



SAN DIEGO
HOUSING
COMMISSION

REPORT

DATE ISSUED: June 23, 2025

REPORT NO: HAR25-008

ATTENTION: Chair and Members of the Housing Authority of the City of San Diego
For the Agenda of July 22, 2025

SUBJECT: Supplemental Final Bond Authorization for Sea Breeze Gardens Apartments

COUNCIL DISTRICT: 4

REQUESTED ACTION

Authorize the supplemental issuance of tax-exempt Housing Authority of the City of San Diego Multifamily Housing Revenue Bonds in the aggregate amount not to exceed \$7,500,000 to fund Sea Breeze Gardens Preservation LP's rehabilitation of Sea Breeze Gardens Apartments at 4802-4890 Logan Avenue in the Chollas Valley neighborhood in Council District 4, which will consist of 266 units that will remain affordable for 55 years for families earning 30 percent to 60 percent of San Diego's Area Median Income, one of which is a restricted manager's unit, and two unrestricted managers' units.

STAFF RECOMMENDATION

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

- 1) Authorize the supplemental issuance of tax-exempt Multifamily Housing Revenue Bonds in an aggregate amount not to exceed \$7,500,000 to facilitate Sea Breeze Gardens Preservation LP's rehabilitation of Sea Breeze Gardens Apartments at 4802-4890 Logan Avenue in the Chollas Valley neighborhood in Council District 4, which will consist of 266 units that will remain affordable for 55 years for families earning between 30 percent to 60 percent of San Diego's Area Median Income (AMI), one of which is a restricted manager's unit, and two unrestricted manager's units.
- 2) Authorize the San Diego Housing Commission's (SDHC) 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 SDHC 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.

SUMMARY

Table 1 –Development Details

Address	4802-4890 Logan Avenue, San Diego, CA 92113
Council District	Council District 4
Community Plan Area	Chollas Valley Neighborhoods Community Plan
Developer	Lincoln Avenue Communities (LAC)
Development Type	Preservation; Acquisition & Rehabilitation
Construction Type	Wood Frame (Type V), 36 two-story buildings, 1 commercial building, 1 community clubhouse and 6 standalone laundry facilities

Parking Type	294 parking spaces in a surface lot (263 residential stalls, 25 accessible stalls for people with disabilities, 6 van-accessible stalls for people with disabilities, and 6 commercial stalls).
Local Amenities	<p><u>Mass Transit</u>: Stop ID #11000 is immediately adjacent to the property's parking lot. Stop ID #10629 is directly across the street.</p> <p><u>Grocery</u>: Sundance market (0.2 of a mile from the property)</p> <p><u>Schools</u>: Porter Elementary School (0.4 of a mile from the property) Harley Knox Middle School (0.1 of a mile from the property) Lincoln High School (1.0 mile from the property)</p>
Housing Type	Affordable Family
Accessibility	Wheelchair accessibility in 10 percent of the units, and 4 percent of the units accessible to residents with visual and/or hearing impairment.
Lot Size	16.07 Acres
Units	266 affordable units and two unrestricted manager's unit
Density	17 units/acre; (268 units ÷ 16.07 acres)
Unit Mix	100 two-bedroom and 168 three-bedroom units
Gross Building Area	271,809 square feet
Net Rentable Area	250,600 square feet
Affordable Units in Service by Council District	Council District 4 includes 3,354 affordable rental housing units currently in service, which represents 12 percent of the 28,249 affordable rental housing units in service citywide.

Background

On July 21, 2023, the SDHC Board (Report No. HCR23-082; Resolution HC-1992) approved taking preliminary steps to authorize the issuance of up to \$75,000,000 of tax-exempt Multifamily Housing Revenue Bonds to facilitate the acquisition and rehabilitation of Sea Breeze Gardens and held a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing pursuant to Section 147(f) of the Internal Revenue Code of 1986.

On December 6, 2023, the California Debt Limit Allocation Committee (CDLAC) approved a \$75,000,000 tax-exempt bonds allocation, and the California Tax Credit Allocation Committee (CTCAC) approved a 4 percent tax credits allocation.

On April 12, 2024, and May 21, 2024, the SDHC Board (Report No. HCR24-044) and the Housing Authority (Report No. HAR24-009; Resolution No. HA-2013), respectively, approved the issuance of tax-exempt Multifamily Housing Revenue Bonds in the aggregate amount not to exceed \$75,000,000 to facilitate the acquisition and rehabilitation of Sea Breeze Gardens.

On April 12, 2024, the SDHC Board also held a duly noticed TEFRA public hearing pursuant to section 147(f) of the Internal Revenue Code of 1986 (Code). The published notice stated the maximum principal amount of the proposed tax-exempt bonds for the project was \$75,000,000. On May 21, 2024, the City Council approved the issuance of tax-exempt Multifamily Housing Revenue Bonds pursuant to section 147(f) of the Code in an aggregate amount not to exceed \$75,000,000.

On June 14, 2024, \$75,000,000 of tax-exempt bonds were issued. Following the issuance, the rehabilitation of the property commenced on June 17, 2024, when the Notice to Proceed was issued.

In fall 2024, the developer asked SDHC to submit a \$7,500,000 supplemental tax-exempt bond application to CDLAC. This would increase the tax-exempt bond allocation from \$75,000,000, which was approved in early 2024, to \$82,500,000 for Sea Breeze Gardens Apartments.

The developer, Lincoln Avenue Communities (LAC), stated the supplemental request was made due to construction cost increases and additional hard costs relating to unforeseen circumstances discovered during the construction process. Due to the age of the building, significant structural and electrical repairs and updates are needed in Americans with Disabilities Act (ADA) units and the clubhouse as well as additional structural repairs to metal stairs, building water shut-off valves and pressure reducing valves. The supplemental bonds will also be used to improve resident quality of life and project durability, including access control upgrades, resurfacing of bathtubs, new ceiling fans, grease shields, sink liners, and medicine cabinets in all units, implementation of solar panels, and free internet for all residents. Granite Communications & Security provides internet and cable in all units and community areas free of charge. The increase in the tax-exempt bond amount is needed to allow the project to continue to qualify for the receipt of 4 percent federal tax credits. Because the request is no more than 10 percent above the original tax-exempt bond allocation, CDLAC can approve administratively instead of requiring formal CDLAC board approval.

On April 25, 2025, the SDHC Board (Report No. HCR25-018) approved taking preliminary steps to authorize the issuance of up to \$7,500,000 of tax-exempt Multifamily Housing Revenue Bonds to finance the acquisition and rehabilitation of Sea Breeze Gardens and held a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing pursuant to Section 147(f) of the Internal Revenue Code of 1986.

The SDHC 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 22, 2025, SDHC Staff submitted a supplemental application to CDLAC on behalf of LAC for Sea Breeze Gardens. May 27, 2025, CDLAC approved a \$7,500,000 tax-exempt bonds allocation, and CTCAC approved a 4 percent tax credits allocation.

The Development

Sea Breeze Gardens Apartments at 4802-4890 Logan Ave. is an existing multifamily affordable housing development on approximately 16.07 acres in the Chollas Valley neighborhood of San Diego. A site map is Attachment 1. It is about 6.5 miles east of downtown San Diego, just east of Interstate 805, steps away from a public bus stop and within walking distance to parks, schools and convenience stores. Sea Breeze Gardens Apartments was originally constructed in 1968 and underwent a Low-Income Housing Tax Credit (LIHTC) rehabilitation in 2008. In addition, 100 percent of the affordable units are covered by a Project-Based Section 8 contract administered by Los Angeles LOMOD Corporation. The development consists of 268 units (two- and three-bedroom units) across 36 two-story, garden-style buildings, as well as a standalone clubhouse, playground, six laundry facilities, and a commercial space occupied by Children of the Rainbow. Children of the Rainbow is a childcare provider that operates Monday – Friday from 6 a.m. – 6 p.m. and accepts children up to 5 years old. The commercial space improvements will include accessible site path and roofing improvements. No bond proceeds will be used for the rehabilitation of the commercial space. All rehabilitation of the commercial space will be funded by the Seller Carryback Note.

Westview Garden Partners Ltd. acquired Sea Breeze Gardens Apartments in December 2021. At the resyndication closing, Sea Breeze Preservation LP purchased Sea Breeze Gardens Apartments. FPI Management Company manages the property, and Pacific Housing Inc. provides resident services. Sea Breeze Gardens Apartments has been well-managed and is currently 95 percent occupied;

however, rehabilitation is necessary to preserve the quality of the property's affordable housing units, as stated in the Physical Conditions Report (PCR) dated June 30, 2023.

The proposed rehabilitation with supplemental allocation will be in excess of the repairs categorized as immediate and short-term (one to three years) within the PCR, as the developer is proposing approximately \$28.5 million of renovations to extend the property's useful life and preserve the affordability term for a new 55 years. The scope will include, but is not limited to, new in-unit appliances, plumbing and lighting fixtures, flooring, cabinet and countertop replacement, full roof replacement, renovated community amenities, landscaping, and general site work repairs, including updates to meet current ADA accessibility requirements, new access control/fob and security camera system, solar panels, and free cable and internet for all residents. Sea Breeze Gardens Apartments currently provides ample on-site amenities, including a playground, six laundry facilities, controlled gated access, security patrol, and standalone leasing office with clubhouse. As part of the rehabilitation, all current amenities will be updated. Each unit is assigned one parking stall, while the remainder are first come, first serve for guests and staff. The entire parking lot will be slurry sealed and striped and will include 294 total parking spaces. A scope of proposed rehabilitation work is included as Attachment 2.

Construction commenced on June 17, 2024, and is projected to be complete by December 31, 2025. The construction team mobilized and coordinated during the week of June 17, 2024, and began construction immediately. Laundry rooms, electrical GFIs, title 24 devices, lighting and countertops have all been replaced. All roof shingles at the clubhouse, laundry buildings, and commercial space have been replaced. All ADA units and the community building renovation are nearly complete, including demolition, abatement, plumbing, backfill, concrete pour back, and non-structural framing. The team is currently in the process of re-piping throughout the community, replacing exterior lighting, water heaters, roof coating, and exterior paint. Total construction is about 60 percent complete as of early May 2025.

Services

Sea Breeze Gardens Apartments residents will continue to have access to a range of community services provided by Pacific Housing Inc. at no cost to the residents. The After School Connect (ASC) Program for children ranging from 7 to 12 years old includes tutoring, mentoring, homework assistance, music and art appreciation, arts and crafts, outdoor games and sports, cooking and nutritional education, pen pals and letter-writing skills, etiquette and social skill development, and confidence building exercises. The ASC Program will be available on weekdays throughout the school year. The Living Out Loud (LOL) program for teens ranging from 13 to 17 years old includes homework assistance, leadership development, community awareness, recreation, social skill development, and healthy lifestyles. Lastly, depending on the needs and interests of the members of the community, on-site instruction will be offered throughout the year.

Pacific Housing Inc.'s service coordinators will continue to work with residents individually through the use of a needs assessment/survey to determine how they can best be assisted. Residents are provided with information about available services in the community and help to access those services, such as utility discounts, clothing, and food assistance.

Prevailing Wages

The proposed development is not subject to payment of California State nor federal prevailing wages because the developer is not proposing to use either California State or federal financing that requires prevailing wages.

Appraisal

An appraisal of the subject site with an effective date of June 30, 2023, valued the property at \$116,400,000. The appraisal was obtained by the developer and was conducted by CBRE Inc.

Relocation

In accordance with CTCAC regulation 10322(H)(28), the developer utilized a relocation consultant, Revival Development Services, to complete a comprehensive relocation plan to ensure no residents of Sea Breeze Gardens Apartments will be permanently displaced due to this rehabilitation. The development budget includes a \$2,750,000 budget to temporarily relocate residents during rehabilitation at no cost to residents.

The relocation team from Revival Development Services meets regularly with site property management and construction teams to ensure current and accurate information regarding renovation status and timing is communicated to residents. Each tenant has been interviewed to gather useful information for structuring each tenant's individual relocation plan. This has helped the relocation team determine if reasonable accommodations are needed during the temporary relocation. Reasonable accommodations include the provision of transportation assistance, relocation to physically accessible sites near public transportation, and modifications to policies to allow individuals with disabilities to reside with a live-in aide. Expenses related to providing reasonable accommodations and meal stipends during the temporary relocation are included in the relocation plan.

The renovations are moving sequentially from Building 1 to Building 36, with six units completed per week over 41 weeks. Units are started two at a time, with the top and bottom floor done simultaneously. Work on the typical unit has taken up to 15 days per unit to complete, while fully accessible ADA units have taken up to 30 days per unit to complete. The substantial rehabilitation has resulted in the temporary on-site, off-site relocation and the possible transfer to an already completed vacant unit. The clubhouse and other common spaces are furnished for the daytime use of the tenants who are temporarily displaced during their unit renovation, effectively serving as "hospitality suites" that provide tenants access to a bathroom, television, refreshments and entertainment options. It is estimated that no residents will be permanently relocated, and all will return to their original apartment home or another on-site comparable unit after the rehabilitation.

As an alternative relocation solution, some residents may identify another household, such as a relative or friend, with whom they can reside during the rehabilitation period, which would allow them to effectuate their own relocation plan.

Accessibility

CTCAC requires wheelchair accessibility in 10 percent of the units, and an additional 4 percent of the units are required to have communication features for residents with visual and/or hearing impairment. The same units can satisfy both of these accessibility requirements. The Sea Breeze Gardens Apartments units will be accessible in accordance with the ADA and Section 504.

Project Sustainability

Sea Breeze Gardens Apartments will be renovated in conformance with CTCAC minimum energy efficiency standards. The development's features will include Energy Star-rated efficient appliances and a solar component for the common area's electrical load. Water efficiency and conservation has been incorporated into the development's design, including low-flow fixtures and drought-resistant landscaping.

Development Team

The developer, Lincoln Avenue Communities (LAC), is an owner, developer, and investor in affordable housing. LAC's mission and goal is to provide and preserve affordable housing throughout

communities across the country. LAC currently owns and operates over 30,500 units across 170 different properties across 28 states. LAC has experience with numerous tax credit rehabilitations, taking part in the resyndication and accompanying rehabilitation of over 4,000 units. All have utilized 4 percent Low-Income Housing Tax Credits and issuances of tax-exempt bonds, with a variety of financing sources.

During the tax credit compliance period, Sea Breeze Gardens Apartments will be owned by Sea Breeze Gardens Preservation LP, a California limited partnership (a single-asset limited partnership), consisting of PacH Sea Breeze Holdings, LLC, an affiliate of Pacific Housing, Inc., as the Managing General Partner, and Sea Breeze Gardens GP LLC as the Co-General Partner. The tax credit limited partner will be Berkadia Affordable Tax Credit Solutions or its affiliate, with Berkadia Affordable Manager, LLC as a Special Limited Partner. (Attachment 3 – Organization Chart).

Table 2 Development Team Summary

ROLE	FIRM/CONTACT
Developer	Lincoln Avenue Communities
Owner/Borrower	Sea Breeze Gardens Preservation, LP
Managing General Partner	PacH Sea Breeze Holdings, LLC, an affiliate of Pacific Housing, Inc.
Administrative General Partner	Sea Breeze Gardens Preservation GP LLC
Tax Credit Investor Limited Partner	Berkadia Housing Partnership XI 2022 LP
Architect	Ebersoldt +Associates
General Contractor	Paragon Construction Company
Property Management	FPI Management Company (FPI)
Tenant Services Providers	Pacific Housing, Inc.
Construction Lender	Sterling Bank
Construction Bridge Lender	Bridgewater Bank
Construction/Permanent Lender	Berkadia Commercial Mortgage LLC servicing on behalf of Freddie Mac

Property Management

Sea Breeze Gardens Apartments is managed by FPI Management Company. Established in 1968, FPI is a nationwide management company, with a management portfolio totaling approximately 74,000 units in 18 states. It is experienced in property management, marketing, maintenance, renovations and tax credit developments. FPI currently manages 17 affordable housing developments for Lincoln Avenue Communities.

FINANCING STRUCTURE

Sea Breeze Gardens Apartments has an estimated total development cost of \$165,635,440 (\$618,043 per unit). Financing will include a combination of sources as described in Table 3. The developer's pro forma is included as Attachment 4 and summarized below. No SDHC cash loan funds are proposed for Sea Breeze Gardens.

Table 3 – Sea Breeze Gardens Estimated Permanent Sources and Uses

Permanent Financing Sources	Amounts	Permanent Financing Uses	Amounts	Per Unit
Bond Financed Permanent Loan (Tax-Exempt)	\$75,000,000	Acquisition	\$116,400,000	\$434,328
Direct Taxable First Mortgage	22,250,000	Construction Cost	28,800,185	107,463

(Freddie Mac)				
GP Capital Contribution	200	Project Soft Costs	4,058,640	15,144
Federal Tax Credit Equity	58,081,710	Tax Credit Fees	260,806	973
Seller Carryback Note (Residential)	6,364,805	Bond Costs	686,250	2,561
Seller Carryback Note (Commercial)	228,000	Bridge Loan Costs	4,244,189	15,837
Reserved Cash Flow	882,895	Permanent Loan Costs	1,863,512	6,953
Solar	1,268,999	Construction Loan Costs	519,532	1,939
Deferred developer fee	1,558,831	Closing Costs	370,059	1,381
		Escrows and Reserves	2,217,436	8,274
		Developer's Fee	6,214,831	23,190
Total Sources	\$165,635,440	Total Uses	\$165,635,440	\$618,043

Developer Fee

\$6,214,831 – Gross developer fee
- 1,558,831 – Minus deferred developer fee
\$4,656,000– Net cash developer fee

The proposed developer fee complies with SDHC's developer fee guidelines.

Development Cost Key Performance Indicators

SDHC 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	$\$165,635,440 \div 268 \text{ (units)}$	\$618,043
Development Cost Per SQ FT (Gross)	$\$165,635,440 \div 271,809$	\$609
Development Cost Per SQ FT (Net)	$\$165,635,440 \div 250,600$	\$661
SDHC Subsidy Per Unit	--	\$0
Acquisition Cost Per Unit	$\$116,400,000 \div 268 \text{ (units)}$	\$434,328
Gross Building Square Foot Hard Cost	$\$28,800,185 \div 271,809 \text{ sq. ft.}$	\$106
Net Rentable Square Foot Hard Cost	$\$28,800,185 \div 250,600 \text{ sq. ft.}$	\$115

The acquisition cost per unit of \$434,328 is derived from the property consisting of 36 individual garden-style buildings and all units being large family size at either two or three bedrooms. Additionally, when analyzing the cost of acquisition alone, acquiring a leased-up building is generally more expensive than acquiring a vacant lot or a building that will be demolished due to its stable revenue stream and a decreased risk profile of an existing rent-producing building.

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 rehabilitation, target population, and construction type and are provided as a comparison to the subject development.

Table 5 - Comparable Development Projects

Project Name	Year	Units	Total Development Cost	Cost Per Unit	HC Subsidy Per Unit	Gross Hard Cost Per Sq. Ft.	Net Rentable Total Cost Per Sq Ft
Proposed Subject – Sea Breeze Gardens	2024	268	\$165,635,440 (w/o prevailing wage)	\$618,043	\$0	\$106	\$115
Green Manor	2024	149	\$78,520,638 (w/o prevailing wage)	\$526,895	\$0	\$139	\$258
Casa Nueva	2023	52	\$27,896,931 (with prev. wage)	\$536,479	\$103,827	\$196	\$236

TAX EXEMPT AND TAXABLE MULTIFAMILY HOUSING REVENUE BONDS

Proposed Housing Bonds Financing

SDHC 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. The Housing Authority previously issued \$75,000,000 of its Multifamily Housing Revenue Bonds (Sea Breeze Gardens) Series 2024E for the project. Due to construction cost increases, the project is seeking additional tax-exempt bond financing to comply with the requirement for 4 percent tax credits that at least 50% of the project be financed with tax-exempt bonds. On April 25, 2025, prior to submitting applications to CDLAC, the proposed development was presented to the SDHC Board. A bond inducement resolution was obtained prior to the application submittal to CDLAC. On May 22, 2025, an application was submitted to CDLAC for a non-competitive, over-the-counter bond allocation of up to \$7,500,000. On May 27, 2025, CDLAC approved the \$7,500,000 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 SDHC’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 will be based upon development costs, revenues and interest rates prevailing at the time of the bonds issuance. The financing proceeds will be used for construction financing only. Attachment 5 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 will be issued in the form of a bond (issuance Subordinate Series 2025A) and will be sold through a private placement with Sterling Bank.

