agent will comply with any written instructions of Governmental Lender, Borrower, Funding Lender Representative or Bond Counsel regarding such investment (which shall, in any event, be a Qualified Investment) or use so as to prevent the Series D-1 Governmental Note from becoming an "arbitrage bond," and Fiscal Agent will bear no liability to Governmental Lender, Borrower, Funding Lender or Funding Lender Representative for investments made in accordance with such instructions.

5.08 Representations and Warranties of Governmental Lender. Governmental Lender hereby represents and warrants as follows:

- (a) Governmental Lender is a public body corporate and politic, duly organized and existing under the Constitution and the laws of the State of California duly organized, validly existing and in good standing under the laws of the Property Jurisdiction.
- (b) Governmental Lender has all necessary power and authority to issue the Governmental Note and to execute and deliver this Funding Loan Agreement, the Project Loan Agreement and the other Financing Documents to which it is a party, and to perform its duties and discharge its obligations hereunder and thereunder.
- (c) The revenues and assets pledged for the repayment of the Funding Loan are and will be free and clear of any pledge, lien or encumbrance prior to, or equal with, the pledge created by this Funding Loan Agreement, and all action on the part of Governmental Lender to that end has been duly and validly taken.
- (d) The Financing Documents to which Governmental Lender is a party have been validly authorized, executed and delivered by Governmental Lender, and assuming due authorization, execution and delivery by the other parties thereto, constitute valid and binding obligations of Governmental Lender, enforceable against Governmental Lender in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium or other laws affecting creditors' rights generally and the application of equitable principles.

ARTICLE VI DEFAULT PROVISIONS AND REMEDIES OF FISCAL AGENT AND FUNDING LENDER.

6.01 Events of Default. The occurrence of any one or more of the following will constitute an Event of Default with respect to the Funding Loan under this Funding Loan Agreement:

- (a) Failure to pay the principal of, Prepayment Premium, if any, or interest on the Funding Loan when due, whether on a Funding Loan Payment Date, at the stated maturity thereof, by proceedings for prepayment thereof, by acceleration or otherwise.
- (b) Failure to observe the covenants set forth in Section 5.05 hereof.
- (c) Failure to observe or perform any of the covenants, agreements or conditions on the part of Governmental Lender (other than those set forth in Sections 5.01 and 5.05 hereof) set forth in this

Funding Loan Agreement or in the Governmental Note and the continuance thereof for a period of thirty (30) days (or such longer period, if any, as is specified herein for particular defaults) after written notice thereof to Governmental Lender from Fiscal Agent or Funding Lender Representative specifying such default and requiring the same to be remedied; provided that if such default cannot be cured within such thirty (30) day period through the exercise of diligence and Governmental Lender commences the required cure within such thirty (30) day period and continues the cure with diligence and Governmental Lender reasonably anticipates that the default could be cured within sixty (60) days, Governmental Lender shall have sixty (60) days following receipt of such notice to effect the cure.

- (d) Receipt by Fiscal Agent of written notice from Funding Lender Representative of the occurrence of an “Event of Default” under the Project Loan Agreement or the Continuing Covenant Agreement.

Fiscal Agent will promptly notify Governmental Lender, Loan Servicer, Funding Lender Representative and Borrower after a Responsible Officer obtains actual knowledge of the occurrence of an Event of Default or obtains actual knowledge of the occurrence of an event which would become an Event of Default with the passage of time or the giving of notice or both.

6.02 Acceleration; Other Remedies Upon Event of Default. Upon the occurrence of an Event of Default, Fiscal Agent shall, upon the written request of Funding Lender Representative, by notice in writing delivered to Governmental Lender and the Borrower, declare the principal of the Funding Loan and the interest accrued thereon immediately due and payable, and interest shall continue to accrue thereon until such amounts are paid.

At any time after the Funding Loan shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered, Fiscal Agent may, but only if directed in writing by Funding Lender Representative, by written notice to Governmental Lender and Borrower, rescind and annul such declaration and its consequences if Governmental Lender or Borrower shall pay to or deposit with Fiscal Agent a sum sufficient to pay all principal on the Funding Loan then due (other than solely by reason of such declaration) and all unpaid installments of interest (if any) on the Funding Loan then due, with interest at the rate borne by the Funding Loan on such overdue principal and (to the extent legally enforceable) on such overdue installments of interest, and all of Fiscal Agent’s Extraordinary Fees and Expenses incurred to date shall have been made good or cured or adequate provision shall have been made therefor, and all outstanding amounts then due and unpaid under the Financing Documents (collectively, the “**Cure Amount**”) shall have been paid in full, and all other defaults hereunder shall have been made good or cured or waived in writing by Funding Lender Representative; but no such rescission and annulment shall extend to or shall affect any subsequent default, nor shall it impair or exhaust any right or power consequent thereon.

Upon the occurrence and during the continuance of an Event of Default, Fiscal Agent in its own name and as trustee of an express trust, on behalf and for the benefit and protection of Funding Lender, may also proceed to protect and enforce any rights of Fiscal Agent and, to the full extent that Funding Lender itself might do, the rights of Funding Lender under the laws of the Property Jurisdiction or under this Funding Loan Agreement by such of the following remedies as Fiscal Agent shall deem most effectual to protect and enforce such rights; provided that, Fiscal Agent may undertake any such remedy only upon the receipt of the prior written consent of Funding Lender Representative (which consent may be given in the sole discretion of Funding Lender Representative):

- (a) By mandamus or other suit, action or proceeding at law or in equity, to enforce the payment of the principal of, Prepayment Premium, if any, or interest on the Funding Loan and to require Governmental Lender to carry out any covenants or agreements with or for the benefit of Funding Lender and to perform its duties under the Act, this Funding Loan Agreement, the Project Loan Agreement or the TEL Regulatory Agreement (as applicable) to the extent permitted under the applicable provisions thereof.

- (b) By pursuing any available remedies under the Project Loan Agreement, the TEL Regulatory Agreement or any other Financing Document.
- (c) By realizing or causing to be realized through sale or otherwise upon the Pledged Security.
- (d) By action or suit in equity enjoin any acts or things that may be unlawful or in violation of the rights of Funding Lender and execute any other papers and documents and do and perform any and all such acts and things as may be necessary or advisable in the opinion of Fiscal Agent in order to have the claim of Funding Lender against Governmental Lender allowed in any bankruptcy or other proceeding.

No remedy by the terms of this Funding Loan Agreement conferred upon or reserved to Fiscal Agent or to Funding Lender is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to Fiscal Agent or Funding Lender hereunder or under the Project Loan Agreement, the TEL Regulatory Agreement, the Continuing Covenant Agreement or any other Financing Document, as applicable, or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. No waiver of any Event of Default hereunder, whether by Fiscal Agent or Funding Lender, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

- 6.03 Funding Lender Representative Control of Proceedings.** Notwithstanding anything to the contrary herein, Funding Lender Representative shall have the sole and exclusive right at any time to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Funding Loan Agreement, or for the appointment of a receiver or any other proceedings hereunder, in accordance with the provisions of law and of this Funding Loan Agreement. In addition, Funding Lender Representative shall have the sole and exclusive right at any time to directly enforce all rights and remedies hereunder and under the other Financing Documents with or without the involvement of Fiscal Agent or Governmental Lender (and in connection therewith Fiscal Agent shall transfer or assign to Funding Lender Representative all of its interest in the Pledged Security at the request of Funding Lender Representative). In no event shall the exercise of any of the foregoing rights result in an acceleration of the Funding Loan without the express direction of Funding Lender Representative.
- 6.04 Waiver by Governmental Lender.** Upon the occurrence of an Event of Default, to the extent that such right may then lawfully be waived, neither Governmental Lender nor anyone claiming through or under it shall set up, claim or seek to take advantage of any appraisal, valuation, stay, extension or prepayment laws now or hereinafter in force, in order to prevent or hinder the enforcement of this Funding Loan Agreement. Governmental Lender, for itself and all who may claim through or under it, hereby waives, to the extent that it lawfully may do so, the benefit of all such laws and all right of appraisement and prepayment to which it may be entitled under the laws of the Property Jurisdiction and the United States of America.
- 6.05 Application of Money After Default.** All money collected by Fiscal Agent at any time pursuant to this Article VI shall, except to the extent, if any, otherwise directed by a court of competent jurisdiction, be credited by Fiscal Agent to the Revenue Fund. Such money so credited to the Revenue Fund and all other money from time to time credited to the Revenue Fund shall at all times be held, transferred, withdrawn and applied as prescribed by the provisions of Article IV hereof and this Section 6.05.

In the event that at any time the money credited to the Revenue Fund, the Loan Payment Fund and the Loan Prepayment Fund available for the payment of interest or principal then due with respect to the Governmental Note shall be insufficient for such payment, such money shall be applied as follows and in the following order of priority:

- (a) For payment of all amounts due to Fiscal Agent incurred in performance of its duties under this Funding Loan Agreement, including, without limitation, the payment of all of Fiscal Agent's Extraordinary Fees and Expenses incurred in exercising any remedies under this Funding Loan Agreement.
- (b) To the extent directed in writing by Funding Lender Representative, to the reimbursement of any unreimbursed advances made by or on behalf of Funding Lender pursuant to the Continuing Covenant Agreement or the Security Instrument.
- (c) Unless the full principal amount of the Funding Loan shall have become or have been declared due and payable:

FIRST, to Funding Lender, all installments of interest then due on the Funding Loan in the order of the maturity of such installments; and

SECOND, to Funding Lender, unpaid principal of and Prepayment Premium, if any, on the Funding Loan which shall have become due, whether at maturity or by call for prepayment, in the order in which they became due and payable.

- (d) If the full principal amount of the Governmental Note shall have become or have been declared due and payable, to Funding Lender for the payment of the principal of, Prepayment Premium, if any, and interest then due and unpaid on the Funding Loan without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest.

6.06 Remedies Not Exclusive. No right or remedy conferred upon or reserved to Fiscal Agent, Funding Lender or Funding Lender Representative by the terms of this Funding Loan Agreement is intended to be exclusive of any other right or remedy, but each and every such remedy shall be cumulative and shall be in addition to every other right or remedy given to Fiscal Agent, Funding Lender or Funding Lender Representative under this Funding Loan Agreement or existing at law or in equity or by statute (including the Act).

6.07 Fiscal Agent May Enforce Rights Without Governmental Note. All rights of action and claims, including the right to file proof of claims, under this Funding Loan Agreement may be prosecuted and enforced by Fiscal Agent at the written direction of Funding Lender Representative without the possession of the Governmental Note or the production thereof in any trial or other proceedings relating thereto. Subject to the rights of Funding Lender Representative to direct proceedings hereunder, any such suit or proceeding instituted by Fiscal Agent shall be brought in its name as Fiscal Agent without the necessity of joining as plaintiffs or defendants any Funding Lender, and any recovery or judgment shall be for the benefit as provided herein of Funding Lender.

6.08 Termination of Proceedings. In case Fiscal Agent (at the direction of Funding Lender Representative) or Funding Lender Representative shall have proceeded to enforce any right under this Funding Loan Agreement by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case Governmental Lender, Fiscal Agent, Funding Lender Representative, Borrower and Funding Lender shall be restored to their former positions and rights hereunder with respect to the Pledged Security herein conveyed, and all rights, remedies and powers of Fiscal Agent and Funding Lender Representative shall continue as if no such proceedings had been taken.

6.09 Waivers of Events of Default. Fiscal Agent shall waive any Event of Default hereunder and its consequences and rescind any declaration of maturity of principal of and interest on the Funding Loan upon the written direction of Funding Lender Representative. In case of any such waiver or rescission, or in case any proceeding taken by Fiscal Agent on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case Governmental Lender, Fiscal Agent, Borrower, Loan Servicer, Funding Lender Representative and Funding Lender shall be

restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereto.

6.10 Interest on Unpaid Amounts and Default Rate for Nonpayment. In the event that principal of or interest payable on the Funding Loan is not paid when due, there shall be payable on the amount not timely paid, on each Funding Loan Payment Date, interest at the Default Rate, to the extent permitted by law. Interest on the Funding Loan shall accrue at the Default Rate until the unpaid amount, together with interest thereon, shall have been paid in full.

6.11 Assignment of Project Loan; Remedies Under the Project Loan.

- (a) Funding Lender Representative shall have the right, with respect to the Project Loan, in its sole and absolute discretion, without directing Fiscal Agent to effect an acceleration of the Funding Loan, to instruct Fiscal Agent in writing to assign the Project Note, the Security Instrument and the other Project Loan Documents to Funding Lender Representative, in which event Fiscal Agent shall do all of the following:
 - (i) Endorse and deliver the Project Note to Funding Lender Representative and assign (in recordable form) the Security Instrument.
 - (ii) Execute and deliver to Funding Lender Representative all documents prepared by Funding Lender Representative necessary to assign (in recordable form) all other Project Loan Documents to Funding Lender Representative.
 - (iii) Execute all such documents prepared by Funding Lender Representative as are necessary to legally and validly effectuate the assignments provided for in the preceding clauses (i) and (ii).
- (b) Fiscal Agent's assignments to Funding Lender Representative pursuant to this Section 6.11 shall be without recourse or warranty except that Fiscal Agent shall represent and warrant in connection therewith:
 - (i) That Fiscal Agent has not previously endorsed or assigned any such documents or instruments and
 - (ii) That Fiscal Agent has the corporate authority to endorse and assign such documents and instruments and such endorsements and assignments have been duly authorized.
- (c) Funding Lender Representative shall have the right, in its own name or on behalf of Governmental Lender or Fiscal Agent, to declare any default and exercise any remedies under the Project Loan Agreement, the Project Note or the Security Instrument, whether or not the Governmental Note have been accelerated or declared due and payable by reason of an Event of Default or the occurrence of a mandatory prepayment.

6.12 Substitution. Upon receipt of written notice from Funding Lender Representative and the approval of Governmental Lender as and to the extent permitted under the TEL Regulatory Agreement, Fiscal Agent shall exchange the Series D-1 Project Note and the Security Instrument for a new Series D-1 Project Note and Security Instrument, evidencing and securing a new loan (the "**New Project Loan**"), which may be executed by a Person other than Borrower (the "**New Borrower**"), provided that if Fiscal Agent, Funding Lender or a nominee of Fiscal Agent or Funding Lender has acquired the Project through foreclosure, by accepting a deed in lieu of foreclosure or by comparable conversion of the Project, no approval from Governmental Lender of such exchange shall be required. Prior to accepting a New Project Loan, Fiscal Agent shall have received (i) written evidence that the New Borrower shall have executed and recorded a document substantially in the form of the TEL Regulatory Agreement (or executed and recorded an assumption of all of Borrower's obligations under the TEL Regulatory Agreement) and that the Project Loan Documents have been modified as necessary to be applicable to the New Project Loan,

and (ii) an opinion of Bond Counsel to the effect that such exchange and modification, in and of itself, will not adversely affect the exclusion of interest on the Series D-1 Governmental Note from the gross income of the holders thereof for federal income tax purposes.

ARTICLE VII CONCERNING FISCAL AGENT.

7.01 Standard of Care. Fiscal Agent, prior to an Event of Default as defined in Section 6.01 hereof and after the curing or waiver of all such events which may have occurred, shall perform such duties and only such duties as are specifically set forth in this Funding Loan Agreement and no implied covenants or obligations should be read into this Funding Loan Agreement against Fiscal Agent. Fiscal Agent, during the existence of any such Event of Default (which shall not have been cured or waived), shall exercise such rights and powers vested in it by this Funding Loan Agreement and use the same degree of care and skill in its exercise as a prudent Person would exercise or use under similar circumstances in the conduct of such Person's own affairs. For the avoidance of doubt, the permissive right of Fiscal Agent to do things enumerated in this Funding Loan Agreement or the Project Loan Agreement shall not be construed as a duty.

No provision of this Funding Loan Agreement shall be construed to relieve Fiscal Agent from liability for its breach of trust, own negligence or willful misconduct, except that:

- (a) Prior to an Event of Default hereunder, and after the curing or waiver of all such Events of Default which may have occurred:
 - (i) The duties and obligations of Fiscal Agent shall be determined solely by the express provisions of this Funding Loan Agreement, and Fiscal Agent shall not be liable except with regard to the performance of such duties and obligations as are specifically set forth in this Funding Loan Agreement; and
 - (ii) In the absence of bad faith on the part of Fiscal Agent, Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to Fiscal Agent by the Person or Persons authorized to furnish the same.
- (b) At all times, regardless of whether or not any such Event of Default shall exist:
 - (i) Fiscal Agent shall not be liable for any error of judgment made in good faith by an officer or employee of Fiscal Agent except for willful misconduct or negligence by the officer or employee of Fiscal Agent as the case may be; and
 - (ii) Fiscal Agent shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of Funding Lender Representative relating to the time, method and place of conducting any proceeding for any remedy available to Fiscal Agent, or exercising any trust or power conferred upon Fiscal Agent under this Funding Loan Agreement.

When Fiscal Agent incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

7.02 Reliance Upon Documents. Except as otherwise provided in Section 7.01 hereof:

- (a) Fiscal Agent may rely upon the authenticity or truth of the statements and the correctness of the opinions expressed in, and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, notarial seal, stamp, acknowledgment, verification, request,

consent, order, bond, or other paper or document in good faith deemed by it to be genuine and correct and to have been signed or sent by the proper party or parties, including any Electronic Instruction and Notice as permitted hereunder or under the Project Loan Agreement.

- (b) Any notice, request, direction, election, order or demand of Governmental Lender mentioned herein shall be sufficiently evidenced by an instrument signed in the name of Governmental Lender by an Authorized Officer of Governmental Lender (unless other evidence in respect thereof be herein specifically prescribed), and any resolution of Governmental Lender may be evidenced to Fiscal Agent by a copy of such resolution duly certified by an Authorized Officer of Governmental Lender.
- (c) Any notice, request, certificate, statement, requisition, direction, election, order or demand of Borrower mentioned herein shall be sufficiently evidenced by an instrument purporting to be signed in the name of Borrower by any Authorized Officer of Borrower (unless other evidence in respect thereof be herein specifically prescribed), and any resolution or certification of Borrower may be evidenced to Fiscal Agent by a copy of such resolution duly certified by a secretary or other authorized representative of Borrower.
- (d) Any notice, request, certificate, statement, requisition, direction, election, order or demand of Loan Servicer mentioned herein shall be sufficiently evidenced by an instrument signed in the name of Loan Servicer by an Authorized Officer of Loan Servicer (unless other evidence in respect thereof be herein specifically prescribed).
- (e) Any notice, request, direction, election, order or demand of Funding Lender Representative mentioned herein shall be sufficiently evidenced by an instrument purporting to be signed in the name of Funding Lender Representative by any Authorized Officer of Funding Lender Representative (unless other evidence in respect thereof be herein specifically prescribed).
- (f) In the administration of the trusts of this Funding Loan Agreement:
 - (i) Fiscal Agent may execute any of the trusts or powers hereby granted directly or through its agents, custodians, nominees, receivers or attorneys appointed with due care, and
 - (ii) Fiscal Agent may consult with counsel (who may be counsel for Governmental Lender, Loan Servicer or Funding Lender Representative) concerning all matters of trusts hereof and duties hereunder, and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion of such counsel.
- (g) Whenever in the administration of the trusts of this Funding Loan Agreement, Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or permitting any action hereunder, such matters (unless other evidence in respect thereof be herein specifically prescribed), may in the absence of negligence or willful misconduct on the part of Fiscal Agent, be deemed to be conclusively proved and established by a certificate of an officer or authorized agent of Governmental Lender or Borrower and such certificate shall in the absence of bad faith on the part of Fiscal Agent be full warrant to Fiscal Agent for any action taken or permitted by it under the provisions of this Funding Loan Agreement, but in its discretion Fiscal Agent may in lieu thereof accept other evidence of such matter or may require such further or additional evidence as it may deem reasonable.
- (h) The recitals herein and in the Governmental Note (except Fiscal Agent's certificate of authentication thereon) shall not be considered as made by or imposing any obligation or liability upon Fiscal Agent. Fiscal Agent makes no representations as to the value or condition of the Pledged Security or any part thereof, or as to the title of Governmental Lender or Borrower to the Pledged Security, or as to the security of this Funding Loan Agreement, or of the Governmental

Note issued hereunder, and Fiscal Agent shall incur no liability or responsibility in respect of any of such matters.

- (i) Fiscal Agent shall not be personally liable for debts contracted or liability for damages incurred in the management or operation of the Pledged Security except for its own willful misconduct or negligence, and every provision of this Funding Loan Agreement relating to the conduct or affecting the liability of or affording protection to Fiscal Agent shall be subject to the provisions of this Section 7.02(i).
- (j) Fiscal Agent shall not be required to ascertain or inquire as to the performance or observance of any of the covenants or agreements (except to the extent they obligate Fiscal Agent) herein or in any contracts or securities assigned or conveyed to or pledged with Fiscal Agent hereunder, except Events of Default that are evident under Section 6.01(a) hereof. Fiscal Agent shall not be required to take notice or be deemed to have notice or actual knowledge of any default or Event of Default specified in Section 6.01 hereof (except defaults under Section 6.01(a) hereof to the extent they are collecting loan payments hereunder) unless Fiscal Agent shall receive from Governmental Lender or Funding Lender Representative written notice stating that a default or Event of Default has occurred and specifying the same, and in the absence of such notice Fiscal Agent may conclusively assume that there is no such default. Every provision contained in this Funding Loan Agreement or related instruments or in any such contract or security wherein the duty of Fiscal Agent depends on the occurrence and continuance of such default shall be subject to the provisions of this Section 7.02(j).
- (k) Fiscal Agent shall be under no duty to confirm or verify any financial or other statements or reports or certificates furnished pursuant to any provisions hereof, except to the extent such statement or reports are furnished by or under the direction of Fiscal Agent, and shall be under no other duty in respect of the same except to retain the same in its files and permit the inspection of the same at reasonable times by Funding Lender.
- (l) Fiscal Agent shall be under no obligation to exercise those rights or powers vested in it by this Funding Loan Agreement, other than such rights and powers which it shall be obliged to exercise in the ordinary course of acting as Fiscal Agent under the terms and provisions of this Funding Loan Agreement and as required by law, at the request or direction of Funding Lender Representative pursuant to Section 6.03 hereof, unless Funding Lender Representative shall have offered to Fiscal Agent security or indemnity satisfactory to Fiscal Agent against the costs, expenses and liabilities which might be incurred by it in the compliance with such request or direction.

None of the provisions contained in this Funding Loan Agreement shall require Fiscal Agent to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

Fiscal Agent is authorized and directed to execute, in its capacity as Fiscal Agent, the Project Loan Agreement and 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 delivery of the Governmental Note and no responsibility for compliance with any state or federal securities laws in connection with the Governmental Note. In acting or omitting to act pursuant to the Project Loan Agreement or any other documents executed in connection herewith, Fiscal Agent shall be entitled to all of the rights, immunities and indemnities accorded to it under this Funding Loan Agreement, including, but not limited to, this Article VII.

Fiscal Agent or any of its affiliates may act as advisor or sponsor with respect to any Qualified Investments.

Any resolution, certification, notice, request, direction, election, order or demand delivered to Fiscal Agent pursuant to this Section 7.02 shall remain in effect until Fiscal Agent receives written notice to the contrary from the party that delivered such instrument accompanied by revised information for such party.

Fiscal Agent shall have no responsibility for the value of any collateral or with respect to the perfection or priority of any security interest in any collateral except as otherwise provided in Section 7.15 hereof.

Notwithstanding anything contained herein or in the Security Instrument to the contrary, upon the occurrence and continuance of an Event of Default, before taking any foreclosure action or any action which may subject Fiscal Agent to liability under any environmental law, statute, regulation or similar requirement relating to the environment, Fiscal Agent may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such foreclosure or other action. Fiscal Agent shall not be required to take any action to foreclose or otherwise enforce the Security Instrument unless indemnified to its satisfaction and will not be required to foreclose if doing so will subject it to environmental liability or will require the approval of a governmental regulator that cannot be obtained.

- 7.03 Use of Proceeds.** Fiscal Agent shall not be accountable for the use or application of the Governmental Note authenticated or delivered hereunder or of the proceeds of the Funding Loan or any other moneys paid over by Fiscal Agent in accordance with the provisions of this Funding Loan Agreement except as provided herein.
- 7.04 Trust Imposed.** All money received by Fiscal Agent shall, until used or applied as herein provided, be held in trust for the purposes for which it was received.
- 7.05 Compensation of Fiscal Agent.** Fiscal Agent shall be entitled to its Fiscal Agent's Ordinary Fees and Expenses in connection with the services rendered by it in the execution of the trusts hereby created and in the exercise and performance of any of the powers and duties of Fiscal Agent hereunder or under any Financing Document to the extent money is available therefor, in accordance with Section 4.06 hereof, exclusive of Extraordinary Services. Fiscal Agent shall be entitled to Fiscal Agent's Extraordinary Fees and Expenses in connection with any Extraordinary Services performed consistent with the duties hereunder or under any of the Financing Documents; provided Fiscal Agent shall not perform any Extraordinary Services or incur any Fiscal Agent's Extraordinary Fees and Expenses without the consent of Funding Lender Representative. If any property, other than cash, shall at any time be held by Fiscal Agent subject to this Funding Loan Agreement, or any supplement hereto, as security for the Funding Loan, Fiscal Agent, if and to the extent authorized by a receivership, bankruptcy, or other court of competent jurisdiction or by the instrument subjecting such property to the provisions of this Funding Loan Agreement as such security for the Funding Loan, shall be entitled to make advances for the purpose of preserving such property or of discharging tax liens or other liens or encumbrances thereon. Payment to Fiscal Agent for its services and reimbursement to Fiscal Agent for its expenses, disbursements, liabilities and advances, shall be limited to the sources described in the Project Loan Agreement and in Sections 4.06, 4.09 and 6.05 hereof. Governmental Lender shall have no liability for Fiscal Agent's fees, costs or expenses. Subject to the provisions of Section 7.08 hereof, Fiscal Agent agrees that it shall continue to perform its duties hereunder and under the Financing Documents even in the event that money designated for payment of its fees shall be insufficient for such purposes or in the event that Borrower fails to pay the Fiscal Agent's Ordinary Fees and Expenses or, if applicable, the Fiscal Agent's Extraordinary Fees and Expenses as required by the Project Loan Agreement.

Borrower shall indemnify and hold harmless Fiscal Agent and its officers, directors, officials, employees, agents, receivers, attorneys, accountants, advisors, consultants and servants, past, present or future, from and against all of the following:

- (a) Any and all claims by or on behalf of any Person arising from any cause whatsoever in connection with this Funding Loan Agreement or transactions contemplated hereby, the Project, or the delivery of the Governmental Note or the Loans.
- (b) Any and all claims arising from any act or omission of Borrower or any of its agents, contractors, servants, employees or licensees in connection with the Project, or the delivery of the Governmental Note or the Loans.
- (c) All costs, reasonable counsel fees, expenses or liabilities incurred in connection with any such claim or proceeding brought thereon; except that Borrower shall not be required to indemnify any Person for damages caused by the gross negligence, willful misconduct or unlawful acts of such Person or which arise from events occurring after Borrower ceases to own the Project.

In the event that any action or proceeding is brought or claim made against Fiscal Agent, or any of its officers, directors, officials, employees, agents, receivers, attorneys, accountants, advisors, consultants or servants, with respect to which indemnity may be sought hereunder, Borrower, upon written notice thereof from the indemnified party, shall assume the investigation and defense thereof, including the employment of counsel and the payment of all expenses (except for matters attributable to the negligence or willful misconduct of such Person). The indemnified party shall have the right to approve a settlement to which it is a party and to employ separate counsel in any such action or proceedings and to participate in the investigation and defense thereof, and Borrower shall pay the reasonable fees and expenses of such separate counsel. The provisions of this Section 7.05 shall survive the termination of this Funding Loan Agreement.

7.06 Qualifications of Fiscal Agent. There shall at all times be a Fiscal Agent hereunder which shall be an association or a corporation organized and doing business under the laws of the United States of America or any state thereof, authorized under such laws to exercise corporate trust powers. Any successor Fiscal Agent shall have a combined capital and surplus of at least \$50,000,000 (or shall be a wholly-owned subsidiary of an association or corporation that has such combined capital and surplus), and be subject to supervision or examination by federal or state authority, or shall have been appointed by a court of competent jurisdiction pursuant to Section 7.10 hereof. If such association or corporation publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority referred to above, then for the purposes of this Section 7.06, the combined capital and surplus of such association or corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time Fiscal Agent shall cease to be eligible in accordance with the provisions of this Section 7.06 and another association or corporation is eligible, Fiscal Agent shall resign immediately in the manner and with the effect specified in Section 7.08 hereof.

7.07 Merger of Fiscal Agent. Any association or corporation into which Fiscal Agent may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any association or corporation resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party shall, ipso facto, be and become successor Fiscal Agent hereunder and vested with all the title to the whole property or Pledged Security and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instruments or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding, and shall also be and become successor Fiscal Agent in respect of the legal interest of Fiscal Agent in the Loans.

7.08 Resignation by Fiscal Agent. Fiscal Agent may at any time resign from the trusts hereby created by giving written notice to Governmental Lender, Borrower, Loan Servicer and Funding Lender Representative. Such notice to Governmental Lender, Borrower, Loan Servicer and Funding Lender Representative may be served personally or sent by certified mail or overnight delivery service. The resignation of Fiscal Agent shall not be effective until a successor Fiscal Agent has been appointed as provided herein and such successor Fiscal Agent shall have agreed in writing to be bound by the duties

and obligations of Fiscal Agent hereunder; provided, however, that after giving notice of resignation, Fiscal Agent may petition any court of competent jurisdiction for appointment of a temporary Fiscal Agent until a successor Fiscal Agent is appointed. The rights of Fiscal Agent to indemnity, compensation and reimbursement of fees and expenses shall survive Fiscal Agent's resignation as set forth herein and in Section 6.01(d) of the Project Loan Agreement.

7.09 Removal of Fiscal Agent. Fiscal Agent may be removed at any time, either with or without cause, with the consent of Funding Lender Representative (which consent of Funding Lender Representative shall not be unreasonably withheld), by a written instrument signed by Governmental Lender and delivered to Fiscal Agent, Loan Servicer and Borrower. Fiscal Agent may also be removed by a written instrument signed by Funding Lender Representative and delivered to Fiscal Agent, Loan Servicer, Governmental Lender and Borrower. In each case written notice of such removal shall be given to Loan Servicer, Borrower and to Funding Lender. Any such removal shall take effect on the day specified in such written instrument(s), but Fiscal Agent shall not be discharged from the trusts hereby created until a successor Fiscal Agent has been appointed and has accepted such appointment and has agreed in writing to be bound by the duties and obligations of Fiscal Agent hereunder. The rights of Fiscal Agent to indemnity, compensation and reimbursement of fees and expenses shall survive Fiscal Agent's removal as set forth herein and in Section 6.01(d) of the Project Loan Agreement.

7.10 Appointment of Successor Fiscal Agent.

- (a) In case at any time Fiscal Agent shall resign or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or shall be adjudged a bankrupt or insolvent, or if a receiver of Fiscal Agent or of its property shall be appointed, or if a public supervisory office shall take charge or control of Fiscal Agent or of its property or affairs, a vacancy shall forthwith and ipso facto be created in the office of such Fiscal Agent hereunder, and Governmental Lender, with the written consent of Funding Lender Representative, shall promptly appoint a successor Fiscal Agent. Any such appointment shall be made by a written instrument executed by an Authorized Officer of Governmental Lender. If Governmental Lender fails to appoint a successor Fiscal Agent within ten (10) days following receipt of notice of the resignation or removal of Fiscal Agent pursuant to Section 7.08 or Section 7.09 hereunder, as applicable, Funding Lender Representative may appoint a successor Fiscal Agent.
- (b) If, in a proper case, no appointment of a successor Fiscal Agent shall be made pursuant to subsection (a) of this Section 7.10 within sixty (60) days following delivery of all required notices of resignation given pursuant to Section 7.08 hereof or of removal of Fiscal Agent pursuant to Section 7.09 hereof, the retiring Fiscal Agent may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. The court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Fiscal Agent.