Sterling Bank is a “qualified institutional buyer” within the meaning of the U.S. securities laws. At closing, Sterling Bank will sign a Required Transferee Representations Letter, certifying, among other things, that it is buying the bonds for its own account and not for public distribution. Because such bonds are being sold through a private placement, an Official Statement will not be used. In addition, the bonds will be neither subject to continuing disclosure requirements, nor credit enhanced, nor rated.

Under the private placement structure for the bonds, Sterling Bank will make a tax-exempt loan to the Housing Authority pursuant to the terms of a Funding Loan Agreement among Sterling Bank, the

Housing Authority, and US Bank as the Fiscal Agent. The loan made by Sterling Bank to the Housing Authority (Funding Loan) will be evidenced by separate bonds, which will obligate the Housing Authority to pay to the Fiscal Agent, on behalf of Sterling Bank, the amounts it receives from the Borrower, as described below. The Housing Authority and the Borrower will enter into a Borrower Loan Agreement pursuant to which the proceeds of the Funding Loan will be advanced to the Borrower. In return, the Borrower agrees to pay the Fiscal Agent amounts sufficient for the Fiscal Agent to make payments on the bonds.

The Housing Authority's obligation to make payments on the bonds is limited to amounts the Fiscal Agent receives from the Borrower under the Borrower Loan Agreement with respect to the bonds, and no other funds of the Housing Authority are pledged to make payments on the bonds. The transfer of the bonds to any subsequent purchaser will comply with SDHC's "Bond Issuance and Post-Issuance Compliance Policy" (Policy No. PO300.301). Moreover, any subsequent bondholder will be required to represent to the Housing Authority that it is a qualified institutional buyer or 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: the Funding Loan Agreement, the Borrower Loan Agreement, the Amendment to Regulatory Agreement, and other ancillary loan documents. At the time of docketing, documents in substantially final form will be presented to members of the Housing Authority. Any changes to the documents following Housing Authority approval require the consent of the City Attorney's Office and 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, the Fiscal Agent, on behalf of Sterling Bank, will disburse the bond proceeds for eligible costs and will, pursuant to an assignment from the Housing Authority, receive payments from the Borrower. Bond proceeds will be disbursed by the Fiscal Agent pursuant to the direction of the Borrower. The Borrower Loan Agreement sets out the terms of repayment and the security for the loan made by the Housing Authority to the Borrower, and the Housing Authority assigns its rights to receive repayments under the borrower loan to Sterling Bank. A Regulatory Agreement was previously recorded against the project in connection with the issuance of the original bond. The Amendment to Regulatory Agreement will be recorded against the property to ensure the long-term use of the development as affordable housing. The Amendment to Regulatory Agreement will also ensure that the development complies with all applicable federal and California State laws so that interest on the tax-exempt bonds remains tax-exempt.

Financial Advisor's Recommendation

Jones Hall is the Bond Counsel and PFM Financial Advisors LLC is the Bond Financial Advisor to work on the 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 should proceed with the bond issuance. The financial advisor's analysis and recommendation is at Attachment 6.

AFFORDABLE HOUSING IMPACT

The Sea Breeze Gardens Apartments development will be subject to applicable tax credit and bond regulatory agreements, which will restrict affordability of 266 units for 55 years. The rent and occupancy restrictions required by the CTCAC will be applicable.

Table 6 – Affordability and Monthly Estimated Rent Table

Unit Type	AMI	Units	CTCAC Gross Rents
Two bedrooms	30% (\$44,650 /year for three-person household)	10	\$1,116
Two bedrooms	50% (\$74,450/ year for three-person household)	10	\$1,861
Two bedrooms	60% (\$89,340 /year for three-person household)	80	\$2,233
Subtotal Two Bedroom Units	--	100	--
Three bedrooms	30% (\$49,600 /year for four-person household)	17	\$1,240
Three bedrooms	50% (\$82,700 /year for four-person household)	17	\$2,068
Three bedrooms	60% (\$99,240 /year for four-person household)	132	\$2,481
Subtotal Three Bedroom Units	--	166	--
Unrestricted Manager's three bedrooms unit	--	2	
Total Units	--	268	--

STATEMENT for PUBLIC DISCLOSURE

The developer's Disclosure Statement is at Attachment 7.

NONDISCRIMINATION ASSURANCE

At SDHC, we're about people. We are committed to ensuring a compassionate, person-centered approach to SDHC's programs, policies, projects and activities and to serving our community impartially, fairly and without bias. We are also committed to ensuring compliance with all applicable federal, state and local laws and protections to the extent that they affect this action relative to nondiscrimination.

Since its founding in 2016, Lincoln Avenue Communities (LAC) has prioritized supporting its residents, investing in the places they call home, and building resilient communities across the country. LAC reported that it is an equal opportunity employer. It prohibits discrimination and harassment of any kind and affords equal employment opportunities to employees and applicants without regard to race, color, religion, sex, sexual orientation, gender identity or expression, pregnancy, age, national origin, disability status, genetic information, protected veteran status, or any other characteristic protected by law.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

Lincoln Avenue Communities is working with the Chollas Valley Community Planning Group. The proposed development was presented as an information item at the January 29, 2024, meeting.

KEY STAKEHOLDERS and PROJECTED IMPACTS

Stakeholders include Lincoln Avenue Communities as the developer, the Housing Authority as the bond issuer, Berkadia as a lender and the Chollas Valley neighborhood. Sea Breeze Gardens Apartments will continue to have a positive impact on the community, as it will contribute to the quality of the surrounding neighborhood and preserve 266 affordable rental homes for low-income families.

FISCAL CONSIDERATIONS

The funding sources and uses proposed to be approved by this action are included in the Housing Authority-approved Fiscal Year (FY) 2025 SDHC Budget.

Funding sources approved by this action will be as follows

Bond Issuer Fee – (\$7,500,000 (Tax-exempt bonds) X 0.0025 = \$18,750
Total Funding Sources – up to \$18,750

Funding uses approved by this action
Administrative costs - \$18,750
Total Funding Uses - up to \$18,750

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 SDHC 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 SDHC’s issuer fee, annual bond administration fee, as well as the SDHC’s Bond Counsel fee and Financial Advisor fee.

Development Schedule
The estimated development timeline is as follows:

<u>Milestones</u>	<u>Estimated Dates</u>
<ul style="list-style-type: none">• Housing Authority consideration of bond authorization• Estimated Bond issuance and close of escrow• Estimated completion of construction work (excluding solar system)• Estimated completion of construction work (including solar system)	<ul style="list-style-type: none">• July 22, 2025• August 2025• December 2025• April 2026

SDHC STRATEGIC PLAN
This item relates to Strategic Priority Area No. 1 in SDHC’s Strategic Plan for Fiscal Year (FY) 2022-2024; Increasing and Preserving Housing Solutions. SDHC is in the process of developing a new Strategic Plan.

PREVIOUS CITY COUNCIL, HOUSING AUTHORITY or SDHC BOARD OF COMMISSIONERS ACTIONS
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On April 12, 2024, the SDHC Board also held a duly noticed TEFRA public hearing pursuant to section 147(f) of the Internal Revenue Code of 1986 (Code). The published notice stated the maximum principal amount of the proposed tax-exempt bonds for the project as \$75,000,000.

On May 21, 2024, the City Council approved the issuance of tax-exempt Multifamily Housing Revenue Bonds pursuant to section 147(f) of the Code in an aggregate amount not to exceed \$75,000,000.

On April 25, 2025, the SDHC Board (Report No. HCR25-018) approved taking preliminary steps to authorize the issuance of up to \$7,500,000 of tax-exempt Multifamily Housing Revenue Bonds to

finance the acquisition and rehabilitation of Sea Breeze Gardens and held a TEFRA public hearing pursuant to Section 147(f) of the Internal Revenue Code of 1986.

On June 20, 2025, the SDHC Board approved recommending that the City Council adopt a TEFRA resolution and that the Housing Authority authorize the supplemental issuance of tax-exempt Multifamily Housing Revenue Bonds in an aggregate amount not to exceed \$7,500,000 to facilitate Sea Breeze Gardens Preservation LP's rehabilitation of Sea Breeze Gardens Apartments at 4802-4890 Logan Avenue in the Chollas Valley neighborhood in Council District 4.

ENVIRONMENTAL REVIEW

The proposed activity to adopt a Tax Equity and Fiscal Responsibility Act (TEFRA) resolution approving the issuance of tax-exempt Multifamily Housing Revenue Bonds and to authorize the supplemental issuance of tax-exempt Housing Authority of the City of San Diego Multifamily Housing Revenue Bonds to facilitate the rehabilitation of Sea Breeze Gardens Apartments has been reviewed for consistency with and is covered in the Final Program Environmental Impact Report (PEIR) for the Southeastern San Diego and Encanto Neighborhoods Community Plan Updates (Project No. 386029/SCH No. 2014051075) which was certified by City Council Resolution No. R-310077 on December 2, 2015. This activity is a subsequent discretionary action within the scope of the development program analyzed in the 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. Processing under the National Environmental Policy Act (NEPA) is not required because no federal funds are involved in the proposed activities.

Respectfully submitted,



Jennifer Kreutter
Vice President
Multifamily Housing Finance
Real Estate Division

Approved by,

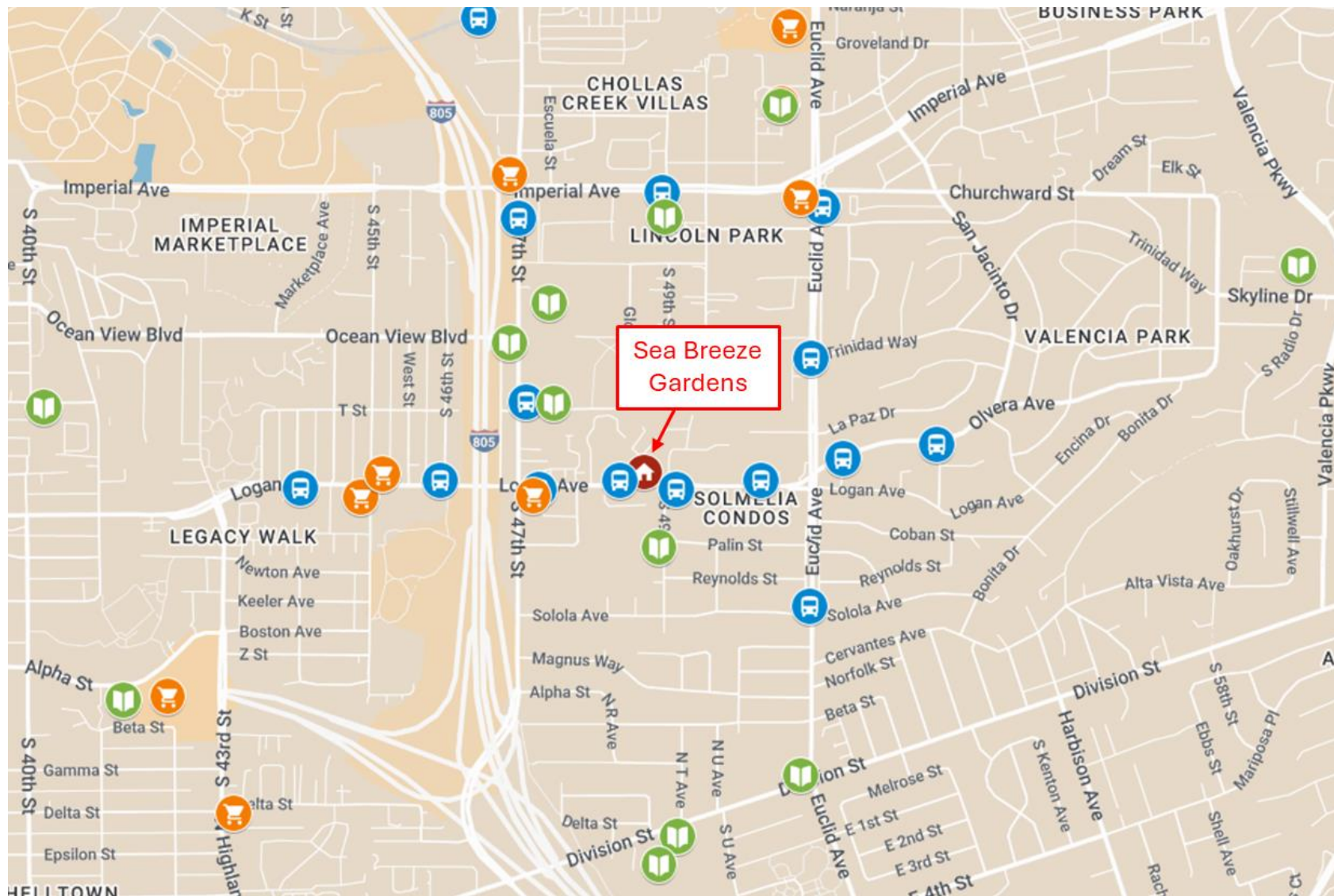


Jeff Davis
Deputy Chief Executive Officer
San Diego Housing Commission

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

A printed copy is available for review during business hours at the information desk in the main lobby of SDHC's offices at 1122 Broadway, San Diego, CA 92101. Docket materials are also available in the "Governance & Legislative Affairs" section of SDHC's website at www.sdhc.org.

Attachment 1 – Site Map



Attachment 2 – Rehabilitation Summary

Sea Breeze Gardens Apartments

Supplemental Rehabilitation Summary (2025)

The supplemental request is being made due to additional hard costs relating to unforeseen circumstances discovered during the construction process. Due to the age of the building, significant structural and electrical repairs and updates are needed.

Please see below for LAC's scope of repairs.

- Structural repairs to metal stairs
- Building water shut-off valves and pressure reducing valves
- Access control upgrades
- Resurfacing of bathtubs
- New ceiling fans
- Grease shields
- Sink liners
- Medicine cabinets
- Solar panels
- Installation of community wide wiring, conduit sleeves and in-unit cabling to provide internet and cable free of charge to all residents. Services will be provided by Granite Communications & Security.

Significant additional costs have been incurred for Americans with Disabilities Act (ADA) units and the clubhouse.

- Clubhouse: structural framing, replacement of the fire alarm system.
- ADA units: framing, footing, and beams to bring to current code, relocation of electrical feeders.

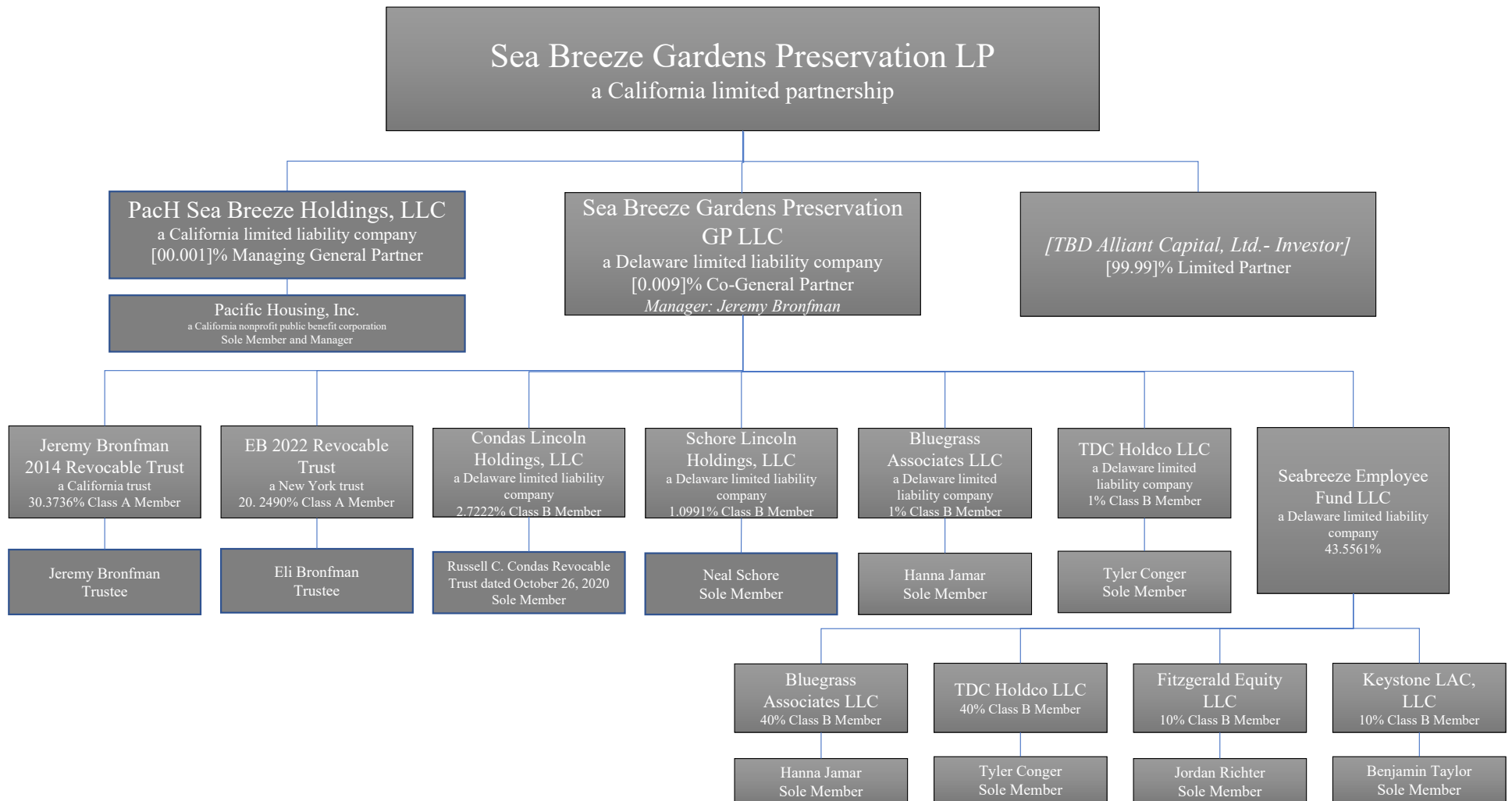
Attachment 2 – Rehabilitation Summary

Sea Breeze Gardens Apartments

Original Issuance Rehabilitation Summary (2024)

Please see below for LAC's scope of repairs.

- Solid surface flooring (LVP) throughout all unit interiors.
- In unit light fixture package. High efficiency systems will be installed to promote less consumption of natural resources and decrease utility costs.
- Energy Star appliance replacements throughout units and common areas.
- In Unit Cabinet and countertop replacement as needed.
- Low Flow Bath accessory package throughout units and common areas.
- HVAC replacement as needed.
- Address all accessibility requirements and required accessible path of travel.
- Full roof replacement.
- 100% add or replace gutter, downspout, splash blocks.
- Parking lot seal and stripe.
- General Landscaping and Site work.
- Common area amenity Renovations
 - Clubhouse
 - Playgrounds
 - FFE for clubhouse
- Fresh Exterior Paint



Sea Breeze Gardens - San Diego, CA

Summary Sources		
	Construction	Permanent
First Mortgage (tax-exempt)	\$ 75,000,000	\$ 75,000,000.00
First Mortgage (taxable)	\$ 22,250,000	\$ 22,250,000.00
GP Capital Contribution	\$ 200	\$ 200.00
LIHTC Equity - 1st Installment	\$ 7,338,805	\$ 7,338,805.00
Addt Construction Funds	\$ 6,679,243	—
Equity Bridge Loan (tax-exempt)	\$ 7,500,000	—
Equity Bridge Loan (taxable)	\$ 31,778,667	
Seller Note	\$ 6,592,805	\$ 6,592,805.00
Solar	—	\$ 1,268,999.35
Cash Flow	—	\$ 882,894.64
LIHTC Equity - 2nd Installment	\$ 692,021	\$ 692,021.00
LIHTC Equity - 3rd Installment	—	\$ 40,689,518.00
LIHTC Equity - 4th Installment	—	\$ 8,065,262.00
LIHTC Equity - 5th Installment	—	\$ 1,296,103.77
Deferred Developer Fee	—	\$ 1,558,831
Total Sources	\$ 157,831,741	\$165,635,440

Summary Uses		
	Construction	Permanent
Acquisition	\$116,400,000	\$116,400,000
Construction Hard Costs	\$28,800,185	\$28,800,185
Project Soft Costs	\$4,058,640	\$4,058,640
Tax Credit Fees	\$145,244	\$260,806
Bond Costs	\$676,875	\$686,250
Bridge Loan Costs	\$4,244,189	\$4,244,189
Permanent Loan Costs	\$1,863,512	\$1,863,512
Addt. Construction Loan Costs	\$519,532	\$519,532
Closing Costs	\$370,059	\$370,059
Escrows and Reserves	\$61,484	\$2,217,436
Developer Fee	\$692,021	\$6,214,831
Total Uses	\$ 157,831,741	\$165,635,440

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Sea Breeze Gardens - San Diego, CA

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	PIS DATE															
Year #	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	
Conversion Date	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	
TC Date	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30	Dec-31	Dec-32	Dec-33	Dec-34	Dec-35	Dec-36	Dec-37	Dec-38	Dec-39	
Revenue																
Gross Potential Rent	2.0 %	\$10,139,935	\$10,342,734	\$10,549,588	\$10,760,580	\$10,975,792	\$11,195,308	\$11,419,214	\$11,647,598	\$11,880,550	\$12,118,161	\$12,360,524	\$12,607,735	\$12,859,889	\$13,117,087	\$13,379,429
% growth		2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
Total Gross Income		\$10,139,935	\$10,342,734	\$10,549,588	\$10,760,580	\$10,975,792	\$11,195,308	\$11,419,214	\$11,647,598	\$11,880,550	\$12,118,161	\$12,360,524	\$12,607,735	\$12,859,889	\$13,117,087	\$13,379,429
Vacancy	Long Term %	\$(506,997)	\$(517,137)	\$(527,479)	\$(538,029)	\$(548,790)	\$(559,765)	\$(570,961)	\$(582,380)	\$(594,027)	\$(605,908)	\$(618,026)	\$(630,387)	\$(642,994)	\$(655,854)	\$(668,971)
Vacancy %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %
Model/Employee		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vacancy %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Rental Income		\$9,632,938	\$9,825,597	\$10,022,109	\$10,222,551	\$10,427,002	\$10,635,542	\$10,848,253	\$11,065,218	\$11,286,522	\$11,512,253	\$11,742,498	\$11,977,348	\$12,216,895	\$12,461,233	\$12,710,457
Other Income	3.0 %	\$225,617	\$232,386	\$239,357	\$246,538	\$253,934	\$261,552	\$269,399	\$277,481	\$285,805	\$294,379	\$303,211	\$312,307	\$321,676	\$331,327	\$341,267
Total Revenue		\$9,858,556	\$10,057,983	\$10,261,466	\$10,469,089	\$10,680,936	\$10,897,095	\$11,117,652	\$11,342,699	\$11,572,328	\$11,806,632	\$12,045,709	\$12,289,655	\$12,538,571	\$12,792,559	\$13,051,724
Expenses																
	% growth															
G&A	3.0 %	\$146,954	\$144,798	\$149,142	\$153,616	\$158,224	\$162,971	\$167,860	\$172,896	\$178,083	\$183,425	\$188,928	\$194,596	\$200,434	\$206,447	\$212,640
Payroll	3.0 %	\$385,994	\$380,331	\$391,741	\$403,494	\$415,598	\$428,066	\$440,908	\$454,136	\$467,760	\$481,793	\$496,246	\$511,134	\$526,468	\$542,262	\$558,530
Electricity	3.0 %	\$96,396	\$94,981	\$97,831	\$100,766	\$103,789	\$106,903	\$110,110	\$113,413	\$116,815	\$120,320	\$123,929	\$127,647	\$131,477	\$135,421	\$139,484
Gas	3.0 %	\$151,641	\$149,416	\$153,898	\$158,515	\$163,271	\$168,169	\$173,214	\$178,410	\$183,763	\$189,276	\$194,954	\$200,803	\$206,827	\$213,031	\$219,422
Water & Sewer	3.0 %	\$420,458	\$414,290	\$426,718	\$439,520	\$452,705	\$466,287	\$480,275	\$494,683	\$509,524	\$524,810	\$540,554	\$556,771	\$573,474	\$590,678	\$608,398
Trash	3.0 %	\$99,256	\$97,800	\$100,734	\$103,756	\$106,868	\$110,074	\$113,376	\$116,778	\$120,281	\$123,890	\$127,606	\$131,434	\$135,377	\$139,439	\$143,622
Contract Services	3.0 %	\$394,266	\$388,481	\$400,136	\$412,140	\$424,504	\$437,239	\$450,356	\$463,867	\$477,783	\$492,117	\$506,880	\$522,087	\$537,749	\$553,882	\$570,498
Repairs & Maintenance	3.0 %	\$76,923	\$75,795	\$78,068	\$80,411	\$82,823	\$85,308	\$87,867	\$90,503	\$93,218	\$96,014	\$98,895	\$101,862	\$104,917	\$108,065	\$111,307
Turnover	3.0 %	\$41,357	\$40,750	\$41,972	\$43,231	\$44,528	\$45,864	\$47,240	\$48,657	\$50,117	\$51,621	\$53,169	\$54,764	\$56,407	\$58,099	\$59,842
Marketing	3.0 %	\$8,271	\$8,150	\$8,394	\$8,646	\$8,906	\$9,173	\$9,448	\$9,731	\$10,023	\$10,324	\$10,634	\$10,953	\$11,281	\$11,620	\$11,968
Total Controllable Expenses		\$1,821,514	\$1,794,791	\$1,848,635	\$1,904,094	\$1,961,217	\$2,020,054	\$2,080,655	\$2,143,075	\$2,207,367	\$2,273,588	\$2,341,796	\$2,412,050	\$2,484,411	\$2,558,944	\$2,635,712
Management Fee	1.86 %	\$183,275	\$186,982	\$190,765	\$194,625	\$198,563	\$202,582	\$206,682	\$209,040	\$209,040	\$209,040	\$209,040	\$209,040	\$209,040	\$209,040	\$242,637
Insurance	3.0 %	\$148,542	\$152,998	\$157,588	\$162,316	\$167,185	\$172,201	\$177,367	\$182,688	\$188,169	\$193,814	\$199,628	\$205,617	\$211,785	\$218,139	\$224,683
Real Estate Tax	3.0 %	\$5,514	\$5,680	\$5,850	\$6,026	\$6,206	\$6,392	\$6,584	\$6,782	\$6,985	\$7,195	\$7,411	\$7,633	\$7,862	\$8,098	\$8,341
Total Expenses (Pre-RR)		\$2,158,846	\$2,140,452	\$2,202,839	\$2,267,061	\$2,333,172	\$2,401,229	\$2,471,288	\$2,541,585	\$2,611,561	\$2,683,637	\$2,757,874	\$2,834,339	\$2,913,098	\$2,994,220	\$3,111,373
Replacement Reserves	3.0 %	\$82,713	\$85,194	\$87,750	\$90,383	\$93,094	\$95,887	\$98,764	\$101,727	\$104,778	\$107,922	\$111,159	\$114,494	\$117,929	\$121,467	\$125,111
Total Expenses (Including RR)		\$2,241,559	\$2,225,646	\$2,290,589	\$2,357,443	\$2,426,266	\$2,497,116	\$2,570,052	\$2,643,311	\$2,716,339	\$2,791,558	\$2,869,034	\$2,948,834	\$3,031,027	\$3,115,687	\$3,236,484
Net Operating Income		\$7,616,997	\$7,832,337	\$7,970,877	\$8,111,646	\$8,254,670	\$8,399,979	\$8,547,600	\$8,699,388	\$8,855,988	\$9,015,074	\$9,176,675	\$9,340,821	\$9,507,544	\$9,676,872	\$9,815,240
Permanent Debt Service (Tax-Exempt)		-	-	\$4,495,878	\$4,495,878	\$4,495,878	\$4,495,878	\$4,495,878	\$4,495,878	\$4,495,878	\$4,495,878	\$4,495,878	\$4,495,878	\$4,495,878	\$4,495,878	\$4,495,878
Permanent Debt Service (Taxable)		-	-	\$1,538,509	\$1,538,509	\$1,538,509	\$1,538,509	\$1,538,509	\$1,538,509	\$1,538,509	\$1,538,509	\$1,538,509	\$1,538,509	\$1,538,509	\$1,538,509	\$1,538,509
Construction / EBL Debt Service		\$6,073,908	\$6,551,049	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Levered Cash Flow		\$1,543,089	\$1,281,288	\$1,936,490	\$2,077,259	\$2,220,283	\$2,365,591	\$2,513,213	\$2,665,001	\$2,821,601	\$2,980,687	\$3,142,288	\$3,306,434	\$3,473,157	\$3,642,485	\$9,815,240

ATTACHMENT 5

HOUSING COMMISSION MULTIFAMILY HOUSING REVENUE BOND PROGRAM SUMMARY

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

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

Affordability: Minimum requirement is that at least 20% of the units are affordable at 50% of Area Median Income (AMI). Alternatively, a minimum of 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.

Memorandum

To: Jennifer Kreutter, Matt Granum - San Diego Housing Commission

From: Jaime Trejo - PFM Financial Advisors LLC

RE: Actions related to the proposed issuance of up to \$7,500,000 tax-exempt Multifamily Housing Revenue Notes (Sea Breeze Gardens) Subordinate Series 2025A

Dear Ms. Kreutter and Mr. Granum,

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 Notes (the “Notes”) in connection with Sea Breeze Gardens (the “Project”) by Lincoln Avenue Communities (the “Borrower” or the “Developer”). The Notes will allow the Borrower to convert \$7,500,000 of a taxable loan from Sterling Bank (for the acquisition, rehabilitation and development of the Project) into a tax-exempt loan. The ultimate purpose is to meet the 50% test for low-income housing tax credits (“LIHTC”). 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 Notes.

Description of the Project

The Sea Breeze Gardens project consists of acquisition and rehabilitation of a 268-unit affordable housing development located at 4802-4890 Logan Avenue in the City of San Diego. After rehabilitation, the Project will consist of 266 units affordable for 55 years for families earning 30% to 60% of San Diego’s Area Median Income, in addition to 2 restricted manager’s units.



The Developer

Lincoln Avenue Communities is serving as the developer for the Project. Lincoln Avenue Communities was founded in 2016 as a nonprofit corporation with a focus on financing, developing and operating affordable housing that meets the needs of the communities in which it operates. It has developed, acquired and/or rehabilitated more than 22,000 units across 26 states, serving over 50,000 residents.

The Financing

The Housing Authority intends to issue up to \$7,500,000 of its Housing Authority of the City of San Diego Multifamily Housing Revenue Notes (Sea Breeze Gardens) Subordinate Series 2025A to Sterling Bank ("Bank") to fund a loan to the Borrower. The Housing Authority submitted a supplemental allocation request of \$7,500,000 on May 22, 2025 on behalf of the Borrower. The Project received supplemental tax-exempt Private Activity Bond allocation of \$7,500,000 by the California Debt Limit Allocation Committee ("CDLAC") on May 27, 2025.

The Borrower previously closed on a \$39,278,667 taxable construction loan from Sterling Bank to finance costs of the acquisition, rehabilitation and development of the Project. The Notes will reduce the taxable construction Equity Bridge Loan from Sterling Bank from \$39,278,667 to \$31,778,667. According to the Borrower, there have been a handful of unforeseen conditions during the start of construction that absorbed much of the Project's hard cost contingency. The Borrower additionally stated that based on their limited remaining contingency monies and planned remaining work, they were uncertain they could meet the 50% test without a supplemental allocation.

The Housing Authority previously issued its \$75,000,000 Housing Authority of the City of San Diego Multifamily Housing Revenue Bonds (Sea Breeze Gardens) Series 2024E ("Series 2024E Bonds") on June 13, 2024, for the purpose of making a loan to the Borrower to provide financing for the Borrower's acquisition, rehabilitation and development of the Project.

The Notes will bear fixed interest at a rate estimated at 8.25% and will mature on December 14, 2026. The Borrower's updated pro-forma shows an estimated \$7.4 million in additional construction related costs from the pro-forma at the time of closing for the Series 2024E Bonds. The increased construction costs will primarily be funded through an equity bridge loan from Bridgewater Bank. The Project will be financed Construction Sources as detailed in Table 1 on the following page:



Table 1
Construction Financing

Sources and Uses of Funds	
Sources:	
Tax-Exempt Bonds	\$75,000,000
Taxable Loan	\$22,250,000
Seller Note	\$6,592,805
LIHTC Equity	\$8,030,826
Equity Bridge Loan - Sterling (taxable)	\$31,778,667
Equity Bridge Loan – Sterling (tax-exempt)	\$7,500,000
Additional Construction Funds	\$6,679,443
Total Sources	\$157,831,741

The updated proposed development pro-forma for the supplemental financing estimates that there are about \$158 million in total construction related costs and about \$166 million in total project costs (\$618,043 per unit). The development proforma at closing for the Series 2024 Bonds estimated approximately \$150 million in total construction costs and \$159 million in total project costs (\$592,437 per unit). The increase in project costs is primarily the result of increased construction hard costs.

Achieving Public Purpose

Through the proposed bond issuance, the Project will improve housing for low-income households. The Project proposes to restrict all 266 non-manager units for households earning no greater than 60% of Area Median Income (“AMI”), with 27 of the units targeted at households earning no greater than 30% of AMI and 27 at households earning no greater than 50% of AMI. The affordability term of the Project is 55 years. Restricted rents for the Project are summarized in Table 2 below:

Table 2
Rent Comparison

Unit Type	Area Median Income	Units	Unit Size (sqft)	Proposed Gross Rents	Estimated Market Rents	Savings
2 Bedroom	30%	10	750	1,116	2,750	1,634
	50%	10	750	1,861	2,750	889
	60%	80	750	2,233	2,750	517
3 Bedroom	30%	17	1,050	1,290	3,375	2,085
	50%	17	1,050	2,150	3,375	1,225
	60%	132	1,050	2,580	3,375	795
Manager	N/A	2	750	0	N/A	N/A
Total		268		\$607,450	\$835,250	\$227,800
Total Annual for All Units				\$7,289,400	\$10,023,000	\$2,733,600



Meeting Debt Service After Financing

As shown in Table 3 below, the Project will have ample cash flow to meet debt service upon completion. Based upon our review of the Developer's proposed rents and estimated costs, there will be \$7,495,619 of net income available for debt service in 2025. Debt service coverage is estimated at 1.25x. By 2029, assuming a 2.0% annual increase in gross income and a 3.0% annual increase in operating expenses, debt service coverage is projected to increase to 1.34x.

Table 3
Estimated Cash Flow

Year:	2025	2026	2027	2028	2029
Gross Potential Rent	\$10,221,880	\$10,426,318	\$10,634,844	\$10,847,541	\$11,064,492
Less: Vacancy @ 5%	(511,094)	(521,316)	(531,742)	(542,377)	(553,225)
Less: Model/Employee	(81,945)	(83,584)	(85,256)	(86,961)	(88,700)
Miscellaneous Income	225,617	232,386	239,357	246,538	253,934
Effective Gross Income	\$9,854,458	\$10,053,803	\$10,257,203	\$10,464,741	\$10,676,501
Less: Operating Expenses	(1,938,795)	(1,956,590)	(2,015,288)	(2,075,747)	(2,138,019)
Less: Taxes	(5,514)	(5,679)	(5,850)	(6,025)	(6,206)
Less: Reserves	(82,713)	(85,194)	(87,750)	(90,383)	(93,094)
Less: Insurance	(148,542)	(152,998)	(157,588)	(162,316)	(167,185)
Less: Management Fee	(183,275)	(188,773)	(194,436)	(200,270)	(206,278)
Net Income	\$7,495,619	\$7,664,567	\$7,796,290	\$7,930,001	\$8,065,719
Permanent Bond Debt Service	0	0	(4,495,878)	(4,495,878)	(4,495,878)
Permanent Loan Debt Service	0	0	(1,538,509)	(1,538,509)	(1,538,509)
Construction/EBL Debt Service	(6,089,028)	(6,434,241)	0	0	0
Total Permanent Debt Service	(\$6,089,028)	(\$6,434,241)	(\$6,034,387)	(\$6,034,387)	(\$6,034,387)
Debt Service Coverage ¹	1.23	1.19	1.29	1.31	1.34

¹Calculated by dividing Net Income by Permanent 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 (along with the Series 2024E Bonds) would achieve a public purpose by improving 266 affordable units, all affordable at 60% of AMI, with 27 targeted at 30% of AMI and 27 at 50% 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, there are sufficient funds to complete the Project, and the Project provides adequate debt service coverage.

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

Jaime Trejo
Senior Managing Consultant



Attachment 7 - Developer's Disclosure Statements

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: Lincoln Avenue Capital LLC
2. Email: tyler@lincolnavecap.com
2. Address and Zip Code: 401 Wilshire Blvd. Suite 1100 Santa Monica CA 90401
3. Telephone Number: 424-222-8265
4. Name of Principal Contact for CONTRACTOR: Tyler Conger
5. Federal Identification Number or Social Security Number of CONTRACTOR: 81-2192050
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*) See Exhibit C
 - ☐ 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:
4/5/2016



Attachment 7 - Developer's Disclosure Statements

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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:
- If the CONTRACTOR is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock.
 - 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.
 - 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.
 - 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.
 - 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: See Exhibit A	
Address:	
Name: See Exhibit A	
Address:	
Name: See Exhibit A	
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.



Attachment 7 - Developer's Disclosure Statements

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):

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



Attachment 7 - Developer's Disclosure Statements

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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: Lincoln Avenue Capital Management LLC	Corporate operating entity for Lincoln Avenue Capital
Address: (See Exhibit B)	LLC and its affiliates
Name: LAC Guarantor Holdings LLC	Corporate operating entity for Lincoln Avenue Capital
Address:	LLC and its affiliates
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: In good financial condition as reflected in financial statements.
Financial statements are available upon request.

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:
Lincoln Avenue Capital plans to perform a substantial rehabilitation of the property using 4% Low-Income Housing Tax Credits allocated through the California Tax Credit Allocation Committee and an issuance of Private Activity Bonds through California Debt Limit Allocation Committee. The Project rehabilitation will be financed with Tax Credit Equity, an equity bridge loan, Citi Community Capital construction and permanent loan, seller carryback note, and deferred developer fee.
16. Provide sources and amount of cash available to CONTRACTOR to meet equity requirements of the proposed undertaking:

- a. In banks/savings and loans:

Name: Bridgewater Bank

Address: 370 Wabasha Street North St Paul MN 55102

Amount: \$ \$1,455,771 as of 8/31/24

- b. By loans from affiliated or associated corporations or firms:

Name: _____

Address: _____

Amount: \$ _____



Attachment 7 - Developer's Disclosure Statements

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Real Estate Department

c. By sale of readily salable assets/including marketable securities:

Description	Market Value (\$)	Mortgages or Liens (\$)
See Exhibit E		

Additional Information, as needed: _____

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

Name and Address	Contact Name
Name: See Exhibit D	
Address:	
Name: See Exhibit D	
Address:	
Name: See Exhibit D	
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:



Attachment 7 - Developer's Disclosure Statements

SAN DIEGO
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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
N/A				
N/A				
N/A				
N/A				

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: N/A	
Address:	
Name:	
Address:	
Name:	
Address:	



Attachment 7 - Developer's Disclosure Statements

SAN DIEGO
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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: \$ _____

General description of such work: N/A

Complete one table for each project:

Project Name	N/A	
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



Attachment 7 - Developer's Disclosure Statements

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Project Name	N/A	
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	N/A	
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



Attachment 7 - Developer's Disclosure Statements

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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
N/A			

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

Awarding Agency	Amount	Date Opened
N/A		

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:

N/A

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:



Attachment 7 - Developer's Disclosure Statements

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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:
N/A

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.

****See Exhibit E**

- a. General Liability, including Bodily Injury and Property Damage Insurance [Attach certificate of insurance showing the amount of coverage and coverage period(s)]: McGriff Insurance, 320 Post Road
Darien, CT 06820. Contact: David Beckley 718-702-7362
Carrier: Texas Insurance Co

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)]: McGriff Insurance, 320 Post Road
Darien, CT 06820. Contact: David Beckley 718-702-7362
Carrier: Texas Insurance Co

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)]:
Lockton Companies, LLC 3657 Briarpark Dr., Suite 700 Houston, TX 77042
888-828-8365
- d. Professional Liability (Errors and Omissions) [*Attach* certificate of insurance showing the amount of coverage and coverage period(s)]:
N/A
- e. Excess Liability [*Attach* certificate(s) of insurance showing the amount of coverage and coverage period(s)]:
McGriff Insurance, 320 Post Road, Darien, CT 06820
Contact: David Beckley 718-702-7362
- f. Other (Specify) [*Attach* certificate(s) of insurance showing the amount of coverage and coverage period(s)]:

- 27. CONTRACTOR warrants and certifies that it will not during the term of the PROJECT, GRANT, LOAN, CONTRACT, DEVELOPMENT and/or RENDITIONS OF SERVICES discriminate against any employee, person, or applicant for employment because of race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. The CONTRACTOR will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The CONTRACTOR agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the SDHC setting forth the provisions of this nondiscrimination clause.
- 28. The CONTRACTOR warrants and certifies that it will not without prior written consent of the SDHC, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of the SDHC, during the term of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT and/or RENDITION OF SERVICES.
- 29. CONTRACTOR warrants and certifies that no member, commissioner, councilperson, officer, or employee of the SDHC, the AUTHORITY and/or the CITY, no member of the governing body of the locality in which the PROJECT is situated, no member of the government body in which the SDHC was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the assignment of work, has during his or her tenure, or will for one (1) year thereafter, have any interest, direct or indirect, in this PROJECT or the proceeds thereof.