7.11 Concerning Any Successor Fiscal Agent. Every successor Fiscal Agent appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to Governmental Lender a written instrument accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the Pledged Security and the rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of Governmental Lender, Borrower or Funding Lender Representative, or of its successor, and upon payment of all amounts due such predecessor, including but not limited to fees and expenses of counsel, execute and deliver such instruments as may be appropriate to transfer to such successor Fiscal Agent all the Pledged Security and the rights, powers and trusts of such predecessor hereunder; and every predecessor Fiscal Agent shall deliver all securities and money held by it as Fiscal Agent hereunder to its successor. Should any instrument in writing from Governmental Lender be required by a successor Fiscal Agent for more fully and certainly vesting in such successor the Pledged Security and all rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by Governmental Lender. The resignation of any Fiscal Agent and the instrument or instruments removing any Fiscal Agent

and appointing a successor hereunder, together with all other instruments provided for in this Article VII, shall be filed and/or recorded by the successor Fiscal Agent in each recording office where this Funding Loan Agreement shall have been filed and/or recorded. Each successor Fiscal Agent shall mail notice by first class mail, postage prepaid, at least once within thirty (30) days of such appointment, to Funding Lender.

7.12 Successor Fiscal Agent. In the event of a change in the office of Fiscal Agent, the predecessor Fiscal Agent which shall have resigned or shall have been removed shall cease to be Fiscal Agent with respect to the Governmental Note, and the successor Fiscal Agent shall become such Fiscal Agent.

7.13 Appointment of Co-Fiscal Agent or Separate Fiscal Agent. It is the intent of Governmental Lender and Fiscal Agent that there shall be no violation of any law of any jurisdiction (including particularly the laws of the Property Jurisdiction) denying or restricting the right of banking corporations or associations to transact business as Fiscal Agent in such jurisdiction. It is recognized that in case of litigation under or connected with this Funding Loan Agreement, the Project Loan Agreement or any of the other Financing Documents, and, in particular, in case of the enforcement of any remedies on default, or in case 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 or therein granted to Fiscal Agent or hold title to the properties in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that Fiscal Agent, with the consent of Governmental Lender and Funding Lender Representative, appoint an additional individual or institution as a co-fiscal agent or separate fiscal agent.

In the event that Fiscal Agent appoints an additional individual or institution as a co-fiscal agent or separate fiscal agent, in the event of the incapacity or lack of authority of Fiscal Agent, by reason of any present or future law of any jurisdiction, to exercise any of the rights, powers, trusts and remedies granted to Fiscal Agent herein or to hold title to the Pledged Security or to take any other action that may be necessary or desirable in connection therewith, each and every remedy, power, right, obligation, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Funding Loan Agreement to be imposed upon, exercised by or vested in or conveyed to Fiscal Agent with respect thereto shall be imposed upon, exercisable by and vest in such separate fiscal agent or co-fiscal agent, but only to the extent necessary to enable such co-fiscal agent or separate fiscal agent to exercise such powers, rights, trusts and remedies, and every covenant and obligation necessary to the exercise thereof by such co-fiscal agent or separate fiscal agent shall run to and be enforceable by either of them, subject to the remaining provisions of this Section 7.13. Such co-fiscal agent or separate fiscal agent shall deliver an instrument in writing acknowledging and accepting its appointment hereunder to Governmental Lender and Fiscal Agent.

Should any instrument in writing from Governmental Lender be required by the co-fiscal agent or separate fiscal agent so appointed by Fiscal Agent for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by Governmental Lender, Fiscal Agent and Borrower. If Governmental Lender shall fail to deliver the same within thirty (30) days of such request, Fiscal Agent is hereby appointed attorney-in-fact for Governmental Lender to execute, acknowledge and deliver such instruments in Governmental Lender's name and stead. In case any co-fiscal agent or separate fiscal agent, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such co-fiscal agent or separate fiscal agent, so far as permitted by law, shall vest in and be exercised by Fiscal Agent until the appointment of a new Fiscal Agent or successor to such co-fiscal agent or separate fiscal agent.

Every co-fiscal agent or separate fiscal agent shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms, namely:

- (a) The Governmental Note shall be authenticated and delivered, and all rights, powers, trusts, duties and obligations by this Funding Loan Agreement conferred upon Fiscal Agent in respect of the

custody, control or management of money, papers, securities and other personal property shall be exercised solely by Fiscal Agent.

- (b) All rights, powers, trusts, duties and obligations conferred or imposed upon Fiscal Agent shall be conferred or imposed upon or exercised or performed by Fiscal Agent, or by Fiscal Agent and such co-fiscal agent, or separate fiscal agent jointly, as shall be provided in the instrument appointing such co-fiscal agent or separate fiscal agent, except to the extent that under the law of any jurisdiction in which any particular act or acts are to be performed Fiscal Agent shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-fiscal agent or separate fiscal agent.
- (c) Any request in writing by Fiscal Agent to any co-fiscal agent or separate fiscal agent to take or to refrain from taking any action hereunder shall be sufficient warrant for the taking or the refraining from taking of such action by such co-fiscal agent or separate fiscal agent.
- (d) Any co-fiscal agent or separate fiscal agent to the extent permitted by law shall delegate to Fiscal Agent the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.
- (e) Fiscal Agent at any time by an instrument in writing with the concurrence of Governmental Lender evidenced by a certified resolution may accept the resignation of or remove any co-fiscal agent or separate fiscal agent appointed under this Section 7.13 and in case an Event of Default shall have occurred and be continuing, Fiscal Agent shall have power to accept the resignation of or remove any such co-fiscal agent or separate fiscal agent without the concurrence of Governmental Lender, and upon the request of Fiscal Agent, Governmental Lender shall join with Fiscal Agent in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-fiscal agent or separate fiscal agent so resigned or removed may be appointed in the manner provided in this Section 7.13.
- (f) No Fiscal Agent or co-fiscal agent hereunder shall be personally liable by reason of any act or omission of any other Fiscal Agent hereunder.
- (g) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing executed by Funding Lender Representative and delivered to Fiscal Agent shall be deemed to have been delivered to each such co-fiscal agent or separate fiscal agent.
- (h) Any money, papers, securities or other items of personal property received by any such co-fiscal agent or separate fiscal agent hereunder shall forthwith, so far as may be permitted by law, be turned over to Fiscal Agent.

The total compensation of Fiscal Agent and any co-fiscal agent or separate fiscal agent shall be as, and may not exceed the amount, provided in Section 7.05 hereof.

7.14 Notice of Certain Events. Fiscal Agent shall give written notice to Governmental Lender, Loan Servicer and Funding Lender Representative of any failure by Borrower to comply with the terms of the TEL Regulatory Agreement or any Determination of Taxability of which a Responsible Officer has actual knowledge.

7.15 Filing of Financing Statements. Fiscal Agent shall, at the expense of Borrower, file or record or cause to be filed or recorded all continuation statements for financing statements that have been delivered to Fiscal Agent on which Fiscal Agent is named as a secured party or additional secured party for the purpose of continuing without lapse the effectiveness of those financing statements which have been filed on or approximately on the Delivery Date in connection with the security for the Funding Loan pursuant to the authority of the Uniform Commercial Code. Upon the filing of any such continuation statement Fiscal Agent shall immediately notify Governmental Lender, Borrower, Funding Lender Representative and

Loan Servicer that the same has been done. If direction is given by Loan Servicer or Funding Lender Representative, Fiscal Agent shall file all continuation statements in accordance with such directions.

Notwithstanding anything to the contrary contained herein, Fiscal Agent shall not be responsible for any initial filings of any financing statements or the information contained therein (including the exhibits thereto), the perfection of any such security interests, or the accuracy or sufficiency of any description of collateral in such initial filings or for filing any modifications or amendments to the initial filings required by any amendments to Article 9 of the Uniform Commercial Code and unless Fiscal Agent shall have been notified by Funding Lender that any such initial filing or description of collateral was or has become defective, Fiscal Agent shall be fully protected in relying on such initial filing and descriptions in filing any continuation statements or modifications thereto pursuant to this Section 7.15 and in filing any continuation statements in the same filing offices as the initial filings were made.

7.16 USA Patriot Act Requirements of Fiscal Agent. To help the government of the United States of America fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each Person who opens an account. For a non-individual Person such as a business entity, a charity, a trust, or other legal entity, Fiscal Agent may request documentation to verify such Person's formation and existence as a legal entity. Fiscal Agent may also request financial statements, licenses, identification and authorization documents from individuals claiming authority to represent such Person or other relevant documentation.

ARTICLE VIII AMENDMENTS OF CERTAIN DOCUMENTS.

8.01 Amendments to Funding Loan Agreement. Any of the terms of this Funding Loan Agreement and the Governmental Note may be amended or waived only by an instrument signed by Fiscal Agent and Governmental Lender, and with the prior written consent of Funding Lender Representative.

8.02 Amendments to Financing Documents Require Consent of Funding Lender Representative. Neither Governmental Lender nor Fiscal Agent shall consent to any amendment, change or modification of any Financing Document without the prior written consent of Funding Lender Representative. Fiscal Agent shall enter into such amendments to the Financing Documents as shall be directed by Funding Lender Representative, including entering into the amendments attached as exhibits to the Construction Phase Financing Agreement on the Conversion Date.

8.03 Opinion of Bond Counsel Required. No amendment to this Funding Loan Agreement, the Governmental Note, the Project Loan Agreement, the Project Note, the Security Instrument or the TEL Regulatory Agreement shall become effective unless and until all of the following have occurred:

- (a) Funding Lender Representative shall have consented to the same in writing in its sole discretion.
- (b) Funding Lender Representative, Governmental Lender and Fiscal Agent shall have received, at the expense of Borrower:
 - (i) An opinion of Bond Counsel to the effect that such amendment, change or modification will not, in and of itself, cause interest on the Series D-1 Governmental Note to be includable in the gross income of the holders thereof for federal income tax purposes, and
 - (ii) An opinion of counsel acceptable to Funding Lender Representative to the effect that any such proposed such amendment, change or modification is authorized and complies with the provisions of this Funding Loan Agreement and is a legal, valid and binding obligation of the parties thereto, subject to normal exceptions relating to bankruptcy, insolvency and equitable principles limitations.

ARTICLE IX SATISFACTION AND DISCHARGE OF FUNDING LOAN AGREEMENT.

9.01 Discharge of Lien.

- (a) These presents and the estates and rights hereby granted shall cease, determine and be void if Governmental Lender shall:
 - (i) Pay or cause to be paid to Funding Lender the principal, interest and Prepayment Premium, if any, to become due with respect to the Funding Loan at the times and in the manner stipulated herein and in the Governmental Note, in any one or more of the following ways:
 - (A) By the payment of all unpaid principal of (including Prepayment Premium, if any) and interest on the Funding Loan,
 - (B) After the Conversion Date and prior to the Window Period (or, if the Conversion Date does not occur, after the latest date on which Conversion was permitted to occur under the Construction Phase Financing Agreement), by the deposit to the account of Fiscal Agent, in trust, of money or securities in the necessary amount to pay the principal, Prepayment Premium and interest to the Maturity Date, or
 - (C) By the delivery of the Governmental Note by Funding Lender to Fiscal Agent for cancellation; and
 - (ii) Have paid all amounts due and owing under the other Financing Documents;
 - (iii) Have paid all fees and expenses of and any other amounts due to Fiscal Agent, Loan Servicer and Rebate Analyst; and
 - (iv) Keep, perform and observe all and singular the covenants and promises in the Governmental Note and in this Funding Loan Agreement expressed as to be kept, performed and observed by it or on its part.
- (b) Upon satisfaction of each of the requirements of Section 9.01(a), Fiscal Agent shall cancel and discharge the lien of this Funding Loan Agreement and execute and deliver to Governmental Lender such instruments in writing as shall be requisite to satisfy the lien hereof, and reconvey to Governmental Lender the estate hereby conveyed, and assign and deliver to Governmental Lender any interest in property at the time subject to the lien of this Funding Loan Agreement which may then be in its possession, except amounts held by Fiscal Agent for the payment of principal of, interest and Prepayment Premium, if any, on the Governmental Note, and the payment of any amounts owed to the United States of America pursuant to Section 4.10 hereof.
- (c) After the Conversion Date and prior to the Window Period (or, if the Conversion Date does not occur, after the latest date on which Conversion was permitted to occur under the Construction Phase Financing Agreement) and subject to the satisfaction of the conditions set forth in Section 4.04(c) of the Project Loan Agreement, the Governmental Note shall, as applicable, prior to their respective Maturity Dates, be deemed to have been paid within the meaning and with the effect expressed in Section 9.01(a) based on a deposit of moneys or securities with Fiscal Agent pursuant to Section 9.01(a)(i)(B) if, under circumstances which do not cause interest on the Series D-1 Governmental Note to become includable in the gross income of the holders thereof for federal income tax purposes, each of the following conditions shall have been fulfilled:
 - (i) There shall be on deposit with Fiscal Agent either money or noncallable and nonprepayable direct obligations of the United States of America (or other defeasance securities constituting Qualified Investments approved in writing by Funding Lender Representative) in an amount, together with anticipated earnings thereon (but not

including any reinvestment of such earnings), which will be sufficient to pay, when due, the principal and interest due and to become due on the Funding Loan up to and on the Maturity Date.

- (ii) Fiscal Agent shall have received a verification report of a firm of certified public accountants or financial analyst reasonably acceptable to Fiscal Agent and Funding Lender Representative as to the adequacy of the amounts or securities so deposited to fully pay the Funding Loan.
- (iii) Fiscal Agent and Funding Lender Representative shall have received a written opinion of nationally recognized counsel experienced in bankruptcy matters to the effect that if Borrower, any general partner, member or guarantor of Borrower, or Governmental Lender were to become a debtor in a proceeding under the Bankruptcy Code:
 - (A) Payment of such money to Funding Lender would not constitute a voidable preference under Section 547 of the Bankruptcy Code and
 - (B) The automatic stay provisions of Section 362(a) of the Bankruptcy Code would not prevent application of such money to the payment of the Funding Loan.
- (iv) Fiscal Agent and Funding Lender Representative shall have received an opinion of Bond Counsel to the effect that the defeasance of the Funding Loan is in accordance with the provisions of this Funding Loan Agreement and that such defeasance will not adversely affect the exclusion of interest on the Series D-1 Governmental Note from the gross income of the holders thereof for federal income tax purposes.
- (v) Fiscal Agent shall have received written confirmation that all fees, expenses or reimbursement of any advances due to Funding Lender and Loan Servicer under the Financing Documents have been fully paid.

9.02 Discharge of Liability on Funding Loan. Upon the deposit with Fiscal Agent, in trust, on or before the Maturity Date, of money or securities in the necessary amount (as provided in Section 9.01 above) to pay or prepay the Funding Loan (whether upon or prior to the Maturity Date or the prepayment date of the Funding Loan) provided that, if the Funding Loan is to be prepaid prior to the maturity thereof, notice of such prepayment shall have been given as provided in Article III or provision satisfactory to Fiscal Agent shall have been made for the giving of such notice, all liability of Governmental Lender in respect of the Funding Loan shall cease, terminate and be completely discharged, except only that thereafter Funding Lender shall be entitled to payment by Governmental Lender, and Governmental Lender shall remain liable for such payment, but only out of the money or securities deposited with Fiscal Agent as aforesaid for their payment, subject, however, to the provisions of Section 9.03 hereof.

9.03 Payment of Funding Loan After Discharge of Funding Loan Agreement. Notwithstanding any provisions of this Funding Loan Agreement, and subject to applicable unclaimed property laws of the Property Jurisdiction, any money deposited with Fiscal Agent or any paying agent in trust for the payment of the principal of, interest or Prepayment Premium on the Governmental Note remaining unclaimed for three years after the maturity or earlier payment date: to the extent permitted by applicable law, shall be paid to the Borrower, whereupon all liability of Governmental Lender and Fiscal Agent with respect to such money shall cease, and Funding Lender shall thereafter look solely to Borrower for payment of any amounts then due. All money held by Fiscal Agent and subject to this Section 9.03 shall be held uninvested and without liability for interest thereon.

ARTICLE X MISCELLANEOUS

10.01 Servicing of the Loans. Funding Lender Representative may appoint a Loan Servicer (which may be Funding Lender Representative if Funding Lender Representative elects to service the Loans) to service the Loans as provided in Section 3.02 of the Project Loan Agreement.

10.02 Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or to be implied from this Funding Loan Agreement or the Governmental Note is intended or shall be construed to give to any Person other than the Parties hereto, Funding Lender, Funding Lender Representative, Loan Servicer and Borrower, any legal or equitable right, remedy or claim under or in respect to this Funding Loan Agreement or any covenants, conditions and provisions hereof.

10.03 Construction of Conflicts; Severability.

- (a) Notwithstanding anything provided herein, or in any of the documents referred to herein, in the event that any contracts or other documents executed by Borrower or any other arrangements agreed to by Borrower in order to finance or refinance the Project with the proceeds of the Series D-1 Governmental Note are inconsistent with the Project Loan Documents, then the Project Loan Documents shall be controlling in all respects. If any provision of this Funding Loan Agreement shall be held or deemed to be, or shall in fact be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution, statute, rule of law or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.
- (b) The invalidity of any one or more phrases, sentences, clauses or sections in this Funding Loan Agreement contained, shall not affect the remaining portions of this Funding Loan Agreement, or any part thereof.

10.04 Notices.

- (a) Whenever in this Funding Loan Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Any notice, request, complaint, demand, communication or other paper required or permitted to be delivered to Governmental Lender, Fiscal Agent, Funding Lender Representative, Borrower or Loan Servicer shall be sufficiently given and shall be deemed given (unless another form of notice shall be specifically set forth herein) on the Business Day following the date on which such notice or other communication shall have been delivered to a national overnight delivery service (receipt of which to be evidenced by a signed receipt from such overnight delivery service) addressed to the appropriate party at the addresses set forth below or as may be required or permitted by this Funding Loan Agreement by Electronic Instruction and Notice. Governmental Lender, Fiscal Agent, Funding Lender Representative, Borrower or Loan Servicer may, by notice given as provided in this paragraph, designate any further or different address to which subsequent notices or other communication shall be sent.

Notice Addresses	
If to Governmental Lender:	San Diego Housing Commission/Housing Finance 1122 Broadway, Suite 300 San Diego, California 92101 Attention: Colin Miller Facsimile: (619) 578-7356

	<p><i>With a copy to (which copy shall not constitute notice to Authority):</i></p> <p>Office of the San Diego City Attorney 1200 Third Avenue, Suite 1620 San Diego, California 92101 Attention: Marguerite Middaugh Facsimile: (619) 236-7215</p> <p>Jones Hall, A Professional Law Corporation 475 Sansome Street, Suite 1700 San Francisco, California 94111 Attention: Josh D. Anzel, Esq. Facsimile: (415) 276-2088</p>
If to Fiscal Agent:	<p>U.S. Bank Trust Company, National Association 633 W. Fifth Street, 24th Floor Los Angeles, California 90071 Attention: Global Corporate Trust Reference: Iris at San Ysidro</p>
If to Borrower:	<p>Iris at San Ysidro LP c/o National Community Renaissance of California 9692 Haven Avenue, Suite 100 Rancho Cucamonga, California 91730 Attention: CEO</p> <p><i>With a copy to (which copy shall not constitute notice to Borrower):</i></p> <p>Gubb & Barshay LLP 235 Montgomery Street, Suite 1110 San Francisco, California 94104 Attention: Lauren Fechter, Esq.</p> <p>and</p> <p>Wells Fargo Affordable Housing Corp. 550 S. Tryon Street 23rd Floor, MAC D1086-239 Charlotte, North Carolina 28202-4200 Attention: Director of Tax Credit Asset Management</p> <p>and</p> <p>Pillsbury Winthrop Shaw Pittman LLP 1200 17th Street NW Washington, D.C. 20036 Attention: Craig A. de Ridder, Esq.</p>
If to Funding Lender Representative (during the Construction Phase):	<p>Wells Fargo Bank, National Association 550 S. Tryon Street 23rd Floor, MAC D1086-239</p>

	<p>Charlotte, North Carolina 28202-4200 Attention: Manager, Deal Management Loan No. 1021600</p> <p><i>With a copy to (which copy shall not constitute notice to Funding Lender Representative (during the Construction Phase)):</i></p> <p>Wells Fargo Bank, National Association Community Lending and Investment 333 South Grand Avenue, 7th Floor MAC E2064-075 Los Angeles, California 90071 Attention: Brooke Moore Loan No. 1021600</p> <p>and</p> <p>Sheppard Mullin 650 Town Center Drive, 10th Floor Costa Mesa, California 92626-1993 Attention: Ken Fox, Esq.</p>
<p>If to Funding Lender Representative (from the Conversion Date to the Freddie Mac Purchase Date) or Loan Servicer (as of the Freddie Mac Purchase Date):</p>	<p>Wells Fargo Bank, National Association 1751 Pinnacle Drive, 8th Floor McLean, Virginia 22102 Email: WFMCservicing@wellsfargo.com Attention: Servicing Department</p>
<p>If to Funding Lender Representative (as of the Freddie Mac Purchase Date):</p>	<p>Federal Home Loan Mortgage Corporation 8100 Jones Branch Drive McLean, Virginia 22102 Attention: Multifamily Operations - Loan Accounting Email: mfla@freddiemac.com Telephone: (703) 714-4177</p> <p><i>With a copy to (which copy shall not constitute notice to Funding Lender Representative):</i></p> <p>Federal Home Loan Mortgage Corporation 8200 Jones Branch Drive McLean, Virginia 22102 Attention: Managing Associate General Counsel - Multifamily Legal Division Email: guy_nelson@freddiemac.com Telephone: (703) 903-2000</p>

A duplicate copy of each notice or other communication given hereunder by any party to Loan Servicer shall also be given to Funding Lender Representative and by any party to Funding Lender Representative to Loan Servicer.

Fiscal Agent agrees to accept and act upon Electronic Instruction and Notice pursuant to this Funding Loan Agreement.

- (b) Fiscal Agent shall provide to Funding Lender Representative and Loan Servicer (i) prompt notice of the occurrence of any Event of Default pursuant to Section 6.01 hereof and (ii) any written information or other written communication received by Fiscal Agent hereunder within ten (10) Business Days of receiving a written request from Funding Lender Representative and Loan Servicer for any such information or other communication.

10.05 Funding Lender Representative.

- (a) Initial Funding Lender is the initial Funding Lender Representative with respect to the Governmental Note. Upon the Conversion Date, Seller/Servicer shall become Funding Lender Representative and upon the Freddie Mac Purchase Date, Freddie Mac shall become Funding Lender Representative. Funding Lender Representative shall be entitled to all the rights and privileges of Funding Lender hereunder and under the other Financing Documents.
- (b) Funding Lender Representative may provide written notice to Fiscal Agent designating particular individuals or Persons authorized to execute any consent, waiver, approval, direction or other instrument on behalf of Funding Lender Representative, and such notice may be amended or rescinded by Funding Lender Representative at any time by subsequent written notice. Funding Lender Representative may be removed and a successor appointed by a written notice in the form of Exhibit B hereto given by Funding Lender to Fiscal Agent, Governmental Lender, Loan Servicer and Borrower. The removal and reappointment shall be effective immediately upon receipt of such notice by Fiscal Agent. Funding Lender may appoint any Person to act as Funding Lender Representative, including, without limitation, Loan Servicer. If, for any reason, a Funding Lender Representative resigns by written notice provided to Fiscal Agent, Funding Lender, Governmental Lender, Loan Servicer and Borrower, all references to Funding Lender Representative herein and in the other Financing Documents shall be deemed to refer to Funding Lender until a successor Funding Lender Representative is appointed by Funding Lender.
- (c) Whenever pursuant to this Funding Loan Agreement or any other Financing Document, Funding Lender Representative exercises any right given to it to approve or disapprove, any arrangement or term hereof, the decision of Funding Lender Representative to approve or disapprove or to decide whether arrangements or terms are acceptable or not acceptable shall be in the sole discretion of Funding Lender Representative, except as otherwise specifically indicated.
- (d) Each Funding Lender, by their purchase or other acquisition of the Funding Loan, shall be deemed to have acknowledged and agreed to the provisions of this Funding Loan Agreement and the other Financing Documents with respect to Funding Lender Representative and the rights and privileges thereof, including but not limited to the right to control all remedies in respect of the Governmental Note and the Loans.

10.06 Payments Due on Non-Business Days. In any case where a date of payment with respect to the Funding Loan shall be a day other than a Business Day, then such payment need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on such date, and no interest shall accrue for the period after such date provided that payment is made on such next succeeding Business Day.

10.07 Counterparts. This Funding Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

10.08 Laws Governing This Funding Loan Agreement. The effect and meaning of this Funding Loan Agreement and the rights of all parties hereunder shall be governed by, and construed according to, the internal laws of the Property Jurisdiction without regard to conflicts of laws principles.

10.09 No Recourse. No recourse under or upon any obligation, covenant or agreement contained in this Funding Loan Agreement or in the Governmental Note shall be had against any member, officer,

commissioner, director or employee (past, present or future) of Governmental Lender, either directly or through Governmental Lender or its governing body or otherwise, for the payment for or to Governmental Lender or any receiver thereof, or for or to Funding Lender, or otherwise, of any sum that may be due and unpaid by Governmental Lender or its governing body upon the Governmental Note. Any and all personal liability of every nature whether at common law or in equity or by statute or by constitution or otherwise of any such member, officer, commissioner, director or employee, as such, to respond by reason of any act of omission on his/her part or otherwise, for the payment for or to Funding Lender or otherwise of any sum that may remain due and unpaid with respect to the Funding Loan hereby secured is, by the acceptance hereof, expressly waived and released as a condition of and in consideration for the execution of this Funding Loan Agreement and the delivery of the Governmental Note.

- 10.10 Successors and Assigns.** All the covenants and representations contained in this Funding Loan Agreement by or on behalf of the parties hereto shall bind and inure to the benefit of their successors and assigns, whether so expressed or not.
- 10.11 Recycling Transactions.** Notwithstanding any provision of this Funding Loan Agreement or the Series D-1 Governmental Note to the contrary, on or prior to the Conversion Date, the Governmental Lender shall be permitted to direct Series D-1 Project Note prepayments to be transferred to a custodian or trustee selected by the Governmental Lender, in lieu of application to prepay a like portion of the Series D-1 Governmental Note, so long as the Governmental Lender simultaneously causes other funds to be applied to prepay such portion of the Series D-1 Governmental Note. The preceding provisions shall apply only for purposes of preserving or “recycling” private activity bond volume cap in accordance with Section 146(i)(6) of the Code.

GOVERNMENTAL LENDER:

HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body corporate and politic, duly organized and existing under the Constitution and the laws of the State of California

By: _____

Name: Colin Miller

Its: Senior Vice President Housing Finance & Property
Management of the San Diego Housing Commission

SIGNATURES CONTINUE ON FOLLOWING PAGE

FISCAL AGENT:

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a
national banking association

By: _____
Name:
Title:

SIGNATURES CONTINUE ON FOLLOWING PAGE

INITIAL FUNDING LENDER:

WELLS FARGO BANK, NATIONAL ASSOCIATION, a national
banking association

By: _____
Name:
Title:

Schedule I

List of Funding Loan Agreement Sections

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- 1.01 Definitions
- 1.02 Interpretation

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- 2.01 Terms
- 2.02 Pledged Security
- 2.03 Limited Obligations
- 2.04 Funding Loan Agreement Constitutes Contract
- 2.05 Form and Execution
- 2.06 Authentication
- 2.07 Mutilated, Lost, Stolen or Destroyed Governmental Note
- 2.08 Registration; Transfer of Funding Loan; Transferee Representations Letter
- 2.09 Securitization; Allocation of Funding Loan Interest
- 2.10 Funding Loan Closing Conditions; Delivery of Governmental Note
- 2.11 Establishment of Project Loan Fund; Application of Funding Loan Proceeds and Other Money
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- 2.13 Conversion

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- 4.02 Project Loan Fund
- 4.03 Application of Revenues
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- 4.06 Administration Fund
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- 4.09 Amounts Remaining in Funds
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- 7.10 Appointment of Successor Fiscal Agent
- 7.11 Concerning Any Successor Fiscal Agent
- 7.12 Successor Fiscal Agent
- 7.13 Appointment of Co-Fiscal Agent or Separate Fiscal Agent
- 7.14 Notice of Certain Events
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Exhibit A

Forms of Governmental Note

HOUSING AUTHORITY OF THE CITY OF SAN DIEGO MULTIFAMILY HOUSING REVENUE NOTE (IRIS AT SAN YSIDRO) SERIES 2023D-1][2023D-2 (Taxable)]

US \$[31,500,000][D-2 Amount]

[Closing Date]

FOR VALUE RECEIVED, the undersigned, Housing Authority of the City of San Diego (the “**Obligor**”), promises to pay (but solely from the sources and in the manner provided for in the Funding Loan Agreement referenced below) to the order of Wells Fargo Bank, National Association (the “**Funding Lender**”), and its assigns, the maximum principal sum of _____ (US \$[31,500,000][D-2 Amount]), plus Prepayment Premium, if any, and interest thereon and to pay the other amounts owing from time to time hereunder, all as set forth below.

This Multifamily Housing Revenue Note (Iris at San Ysidro) Series [2023D-1][2023D-2 (Taxable)] (this “**Governmental Note**”) is being delivered pursuant to that certain Funding Loan Agreement dated as of October 1, 2023 (together with any and all amendments, modifications, supplements and restatements, the “**Funding Loan Agreement**”), among Funding Lender, the Obligor and U.S. Bank Trust Company, National Association (the “**Fiscal Agent**”), pursuant to which the Obligor has incurred a loan relating to this Governmental Note in the maximum aggregate principal amount of \$[D-1 Amount][D-2 Amount] (the “**Funding Loan**”), and this Governmental Note is entitled to the benefits of the Funding Loan Agreement and is subject to the terms, conditions and provisions thereof. The Obligor is using the proceeds of the Funding Loan to make a loan to Iris at San Ysidro LP, a California limited partnership (the “**Borrower**”) pursuant to the Project Loan Agreement dated as of October 1, 2023 (the “**Project Loan Agreement**”), among the Obligor, Borrower, and Fiscal Agent. The outstanding principal balance of this Governmental Note at any time shall be an amount equal to the proceeds of the Series D-1 Funding Loan advanced by Funding Lender under the Funding Loan Agreement and not otherwise prepaid.

- 1. Defined Terms.** As used in this Governmental Note, (i) the term “**Funding Lender**” means the holder of this Governmental Note, and (ii) the term “**Indebtedness**” means the principal of, Prepayment Premium, if any, and interest on or any other amounts due at any time under this Governmental Note or the Funding Loan Agreement. “**Event of Default**” and other capitalized terms used but not defined in this Governmental Note shall have the meanings given to such term in the Funding Loan Agreement.
- 2. Payments of Principal and Interest.** The Obligor shall pay (but solely from the sources and in the manner provided for in the Funding Loan Agreement) on the first calendar day of each month commencing [November] 1, 2023, interest on this Governmental Note at (i) the Construction Phase Interest Rate during the Construction Phase and (ii) the Permanent Phase Interest Rate during the Permanent Phase, and shall also pay interest on this Governmental Note at the foregoing rates on the date of any optional or mandatory prepayment or acceleration of all or part of the Funding Loan pursuant to the Funding Loan Agreement, in an amount equal to the accrued and unpaid interest to the date of prepayment on the portion of this Governmental Note subject to prepayment. Interest shall accrue on the principal amount of the Funding Loan which has been advanced under the Funding Loan Agreement and is outstanding as reflected on the Record of Advances.

The Obligor shall pay (but solely from the sources and in the manner provided for in the Funding Loan Agreement) the outstanding principal of this Governmental Note in full on [May 1, 2042 [D-1 Maturity Date]][D-2 Maturity Date] (the “**Maturity Date**”) [**Applicable to Series D-1 Governmental Note only**];[and in monthly installments on each date set forth on the Funding Loan Amortization Schedule attached as Schedule 1 hereto in an amount equal to the corresponding amounts set forth thereon (as such Schedule 1 may be replaced by a new Funding Loan Amortization Schedule provided by

Seller/Servicer on the Conversion Date as provided in Section 2.01(e) of the Funding Loan Agreement),] or at such earlier times and in such amounts as may be required, in the event of an optional or mandatory prepayment or acceleration of the Funding Loan pursuant to the Funding Loan Agreement. The outstanding principal hereof is subject to acceleration at the time or times and under the terms and conditions, and with notice, if any, as provided under the Funding Loan Agreement.