Attachment 7 - Developer's Disclosure Statements

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Real Estate Department

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
	N/A			
	N/A			
	N/A			
	N/A			

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

☐ Yes ☒ No

If yes, please explain in detail: N/A

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)
N/A					
N/A					
N/A					
N/A					
N/A					
N/A					



Attachment 7 - Developer's Disclosure Statements

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Real Estate Department

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.

N/A

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.

N/A

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
N/A			
N/A			
N/A			

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: _____



Attachment 7 - Developer's Disclosure Statements

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COMMISSION

Real Estate Department

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

1. Name: N/A
Address: _____
Phone: _____
Project Name and Description: _____
2. Name: _____
Address: _____
Phone: _____
Project Name and Description: _____
3. Name: _____
Address: _____
Phone: _____
Project Name and Description: _____

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.

N/A

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

Name	Experience
N/A	



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 ____ day of _____, 20 ____, at San Diego, California.

CONTRACTOR

By: _____
Signature

TYLER CONGER
Print Name

VICE PRESIDENT
Title



SAN DIEGO
HOUSING
COMMISSION

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]
Signature

Print Name: TYLER CONGER

Title: VICE PRESIDENT

Dated: 9/30/24

By: _____
Signature

Print Name: _____

Title: _____

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

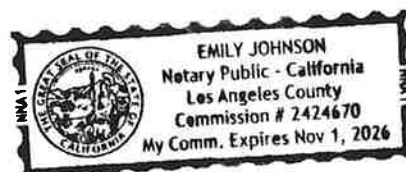
County of Los Angeles

Subscribed and sworn to (or affirmed) before me on this 30 day of September, 2024

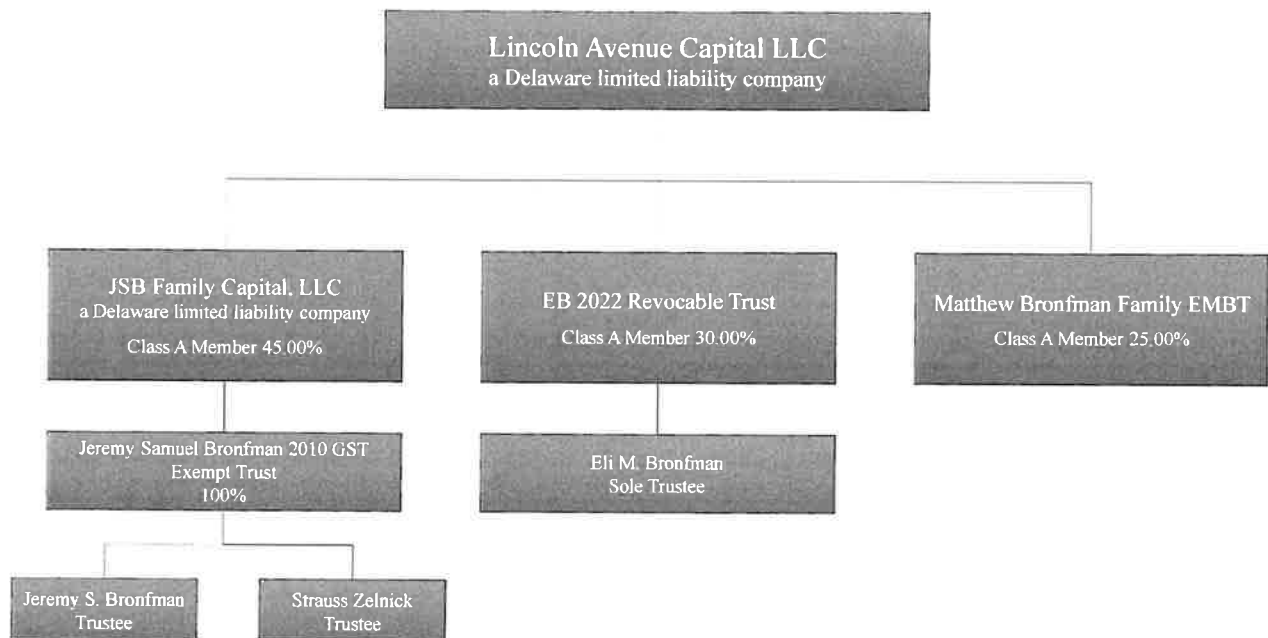
by Tyler Conger personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

[Signature]
Signature of Notary

SEAL



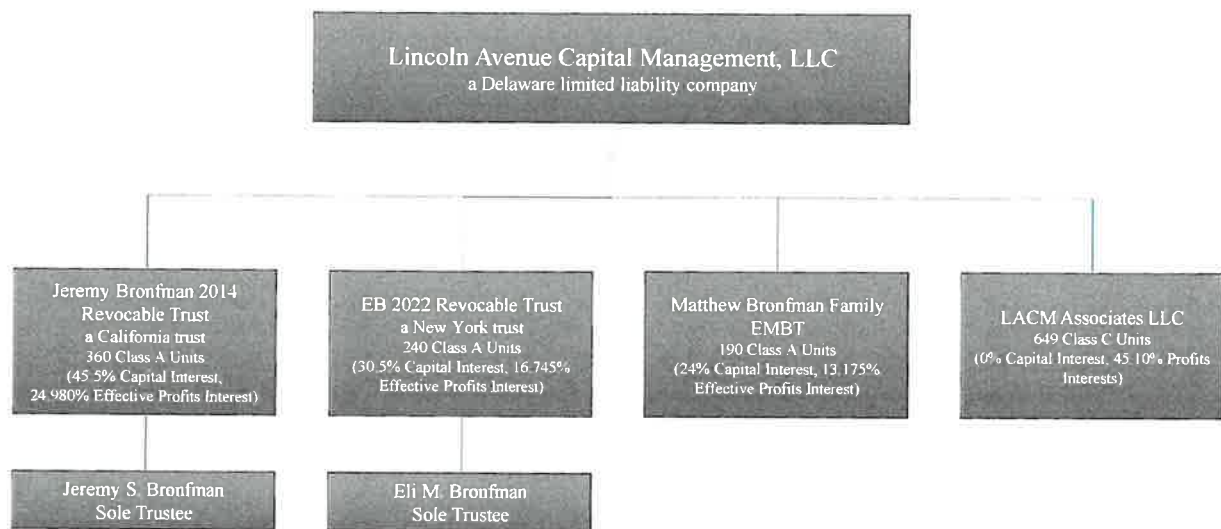
Attachment 7 - Developer's Disclosure Statements
Exhibit A - Lincoln Avenue Capital LLC



Address: 401 Wilshire Blvd Suite
1100 Santa Monica CA 90401

Phone Number: 424-222-8396

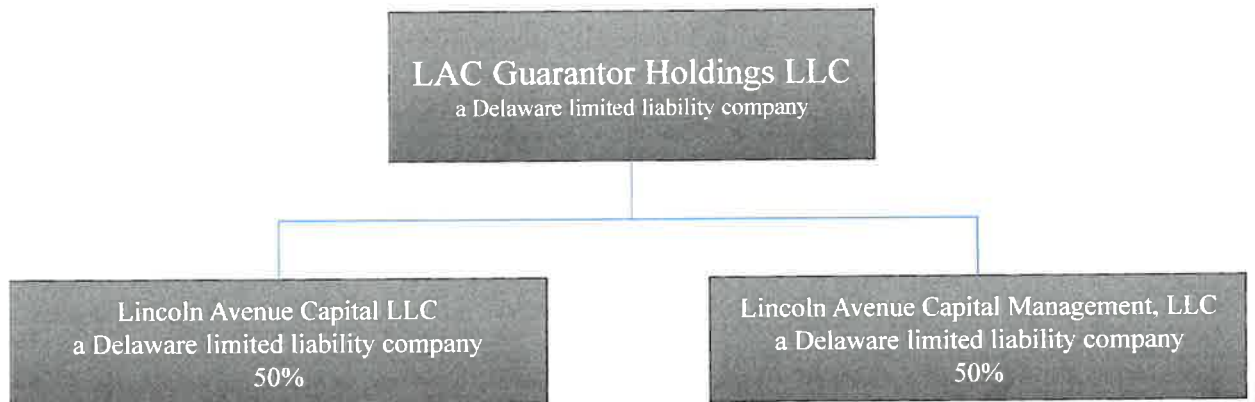
Attachment 7 - Developer's Disclosure Statements
Exhibit B - Lincoln Avenue Capital Management LLC



Address: 401 Wilshire Blvd Suite
1100 Santa Monica CA 90401

Phone Number: 424-222-8396

Attachment 7 - Developer's Disclosure Statements
Exhibit B - LAC Guarantor Holdings LLC



Address: 401 Wilshire Blvd Suite
1100 Santa Monica CA 90401

Phone Number: 424-222-8396

Delaware

The First State

Page 1

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF
DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT
COPY OF THE CERTIFICATE OF FORMATION OF "LINCOLN AVENUE CAPITAL
LLC", FILED IN THIS OFFICE ON THE FIFTH DAY OF APRIL, A.D.
2016, AT 10:01 O`CLOCK A.M.




Jeffrey W. Bullock, Secretary of State

6008115 8100
SR# 20162075077

You may verify this certificate online at corp.delaware.gov/authver.shtml

Authentication: 202093827
Date: 04-05-16

Attachment 7 - Developer's Disclosure Statements

State of Delaware
Secretary of State
Division of Corporations
Delivered 10:01 AM 04/05/2016
FILED 10:01 AM 04/05/2016
SR 20162075077 - File Number 6008115

CERTIFICATE OF FORMATION OF LINCOLN AVENUE CAPITAL LLC

I.

The name of the limited liability company is Lincoln Avenue Capital LLC.

II.

The address of the company's registered office in the State of Delaware is 2711 Centerville Road, Suite 400, in the City of Wilmington, State of Delaware, in the County of New Castle, 19808. The name of its registered agent at such address is Corporation Service Company.

III.

This Certificate of Formation shall be effective upon filing.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation as of April 5, 2016.



Eli Bronfman, Authorized Person

Exhibit D
Attachment 7 - Developer's Disclosure Statements
Bank Reference Contact Sheet

Entity: Lincoln Avenue Capital LLC

Reference# 1

Bank / Lender / Firm: Bridgewater Bank

Contact Name: Katie Klug

Contact Phone #: 651-605-2676

Contact Fax #:

Contact E-mail: katie.klug@bwbm.com

Reference Address: 370 Wabasha Street North St Paul MN 55102

Type of Account: Checking

Account Number: 81200834; 81201444

Reference# 2

Bank / Lender / Firm: JPMorgan Chase

Contact Name: Courtney Bogle

Contact Phone #: 212-270-6000

Contact Fax #:

Contact E-mail: courtney.w.bogle@jpmorgan.com

Reference Address:

Type of Account:

Attachment 7 - Developer's Disclosure Statements

Account Number:

Bank Reference Contacts

Page 1 of 2

Reference# 3

Bank / Lender / Firm:

KeyBank

Contact Name:

Brian Larsen

Contact Phone #:

206-343-6912

Contact Fax #:

Contact E-mail:

brian_j_larsen@keybank.com

Reference Address:

Type of Account:

Account Number:

Reference# 4

Bank / Lender / Firm:

Contact Name:

Contact Phone #:

Contact Fax #:

Attachment 7 - Developer's Disclosure Statements

Contact E-mail:

Reference Address:

Type of Account:

Account Number:

Reference# 5

Bank / Lender / Firm:

Contact Name:

Contact Phone #:

Contact Fax #:

Contact E-mail:

Reference Address:

Type of Account:

Account Number:

Exhibit E Attachment 7 - Developer's Disclosure Statements



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
06/20/2023

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

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER McGriff Insurance Services, LLC 3400 Overton Park Drive SE Suite 300 Atlanta, GA 30339	CONTACT NAME: PHONE (A/C, No, Ext): 404 497-7500 FAX (A/C, No): E-MAIL ADDRESS: michelle.barbre@mcgriff.com														
INSURED Lincoln Avenue Capital Management LLC 401 Wilshire Blvd Ste 1070 Santa Monica, CA 90401	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">INSURER(S) AFFORDING COVERAGE</th> <th style="text-align: left;">NAIC #</th> </tr> </thead> <tbody> <tr> <td>INSURER A :Texas Insurance Company</td> <td>16543</td> </tr> <tr> <td>INSURER B :Arch Specialty Insurance Company</td> <td>21199</td> </tr> <tr> <td>INSURER C :Allied World National Assurance Company</td> <td>10690</td> </tr> <tr> <td>INSURER D :</td> <td></td> </tr> <tr> <td>INSURER E :</td> <td></td> </tr> <tr> <td>INSURER F :</td> <td></td> </tr> </tbody> </table>	INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A :Texas Insurance Company	16543	INSURER B :Arch Specialty Insurance Company	21199	INSURER C :Allied World National Assurance Company	10690	INSURER D :		INSURER E :		INSURER F :	
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INSURER D :															
INSURER E :															
INSURER F :															

COVERAGES **CERTIFICATE NUMBER:** K98Y2CF3 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT 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 CERTIFICATE 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.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS												
	COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:						EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$												
A	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input checked="" type="checkbox"/> NON-OWNED AUTOS ONLY			JT123PANN01432-02	03/31/2023	03/31/2024	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$												
B	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input checked="" type="checkbox"/> RETENTION \$0			UXP1048032-01	03/31/2023	03/31/2024	EACH OCCURRENCE \$ 2,000,000 AGGREGATE \$ 2,000,000												
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below						<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 5%;">PER STATUTE</th> <th style="width: 5%;">OTH-ER</th> <th style="width: 90%;">LIMIT</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td>E.L. EACH ACCIDENT \$</td> </tr> <tr> <td></td> <td></td> <td>E.L. DISEASE - EA EMPLOYEE \$</td> </tr> <tr> <td></td> <td></td> <td>E.L. DISEASE - POLICY LIMIT \$</td> </tr> </tbody> </table>	PER STATUTE	OTH-ER	LIMIT			E.L. EACH ACCIDENT \$			E.L. DISEASE - EA EMPLOYEE \$			E.L. DISEASE - POLICY LIMIT \$
PER STATUTE	OTH-ER	LIMIT																	
		E.L. EACH ACCIDENT \$																	
		E.L. DISEASE - EA EMPLOYEE \$																	
		E.L. DISEASE - POLICY LIMIT \$																	
C	Excess Liability			0311-7154	03/31/2023	03/31/2024	Each Occurrence \$ 8,000,000 Aggregate \$ 8,000,000 Retention \$ 0												

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER

Lincoln Avenue Capital Management, LLC
 401 Wilshire Blvd
 Ste. 1070
 Santa Monica, CA 90401

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.

AUTHORIZED REPRESENTATIVE



Attachment 7 - Developer's Disclosure Statements CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

6/16/2023

Acct#: 2831423

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

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PRODUCER
Lockton Companies, LLC
3657 Briarpark Dr., Suite 700
Houston, TX 77042

CONTACT
NAME: 888-828-8365PHONE
(A/C, No, Ext):FAX
(A/C, No):

E-MAIL

ADDRESS: INSPERITYCERTS@LOCKTONAFFINITY.COM

INSURER(S) AFFORDING COVERAGE

NAIC #

INSURER A : Ace American Insurance Co.

22667

INSURER B :

INSURER C :

INSURER D :

INSURER E :

INSURER F :

INSURED
LINCOLN AVENUE CAPITAL MANAGEMENT, LLC
401 WILSHIRE BLVD STE 1070
SANTA MONICA, CA 90401-1428

COVERAGES

CERTIFICATE NUMBER:

REVISION NUMBER:

THIS IS TO CERTIFY THAT 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 CERTIFICATE 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.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	COMMERCIAL GENERAL LIABILITY						EACH OCCURRENCE \$
	<input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR						DAMAGE TO RENTED PREMISES (Ea occurrence) \$
							MED EXP (Any one person) \$
							PERSONAL & ADV INJURY \$
	GEN'L AGGREGATE LIMIT APPLIES PER:						GENERAL AGGREGATE \$
	<input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC						PRODUCTS - COMP/OP AGG \$
	OTHER:						\$
	AUTOMOBILE LIABILITY						COMBINED SINGLE LIMIT (Ea accident) \$
	<input type="checkbox"/> ANY AUTO						BODILY INJURY (Per person) \$
	<input type="checkbox"/> ALL OWNED AUTOS	<input type="checkbox"/> SCHEDULED AUTOS					BODILY INJURY (Per accident) \$
	<input type="checkbox"/> HIRED AUTOS	<input type="checkbox"/> NON-OWNED AUTOS					PROPERTY DAMAGE (Per accident) \$
							\$
	UMBRELLA LIAB	<input type="checkbox"/> OCCUR					EACH OCCURRENCE \$
	EXCESS LIAB	<input type="checkbox"/> CLAIMS-MADE					AGGREGATE \$
	DED	RETENTIONS					\$
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY	<input type="checkbox"/> Y <input type="checkbox"/> N	N/A	C51643525	10/1/2022	10/1/2023	X PER STATUTE OTH-ER
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)						E.L. EACH ACCIDENT \$ 1,000,000
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE \$ 1,000,000
							E.L. DISEASE - POLICY LIMIT \$ 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER

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.

AUTHORIZED REPRESENTATIVE

LINCOLN AVENUE CAPITAL MANAGEMENT, LLC
401 WILSHIRE BLVD STE 1070
SANTA MONICA, CA 90401

Exhibit E - #16c

LAC LLC brokerage account; \$4,434,012 as of 8/31/24

LACM LLC affiliated entity line of credit with Bridgewater Bank; \$10,550,000 undrawn as of 8/31/24

LACM LLC affiliated entity cash balance at Bridgewater Bank; \$6,007,372 as of 8/31/24

LACGH LLC affiliated entity cash balance at Bridgewater Bank; \$671,684 as of 8/31/24

LACGH LLC affiliated entity brokerage account; \$2,666,680

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 MULTIFAMILY HOUSING REVENUE NOTES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$7,500,000 TO PROVIDE ADDITIONAL FINANCING FOR THE ACQUISITION, REHABILITATION AND DEVELOPMENT OF A MULTIFAMILY RENTAL HOUSING FACILITY KNOWN AS SEA BREEZE GARDENS, AND APPROVING AND AUTHORIZING RELATED DOCUMENTS AND ACTIONS.

RECITALS

The Housing Authority of the City of San Diego (Authority) adopts this Resolution based on the following:

- A. The Authority will consider the issuance of tax-exempt notes for the purpose of making a loan to Sea Breeze Gardens Preservation LP, a California limited partnership (Borrower), to provide additional financing for the Borrower's acquisition, rehabilitation and development of a 268-unit (including three managers' units) multifamily rental housing facility located at 4802-4890 Logan Avenue within the City of San Diego (City) and known as "Sea Breeze Gardens" (Project).
- B. Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code, as amended (Act), authorizes the Authority to incur indebtedness to finance the acquisition, construction, rehabilitation, and development of multifamily rental housing.
- C. The Authority previously issued its \$75,000,000 Housing Authority of the City of San Diego Multifamily Housing Revenue Bonds (Sea Breeze Gardens) Series 2024E (Series

2024E Bonds) on June 14, 2024, for the purpose of making a loan to the Borrower to provide financing for the Borrower's acquisition, rehabilitation and development of the Project.

D. The Borrower has requested that the Authority borrow funds and loan the funds to the Borrower to provide additional financing for the Borrower's acquisition, rehabilitation and development of the Project.

E. The Board of Commissioners of the Authority (Board) desires that a portion of the units in the Project be available for low income and very low income persons or families, and to accomplish this purpose, it is desirable for the Authority to issue revenue notes to finance costs of the acquisition, rehabilitation and development of the Project.

F. The Authority intends to issue and sell its Housing Authority of the City of San Diego Multifamily Housing Revenue Notes (Sea Breeze Gardens) Subordinate Series 2025A (Notes) in a principal amount not to exceed \$7,500,000, to Sterling Bank (Bank), evidencing a loan from the Bank to the Authority (Funding Loan) and apply the proceeds of the Funding Loan to fund a loan to the Borrower (Borrower Loan).

G. The Authority will fund the Borrower Loan, and the Borrower will use the proceeds of the Notes to finance costs of the acquisition, rehabilitation and development of the Project.

H. 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.

I. On April 25, 2025, 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 Notes and on the nature and location of the Project.

J. The City Council, as the applicable elected representative under section 147(f) of the Code, approved the Authority's issuance of the Notes in an aggregate principal amount not to exceed \$7,500,000 on the date hereof.

K. 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.

L. On December 6, 2023, CDLAC allocated to the Project a total of \$75,000,000 of available State of California volume cap for private activity bonds under section 146 of the Code, which volume cap was used for the 2024E Bonds. On May 27, 2025, CDLAC allocated to the Project an additional total of \$7,500,000 of available State of California volume cap for private activity bonds under section 146 of the Code.

M. The following documents are presented for consideration:

(1) The form of Borrower Loan Agreement (Borrower Loan Agreement), by and between the Authority and the Borrower, and acknowledged by the Bank,

(2) The form of Funding Loan Agreement (Funding Loan Agreement), by and among the Authority, U.S. Bank Trust Company, National Association, as fiscal agent (Fiscal Agent), and the Bank, including the form of the Governmental Lender Note attached thereto as Exhibit A,

(3) The form of First Amendment to Regulatory Agreement and Declaration of Restrictive Covenants (First Amendment to Regulatory Agreement), by and among the Authority, the Borrower, the Fiscal Agent, and Federal Home Loan Mortgage Corporation, and

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

N. Each of the above-referenced documents is in appropriate form and is an appropriate instrument to be executed and delivered for the purposes intended.

O. The Project is consistent with the Final Environmental Impact Report (EIR) for the Southern San Diego and Encanto Neighborhoods Community Plan Updates (Project No. 386029/SCH No. 2014051075) which was certified by City Council Resolution No. R-310077 (December 2, 2015) in compliance with the California Environmental Quality Act (CEQA) (Public Resources Code sections 21000-21189.70.10). This action to approve the issuance of Notes for the Project is a subsequent discretionary action within the scope of the development program evaluated in the EIR and is not a separate project under CEQA Guidelines sections 15378(c) and 15060(c)(3). Under 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 and processing under the National Environmental Policy Act is not required as no federal funds are involved in this action.

P. 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.

ACTION ITEMS

Based on the Recitals set forth above, the Authority resolves as follows:

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, rehabilitation and development of the Project through the execution and delivery of the Notes in order to assist persons of low income and very low income within the City of San Diego in obtaining decent, safe, and sanitary housing and to achieve certain other public purposes.

2. Authorization of Notes. For the purpose of financing the acquisition, rehabilitation and development of the Project, the Authority approves the issuance of the Notes in any number of subseries, in an aggregate principal amount not to exceed \$7,500,000. The Notes will be issued in the principal amount and will bear interest (which will not exceed 12% per annum) and mature (not later than 45 years from the date of execution and delivery thereof) as provided in the Funding Loan Agreement. The Notes will be in substantially the form attached as Exhibit A to the Funding Loan Agreement, with such appropriate variations, omissions, insertions, and provisions as are required or permitted by the Funding Loan Agreement. The Notes will be special, limited obligations of the Authority and will be payable as to principal and interest, and the obligations of the Authority under the Funding Loan Agreement will be paid and satisfied, solely from the revenues, receipts, and other moneys and assets pledged under the Funding Loan Agreement.

3. Execution and Delivery of the Notes. The Notes will 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) or President & CEO, Deputy CEO, Executive VP Real Estate,

Senior Vice President Housing Finance & Property Management, or Vice President Multifamily Housing Finance of the Housing Commission.

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, and Executive Director, the President & CEO, Deputy CEO, Executive VP Real Estate, Senior Vice President Housing Finance & Property Management, or Vice President Multifamily Housing Finance of the Housing Commission, and the Deputy Secretary of the Authority, or the designee of any such officer (such officers and any of his or her respective designees are referred to as the Designated Officers) are each authorized to execute and deliver the Funding Loan Agreement, and the form of Governmental Lender Note attached thereto as Exhibit A, 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.

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

6. Approval of First Amendment to Regulatory Agreement. The First Amendment to 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 First Amendment to 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 First Amendment to Regulatory Agreement approved in this Resolution.

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.

8. Actions Ratified and Authorized. All prior actions taken by the officers, employees, and agents of the Authority with respect to the issuance and sale of the Notes are approved, confirmed, and ratified, and the Designated Officers are each authorized, for and in the name and on behalf of the Authority, to take any and all actions and execute and deliver any and all certificates, agreements (including a tax agreement or no arbitrage certificate), 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 Notes and the making of the Loan in accordance with the Act and this Resolution.

9. Further Consents, Approvals and Other Actions. All consents, approvals, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution or otherwise appropriate in the administration of the Notes and the lending

program financed by the Notes, including 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 Notes, or any prepayment or redemption of the Notes, may be taken or given by any of the Designated Officers, in consultation with the Authority's General Counsel, without further authorization by the Board, and the Designated Officers are authorized and directed to give any such consent, approval, notice, order or request and to take any action that any of the Designated Officers may deem necessary or desirable to further the purposes of this Resolution.

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

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

APPROVED: HEATHER FERBERT, General Counsel

By _____
Marguerite Middaugh
Deputy General Counsel

MEM:jdf
07/07/2025
Or. Dept.: SDHC
Doc. No.: 4110529

BORROWER LOAN AGREEMENT

between

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

and

**SEA BREEZE GARDENS PRESERVATION LP,
a California limited partnership,
as Borrower**

Dated as of [August] 1, 2025

relating to:

**\$7,500,000
Funding Loan originated by STERLING BANK, as Funding Lender
evidenced by the**

**\$7,500,000
Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(Sea Breeze Gardens)
Subordinate Series 2025A**

The interest of the Governmental Lender in this Borrower Loan Agreement (except for certain rights described herein) has been pledged and assigned to Sterling Bank, a Missouri banking corporation, as funding lender (the "Funding Lender"), under that certain Funding Loan Agreement, of even date herewith, by and among the Housing Authority of the City of San Diego (the "Governmental Lender"), the Funding Lender, and U.S. Bank Trust Company, National Association (the "Fiscal Agent"), under which the Funding Lender is originating a loan to the Governmental Lender to fund the Borrower Loan made under this Borrower Loan Agreement.

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BORROWER LOAN AGREEMENT

THIS BORROWER LOAN AGREEMENT (as supplemented and amended from time to time, this "Borrower Loan Agreement"), dated as of [August] 1, 2025, is 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 its successors and assigns, the "Governmental Lender"), and SEA BREEZE GARDENS PRESERVATION LP, a California limited partnership (together with its successors and assigns, the "Borrower").

RECITALS:

WHEREAS, pursuant to the Constitution and laws of the State of California, particularly Chapter 1 of Part 2 of Division 24 (commencing with Section 34200) of the Health and Safety Code of the State of California (the "Act"), the Governmental Lender is agreeing to make a mortgage loan to the Borrower, in accordance with the terms of this Borrower Loan Agreement, in the maximum aggregate principal amount of \$7,500,000 (the "Borrower Loan") to provide for the financing of a 268-unit (including three managers' units) multifamily rental housing development located at 4802-4890 Logan Avenue in the City of San Diego, California, known as "Sea Breeze Gardens" (the "Project"); and

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

WHEREAS, the Borrower has requested that the Governmental Lender enter into that certain Funding Loan Agreement, of even date herewith (the "Funding Loan Agreement"), by and among the Governmental Lender, Sterling Bank, a Missouri banking corporation (the "Funding Lender"), and U.S. Bank Trust Company, National Association (the "Fiscal Agent"), under which the Funding Lender will make a loan (the "Funding Loan") to the Governmental Lender, the proceeds of which will be loaned under this Borrower Loan Agreement to the Borrower to finance the acquisition, rehabilitation and improvement of the Project; and

WHEREAS, the Borrower Loan is secured by, among other things, that certain Deed of Trust With Assignment of Rents (With Acceleration Clause) (as amended, restated and/or supplemented from time to time, the "Security Instrument"), dated as of the date hereof and assigned by the Governmental Lender without recourse to the Fiscal Agent in trust for the benefit of the Funding Lender pursuant to that certain Assignment of Deed of Trust and Loan Documents of even date herewith (as it may be supplemented or amended, the "Assignment of Security Instrument"), to secure the Funding Loan, which Security Instrument encumbers the Project, and the Borrower Loan will be advanced to Borrower pursuant to this Borrower Loan Agreement and the Construction Funding Agreement (as defined herein).

AGREEMENT:

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

ARTICLE I

PRINCIPLES OF CONSTRUCTION; DEFINITIONS

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

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

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

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

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

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

Section 1.2. Definitions. In addition to the words and phrases defined elsewhere herein, the following terms, when used in this Borrower Loan Agreement (including when used in the above recitals), shall have the following meanings:

"Act" shall mean Chapter 1 of Part 2 of Division 24 (commencing with Section 34200) of the Health and Safety Code of the State of California.

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

"Additional Borrower Payments" shall mean the payments payable pursuant to Section 2.5 (Additional Borrower Payments), Section 2.6 (Overdue Payments; Payments in Default) and Section 5.14 (Expenses) hereof, [and Section ____ of the Construction Funding Agreement and Section ____ of the Borrower Note].

"Agreement of Environmental Indemnification" shall mean the Environmental Indemnification and Release Agreement, dated as of the date thereof, executed by the Borrower for the benefit of the Governmental Lender.

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

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

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

“Authority Fee” shall mean the Authority Fee as defined in the Regulatory Agreement.

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

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

“Bankruptcy Event” shall have the meaning given to that term in [_____].

“Bankruptcy Proceeding” shall have the meaning set forth in Section 4.1.7 hereof.

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

“Borrower” shall have the meaning set forth in the first paragraph of this Borrower Loan Agreement.

“Borrower Affiliate” shall mean, as to the Borrower, its general partners or the Guarantor, (i) any entity that directly or indirectly owns, controls, or holds with power to vote, 20 percent or more of the outstanding voting securities of Borrower, its general partners or the Guarantor, (ii) any corporation 20 percent or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote by the Borrower, its general partners or the Guarantor, (iii) any partner, shareholder or, if a limited liability company, member of Borrower, its general partners or the Guarantor, or (iv) any other person that is related (to the third degree of consanguinity) by blood or marriage to the Borrower, its general partners or the Guarantor (to the extent any of the Borrower, its general partners or the Guarantor is a natural person). Notwithstanding the foregoing, “Borrower Affiliate”, as used with respect to the Managing General Partner (as defined herein), shall not include every other partnership or company which Pacific Housing, Inc., a California nonprofit public benefit corporation (“PHI”) is the sole member or its general partner or manager member, as applicable, to the extent such entity has

delegated rights and obligations to an administrative general partner or similar type partner or non-managing member, as applicable.

“Borrower Controlling Entity” shall mean the General Partner.

“Borrower Deferred Equity” shall mean any capital contributions of the Equity Investor made after the date hereof.

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

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

“Borrower Loan Amount” shall mean \$7,500,000, the original maximum principal amount of the Borrower Note.

“Borrower Loan Documents” shall mean this Borrower Loan Agreement, the Construction Funding Agreement, the Borrower Note, the Security Instrument, the Agreement of Environmental Indemnification, the Guaranty, the Contingency Draw-Down Agreement (if applicable) and all other documents or agreements evidencing or relating to the Borrower Loan.

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

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

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

“Borrower Note” shall mean that certain Borrower Note dated the Closing Date in the original maximum principal amount of the Borrower Loan Amount made by Borrower and payable to Governmental Lender, as endorsed and assigned without recourse to the Fiscal Agent (in its capacity as the Fiscal Agent under the Funding Loan Agreement) for the benefit of the Funding Lender, as it may be amended, supplemented or replaced from time to time.

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

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

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

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

“Closing Date” shall mean [____], 2025, being the date that the initial Borrower Loan Proceeds are disbursed hereunder.

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

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

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

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

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

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

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

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

“Construction Funding Agreement” shall mean that certain Amended and Restated Bridge Loan Agreement, dated as of the Closing Date, between the Funding Lender, as agent for the Governmental Lender, and Borrower, pursuant to which the Borrower Loan will be advanced by the Funding Lender (or the Servicer on its behalf), as agent of the Governmental Lender, to the Borrower and setting forth certain provisions relating to disbursement of the Borrower Loan during construction, insurance and other matters, as

such agreement may be amended, modified, supplemented and replaced from time to time.

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

“Contingency Draw-Down Agreement,” if applicable, shall mean the Contingency Draw-Down Agreement of even date herewith, between the Funding Lender and the Borrower relating to possible conversion of the Funding Loan from a draw down loan to a fully funded loan.

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

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

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

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

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

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

“County” shall mean the County of San Diego, California.

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

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

“Disbursement Agreement” shall mean that certain [Disbursing Agreement dated as of June 14, 2024, by and among Funding Lender, Borrower and Royal Abstract National LLC, a Delaware limited liability company, as Disbursing Agent (“Disbursing Agent”), as amended and restated in its entirety by that certain Amended and Restated Disbursing Agreement dated as of the Closing Date, by and among Funding Lender, Borrower, Disbursing Agent and Fiscal Agent].

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

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

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

“Developer Fee” shall have the meaning given to the term “Development Fee” in the Partnership Agreement.

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

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

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

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

“Equity Investor” shall mean Berkadia Housing Partnership XI 2022 LP, a Delaware limited partnership, as investor limited partner, and Riverside Manager, LLC, a New Jersey limited liability company, Berkadia Affordable Manager, as special limited partner.

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

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

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

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

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

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

“Fair Market Value” shall mean the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is

a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is an interest in any commingled investment fund in which the Governmental Lender and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment. To the extent required by U.S. Treasury Regulations, the term "investment" will include a hedge.

"First Amendment to Regulatory Agreement" shall mean that certain First Amendment to Regulatory Agreement and Declaration of Restrictive Covenants, dated as of the date hereof, by and among the Governmental Lender, the Borrower, the Fiscal Agent, and Federal Home Loan Mortgage Corporation, as in effect on the Closing Date and as it may thereafter be amended or modified in accordance with its terms.

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

"Force Majeure" shall have the meaning given to such term in Section 13.25 of the Construction Funding Agreement.

"Funding Lender" shall mean Sterling Bank, a Missouri banking corporation, in its capacity as lender under the Funding Loan.

"Funding Loan" shall mean the Funding Loan in the original maximum principal amount of \$7,500,000 made by Funding Lender to Governmental Lender under the Funding Loan Agreement, the proceeds of which are to be used by the Governmental Lender to make the Borrower Loan.

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

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

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

"General Partner" shall mean, collectively, (i) Sea Breeze Gardens Preservation GP LLC, a Delaware limited liability company, the administrative general partner of the Borrower (the "Administrative General Partner"), (ii) PacH Sea Breeze Holdings, LLC, a California limited liability company, the managing general partner of the Borrower (the

“Managing General Partner”), and/or (iii) any other Person that the partners of the Borrower, with the prior written approval of the Funding Lender (or as otherwise permitted without the Funding Lender’s approval pursuant to the Borrower Loan Documents), select to be a general partner of the Borrower.

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

“Governmental Lender” shall have the meaning set forth in the first paragraph of this Borrower Loan Agreement.

“Governmental Lender Note” shall mean that certain Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Sea Breeze Gardens) Subordinate Series 2025A dated the Closing Date in the original maximum principal amount of \$7,500,000, made by the Governmental Lender and payable to Funding Lender, as it may be amended, supplemented or replaced from time to time.

“Governmental Lender’s Closing Fee” shall mean the Authority Fee described in clause (i) of the definition of “Authority Fee (2025A Notes)” (as defined in the Regulatory Agreement). The Governmental Lender’s Closing Fee is payable to the Governmental Lender on the Closing Date pursuant to Section 2.3(c)(iii) hereof.

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

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

- (a) the net amount (after payment of all expenses of originating the Funding Loan) of Funding Loan proceeds received by the Governmental Lender as a result of the origination of the Funding Loan;
- (b) all amounts received by the Governmental Lender as a result of the investment of the Funding Loan proceeds;
- (c) any amounts held in any fund or account to the extent that the Governmental Lender reasonably expects to use the amounts in such fund to pay any portion of the Funding Loan; and
- (d) any securities or obligations pledged by the Governmental Lender or by the Borrower as security for the payment of any portion of the Funding Loan.

“Guarantor” shall mean, collectively, LAC LLC, and LACM LLC, or any other person or entity which may hereafter become a guarantor of any of the Borrower’s obligations under the Borrower Loan.

“Guaranty” shall mean, collectively, (i) the Unconditional Continuing Guaranty of All Obligations and Security Agreement, dated as of June 14, 2024, by LAC LLC for the benefit of the Funding Lender, and (ii) the Unconditional Continuing Guaranty of All Obligations and Security Agreement, dated as of June 14, 2024, by LACM LLC for the benefit of the Funding Lender.

“HUD” shall mean the United States Department of Housing & Urban Development.

“Improvements” shall mean the 268-unit (including three managers’ units) multifamily residential rental project to be rehabilitated upon the Land and known or to be known as Sea Breeze Gardens, and all other buildings, structures, fixtures, wiring, systems, equipment and other improvements and personal property to be constructed, rehabilitated and/or installed at or on the Land in accordance with the Cost Breakdown and the Plans and Specifications.

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

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

“Interest Rate” shall mean, with respect to the Borrower Note, the rate of interest accruing on the Borrower Loan pursuant to the Borrower Note.

“LAC LLC” shall mean Lincoln Avenue Capital LLC, a Delaware limited liability company.

“LACM LLC” shall mean Lincoln Avenue Capital Management, LLC, a Delaware limited liability company.

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

“Late Charge” shall mean the amount due and payable as a late charge on overdue payments under the Borrower Note, as provided in Section 5 of the Borrower Note and Section 2.5 hereof.

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

“Legal Requirements” shall mean statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions of Governmental Authorities affecting all or part of the Project or the construction, rehabilitation, use, alteration or operation thereof, whether now or hereafter enacted and in force, and all permits, licenses and authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instrument, either of record or known to the Borrower, at

any time in force affecting all or part of the Project, including any that may (i) require repairs, modifications or alterations in or to all or part of the Project, or (ii) in any way limit the use and enjoyment thereof.

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

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

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

“Manager” shall mean the management company employed by the Borrower and approved by the Funding Lender in accordance with the terms of this Borrower Loan Agreement or any of the other Borrower Loan Documents. As of the date hereof, the Manager shall mean FPI Management, Inc., a California corporation, which Manager has already been approved by Funding Lender.

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

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

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

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

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

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

“Partnership Agreement” shall mean that certain Amended and Restated Agreement of Limited Partnership of the Borrower, dated as of June 14, 2024, as the same may be amended, restated or modified in accordance with its terms, including as amended by that certain First Amendment to the Amended and Restated Agreement of Limited Partnership, dated as of the date hereof.

“Permitted Encumbrances” shall have the meaning given to the term “Permitted Liens” in the Construction Funding Agreement.

“Permitted Lease” shall mean (i) a lease and occupancy agreement pursuant to the form approved by Funding Lender, (ii) with respect to Section 8 tenants, a lease conforming to HUD requirements, to a residential tenant in compliance with the Legal Requirements, providing for an initial term of not less than six (6) months or more than two (2) years, (iii) the [laundry lease from the 2024 closing], or (iv) the [preschool lease from the 2024 closing].

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

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

“Plans and Specifications” shall mean the plans and specifications for the construction and/or rehabilitation, as the case may be, of the Project approved by Funding Lender.

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

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

“Project” shall mean the Property (as defined in the Security Instrument) and Improvements thereon owned by the Borrower and encumbered by the Security Instrument, together with all rights pertaining to such real property and Improvements, as

more particularly described in the Granting Clauses of the Security Instrument and referred to therein as the "Property."