3. **Manner of Payment.** All payments under this Governmental Note shall be made in lawful currency of the United States and in immediately available funds as provided for herein and in the Funding Loan Agreement.
4. **Application of Payments.** If at any time Funding Lender receives any amount applicable to the Indebtedness which is less than all amounts due and payable at such time, Funding Lender may apply that payment to amounts then due and payable in any manner and in any order determined by Funding Lender, in Funding Lender's discretion. Neither Funding Lender's acceptance of a payment in an amount that is less than all amounts then due and payable nor Funding Lender's application of such payment shall constitute or be deemed to constitute either a waiver of the unpaid amounts or an accord and satisfaction.
5. **Security.** The Indebtedness is secured by, among other things, the Pledged Security pledged pursuant to the Funding Loan Agreement.
6. **Acceleration.** If an Event of Default has occurred and is continuing, the entire unpaid principal balance, any accrued interest, and all other amounts payable under this Governmental Note shall at once become due and payable, at the option of Funding Lender, as governed by the Funding Loan Agreement, without any prior notice to the Obligor (unless required by applicable law). Funding Lender may exercise this option to accelerate regardless of any prior forbearance.
7. **Prepayment; Prepayment Premium.** This Governmental Note is subject to prepayment as specified in the Funding Loan Agreement. Prepayment Premium shall be payable as specified in the Funding Loan Agreement.
8. **Forbearance.** Any forbearance by Funding Lender in exercising any right or remedy under this Governmental Note or any other document evidencing or securing the Funding Loan or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of that or any other right or remedy. The acceptance by Funding Lender of any payment after the due date of such payment, or in an amount which is less than the required payment, shall not be a waiver of Funding Lender's right to require prompt payment when due of all other payments or to exercise any right or remedy with respect to any failure to make prompt payment. Enforcement by Funding Lender of any security for the obligations under this Governmental Note shall not constitute an election by Funding Lender of remedies so as to preclude the exercise of any other right or remedy available to Funding Lender.
9. **Waivers.** Presentment, demand, notice of dishonor, protest, notice of acceleration, notice of intent to demand or accelerate payment or maturity, presentment for payment, notice of nonpayment, grace and diligence in collecting the Indebtedness are waived by the Obligor and all endorsers and guarantors of this Governmental Note and all other third-party obligors.
10. **Loan Charges.** Neither this Governmental Note nor any of the other Financing Documents will be construed to create a contract for the use, forbearance, or detention of money requiring payment of interest at a rate greater than the lesser of 12% per annum or the rate of interest which results in the maximum amount of interest allowed by applicable law (the "**Maximum Interest Rate**"). If any applicable law limiting the amount of interest or other charges permitted to be collected from Obligor in connection with the Funding Loan is interpreted so that any interest or other charge provided for in any Financing Document, whether considered separately or together with other charges provided for in any other Financing Document, violates that law, and Obligor is entitled to the benefit of that law, that interest or charge is hereby reduced to the extent necessary to eliminate that violation. The amounts, if any, previously paid to Funding Lender in excess of the permitted amounts will be applied by Funding Lender

to reduce the unpaid principal balance of this Governmental Note. For the purpose of determining whether any applicable law limiting the amount of interest or other charges permitted to be collected from Obligor has been violated, all indebtedness that constitutes interest, as well as all other charges made in connection with the indebtedness that constitute interest, will be deemed to be allocated and spread ratably over the stated term of this Governmental Note. Unless otherwise required by applicable law, such allocation and spreading will be effected in such a manner that the rate of interest so computed is uniform throughout the stated term of this Governmental Note.

11. **Governing Law.** This Governmental Note shall be governed by the internal law of the Property Jurisdiction.
12. **Captions.** The captions of the paragraphs of this Governmental Note are for convenience only and shall be disregarded in construing this Governmental Note.
13. **Address for Payment.** All payments due under this Governmental Note shall be payable at the principal office of Funding Lender as designated by Funding Lender in writing to Fiscal Agent.
14. **Default Rate.** So long as (a) any monthly installment under this Governmental Note remains past due, or (b) any other Event of Default has occurred and is continuing, interest under this Governmental Note shall accrue on the unpaid principal balance from the earlier of the due date of the first unpaid monthly installment or the occurrence of such other Event of Default, as applicable, at a rate (the “**Default Rate**”) equal to the lesser of (i) the Construction Phase Interest Rate or Permanent Phase Interest Rate, as applicable, otherwise in effect notwithstanding the default plus four percent (4%) per annum or (ii) the Maximum Interest Rate. If the unpaid principal balance and all accrued interest are not paid in full on the Maturity Date, the unpaid principal balance and all accrued interest shall bear interest from the Maturity Date at the Default Rate.
15. **Limited Obligation.** The [Series D-1 Funding Loan][Series D-2 Funding Loan] and this Governmental Note are limited obligations of the Governmental Lender, payable solely from the Revenues and other Pledged Security. Neither the Governmental Lender, any of its program participants, the State, nor any political subdivision thereof (except the Governmental Lender, to the limited extent set forth herein) nor any public agency shall in any event be liable for the payment of the principal of, Prepayment Premium (if any) or interest on the [Series D-1 Funding Loan][Series D-2 Funding Loan] or this Governmental Note 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 [Series D-1 Funding Loan][Series D-2 Funding Loan] or this Governmental Note or any of the Governmental Lender’s agreements or obligations with respect to the [Series D-1 Funding Loan][Series D-2 Funding Loan] or this Governmental 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.
16. **[Applicable to Series D-1 Governmental Note Only] [Recycling Transactions.** Notwithstanding any provision of this Governmental Note or the Funding Loan Agreement to the contrary, on or prior to the Conversion Date, the Governmental Lender shall be permitted to direct Series D-1 Project Note prepayments to be transferred to a custodian or trustee selected by the Governmental Lender, in lieu of application to prepay a like portion of this Governmental Note, so long as the Governmental Lender simultaneously causes other funds to be applied to prepay such portion of this Governmental Note. The preceding provisions shall apply only for purposes of preserving or “recycling” private activity bond volume cap in accordance with Section 146(i)(6) of the Code.]

IN WITNESS WHEREOF, the Obligor has caused this Governmental Note to be duly executed by the manual or facsimile signature of its Authorized Officer.

HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body corporate and politic, duly organized and existing under the Constitution and the laws of the State of California

By: _____

Name: Colin Miller

Title: Senior Vice President Housing Finance &
Property Management of the San Diego
Housing Commission

CERTIFICATE OF AUTHENTICATION

This Governmental Note is issued under the provisions of and described in the within mentioned Funding Loan Agreement.

Date of Authentication: _____

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

By: _____
Authorized Signer

[Applicable to the Series D-1 Governmental Note only:]

SCHEDULE 1

FUNDING LOAN AMORTIZATION SCHEDULE

Exhibit B

Notice of Appointment of Funding Lender Representative

U.S. Bank Trust Company, National Association, as Fiscal Agent
633 W. Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Global Corporate Trust
Reference: Iris at San Ysidro

Iris at San Ysidro LP, a California limited partnership
c/o National Community Renaissance of California
9692 Haven Avenue, Suite 100
Rancho Cucamonga, California 91730

Housing Authority of the City of San Diego
1122 Broadway, Suite 300
San Diego, California 92101

Wells Fargo Bank, National Association
Community Lending and Investment
333 South Grand Avenue, 7th Floor
MAC E2064-075
Los Angeles, California 90071

Re: Iris at San Ysidro

Ladies and Gentlemen:

The undersigned is the holder (the "**Funding Lender**") of the Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-1 and Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-2 (Taxable), each dated [Closing Date] (collectively, the "**Governmental Note**"), delivered pursuant to the Funding Loan Agreement dated as of October 1, 2023 (the "**Funding Loan Agreement**"), among Wells Fargo Bank, National Association (the "**Initial Funding Lender**"), Housing Authority of the City of San Diego (the "**Governmental Lender**") and U.S. Bank Trust Company, National Association (the "**Fiscal Agent**"). Pursuant to Section 10.05 of the Funding Loan Agreement, you are hereby notified that, effective immediately upon receipt of this notice by Fiscal Agent, Funding Lender Representative appointed under Section 10.05 of the Funding Loan Agreement shall be _____. The Person previously appointed as Funding Lender Representative, if any, shall upon the effectiveness of this notice no longer have any further rights or obligations as Funding Lender Representative.

The following individual or individuals shall have the authority to execute any consent, waiver, approval, direction or other instrument on behalf of Funding Lender Representative and the signature(s) set forth next to his/her/their name(s) is/are his/her/their true and correct signature(s).

Name	Signature

Additional individuals may be given such authority by written notice to you from Funding Lender Representative or from Funding Lender.

This notice is dated as of the _____ day of _____, _____.

FUNDING LENDER:

_____, a _____

By: _____
Name:
Title:

Exhibit C

Form of Transferee Representations Letter

U.S. Bank Trust Company, National Association, as Fiscal Agent
633 W. Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Global Corporate Trust
Reference: Iris at San Ysidro

Iris at San Ysidro LP, a California limited partnership
c/o National Community Renaissance of California
9692 Haven Avenue, Suite 100
Rancho Cucamonga, California 91730

Housing Authority of the City of San Diego
1122 Broadway, Suite 300
San Diego, California 92101

Wells Fargo Bank, National Association
Community Lending and Investment
333 South Grand Avenue, 7th Floor
MAC E2064-075
Los Angeles, California 90071

Re: Iris at San Ysidro

Ladies and Gentlemen:

The undersigned (the “**Funding Lender**”) hereby acknowledges receipt of the Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-1 and Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-2 (Taxable), each dated [Closing Date] (the “**Governmental Note**”), delivered pursuant to the Funding Loan Agreement dated as of October 1, 2023 (the “**Funding Loan Agreement**”), among Wells Fargo Bank, National Association (the “**Initial Funding Lender**”), Housing Authority of the City of San Diego (the “**Governmental Lender**”) and U.S. Bank Trust Company, National Association (the “**Fiscal Agent**”). Capitalized terms used herein and not otherwise defined have the meanings given to such terms in the Funding Loan Agreement.

In connection with the [origination][purchase] of the Funding Loan by Funding Lender, Funding Lender hereby makes the following representations upon which you may rely:

1. Funding Lender has authority to [originate][purchase] the Funding Loan and to execute this letter, and any other instruments and documents required to be executed by Funding Lender in connection with the [origination][purchase] of the Funding Loan.
2. Funding Lender is a Qualified Transferee and therefore, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Funding Loan.
3. Funding Lender acknowledges that it is [originating][purchasing] the Funding Loan for investment for its own account and not with a present view toward resale or the distribution thereof (except as set forth below), in that it does not now intend to resell or otherwise dispose of all or any part of its interests in the Funding Loan (except as set forth below); provided, however, that Funding Lender may, notwithstanding

the foregoing and the terms of Paragraph 4 below, (a) transfer the Funding Loan to any affiliate or other party related to Funding Lender that is a Qualified Transferee or (b) sell or transfer the Funding Loan to a special purpose entity, a trust or a custodial or similar pooling arrangement from which the Funding Loan or securitized interests therein are not expected to be sold except to (i) owners or beneficial owners thereof that are Qualified Transferees or (ii) in circumstances where secondary market credit enhancement is provided for such securitized interests resulting in a rating thereof of at least "A" or better [; provided, further, however, Funding Lender has originated and funded the Funding Loan with the expectation that the Series D-1 Funding Loan will be sold to Wells Fargo Bank, National Association, on the Conversion Date and thereafter delivered to the Federal Home Loan Mortgage Corporation ("**Freddie Mac**") pursuant to the commitment dated _____, 2023 (the "**Freddie Mac Commitment**")]; provided, further, however, Funding Lender is purchasing the Series D-1 Governmental Note with the expectation that the Series D-1 Governmental Note will be sold to the Federal Home Loan Mortgage Corporation ("**Freddie Mac**") pursuant to the commitment dated _____, 2023 (the "**Freddie Mac Commitment**")].

4. In addition to the right to sell or transfer the Funding Loan as set forth in Paragraph 3 above, Funding Lender further acknowledges its right to sell or transfer the Funding Loan, subject, as required under the Funding Loan Agreement, to the delivery to Fiscal Agent of a transferee representations letter from the transferee to substantially the same effect as this Transferee Representations Letter or in such other form authorized by the Funding Loan Agreement with no revisions except as may be approved in writing by Governmental Lender.
5. Funding Lender understands that the Governmental Note is not registered under the Act and that such registration is not legally required as of the date hereof; and further understands that the Governmental Note (a) is not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating service and (d) will be delivered in a form which may not be readily marketable.
6. Funding Lender understands that (a) the Funding Loan is not secured by any pledge of any moneys received or to be received from taxation by the State of California or any political subdivision thereof and that Governmental Lender has no taxing power, (b) the Funding Loan does not and will not represent or constitute a general obligation or a pledge of the faith and credit of Governmental Lender, the State of California or any political subdivision thereof; and (c) the liability of Governmental Lender with respect to the Funding Loan is limited to the Pledged Security as set forth in the Funding Loan Agreement.
7. Funding Lender has either been supplied with or been given access to information, including financial statements and other financial information, which it considers necessary to make an informed decision in connection with the [origination][purchase] of the Funding Loan. Funding Lender has not relied upon Governmental Lender for any information in connection with its purchase of the Funding Loan.
8. Funding Lender has made its own inquiry and analysis with respect to the Funding Loan and the security therefor, and other material factors affecting the security and payment of the Funding Loan. Funding Lender is aware that the business of Borrower involves certain economic variables and risks that could adversely affect the security for the Funding Loan.

The undersigned acknowledges that any transfer, assignment or transfer of the Funding Loan and Governmental Note (including any participation interest therein) that fails to comply with the requirements of Section 2.08 of the Funding Loan Agreement shall be null and void.

All agreements, representations and warranties made herein shall survive the execution and delivery of this letter agreement and, notwithstanding any investigation heretofore or hereafter, shall continue in full force and effect.

This Transferee Representations Letter is dated as of the _____ day of _____, _____.

FUNDING LENDER:

_____, a _____

By: _____
Name:
Title:

Exhibit D

Costs of Issuance Fund Requisition

U.S. Bank Trust Company, National Association, as Fiscal Agent

Re: Iris at San Ysidro

Fiscal Agent:

You are requested to disburse funds from the **Costs of Issuance Fund** pursuant to Section 4.11 of the Funding Loan Agreement in the amount(s), to the Person(s) and for the purpose(s) set forth in this requisition ("**Requisition**"). The terms used in this requisition shall have the meaning given to those terms in the Funding Loan Agreement (the "**Funding Loan Agreement**"), dated as of October 1, 2023, among Wells Fargo Bank, National Association (the "**Initial Funding Lender**"), Housing Authority of the City of San Diego, and U.S. Bank Trust Company, National Association, as Fiscal Agent, securing the Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-1 and Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-2 (Taxable), each dated [Closing Date].

Requisition No.:	
Payment Due To:	
Amount To Be Disbursed:	

The undersigned, on behalf of Iris at San Ysidro LP, a California limited partnership duly organized and existing under the laws of the State California (the "**Borrower**"), certifies that:

- (a) the expenditures for which money is requisitioned by this Requisition represent proper charges against the Costs of Issuance Fund, have not been included in any previous requisition and are set forth in the Schedule attached to this Requisition, with invoices attached for any sums for which reimbursement is requested; and
- (b) the money requisitioned is not greater than those necessary to meet obligations due and payable or to reimburse the applicable party for funds actually advanced for Costs of Issuance.

Attached to this Requisition is a Schedule, together with copies of invoices or bills of sale covering all items for which payment is being requested.

Date of Requisition: _____

BORROWER:

IRIS AT SAN YSIDRO LP,
a California limited partnership

By: NCRC ISY GP LLC,
a California limited liability company,
Its General Partner

By: National Community Renaissance of California, a
California nonprofit public benefit corporation, its sole
member/manager

By: _____

Michael Finn, Chief Financial Officer

Exhibit E

Project Loan Fund Requisition

U.S. Bank Trust Company, National Association, as Fiscal Agent

Re: Iris at San Ysidro

Fiscal Agent:

You are requested to disburse funds from the **Project Loan Fund** pursuant to Section 4.02 of the Funding Loan Agreement in the amount(s), to the Person(s) and for the purpose(s) set forth in this requisition (“**Requisition**”). The terms used in this Requisition shall have the meaning given to those terms in the Funding Loan Agreement (the “**Funding Loan Agreement**”), dated as of October 1, 2023, among Wells Fargo Bank, National Association (the “**Initial Funding Lender**”), Housing Authority of the City of San Diego and U.S. Bank Trust Company, National Association, as Fiscal Agent, securing the Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-1 and Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-2 (Taxable), each dated [Closing Date].

Requisition No.:	
Payment Due To:	
Amount(s) To Be Disbursed:	\$ from the [Series D-1 Project Subaccount] [Series D-2 Project Subaccount]
	\$ from the Borrower Equity Account

The undersigned Borrower hereby represents and warrants that the following information and certifications provided in connection with this Requisition are true and correct as of the date hereof and authorizes Loan Servicer to submit this Requisition to Fiscal Agent on behalf of Borrower:

1. The purpose(s) for which disbursement is requested and the party or parties to whom the disbursements shall be made are specified in the Schedule 1 attached hereto (and may include the undersigned in the case of reimbursement for advances and payments made or cost incurred for work done by the undersigned; provided, however, that no reimbursement shall be made for advances and payments made prior to _____, 20____).
2. Attached hereto as Schedule 2 is a report setting out the progress of the construction and all other reports or information relating to the completion of the construction requested by Initial Funding Lender, if any.
3. Attached hereto as Schedule 3 are copies of any applicable invoices, bills, and appropriate lien waivers for the prior period for which disbursement was made, executed by all contractors and suppliers supplying labor or materials for the construction.
4. Attached hereto as Schedule 4 is a report prepared by the professional engineer employed by Initial Funding Lender as to the status of the construction, unless Initial Funding Lender has waived this requirement in writing.
5. The undersigned certifies as follows:
 - (a) The conditions precedent to disbursement set forth in the Construction Continuing Covenant Agreement have been satisfied.
 - (b) The disbursement requested pursuant to this Requisition: (i) will be used solely to pay a cost or costs allowable under the Funding Loan Agreement and the Construction Continuing Covenant

Agreement and (ii) is substantially in accordance with the proforma draw schedules previously delivered to and accepted by Initial Funding Lender.

- (c) None of the items for which disbursement is requested pursuant to this Requisition has formed the basis for any disbursement previously made from the Project Loan Fund and all such items have been properly recorded in Borrower's books and are set forth on Schedule 1, along with paid invoices attached for any sum for which reimbursement is requested and invoices or bills of sales for all other items.
- (d) All labor and materials for which disbursements have been requested have been incorporated into the Project in accordance with reasonable and standard building practices, the Construction Continuing Covenant Agreement and all applicable laws, ordinances, rules and regulations of any governmental authority having jurisdiction over the Project.
- (e) The materials, supplies and equipment furnished or installed for the Improvements are not subject to any lien or security interest or that the funds to be disbursed pursuant to this Requisition are to be used to satisfy any such lien or security interest.
- (f) All of the funds being requisitioned are being used in compliance with all tax covenants set forth in this Funding Loan Agreement, the Project Loan Agreement, the TEL Regulatory Agreement and the Tax Certificate, including that none of the proceeds of the Series D-1 Governmental Note (including investment earnings thereon) will be used to provide an airplane, a skybox or any other private luxury box, any facility primarily used for gambling, health club facility or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.
- (g) With respect to amounts from the Series D-1 Project Subaccount funded from proceeds of the Series D-1 Governmental Note, not less than 95% of the sum of (i) the amounts requisitioned by this Requisition, plus (ii) all amounts previously requisitioned and disbursed from the Series D-1 Project Subaccount, have been or will be applied by Borrower to pay the Costs of the Project.
- (h) Borrower is not in default under the Project Loan Agreement, the Construction Continuing Covenant Agreement or any of the other Project Loan Documents to which it is a party, and nothing has occurred to the knowledge of Borrower that would prevent the performance of its obligations under such documents.
- (i) No amounts being requisitioned hereby will be used to pay, or reimburse, any Costs of Issuance incurred in connection with the delivery of the Governmental Note or to pay debt service with respect to the Loans.
- (j) Funds deposited with Borrower for further disbursement to third parties shall be paid to such third parties by check dated the date of such deposit and Borrower reasonably expects such funds will be disbursed from its account within five (5) Business Days of such deposit.
- (k) Borrower has not requested any disbursement pursuant to this Requisition for stored items.

[The following items may not be required for Initial Disbursement]

- 6. Estimated costs of completing the uncompleted construction (as defined in the Construction Continuing Covenant Agreement) as of the date of this Requisition: _____.
- 7. Percent of the construction completed as of the date this request: _____%.
- 8. Borrower certifies that monthly occupancy for the month preceding this Requisition was _____, as indicated by the rent roll attached as Schedule 5 hereto, which is true, correct and complete.

9. Borrower certifies that net operating income for the month preceding this Requisition was _____, as indicated by the operating statement attached hereto as Schedule 6.

Date of Requisition: _____

BORROWER:

IRIS AT SAN YSIDRO LP,
a California limited partnership

By: NCRC ISY GP LLC,
a California limited liability company,
Its General Partner

By: National Community Renaissance of California, a
California nonprofit public benefit corporation, its sole
member/manager

By: _____
Michael Finn, Chief Financial Officer

APPROVED BY

LOAN SERVICER:

WELLS FARGO BANK, NATIONAL ASSOCIATION, a
a national banking association

By: _____
Name:
Title:

Exhibit F

Construction Phase Interest Rate

[TO BE PROVIDED BY CONSTRUCTION LENDER]

Exhibit G

Governmental Lender Fee Subaccount Requisition

U.S. Bank Trust Company, National Association, as Fiscal Agent

Re: Iris at San Ysidro

Fiscal Agent:

You are requested to disburse funds from the **Governmental Lender Fee Subaccount** pursuant to Section 4.06(b) of the Funding Loan Agreement in the amount(s), in accordance with the information provided below. The terms used in this requisition shall have the meaning given to those terms in the Funding Loan Agreement (the "**Funding Loan Agreement**"), dated as of October 1, 2023, among Wells Fargo Bank, National Association (the "**Initial Funding Lender**"), Housing Authority of the City of San Diego, and U.S. Bank Trust Company, National Association, as Fiscal Agent, securing the Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-1 and Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-2 (Taxable), each dated [Closing Date].

The amounts that are to be paid pursuant to this requisition are those determined by the Governmental Lender to represent "qualified administrative costs" as that term is defined under federal regulation section 1.148-5(e)(3).

Requisition No.:	
Payment Due To:	Housing Authority of the City of San Diego
Amount To Be Disbursed:	

Date of Requisition: _____

HOUSING AUTHORITY OF THE CITY OF SAN DIEGO,

By: _____
Name:
Its:

Project Loan Agreement – Fixed Rate – TEL (Forward)
(Revised 6-27-2023)

THIS PROJECT LOAN AGREEMENT (“**Project Loan Agreement**”) dated as of October 1, 2023, is made by and among the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body corporate and politic, duly organized and existing under the Constitution and the laws of the State of California (the “**Governmental Lender**”), U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as fiscal agent (the “**Fiscal Agent**”), and IRIS AT SAN YSIDRO LP, a California limited partnership (the “**Borrower**”).

RECITALS

- A. Pursuant to the Housing Authorities Law, being Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code (the “**Act**”) and this Project Loan Agreement, Governmental Lender is agreeing to make a mortgage loan to Borrower in the maximum aggregate principal amount of \$[Total Amount] (the “**Project Loan**”) to provide for the financing of a multifamily rental housing development located at 1663 Dairy Mart Road in San Diego, California, and known as Iris at San Ysidro. The Land, Improvements, and Fixtures (each as defined in the Security Instrument) are collectively referred to herein as the “**Project**”.
- B. Governmental Lender is making the Project Loan with the proceeds received from the separate loan incurred by Governmental Lender pursuant to the Funding Loan Agreement, dated as of the date hereof (“**Funding Loan Agreement**”), among Wells Fargo Bank, National Association (the “**Initial Funding Lender**”), Governmental Lender, and Fiscal Agent, in the maximum aggregate principal amount of \$[Total Amount] (the “**Funding Loan**” and together with the Project Loan, the “**Loans**”). A portion of the Funding Loan is evidenced by the Governmental Lender’s \$31,500,000 Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-1 (the “**Series D-1 Governmental Note**,” as the same may be amended, restated, supplemented or otherwise modified from time to time, or any note executed in substitution therefor, as such substitute note may be amended, restated, supplemented or otherwise modified from time to time, and together with all addenda thereto), and the remaining portion of the Funding Loan is evidenced by the Governmental Lender’s \$[D-2 Amount] Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-2 (Taxable) (the “**Series D-2 Governmental Note**,” as the same may be amended, restated, supplemented or otherwise modified from time to time, and individually or collectively with the Series D-1 Governmental Note, as the context may require, the “**Governmental Note**”), each dated [Closing Date], delivered by Governmental Lender to Initial Funding Lender.
- C. Pursuant to the terms and subject to the conditions of the Funding Loan Agreement, the Construction Phase Financing Agreement, and the Construction Continuing Covenant Agreement, Initial Funding Lender has agreed to originate and fund the Funding Loan to Governmental Lender on a draw-down basis, which proceeds of the Funding Loan will be used by Governmental Lender to fund the Project Loan to Borrower in corresponding installments pursuant to this Project Loan Agreement. Initial Funding Lender will administer the Loans during the Construction Phase in accordance with the Financing Documents.
- D. Borrower has agreed to use the proceeds of the Project Loan to finance the acquisition, construction and development of the Project.
- E. Borrower’s payment obligations in respect of the portion of the Project Loan relating to the Series D-1 Governmental Note will be evidenced by a Promissory Note (Tax-Exempt) (the “**Series D-1 Project Note**,” as the same will be amended and restated into the form attached to the Construction Phase Financing Agreement upon the occurrence of the Conversion Date, and as the same may be further amended, restated, supplemented or otherwise modified from time to time, or any note executed in substitution therefor, as such substitute note may be amended, restated, supplemented or otherwise modified from time to time, and together with all riders and addenda thereto), and the Borrower’s payment obligations in respect of the portion of the Project Loan relating to the Series D-2 Governmental Note will be evidenced by a Promissory Note (Taxable) (the “**Series D-2 Project Note**,” and as the same may be amended, restated, supplemented or otherwise modified from time to time, or any note executed in substitution therefor, as such substitute note may be amended, restated, supplemented or otherwise

modified from time to time, and together with all riders and addenda thereto, and individually or collectively with the Series D-1 Project Note, as the context may require, the “**Project Note**”), each dated the Delivery Date, delivered to Governmental Lender, which Project Note will be endorsed by Governmental Lender to Fiscal Agent as security for the Funding Loan.

- F. To secure Borrower’s obligations under the Project Note, Borrower will execute and deliver to Governmental Lender a Construction Deed of Trust, with Absolute Assignment of Leases, Rents, Security Agreement and Fixture Filing, dated as of the dated hereof (as the same will be amended and restated into the form attached to the Construction Phase Financing Agreement upon the occurrence of the Conversion Date, and as the same may be further amended, restated, supplemented or otherwise modified from time to time, the “**Security Instrument**”) granting a first priority mortgage and security interest in the Project in favor of Governmental Lender.
- G. All of the right, title and interest of Governmental Lender (except for its Unassigned Rights) in and to this Project Loan Agreement, the Security Instrument, and the other Financing Documents are being assigned to Fiscal Agent as security for the Funding Loan.
- H. Freddie Mac has entered into a commitment with Wells Fargo Bank, National Association (“**Seller/Servicer**”), _____, 2023 (as the same may be amended, modified or supplemented from time to time, the “**Freddie Mac Commitment**”) whereby Freddie Mac has agreed, subject to the satisfaction of the Conditions to Conversion set forth in the Construction Phase Financing Agreement on or before the Forward Commitment Maturity Date, to facilitate the financing of the Project in the Permanent Phase by purchasing the portion of the Funding Loan evidenced by the Series D-1 Governmental Note from Seller/Servicer following the Conversion Date.
- I. If the Conditions to Conversion are satisfied on or before the Forward Commitment Maturity Date as provided for in the Freddie Mac Commitment and the Construction Phase Financing Agreement, the Project Loan will convert from the Construction Phase to the Permanent Phase on the Conversion Date and, on such Conversion Date, Initial Funding Lender will deliver, and Seller/Servicer will purchase, the Series D-1 Governmental Note. If the Conditions to Conversion are not satisfied on or before the Forward Commitment Maturity Date, (i) the Project Loan will not convert from the Construction Phase to the Permanent Phase, (ii) neither Seller/Servicer nor Freddie Mac will have any obligation with respect to the purchase of the Series D-1 Governmental Note, and (iii) Initial Funding Lender will remain the owner of the Funding Loan as the holder of the Series D-1 Governmental Note.
- J. As Conditions to Conversion, the Series D-1 Project Note and the Security Instrument are required to be amended and restated and Borrower is required to enter into a Continuing Covenant Agreement with Seller/Servicer (the “**Freddie Mac Continuing Covenant Agreement**”), in each case pursuant to the forms attached to the Construction Phase Financing Agreement.
- K. If the Conditions to Conversion are satisfied and the portion of the Funding Loan evidenced by the Series D-1 Governmental Note is purchased by Seller/Servicer on the Conversion Date as set forth above, Seller/Servicer shall deliver the Funding Loan to Freddie Mac for purchase pursuant to the terms of the Freddie Mac Commitment and the Guide (such date of purchase by Freddie Mac being referred to as the “**Freddie Mac Purchase Date**”).
- L. Upon the occurrence of the Freddie Mac Purchase Date, Seller/Servicer will assign to Freddie Mac all of its rights and interest in the Funding Loan, the Series D-1 Governmental Note, the Funding Loan Agreement, the Freddie Mac Continuing Covenant Agreement, and the other Financing Documents. On and after the Freddie Mac Purchase Date, Freddie Mac will act as Funding Lender Representative with respect to the Loans and Wells Fargo Bank, National Association, will act as Loan Servicer for the Loans on behalf of Funding Lender Representative.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and of the origination and funding of the Project Loan by Governmental Lender, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I DEFINITIONS; INTERPRETATION; SCHEDULES.

1.01 Definitions. The terms used in this Project Loan Agreement (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Project Loan Agreement and of any amendment or supplement hereto shall have the respective meanings specified below. Terms used herein (including when used in the Recitals) not otherwise defined shall have the respective meanings set forth in the Funding Loan Agreement and the Continuing Covenant Agreement.

“**Act**” is defined in the Recitals of this Project Loan Agreement.

“**Additional Loans**” is defined in Section 8.13 of this Project Loan Agreement.

“**Borrower**” means the entity identified as “Borrower” in the Recitals of this Project Loan Agreement, together with any of its permitted successors and assigns, as owner of the Project.

“**Continuing Covenant Agreement**” is defined in the Recitals of this Project Loan Agreement.

“**Delivery Date**” means the date identified as “Delivery Date” in the Recitals of this Project Loan Agreement, which is the date of funding of the Funding Loan and the delivery of the Governmental Note by Governmental Lender to Initial Funding Lender.

“**Event of Default**” means the occurrence of any event listed in Section 7.01 hereof.

“**Fee Component**” means the regular, ongoing fees due from time to time to Governmental Lender, Fiscal Agent and the Rebate Analyst, if any, expressed as a flat, fixed amount or in terms of a percentage of the unpaid principal amount of the Funding Loan on an annual basis.

“**Fiscal Agent**” means the entity identified as “Fiscal Agent” on Page 1 of this Project Loan Agreement, together with any successor Fiscal Agents appointed under the Funding Loan Agreement.

“**Freddie Mac**” means the Federal Home Loan Mortgage Corporation, a shareholder owned government sponsored enterprise organized and existing under the laws of the United States of America, and its successors and assigns.

“**Freddie Mac Commitment**” is defined in the Recitals of this Project Loan Agreement.

“**Freddie Mac Continuing Covenant Agreement**” is defined in the Recitals of this Project Loan Agreement.

“**Freddie Mac Purchase Date**” is defined in the Recitals of this Project Loan Agreement.

“**Funding Loan**” is defined in the Recitals of this Project Loan Agreement.

“**Funding Loan Agreement**” is defined in the Recitals of this Project Loan Agreement.

“**Governmental Lender**” means the entity identified as “Governmental Lender” on Page 1 of this Project Loan Agreement.

“**Governmental Note**” is defined in the Recitals of this Project Loan Agreement.

“Initial Funding Lender” is defined in the Recitals of this Project Loan Agreement.

“Loans” is defined in the Recitals of this Project Loan Agreement.

“Project” is defined in the Recitals of this Project Loan Agreement.

“Project Loan” is defined in the Recitals of this Project Loan Agreement.

“Project Loan Agreement” means this Project Loan Agreement, together with any amendments hereto.

“Project Loan Amortization Schedule” means the Project Loan Amortization Schedule to be attached as Schedule 1 to the Series D-1 Project Note on the Conversion Date.

“Project Loan Payment” means each payment of the Project Loan on each Project Loan Payment Date pursuant to the Series D-1 Project Note and this Project Loan Agreement.