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

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

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

"Qualified Project Costs" shall mean costs paid with respect to the Project that meet each of the following requirements: (i) the costs are properly chargeable to capital account (or would be so chargeable with a proper election by the Borrower or but for a proper election by the Borrower to deduct such costs) in accordance with general federal income tax principles and in accordance with Section 1.103-8(a)(1) of the Regulations, provided, however, that only such portion of the interest accrued during rehabilitation or construction of the Project shall be eligible to be a Qualified Project Cost as is so capitalized and as bears the same ratio to all such interest as the Qualified Project Costs bear to all costs of the acquisition and construction or rehabilitation of the Project; and provided further that interest accruing after the date of completion of the construction or rehabilitation 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 a Borrower Affiliate (whether as general contractor or a subcontractor), Qualified Project Costs shall include only (A) the actual out of pocket costs incurred by such Borrower Affiliate in constructing or rehabilitating the Project (or any portion thereof), (B) any reasonable fees for supervisory services actually rendered by such Borrower Affiliate and (C) any overhead expenses incurred by such Borrower Affiliate which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an "affiliated group" (within the meaning of Section 1504 of the Code) participating in the construction or rehabilitation of the Project or payments received by such Borrower 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 date on which the Board of Directors of the Governmental Lender adopted the Reimbursement Declaration first declaring its "official intent" to reimburse costs paid with respect to the Project (within the meaning of Section 1.150-2 of the Regulations) or the date of issue of the Governmental Lender Note, and (iv) if the costs of the acquisition and construction or rehabilitation, as the case may be, of the Project were previously paid and are to be reimbursed with proceeds of the Funding Loan such costs were (A) "preliminary expenditures" (within the meaning of Section 1.150-2(f)(2) of the Regulations) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of acquisition and construction or rehabilitation, as the case may be, of the Project that do not exceed twenty percent (20%) of the issue price of the Governmental Lender Note (as defined in Section 1.148-1 of the Regulations), or (B) were capital expenditures with respect to the Project that are reimbursed no later than 18 months after the later of the date the expenditure was paid or the date the Project is placed in service (but no later than three years after the expenditures is paid); provided, however, that (w) Costs of Funding shall not be deemed to be Qualified Project Costs; (x) fees, charges or profits (including, without limitation, developer fees) payable to the Borrower or a "related

person” (within the meaning of Section 144(a)(3) of the Code) shall not be deemed to be Qualified Project Costs; (y) letter of credit fees and municipal bond insurance premiums which represent a transfer of credit risk shall be allocated between Qualified Project Costs and other costs and expenses to be paid from the proceeds of the Funding Loan; and (z) letter of credit fees and municipal bond insurance premiums which do not represent a transfer of credit risk (including, without limitation, letter of credit fees payable to a “related person” to the Borrower) shall not constitute Qualified Project Costs.

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

“Rebate Analyst” shall mean the rebate analyst selected by the Borrower prior to the Closing Date and acceptable to the Governmental Lender and the Funding Lender. The initial Rebate Analyst shall be Tiber Hudson LLC.

“Rebate Analyst’s Fee” shall mean the fee of the Rebate Analyst. The Rebate Analyst’s Fee is payable by the Borrower to the Rebate Analyst.

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

“Regulatory Agreement” shall mean that certain Regulatory Agreement and Declaration of Restrictive Covenants, dated as of June 1, 2024, by and between the Governmental Lender and the Borrower, as in effect on the Closing Date and as it may thereafter be amended or modified in accordance with its terms, including as amended by the First Amendment to Regulatory Agreement.

“Reimbursement Declaration” shall mean Resolution No. HC-2035 adopted by the Board of Directors of the Governmental Lender with respect to the Project on April 25, 2025.

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

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

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

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

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

“Security Documents” shall mean the Security Instrument, the Collateral Agreements, the Collateral Assignments, this Borrower Loan Agreement, the Agreement

of Environmental Indemnification, and such other security instruments that Funding Lender may reasonably request.

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

“Servicer” shall mean the Servicer contracting with or appointed by the Funding Lender to service the Borrower Loan. The initial Servicer shall be Sterling Bank, a Missouri banking corporation.

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

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

“State” shall mean the State of California.

“Subordinate Bridgewater Debt” shall mean the subordinate loan to Borrower from Bridgewater Bank, a Minnesota state banking corporation, in the amount of \$[6,070,745], being made as of the Closing Date and evidenced and secured by the Subordinate Bridgewater Debt Documents.

“Subordinate Bridgewater Debt Documents” shall mean all documents evidencing or securing the Subordinate Bridgewater Debt or otherwise executed and delivered by the Borrower in connection therewith as a condition of the advance of proceeds thereof, together with a subordination agreement executed by the lender of such Subordinate Bridgewater Debt.

“Subordinate Debt” shall mean the Subordinate Bridgewater Debt.

“Subordinate Lender” shall mean Bridgewater Bank, a Minnesota state banking corporation, with respect to the Subordinate Bridgewater Debt.

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

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

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

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

“Title Company” shall mean Chicago Title Company.

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

“Transfer” shall mean a transfer of all or a portion of Borrower’s ownership interest in the Project.

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

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

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

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

ARTICLE II

GENERAL

Section 2.1. Origination of Borrower Loan. In order to provide funds for the purposes provided herein, the Governmental Lender agrees that it will, in accordance with the Act, enter into the Funding Loan Agreement and accept the Funding Loan from the Funding Lender. [The proceeds of the Funding Loan shall be advanced by the Funding Lender to the Fiscal Agent, and then from the Fiscal Agent to the Title Company, then from the Title Company to the Borrower in accordance with the terms of the Construction Funding Agreement, this Borrower Loan Agreement and the [Disbursement Agreement].

The Governmental Lender hereby appoints the Funding Lender as its agent with full authority and power to act on its behalf (other than with respect to the Unassigned Rights) to disburse the Borrower Loan for the account of the Governmental Lender, to take certain actions and exercise certain remedies with respect to the Borrower Loan, and for the other purposes set forth in this Borrower Loan Agreement and to do all other acts necessary or incidental to the performance and execution thereof. This appointment is coupled with an interest and is irrevocable except as expressly set forth herein. Accordingly, references to the rights of the Funding Lender to take actions under this Borrower Loan Agreement shall refer to Funding Lender in its role as agent of the Governmental Lender. The Funding Lender may, in its discretion, designate Servicer to fulfill the rights and responsibilities granted by Governmental Lender to Funding Lender pursuant to this Section 2.1.

Section 2.2. Security for the Funding Loan.

(a) As security for the Funding Loan, the Governmental Lender has pledged and assigned to the Funding Lender under and pursuant to the Funding Loan Agreement (excluding in all cases the Unassigned Rights and all amounts carved-out from the definition of “Pledged Revenues” in the Funding Loan Agreement) (i) the Borrower Note and all of its right, title and interest in and to this Borrower Loan Agreement and the Borrower Loan Documents and all revenues and receipts therefrom and the security therefor (including the Security Instrument) and (ii) the amounts on deposit from time to time in any and all funds established under the Funding Loan Agreement

(except the Rebate Fund). All revenues and assets pledged and assigned thereby shall immediately be subject to the lien of such pledge without any physical delivery thereof or any further act, except in the case of the Borrower Note, which shall be delivered to the Funding Lender. The Borrower hereby acknowledges and consents to such assignment to the Funding Lender.

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

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

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

(iii) Reserved Rights. Take whatever action at law or in equity which appears necessary or desirable to enforce the other Unassigned Rights; provided, however, that (except as otherwise provided in paragraph (ii) of this Section 2.2(b)) the Governmental Lender or any person under its control may only enforce any right it may have for monetary damages against Excess Revenues, if any, of the Borrower, unless Funding Lender otherwise specifically consents in writing to the enforcement against other funds of the Borrower.

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

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

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

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

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

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

(e) As used in this Section 2.2, the term "Excess Revenues" means, for any period, the net cash flow of the Borrower available for distribution or payment to shareholders, members or partners (as the case may be) for such period, after the payment of all interest expense, the amortization of all principal of all indebtedness coming due during such period (whether by maturity, mandatory sinking fund payment, acceleration or otherwise) with respect to the Project, the payment of all fees, costs and expenses on an occasional or recurring basis in connection with the Borrower Loan or the Funding Loan, the payment of all operating, overhead, ownership and other expenditures of the Borrower directly or indirectly in connection with the Project (whether any such expenditures are current, capital or extraordinary expenditures), and the setting aside of all reserves for taxes, insurance, water and sewer charges or other similar impositions, capital expenditures, repairs and replacements and all other amounts which the Borrower is required to set aside pursuant to agreement, but excluding the depreciation and amortization of intangibles.

Section 2.3. Loan; Borrower Note; Conditions to Closing.

(a) The proceeds of the Funding Loan shall be advanced by the Funding Lender to the Fiscal Agent, and then from the Fiscal Agent to the Borrower, upon satisfaction of the conditions set forth in the Construction Funding Agreement, in one or more installments not to exceed the Borrower Loan Amount. Upon funding of each installment of the Funding Loan, the Governmental Lender shall be deemed to have made the Borrower Loan to the Borrower in a like principal amount. The Borrower Loan shall mature and be payable at the times and in the amounts required under the terms hereof and of the Borrower Note. The proceeds of the Borrower Loan shall be used by the Borrower to pay costs of the acquisition, rehabilitation and improvement of the Project. The Borrower hereby accepts the Borrower Loan and acknowledges that the Governmental Lender shall cause the Funding Lender to fund the Borrower Loan in the manner set forth herein, in the Funding Loan Agreement and in the Construction Funding Agreement. The Governmental Lender acknowledges that the Borrower Loan shall be funded by the Funding Lender for the account of the Governmental Lender.

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

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

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

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

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

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

Section 2.4. Borrower Loan Payments.

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

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

Section 2.5. Additional Borrower Payments.

(a) The Borrower shall pay the following amounts:

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

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

(iii) [reserved];

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

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

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

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

(viii) to the entity entitled thereto, when due and payable, all taxes and assessments levied by public agencies on the Project.

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

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

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

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

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

(c) The Borrower shall pay to the Governmental Lender the Authority Fee, as such term is defined in and at the times and in the amounts specified in the Regulatory Agreement.

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

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

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

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

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

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

ARTICLE III

RECYCLING

Section 3.1. Facilitation of Bond Preservation and Recycling Program; Notice to CDLAC.

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

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

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1. Borrower Representations. To induce the Governmental Lender to execute this Borrower Loan Agreement and to induce Funding Lender to make Disbursements, Borrower represents and warrants for the benefit of the Governmental Lender, Funding Lender and the Servicer, that the representations and warranties set forth in this Section 4.1 are complete and accurate (in all material respects) as of the Closing Date and, subject to Section 4.2 hereof, shall survive the making of the Borrower Loan and will be complete and accurate (in all material respects), and deemed remade, except as otherwise noted through notice to Funding Lender and approved by Funding Lender, as of the date of each Disbursement, and as of the maturity date of the Borrower Note.

Section 4.1.1. Organization; Special Purpose. The Borrower is in good standing under the laws of the State, has full legal right, power and authority to enter into the Borrower Loan Documents to which it is a party, and to carry out and consummate all transactions contemplated by the Borrower Loan Documents to which it is a party, and by proper limited partnership action has duly authorized the execution, delivery and performance of the Borrower Loan Documents to which it is a party. The Person(s) of the Borrower executing the Borrower Loan Documents and the Funding Loan Documents to which the Borrower is a party are fully authorized to execute the same. The Borrower Loan Documents and the Funding Loan Documents to which the Borrower is a party have been duly authorized, executed and delivered by the Borrower. The sole business of the Borrower is the ownership, management and operation of the Project.

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

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

Section 4.1.4. Litigation; Adverse Facts. There is no Legal Action, nor is there a basis known to Borrower for any Legal Action, before or by any court or federal, state, municipal or other governmental authority, pending (with service of process completed), or to the knowledge of the Borrower, after reasonable investigation, threatened, against or affecting the Borrower, the General Partner or the Guarantor, or their respective assets, properties or operations which, if determined adversely to the Borrower or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, the Borrower Loan Documents or the Funding Loan Documents, upon the ability of each of Borrower, General Partner and Guarantor to perform their respective obligations under the Borrower Loan Documents, the Funding Loan Documents and the Related Documents to which it is a party, or upon the financial condition, assets (including the Project), properties or operations of the Borrower, the General Partner or the Guarantor. Except as may have been otherwise disclosed to Funding Lender and Governmental Lender, none of the Borrower, General Partner or Guarantor is in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both

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

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

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

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

Section 4.1.7. No Bankruptcy Filing. The Borrower is not contemplating either the filing of a petition by it under any state or federal bankruptcy or insolvency law or the liquidation of all or a major portion of its property (a "Bankruptcy Proceeding"), and the Borrower has no knowledge of any Person contemplating the filing of any such petition against it. As of the Closing Date, the Borrower has the ability to pay its debts as they become due.

Section 4.1.8. Full and Accurate Disclosure. No statement of fact made by the Borrower in any Borrower Loan Document or any Funding Loan Document contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained therein in light of the circumstances in which they were made, not misleading. There is no material fact or circumstance presently known to the Borrower that has not been disclosed to the Governmental Lender and the Funding Lender which materially and adversely affects the Project or the business, operations or financial condition of the Borrower or the Borrower's ability to meet its obligations under this Borrower Loan Agreement and the other Borrower Loan Documents and Funding Loan Documents to which it is a party in a timely manner.

Section 4.1.9. State Law Requirements. The Borrower hereby represents, covenants and agrees to comply with the provisions of all applicable State laws, including but not limited to the Act, relating to the Borrower Loan, the Funding Loan and the Project.

Section 4.1.10. Environmental Matters. To the best of Borrower's knowledge, the Project is not in violation of any Legal Requirement pertaining to or imposing liability or standards of conduct concerning environmental regulation, contamination or clean-up, and will comply with covenants and requirements relating to environmental hazards as set forth in the Security Instrument. The Borrower will execute and deliver the Agreement of Environmental Indemnification on the Closing Date.

Section 4.1.11. Approval of the Borrower Loan Documents and Funding Loan Documents. By its execution and delivery of this Borrower Loan Agreement, the Borrower approves the form and substance of the Borrower Loan Documents and the Funding Loan Documents, and agrees to carry out the responsibilities and duties specified in the Borrower Loan Documents and the Funding Loan Documents to be carried out by the Borrower. The Borrower acknowledges that (a) it understands the nature and structure of the transactions relating to the financing of the Project, (b) it is familiar with the provisions of all of the Borrower Loan Documents and the Funding Loan Documents and other documents and instruments relating to the financing, (c) it understands the risks inherent in such transactions, including without limitation the risk of

loss of the Project, and (d) it has not relied on the Governmental Lender, the Funding Lender or the Servicer for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by the Borrower Loan Documents and the Funding Loan Documents or otherwise relied on the Governmental Lender, the Funding Lender or the Servicer in any manner.

Section 4.1.12. Funding Loan Agreement. The Borrower has read and accepts and agrees that it is bound by the Funding Loan Agreement and the Funding Loan Documents.

Section 4.1.13. Requirements of Act, Code and Regulations. The Project satisfies all requirements of the Act and the Code (including any regulations thereunder) applicable to the Project.

Section 4.1.14. Regulatory Agreement. The Project is, as of the date of origination of the Funding Loan, in compliance with all requirements of the Regulatory Agreement to the extent such requirements are applicable; and the Borrower intends to cause the residential units in the Project to be rented or available for rental on a basis which satisfies the requirements of the Regulatory Agreement, including all applicable requirements of the Act and the Code and the Regulations, and pursuant to leases which comply with all applicable laws.

Section 4.1.15. Government and Private Approvals. All governmental or regulatory orders, consents, permits, authorizations and approvals required for the construction, rehabilitation, use, occupancy and operation of the Improvements, that may be granted or denied in the discretion of any Governmental Authority, have been obtained and are in full force and effect (or, in the case of any of the foregoing that Borrower is not required to have as of the Closing Date, will be obtained), and will be maintained in full force and effect at all times during the construction or rehabilitation of the Improvements. All such orders, consents, permits, authorizations and approvals that may not be denied in the discretion of any Governmental Authority shall be obtained prior to the commencement of any work for which such orders, consents, permits, authorizations or approvals are required, and, once obtained, such orders, consents, permits, authorizations and approvals will be maintained in full force and effect at all times during the construction or rehabilitation of the Improvements. Except as set forth in the preceding two sentences, no additional governmental or regulatory actions, filings or registrations with respect to the Improvements, and no approvals, authorizations or consents of any trustee or holder of any indebtedness or obligation of Borrower, are required for the due execution, delivery and performance by Borrower or General Partner of any of the Borrower Loan Documents or the Funding Loan Documents or the Related Documents executed by Borrower or General Partner, as applicable. All required zoning approvals have been obtained, and the zoning of the Project is not conditional upon the happening of any further event.

Section 4.1.16. No Material Defaults. Except as previously disclosed to Funding Lender and the Governmental Lender in writing, there exists no material violation of or material default by Borrower under, and, to the best knowledge of Borrower, no event has occurred which, upon the giving of notice or the passage of time, or both, would constitute a material default with respect to: (i) the terms of any instrument evidencing, securing or guaranteeing any indebtedness secured by the Project or any portion or interest thereof or therein; (ii) any lease or other agreement affecting the Project or to which Borrower is a party; (iii) any license, permit, statute, ordinance, law, judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority, or any determination or award of any arbitrator to which Borrower or the Project may be bound; or (iv) any mortgage, instrument, agreement or document by which Borrower or any of its respective properties is bound; in the case of any of the foregoing: (1) which involves any

Borrower Loan Document or Funding Loan Document; (2) which involves the Project and is not adequately covered by insurance; (3) that might materially and adversely affect the ability of Borrower, General Partner or Guarantor or to perform any of its respective obligations under any of the Borrower Loan Documents or the Funding Loan Documents or any other material instrument, agreement or document to which it is a party; or (4) which might adversely affect the priority of the Liens created by this Borrower Loan Agreement or any of the Borrower Loan Documents or the Funding Loan Documents.

Section 4.1.17. No Reliance on Governmental Lender. The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the financing of the Project; that it is familiar with the provisions of all of the documents and instruments relating to such financing to which the Borrower is a party or of which it is a beneficiary, including the Funding Loan Agreement and this Borrower Loan Agreement; that it understands the risks inherent in such transactions; and that it has not relied on the Governmental Lender for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by the Funding Loan Agreement and this Borrower Loan Agreement, or otherwise relied on the Governmental Lender for any advice.

Section 4.2. Survival of Representations and Covenants. All of the representations and warranties in Section 4.1 hereof and elsewhere in the Borrower Loan Documents (i) shall survive for so long as any portion of the Borrower Payment Obligations remains due and owing and (ii) shall be deemed to have been relied upon by the Governmental Lender and the Servicer notwithstanding any investigation heretofore or hereafter made by the Governmental Lender or the Servicer or on its or their behalf, provided, however, that the representations, warranties and covenants set forth in Section 4.1.10 hereof shall survive in perpetuity (subject to the termination of and/or any limitations set forth in the Agreement of Environmental Indemnification, as applicable) and shall not be subject to the exculpation provisions of Section 11.1 hereof.

ARTICLE V

AFFIRMATIVE COVENANTS

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

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

Section 5.2. Repairs; Maintenance and Compliance; Physical Condition. The Borrower shall cause the Project to be maintained in a good, habitable and safe (so as to not threaten the health or safety of the Project's tenants or their invited guests) condition and repair (reasonable wear and tear excepted) as set forth in the Security Instrument and shall not remove, demolish or materially alter the Improvements or equipment (except for removal of aging or obsolete equipment or furnishings in the normal course of business), except as provided in the Security Instrument.

Section 5.3. Litigation. The Borrower shall give prompt Written Notice to the Governmental Lender, the Funding Lender and the Servicer of any litigation, governmental

proceedings or claims or investigations regarding an alleged actual violation of a Legal Requirement pending (with service of process having been completed) or, to the Borrower's knowledge, threatened against the Borrower which is reasonably likely to materially adversely affect the Borrower's condition (financial or otherwise) or business or the Project.

Section 5.4. Performance of Other Agreements. The Borrower shall observe and perform in all material respects each and every term to be observed or performed by it pursuant to the terms of any agreement or instrument affecting or pertaining to the Project.

Section 5.5. Notices. The Borrower shall promptly advise the Governmental Lender, the Funding Lender and the Servicer of (i) any fact or circumstance affecting the Borrower or the Project that materially and adversely affects the Borrower's ability to meet its obligations hereunder or under any of the other Borrower Loan Document to which it is a party in a timely manner, or (II) the occurrence of any Potential Default or Event of Default of which the Borrower has knowledge. If the Borrower becomes subject to federal or state securities law filing requirements, the Borrower shall cause to be delivered to the Governmental Lender, the Funding Lender and the Servicer any Securities and Exchange Commission or other public filings, if any, of the Borrower within two (2) Business Days of such filing.

Section 5.6. Cooperate in Legal Proceedings. The Borrower shall cooperate fully with the Governmental Lender, the Fiscal Agent, the Funding Lender and the Servicer with respect to, and permit the Governmental Lender, the Fiscal Agent, the Funding Lender and the Servicer at their option, to participate in, any proceedings before any Governmental Authority that may in any way affect the rights of the Governmental Lender, the Fiscal Agent, the Funding Lender and/or the Servicer under any Borrower Loan Document or Funding Loan Document.

Section 5.7. Environmental Matters. So long as the Borrower owns or is in possession of the Project, the Borrower shall (a) keep the Project in compliance with all Environmental Laws (as defined in the Agreement of Environmental Indemnification), (b) promptly notify the Funding Lender and the Servicer if the Borrower shall become aware that any Hazardous Materials (as defined in the Agreement of Environmental Indemnification) are on or near the Project in violation of Hazardous Materials Laws, and (c) commence and thereafter diligently prosecute to completion all remedial work necessary with respect to the Project required under any Environmental Laws, in each case as set forth in the Agreement of Environmental Indemnification.

Section 5.8. Governmental Lender's and Funding Lender's Fees. The Borrower covenants to pay the reasonable fees and expenses of the Governmental Lender (including the Authority Fee) and the Funding Lender or any agents, attorneys, accountants, consultants selected by the Governmental Lender or the Funding Lender to act on its respective behalf in connection with this Borrower Loan Agreement and the other Borrower Loan Documents, the Regulatory Agreement and the Funding Loan Documents, including, without limitation, any and all reasonable expenses incurred in connection with the making of the Borrower Loan or in connection with any litigation which may at any time be instituted involving the Borrower Loan, this Borrower Loan Agreement, the other Borrower Loan Documents, the Regulatory Agreement and the Funding Loan Documents or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of the foregoing. This obligation shall remain valid and in effect notwithstanding repayment of the Borrower Loan hereunder or termination of this Borrower Loan Agreement.

Section 5.9. Expenses. The Borrower shall pay all reasonable expenses of the Fiscal Agent as set forth in Section 11.8 of the Funding Loan Agreement. The Borrower shall pay all reasonable expenses incurred by the Governmental Lender, the Funding Lender and the Servicer (except as provided in Section 9.1 hereof) in connection with the Borrower Loan and the Funding Loan, including reasonable fees and expenses of the Governmental Lender's, the Funding Lender's and the Servicer's attorneys, environmental, engineering and other consultants, and fees, charges or taxes for the recording or filing of the Borrower Loan Documents and the Funding Loan Documents. The Borrower shall pay or cause to be paid all reasonable expenses of the Governmental Lender, the Funding Lender and the Servicer (except as provided in Section 9.1 hereof) in connection with the issuance or administration of the Borrower Loan and the Funding Loan, including audit costs, inspection fees, settlement of condemnation and casualty awards, and premiums for title insurance and endorsements thereto. The Borrower shall, upon request, promptly reimburse the Governmental Lender, the Funding Lender and the Servicer for all reasonable amounts expended, advanced or incurred by the Governmental Lender, the Funding Lender and the Servicer to collect the Borrower Note, or to enforce the rights of the Governmental Lender, the Funding Lender and the Servicer under this Borrower Loan Agreement or any other the Borrower Loan Document, or to defend or assert the rights and claims of the Governmental Lender, the Funding Lender and the Servicer under the Borrower Loan Documents and the Funding Loan Documents arising out of an Event of Default or with respect to the Project (by litigation or other proceedings) arising out of an Event of Default, which amounts will include all court costs, attorneys' fees and expenses, fees of auditors and accountants, and investigation expenses as may be reasonably incurred by the Governmental Lender, the Funding Lender and the Servicer in connection with any such matters (whether or not litigation is instituted), together with interest at the Default Rate on each such amount from the Date of Disbursement until the date of reimbursement to the Governmental Lender, the Funding Lender and the Servicer, all of which shall constitute part of the Borrower Loan and the Funding Loan and shall be secured by the Borrower Loan Documents and the Funding Loan Documents. The obligations and liabilities of the Borrower under this Section shall survive the Term of this Borrower Loan Agreement and the exercise by the Governmental Lender, the Funding Lender or the Servicer, as the case may be, of any of its rights or remedies under the Borrower Loan Documents and the Funding Loan Documents, including the acquisition of the Project by foreclosure or a conveyance in lieu of foreclosure. Notwithstanding the foregoing, the Borrower shall not be obligated to pay amounts incurred as a result of the gross negligence or willful misconduct of any other party, and any obligations of the Borrower to pay for environmental inspections or audits will be governed by the Agreement of Environmental Indemnification.

Section 5.10. Indemnity. In addition to its other obligations hereunder, and in addition to any and all rights of reimbursement, indemnification, subrogation and other rights of Governmental Lender or Funding Lender pursuant hereto, pursuant to the Regulatory Agreement and under law or equity, to the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Governmental Lender, the Funding Lender, the Servicer, the Beneficiary Parties, and each of their respective board members, officers, directors, employees, attorneys and agents (each an "Indemnified Party"), against any and all losses, damages, claims, actions, liabilities, reasonable costs and expenses of any nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement (to the extent that the Borrower has consented to such settlement) and amounts paid to discharge judgments) (hereinafter, the "Liabilities") to which the Indemnified Parties, or any of them, may become subject under federal or state securities laws or any other statutory law or at common law or otherwise, to the extent arising out of or based upon or in any way relating to:

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

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

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

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

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

(f) [Reserved];

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

(h) Any Determination of Taxability;

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

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

(k) the Project, or the condition, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation, construction or rehabilitation, as the case may be, of, the Project or any part thereof; or

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

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

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

The rights of any persons to indemnity hereunder shall survive the final payment or defeasance of the Borrower Loan and the Funding Loan and in the case of the Servicer, any resignation or removal. The provisions of this Section shall survive the termination of this Borrower Loan Agreement. The foregoing provisions of this Section are not intended to and shall not negate, modify, limit or change the provisions of Section 9 of the Borrower Note.

Nothing contained in this Section shall in any way be construed to limit the indemnification rights of the Governmental Lender contained in Section 7 of the Regulatory Agreement. With respect to the Governmental Lender, the Regulatory Agreement shall control in any conflicts between this Section and Section 7 of the Regulatory Agreement.

Section 5.11. No Warranty of Condition or Suitability by Lenders. Neither the Governmental Lender, nor the Funding Lender makes any warranty, either express or implied, as to the condition of the Project or that it will be suitable for the Borrower's purposes or needs.

Section 5.12. Right of Access to the Project. The Borrower agrees that the Governmental Lender, the Funding Lender, the Servicer and the Construction Consultant, and their duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right, but no obligation at all reasonable times during business hours and upon reasonable notice,

to enter onto the Land (a) to examine, test and inspect the Project without material interference or prejudice to the Borrower's operations and (b) subject to the rights of tenants under their tenant leases, to perform such work in and about the Project made necessary by reason of the Borrower's default under any of the provisions of this Borrower Loan Agreement. The Governmental Lender, the Funding Lender, the Servicer, and their duly authorized agents, attorneys, accountants and representatives shall also be permitted, without any obligation to do so, at all reasonable times and upon reasonable notice during business hours, to examine the books and records of the Borrower with respect to the Project.

Section 5.13. Notice of Default. The Borrower will provide notice to the Governmental Lender, the Funding Lender and the Servicer as soon as possible, and in any event not later than five (5) Business Days after gaining actual knowledge of the occurrence of any Potential Default or Event of Default with a statement of an Authorized Borrower Representative describing the details of such Potential Default or Event of Default and any curative action Borrower proposes to take.

Section 5.14. Covenant With Governmental Lender and Funding Lender. The Borrower agrees that this Borrower Loan Agreement is executed and delivered in part to induce the purchase by others of the Governmental Lender Note and, accordingly, all covenants and agreements of the Borrower contained in this Borrower Loan Agreement are hereby declared to be for the benefit of the Governmental Lender, the Funding Lender and any lawful owner, holder or pledgee of the Borrower Note or the Governmental Lender Note from time to time.

Section 5.15. Obligation of the Borrower to Construct or Rehabilitate the Project. The Borrower shall proceed with reasonable dispatch to construct or rehabilitate, as the case may be, and equip the Project. If the proceeds of the Borrower Loan, together with the Other Borrower Moneys, available to be disbursed to the Borrower are not sufficient to pay the costs of such construction or rehabilitation, as the case may be, and equipping, the Borrower shall pay such additional costs from its own funds. The Borrower shall not be entitled to any reimbursement from the Governmental Lender, the Funding Lender or the Servicer in respect of any such costs or to any diminution or abatement in the repayment of the Borrower Loan. The Governmental Lender and the Funding Lender shall not be liable to the Borrower or any other person if for any reason the Project is not completed or if the proceeds of the Borrower Loan are insufficient to pay all costs of the Project. The Governmental Lender and the Funding Lender do not make any representation or warranty, either express or implied, that moneys, if any, which will be made available to the Borrower will be sufficient to complete the Project, and the Governmental Lender and the Funding Lender shall not be liable to the Borrower or any other person if for any reason the Project is not completed.

Section 5.16. Compliance With Other Agreements; Legal Requirements.

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

(b) Borrower will comply, in all material respects, and, to the extent it is able, will require others to comply with, all Legal Requirements of all Governmental Authorities having jurisdiction over the Project or construction and/or rehabilitation, as the case may be, of the Improvements, and will furnish Funding Lender with reports of any official searches for or notices of violation of any requirements established by such Governmental Authorities. Borrower will comply, in all

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

Section 5.17. Completion and Maintenance of Project. Borrower shall cause the construction or rehabilitation, as the case may be, of the Improvements, to be prosecuted with diligence and continuity and completed substantially in accordance with the Plans and Specifications, and in accordance with the Construction Funding Agreement, free and clear of any liens or claims for liens (but without prejudice to Borrower's rights of contest under Section 10.16 hereof) ("Completion") on or before the Completion Date, subject to Force Majeure. Borrower shall thereafter maintain the Project as a residential apartment complex in good order and condition, ordinary wear and tear excepted. A maintenance program shall be in place at all times to assure the continuation of appropriate maintenance sufficient to maintain the Project in good order and condition, consistent with similar affordable housing properties, ordinary wear and tear excepted.

Section 5.18. Tax Covenants. The Borrower further represents, warrants and covenants as follows:

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

Lender Note or a “related person,” as such terms are used in Section 147(a) of the Code), the Borrower will comply with this Section.

(b) Use of Proceeds. The use of the net proceeds of the Funding Loan at all times will satisfy the following requirements:

(i) Limitation on Net Proceeds. At least 95% of the net proceeds of the Funding Loan (within the meaning of the Code) actually expended shall be used to pay Qualified Project Costs that are costs of a “qualified residential rental project” (within the meaning of Sections 142(a)(7) and 142(d) of the Code) and property that is “functionally related and subordinate” thereto (within the meaning of Sections 1.103-8(a)(3) and 1.103-8(b)(4)(iii) of the Regulations).

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

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

(iv) Limitation on Land. Less than 25 percent of the net proceeds of the Funding Loan actually expended will be used, directly or indirectly, for the acquisition of land or an interest therein, nor will any portion of the net proceeds of the Funding Loan be used, directly or indirectly, for the acquisition of land or an interest therein to be used for farming purposes.

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

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

(vii) Limitation of Project Expenditures. The acquisition, rehabilitation and improvement of the Project were not commenced (within the meaning of Section 144(a) of the Code) prior to the 60th day preceding the adoption of the Governmental Lender’s declaration of official intent (within the meaning of Treasury Regulation Section 1.150-2) with respect to the Project on _____, 20____, and no obligation for which reimbursement will

be sought from proceeds of the Funding Loan relating to the acquisition, construction or rehabilitation, as the case may be, or equipping of the Project was paid or incurred prior to 60 days prior to such date, except for permissible "preliminary expenditures", which include architectural, engineering surveying, soil testing, reimbursement bond issuance and similar costs incurred prior to the commencement of construction, rehabilitation or acquisition of the Project.

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

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

(d) No Arbitrage. The Borrower shall not take any action or omit to take any action with respect to the Gross Proceeds of the Funding Loan or of any amounts expected to be used to pay the principal thereof or the interest thereon which, if taken or omitted, respectively, would cause the Governmental Lender Note to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code. Except as provided in the Funding Loan Agreement and this Borrower Loan Agreement, the Borrower shall not pledge or otherwise encumber, or permit the pledge or encumbrance of, any money, investment, or investment property as security for payment of any amounts due under this Borrower Loan Agreement or the Borrower Note relating to the Funding Loan, shall not establish any segregated reserve or similar fund for such purpose and shall not prepay any such amounts in advance of the redemption date of an equal principal amount of the Funding Loan, unless the Borrower has obtained in each case a Tax Counsel No Adverse Effect Opinion with respect to such action, a copy of which shall be provided to the Governmental Lender and the Funding Lender. The Borrower shall not, at any time prior to the final maturity of the Funding Loan, invest or cause any Gross Proceeds to be invested in any investment (or to use Gross Proceeds to replace money so invested), if, as a result of such investment the arbitrage

yield of all investments acquired with Gross Proceeds (or with money replaced thereby) on or prior to the date of such investment exceeds the Yield of the Funding Loan to the Maturity Date (as defined in the Funding Loan Agreement), except as permitted by Section 148 of the Code and Regulations thereunder or as provided in the Regulatory Agreement. The Borrower further covenants and agrees that it will comply with all applicable requirements of said Section 148 and the rules and Regulations thereunder relating to the Funding Loan and the interest thereon, including the employment of a Rebate Analyst acceptable to the Governmental Lender and Funding Lender at all times from and after the Closing Date for the calculation of rebatable amounts to the United States Treasury Department. The Borrower agrees that it will cause the Rebate Analyst to calculate the rebatable amounts not later than forty-five days after the fifth anniversary of the Closing Date and each five years thereafter and not later than forty-five days after the final Computation Date (or as may be otherwise required by the Tax Certificate) and agrees that the Borrower will pay all costs associated therewith. The Borrower agrees to provide evidence of the employment of the Rebate Analyst satisfactory to the Governmental Lender and Funding Lender.

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

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

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

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

(i) Funding Loan Not a Hedge Bond. The Borrower covenants and agrees that not more than 50% of the proceeds of the Funding Loan will be invested in Nonpurpose Investments having a substantially guaranteed Yield for four years or more within the meaning of Section 149(g)(3)(A)(ii) of the Code, and the Borrower reasonably expects that at least 85% of the

spendable proceeds of the Funding Loan will be used to carry out the governmental purposes of the Funding Loan within the three-year period beginning on the Closing Date.

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

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

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

(m) Modification of Tax Covenants. Subsequent to the origination of the Funding Loan and prior to its payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Funding Loan Agreement), this Section may not be amended, changed, modified, altered or terminated except as permitted herein and by the Funding Loan Agreement and with the Written Consent of the Governmental Lender and the Funding Lender. Anything contained in this Borrower Loan Agreement or the Funding Loan Agreement to the contrary notwithstanding, the Governmental Lender, the Funding Lender and the Borrower hereby agree to amend this Borrower Loan Agreement and, if appropriate, the Funding Loan Agreement and the Regulatory Agreement, to the extent required, in the opinion of Tax Counsel, in order for interest on the Governmental Lender Note to remain excludable from gross income for federal income tax purposes. If the Borrower shall provide to the Governmental Lender and the Funding Lender an opinion of Tax Counsel that any specified action required under this Section or Section 8.7 of the Funding Loan Agreement is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Governmental Lender Note, the Governmental Lender, the Funding Lender and the Borrower may conclusively rely on such opinion in complying with the requirements of this Section and Section 8.7 of the Funding Loan Agreement and be protected in so doing, and the covenants hereunder shall be deemed to be modified to that extent. The party requesting such amendment, which may include the Funding Lender, shall notify the other parties to this Borrower Loan Agreement of the proposed amendment and send a copy of such requested amendment to Tax Counsel. After review of such proposed amendment, Tax Counsel shall render to the Funding Lender and the Governmental Lender an opinion as to the effect of such proposed amendment upon the includability of interest on the Governmental Lender Note in the gross income of the recipient thereof for federal income tax purposes. The Borrower shall pay all necessary fees and expenses incurred with respect to such amendment. The Borrower, the Governmental Lender and, where applicable, the Funding Lender per written instructions from the Governmental Lender shall execute, deliver and, if applicable, the Borrower shall file of record, any and all documents and instruments, including without limitation, an amendment to the Regulatory Agreement, with a file-stamped copy to the Funding Lender, necessary to effectuate the intent of this Section, and the Borrower and the Governmental Lender hereby appoint the Funding Lender as their true and lawful attorney-in-fact to execute, deliver and, if applicable, file of record on behalf of the Borrower or the Governmental Lender, as is applicable, any such document or instrument (in such form as may be approved by and upon instruction of Tax Counsel) if either the Borrower or the

Governmental Lender defaults in the performance of its obligation under this Section; provided, however, that the Funding Lender shall take no action under this Section without first notifying the Borrower or the Governmental Lender, as is applicable, of its intention to take such action and providing the Borrower or the Governmental Lender, as is applicable, a reasonable opportunity to comply with the requirements of this Section.

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

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

Section 5.19. Payment of Rebate.

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

(i) Delivery of Documents and Money on Computation Dates. The Borrower will deliver to the Servicer within 55 days after each Computation Date:

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

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

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

(ii) Correction of Underpayments. If the Borrower shall discover or be notified as of any date that any payment paid to the United States Treasury pursuant to this Section of an amount described in paragraph (a)(i)(A) or (B) above in this Section shall have failed to satisfy any requirement of Section 1.148-3 of the Regulations (whether or not such

failure shall be due to any default by the Borrower, the Governmental Lender or the Funding Lender), the Borrower shall (1) pay to the Servicer (for deposit to the Rebate Fund) and cause the Servicer to pay to the United States Treasury from the Rebate Fund the underpayment of the Rebate Amount, together with any penalty and/or interest due, as specified in Section 1.148-3(h) of the Regulations, within 175 days after any discovery or notice and (2) deliver to the Servicer an Internal Revenue Service Form 8038-T completed as of such date. If such underpayment of the Rebate Amount, together with any penalty and/or interest due, is not paid to the United States Treasury in the amount and manner and by the time specified in the Regulations, the Borrower shall take such steps as are necessary to prevent the Governmental Lender Note from becoming an arbitrage bond within the meaning of Section 148 of the Code.

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

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

(v) No Diversion of Rebatable Arbitrage. The Borrower will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the Gross Proceeds of the Funding Loan which is not purchased at Fair Market Value or includes terms that the Borrower would not have included if the Funding Loan were not subject to Section 148(f) of the Code.

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

(b) Rebate Fund. The Servicer shall establish and hold a separate fund designated as the "Rebate Fund." The Servicer shall deposit or transfer to the credit of the Rebate Fund each amount delivered to the Servicer by the Borrower for deposit thereto and each amount directed by the Borrower to be transferred thereto.

(c) Within 15 days after each receipt or transfer of funds to the Rebate Fund, the Servicer shall withdraw from the Rebate Fund and pay to the United States of America the entire balance of the Rebate Fund, and the Servicer shall advise the Governmental Lender in writing of the date and amount of any payment so made.

(d) All payments to the United States of America pursuant to this Section shall be made by the Servicer for the account and in the name of the Governmental Lender and shall be paid through the United States Mail (return receipt requested or overnight delivery), addressed to the appropriate Internal Revenue Service Center and accompanied by the appropriate Internal

Revenue Service forms (such forms to be provided to the Servicer by the Borrower or the Rebate Analyst as set forth in this Section).

(e) The Borrower shall preserve all statements, forms and explanations received delivered pursuant this Section and all records of transactions in the Rebate Fund until six years after the retirement of the Funding Loan.

(f) Moneys and securities held in the Rebate Fund shall not be deemed funds of the Funding Lender or of the Governmental Lender and are not pledged or otherwise subject to any security interest in favor of the Funding Lender to secure the Funding Loan or any other obligations.

(g) Notwithstanding anything to the contrary in this Borrower Loan Agreement, no payment shall be made to the United States if the Borrower shall furnish to the Governmental Lender and the Funding Lender an opinion of Tax Counsel to the effect that such payment is not required under Section 148(d) and (f) of the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Governmental Lender Note. In such event, the Borrower shall be entitled to withdraw funds from the Rebate Fund to the extent the Borrower shall provide a Tax Counsel No Adverse Effect Opinion to the Governmental Lender and the Funding Lender with respect to such withdrawal.