“Project Loan Payment Date” means (a) the first day of each calendar month, commencing [November] 1, 2023, or (b) any other date on which the Project Loan is prepaid or paid, whether at scheduled maturity or upon prepayment or acceleration of the maturity thereof; provided, however, that if a Project Loan Payment Date is not a Business Day, payment shall be made on the first Business Day following such Project Loan Payment Date as provided in Section 4.01(c) hereof.

“Project Note” is defined in the Recitals of this Project Loan Agreement.

“Security Instrument” is defined in the Recitals of this Project Loan Agreement.

“Seller/Servicer” is defined in the Recitals of this Project Loan Agreement.

“Servicing Fee” means, [(a) during the Construction Phase, the ordinary fee payable to Loan Servicer in connection with the servicing of the Loans payable monthly in an amount equal to one twelfth of [_____] % of the outstanding principal balance of the Project Loan, computed on the basis of a 360-day year [consisting of twelve 30-day months][and the actual number of days elapsed] and (b)] during the Permanent Phase, the ordinary fee payable to Loan Servicer in connection with the servicing of the Loans payable monthly in an amount equal to one twelfth of 0.14% of the outstanding principal balance of the Project Loan, computed on the basis of a 360-day year and the actual number of days elapsed.

“Taxes” means all taxes, water rents, sewer rents, assessments and other governmental or municipal or public or private dues, fees, charges and levies and any liens (including federal tax liens) which are or may be levied, imposed or assessed upon the Project or any part thereof, or upon any leases pertaining thereto, or upon the rents, issues, income or profits thereof, whether any or all of the aforementioned be levied directly or indirectly or as excise taxes or as income taxes.

1.02 Interpretation. The words “hereof,” “herein,” “hereunder,” and other words of similar import refer to this Project Loan Agreement as a whole and not to any particular Article, Section or other subdivision. References to Articles, Sections, and other subdivisions of this Project Loan Agreement are to the designated Articles, Sections and other subdivisions of this Project Loan Agreement as originally executed. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa unless the context shall otherwise indicate. Words importing persons include firms, partnerships, limited liability companies, joint ventures, associations and corporations. All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time. The headings of this Project Loan Agreement are for convenience only and shall not define or limit the provisions hereof.

1.03 Schedules

Schedules	
Schedule I	List of Project Loan Agreement Sections

ARTICLE II REPRESENTATIONS, WARRANTIES AND COVENANTS.

2.01 Representations, Warranties and Covenants of Governmental Lender. Governmental Lender makes the following representations, warranties and covenants for the benefit of Borrower, Fiscal Agent, Funding Lender and Loan Servicer:

- (a) Governmental Lender is a public body corporate and politic, duly organized and existing under the Constitution and the laws of the State of California.
- (b) Governmental Lender has all necessary power and authority to incur the indebtedness of the Funding Loan evidenced by the Governmental Note and to make the Project Loan from the proceeds thereof, and to execute, and deliver this Project Loan Agreement, the Funding Loan Agreement, and the other Financing Documents to which it is a party, and to perform its duties and discharge its obligations hereunder and thereunder.
- (c) Governmental Lender has taken all action on its part to incur the Funding Loan evidenced by the Governmental Note and make the Project Loan from the proceeds thereof and for the sale, execution and delivery thereof.
- (d) Each of the Financing Documents to which Governmental Lender is a party has been duly and validly authorized, executed and delivered by Governmental Lender and, assuming due authorization, execution and delivery by the other parties thereto, constitutes the legal, valid and binding obligation of Governmental Lender, enforceable against Governmental Lender in accordance with its respective terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium or other laws affecting creditors' rights generally and the application of equitable principles.
- (e) To the knowledge of the Governmental Lender, Governmental Lender has complied with the provisions of the laws of the Property Jurisdiction, including, but not limited to, the Act, which are prerequisites to the consummation of the transactions on the part of Governmental Lender described or contemplated in the Financing Documents. The execution and delivery of the Governmental Note and the Financing Documents to which Governmental Lender is a party, the consummation of the transactions on the part of Governmental Lender contemplated thereby and the fulfillment of or compliance with the terms and conditions thereof do not conflict with or result in the breach of any of the terms, conditions or provisions of any agreement or instrument or judgment, order or decree to which Governmental Lender is now a party or by which it is bound, nor do they constitute a default under any of the foregoing or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature upon any property or assets of Governmental Lender under the terms of any instrument or agreement.
- (f) To the knowledge of the Governmental Lender, no authorization, consent, approval, order, registration, declaration or withholding of objection on the part of, or filing of or with any governmental authority, other than those already obtained, is required for the due execution and delivery by Governmental Lender of, and performance by Governmental Lender of its obligations under, the Financing Documents.
- (g) There is no action, suit, proceeding, inquiry or investigation pending or, to the knowledge of Governmental Lender, threatened against Governmental Lender by or before any court, governmental agency or public board or body, nor, to Governmental Lender's knowledge, is there

- any basis therefor, which (i) affects or questions the existence or the territorial jurisdiction of Governmental Lender or the title to office of any member of the governing body of Governmental Lender; (ii) affects or seeks to prohibit, restrain or enjoin the execution and delivery of any Financing Documents or the issuance, sale, execution or delivery of the Governmental Note; (iii) affects or questions the validity or enforceability of the Governmental Note or any Financing Document; (iv) questions the tax-exempt status of the Series D-1 Governmental Note; or (v) questions the power or authority of Governmental Lender to perform its obligations under the Governmental Note or any Financing Document, or to carry out the transactions contemplated by the Governmental Note and the Financing Documents.
- (h) To the knowledge of the Governmental Lender, no officer or other official of Governmental Lender has any personal financial interest in the Project or Borrower or in the transactions contemplated by this Project Loan Agreement.
 - (i) Upon the discovery by Governmental Lender of any noncompliance by Borrower with this Project Loan Agreement, the Tax Certificate or the TEL Regulatory Agreement, Governmental Lender will promptly notify Fiscal Agent, Loan Servicer and Funding Lender Representative of such noncompliance and will, subject to the provisions of Article VII hereof, promptly institute action, or cause Fiscal Agent to institute action, to correct such noncompliance, will diligently pursue such action and will attempt to correct such noncompliance within sixty (60) days after such discovery, subject to the provisions of the Funding Loan Agreement, this Project Loan Agreement, the Tax Certificate and the TEL Regulatory Agreement.

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

2.02 Representations, Warranties and Covenants of Borrower. Borrower makes the following representations, warranties and covenants, all of which, together with the other representations and agreements of Borrower contained in this Project Loan Agreement, are relied upon by Governmental Lender, Funding Lender, Loan Servicer and Fiscal Agent and serve as a basis for the undertakings of Governmental Lender, Loan Servicer and Fiscal Agent contained in this Project Loan Agreement:

- (a) Borrower is a California limited partnership duly organized, validly existing and in good standing under the laws of the state in which it has been organized and is duly qualified to conduct its business under the laws of the Property Jurisdiction and in every other state in which the nature of its business requires such qualification, has full legal right, power and authority to enter into this Project Loan Agreement and the other Financing Documents, and to carry out and consummate all transactions contemplated hereby and by the other Financing Documents, and by proper action has duly authorized the execution, delivery and performance of this Project Loan Agreement and the other Financing Documents. All corporate general partners, if any, of Borrower are duly organized and in good standing under the laws of their respective states of organization and are duly qualified to transact business in the Property Jurisdiction as either domestic or foreign corporations, as applicable. All partnership general partners, if any, are duly formed and in good standing under the laws of their respective states of formation and, to the extent required by the laws of the Property Jurisdiction, are duly qualified to transact business in the Property Jurisdiction as either domestic or foreign partnerships or limited liability companies, as applicable.
- (b) Borrower has the legal right, power and authority (i) to own its properties and assets, including, but not limited to, the Project, (ii) to carry on its business as now being conducted and Borrower contemplates it to be conducted with respect to the Project and (iii) to execute and deliver, carry out its obligations under, and close the transactions provided for in the Financing Documents to which it is a party.

- (c) Each of the Financing Documents to which Borrower is a party has been duly authorized, executed and delivered by Borrower and, assuming due authorization, execution and delivery by the other parties thereto, constitutes the legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally and general principles of equity.
- (d) No authorization, consent, approval, order, registration, declaration or withholding of objection on the part of, or filing of or with any governmental authority, other than those already obtained or those necessary to be obtained during the course of construction of the Project, is required for the due execution and delivery or approval, as the case may be, by Borrower of, and the performance by Borrower of its obligations under, the Financing Documents.
- (e) None of the execution and delivery of the Financing Documents to which Borrower is a party, the consummation of the transactions provided for in the Financing Documents, or Borrower's fulfillment of or compliance with the terms and conditions of the Financing Documents (i) violates or will violate any law, rule or regulation of any governmental agency or body having jurisdiction over Borrower, or any of its activities or properties, or any judgment, order, writ, injunction or decree to which Borrower is subject, or any of the organizational or other governing documents of Borrower, (ii) conflicts or will conflict with any agreement, instrument or license to which Borrower is now a party or by which it or any of its properties or assets is bound or results or will result in a breach of, or constitutes or will constitute a default (with due notice or the passage of time or both) under, any such agreement, instrument or license, (iii) contravenes or will contravene any such law, rule or regulation or any such judgment, order, writ, injunction or decree, or (iv) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of Borrower, except for any lien, charge or encumbrance permitted under the terms of the Financing Documents.
- (f) Reserved.
- (g) There is no action, suit, proceeding, inquiry or investigation pending or, to Borrower's knowledge, threatened against or affecting Borrower or any of its properties (including, without limitation, the Project), which, if adversely determined, would (i) impair the right of Borrower to carry on its business substantially as now conducted and as contemplated by the Financing Documents, (ii) adversely affect the financial condition of Borrower, (iii) prohibit, restrain or enjoin the making of the Funding Loan or the Project Loan or the execution and delivery of any of the Financing Documents, (iv) adversely affect the validity or enforceability of any of the Financing Documents, or (v) adversely affect the exclusion of interest on the Series D-1 Governmental Note from the gross income of the holders thereof for federal income tax purposes.
- (h) The Project and the operation of the Project (in the manner contemplated by the Financing Documents) conform and, following completion of the construction of the Project, will continue to conform in all material respects with the requirements of the Act as well as all applicable zoning, planning, building and environmental laws, ordinances and regulations of governmental authorities having jurisdiction over the Project.
- (i) Borrower has filed or caused to be filed all federal, state and local tax returns which are required to be filed or has obtained appropriate extensions therefor, and has paid or caused to be paid all taxes as shown on said returns or on any assessment received by it, to the extent that such taxes have become due.
- (j) Borrower is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument to which it is a party which default would materially adversely affect the transactions contemplated by the Financing

Documents or the operations of Borrower or the enforceability of the Financing Documents to which Borrower is a party or the ability of Borrower to perform all obligations thereunder.

- (k) Borrower agrees to pay all costs of maintenance and repair, all Taxes and assessments, insurance premiums (including public liability insurance and insurance against damage to or destruction of the Project) concerning or in any way related to the Project, or any part thereof, and any expenses or renewals thereof, and any other governmental charges and impositions whatsoever, foreseen or unforeseen, and all utility and other charges and assessments concerning or in any way related to the Project.
- (l) If Borrower is a partnership, all of the partnership interests in Borrower are validly issued and are fully registered, if required, with the applicable governmental authorities and/or agencies, and, other than in accordance with the terms of the Borrower's limited partnership agreement and related agreements in connection therewith, there are no outstanding options or rights to purchase or acquire those interests. If Borrower is a limited liability company, all of the ownership interests in Borrower are validly issued and are fully registered, if required, with the applicable governmental authorities and/or agencies, and there are no outstanding options or rights to purchase or acquire those interests (other than the [Right of First Refusal and Option Agreement among the Borrower, its general partner, National Community Renaissance of California, and the investor limited partner]). Nothing in this Project Loan Agreement shall prevent Borrower from issuing additional partnership interests or ownership interests if such units are issued in accordance with all applicable securities laws.
- (m) The representations and warranties of Borrower contained in the Tax Certificate and TEL Regulatory Agreement are true and accurate in all material respects.
- (n) The information, statements or reports furnished in writing to Governmental Lender, Loan Servicer and Funding Lender Representative by Borrower in connection with this Project Loan Agreement or the consummation of the transactions contemplated hereby do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading; and the representations and warranties of Borrower and the statements, information and descriptions contained in Borrower's closing certificates, as of the Delivery Date, are true and correct in all material respects, do not contain any untrue statement of a material fact, and do not omit to state a material fact necessary to make the representations, warranties, statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading; and any estimates or assumptions contained in any certificate of Borrower delivered as of the Delivery Date are reasonable.
- (o) To the knowledge of Borrower, no commissioner, member, officer or employee of Governmental Lender has been or is in any manner interested, directly or indirectly, in that person's own name or in the name of any other person, in the Financing Documents, Borrower or the Project, in any contract for property or materials to be furnished or used in connection with the Project, or in any aspect of the transactions contemplated by the Financing Documents.
- (p) Borrower intends to hold the Project for its own account and has no current plans to sell, and has not entered into any agreement to sell, all or any portion of the Project (other than pursuant to the terms of Borrower's partnership agreement and related agreements in connection therewith).
- (q) The Project is located wholly within the boundaries of the City of San Diego, California.
- (r) Borrower shall make no changes to the Project or to the operation thereof which would adversely affect the qualification of the Project under the Act or impair the exclusion of interest on the Series D-1 Governmental Note from the gross income of the holders thereof for federal income tax purposes. Borrower shall operate the Project as required by the TEL Regulatory Agreement.

- (s) The Funding Loan Agreement has been submitted to Borrower for examination, and Borrower, by execution of this Project Loan Agreement, acknowledges and agrees that it has participated in the drafting of the Funding Loan Agreement and that it is bound by, shall adhere to the provisions of, covenants and agrees to perform all obligations required of Borrower pursuant to, and shall have the rights set forth by the applicable terms and conditions of, the Funding Loan Agreement.
- (t) Borrower will have a fee simple interest in the Project, subject only to liens permitted under the Security Instrument.
- (u) Borrower acknowledges that (i) it understands the nature and structure of the transactions relating to the financing of the Project, (ii) it is familiar with the provisions of all of the documents and instruments relating to the financing, (iii) it understands the risks inherent in such transactions, including without limitation the risk of loss of the Project, and (iv) it has not relied on Governmental Lender, Fiscal Agent, Freddie Mac, Funding Lender, Funding Lender Representative or Loan Servicer for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by the Financing Documents or otherwise relied on Governmental Lender, Fiscal Agent, Freddie Mac, Funding Lender, Funding Lender Representative or Loan Servicer in any manner.

2.03 Representations and Warranties of Fiscal Agent. Fiscal Agent makes the following representations and warranties for the benefit of Governmental Lender, Borrower, Funding Lender and Loan Servicer:

- (a) Fiscal Agent is a national banking association, duly organized and existing under the laws of the United States. Fiscal Agent is duly authorized to act as a fiduciary and to execute the trust created by the Funding Loan Agreement and meets the qualifications to act as Fiscal Agent under the Funding Loan Agreement.
- (b) Fiscal Agent has complied with the provisions of law which are prerequisite to the consummation of, and has all necessary power (including trust powers) and authority (i) to execute and deliver this Project Loan Agreement and the other Financing Documents to which it is a party, (ii) to perform its obligations under this Project Loan Agreement and the other Financing Documents to which it is a party, and (iii) to consummate the transactions contemplated by this Project Loan Agreement and the other Financing Documents to which it is a party.
- (c) Fiscal Agent has duly authorized (i) the execution and delivery of this Project Loan Agreement and the other Financing Documents to which it is a party, (ii) the performance by Fiscal Agent of its obligations under this Project Loan Agreement and the other Financing Documents to which it is a party, and (iii) the actions of Fiscal Agent contemplated by this Project Loan Agreement and the other Financing Documents to which it is a party.
- (d) Each of the Financing Documents to which Fiscal Agent is a party has been duly executed and delivered by Fiscal Agent and, assuming due authorization, execution and delivery by the other parties thereto, constitutes a valid and binding obligation of Fiscal Agent, enforceable against Fiscal Agent in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).
- (e) Fiscal Agent meets the qualifications to act as Fiscal Agent under the Funding Loan Agreement.
- (f) Fiscal Agent has complied with the provisions of law which are prerequisites to the consummation of the transactions on the part of Fiscal Agent described or contemplated in the Financing Documents.
- (g) No approval, permit, consent, authorization or order of any court, governmental agency or public board or body not already obtained is required to be obtained by Fiscal Agent as a prerequisite to

(i) the execution and delivery of this Project Loan Agreement and the other Financing Documents to which Fiscal Agent is a party, (ii) the authentication or delivery of the Governmental Note, (iii) the performance by Fiscal Agent of its obligations under this Project Loan Agreement and the other Financing Documents to which it is a party, or (iv) the consummation of the transactions contemplated by this Project Loan Agreement and the other Financing Documents to which Fiscal Agent is a party. Fiscal Agent makes no representation or warranty relating to compliance with any federal or state securities laws.

2.04 Arbitrage and Rebate Fund Calculations. Borrower shall (a) take or cause to be taken all actions necessary or appropriate in order to fully and timely comply with Section 4.12 of the Funding Loan Agreement, and (b) if required to do so under Section 4.10 of the Funding Loan Agreement, select at Borrower's expense, a Rebate Analyst reasonably acceptable to Governmental Lender for the purpose of making any and all calculations required under Section 4.10 of the Funding Loan Agreement. Such calculations, if required, shall be made in the manner and at such times as specified in Section 4.10 of the Funding Loan Agreement. Borrower shall cause the Rebate Analyst to provide such calculations to Fiscal Agent and Governmental Lender at such times and with such directions as are necessary to comply fully with the arbitrage and rebate requirements set forth in the Funding Loan Agreement and to comply fully with Section 148 of the Code, including the timely payment of any arbitrage rebate owed.

2.05 Tax Covenants of Borrower. Borrower covenants and agrees that:

- (a) It will at all times comply with the terms of the Tax Certificate and the TEL Regulatory Agreement.
- (b) It will not take, or permit to be taken on its behalf, any action which would cause the interest payable on the Series D-1 Governmental Note to be included in the gross income of the holders thereof for federal income tax purposes, and will take such action as may be necessary in the opinion of Bond Counsel to continue such exclusion from gross income, including, without limitation, the preparation and filing of all statements required to be filed by it in order to maintain the exclusion (including, but not limited to, the filing of all reports and certifications required by the TEL Regulatory Agreement).
- (c) No changes will be made to the Project, no actions will be taken by Borrower and Borrower will not omit to take any actions, which will in any way adversely affect the tax-exempt status of the Series D-1 Governmental Note.
- (d) It will comply with the requirements of Section 148 of the Code and the Treasury Regulations issued thereunder throughout the term of the Funding Loan and the Project Loan and will not make any use of the proceeds of the Funding Loan or the Project Loan, or of any other funds which may be deemed to be proceeds of the Series D-1 Governmental Note under the Code and the Treasury Regulations, which would cause the Series D-1 Governmental Note to be "arbitrage bonds" within the meaning of Section 148 of the Code.
- (e) If Borrower becomes aware of any situation, event or condition which would, to the best of its knowledge, result in the interest on the Series D-1 Governmental Note becoming includable in gross income of the holders thereof for federal income tax purposes (except during any period while the Series D-1 Governmental Note is held by a "substantial user" of the facilities financed by the Series D-1 Governmental Note or a "related person" within the meaning of Section 147(a) of the Code), it will promptly give written notice of such circumstance, event or condition to Governmental Lender, Fiscal Agent, Funding Lender Representative and Loan Servicer.
- (f) The full amount of each disbursement of proceeds of the Series D-1 Project Loan will be applied to pay or to reimburse Borrower for the payment of Costs of the Project and, after taking into account any proposed disbursement, (i) at least 95% of the net proceeds of the Series D-1 Governmental Note (as defined in Section 150 of the Code) will be used to provide a qualified residential rental project (as defined in Section 142(d) of the Code) and (ii) less than 25% of the net proceeds of the Series D-1 Governmental Note will have been disbursed to pay or to

reimburse Borrower for the cost of acquiring land. None of the proceeds of the Series D-1 Governmental Note (as defined for purposes of Section 147(g) of the Code) will be disbursed to provide working capital.

- (g) Borrower will cause all of the residential units in the Project to be rented or available for rental on a basis which satisfies the requirements of the Act, the Code and the TEL Regulatory Agreement.
- (h) All leases will comply with all applicable laws and the TEL Regulatory Agreement.
- (i) In connection with any lease or grant by Borrower of the use of the Project, Borrower will require that the lessee or user of any portion of the Project not use that portion of the Project in any manner which would violate the covenants set forth in this Project Loan Agreement or the TEL Regulatory Agreement.
- (j) No proceeds of the Funding Loan shall be used for the acquisition of any tangible property or an interest therein, other than land or an interest in land, unless the first use of such property is pursuant to such acquisition; provided, however, that this limitation shall not apply with respect to any building (and the equipment therefor) if rehabilitation expenditures (as defined in Section 147(d) of the Code) with respect to such building equal or exceed 15 percent of the portion of the cost of acquiring such building (and equipment) financed with the proceeds; and provided, further, that this limitation shall not apply with respect to any structure other than a building if rehabilitation expenditures with respect to such structure equal or exceed 100 percent of the portion of the cost of acquiring such structure financed with the proceeds.
- (k) From the proceeds of the Funding Loan and investment earnings thereon, an amount not in excess of two percent (2%) of the proceeds of the Funding Loan, will be used for Costs of Issuance of the Series D-1 Governmental Note, all within the meaning of Section 147(g)(1) of the Code.
- (l) No proceeds of the Funding Loan shall be used directly or indirectly to provide any airplane, skybox or other private luxury box, health club facility, facility used for gambling or store the principal business of which is the sale of alcoholic beverages for consumption off premises.

In the event of a conflict between the terms and requirements of this Section 2.05 and the TEL Regulatory Agreement or Tax Certificate, the terms and requirements of the TEL Regulatory Agreement or Tax Certificate shall control.

ARTICLE III THE PROJECT LOAN.

3.01 Conditions to Funding the Project Loan. On the Delivery Date and thereafter, Governmental Lender shall cause the proceeds of the Funding Loan to be deposited with the Fiscal Agent in accordance with Section 2.11 of the Funding Loan Agreement and Section 3.03 hereof. Fiscal Agent shall use such proceeds as provided in Article II of the Funding Loan Agreement to make the Project Loan on behalf of Governmental Lender, provided that no authorization for the initial disbursement of proceeds shall be made until the following conditions have been met:

- (a) Borrower shall have executed and delivered to Governmental Lender the Project Note and Governmental Lender shall have endorsed the Project Note to Fiscal Agent.
- (b) The Security Instrument and the Assignment, with only such changes therein as shall be approved in writing by Funding Lender Representative, shall have been executed and delivered by Borrower and Governmental Lender, respectively, and delivered to Title Company for recording in the appropriate office for recording real estate documents in the county in which the Project is located (the "**Recorder's Office**").

- (c) The TEL Regulatory Agreement shall have been executed and delivered by the parties thereto and shall have been delivered to Title Company for recording in the Recorder's Office, and Fiscal Agent shall have received evidence satisfactory to it of such delivery.
- (d) All other Financing Documents not listed above shall have been executed and delivered by all parties thereto and delivered to Fiscal Agent.
- (e) Borrower shall have delivered to Fiscal Agent, Governmental Lender, Funding Lender Representative and Loan Servicer a certificate confirming, as of the Delivery Date, the matters set forth in Section 2.02 hereof and an opinion of its counsel or other counsel satisfactory to Fiscal Agent, Governmental Lender, Bond Counsel, Funding Lender Representative, Freddie Mac and Loan Servicer.

3.02 Terms of the Project Loan; Servicing.

- (a) The Series D-1 Project Loan shall (i) be evidenced by the Series D-1 Project Note; (ii) be secured by the Security Instrument; (iii) be in the maximum aggregate principal amount of \$31,500,000; (iv) bear interest as provided in the Series D-1 Project Note; (v) provide for principal and interest payments in accordance with the Series D-1 Project Note; and (vi) be subject to optional and mandatory prepayment at the times, in the manner and on the terms, and have such other terms and provisions, as provided herein and in the Series D-1 Project Note. The outstanding principal balance of the Series D-1 Project Loan at any time shall be an amount equal to the proceeds of the Series D-1 Funding Loan advanced by Funding Lender and deposited by Fiscal Agent into the Project Loan Fund under the Funding Loan Agreement minus any amounts prepaid with respect to principal in accordance with the terms hereof and the Series D-1 Project Note.

The Series D-2 Project Loan shall (i) be evidenced by the Series D-2 Project Note; (ii) be secured by the Security Instrument; (iii) be in the maximum aggregate principal amount of \$[D-2 Amount]; (iv) bear interest as provided in the Series D-2 Project Note; (v) provide for principal and interest payments in accordance with the Series D-2 Project Note; and (vi) be subject to optional and mandatory prepayment at the times, in the manner and on the terms, and have such other terms and provisions, as provided herein and in the Series D-2 Project Note. The outstanding principal balance of the Series D-2 Project Loan at any time shall be an amount equal to the proceeds of the Series D-2 Funding Loan advanced by Funding Lender and deposited by Fiscal Agent into the Project Loan Fund under the Funding Loan Agreement minus any amounts prepaid with respect to principal in accordance with the terms hereof and the Series D-2 Project Note.

- (b) Funding Lender Representative may appoint a Loan Servicer to service the Loans for all or a portion of the term of the Loans. The initial Loan Servicer of the Loans is Wells Fargo Bank, National Association, who shall service the Loans as required by Initial Funding Lender. On the Freddie Mac Purchase Date, Seller/Servicer shall become the Loan Servicer and shall service the Loans pursuant to the terms of the Freddie Mac Commitment and the Guide. Funding Lender Representative may remove a Loan Servicer or appoint a replacement Loan Servicer, in its discretion, by written notice provided to Governmental Lender, Fiscal Agent and Borrower. Any successor Loan Servicer shall signify its acceptance of the duties and obligations imposed upon it by the Funding Loan Agreement and this Project Loan Agreement by executing such instrument(s) as shall be acceptable to Funding Lender Representative, a copy of which shall be provided to the parties hereto.
- (c) During any period within the Permanent Phase that Loan Servicer services the Loans, Borrower shall make all payments in connection with the Project Loan to Loan Servicer, and Loan Servicer will:
 - (i) Retain the allocable portion of the monthly Servicing Fee (if any) for its own account;

- (ii) Remit to Fiscal Agent all payments of principal of, Prepayment Premium, if any, and interest due with respect to the Funding Loan, together with any other amounts due to Funding Lender;
- (iii) Remit to Fiscal Agent the Fiscal Agent's Ordinary Fees and Expenses, together with any other amounts due to Fiscal Agent, and designate such amount for deposit into the Administration Subaccount of the Administration Fund; and
- (iv) Remit to Fiscal Agent the Governmental Lender Fee, which amount the Loan Servicer shall designate for deposit into the Administration Subaccount of the Administration Fund, and any other amounts due to Governmental Lender, which amount the Loan Servicer shall designate for deposit into the Governmental Lender Fee Subaccount of the Administration Fund.

During any period in which there is no Loan Servicer, all notices to be sent to Loan Servicer shall be sent to Funding Lender Representative (to the extent not already provided) and all amounts to be paid to Loan Servicer by Borrower shall be paid directly to Fiscal Agent (unless otherwise directed by Funding Lender Representative).

- (d) Governmental Lender, Fiscal Agent and Borrower hereby acknowledge and agree that:
 - (i) Funding Lender Representative has appointed Loan Servicer to service and administer the Project Loan.
 - (ii) The selection or removal of any Loan Servicer is in the sole and absolute discretion of Funding Lender Representative.
 - (iii) None of Governmental Lender, Fiscal Agent or Borrower shall terminate or attempt to terminate any Loan Servicer as Loan Servicer for the Project Loan or appoint or attempt to appoint a substitute Loan Servicer for the Project Loan.
- (e) Governmental Lender, Fiscal Agent and Borrower further hereby acknowledge and agree with respect to Loan Servicer during the Permanent Phase that:
 - (i) The Guide is subject to amendment without the consent of Fiscal Agent, Governmental Lender or Borrower.
 - (ii) None of Fiscal Agent, Governmental Lender or Borrower shall have any rights under, or be a third-party beneficiary of, the Guide.

3.03 Deposits.

- (a) On the Delivery Date and each date of an advance of the proceeds of the Governmental Note, such proceeds shall be deposited in the Project Account of the Project Loan Fund, including the initial deposit in the amount of \$ _____. In addition, on the Delivery Date, Borrower will deposit (i) with Fiscal Agent (A) \$[5,000] for credit to the Costs of Issuance Fund and (B) \$ _____ for credit to the Borrower Equity Account of the Project Loan Fund and (ii) with Loan Servicer the Stub Payment Amount. Subject to the conditions listed in Section 3.01 hereof, amounts on deposit in the Project Loan Fund are to be disbursed to Borrower or otherwise as provided in Section 2.11(d) of the Funding Loan Agreement.
- (b) To the extent that amounts in the Costs of Issuance Fund from the above-mentioned sources are insufficient to pay all costs of closing the Loans, Borrower shall cause the payment of such additional costs of closing the Loans to be made on its behalf as such amounts become due.

- 3.04 Pledge and Assignment to Fiscal Agent.** The parties hereto acknowledge, and Borrower consents to, the pledge and assignment by Governmental Lender to Fiscal Agent pursuant to the Funding Loan Agreement of all of Governmental Lender's right, title and interest in this Project Loan Agreement (excluding the Unassigned Rights), the Project Loan, the Project Note, the Security Instrument, the other Project Loan Documents and the Revenues as security for the payment of the principal of, Prepayment Premium, if any, and interest on the Governmental Note and the payment of any other amounts due under the Financing Documents.
- 3.05 Investment of Funds.** Except as otherwise provided in the Funding Loan Agreement, any money held as a part of any fund or account established under the Funding Loan Agreement shall be invested or reinvested by Fiscal Agent in Qualified Investments in accordance with Section 4.07 of the Funding Loan Agreement.
- 3.06 Damage; Destruction and Eminent Domain.** If, prior to payment in full of the Project Loan, the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and Governmental Lender, Borrower, Fiscal Agent or Loan Servicer receives Net Proceeds from insurance or any condemnation award in connection therewith, such Net Proceeds shall be utilized as provided in the Project Loan Documents and the Funding Loan Agreement.
- 3.07 Enforcement of Financing Documents.** Fiscal Agent or Funding Lender Representative may enforce and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of the Funding Loan Agreement and the other Financing Documents as and to the extent set forth herein and therein.

ARTICLE IV LOAN PAYMENTS.

4.01 Payments Under the Project Note; Independent Obligation of Borrower.

- (a) Payment Obligations. Borrower agrees to repay the Project Loan on each Project Loan Payment Date as provided in the Project Note, and in all instances at the times and in the amounts necessary to enable Fiscal Agent, on behalf of Governmental Lender, to pay all amounts payable with respect to the Funding Loan, when due, whether at maturity or upon prepayment (with Prepayment Premium, if applicable), acceleration or otherwise. To ensure such timely payment during the Permanent Phase, Loan Servicer shall collect from Borrower, and Borrower shall provide to Loan Servicer the foregoing payments not less than two (2) Business Days prior to each respective Project Loan Payment Date.

The obligation of Borrower to make the payments set forth in this Article IV shall be an independent obligation of Borrower, separate from its obligation to make payments under the Project Note, provided that in all events payments made by Borrower under and pursuant to the Project Note shall be credited against Borrower's obligations hereunder on a dollar-for-dollar basis. If for any reason the Project Note or any provision of the Project Note shall be held invalid or unenforceable against Borrower by any court of competent jurisdiction, the Project Note or such provision of the Project Note shall be deemed to be the obligation of Borrower pursuant to this Project Loan Agreement to the full extent permitted by law and such holding shall not invalidate or render unenforceable any of the provisions of this Article IV and shall not serve to discharge any of Borrower's payment obligations hereunder or eliminate the credit against such obligations to the extent of payments made under the Project Note.

- (b) Obligations Unconditional; No Set-Off. The obligation of Borrower to repay the Project Loan, to perform all of its obligations under the Project Loan Documents, to provide indemnification pursuant to Section 6.01 hereof, to pay costs, expenses and charges pursuant to Section 4.02 hereof and to make any and all other payments required by this Project Loan Agreement, the Funding Loan Agreement or any other documents contemplated by this Project Loan Agreement

or by the Project Loan Documents shall, subject to the limitations set forth in Section 4.06 hereof, be absolute and unconditional, and shall be paid or performed without notice or demand, and without abatement, deduction, set-off, counterclaim, recoupment or defense or any right of termination or cancellation arising from any circumstance whatsoever, whether now existing or hereafter arising, and irrespective of whether Borrower's title to the Project or to any part thereof is defective or nonexistent, and notwithstanding any damage due to loss, theft or destruction of the Project or any part thereof, any failure of consideration or frustration of commercial purpose, the taking by eminent domain of title to or of the right of temporary use of all or any part of the Project, legal curtailment of Borrower's use thereof, the eviction or constructive eviction of Borrower, any change in the tax or other laws of the United States of America, the Property Jurisdiction or any political subdivision thereof, any change in Governmental Lender's legal organization or status, or any default of Governmental Lender or Fiscal Agent hereunder or under any other Financing Document, and regardless of the invalidity of any action of Governmental Lender or the invalidity of any portion of this Project Loan Agreement.

- (c) Payments from Borrower to Fiscal Agent or Loan Servicer. Each payment by Borrower hereunder or under the Project Note shall be made in immediately available funds to Loan Servicer on each Project Loan Payment Date or such other date when such payment is due; provided, however, such Project Loan Payment shall be made directly to Fiscal Agent if there is no Loan Servicer or if Borrower is so directed in writing by Funding Lender Representative. Each such payment shall be made to Loan Servicer or Fiscal Agent, as applicable, by deposit to such account as Loan Servicer or Fiscal Agent may designate by written notice to Borrower. Whenever any Project Loan Payment or any other payment under this Project Loan Agreement or under the Project Note shall be stated to be due on a day that is not a Business Day, such payment shall be made on the first Business Day immediately thereafter.

4.02 Additional Payments Under the Project Note and Project Loan Agreement.

- (a) In addition to the payments set forth in Section 4.01 hereof, payments to be made by Borrower under the Project Note include certain money to be paid in respect of, among other things, the Fee Component, the Servicing Fee, and amounts required to be deposited pursuant to the Continuing Covenant Agreement and the other Project Loan Documents, as set forth in subsection (b) of this Section 4.02. To the extent that any portion of the Fee Component, the Servicing Fee, or amounts required to be deposited pursuant to the Continuing Covenant Agreement and the other Project Loan Documents remain due and owing at any time, such amounts remaining due and owing shall be payable from money on deposit in the Administration Fund as provided in Section 4.06 of the Funding Loan Agreement or from other money of Borrower, to the extent that money in the Administration Fund is insufficient for such purposes. All other fees and expenses shall be payable from money of Borrower as provided in subsection (b) of this Section 4.02.
- (b) In addition to the funding of the initial deposits required of Borrower described in Section 3.03, Borrower shall pay (or cause to be paid by Loan Servicer, Fiscal Agent (to the extent paid from money on deposit in the Administration Fund or the Costs of Issuance Fund, as applicable) or a third-party escrow agent acceptable to Governmental Lender and Initial Funding Lender), in consideration of the funding of the Project Loan, the following fees, expenses and other money payable in connection with the Loans:
- (i) On the Delivery Date, from money on deposit in the Costs of Issuance Fund or, to the extent such money is insufficient for such purpose, from other money of Borrower, to Initial Funding Lender its origination fees, together with all third party and out-of-pocket expenses of Initial Funding Lender (including but not limited to the fees and expenses of counsel to Initial Funding lender) in connection with the Loans.
- (ii) On the Delivery Date, from money on deposit in the Costs of Issuance Fund or, to the extent such money is insufficient for such purpose, from other money of Borrower, to

Freddie Mac, all third party and out-of-pocket expenses of Freddie Mac (including but not limited to the fees and expenses of counsel to Freddie Mac) in connection with the Loans.

- (iii) On the Delivery Date, from money of Borrower, to Governmental Lender, an initial financing fee in an amount equal to \$ _____, together with all third party and out-of-pocket expenses of Governmental Lender (including but not limited to the fees and expenses of Bond Counsel and counsel to Governmental Lender) in connection with the Loans and the issuance of the Governmental Note.
- (iv) On the Delivery Date, from money on deposit in the Costs of Issuance Fund or, to the extent such money is insufficient for such purpose, from other money of Borrower, to Seller/Servicer, its commitment fees and application fees, together with all third party and out-of-pocket expenses of Seller/Servicer (including but not limited to the fees and expenses of counsel to Seller/Servicer, if any) in connection with the Loans.
- (v) On the Delivery Date, from money of Borrower, to Fiscal Agent, an acceptance fee in an amount equal to \$ _____, together with all third party and out-of-pocket expenses of Fiscal Agent (including but not limited to the fees and expenses of counsel to Fiscal Agent) in connection with the Loans and the issuance of the Governmental Note.
- (vi) To Fiscal Agent, the Fiscal Agent's Ordinary Fees and Expenses and the Fiscal Agent's Extraordinary Fees and Expenses when due from time to time.
- (vii) To Governmental Lender, the Governmental Lender Fee when due and any extraordinary expenses not covered by the Governmental Lender Fee that Governmental Lender may incur in connection with the Financing Documents or the Project from time to time.
- (viii) To the Rebate Analyst, the reasonable fees and expenses of such Rebate Analyst in connection with the computations relating to arbitrage rebate required under the Funding Loan Agreement and this Project Loan Agreement when due from time to time.
- (ix) To Funding Lender Representative, any amount due and owing to Funding Lender Representative from time to time but unpaid under the Continuing Covenant Agreement.
- (x) To Loan Servicer, the amount of any portion of the Servicing Fee remaining unpaid and any fees, costs and expenses of Loan Servicer as provided in the Continuing Covenant Agreement.
- (xi) To Loan Servicer, the amounts required to be deposited in respect of reserves and impositions required under the Continuing Covenant Agreement and the other Project Loan Documents.
- (xii) If Fiscal Agent is collecting and remitting loan payments under the Funding Loan Agreement, to Fiscal Agent, within two (2) Business Days of receipt from Fiscal Agent of a notice of deficiency in the Administration Fund as provided in Section 4.06 of the Funding Loan Agreement, the amount of any such deficiency in the Administration Fund.

4.03 Payments to Rebate Fund. Borrower shall pay when due to Fiscal Agent at the Principal Office of Fiscal Agent any amount required to be deposited in the Rebate Fund in accordance with Section 4.10 of the Funding Loan Agreement.

4.04 Prepayment.

- (a) Optional Prepayment of the Project Loan. Borrower shall have the option to prepay the Project Loan in whole, together with all accrued and unpaid interest thereon, as provided in the Project Note.
- (b) Mandatory Prepayment of the Project Loan. Borrower shall be required to prepay all or a portion of the outstanding principal balance of the Project Loan, together with accrued interest thereon, and together with any Prepayment Premium due under the Project Note, as provided in the Project Note. Additionally, Borrower shall be required to prepay all or a portion of the outstanding principal balance of the Project Loan, together with accrued interest thereon, and together with any Prepayment Premium due under the Project Note, in connection with any of the following:
 - (i) In part, in the event Borrower makes a Pre-Conversion Loan Equalization Payment.
 - (ii) In whole, on or after the Forward Commitment Maturity Date, at the written direction of Initial Funding Lender, if the Conversion Notice is not issued by Seller/Servicer prior to the Forward Commitment Maturity Date.
- (c) Defeasance of the Funding Loan. In addition, after the Conversion Date and prior to the Window Period, Borrower may cause a defeasance of the Series D-1 Governmental Note resulting in a release of the Pledged Security by satisfying the conditions set forth hereunder and in Article IX of the Funding Loan Agreement. In connection therewith, Borrower will give written notice (a “**Defeasance Notice**”) to Funding Lender Representative, Loan Servicer, Governmental Lender and Fiscal Agent of the date Borrower desires to defease the Funding Loan (the “**Defeasance Date**”). The Defeasance Date may not be more than 60 calendar days, nor less than 30 calendar days, after the delivery of the Defeasance Notice. In connection with the delivery of the Defeasance Notice, Borrower shall cause to be paid to Funding Lender Representative the Defeasance Fee set forth in the Continuing Covenant Agreement. In addition to, and not in limitation of any other provisions of this Project Loan Agreement, Borrower shall pay all fees, costs and expenses in connection with any defeasance whether or not such defeasance occurs. Following such defeasance in accordance with the terms and conditions hereof and the Funding Loan Agreement, the Project Loan shall be deemed paid in full, and Borrower shall be entitled to the release of the Security Instrument, the Pledged Security and other security provided by it for the Project Loan, subject to the terms and conditions hereof and the other Financing Documents.

4.05 Borrower’s Obligations Upon Prepayment. In the event of any prepayment, Borrower will timely pay, or cause to be paid through Loan Servicer, an amount equal to the principal amount of the Funding Loan or portion thereof called for prepayment, together with interest accrued to the prepayment date and Prepayment Premium, if any. In addition, Borrower will timely pay all fees, costs and expenses associated with any prepayment of the Funding Loan.

4.06 Limits on Personal Liability.

- (a) Except as otherwise set forth in the Project Note and subsection 4.06(b) below, the obligations of Borrower under this Project Loan Agreement and the other Financing Documents are non-recourse liabilities of Borrower which shall be enforced only against the Project and other property of Borrower encumbered by the Financing Documents and not personally against Borrower or any partner of Borrower or any successor or assign of Borrower. However, nothing in this Section 4.06 shall limit the right of Governmental Lender, Fiscal Agent, Loan Servicer or Funding Lender Representative to proceed against Borrower to recover any fees owing to any of them or any actual out-of-pocket expenses (including but not limited to actual out-of-pocket attorneys’ fees incurred by any of them) incurred by any of them in connection with the enforcement of any rights under this Project Loan Agreement or the other Financing Documents. Nothing in this Section 4.06 shall limit any right that Loan Servicer or Funding Lender

Representative may have to enforce the Project Note, the Security Instrument, or any other Financing Document in accordance with their terms.

- (b) Notwithstanding anything contained in any other provision of this Project Loan Agreement to the contrary (but subject to the provisions of Section 7.06 hereof), the following obligations of Borrower shall be and remain the joint and several full recourse obligations of Borrower and the Borrower's general partner:
 - (i) Borrower's obligations to Governmental Lender and Fiscal Agent under subsections (b)(iii), (b)(v), (b)(vi), and (b)(vii) of Section 4.02 hereof.
 - (ii) Borrower's obligations under Sections 2.05 and 6.01 of this Project Loan Agreement.
 - (iii) Borrower's obligation to pay any and all rebate amounts that may be or become owing with respect to the Funding Loan and fees and expenses of the Rebate Analyst as provided in Sections 2.04, 4.02(b)(viii), and 4.03 of this Project Loan Agreement and the Tax Certificate.
 - (iv) Borrower's obligation to pay legal fees and expenses under Section 7.04 hereof.

ARTICLE V SPECIAL COVENANTS OF BORROWER.

- 5.01 Performance of Obligations.** Borrower shall keep and faithfully perform all of its covenants and undertakings contained herein and in the Financing Documents, including, without limitation, its obligations to make all payments set forth herein and therein in the amounts, at the times and in the manner set forth herein and therein.
- 5.02 Compliance with Applicable Laws.** All work performed in connection with the Project shall be performed in strict compliance with all applicable federal, state, county and municipal laws, ordinances, rules and regulations now in force or that may be enacted hereafter.
- 5.03 Funding Loan Agreement Provisions.** The execution of this Project Loan Agreement shall constitute conclusive evidence of approval of the Funding Loan Agreement by Borrower. Whenever the Funding Loan Agreement by its terms imposes a duty or obligation upon Borrower, such duty or obligation shall be binding upon Borrower to the same extent as if Borrower were an express party to the Funding Loan Agreement, and Borrower shall carry out and perform all of its obligations under the Funding Loan Agreement as fully as if Borrower were a party to the Funding Loan Agreement.
- 5.04 Borrower to Maintain Its Existence; Certification of No Default.**
 - (a) Borrower agrees to maintain its existence and maintain its current legal status with authority to own and operate the Project.
 - (b) In addition to performing all other similar requirements under the Financing Documents to which Borrower is a party, Borrower shall, within 30 days after the end of each calendar year, render to Fiscal Agent a certificate executed by an Authorized Officer of Borrower to the effect that Borrower is not, as of the date of such certificate, in default of any of its covenants, agreements, representations or warranties under any of the Financing Documents to which Borrower is a party and that, to the best of Borrower's knowledge, after reasonable investigation, there has occurred no default or Event of Default (as such terms are defined in each respective Financing Document) under any of the Financing Documents.
- 5.05 Borrower to Remain Qualified in Property Jurisdiction and Appoint Agent.** Borrower will remain duly qualified to transact business in the Property Jurisdiction and will maintain an agent in the Property Jurisdiction on whom service of process may be made in connection with any actions against Borrower.

- 5.06 Sale or Other Transfer of Project.** Borrower may convey and transfer the Project only upon strict compliance with the provisions of the Financing Documents, and upon receipt of the prior written consent of Governmental Lender and Funding Lender Representative.
- 5.07 Right to Perform Borrower's Obligations.** In the event Borrower fails to perform any of its obligations under this Project Loan Agreement, Governmental Lender, Fiscal Agent, Loan Servicer and/or Funding Lender Representative, after giving requisite notice, if any, and subject to Section 5.05 of the Funding Loan Agreement, may, but shall be under no obligation to, perform such obligation and pay all costs related thereto, and all such costs so advanced shall become an additional obligation of Borrower hereunder, payable on demand and if not paid on demand with interest thereon at the default rate of interest payable under the Project Loan Documents.
- 5.08 Notice of Certain Events.** Borrower shall promptly advise Governmental Lender, Fiscal Agent, Funding Lender Representative and Loan Servicer in writing of the occurrence of any Event of Default hereunder or any event which, with the passage of time or service of notice or both, would constitute an Event of Default, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto.
- 5.09 Survival of Covenants.** The provisions of Sections 2.04, 2.05, 4.02, 4.03, 6.01 and 7.04 hereof shall survive the expiration or earlier termination of this Project Loan Agreement and, with regard to Fiscal Agent, the resignation or removal of Fiscal Agent.
- 5.10 Access to Project; Records.** Subject to reasonable notice and the rights of tenants at the Project, Governmental Lender, Fiscal Agent, Loan Servicer and Funding Lender Representative, and the respective duly authorized agents of each, shall have the right (but not any duty or obligation) at all reasonable times and during normal business hours to do any of the following:
- (a) Enter the Project and any other location containing the records relating to Borrower, the Project, the Loans and Borrower's compliance with the terms and conditions of the Financing Documents.
 - (b) Inspect and audit any and all of Borrower's records or accounts pertaining to Borrower, the Project, the Loans and Borrower's compliance with the terms and conditions of the Financing Documents.
 - (c) Require Borrower, at Borrower's sole expense, (i) to furnish such documents to Governmental Lender, Fiscal Agent, Loan Servicer and Funding Lender Representative, as Governmental Lender, Fiscal Agent, Loan Servicer or Funding Lender Representative, as the case may be, from time to time, deems reasonably necessary in order to determine that the provisions of the Financing Documents have been complied with and (ii) to make copies of any records that Governmental Lender, Fiscal Agent, Loan Servicer or Funding Lender Representative or the respective duly authorized agents of each, may reasonably require.

Borrower shall make available to Governmental Lender, Fiscal Agent, Loan Servicer and Funding Lender Representative, such information concerning the Project, the Security Instrument and the Financing Documents as any of them may reasonably request.

- 5.11 TEL Regulatory Agreement.** The covenants of Borrower in the TEL Regulatory Agreement shall be deemed to constitute covenants of Borrower running with the land and an equitable servitude for the benefit of Governmental Lender and Funding Lender and shall be binding upon any owners of the Project until such time as such restrictions expire as provided in the TEL Regulatory Agreement. Borrower covenants to file of record the TEL Regulatory Agreement and such other documents, and to take such other steps as are necessary in order to assure that the restrictions contained in the TEL Regulatory Agreement will, subject to the terms of the TEL Regulatory Agreement, be binding upon all owners of the Project. Borrower covenants to include such restrictions or a reference to such restrictions in any documents transferring any interest in the Project to another to the end that such transferee has notice of,

and is bound by, the TEL Regulatory Agreement. Subject to the provisions of Section 7.06 of this Project Loan Agreement, Governmental Lender and Fiscal Agent shall have the right to seek specific performance of or injunctive relief to enforce the requirements of any covenants of Borrower contained in the TEL Regulatory Agreement.

- 5.12 Damage, Destruction and Condemnation.** If prior to payment in full of the Funding Loan (or provision for payment in full of the Funding Loan in accordance with the provisions of the Funding Loan Agreement) the Project or any portion of it is destroyed (in whole or in part) or is damaged by fire or other casualty, or title to, or the temporary use of, the Project or any portion of it shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, or shall be transferred pursuant to an agreement or settlement in lieu of eminent domain proceedings, Borrower shall nevertheless be obligated to continue to pay the amounts specified in this Project Loan Agreement and in the Project Note to the extent the Project Loan is not prepaid in full in accordance with the terms of the Project Loan Documents.
- 5.13 Obligation of Borrower to Construct the Project.** Borrower shall proceed with reasonable dispatch (and in no event later than required under the Financing Documents) to complete the construction, development and equipping of the Project as required by the Financing Documents. If amounts on deposit in the Project Loan Fund designated for the Project and available to be disbursed to Borrower are not sufficient to pay the costs of such acquisition, construction, development and equipping, Borrower shall pay such additional costs from its own funds. Borrower shall not be entitled to any reimbursement from Governmental Lender, Fiscal Agent, Loan Servicer, Funding Lender Representative or Funding Lender in respect of any such additional costs or to any diminution or abatement in the repayment of the Project Loan. None of Fiscal Agent, Governmental Lender, Funding Lender, Funding Lender Representative or Loan Servicer makes any representation or warranty, either express or implied, that money, if any, which will be paid into the Project Loan Fund or otherwise made available to Borrower will be sufficient to complete the Project, and none of Fiscal Agent, Governmental Lender, Funding Lender, Funding Lender Representative or Loan Servicer shall be liable to Borrower or any other person if for any reason the Project is not completed.
- 5.14 Filing of Financing Statements.** Borrower shall file or record or cause to be filed or recorded on or prior to the Delivery Date all UCC financing statements which are required to be filed or recorded in order fully to protect and preserve the security interests relating to the priority of the Project Loan, the Funding Loan, the Pledged Security and the Security Instrument, and the rights and powers of Governmental Lender, Fiscal Agent and Funding Lender in connection with such security interests. Borrower shall cooperate with Fiscal Agent in connection with the filing of any continuation statements for the purpose of continuing without lapse the effectiveness of such financing statements; provided, however, that Fiscal Agent shall only file or record, or cause to be filed or recorded, those UCC continuation statements on which Fiscal Agent is named as a secured party or additional secured party for financing statements that have been delivered to Fiscal Agent, at Borrower's expense.

ARTICLE VI INDEMNIFICATION.

6.01 Indemnification.

- (a) Indemnified Losses. To the fullest extent permitted by law, Borrower agrees to indemnify, hold harmless and defend Governmental Lender, Fiscal Agent, Loan Servicer, Funding Lender and each of their respective officers, governing commissioners, members, directors, officials, employees, attorneys and agents (collectively, the "**Indemnified Parties**"), against any and all losses, damages (including, but not limited to, consequential and punitive 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 federal or state securities laws or any other statutory law or at

common law or otherwise (collectively, “**Losses**”), to the extent arising, directly or indirectly, out of or based upon or in any way relating to any of the following:

- (i) Any breach by Borrower of its obligations under the Financing Documents or the execution, amendment, restructuring or enforcement thereof, or in connection with transactions contemplated thereby, including the issuance, sale, transfer or resale of the Governmental Note.
- (ii) Any act or omission of Borrower or any of its agents, contractors, servants, employees or licensees in connection with the Project 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 or equipping of, the Project or any part thereof.
- (iii) Any accident, injury to, or death of persons or loss of or damage to property occurring in, on or about the Project or any part thereof.
- (iv) Any lien (other than liens permitted under the Continuing Covenant Agreement) or charge upon payments by Borrower to Governmental Lender, Fiscal Agent or Loan Servicer hereunder, or any Taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on Governmental Lender or Fiscal Agent in respect of any portion of the Project (other than income and similar taxes on fees received or earned in connection therewith).
- (v) Any violation of any environmental law, rule or regulation with respect to, or the release of any hazardous materials from, the Project or any part thereof.
- (vi) The enforcement of, or any action taken by Governmental Lender, Fiscal Agent or Funding Lender Representative related to remedies under this Project Loan Agreement, the Funding Loan Agreement or any other Financing Document.
- (vii) Any untrue statement of a material fact or alleged untrue statement of a material fact by Borrower contained in any offering statement or document for the Governmental Note or any of the Financing Documents to which Borrower is a party, or any omission or alleged omission by Borrower of a material fact from any offering statement or document for the Governmental Note necessary to be stated therein in order to make the statements made therein by Borrower, in the light of the circumstances under which they were made, not misleading.
- (viii) Any declaration of taxability of interest on the Series D-1 Governmental Note or allegations (or regulatory inquiry) that interest on the Series D-1 Governmental Note is includable in the gross income of the holders thereof for federal income tax purposes.
- (ix) Any audit or inquiry by the Internal Revenue Service with respect to the Project and/or the tax-exempt status of the Series D-1 Governmental Note.
- (x) Fiscal Agent’s acceptance or administration of the trust of the Funding Loan Agreement, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Governmental Note to which it is a party; except (A) in the case of the foregoing indemnification of Fiscal Agent, or any of its respective officers, commissioners, members, directors, officials, employees, attorneys and agents, to the extent such Losses are caused by the negligence, unlawful acts or willful misconduct of such Indemnified Party; or (B) in the case of the foregoing indemnification of Loan Servicer, Funding Lender or Governmental Lender or any of their respective officers, commissioners, members, directors, officials, employees, attorneys and agents, to the

extent such Losses are caused by the gross negligence or willful misconduct of such Indemnified Party.

- (b) Procedures. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, Borrower, upon written notice from such Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected or 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 such 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 to participate in the investigation and defense thereof. Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may employ separate counsel at the expense of Borrower only if, in such Indemnified Party's good faith judgment, 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.
- (c) Borrower to Remain Obligated. Notwithstanding any transfer of the Project to another owner in accordance with the provisions of this Project Loan Agreement, the Continuing Covenant Agreement and the Regulatory Agreement, Borrower shall remain obligated to indemnify each Indemnified Party pursuant to this Section 6.01 for Losses with respect to any claims based on actions or events occurring prior to the date of such transfer unless (i) such subsequent owner assumed in writing at the time of such transfer all obligations of Borrower under this Section 6.01 (including obligations under this Section 6.01 for Losses with respect to any claims based on actions or events occurring prior to the date of such transfer) and (ii) any such transfer is in compliance with the requirements of the Financing Documents.
- (d) Survival. The provisions of this Section 6.01 shall survive the termination of this Project Loan Agreement.

6.02 Limitation with Respect to Funding Lender. Notwithstanding anything in this Project Loan Agreement to the contrary, in the event that Funding Lender (or its nominee) shall become the owner of the Project as a result of a foreclosure or a deed in lieu of foreclosure, or comparable conversion of the Project Loan, Funding Lender (or its nominee) shall not be liable for any breach or default of any prior owner of the Project under this Project Loan Agreement and shall only be responsible for defaults and obligations incurred or occurring during the period that Funding Lender (or its nominee) is the owner of the Project. Accordingly, during any period that Funding Lender (or its nominee) owns the Project and that this Article VI is applicable to Funding Lender (or its nominee), Funding Lender's (or its nominee's) obligations under this Article VI shall be limited to acts and omissions of Funding Lender (or its nominee) occurring during the period of Funding Lender's (or its nominee's) ownership of the Project.

ARTICLE VII EVENTS OF DEFAULT AND REMEDIES.

7.01 Events of Default. The occurrence of any one or more of the following will constitute an Event of Default under this Project Loan Agreement:

- (a) Any representation or warranty made by Borrower in the Financing Documents or any certificate, statement, data or information furnished by Borrower in connection therewith or included by Borrower in its application to Governmental Lender for assistance proves at any time to have been incorrect when made in any material respect.
- (b) Failure by Borrower to pay any amounts due under this Project Loan Agreement or the Project Note at the times and in the amounts required by this Project Loan Agreement or the Project Note, as applicable.

- (c) Borrower shall fail to observe or perform any other term, covenant, condition or agreement (after taking into account any applicable cure period) set forth in this Project Loan Agreement, which failure continues for a period of 30 days after notice of such failure by Governmental Lender, Fiscal Agent or Funding Lender Representative to Borrower (unless such default cannot with due diligence be cured within 30 days but can be cured within a reasonable period and will not, in Funding Lender Representative's sole discretion, adversely affect Funding Lender or result in impairment of this Project Loan Agreement or any other Financing Document, in which case no Event of Default shall be deemed to exist so long as Borrower and/or the Investor Limited Partner shall have commenced to cure the default or Event of Default within 30 days after the Borrower's receipt of notice, and thereafter diligently and continuously prosecutes such cure to completion); provided, however, no such notice or grace periods shall apply in the case of any such failure which could, in Funding Lender Representative's judgment, absent immediate exercise by Funding Lender Representative of a right or remedy under this Project Loan Agreement, result in harm to Funding Lender or impairment of this Project Loan Agreement or any other Financing Document.
- (d) The occurrence of a default under the Continuing Covenant Agreement or the Security Instrument (after taking into account any applicable cure period thereunder) shall at the discretion of Funding Lender Representative constitute an Event of Default under this Project Loan Agreement but only if Fiscal Agent is provided written notice by Funding Lender Representative that an Event of Default has occurred under such Financing Document and Fiscal Agent is instructed by Funding Lender Representative that such default constitutes an Event of Default hereunder. The occurrence of an Event of Default hereunder shall in the discretion of Funding Lender Representative constitute a default under the other Financing Documents.

The Investor Limited Partner shall be entitled to cure on behalf of the Borrower any Event of Default with respect to which a cure by the Borrower is expressly permitted, but only to the extent and subject to the same terms and conditions applicable to the Borrower. Any cure of an Event of Default tendered by the Investor Limited Partner shall be treated as a cure tendered by Borrower and shall be accepted or rejected on the same terms as if the cure had been directly tendered by Borrower.

Nothing contained in this Section 7.01 is intended to amend or modify any of the provisions of the Financing Documents or to bind Governmental Lender, Fiscal Agent, Loan Servicer or Funding Lender Representative to any notice and cure periods other than as expressly set forth in the Financing Documents.

7.02 Remedies on Default. Subject to Section 7.06 hereof, whenever any Event of Default hereunder shall have occurred and be continuing, Funding Lender (or Fiscal Agent at the direction of Funding Lender), may take any one or more of the following remedial steps:

- (a) Such action, without notice or demand, as Funding Lender deems advisable to protect and enforce its rights against Borrower and in and to the Project, including declaring the Project Loan to be immediately due and payable (including, without limitation, declaring the principal of, Prepayment Premium, if any, and interest on and all other amounts due on the Project Note to be immediately due and payable).
- (b) Without being required to give any notice (other than to Governmental Lender or Fiscal Agent, as applicable), except as provided herein, pursue all remedies of a creditor under the laws of the Property Jurisdiction, as supplemented and amended, or any other applicable laws.
- (c) Whatever action at law or in equity may appear necessary or desirable to collect the payments under this Project Loan Agreement then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of Borrower under this Project Loan Agreement.

In addition, subject to Section 7.06 hereof, Governmental Lender and Fiscal Agent may pursue remedies with respect to the Unassigned Rights. Any amounts collected pursuant to Article IV hereof and any other amounts which would be applicable to payment of principal of, Prepayment Premium, if any, and interest on and all other amounts due on the Funding Loan collected pursuant to action taken under this Section 7.02 shall be applied in accordance with the provisions of the Funding Loan Agreement.

- 7.03 No Remedy Exclusive.** Upon the occurrence of an Event of Default, all or any one or more of the rights, powers, privileges and other remedies available against Borrower hereunder or under the Financing Documents or otherwise at law or in equity may be exercised by Funding Lender (or Fiscal Agent at the direction of Funding Lender), at any time and from time to time, whether or not Funding Lender has accelerated the Project Loan, and whether or not Funding Lender shall have commenced any foreclosure proceeding or other action for the enforcement of its rights and remedies under any of the Financing Documents. No remedy conferred upon or reserved to Funding Lender or Fiscal Agent by this Project Loan Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Project Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Funding Lender (or Fiscal Agent at the direction of Funding Lender) to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be expressly required by this Project Loan Agreement.
- 7.04 Agreement to Pay Attorneys' Fees and Expenses.** In the event Borrower shall default under any of the provisions of this Project Loan Agreement and Governmental Lender, Fiscal Agent, Loan Servicer or Funding Lender Representative shall employ attorneys or incur other expenses for the collection of loan payments or the enforcement of performance or observance of any obligation or agreement on the part of Borrower contained in this Project Loan Agreement or in the Project Note, Borrower shall on demand therefor reimburse the reasonable fees of such attorneys and such other expenses so incurred.
- 7.05 No Additional Waiver Implied by One Waiver.** In the event any agreement contained in this Project Loan Agreement shall be breached by any party and thereafter waived by the other parties, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.
- 7.06 Control of Proceedings.**
- (a) Notwithstanding anything to the contrary herein, Funding Lender Representative shall have the sole and exclusive right at any time to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Project Loan Agreement, or for the appointment of a receiver or any other proceedings hereunder, in accordance with the provisions of law and of this Project Loan Agreement. In addition, Funding Lender Representative shall have the sole and exclusive right at any time to directly enforce all rights and remedies hereunder and under the other Financing Documents with or without the involvement of Fiscal Agent or Governmental Lender. In no event shall the exercise of any of the foregoing rights result in an acceleration of the Project Loan without the express direction of Funding Lender Representative.
 - (b) Governmental Lender and Fiscal Agent covenant that they will not, without the prior written consent of Funding Lender Representative, take any of the following actions:
 - (i) Prosecute any action with respect to a lien on the Project.
 - (ii) Initiate or take any action which may have the effect, directly or indirectly, of impairing the ability of Borrower to timely pay the principal of, interest on, or other amounts due under, the Project Loan.

- (iii) Interfere with or attempt to influence the exercise by Funding Lender Representative of any of its rights under the Financing Documents upon the occurrence of any default by Borrower under the Financing Documents.
 - (iv) Take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Project Loan or the Funding Loan.
- (c) Notwithstanding Sections 7.06(a) and 7.06(b) hereof, Governmental Lender or Fiscal Agent may take one or both of the following actions:
- (i) Specifically enforce the tax covenants of Borrower specified in Sections 2.04 and 2.05 hereof or seek injunctive relief against acts which may be in violation thereof.
 - (ii) Specifically enforce the TEL Regulatory Agreement or seek injunctive relief against acts which may be in violation of the TEL Regulatory Agreement or are otherwise inconsistent with the operation of the Project in accordance with applicable requirements of the Internal Revenue Code and state law (but in neither the case of subsection (c)(i) above or this subsection (c)(ii) may Governmental Lender or Fiscal Agent seek any form of monetary damages from Borrower in connection with such enforcement).

In addition, notwithstanding Sections 7.06(a) and 7.06(b) hereof, Governmental Lender and Fiscal Agent may seek specific performance of the other Unassigned Rights (provided no monetary damages are sought), and nothing herein shall be construed to limit the rights of Governmental Lender, Fiscal Agent or any Indemnified Party related to Governmental Lender or Fiscal Agent under Section 6.01 (each a “**Related Indemnified Party**”) to enforce their respective rights against Borrower under Sections 4.02, 4.03, 6.01 and 7.04 hereof, provided that no obligation of Borrower to Governmental Lender, Fiscal Agent or any Related Indemnified Party under such sections shall be secured by or in any manner constitute a lien on, or security interest in, the Project, whether in favor of Governmental Lender, Fiscal Agent or any Related Indemnified Party, and all such obligations are and shall be subordinate in priority, in right to payment and in all other respects to all other obligations, liens, rights (including without limitation the right to payment) and interests arising or created under the Financing Documents (except for Fiscal Agent’s right to receive payment of Fiscal Agent’s Extraordinary Fees and Expenses pursuant to Section 6.05(a) of the Funding Loan Agreement after an Event of Default with respect to the Funding Loan, which Fiscal Agent’s Extraordinary Fees and Expenses shall be payable as provided thereunder). Accordingly, none of Governmental Lender, Fiscal Agent or any Related Indemnified Party shall have the right to enforce any monetary obligation arising under such sections other than directly against Borrower, without recourse to the Project. In addition, any such enforcement must not cause Borrower to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of Borrower under any applicable liquidation, insolvency, bankruptcy, construction, composition, reorganization, conservation or other similar law in effect now or in the future.

7.07 Assumption of Obligations. In the event that Fiscal Agent or Funding Lender or their respective 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 Borrower under this Project Loan Agreement, the Project Note, the TEL Regulatory Agreement, and any other Financing Documents to which Borrower is a party or with respect to which it is a third-party beneficiary. 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 Borrower.

ARTICLE VIII MISCELLANEOUS.

8.01 Notices.

- (a) Whenever in this Project Loan Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Any notice, request, complaint, demand, communication or other paper required or permitted to be delivered to Governmental Lender, Fiscal Agent, Funding Lender Representative, Borrower or Loan Servicer shall be sufficiently given and shall be deemed given (unless another form of notice shall be specifically set forth herein) on the Business Day following the date on which such notice or other communication shall have been delivered to a national overnight delivery service (receipt of which to be evidenced by a signed receipt from such overnight delivery service) addressed to the appropriate party at the addresses set forth in Section 10.04 of the Funding Loan Agreement or as required or permitted by this Project Loan Agreement by Electronic Instruction and Notice. Governmental Lender, Fiscal Agent, Funding Lender Representative, Borrower or Loan Servicer may, by notice given as provided in this paragraph, designate any further or different address to which subsequent notices or other communication shall be sent.

A duplicate copy of each notice or other communication given hereunder by any party to Loan Servicer shall also be given to Funding Lender Representative and a duplicate copy of each notice or other communication given hereunder by any party to Funding Lender Representative shall be given to Loan Servicer.

Fiscal Agent agrees to accept and act upon Electronic Instruction and Notice of written instructions and/or directions pursuant to this Project Loan Agreement.

- (b) Fiscal Agent shall provide to Funding Lender Representative and Loan Servicer (i) prompt notice of the occurrence of any Event of Default hereunder and (ii) any written information or other communication received by Fiscal Agent hereunder within ten (10) Business Days of receiving a written request from Funding Lender Representative for any such information or other communication.

8.02 Concerning Successors and Assigns. All covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the financing herein contemplated and shall continue in full force and effect so long as the obligations hereunder are outstanding. Whenever in this Project Loan Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of Borrower which are contained in this Project Loan Agreement shall bind its successors and assigns and inure to the benefit of the successors and assigns of Governmental Lender, Fiscal Agent, Loan Servicer, Funding Lender and Funding Lender Representative, as applicable.

8.03 Governing Law. This Project Loan Agreement shall be construed in accordance with and governed by the internal laws of the Property Jurisdiction and, where applicable, the laws of the United States of America.

8.04 Modifications in Writing. Modification or the waiver of any provisions of this Project Loan Agreement or consent to any departure by the parties therefrom, shall in no event be effective unless the same shall be in writing approved by the parties hereto and shall require the prior written consent of Funding Lender Representative and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on Borrower in any case shall entitle it to any other or further notice or demand in the same circumstances.

- 8.05 Further Assurances and Corrective Instruments.** Governmental Lender, Fiscal Agent and Borrower agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required (including such supplements or further instruments requested by Funding Lender Representative) for correcting any inadequate or incorrect description of the performance of this Project Loan Agreement.
- 8.06 Captions.** The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Project Loan Agreement.
- 8.07 Severability.** The invalidity or unenforceability of any provision of this Project Loan Agreement shall not affect the validity of any other provision, and all other provisions shall remain in full force and effect.
- 8.08 Counterparts.** This Project Loan Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.
- 8.09 Amounts Remaining in Loan Payment Fund or Other Funds.** It is agreed by the parties hereto that any amounts remaining in the Loan Payment Fund or other funds and accounts established under the Funding Loan Agreement upon expiration or sooner termination of the term hereof (and the repayment in full of the Project Loan and all other amounts owing under the Project Loan Documents), shall be paid in accordance with the Funding Loan Agreement.
- 8.10 Effective Date and Term.** This Project Loan Agreement shall become effective upon its execution and delivery by the parties hereto, shall be effective and remain in full force from the Effective Date, and, subject to the provisions hereof, shall expire on such date as the Funding Loan Agreement shall terminate.
- 8.11 Cross References.** Any reference in this Project Loan Agreement to an "Exhibit," an "Article," a "Section," a "Subsection" or a "Paragraph" shall, unless otherwise explicitly provided, be construed as referring, respectively, to an exhibit attached to this Project Loan Agreement, an article of this Project Loan Agreement, a section of this Project Loan Agreement, a subsection of the section of this Project Loan Agreement in which the reference appears and a paragraph of the subsection within this Project Loan Agreement in which the reference appears. All schedules and exhibits attached to or referred to in this Project Loan Agreement are incorporated by reference into this Project Loan Agreement.
- 8.12 Funding Lender Representative and Loan Servicer as Third-Party Beneficiaries.** The parties hereto agree and acknowledge that Funding Lender Representative and Loan Servicer are third-party beneficiaries of this Project Loan Agreement.
- 8.13 Supplemental Financings.** Governmental Lender and Fiscal Agent each acknowledges that Loan Servicer (or another originating lender that is generally approved by Freddie Mac to sell mortgages to Freddie Mac) may make additional loans to Borrower secured by additional mortgages on the Project ("**Additional Loans**"), provided however that no such Additional Loans may be made without the prior written consent of Governmental Lender. Additional Loans must be subordinate to the repayment of the Project Loan by Borrower.
- 8.14 Non-Liability of Governmental Lender.** Governmental Lender shall not be obligated to pay the principal (or Prepayment Premium) of or interest on the Funding Loan, except from Revenues and other money and assets received by Fiscal Agent on behalf of Governmental Lender pursuant to this Project Loan Agreement. Neither the faith and credit nor the taxing power of the Property Jurisdiction or any political subdivision thereof, nor the faith and credit of Governmental Lender or any member is pledged to the payment of the principal (or Prepayment Premium) or interest on the Funding Loan. 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 Project Loan Agreement, the Funding Loan or the Funding Loan Agreement, except only to the extent amounts are received for the payment thereof from Borrower under this Project Loan Agreement.

Borrower hereby acknowledges that Governmental Lender's sole source of money to repay the Funding Loan will be provided by the payments made by Borrower pursuant to this Project Loan Agreement, together with investment income on certain funds and accounts held by 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 Premium) and interest on the Funding Loan as the same shall become due (whether by maturity, prepayment, acceleration or otherwise), then upon notice from Fiscal Agent, 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 Premium) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of Fiscal Agent, Borrower, Governmental Lender or any third party, subject to any right of reimbursement from Fiscal Agent, Governmental Lender or any such third party, as the case may be, therefor.

- 8.15 No Liability of Officers.** No recourse under or upon any obligation, covenant, or agreement or in the Governmental Note, or under any judgment obtained against Governmental Lender, or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, shall be had against any incorporator, member, director, commissioner, employee, agent or officer, as such, past, present, or future, of Governmental Lender, either directly or through Governmental Lender, or otherwise, for the payment for or to Governmental Lender or any receiver thereof, or for or to Funding Lender, of any sum that may be due and unpaid by Governmental Lender upon the Funding Loan. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, director, commissioner, employee, agent or officer, as such, to respond by reason of any act or omission on his or her part or otherwise, for the payment for or to Governmental Lender or any receiver thereof, or for or to Funding Lender, of any sum that may remain due and unpaid upon the Funding Loan, is hereby expressly waived and released as a condition of and consideration for the execution of this Project Loan Agreement and the issuance of the Governmental Note.
- 8.16 Capacity of Fiscal Agent.** Fiscal Agent is entering into this Project Loan Agreement solely in its capacity as Fiscal Agent and shall be entitled to the rights, protections, limitations from liability and immunities afforded it as Fiscal Agent under the Funding Loan Agreement. Fiscal Agent shall be responsible only for the duties of Fiscal Agent expressly set forth herein and in the Funding Loan Agreement.
- 8.17 Reliance.** The representations, covenants, agreements and warranties set forth in this Project Loan Agreement may be relied upon by Governmental Lender, Fiscal Agent, Bond Counsel, Loan Servicer, Funding Lender and Funding Lender Representative. In performing their duties and obligations under this Project Loan Agreement and under the Funding Loan Agreement, Governmental Lender and Fiscal Agent may rely upon statements and certificates of Borrower, upon certificates of tenants believed to be genuine and to have been executed by the proper person or persons, and upon audits of the books and records of Borrower pertaining to occupancy of the Project. In addition, Governmental Lender and 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 Governmental Lender or Fiscal Agent under this Project Loan Agreement and under the Funding Loan Agreement in good faith and in conformity with the opinion of such counsel. It is expressly understood and agreed by the parties to this Project Loan Agreement (other than Governmental Lender) that:
- (a) Governmental Lender may rely conclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to Governmental Lender by Fiscal Agent, Funding Lender or Borrower as to the existence of a fact or state of affairs required under this Project Loan Agreement to be noticed by Governmental Lender;
 - (b) Governmental Lender shall not be under any obligation to perform any record keeping or to provide any legal service, it being understood that such services shall be performed or caused to be performed by Fiscal Agent, Funding Lender Representative, Loan Servicer or Borrower, as applicable; and

- (c) None of the provisions of this Project Loan Agreement shall require Governmental Lender or Fiscal Agent to expend or risk its own funds (apart from the proceeds of Funding Loan issued under the Funding Loan Agreement) or otherwise endure financial liability in the performance of any of its duties or in the exercise of any of its rights under this Project Loan Agreement, unless it shall first have been adequately indemnified to its satisfaction against the costs, expenses and liabilities which may be incurred by taking any such action.

GOVERNMENTAL LENDER:

HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body corporate and politic, duly organized and existing under the Constitution and the laws of the State of California

By: _____

Name: Colin Miller

Its: Senior Vice President Housing Finance & Property
Management of the San Diego Housing Commission

SIGNATURES CONTINUE ON FOLLOWING PAGE

FISCAL AGENT:

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a
national banking association

By: _____
Name:
Title:

SIGNATURES CONTINUE ON FOLLOWING PAGE

BORROWER:

IRIS AT SAN YSIDRO LP, a California limited partnership

By: NCRC ISY GP LLC,
a California limited liability company,
Its General Partner

By: National Community Renaissance of California, a
California nonprofit public benefit corporation, its sole
member/manager

By: _____
Michael Finn, Chief Financial Officer

Schedule I

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**RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:
Jones Hall, A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: Josh D. Anzel, Esq.**

**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

By and Between

HOUSING AUTHORITY OF THE CITY OF SAN DIEGO

and

**IRIS AT SAN YSIDRO LP,
a California limited partnership**

Dated as of October 1, 2023

Relating to:

**\$31,500,000
Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(Iris at San Ysidro)
Series 2023D-1**

**[\$D-2 Amount]
Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(Iris at San Ysidro)
Series 2023D-2 (Taxable)**

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REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (this "**Regulatory Agreement**"), dated as of October 1, 2023, by and between the Housing Authority of the City of San Diego, a public body corporate and politic, duly organized and existing under the Constitution and the laws of the State of California (together with any successor to its rights, duties and obligations, the "**Authority**") and Iris at San Ysidro LP, a California limited partnership (the "**Borrower**").

W I T N E S S E T H

WHEREAS, the Authority is a California housing authority acting under the Housing Authorities Law, Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code (the "**Act**"); and

WHEREAS, pursuant to the Act, the Authority is authorized to issue bonds or notes to finance the acquisition, construction and equipping of multifamily rental housing for families and individuals of low income and very low income within the City of San Diego, California (the "**City**"); and

WHEREAS, the Authority is a political subdivision (within the meaning of that term in the Regulations of the Department of Treasury and the rulings of the Internal Revenue Service prescribed and promulgated pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "**Code**")); and

WHEREAS, on October 10, 2023, the legislative body of the Authority adopted a resolution (the "**Resolution**") authorizing the issuance of revenue bonds in connection with financing the acquisition, construction, and equipping of a 100-unit (including one manager's unit) multifamily rental housing project located in the City; and

WHEREAS, in furtherance of the purposes of the Act and the Resolution and as a part of the Authority's plan of financing residential rental housing, the Authority has issued its Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-1 in the aggregate principal amount of \$31,500,000 (the "**Series D-1 Governmental Note**") and its Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-2 (Taxable) in the aggregate principal amount of \$[D-2 Amount] (together with the Series D-1 Governmental Note, the "**Governmental Note**") to Wells Fargo Bank, National Association (the "**Funding Lender**," as such term is more particularly defined in the Funding Loan Agreement (defined herein)), whose proceeds will be used to make a loan to the Borrower (the "**Project Loan**") to enable the Borrower to finance the acquisition, construction and equipping of the Project (as defined herein) for the public purpose of providing decent, safe and sanitary housing for families and individuals of low income and very low income; and

WHEREAS, the Authority, Borrower and U.S. Bank Trust Company, National Association, as fiscal agent (the "**Fiscal Agent**"), have entered into a Project Loan Agreement (as defined herein), providing the terms and conditions under which the Authority will make the Project Loan to the Borrower to finance the acquisition, construction and equipping of the Project; and

WHEREAS, all things necessary to make the Governmental Note, when issued as provided in the Funding Loan Agreement, the valid, binding, and limited obligations of the Authority according to the import thereof, and to constitute the Funding Loan Agreement a valid assignment of the amounts pledged to the payment of the principal of, and premium, if any, and interest on the Governmental Note, have been done and performed, and the creation, execution, and delivery of the Funding Loan Agreement, and the execution and issuance of the Governmental Note, subject to the terms thereof, in all respects have been duly authorized; and

WHEREAS, the Authority has obtained an allocation for the Project of a portion of the State of California's private activity bond volume cap, within the meaning of Section 146 of the Code, in accordance with the procedures established by the California Debt Limit Allocation Committee ("**CDLAC**"); and

WHEREAS, the Code and the regulations and rulings promulgated with respect thereto and the Act prescribe that the use and operation of the Project be restricted in certain respects, and in order to ensure that the Project will be owned and operated in accordance with the Code and the Act, the Authority and the Borrower have determined to enter into this Regulatory Agreement in order to set forth certain terms and conditions relating to the acquisition, construction, equipping and operation of the Project;

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

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

"Adjusted Income" means the adjusted income of all persons who intend to reside in one residential unit, calculated in the manner determined by the Secretary of the Treasury pursuant to Section 142(d)(2)(B) of the Code.

"Affiliate" means (1) a Person whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code, (2) a Person who together with the Borrower are members of the same controlled group of corporations (as defined in Section 1563(a) of the Code, except that "more than 50 percent" shall be substituted for "at least 80 percent" each place it appears therein), (3) a partnership and each of its partners (and their spouses and minor children) whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code or (4) an S Corporation and each of its shareholders (and their spouses and minor children) whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code.

"Area" means the San Diego County, California, Primary Metropolitan Statistical Area.

"Authority Fee" means (i) the administrative fee of the Authority payable on the Closing Date in the amount of \$_____ and the ongoing administrative fee payable every 12 months, commencing October 1, 2023, in the amount of \$_____ until the Conversion Date and, on the first October 1 following the Conversion Date and thereafter, the ongoing administrative fee payable every 12 months in an amount equal to 0.125% of the outstanding principal amount of the Governmental Notes on the Conversion Date, provided, however, that the ongoing administrative fee shall in no event be less than \$10,000.00; and (ii)

an annual occupancy monitoring fee, separately from, and in addition to, the annual ongoing administrative fee referred to in clause (i) of this definition, to the San Diego Housing Commission (the “**Commission**”), for the total number of units monitored by the Commission. The annual occupancy monitoring fee described in clause (ii) of this definition 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.

“**Borrower’s Cost Certificate**” means the Certificate Regarding Use of Proceeds, dated as of the Closing Date, with respect to certain Project Costs, executed by the Borrower delivered to the Authority by the Borrower.

“**CDLAC**” has the meaning given to it in the recitals hereto.

“**CDLAC Resolution**” means, collectively, Resolution No. 23-155 adopted by CDLAC on May 10, 2023, awarding an allocation of \$31,500,000 to the Project and the Series D-1 Governmental Note, as such resolution may be modified or amended from time to time.

“**Certificate of Continuing Program Compliance**” means the certificate with respect to the Project to be filed by the Borrower with the Authority, which shall be substantially in the form attached hereto as Appendix B.

“**Closing Date**” means the date of delivery of the Governmental Notes.

“**Code**” has the meaning given to it in the recitals hereto.

“**Conversion Date**” has the meaning given to it in the Funding Loan Agreement.

“**Event of Default**” has the meaning given to it in Section 15 hereof.

“**Fiscal Agent**” means U.S. Bank Trust Company, National Association, or its successors and assigns.

“**Funding Lender**” has the meaning given to in the Funding Loan Agreement.

“**Funding Lender Representative**” has the meaning given to in the Funding Loan Agreement.

“**Funding Loan Agreement**” means the Funding Loan Agreement, dated as of October 1, 2023, by and among the Authority, the Funding Lender, and the Fiscal Agent, pursuant to which the Governmental Notes have been issued, as amended or supplemented from time to time.

“**Governmental Notes**” has the meaning given to it in the recitals hereto.

“**Income Certification**” means the Income Computation and Certification Form in substantially the form attached hereto as Appendix C.

“**Inducement Date**” means June 10, 2022, with respect to the Authority’s declaration of intent to issue tax-exempt multifamily housing revenue notes in an aggregate principal amount not to exceed \$35,000,000 in connection with the Project.

“Investor Limited Partner” means Wells Fargo Affordable Housing Corp., a North Carolina corporation, or its successors and assigns.

“Loan” has the meaning given to it in the recitals hereto.

“Low Income Tenants” means individuals or families with an Adjusted Income that does not exceed 60% of the Median Income for the Area as adjusted in a manner consistent with the determination of lower income families under Section 8 of the United States Housing Act of 1937 and as adjusted for household size as set forth below. In no event, however, will the occupants of a residential unit be considered to be Low Income Tenants if all the occupants are students, as defined in Section 152(f)(2) of the Code, as such may be amended, no one of which is entitled to file a joint federal income tax return. Currently, Section 152(f)(2) defines a student as an individual enrolled as a full-time student during each of five calendar months during the calendar year in which occupancy of the unit begins at an educational organization which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance or is an individual pursuing a full-time course of institutional on-farm training under the supervision of an accredited agent of such an educational organization or of a state or political subdivision thereof.

Household Size	Adjustment
1	70%
2	80%
3	90%
4	100%
5	108%
6	116%
7	124%
8	132%

“Low Income Units” means the dwelling units in the Project designated for occupancy by Low Income Tenants pursuant to Section 4(a) of this Regulatory Agreement.

“Median Income for the Area” means the median gross income for the Area as most recently determined by the Secretary of Treasury pursuant to Section 142(d)(2)(B) of the Code.

“Project” means the Project Facilities and the Project Site.

“Project Costs” mean to the extent authorized by the Code, the Regulations and the Act, any and all costs incurred by the Borrower with respect to the acquisition, construction and equipping of the Project, whether paid or incurred prior to or after the 60th day preceding the Inducement Date, including, without limitation, costs for site preparation, the planning of housing and related facilities and improvements, the acquisition of property, the removal or demolition of existing structures, the construction of housing and related facilities and improvements, and all other work in connection therewith, and all costs of financing, including, without limitation, the costs of consultant, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Project, administrative and other expenses necessary or incident to the Project and the financing thereof (including reimbursement to any municipality, county or entity for expenditures made for the Project) and all other costs approved by Bond Counsel.

“Project Facilities” mean the buildings, structures and other improvements on the Project Site that are being financed with proceeds of the Governmental Notes, and all fixtures and other

property owned by the Borrower and located on, or used in connection with, such buildings, structures and other improvements.

“Project Loan Agreement” means the Project Loan Agreement, dated as of October 1, 2023, by and among the Authority, the Fiscal Agent, and the Borrower, as amended, supplemented or restated from time to time.

“Project Site” means the parcel or parcels of real property described in Appendix A, which is attached hereto and by this reference incorporated herein, and all rights and appurtenances thereunto appertaining.

“Qualified Project Costs” means costs paid with respect to the Project that meet each of the following requirements: (i) the costs are properly chargeable to a 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 Regulations §1.103-8(a)(1), provided, however, that only such portion of interest accrued during rehabilitation or construction of the Project (in the case of rehabilitation, with respect to vacated units only) shall be eligible to be a Qualified Project Cost as bears the same ratio to all such interest as the Qualified Project Costs bear to all Project Costs; and provided further that interest accruing after the date of completion of the Project shall not be a Qualified Project Cost; and provided still further that if any portion of the Project is being constructed or rehabilitated by an Affiliate (within the meaning of the Code) (whether as a general contractor or a subcontractor), Qualified Project Costs shall include only (A) the actual out-of-pocket costs incurred by such Affiliate in constructing or rehabilitating the Project (or any portion thereof), (B) any reasonable fees for supervisory services actually rendered by the Affiliate, and (C) any overhead expenses incurred by the Affiliate that 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 rehabilitation or 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 the Inducement Date or the date of issue of the Series D-1 Governmental Note, and (iv) if the Project Costs were previously paid and are to be reimbursed with proceeds of the Series D-1 Governmental Note such costs were (A) costs of issuance of the Series D-1 Governmental Note, (B) preliminary capital expenditures (within the meaning of Regulations §1.150-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of construction of the Project that do not exceed 20% of the aggregate issue price of the Series D-1 Governmental Note (as defined in Regulations §1.148-1), or (C) 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 (3) years after the expenditure is paid).

“Qualified Project Period” means the period beginning on the first day on which at least 10% of the dwelling units in the Project are first occupied and ending on the later of (a) the date that is 55 years after the date on which 50% of the dwelling units in the Project are occupied, (b) the first day on which no tax exempt bonds or notes 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 United States Housing Act of 1937 terminates.

“Regulations” means the Income Tax Regulations promulgated or proposed by the Department of the Treasury pursuant to the Code from time to time.

“Security Instrument” has the meaning given to it in the Funding Loan Agreement.

“Series D-1 Governmental Note” has the meaning given to it in the recitals hereto.

“Tax-Exempt” means with respect to interest on any obligations of a state or local government, including the Series D-1 Governmental 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.

“Very Low Income Tenants” means individuals or families with an Adjusted Income that does not exceed 50% of the Median Income for the Area as adjusted in a manner consistent with the determination of lower income families under Section 8 of the United States Housing Act of 1937 and as adjusted for household size as set forth below. In no event, however, will the occupants of a residential unit be considered to be Very Low Income Tenants if all the occupants are students, as defined in Section 152(f)(2) of the Code, as such may be amended, no one of which is entitled to file a joint federal income tax return. Currently, Section 152(f)(2) defines a student as an individual enrolled as a full-time student during each of 5 calendar months during the calendar year in which occupancy of the unit begins at an educational organization which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance or is an individual pursuing a full-time course of institutional on-farm training under the supervision of an accredited agent of such an educational organization or of a state or political subdivision thereof.

Household Size	Adjustment
1	70%
2	80%
3	90%
4	100%
5	108%
6	116%
7	124%
8	132%

“Very Low Income Units” means the dwelling units in the Project designated for occupancy by Very Low Income Tenants pursuant to Section 4(j) of this Regulatory Agreement.

Capitalized terms that are not defined herein shall have the meanings assigned to them in the Funding Loan Agreement.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of the masculine, feminine or neuter 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 defined terms used in the preamble and recitals of this Regulatory Agreement have been included for convenience of reference only, and the meaning, construction and interpretation

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

Section 2. Acquisition, Construction and Equipping of the Project. The Borrower hereby represents, as of the date hereof, and covenants, warrants and agrees as follows:

(a) The Borrower has incurred a substantial binding obligation to acquire, construct and equip the Project, pursuant to which the Borrower is obligated to expend at least 5% of the aggregate net sale proceeds of the Series D-1 Governmental Note.

(b) The Borrower's reasonable expectations respecting the total cost of the acquisition, construction and equipping of the Project and the disbursement of Series D-1 Governmental Note proceeds are accurately set forth in the Borrower's Cost Certificate that has been delivered to the Authority.

(c) The Borrower will proceed with due diligence to complete the acquisition, construction and equipping of the Project and expects to expend the full amount of the proceeds of the Tax-Exempt Loan for Project Costs prior to the date that is three years after the Closing Date.

(d) The statements made in the various certificates delivered by the Borrower to the Authority, Funding Lender or Funding Lender Representative are true and correct as of the Closing Date.

(e) 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 from the sale of the Series D-1 Governmental Note to be applied in a manner contrary to the requirements of the Funding Loan Agreement, the Project Loan Agreement or this Regulatory Agreement.

(f) The Borrower shall comply with all applicable requirements of Section 65863.10 of the California Government Code, including, if applicable, the requirements for providing notices in subsections (b), (c), (d) and (e) thereof.

Section 3. Residential Rental Property. The Borrower hereby acknowledges and agrees that the Project will be owned, managed and operated as a "qualified residential rental project" (within the meaning of Section 142(d) of the Code) until the expiration of the Qualified Project Period. To that end, and for the term of this Regulatory Agreement, the Borrower hereby represents, as of the date hereof, and covenants, warrants and agrees as follows:

(a) The Project is being acquired, constructed and equipped for the purpose of providing multifamily residential rental property, and the Borrower shall own, manage and operate the Project as a project to provide multifamily residential rental property comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with applicable provisions of Section 142(d) of the Code and Section 1.103-8(b) of the Regulations, and the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the dwelling units in the Project will be similarly constructed units, and, to the extent required by the Code and the Regulations, 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; provided that any tenant may, but shall not be obligated to, provide a refrigerator for the unit to be occupied.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis, or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home, retirement house or trailer court or park; provided that the use of certain units for tenant guests on an intermittent non-compensated basis shall not be considered transient use for purposes of this Regulatory Agreement.

(d) No part of the Project will at any time be owned or used as a condominium or by a cooperative housing corporation, nor shall the Borrower take any steps in connection with a conversion to such ownership or uses. Other than obtaining a final subdivision map on the Project and a Final Subdivision Public Report from the California Department of Real Estate, the Borrower has not and shall not take any steps in connection with a conversion of the Project to a condominium or cooperative ownership except with the prior written approving opinion of Bond Counsel that by reason of any such action the interest on the Series D-1 Governmental Note (if it is outstanding) will not become includable in gross income for federal income tax purposes.

(e) All of the dwelling units (except for the manager's unit described in (g) below) will be available for rental on a continuous basis to members of the general public, and the Borrower has not and will not give preference to any particular class or group in renting the dwelling units in the Project, except (i) to the extent that dwelling units are required to be leased or rented to Low Income Tenants, Very Low Income Tenants, or holders of Section 8 certificates or vouchers, (ii) as otherwise required pursuant to any agreement entered into with the City, the County or any other public entity, or (iii) as otherwise may be lawfully required pursuant to any agreement entered into with the California Tax Credit Allocation Committee; provided that in no event shall the Borrower give any preference in violation of the Code.

(f) The Project Site consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the Project Facilities will 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) No dwelling unit in any building in the Project shall be occupied by the Borrower unless the building contains five or more dwelling units, in which case one unit may be occupied by the Borrower or by persons related to or affiliated with the Borrower such as a resident manager or maintenance personnel. Subject to the foregoing limitation, up to a total of one unit in the Project may be occupied by a resident manager or maintenance personnel.

(h) 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 that prevents the Authority from enforcing the requirements of the Regulations, or condemnation or similar event, the Borrower covenants that, within a "reasonable period" determined in accordance with the Regulations, it will either prepay the portion of the Project Loan funded by the Series D-1 Governmental Note and cause the Series D-1 Governmental Note to be redeemed or apply any

proceeds received as a result of any of the preceding events to reconstruct the Project to meet the requirements of Section 142(d) of the Code and the Regulations.

(i) The Borrower shall not discriminate on the basis of race, religion, creed, color, ethnic group identification, sex, sexual preference, source of income (e.g. TANF, SSI), mental or 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.

(j) Following the expiration or termination of the Qualified Project Period, Low Income Units and Very Low Income Units shall remain available to the Low Income Tenants and Very Low Income Tenants, respectively, then occupying such units at the date of expiration or termination of the Qualified Project Period at a rent not greater than the rent determined pursuant to Sections 4(a) and 4(j) below, as applicable, until the earliest of any of the following occurs:

(i) The household's income exceeds 140% of the income at which such household would qualify as a Low Income Tenant or a Very Low Income Tenant.

(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 that detrimentally affect the health and safety of other persons or the structure, the fiscal integrity of the Project, or the purposes or special programs of the Project.

(iii) Fifty-five (55) years after the date on which 50% of the dwelling units in the Project are occupied.

(iv) The Borrower pays the relocation assistance and benefits to such Low Income Tenants or Very Low Income Tenants, as provided in Section 7264(b) of the Government Code of the State of California.

(k) The Authority may but shall not be required to monitor the Borrower's compliance with the provisions of subparagraph (j) above.

Section 4. Low Income Units. Pursuant to the requirements of Section 142(d) of the Code and applicable provisions of the Act, the Borrower hereby represents, as of the date hereof, and warrants, covenants and agrees as follows:

(a) During the Qualified Project Period, not less than 40% of the units in the Project shall be designated as Low Income Units and shall be continuously occupied by or held available for occupancy by Low Income Tenants at monthly rents that do not exceed one-twelfth of the amount obtained by multiplying 30% times 60% of the Median Income for the Area, as adjusted for household size utilizing the percentages set forth above under the definition of Low Income Tenant less a reasonable deduction for utilities paid by the tenant as determined by the Authority and assuming (solely for purposes of the above-described limit on the amount of monthly rent, and not for purposes of determining whether individuals or families are Low Income Tenants for purposes of Section 142(d) of the Code) the following unit sizes and household sizes (collectively, the "**Assumed Unit and Household Sizes**"):

Unit Size	Household Size
One-Bedroom	Two Persons
Two-Bedroom	Three Persons
Three-Bedroom	Four Persons

Such Low Income Units shall be of comparable quality and offer a range of sizes and number of bedrooms comparable to those units that are available to other tenants and shall be distributed throughout the Project.

A unit occupied by a Low Income Tenant who, at the commencement of the occupancy, is a Low Income Tenant shall be treated as occupied by a Low Income Tenant until a recertification of such tenant's income in accordance with Section 4(c) below demonstrates that such tenant no longer qualifies as a Low Income Tenant and thereafter such unit shall be treated as any residential unit of comparable or smaller size in the Project occupied by a new resident other than a Low Income Tenant. Moreover, a unit previously occupied by a Low Income Tenant and then vacated shall be considered occupied by a Low Income Tenant until reoccupied, other than for a temporary period, at which time the character of the unit shall be re-determined. In no event shall such temporary period exceed thirty-one (31) days.

(b) Immediately prior to a Low Income Tenant's occupancy of a Low Income Unit, the Borrower will obtain and maintain on file an Income Certification from each Low Income Tenant occupying a Low Income Unit, dated immediately prior to the initial occupancy of such Low Income Tenant in the Project. In addition, the Borrower will provide such further information as may be required in the future by the State of California, the Authority, the Act, Section 142(d) of the Code and the Regulations, 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 or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to obligations issued under Section 142(d) of the Code. The Borrower shall verify that the income provided by an applicant is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain a federal income tax return for the most recent tax year, (2) obtain a written verification of income and employment from the applicant's current employer, (3) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other verification of such applicant's income satisfactory to the Authority or (4) such other information as may be reasonably requested by the Authority.

Copies of the most recent Income Certifications for Low Income Tenants shall be attached to the annual report to be filed with the Authority as required in (d) below.

(c) Immediately prior to the first anniversary date of the occupancy of a Low Income Unit by one or more Low Income Tenants, and on each anniversary date thereafter, the Borrower shall recertify the income of the occupants of each Low Income Unit by obtaining a completed Income Certification based upon the current income of each occupant of the unit. In the event the recertification demonstrates that such household's income exceeds 140% of the income at which such household would qualify as Low Income Tenants, such household will no longer qualify as Low Income Tenants and, to the extent necessary to comply with the requirements of Section 4(a) above, the Borrower will rent the next available unit of comparable or smaller size to one or more Low Income Tenants.

(d) Upon commencement of the Qualified Project Period, and not less than annually thereafter during the term of this Regulatory Agreement, the Borrower shall advise the Authority

of the status of the occupancy of the Project by delivering to the Authority a Certificate of Continuing Program Compliance.

(e) The Borrower shall maintain complete and accurate records pertaining to the Low Income Units, and shall permit any duly authorized representative of the Authority, Funding Lender, Funding Lender Representative, Department of the Treasury or Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Low Income Units.

(f) The Borrower shall submit to the Secretary of the Treasury annually on the anniversary date of the start of the Qualified Project Period, or such other date as is required by the Secretary, a certification that the Project continues to meet the requirements of Section 142(d) of the Code, and shall provide a copy of such certification to the Authority.

(g) The Borrower shall accept as tenants, on the same basis as all other prospective tenants, persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the United States Housing Act of 1937, or its successor. The Borrower shall not apply selection criteria to Section 8 certificate or voucher holders that are more burdensome than criteria applied to all other prospective tenants. The Borrower shall not collect any additional fees or payments from a Low Income Tenant except security deposits or other deposits required of all tenants. The Borrower shall not collect security deposits or other deposits from a Section 8 certificate or voucher holder in excess of those allowed under the Section 8 Program. The Borrower shall not discriminate against applicants for Low Income Units on the basis of source of income (i.e., TANF or SSI), and the Borrower shall consider a prospective tenant's previous rent history of at least one year as evidence of the ability to pay the applicable rent (ability to pay shall be demonstrated if an applicant can show that the same percentage or more of the applicant's income has been paid for rent in the past as will be required to be paid for the rent applicable to the Low Income Unit to be occupied, provided that such Low Income Tenant's expenses have not materially increased).

(h) Each lease pertaining to a Low Income Unit shall contain a provision to the effect that the Borrower has relied on the Income Certification and supporting information supplied by the applicant in determining qualification for occupancy of the Low Income Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease. Each lease will also contain a provision that failure to cooperate with the annual recertification process reasonably instituted by the Borrower pursuant to Section 4(c) above may, at the option of the Borrower, disqualify the unit as a Low Income Unit, or provide grounds for termination of the lease.

(i) Prior to the Closing Date, the Borrower agrees to provide to the Authority a copy of the form of application and lease to be provided to prospective Low Income Tenants. The term of the lease shall be not less than 30 days.

(j) In addition to the requirements set forth in Section 4(a), the Authority shall require that not less than 10 of the units in the Project shall be Very Low Income Units and shall be rented to, or made available for rental to, Very Low Income Tenants on the same terms and conditions, and subject to the same requirements, as are set forth in this Section 4 with respect to the Low Income Units, except that monthly rents shall not exceed one-twelfth of the amount obtained by multiplying 30% times 50% of the Median Income for the Area, adjusted as provided in Section 4(a) above.

Section 5. Tax Status of the Series D-1 Governmental Note. The Borrower and the Authority each hereby represents, as of the date hereof, and warrants, covenants and agrees that:

(a) It 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 exclusion from gross income for federal income tax purposes or the exemption from California personal income taxation of the interest on the Series D-1 Governmental Note and, if it should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof;

(b) It will take such action or actions as may be necessary, in the written opinion of Bond Counsel filed with the Authority and Funding Lender, to comply fully with 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 pertaining to obligations issued under Section 142(d) of the Code to the extent necessary to maintain the exclusion from gross income for federal income tax purposes of interest on the Series D-1 Governmental Note; and

(c) The Borrower, at the Borrower's expense, will file of record such documents and take such other steps as are necessary, in the written opinion of Bond Counsel filed with the Authority and Funding Lender, 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 of San Diego.

(d) The Borrower will not enter into any agreements that would result in the payment of principal of or interest on the Series D-1 Governmental Note being "federally guaranteed" within the meaning of Section 149(b) of the Code.

(e) The Borrower hereby reaffirms the arbitrage certifications made by it in the Certificate as to Arbitrage executed in connection with the Series D-1 Governmental Note, and such certifications are hereby incorporated herein as covenants of the Borrower by this reference.

(f) The Borrower hereby agrees to comply with the requirements of Section 148(f) of the Code and to rebate excess investment earnings to the federal government.

(g) The Borrower hereby covenants to include 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 to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement.

(h) The Borrower shall assure that the proceeds of the Series D-1 Governmental Note are used in a manner such that the Series D-1 Governmental Note will satisfy the requirements of section 142(d) of the Code relating to qualified residential rental projects.

(i) The Series D-1 Governmental Note upon issuance and delivery shall be considered "private activity bonds" within the meaning of the Code with respect to which CDLAC has transferred a portion of the State of California's private activity bond allocation (within the

meaning of section 146 of the Code) equal to the principal amount of the Series D-1 Governmental Note.

(j) The Authority and the Borrower covenant that not less than 95% of the net proceeds of the Series D-1 Governmental Note (within the meaning of section 150(a)(3) of the Code) will be paid for Qualified Project Costs.

(k) The Authority and the Borrower covenant that less than 25% of the proceeds of the Series D-1 Governmental Note shall be used, directly or indirectly, for the acquisition of land.

(l) The Authority and the Borrower covenant that no proceeds of the Series D-1 Governmental Note shall be used directly or indirectly to provide any airplane, skybox or other private luxury box, health club facility, facility used for gambling or store the principal business of which is the sale of alcoholic beverages for consumption off premises, and no portion of the proceeds of the Series D-1 Governmental Note shall be used for an office unless (i) the office is located on the premises of the facilities constituting the Project and (ii) not more than a de minimis amount of the functions to be performed at such office is not related to the day-to-day operations of the Project.

(m) The Borrower shall not take, or permit or suffer to be taken by the Funding Lender, Funding Lender Representative, Fiscal Agent or otherwise, any action with respect to the proceeds of the Series D-1 Governmental Note that, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Series D-1 Governmental Note would have caused the Series D-1 Governmental Note to be "arbitrage bonds" within the meaning of section 148 of the Code.

(n) In accordance with Section 147(b) of the Code, the average maturity of the Series D-1 Governmental Note does not exceed 120% of the average reasonably expected economic life of the facilities being financed by the Series D-1 Governmental Note.

(o) The Authority and the Borrower covenant that, from the proceeds of the Series D-1 Governmental Note and investment earnings thereon, an amount not in excess of two percent (2%) of the proceeds of the Series D-1 Governmental Note, will be used for costs of issuance of the Series D-1 Governmental Note, all within the meaning of section 147(g)(1) of the Code. For this purpose, if the fees of the Agent and the Holder are retained as a discount on the purchase of the Series D-1 Governmental Note, such retention shall be deemed to be an expenditure of proceeds of the Series D-1 Governmental Note for said fees.

(p) The proceeds of the Series D-1 Governmental Note will be allocated to expenses actually paid with proceeds of the Series D-1 Governmental Note unless, prior to the date that is the later of 18 months (i) after the expenditure is paid, or (ii) after the Project financed with proceeds of the Series D-1 Governmental Note is placed in service, the Borrower makes a different allocation of such expenditures to different contemporaneous purposes. In any event, such alternative allocation must occur no later than 60 days after the fifth anniversary of the Closing Date (or 60 days after the retirement of the Series D-1 Governmental Note if earlier).

(q) The Authority and the Borrower covenant that no proceeds of the Series D-1 Governmental Note shall be used for the acquisition of any tangible property or an interest therein, other than land or an interest in land, unless the first use of such property is pursuant to such acquisition; provided, however, that this limitation shall not apply with respect to any building (and the equipment therefor) if rehabilitation expenditures (as defined in section 147(d)(3) of the Code,

“Rehabilitation Expenses”) with respect to such building equal or exceed 15% of the portion of the cost of acquiring such building (and equipment) financed with proceeds of the Series D-1 Governmental Note; and provided, further, that this limitation shall not apply with respect to any structure other than a building if Rehabilitation Expenditures with respect to such structure equal or exceed 100% of the portion of the cost of acquiring such structure financed with the proceeds of the Series D-1 Governmental Note. In compliance with this provision, within two years after the later of the date of the Borrower’s acquisition of the Project or the date of the issuance of the Series D-1 Governmental Note, the Borrower will make Rehabilitation Expenditures in an amount equal to or greater than 15% of the amount of proceeds of the Series D-1 Governmental Note used to acquire any existing buildings and related equipment which are part of the Project.

(r) [Reserved.]

(s) The Borrower acknowledges that if a reissuance of the Series D-1 Governmental Note occurs and the Authority is not involved, for example by consenting to any changes in the documents or actions of the parties and executing an IRS Form 8038, the interest on the reissued obligations will not be excluded from gross income for federal income tax purposes and may not be treated as governmental obligations.

The Borrower hereby covenants to notify any subsequent owner of the Project of 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 such restrictions, and to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement; provided that the covenants contained in this paragraph shall not apply to the Funding Lender or its designee should the Funding Lender or its designee become the owner of the Project by foreclosure, deed in lieu of foreclosure or comparable conversion of the Financing Documents.

Section 6. Modification of Special Tax Covenants. The Borrower and the Authority hereby agree as follows:

(a) To the extent any amendments to the Act, the Regulations or the Code shall, in the written opinion of Bond Counsel filed with the Authority and Funding Lender, impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement that must be complied with in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Series D-1 Governmental Note, this Regulatory Agreement shall be deemed to be automatically amended to impose such additional or more restrictive requirements.

(b) To the extent any amendments to the Act, the Regulations or the Code shall, in the written opinion of Bond Counsel filed with the Authority, Fiscal Agent and 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 approved and signed by the Authority and Borrower, approved by the Funding Lender Representative, and approved by the written opinion of Bond Counsel that such amendment will not affect the exclusion from gross income for federal income tax purposes of interest on the Series D-1 Governmental Note.

(c) The Borrower and the Authority shall execute, deliver and, if applicable, file of record any and all documents and instruments, necessary to effectuate the intent of this Section 6, and the Borrower appoints the Authority as its true and lawful attorney-in-fact to execute, deliver

and, if applicable, file of record on behalf of the Borrower, as is applicable, any such document or instrument (in such form as may be approved in writing by Bond Counsel) if the Borrower defaults in the performance of its obligations under this subsection (c); provided, however, that the Authority shall take no action under this subsection (c) without first notifying the Borrower and the Funding Lender Representative.

Section 7. Indemnification. The Borrower hereby releases the Authority, Funding Lender, Funding Lender Representative and Fiscal Agent and their respective officers and employees from, and covenants and agrees to indemnify, hold harmless and defend the Authority, Funding Lender, Funding Lender Representative and Fiscal Agent and their respective officers, members, directors, officials, agents and employees and each of them (collectively, the “**Indemnified Parties**” and individually, an “**Indemnified Party**”) from and against, any and all claims, losses, costs, damages, demands, expenses, taxes, suits, judgments, actions and liabilities of whatever nature, joint or several (including, without limitation, actual and reasonable out-of-pocket costs of investigation, reasonable attorneys’ fees, actual out-of-pocket litigation and court costs, amounts paid in settlement, and amounts paid to discharge judgments), made directly or indirectly (a) by or on behalf of any person arising from any cause whatsoever in connection with transactions contemplated hereby or otherwise in connection with the Project, Governmental Notes, or execution or amendment of any document relating thereto; (b) arising from any cause whatsoever in connection with the approval of financing for the Project, the making of the Project Loan or otherwise; (c) arising from any act or omission of the Borrower or any of its agents, servants, employees or licensees, in connection with the Project Loan or the Project; (d) arising in connection with the issuance and sale, resale or reissuance of the Governmental Notes or any certifications or representations made by any person (other than the Authority or the party seeking indemnification in connection therewith) or the carrying out by the Borrower of any of the transactions contemplated by the Governmental Notes, the Funding Loan Agreement, the Project Loan Agreement or this Regulatory Agreement; (e) arising in connection with the operation of the Project, or the conditions, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, construction or equipping of, the Project or any part thereof; and (f) arising out of or in connection with the Funding Lender’s, Funding Lender Representative’s or Fiscal Agent’s exercise of their respective powers or duties under the Project Loan Agreement, this Regulatory Agreement or the Funding Loan Agreement, as applicable, or any other related agreements to which the Funding Lender or Fiscal Agent are a party; except (1) in the case of the foregoing indemnification of the Funding Lender, Funding Lender Representative or Fiscal Agent or any of their respective officers, members, directors, agents and employees, to the extent such damages are caused by the gross negligence or willful misconduct of such person and (2) in the case of the foregoing indemnification of the Authority or any of its officers, members, directors, officials, agents and employees, to the extent such damages are caused by the willful misconduct of such person.

This indemnification shall extend to and include, without limitation, all reasonable costs, counsel fees, expenses and liabilities incurred in connection with any such claim, or proceeding brought with respect to such claim, except (i) in the case of the foregoing indemnification of the Funding Lender, Funding Lender Representative or Fiscal Agent or any of their respective Indemnified Parties to the extent such damages are caused by the gross negligence or willful misconduct of such Indemnified Party, and (ii) in the case of the foregoing indemnification of the Authority or any of its Indemnified Parties 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 approved by the Borrower (which approval shall not be unreasonably withheld); and the Borrower shall assume the payment of all actual and reasonable fees and expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Authority shall have the right to review and approve or disapprove any such compromise or settlement. The Borrower specifically acknowledges and agrees that it has an immediate and independent obligation to defend each Indemnified Party from any claim that actually or potentially falls within this Section 7 even if such claim is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to the Borrower by any Indemnified Party and continues at all times thereafter. 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 actual and reasonable fees and expenses of such separate counsel; provided, however, that unless such separate counsel is employed with the approval of the Borrower, which approval shall not be unreasonably withheld, the Borrower shall not be required to pay the fees and expenses of such separate counsel unless the Indemnified Party reasonably determines that a conflict exists between the interests of the Borrower and such Indemnified Party, in which case the Borrower shall pay the actual and reasonable fees and expenses of such separate counsel.

The Borrower also shall pay and discharge and shall indemnify and hold harmless the Authority, Funding Lender and Fiscal Agent from (i) any lien or charge upon payments by the Borrower to the Authority, Funding Lender and Fiscal Agent hereunder arising out of Borrower's actions or inactions and (ii) any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges in respect of any portion of the Project. If any such claim is asserted, or any such lien or charge upon payments, or any such taxes, assessments, impositions or other charges, are sought to be imposed, the Authority shall give prompt notice to the Borrower, and as between the Authority and Borrower, the Borrower shall have the sole right and duty to assume, and will assume, the defense thereof, with full power to litigate, compromise or settle the same in its sole discretion.

Notwithstanding any transfer of the Project to another owner in accordance with the provisions of Section 10 of this Regulatory Agreement, the Borrower shall remain obligated to indemnify the Indemnified Parties pursuant to this Section 7 for all claims arising from events occurring prior to such transfer, unless at the time of transfer the Authority has consented to indemnification under this Section 7 from such subsequent owner for all claims arising from events occurring prior to such transfer. If the Authority has consented to any transfer of the Project in accordance with the provisions of Section 10 of this Regulatory Agreement, the Borrower shall not be obligated to indemnify the Indemnified Parties pursuant to this Section 7 for actions or inactions of the transferee arising after such transfer, but shall remain obligated to provide indemnity for claims related to actions or inactions occurring prior to such transfer.

In addition to the foregoing, the Borrower will pay upon demand all of the fees and expenses paid or incurred by the Funding Lender, Funding Lender Representative, Fiscal Agent or Authority in enforcing the provisions hereof.

The provisions of this Section 7 shall survive the term of the Governmental Notes and 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 Indemnified Parties, 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 Indemnified Parties shall be entitled simultaneously to seek indemnity under this Section and any other provision under which they are entitled to indemnity.

All obligations of the Borrower under this Regulatory Agreement for the payment of money, including claims for indemnification and damages, shall not be secured by or in any manner constitute a lien on the Project, and none of the Authority, the Funding Lender, Funding Lender Representative or the Fiscal Agent shall have the right to enforce such obligations other than directly against the Borrower pursuant to Section 17 of this Regulatory Agreement.

The indemnity provided under this Section 7 shall not require payment of principal or interest on the Project Loan.

Section 8. Consideration. The Authority has issued the Governmental Notes to make the Project Loan, to finance the Project, all for the purpose, among others, of inducing the Borrower to acquire, construct, equip and operate the Project. In consideration of the issuance of the Governmental Notes by the Authority, the Borrower has entered into this Regulatory Agreement and has agreed to restrict the uses to which the Project can be put on the terms and conditions set forth herein.

Section 9. Reliance. The Authority and the Borrower hereby recognize and agree that the representations, warranties, covenants and agreements set forth herein may be relied upon by all persons interested in the legality and validity of the Governmental Notes, and in the exclusion from gross income for federal income tax purposes of interest on the Series D-1 Governmental Note and the exemption from California personal income taxation of the interest on the Governmental Notes. In performing its duties and obligations hereunder, the Authority may rely upon statements and certificates of the Borrower, the Low Income Tenants and Very Low Income Tenants, and upon audits of the books and records of the Borrower pertaining to the Project. In addition, the Authority 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 Authority, Funding Lender, Funding Lender Representative and Fiscal Agent under this Regulatory Agreement in good faith and in conformity with such opinion; provided, however, if there are conflicting opinions among the counsel selected by such parties, the opinion of Bond Counsel shall govern the interpretation and enforcement of this Regulatory Agreement.

Section 10. Sale or Transfer of the Project; Syndication. The Borrower intends to hold the Project for its own account, has no current plans to sell, transfer or otherwise dispose of the Project, and hereby covenants and agrees not to sell, transfer or otherwise dispose of the Project, or any portion thereof (other than for individual tenant use as contemplated hereunder), without obtaining the prior written consent of the Authority (which consent shall not be unreasonably withheld or delayed) and receipt by the Authority of: (i) such certifications as deemed necessary by the Authority to establish that the Borrower shall not be in default under this Regulatory Agreement or under the Project Loan Agreement or, if any such defaults exist, the purchaser or assignee undertakes to cure such defaults to the satisfaction of the Authority; (ii) a written instrument by which the Borrower's purchaser or transferee has assumed in writing and in full the Borrower's duties and obligations under this Regulatory Agreement; (iii) an opinion of counsel for the transferee that the transferee has duly assumed the obligations of the Borrower under this Regulatory Agreement and that such obligations and this Regulatory Agreement are binding on the transferee; (iv) documentation from the transferee reflecting the transferee's experience or, should the transferee choose to have a property manager run the Project, a property manager's experience with owning and/or operating multifamily housing projects such

as the Project and with use and occupancy restrictions similar to those contained in this Regulatory Agreement; (v) evidence of satisfaction of compliance with the provisions of Section 27(d)(i) related to notice to CDLAC of transfer of the Project and (vi) an opinion of Bond Counsel addressed to the Authority to the effect that such transfer will not cause interest on the Series D-1 Governmental Note to become includable in the gross income of the recipients thereof for federal income tax purposes.

No transfer of the Project shall operate to release the Borrower from its obligations under this Regulatory Agreement with respect to any action or inaction taken prior to such transfer. Nothing contained in this Section 10 shall affect any provision of the Financing Documents to which the Borrower is a party that requires the Borrower to obtain the consent of the Funding Lender as a precondition to sale, transfer or other disposition of, or any direct or indirect interest in, the Project or of any direct or indirect interest in the Borrower or that gives the Funding Lender, or the Funding Lender Representative on the Funding Lender's behalf, the right to accelerate the maturity of the Project Loan under the Project Loan Agreement, or to take some other similar action with respect to the Project Loan, upon the sale, transfer or other disposition of the Project. Notwithstanding anything contained in this Section 10 to the contrary, neither the consent of the Authority nor the delivery of items (i) through (vi) of the preceding paragraph shall be required in the case of a foreclosure or deed in lieu of foreclosure (including, without limitation, a foreclosure or transfer of title by deed in lieu thereof pursuant to the Security Instrument), whereby the Funding Lender or any of its designees, or a third-party purchaser from the Funding Lender or any of its designees, becomes the owner of the Project, and nothing contained in this Section 10 shall otherwise affect the right of the Funding Lender or any of its designees, or any such third-party purchaser, to foreclose on the Project or to accept a deed in lieu of foreclosure. Delivery of items (i) through (vi) (or, if the Governmental Notes are no longer outstanding, (i) through (v)) of the preceding paragraph and, while the Governmental Notes are outstanding, consent of the Authority (which consent shall not be unreasonably withheld) shall be required for any future transfer of the Project to be made subsequent to any transfer described in the preceding sentence.

It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this Section 10 shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under this Regulatory Agreement. Not less than 30 days prior to consummating any sale, transfer or disposition of any interest in the Project, the Borrower shall deliver to the Authority, Funding Lender and Fiscal Agent a notice in writing explaining the nature of the proposed transfer.

Notwithstanding the above, the following transfers will be permitted without the consent of the Authority: (a) a transfer of the limited partner interests in the Borrower of the Investor Limited Partner; (b) the removal and replacement of the general partner(s) of the Borrower (the "**General Partner**") pursuant to the terms of the Partnership Agreement; (c) the transfer of limited partner interests to the General Partner or any affiliate of the General Partner; and (d) the grant by the Borrower and exercise of an option and/or right of first refusal by the General Partner or an affiliate thereof in accordance with the Partnership Agreement.

Section 11. Term. Except as provided in Section 3(j) and Section 7 above, which provisions shall continue beyond the Qualified Project Period, and, except as provided in the second paragraph of this Section 11, 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 during the Qualified Project Period, or for such longer period as is provided in Sections 3(j)(iii) and 7 above, and in the CDLAC Resolution referred to in Section 27 below, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement

of the Governmental Notes and expiration of the Funding Loan Agreement, Project Loan Agreement and Loan. Notwithstanding any other provisions of this Regulatory Agreement to the contrary, this entire Regulatory Agreement, or any of the provisions or sections hereof, may be terminated prior to the expiration of the Qualified Project Period upon agreement by the Authority, Funding Lender (if any Governmental Notes are outstanding), Fiscal Agent at the direction of the Funding Lender Representative (if any Governmental Notes are outstanding), and Borrower only if there shall have been received by the Authority and the Funding Lender an opinion of Bond Counsel that such termination will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series D-1 Governmental Note.

The terms of this Regulatory Agreement to the contrary notwithstanding (except as to the provisions of Section 7), this Regulatory Agreement, and each and all of the terms hereof, shall automatically terminate and be of no further force or effect in the event of (i) an involuntary noncompliance by the Borrower with the provisions of this Regulatory Agreement caused by fire, seizure, requisition, change in a federal law or an action of a federal agency after the Closing Date that prevents the Authority from enforcing the provisions of this Regulatory Agreement, or (ii) foreclosure on the Project or delivery of a deed in lieu of foreclosure (including, without limitation, a foreclosure or transfer of title by deed in lieu thereof pursuant to the Security Instrument) or condemnation or a similar event, but in either case only if within a reasonable period thereafter the Governmental Notes are redeemed or retired or amounts received as a consequence of such event are used to provide a project that meets the requirements of the Code set forth in this Regulatory Agreement; 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 on the Project or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any Affiliate obtains an ownership interest in the Project for federal income tax purposes. The parties hereto mutually intend the previous sentence to be interpreted in accordance with the minimum requirements of Section 1.103-8(b)(6) of the Regulations.

Upon the termination of the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; 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. Borrower agrees that the reasonable fees and costs of the Authority, Funding Lender, Funding Lender Representative and Fiscal Agent and their respective legal counsel in connection with the termination of this Regulatory Agreement shall be paid by the Borrower.

Section 12. Covenants to Run with the Land. The Borrower hereby subjects the Project (including the Project Site) to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Authority 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 13. Burden and Benefit. The Authority and the Borrower hereby declare their understanding and intent that the burden 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 Authority and the Borrower hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Low Income Tenants and Very Low Income Tenants and by furthering the public purposes for which the Governmental Notes were issued.

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

Section 15. Enforcement. If the Borrower defaults in the performance or observance of any of its covenants, agreements or obligations set forth in this Regulatory Agreement, and if such default remains uncured for a period of 60 days after notice thereof shall have been given (i) by the Authority to the Borrower, Fiscal Agent, and the Investor Limited Partner or (ii) by the Funding Lender to the Authority, the Investor Limited Partner, and the Borrower (provided, however, that the Authority may at its sole option extend such period if the Borrower provides the Authority and Funding Lender with an opinion of Bond Counsel to the effect that such extension will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series D-1 Governmental Note (if outstanding)), then the Authority may declare an **"Event of Default"** to have occurred hereunder and shall provide written notice thereof to the Borrower and Funding Lender, as applicable, and, at the Authority's option, may take any one or more of the following steps:

- (i) by mandamus or other suit, action or proceeding at law or in equity, require the Borrower to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the Authority 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; or
- (iv) with the consent of the Funding Lender, which consent shall be within the Funding Lender's sole and absolute discretion, declare a default under the Project Loan Agreement, as applicable, 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 Authority may fully obtain the benefits of such agreements 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.

The Fiscal Agent shall have the right, in accordance with this Section 15 and subject to the applicable provisions of the Funding Loan Agreement, without the consent or approval of the Authority, but with the consent of the Funding Lender Representative, which consent shall not be unreasonably withheld, to exercise any or all of the rights or remedies of the Authority hereunder; provided that prior to taking any such act, the Funding Lender Representative shall give the Authority written notice of its intended action. After the Funding Loan Agreement has been discharged, the Authority 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. All fees, costs and expenses of the Funding Lender (including, without limitation, reasonable attorneys' fees) incurred in taking any action pursuant to this Section 15 shall be the sole responsibility of the Borrower.

Notwithstanding anything contained in this Regulatory Agreement, the Funding Loan Agreement or the Project Loan Agreement to the contrary, the occurrence of an Event of Default shall not be deemed, under any circumstances whatsoever, to be a default under the Financing Documents except as may be otherwise specified, as applicable, in the Financing Documents.

The rights of the Funding Lender under this Section are in addition to all rights conferred upon the Funding Lender under the Funding Loan Agreement and other Financing Documents (as defined in the Funding Loan Agreement), and in no way limit those rights. No breach of any of the provisions of this Regulatory Agreement shall impair, defeat or render invalid the lien of the Security Instrument.

The Authority agrees that cure of any Event of Default made or tendered by the Investor Limited Partner 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 16. Recording and Filing. 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 of San Diego and in such other places as the Authority and Funding Lender Representative may reasonably request. The Borrower shall pay all fees and charges incurred in connection with any such recording.

Section 17. Payment of Fees. The Borrower shall pay to the Authority the issuance and annual (ongoing) Authority Fee on the dates and in the amounts set forth in the definition thereof. Notwithstanding any prepayment of the Project Loan or any discharge of the Funding Loan Agreement, except as set forth in the following paragraph, throughout the term of this Regulatory Agreement, the Borrower shall continue to pay to the Authority the Authority Fee, and, following the occurrence of an Event of Default, to the Authority, Funding Lender and Funding Lender Representative reasonable compensation for any services rendered by any of them hereunder and reimbursement for all expenses reasonably incurred by any of them as a result of such Event of Default. The Authority Fee referenced in this section shall in no way limit amounts payable by the Borrower under Section 7 hereof, or arising after an Event of Default in connection with the Authority's, Funding Lender's or Funding Lender Representative's enforcement of the provisions of this Regulatory Agreement.

In the event that the Governmental Notes are prepaid in part or in full prior to the end of the term of this Regulatory Agreement, the Authority Fee for the remainder of the term of this Regulatory Agreement, at the option of the Authority, shall continue to be payable to the Authority for the number of years remaining under the Regulatory Agreement. At the option of the Authority, the Authority Fee shall be paid by the Borrower at the time of the prepayment of the Governmental Notes and shall be a lump sum amount equal to the present value (based on a discount rate equal to the combined yield on the Governmental Notes, as determined by the Authority at the time of prepayment) of the Authority Fee, calculated based on the amount of the Governmental Notes outstanding immediately preceding such prepayment, for the number of years remaining in the Qualified Project Period under this Regulatory Agreement.

During any period that the Funding Lender or any of its respective agents owns the Project, it shall be responsible to make payments under this Section 17 accruing during such period. The Funding Lender shall not be liable for the payment of any compensation or any fees, costs, expenses or penalties otherwise payable for any period of time that it was not or is not the owner of the Project.

Notwithstanding anything contained in this Regulatory Agreement or any other Financing Document, under no circumstances shall the Authority Fee exceed any limitation under Section 148 of the Code.

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

Section 19. Amendments. Except as provided in Sections 6(a) and 27(e) hereof, this Regulatory Agreement shall be amended (i) only with the prior written consent of the Funding Lender Representative and (ii) 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 of San Diego. The parties hereto acknowledge that for so long as the Governmental Notes are outstanding, the Fiscal Agent is a third-party beneficiary to this Regulatory Agreement. Any amendment to this Regulatory Agreement shall be accompanied by an opinion of Bond Counsel to the effect that such amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series D-1 Governmental Note.

Section 20. Notice. All notices, certificates or other communications shall be sufficiently given and shall be deemed given on the date personally delivered or on the third business day following the date on which the same have been mailed by certified mail, return receipt requested, postage prepaid and addressed as follows:

The Fiscal Agent: U.S. Bank Trust Company, National Association
633 W. Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Global Corporate Trust
Reference: Iris at San Ysidro

The Authority: San Diego Housing Commission/Housing Finance
1122 Broadway, Suite 300
San Diego, California 92101
Attention: Colin Miller
Facsimile: (619) 578-7356

with a copy to: Office of the San Diego City Attorney
(which shall not constitute 1200 Third Avenue, Suite 1620
notice to the Authority) San Diego, California 92101
Attention: Marguerite Middaugh
Facsimile: (619) 236-7215

with a copy to:
(which shall not constitute
notice to the Authority)

Jones Hall, A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: Josh D. Anzel, Esq.
Facsimile: (415) 276-2088

The Funding Lender
Representative (during the
Construction Phase):

Wells Fargo Bank, National Association
550 S. Tryon Street
23rd Floor, D1086-239
Charlotte, North Carolina 28202-4200
Attention: Manager, Deal Management
Loan No. 1021600

with a copy to:

Wells Fargo Bank, National Association
Community Lending and Investment
333 South Grand Avenue, 7th Floor
MAC E2064-075
Los Angeles, California 90071
Attention: Brooke Moore
Loan No. 1021600

with a copy to:

Sheppard Mullin
650 Town Center Drive, 10th Floor
Costa Mesa, California 92626-1993
Attention: Ken Fox, Esq.

The Funding Lender
Representative (from the
Conversion Date to the Freddie
Mac Purchase Date) or Loan
Servicer (as of the
Freddie Mac Purchase Date):

Wells Fargo Bank, National Association
1751 Pinnacle Drive, 8th Floor
McLean, Virginia 22102
Email: WFMCServicing@wellsfargo.com
Attention: Servicing Department

The Funding Lender
Representative as of the Freddie
Mac Purchase Date

Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
McLean, Virginia 22102
Attention: Multifamily Operations - Loan Accounting
Email: mfla@freddiemac.com
Telephone: (703) 714-4177

with a copy to:

Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive
McLean, Virginia 22102
Attention: Managing Associate General Counsel -
Multifamily Legal Division
Email: guy_nelson@freddiemac.com
Telephone: (703) 903-2000

The Borrower: Iris at San Ysidro LP
c/o National Community Renaissance of California
9692 Haven Avenue, Suite 100
Rancho Cucamonga, California 91730
Attention: CEO

with a copy to: Gubb & Barshay LLP
235 Montgomery Street, Suite 1110
San Francisco, California 94104
Attention: Lauren Fechter, Esq.

with a copy to: Wells Fargo Affordable Housing Corp.
550 S. Tryon Street
23rd Floor, D1086-239
Charlotte, North Carolina 28202-4200
Attention: Director of Tax Credit Asset Management

with a copy to: Pillsbury Winthrop Shaw Pittman LLP
1200 17th Street NW
Washington, D.C. 20036
Attention: Craig A. de Ridder, Esq.

If to CDLAC: California Debt Limit Allocation Committee
915 Capitol Mall, Room 311
Sacramento, California 95814
Attention: Executive Director

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

Section 21. 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 22. Multiple Counterparts. This Regulatory Agreement may be executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Section 23. Compliance by Borrower. The Fiscal Agent shall not be responsible for monitoring or verifying compliance by the Borrower with its obligations under this Regulatory Agreement. The Borrower acknowledges and agrees to all provisions of the Funding Loan Agreement applicable to it.

Section 24. General Obligation of Borrower; Limitations on Recourse to Borrower. Except as provided in Section 7 of this Regulatory Agreement, no subsequent owner of the Project shall be liable or obligated to pay damages for the breach or default of any obligation or covenant by any prior owner (including the Borrower) under this Regulatory Agreement. Such obligations are the obligations of the person who was the owner at the time the default or breach was alleged to have occurred, and such owner shall remain liable for any and all damages

occasioned thereby even after such person ceases to be the owner of the Project, and no person seeking such damages shall have recourse against the Project.

Section 25. Third-Party Beneficiaries. The parties to this Regulatory Agreement recognize and agree that the terms of this Regulatory Agreement and the enforcement of those terms are essential to the security of the owners of the Governmental Notes and are entered into for their benefit. For so long as the Governmental Notes are outstanding, the Fiscal Agent, on behalf of the owners of the Governmental Notes, shall have contractual rights in this Regulatory Agreement and shall be entitled (but not obligated) to enforce, separately or jointly with the Authority, or to cause the Authority to enforce, the terms of this Regulatory Agreement. The Fiscal Agent is intended to be and shall be a third-party beneficiary of this Regulatory Agreement while the Governmental Notes are outstanding, and the Fiscal Agent shall have the right (but not the obligation) to enforce the terms of this Regulatory Agreement insofar as this Regulatory Agreement sets forth obligations of the Borrower during such period.

CDLAC is also intended to be and shall be a third-party beneficiary of this Regulatory Agreement to the limited extent that it shall be entitled to enforce, in accordance with Section 15 hereof, the terms of the CDLAC Resolution.

Section 26. Damage, Destruction or Condemnation of the Project. In the event that the Project is damaged or destroyed or title to the property, or any part thereof, is taken through the exercise or the threat of the exercise of the power of eminent domain, the Borrower shall comply with all applicable requirements of the other Financing Documents.

Section 27. CDLAC Requirements. In addition to other requirements set forth herein and to the extent not prohibited by the requirements set forth in Sections 4 and 5 hereof, the Borrower hereby agrees to comply with each of the requirements of CDLAC set forth in this Section 27, as follows:

(a) The Borrower shall comply with the CDLAC Resolution, which is attached hereto as Appendix 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 Authority:

(i) not later than February 1 of each year, until the Project is completed, and on February 1 every three years thereafter (such that the next succeeding year shall be the beginning of each such three-year period) until the end of the Qualified Project Period, a Certification of Compliance II for Qualified Residential Rental Projects, in substantially the form attached hereto as Appendix E or otherwise required or provided by CDLAC from time to time after the date hereof (“**CDLAC Compliance Certificate**”), executed by an authorized representative of the Borrower; such CDLAC Compliance Certificate shall be prepared pursuant to the terms of the CDLAC Conditions;

(ii) a Certificate of Completion, in substantially the form attached hereto as Appendix F or otherwise required or provided by CDLAC from time to time after the date hereof, executed by an authorized representative of the Borrower certifying among other things to the substantial completion of the Project; and

(iii) not later than February 1 of every third year following the submission of the Certificate of Completion, until the later of the end of the Qualified Project Period or the period described in paragraph (c), below, a project status report, as required or provided

by the California Tax Credit Allocation Committee or equivalent documentation required or otherwise provided by CDLAC from time to time after the date hereof, executed by an authorized representative of the Borrower.

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 Authority.

(b) The Borrower acknowledges that the Authority shall monitor the Borrower's compliance with the terms of the CDLAC Conditions. The Borrower acknowledges that the Authority 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 (such that the next succeeding year shall be the beginning of each such three-year period) until the end of the Qualified Project Period, a Self-Certification Certificate in the form provided by CDLAC. The Borrower will cooperate fully with the Authority in connection with such monitoring and reporting requirements.

(c) Except as otherwise provided in Section 11 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 issuer of the Series D-1 Governmental Note; (iii) any change in the name of the Project or the property manager; (iv) any default under the Funding Loan Agreement, the Project Loan Agreement or this Regulatory Agreement, including, but not limited to, such defaults associated with the Tax-Exempt status of the Series D-1 Governmental Note, and the income and rental requirements as provided in Sections 4 and 5 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: (i) any changes in the terms and conditions of the CDLAC Conditions prior to the recordation against the Project in the real property records of the County of San Diego 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 the 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 Authority may, in its sole and absolute discretion, require the Borrower to enter into an amendment to this Regulatory Agreement reflecting the revised CDLAC Conditions, which amendment shall be executed by the parties hereto or their successor in title and duly recorded in the official real estate records of the County of San Diego. The Borrower shall pay any costs and expenses in connection therewith and provide CDLAC with a copy of that recorded amendment reflecting the revised CDLAC Conditions.

Any of the foregoing requirements of the CDLAC Conditions contained in this Section 27 may be expressly waived by CDLAC, in its sole discretion, in writing, but (i) no waiver by CDLAC of any requirement of this Section 27 shall, or shall be deemed to, extend to or affect any other

provision of this Regulatory Agreement except to the extent the Authority has received an opinion of Bond Counsel that any such provision is not required by the Act and may be waived without adversely affecting the exclusion from gross income of interest on the Series D-1 Governmental Note for federal income tax purposes; and (ii) any requirement of this Section 27 shall be void and of no force and effect if the Authority 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 D-1 Governmental Note to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Act or any other state or federal law.

Section 28. Annual Reporting Covenant. No later than January 31 of each calendar year (commencing January 31, 2025), the Borrower, on behalf of the Authority, 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 Authority, 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 Notes are no longer Outstanding or (ii) the proceeds of the Governmental Notes have been fully spent.

Section 29. Freddie Mac Rider. The provisions of the Freddie Mac Rider attached hereto as Appendix G are incorporated by reference as if fully set forth herein. In the event of a conflict between provisions of the Freddie Mac Rider and the provisions of this Regulatory Agreement, the provisions of the Freddie Mac Rider shall control. The provisions of the Freddie Mac Rider shall not take effect until the Loan Servicer or Freddie Mac is the holder of the Series D-1 Governmental Note and shall be terminated automatically and without further action required of any party hereto, the Loan Servicer, or Freddie Mac following the Freddie Mac Purchase Date (as defined in the Funding Loan Agreement) upon the earlier of (a) the date the Series D-1 Governmental Note is paid in full, retired, or otherwise discharged and (b) the date neither the Loan Servicer nor Freddie Mac is the Funding Lender or Funding Lender Representative.

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

HOUSING AUTHORITY OF THE CITY OF
SAN DIEGO

By: _____
Colin Miller, Senior Vice President
Housing Finance & Property
Management of the San Diego Housing
Commission

[signatures continued on next page]

IRIS AT SAN YSIDRO LP,
a California limited partnership

By: NCRC ISY GP LLC,
a California limited liability company,
Its General Partner

By: National Community Renaissance of
California, a California nonprofit public
benefit corporation, its sole
member/manager

By: _____
Michael Finn, Chief Financial Officer

[Notary Pages]

APPENDIX A

LEGAL DESCRIPTION

The estate or interest in the land described below and which is encumbered is:

Real property in the City of San Diego, County of San Diego, State of California, described as follows:

[TO COME]

APPENDIX B

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

The undersigned, _____, being duly authorized to execute this certificate on behalf of Iris at San Ysidro LP, a California limited partnership (the "Borrower"), hereby represents and warrants that:

1. The undersigned has read and is familiar with the provisions of the following documents associated with the Borrower's participation in the Housing Authority of the City of San Diego's (the "Authority") Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-1 and Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-2 (Taxable), such documents including:

(a) the Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") dated as of October 1, 2023, by and between the Borrower and the Authority; and

(b) the Promissory Note (Tax-Exempt), dated October 1, 2023, from the Borrower to the Authority, and the Promissory Note (Taxable), dated October 1, 2023, from the Borrower to the Authority, representing the Borrower's obligation to repay the Project Loan.

2. As of the date of this certificate, the following percentages of residential units in the Project (i) are occupied by Very Low Income Tenants or Low Income Tenants (as such terms are defined in the Regulatory Agreement) or (ii) are currently vacant and being held available for such occupancy and have been so held continuously since the date a Very Low Income Tenant or Low Income Tenant vacated such unit:

		One- Bedroom Units	Two- Bedroom Units	Two- Bedroom Units	Total
Occupied by Very Low Income Tenants:	% Unit Nos.:	_____	_____	_____	_____
Held vacant for occupancy continuously since last occupied by a Very Low Income Tenant:	% Unit Nos.:	_____	_____	_____	_____
Occupied by Low Income Tenants:	No. of Units:	_____	_____	_____	_____
Held vacant for occupancy continuously since last occupied by a Low Income Tenant:	No. of Units:	_____	_____	_____	_____

3. The Borrower hereby certifies that to the best of its knowledge the Borrower is not in default under any of the terms of the above documents and no event has occurred which, with the passage of time, would constitute an event of default thereunder, with the exception of the following [state actions being taken to remedy default].

IRIS AT SAN YSIDRO LP,
a California limited partnership

By: NCRC ISY GP LLC,
a California limited liability company,
Its General Partner

By: National Community Renaissance of
California, a California nonprofit public
benefit corporation, its sole
member/manager

By: _____
Michael Finn, Chief Financial Officer

APPENDIX C

INCOME COMPUTATION AND CERTIFICATION

NOTE TO APARTMENT OWNER: This form is designed to assist you in computing Annual Income in accordance with the method set forth in the Department of Housing and Urban Development (“HUD”) Regulations (24 CFR 5.609). You should make certain that this form is at all times up to date with the HUD Regulations. All capitalized terms used herein shall have the meaning set forth in the Regulatory Agreement.

Re: _____, San Diego, CA _____

I/We, the undersigned state that I/we have read and answered fully, frankly and personally each of the following questions for all persons who are to occupy the unit being applied for in the above apartment project. Listed below are the names of all persons who intend to reside in the unit:

1 Name of Members of the Household	2 Relationship to Head of Household	3 Social Security Number	4 Age	5 Place of Employment
_____	HEAD	_____	_____	_____
_____	SPOUSE	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Income Computation

6. The total anticipated income, calculated in accordance with this paragraph 6, of all persons (except children under 18 years) listed above for the 12-month period beginning the earlier of the date that I/we plan to move into a unit or sign a lease for a unit is \$_____.

Included in the total anticipated income listed above are:

(a) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;

(b) The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family;

(c) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (6)(b) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by the Department of Housing and Urban Development;

(d) The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount except deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts;

(e) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay except lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (excluding payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay);

(f) Welfare assistance. If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:

(1) The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus

(2) The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage;

(g) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling;

(h) All regular pay, special pay and allowances of a member of the Armed Forces except the special pay to a family member serving in the Armed Forces who is exposed to hostile fire.

Excluded from such anticipated income are:

(a) Income from employment of children (including foster children) under the age of 18 years;

(b) Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone);

(c) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses except payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay;

(d) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;

(e) Income of a live-in aide, as defined by 24 CFR §5.403;

(f) The full amount of student financial assistance paid directly to the student or to the educational institution;

(g) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire;

(h) (1) Amounts received under training programs funded by the Department of Housing and Urban Development;

(2) Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);

(3) Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;

(4) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the Public Housing Authority or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, and resident initiatives coordination. No resident may receive more than one such stipend during the same period of time;

(5) Incremental earnings and benefits resulting to any family member from participation in qualifying State or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program;

(i) Temporary, nonrecurring or sporadic income (including gifts);

(j) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era;

(k) Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household and spouse);

(l) Adoption assistance payments in excess of \$480 per adopted child;

(m) Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.

(n) Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit;

(o) Amounts paid by a State agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home; or

(p) Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR §5.609(c) apply.

7. Do the persons whose income or contributions are included in item 6 above

(a) have savings, stocks, bonds, equity in real property or other form of capital investment (excluding the values of necessary items of personal property such as furniture and automobiles and interests in Indian trust land)?

_____ Yes _____ No

(b) have they disposed of any assets (other than at a foreclosure or bankruptcy sale) during the last two years at less than fair market value?

_____ Yes _____ No

(c) If the answer to (a) or (b) above is yes, does the combined total value of all such assets owned or disposed of by all such persons total more than \$5,000?

_____ Yes _____ No

(d) If the answer to (c) above is yes, state:

(1) the combined total value of all such assets: \$_____;

(2) the amount of income expected to be derived from such assets in the 12-month period beginning on the date of initial occupancy in the unit that you propose to rent: \$_____, and

(3) the amount of such income, if any, that was included in item 6 above:

\$_____

8. (a) Are all of the individuals who propose to reside in the unit full-time students*?

_____ Yes _____ No

*A full-time student is an individual enrolled as a full-time student during each of 5 calendar months during the calendar year in which occupancy of the unit begins at an educational organization which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance or is an individual pursuing a full-time course of institutional on farm training under the supervision of an accredited agent of such an educational organization or of a state or political subdivision thereof.

(b) If the answer to 8(a) is yes, is at least 2 of the proposed occupants of the unit a husband and wife entitled to file a joint federal income tax return?

_____ Yes _____ No

9. Neither myself nor any other occupant of the unit I/we propose to rent is the owner of the rental housing project in which the unit is located (hereinafter the "Borrower"), has any family relationship to the Borrower; or owns directly or indirectly any interest in the Borrower. For purposes of this paragraph, indirect ownership by an individual shall mean ownership by a family member, ownership by a corporation, partnership, estate or trust in proportion to the ownership

or beneficial interest in such corporation, partnership, estate or trust held by the individual or a family member; and ownership, direct or indirect, by a partner of the individual.

10. This certificate is made with the knowledge that it will be relied upon by the Borrower to determine maximum income for eligibility to occupy the unit; and I/we declare that all information set forth herein is true, correct and complete and based upon information I/we deem reliable and that the statement of total anticipated income contained in paragraph 6 is reasonable and based upon such investigation as the undersigned deemed necessary.

11. I/we will assist the Borrower in obtaining any information or documents required to verify the statements made herein, including either an income verification from my/our present employer(s) or copies of federal tax returns for the immediately preceding calendar year.

12. I/we acknowledge that I/we have been advised that the making of any misrepresentation or misstatement in this declaration will constitute a material breach of my/our agreement with the Borrower to lease the unit and will entitle the Borrower to prevent or terminate my/our occupancy of the unit by institution of an action for ejection or other appropriate proceedings.

I/we declare under penalty of perjury that the foregoing is true and correct.

Executed this ____ day of _____ in the County of San Diego, California.

Applicant

Applicant

[Signature of all persons (except children under the age of 18 years) listed in number 2 above required]

FOR COMPLETION BY BORROWER ONLY:

1. Calculation of eligible income:
 - a. Enter amount entered for entire household in 6 above: \$
 - b. (1) If the answer to 7(c) above is yes, enter the total amount entered in 7(d)(2), subtract from that figure the amount entered in 7(d)(3) and enter the remaining balance (\$_____)
 - (2) Multiply the amount entered in 7(d)(1) times the current passbook savings rate as determined by HUD to determine what the total annual earnings on the amount in 7(d)(1) would be if invested in passbook savings (\$_____), subtract from that figure the amount entered in 7(d)(3) and enter the remaining balance (\$_____);
 - (3) Enter at right the greater of the amount calculated under (1) or (2) above: \$
 - c. TOTAL ELIGIBLE INCOME
(Line 1.a plus line 1.b(3)): \$
2. The amount entered in line 1.c:
____ Qualifies the applicant(s) as a Low Income Tenant(s) ___ or a Very Low Income Tenant(s) ___ [check applicable box, if any]

____ Does not qualify the applicant(s) as a Low Income Tenant(s) __, or a Very Low Income Tenant(s) ___ [check applicable box, if any].
3. Number of apartment unit assigned: _____ Rent: \$
Bedroom Size _____
4. This apartment unit [was/was not] last occupied for a period of 31 or more consecutive days by persons whose aggregate anticipated annual income as certified in the above manner upon their initial occupancy of the apartment unit qualified them as Low Income Tenants ___ or Very Low Income Tenants ___ [check applicable box].
5. Method used to verify applicant(s) income:
____ Employer income verification.
____ Copies of tax returns.
____ Other (_____)

Manager

INCOME VERIFICATION
(for self-employed persons)

I hereby attach copies of my individual federal and state income tax returns for the immediately preceding calendar year and certify that the information shown in such income tax returns is true and complete to the best of my knowledge.

Signature

Date

APPENDIX D
CDLAC RESOLUTION

[attached]

APPENDIX E

CDLAC COMPLIANCE CERTIFICATE

CERTIFICATION of COMPLIANCE II
for QUALIFIED RESIDENTIAL RENTAL PROJECT

Project Name: Iris at San Ysidro

Name of Bond Issuer: Housing Authority of the City of San Diego

1. Project Name Change: No____ Yes____
(If project name has changed since the award of allocation please note the original project name as well as the new project name.)

If yes provide old and new Project Name _____

2. CDLAC Application No.: 23-485

3. Bond Issuer Change: No____ Yes____
(If Bond Issuer has changed since the award as a result of refinance or refunding of an allocation please note the original Issuer as well as the new Issuer.)

If yes provide the Name of existing and New Issuer _____
Contact Information _____

4. Change in Borrower No____ Yes____
(If Borrower has changed since the award affecting the CDLAC resolution please note the original Borrower as well as the new Borrower.)

If yes provide the Name of the existing and New Borrower _____
Contact Information _____

5. Change in Management Company No____ Yes____
If yes provide the Name of the New Management Company _____

6. Has the Qualified Project Period commenced? No____ Yes____
No____ Yes____ Already Submitted Certification
If yes please submit the Certificate of Qualified Project Period (one time only)

7. Has the project been completed and placed in service?
No____ Yes____ Already Submitted Certification
If yes please submit Completion Certification (one time only)

8. Have any of the following events occurred associated with the bond allocation including but not limited to: defaults associated with rents and income requirements, Bond Default or a Qualified Bond Default.
No____ Yes____

If so, please describe and explain?

9. Has a termination of the Regulatory Agreement occurred or is a termination planned in the next year? Has proper noticing occurred?

No _____ Yes _____

If so, please describe and explain?

10.	Federally Bond Restricted Units (Reflected in PSR) _____ at 50% AMI _____ at 60% AMI	Other Restrictions (Reflected in PSR) _____ at 50% AMI _____ at 60% AMI	Total (Reported in CDLAC Resolution) _____ at 50% AMI _____ at 60% AMI
-----	--	--	--

11. Please indicate the distribution of the CDLAC restricted 10% of the 50% AMI units

Bedroom Type	# of Units in PSR	# of Units in CDLAC Resolution
1 Bedroom	_____	_____
2 Bedroom	_____	_____
3 Bedroom	_____	_____

12. If the Project has committed to and is currently providing the service amenities for a term as specified in the CDLAC resolution, please verify the services are being provided: on a regular and ongoing basis, which are provided free of charge and all hour requirements are being met:

- _____ After-school Programs
- _____ Educational, health and wellness, or skill building classes
- _____ Health and Wellness services and programs (not group classes)
- _____ Licensed Childcare provided for a minimum of 20 hours per week (Monday-Friday)
- _____ Bona-Fide Service Coordinator/ Social Worker

Is the service being offered on an ongoing basis and provided free of charge (childcare excepted)?

No _____ Yes _____

Are all hour requirements being met?

No _____ Yes _____

Attach evidence demonstrating that the above listed services are being provided and have met the requirements in the CDLAC Resolution. Including but not limited to MOUs and or contracts associated with the services rendered, a 12-month schedule (current reporting year) of the services offered, flyers, sign-up sheets, etc.

"Pursuant to Section 13 of Resolution No. 22-120 (the "Resolution"), adopted by the California Debt Limit Allocation Committee (the "Committee") on June 15, 2022, I, _____, an Officer of the Borrower, hereby certify under penalty of perjury that, as of the date of this Certification, the above-mentioned Project is in compliance with the terms and conditions set forth in the Resolution as outlined above. I further certify that I have read and understand the CDLAC Resolution, which specifies that once the Governmental Notes are issued, the terms and conditions set forth in the Resolution Exhibit A, shall be

enforceable by the Committee through an action for specific performance, negative points, withholding future allocation or any other available remedy.

Signature of Officer

Printed Name of Officer

Title of Officer

Date

APPENDIX F

CDLAC COMPLETION CERTIFICATE

CERTIFICATE of COMPLETION
for QUALIFIED RESIDENTIAL RENTAL PROJECTS

- 1) Project Name: Iris at San Ysidro
(If project name has changed since the award of allocation please note the original project name as well as the new project name.)
- 2) CDLAC Application No.: 23-485
- 3) Name of Bond Issuer: Housing Authority of the City of San Diego
- 4) Name of Borrower: Iris at San Ysidro LP, a California limited partnership
(If Borrower has changed name since the award please note the original Borrower as well as the new Borrower.)
- 5) The undersigned hereby certifies that all work on the Project was substantially completed as of _____, 20__

The undersigned hereby further certifies that:

- (a) the aggregate amount disbursed on the Series D-1 Project Loan to date is \$_____
 - (b) all amounts disbursed from proceeds of the Series D-1 Governmental Note have been applied to pay or reimburse the undersigned for the payment of Project Costs and none of the amounts disbursed from the proceeds of the Series D-1 Governmental Note have been applied to pay or reimburse any party for the payment of costs or expenses other than Project Costs; and
 - (c) at least 95 percent of the amounts disbursed from the proceeds of the Series D-1 Governmental Note have been applied to pay or reimburse the Borrower for the payment of Qualified Project Costs (as that term is used in the Regulatory Agreement) and less than 25 percent of the amounts disbursed from the proceeds of the Series D-1 Governmental Note, exclusive of amounts applied to pay the costs of issuing the Series D-1 Governmental Note, have been applied to pay or reimburse the Borrower for the cost of acquiring land.
 - (d) the cost of the bond issuance was equal to or less than 2% of the bond proceeds issued.
- 6) The undersigned hereby certifies the project meets the general federal rule for a Qualified Project Period.
No_____ Yes_____

- (a) 10% of the dwelling units in the project financed in part from the proceeds of the captioned Series D-1 Governmental Note were first occupied on _____ , 20__ and
- (b) 50% of the dwelling units in the project financed in part from the proceeds of the captioned Series D-1 Governmental Note were first occupied on _____ , 20__ .

7) If no to 6) the undersigned hereby certifies the project meets the special federal rule for a Qualified Project Period.
 No _____ Yes _____

(Project qualifies if it is an acquisition/rehabilitation where no more than 90% of the units were not available for occupancy within 60 days of the earlier of the project acquisition or the Governmental Notes Issuance Date.)

- (a) Series D-1 Governmental Note was issued on _____ , 20__
- (b) Property was acquired on _____ 20__
- (c) The date 10% of the units were available to occupy (within 60 days of the earlier of the acquisition or bond issuance) _____ , 20__

Signature of Officer

Printed Name of Officer

Title of Officer

Phone Number

APPENDIX G

FREDDIE MAC RIDER TO REGULATORY AGREEMENT – TEL

(Revised 6-27-2023)

THIS FREDDIE MAC RIDER (“**Rider**”) is attached to and forms a part of the REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (“**Regulatory Agreement**”), dated as of October 1, 2023, by and between HOUSING AUTHORITY OF THE CITY OF SAN DIEGO (“**Governmental Lender**”) and IRIS AT SAN YSIDRO LP, (together with any successor to its rights, duties and obligations hereunder and as owner of the Project identified herein, the “**Borrower**”).

1. **Definitions.** The terms used in this Rider (except as herein otherwise expressly provided or unless the context otherwise requires) shall have the respective meanings specified below. Terms used herein not otherwise defined shall have the respective meanings set forth in the Regulatory Agreement and the Funding Loan Agreement, as applicable.

“**Delivery Date**” means [Closing Date].

“**Fiscal Agent**” means U.S. Bank Trust Company, National Association, as Fiscal Agent under the Funding Loan Agreement, and any successor thereto in such capacity.

“**Freddie Mac**” means the Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States, and its successors and assigns.

“**Funding Lender**” means any Person who is the holder of the Governmental Note, initially Wells Fargo Bank, National Association, as of the effective date of this Rider and on the Freddie Mac Purchase Date, Freddie Mac, and any successors or assigns thereof.

“**Funding Loan Agreement**” means the Funding Loan Agreement, dated as of October 1, 2023, by and among Governmental Lender, Initial Funding Lender, and Fiscal Agent, as such Funding Loan Agreement may be amended, restated, supplemented or otherwise modified from time to time.

“**Governmental Note**” means the Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Iris at San Ysidro) Series 2023D-1, dated the Delivery Date, executed by Governmental Lender and authenticated by Fiscal Agent in favor of Initial Funding Lender, pursuant to the Funding Loan Agreement, as the same may be amended, restated, supplemented or otherwise modified from time to time, or any note executed in substitution therefor, as such substitute note may be amended, restated, supplemented or otherwise modified from time to time, and together with all addenda thereto.

“**Initial Funding Lender**” means Wells Fargo Bank, National Association..

“**Loan Servicer**” means any entity appointed by Funding Lender Representative to service the Loans and any successor in such capacity as appointed by Funding Lender Representative pursuant to Section 3.02 of the Project Loan Agreement. Initially, as of the effective date of this Rider, Loan Servicer shall be Wells Fargo Bank, National Association.

“Project” means, collectively, the Land, Improvements, and Fixtures (each as defined in the Security Instrument).

“Project Loan” means the loan from Governmental Lender to Borrower pursuant to the Project Loan Documents, which Project Loan is to be assigned to Fiscal Agent as security for the Funding Loan.

“Project Loan Agreement” means the Project Loan Agreement, dated as of October 1, 2023, among Borrower, Governmental Lender, and Fiscal Agent, as such Project Loan Agreement may be amended, restated, supplemented or otherwise modified from time to time.

“Project Loan Documents” means the Security Instrument, the Project Note, the Project Loan Agreement, the Regulatory Agreement, the Assignment, the Continuing Covenant Agreement, any Subordination Agreement(s) and any and all other instruments and other documents evidencing, securing, or otherwise relating to the Project Loan or any portion thereof.

“Project Note” means the Promissory Note (Tax Exempt), dated the Delivery Date, executed by Borrower in favor of Governmental Lender, evidencing Borrower’s payment obligations in respect of the portion of the Project Loan funded from proceeds of the Governmental Note, and endorsed by Governmental Lender to Fiscal Agent as security for the Funding Loan, as the same will be amended and restated into the form attached to the Construction Phase Financing Agreement upon the occurrence of the Conversion Date, and as the same may be further amended, restated, supplemented or otherwise modified from time to time, or any note executed in substitution therefor, as such substitute note may be amended, restated, supplemented or otherwise modified from time to time, and together with all riders and addenda thereto.

“Security Instrument” means the Construction Deed of Trust, with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of October 1, 2023, granting a first priority mortgage and security interest in the Project in favor of Governmental Lender, as the same will be amended and restated into the form attached to the Construction Phase Financing Agreement upon the occurrence of the Conversion Date, and as the same may be further amended, restated, supplemented or otherwise modified from time to time, or any note executed in substitution therefor, as such substitute note may be amended, restated, supplemented or otherwise modified from time to time, and together with all riders and addenda thereto.

2. **Applicability.** The provisions of this Rider shall amend and supplement the provisions of, and in the event of a conflict shall supersede the conflicting provisions of, the Regulatory Agreement.
3. **Indemnification.** Inasmuch as the covenants, reservations and restrictions of the Regulatory Agreement run with the land, the indemnification obligations of Borrower contained in the Regulatory Agreement will be deemed applicable to any successor in interest to Borrower, but, it is acknowledged and agreed, notwithstanding any other provision of the Regulatory Agreement to the contrary, that neither Funding Lender nor any successor in interest to Funding Lender will assume or take subject to any liability for the indemnification obligations of Borrower for acts or omissions of Borrower prior to any transfer of title to Freddie Mac, whether by foreclosure, deed in lieu of foreclosure or

comparable conversion of the Project Loan. Borrower shall remain liable under the indemnification provisions for its acts and omissions prior to any transfer of title to Funding Lender. Funding Lender shall indemnify Governmental Lender following acquisition of the Project by Funding Lender, by foreclosure, deed in lieu of foreclosure or comparable conversion of the Project Loan, during, and only during, any ensuing period that Funding Lender owns and operates the Project, provided that Funding Lender's liability shall be strictly limited to acts and omissions of Funding Lender occurring during the period of ownership and operation of the Project by Funding Lender. Funding Lender shall have no indemnification obligations with respect to the Governmental Note or the Project Loan Documents. Borrower shall remain liable under the Regulatory Agreement for its actions and omissions prior to any transfer of title to Funding Lender.

4. **Sale or Transfer.** None of the following shall apply to any transfer of title to the Project to Funding Lender or to a third party by foreclosure, deed in lieu of foreclosure or comparable conversion of the Project Loan or to any subsequent transfer by Funding Lender following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Project Loan:
- (a) Restrictions on sale or transfer of the Project or of any interest in Borrower.
 - (b) Governmental Lender or Fiscal Agent consents.
 - (c) Transferee agreements, transferee criteria and requirements, opinion requirements, assumption fees, transfer fees, penalties and the like.

No transfer of the Project shall operate to release Borrower from its obligations under the Regulatory Agreement. Nothing contained in the Regulatory Agreement shall affect any provision of the Security Instrument or any of the other Project Loan Documents that requires Borrower to obtain the consent of Funding Lender as a precondition to sale, transfer or other disposition of, or any direct or indirect interest in, the Project or of any direct or indirect interest in Borrower, excluding transfers permitted by the Security Instrument. No covenant obligating Borrower to obtain an agreement from any transferee to abide by all requirements and restrictions of the Regulatory Agreement shall have any applicability to a transfer to Funding Lender upon foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Project Loan by Funding Lender, or to any subsequent transfer by Funding Lender following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Project Loan.

5. **Enforcement.** Notwithstanding anything contained in the Regulatory Agreement to the contrary:
- (a) The occurrence of an event of default under the Regulatory Agreement shall not, under any circumstances whatsoever, be deemed or constitute a default under the Project Loan Documents, except as may be otherwise specified in the Project Loan Documents.
 - (b) The occurrence of an event of default under the Regulatory Agreement shall not impair, defeat or render invalid the lien of the Security Instrument.

No person other than Funding Lender shall have the right either to declare the principal balance of the Project Note to be immediately due and payable or commence foreclosure or other like action with respect to the Security Instrument. Governmental Lender and, if

the Fiscal Agent is party to the Regulatory Agreement, Fiscal Agent acknowledge and agree that the exercise of any rights and remedies under the Regulatory Agreement is subject to the provisions of the Project Loan Documents.

6. **Notice of Violations.** Promptly upon determining that a violation of the Regulatory Agreement has occurred, Governmental Lender or, if the Fiscal Agent is party to the Regulatory Agreement and required to provide such notice, Fiscal Agent shall, by notice in writing to Borrower, Loan Servicer and Funding Lender, inform Borrower, Loan Servicer and Funding Lender of each of the following:
 - (a) The occurrence of such violation.
 - (b) The nature of the violation.
 - (c) Whether the violation (i) has been cured, (ii) has not been cured, but is curable within a reasonable period of time, or (iii) is incurable.

Notwithstanding the occurrence of such violation, neither Governmental Lender nor Fiscal Agent shall have, and each of them acknowledge that they shall not have, any right to cause or direct acceleration of the Project Loan, to enforce the Project Note, or to foreclose on the Security Instrument.

7. **Amendments.** The Regulatory Agreement shall not be amended without the prior written consent of Funding Lender.
8. **Fees; Penalties.** Funding Lender shall not be liable for the payment of any compensation or any accrued unpaid fees, costs, expenses or penalties otherwise owed by Borrower or any subsequent owner of the Project prior to the date of acquisition of the Project by Funding Lender, whether such acquisition is by foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Project Loan.
9. **Subordination.** The terms, covenants and restrictions of the Regulatory Agreement, other than those set forth in Sections 3 through 5, are and shall at all times remain subject and subordinate, in all respects, to the liens, rights and interests created under the Project Loan Documents.
10. **Third-Party Beneficiary.** The parties to the Regulatory Agreement recognize and agree that the terms of the Regulatory Agreement and the enforcement of those terms are essential to the security of Funding Lender and are entered into for the benefit of various parties, including Funding Lender. Funding Lender shall accordingly have contractual rights in the Regulatory Agreement and shall be entitled (but not obligated) to enforce, separately or jointly with Governmental Lender or, if the Fiscal Agent is party to the Regulatory Agreement, Fiscal Agent, or to cause Governmental Lender or, if applicable, Fiscal Agent to enforce, the terms of the Regulatory Agreement. In addition, Funding Lender is intended to be and shall be a third-party beneficiary of the Regulatory Agreement.
11. **Notices.** Copies of all notices under the Regulatory Agreement shall be sent to Loan Servicer at the address set forth below or to such other address as Loan Servicer may from time to time designate:

Wells Fargo Bank, National Association
1751 Pinnacle Drive, 8th Floor
McLean, Virginia 22102
Email: WFMCservicing@wellsfargo.com
Attention: Servicing Department

Any notice to be given to Freddie Mac shall be sent to Freddie Mac at the address set forth below or to such other address as Freddie Mac may from time to time designate:

Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
McLean, Virginia 22102
Attention: Multifamily Operations - Loan Accounting
Email: mfla@freddiemac.com
Telephone: (703) 714-4177

with a copy to:

Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive
McLean, Virginia 22102
Attention: Managing Associate General Counsel –
Multifamily Legal Division
Email: guy_nelson@freddiemac.com
Telephone: (703) 903-2000