(h) Notwithstanding the foregoing, the computations and payments of rebate amounts referred to in this Section need not be made to the extent that neither the Governmental Lender nor the Borrower will thereby fail to comply with any requirements of Section 148(f) of the Code based on a Tax Counsel No Adverse Effect Opinion, a copy of which shall be provided to the Funding Lender.

Section 5.20. Covenants Under Funding Loan Agreement. The Borrower will fully and faithfully perform all the duties and obligations which the Governmental Lender has covenanted and agreed in the Funding Loan Agreement to cause the Borrower to perform and any duties and obligations which the Borrower is required in the Funding Loan Agreement to perform. The foregoing will not apply to any duty or undertaking of the Governmental Lender which by its nature cannot be delegated or assigned.

ARTICLE VI

RESERVED

ARTICLE VII

RESERVED

ARTICLE VIII

DEFAULTS

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

(a) failure by the Borrower to pay any Borrower Loan Payment in the manner and on the date such payment is due in accordance with the terms and provisions of the Borrower Note, or

the failure by the Borrower to pay any Additional Borrower Payment on the date such payment is due in accordance with the terms and provisions of the Borrower Note, the Security Instrument, this Borrower Loan Agreement or any other Borrower Loan Document, which, with respect to any default relating to an Additional Borrower Payment only, remains uncured for a period of five (5) Business Days after Written Notice thereof shall have been given to the Borrower;

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

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

(d) any failure by the Borrower to perform or comply with any of its obligations under this Borrower Loan Agreement (other than those specified in this Section 8.1), as and when required, which continues for a period of thirty (30) days after written notice of such failure by Funding Lender or the Servicer on its behalf to the Borrower (with a copy to the Governmental Lender and Equity Investor); provided, however, if such failure is susceptible of cure but cannot reasonably be cured within such thirty (30) day period, and the Borrower shall have commenced to cure such failure within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for an additional period of time as is reasonably necessary for the Borrower in the exercise of due diligence to cure such failure, such additional period not to exceed sixty (60) days. However, no such notice or grace period shall apply to the extent such failure could, in the Funding Lender's judgment, absent immediate exercise by the Funding Lender of a right or remedy under this Borrower Loan Agreement, result in harm to the Funding Lender, impairment of the Borrower Note or this Borrower Loan Agreement or any security given under any other Borrower Loan Document.

Section 8.2. Remedies.

Section 8.2.1. Acceleration. Upon the occurrence and continuance of an Event of Default (other than an Event of Default described in paragraph (e), (f) or (i) of Section 8.1) and at any time and from time to time thereafter, as long as such Event of Default continues to exist, in addition to any other rights or remedies available to the Governmental Lender pursuant to the Borrower Loan Documents or at law or in equity, the Funding Lender may, take such action, without notice or demand, as the Funding Lender deems advisable to protect and enforce its rights against the Borrower and in and to the Project, including declaring the Borrower Payment Obligations to be immediately due and payable (including, without limitation, the principal of, Prepayment Premium, if any, and interest on and all other amounts due on the Borrower Note to be immediately due and payable), without notice or demand, and apply such payment of the Borrower Payment Obligations in any manner and in any order determined by Funding Lender, in Funding Lender's sole and absolute discretion; and upon any Event of Default described in

paragraph (e), (f) or (i) of Section 8.1, the Borrower Payment Obligations shall become immediately due and payable, without notice or demand, and the Borrower hereby expressly waives any such notice or demand, anything contained in any Borrower Loan Document to the contrary notwithstanding. Notwithstanding anything herein to the contrary, enforcement of remedies hereunder and under the Funding Loan Agreement shall be controlled by the Funding Lender.

Section 8.2.2. Remedies Cumulative. Upon the occurrence and continuance of an Event of Default, all or any one or more of the rights, powers, privileges and other remedies available to the Funding Lender against the Borrower under the Borrower Loan Documents or at law or in equity may be exercised by the Funding Lender, at any time and from time to time, whether or not all or any of the Borrower Payment Obligations shall be declared due and payable, and whether or not the Funding Lender shall have commenced any foreclosure proceeding or other action for the enforcement of its rights and remedies under any of the Borrower Loan Documents. Any such actions taken by the Funding Lender shall be cumulative and concurrent and may be pursued independently, singly, successively, together or otherwise, at such time and in such order as the Funding Lender may determine in its sole discretion, to the fullest extent permitted by law, without impairing or otherwise affecting the other rights and remedies of the Funding Lender permitted by law, equity or contract or as set forth in the Borrower Loan Documents. Without limiting the generality of the foregoing, the Borrower agrees that if an Event of Default is continuing, all Liens and other rights, remedies or privileges provided to the Funding Lender shall remain in full force and effect until it has exhausted all of its remedies, the Security Instrument has been foreclosed, the Project has been sold and/or otherwise realized upon satisfaction of the Borrower Payment Obligations or the Borrower Payment Obligations have been paid in full. To the extent permitted by applicable law, nothing contained in any Borrower Loan Document shall be construed as requiring the Funding Lender to resort to any portion of the Project for the satisfaction of any of the Borrower Payment Obligations in preference or priority to any other portion, and the Funding Lender may seek satisfaction out of the entire Project or any part thereof, in its absolute discretion.

Notwithstanding any provision herein to the contrary, the Governmental Lender and the Funding Lender agree that any cure of any default made or tendered by the Equity Investor or Administrative General 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 8.2.3. Delay. No delay or omission to exercise any remedy, right, power accruing upon an Event of Default, or the granting of any indulgence or compromise by the Funding Lender shall impair any such remedy, right or power hereunder or be construed as a waiver thereof, but any such remedy, right or power may be exercised from time to time and as often as may be deemed expedient. A waiver of one Potential Default or Event of Default shall not be construed to be a waiver of any subsequent Potential Default or Event of Default or to impair any remedy, right or power consequent thereon. Notwithstanding any other provision of this Borrower Loan Agreement, but subject to the limitations on Borrower's liability contained herein, the Funding Lender reserves the right to seek a deficiency judgment or preserve a deficiency claim, in connection with the foreclosure of the Security Instrument to the extent necessary to foreclose on the Project, the Rents, the funds or any other collateral.

Section 8.2.4. Set Off; Waiver of Set Off. Upon the occurrence of an Event of Default, Funding Lender may, at any time and from time to time, without notice to Borrower or any other Person (any such notice being expressly waived), set off and appropriate and apply (against and on account of any obligations and liabilities of Borrower to Funding Lender arising under or

connected with this Borrower Loan Agreement and the other Borrower Loan Documents and the Funding Loan Documents, irrespective of whether or not Funding Lender shall have made any demand therefor, and although such obligations and liabilities may be contingent or unmatured), and Borrower hereby grants to Funding Lender, as security for the Borrower Payment Obligations, a security interest in, any and all deposits (general or special, including but not limited to Debt evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts) and any other Debt at any time held or owing by Funding Lender to or for the credit or the account of Borrower.

Section 8.2.5. Assumption of Obligations. In the event that the Funding Lender or its assignee or designee shall become the legal or beneficial owner of the Project by foreclosure or deed in lieu of foreclosure, such party shall succeed to the rights and the obligations of the Borrower under this Borrower Loan Agreement, the Borrower Note, the Regulatory Agreement, and any other Borrower Loan Documents and Funding Loan Documents to which the Borrower is a party. Such assumption shall be effective from and after the effective date of such acquisition and shall be made with the benefit of the limitations of liability set forth therein and without any liability for the prior acts of the Borrower.

Section 8.2.6. Accounts Receivable. Upon the occurrence and continuance of an Event of Default, Funding Lender shall have the right, to the extent permitted by law, to impound and take possession of books, records, notes and other documents evidencing Borrower's accounts, accounts receivable and other claims for payment of money, arising in connection with the Project, and to make direct collections on such accounts, accounts receivable and claims for the benefit of Funding Lender.

Section 8.2.7. Defaults under Other Documents. Funding Lender shall have the right to cure any default under any of the Related Documents and the Subordinate Loan Documents, but shall have no obligation to do so.

Section 8.2.8. Abatement of Disbursements. Notwithstanding any provision to the contrary herein or any of the other Borrower Loan Documents or the Funding Loan Documents, Funding Lender's obligation to make further Disbursements shall abate (i) during the continuance of any Potential Default, (ii) after any disclosure to Funding Lender of any fact or circumstance that, absent such disclosure, would cause any representation or warranty of Borrower to fail to be true and correct in all material respects, unless and until Funding Lender elects to permit further Disbursements notwithstanding such event or circumstance; and (iii) upon the occurrence and continuance of any Event of Default.

Section 8.2.9. Completion of Improvements. Upon the occurrence of any Event of Default, Funding Lender shall have the right to cause an independent contractor selected by Funding Lender to enter into possession of the Project and to perform any and all work and labor necessary for the completion of the Project substantially in accordance with the Plans and Specifications, if any, and to perform Borrower's obligations under this Borrower Loan Agreement. All sums expended by Funding Lender for such purposes shall be deemed to have been disbursed to and borrowed by Borrower and shall be secured by the Security Documents.

Section 8.2.10. Right to Directly Enforce. Notwithstanding any other provision hereof to the contrary, the Funding Lender shall have the right to directly enforce all rights and remedies hereunder with or without involvement of the Governmental Lender, provided that only the Governmental Lender may enforce the Unassigned Rights. In the event that any of the provisions

set forth in this Section 8.2.10 are inconsistent with the covenants, terms and conditions of the Security Instrument, the covenants, terms and conditions of the Security Instrument shall prevail.

Section 8.2.11. Power of Attorney. Effective upon the occurrence of an Event of Default, and continuing until and unless such Event of Default is cured or waived, Borrower hereby constitutes and appoints Funding Lender, or an independent contractor selected by Funding Lender, as its true and lawful attorney-in-fact with full power of substitution, for the purposes of completion of the Project and performance of Borrower's obligations under this Borrower Loan Agreement in the name of Borrower, and hereby empowers said attorney-in-fact to do any or all of the following upon the occurrence and continuation of an Event of Default (it being understood and agreed that said power of attorney shall be deemed to be a power coupled with an interest which cannot be revoked until full payment and performance of all obligations under this Borrower Loan Agreement and the other Borrower Loan Documents and the Funding Loan Documents):

(a) to use any of the funds of Borrower or General Partner, including any balance of the Borrower Loan, as applicable, and any funds which may be held by Funding Lender for Borrower (including all funds in all deposit accounts in which Borrower has granted to Funding Lender a security interest), for the purpose of effecting completion of the construction or rehabilitation, as the case may be, of the Improvements, substantially in the manner called for by the Plans and Specifications;

(b) to make such additions, changes and corrections in the Plans and Specifications as shall be necessary or desirable to complete the Project in substantially the manner contemplated by the Plans and Specifications;

(c) to employ any contractors, subcontractors, agents, architects and inspectors required for said purposes;

(d) to employ attorneys to defend against attempts to interfere with the exercise of power granted hereby;

(e) to pay, settle or compromise all existing bills and claims which are or may be liens against the Project or the Improvements, or may be necessary or desirable for the completion of the construction or rehabilitation, as the case may be, of the Improvements, or clearance of objections to or encumbrances on title;

(f) to execute all applications and certificates in the name of Borrower, which may be required by any other construction contract;

(g) to prosecute and defend all actions or proceedings in connection with the Project and to take such action, require such performance and do any and every other act as is deemed necessary with respect to the completion of the construction or rehabilitation, as the case may be, of the Improvements, which Borrower might do on its own behalf;

(h) to let new or additional contracts to the extent not prohibited by their existing contracts and reasonably necessary to complete the Improvements substantially in accordance with the Plans and Specifications;

(i) to employ watchmen and erect security fences to protect the Project from injury; and

(j) to take such action and require such performance as it deems necessary under any of the bonds or insurance policies to be furnished hereunder, to make settlements and compromises with the sureties or insurers thereunder, and in connection therewith to execute instruments of release and satisfaction.

It is the intention of the parties hereto that upon the occurrence and continuance of an Event of Default, rights and remedies may be pursued pursuant to the terms of the Borrower Loan Documents and the Funding Loan Documents. The parties hereto acknowledge that, among the possible outcomes to the pursuit of such remedies, is the situation where the Funding Lender assignees or designees become the owner of the Project and assume the obligations identified above, and the Borrower Note, the Borrower Loan and the other Borrower Loan Documents and Funding Loan Documents remain outstanding.

ARTICLE IX

SPECIAL PROVISIONS

Section 9.1. Sale of Note and Secondary Market Transaction.

Section 9.1.1. Cooperation. Subject to the restrictions of Section 2.4 of the Funding Loan Agreement, at the Funding Lender's or the Servicer's request (to the extent not already required to be provided by the Borrower under this Borrower Loan Agreement), the Borrower shall use reasonable efforts to satisfy the market standards to which the Funding Lender or the Servicer customarily adheres or which may be reasonably required in the marketplace or by the Funding Lender or the Servicer in connection with one or more sales or assignments of all or a portion of the Governmental Lender Note or securitizations of single or multi-class securities (the "Securities") secured by or evidencing ownership interests in all or a portion of the Governmental Lender Note (each such sale, assignment and/or securitization, a "Secondary Market Transaction"); provided neither the Borrower nor the Governmental Lender shall incur any third party or other out-of-pocket costs and expenses in connection with a Secondary Market Transaction, including the costs associated with the delivery of any Provided Information or any opinion required in connection therewith, and all such costs shall be paid by the Funding Lender or the Servicer, and shall not materially modify Borrower's rights or obligations. Without limiting the generality of the foregoing, the Borrower shall, so long as the Borrower Loan is still outstanding:

(a) (i) provide such financial and other information with respect to the Borrower Loan, and with respect to the Project, the Borrower, the Manager, the contractor of the Project or the Borrower Controlling Entity, (ii) provide financial statements, audited, if available, relating to the Project with customary disclaimers for any forward looking statements or lack of audit, and (iii), at the expense of the Funding Lender or the Servicer, perform or permit or cause to be performed or permitted such site inspection, appraisals, surveys, market studies, environmental reviews and reports (Phase I's and, if appropriate, Phase II's), engineering reports and other due diligence investigations of the Project, as may be reasonably requested from time to time by the Funding Lender or the Servicer or the Rating Agencies or as may be necessary or appropriate in connection with a Secondary Market Transaction or Exchange Act requirements (the items provided to the Funding Lender or the Servicer pursuant to this paragraph (a) being called the "Provided Information"), together, if customary, with appropriate verification of and/or consents (including, without limitation, auditor consents) to include or incorporate by reference the Provided Information in an offering document or otherwise provide the Provided Information to investors

and potential investors or opinions of counsel of independent attorneys acceptable to the Funding Lender or the Servicer and the Rating Agencies;

(b) make such representations and warranties as of the closing date of any Secondary Market Transaction with respect to the Project, the Borrower, the Borrower Loan Documents and the Funding Loan Documents reasonably acceptable to the Funding Lender or the Servicer, consistent with the facts covered by such representations and warranties as they exist on the date thereof; and

(c) execute such amendments to the Borrower Loan Documents and the Funding Loan Documents to accommodate such Secondary Market Transaction so long as such amendment does not affect the material economic terms of the Borrower Loan Documents and the Funding Loan Documents and is not otherwise adverse to the Borrower or any partner or guarantor of the Borrower in its reasonable discretion.

Section 9.1.2. Use of Information. The Borrower understands that certain of the Provided Information and the required records may be included in disclosure documents in connection with a Secondary Market Transaction, including a prospectus or private placement memorandum (each, a "Secondary Market Disclosure Document"), or provided or made available to investors or prospective investors in the Securities, the Rating Agencies and service providers or other parties relating to the Secondary Market Transaction. In the event that the Secondary Market Disclosure Document is required to be revised, the Borrower shall cooperate, subject to Section 9.1.1(c) hereof, with the Funding Lender and the Servicer in updating the Provided Information or required records for inclusion or summary in the Secondary Market Disclosure Document or for other use reasonably required in connection with a Secondary Market Transaction by providing all current information pertaining to the Borrower and the Project necessary to keep the Secondary Market Disclosure Document accurate and complete in all material respects with respect to such matters. The Borrower hereby consents to any and all such disclosures of such information.

The Borrower and the Funding Lender agree and acknowledge that the Governmental Lender undertakes no obligation hereunder or in the Funding Loan Agreement to participate in the preparation of, or to approve, any Secondary Market Disclosure Document and the parties hereto agree that any Secondary Market Disclosure Document will, unless approved in advance by the Governmental Lender in writing, disclose no more regarding the Governmental Lender than its name and status as a public body corporate and politic, duly organized and existing under the Constitution and the laws of the State of California and that the Governmental Lender Note is a limited obligation of the Governmental Lender secured solely by the Collateral and the payments made by the Borrower under the Borrower Note and the Borrower Loan Agreement.

Section 9.1.3. Borrower Obligations Regarding Secondary Market Disclosure Documents. In connection with a Secondary Market Disclosure Document, the Borrower shall provide, or in the case of a Borrower-engaged third party such as the Manager, cause it to provide, information reasonably requested by the Funding Lender pertaining to the Borrower, the Project or such third party (and portions of any other sections reasonably requested by the Funding Lender pertaining to the Borrower, the Project or the third party). The Borrower shall, if requested by the Funding Lender and the Servicer, certify in writing that the Borrower has carefully examined those portions of such Secondary Market Disclosure Document, pertaining to the Borrower, the Project or the Manager, and such portions (and portions of any other sections reasonably requested and pertaining to the Borrower, the Project or the Manager) do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the

statements made, in the light of the circumstances under which they were made, not misleading; provided that the Borrower shall not be required to make any representations or warranties regarding any Provided Information obtained from a third party except with respect to information it provided to such parties. Furthermore, the Borrower hereby indemnifies the Funding Lender, the Governmental Lender and the Servicer for any Liabilities to which any such parties may become subject to the extent such Liabilities arise out of or are based upon the use of the Provided Information in a Secondary Market Disclosure Document.

Section 9.1.4. Borrower Indemnity Regarding Filings. In connection with filings under the Exchange Act or the Securities Act, the Borrower shall (i) indemnify Funding Lender and the underwriter group for any securities (the “Underwriter Group”) for any Liabilities to which Funding Lender, the Servicer, or the Underwriter Group may become subject insofar as the Liabilities arise out of or are based upon the omission or alleged omission to state in the Provided Information of a material fact required to be stated in the Provided Information in order to make the statements in the Provided Information, in the light of the circumstances under which they were made not misleading and (ii) reimburse the Funding Lender, the Servicer, the Underwriter Group and other indemnified parties listed above for any legal or other expenses reasonably incurred by the Funding Lender, the Servicer or the Underwriter Group in connection with defending or investigating the Liabilities; provided that the Borrower shall not provide any indemnification regarding any Provided Information obtained from unrelated third parties except with respect to information it provided to such parties.

Section 9.1.5. Indemnification Procedure. Promptly after receipt by an indemnified party under Sections 9.1.3 and 9.1.4 hereof of notice of the commencement of any action for which a claim for indemnification is to be made against the Borrower, such indemnified party shall notify the Borrower in writing of such commencement, but the omission to so notify the Borrower will not relieve the Borrower from any liability that it may have to any indemnified party hereunder except to the extent that failure to notify causes prejudice to the Borrower. In the event that any action is brought against any indemnified party, and it notifies the Borrower of the commencement thereof, the Borrower will be entitled, jointly with any other indemnifying party, to participate therein and, to the extent that it (or they) may elect by Written Notice delivered to the indemnified party promptly after receiving the aforesaid notice of commencement, to assume the defense thereof with counsel selected by the Borrower and reasonably satisfactory to such indemnified party in its sole discretion. After notice from the Borrower to such indemnified party under this Section 9.1.5, the Borrower shall not be responsible for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. No indemnified party shall settle or compromise any claim for which the Borrower may be liable hereunder without the prior Written Consent of the Borrower.

Section 9.1.6. Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in Section 9.1.4 hereof is for any reason held to be unenforceable by an indemnified party in respect of any Liabilities (or action in respect thereof) referred to therein which would otherwise be indemnifiable under Section 9.1.4 hereof, the Borrower shall contribute to the amount paid or payable by the indemnified party as a result of such Liabilities (or action in respect thereof); provided, however, that no Person guilty of fraudulent misrepresentation (within the meaning of Section 10(f) of the Securities Act) shall be entitled to contribution from any Person not guilty of such fraudulent misrepresentation. In determining the amount of contribution to which the respective parties are entitled, the following factors shall be considered: (i) the indemnified parties and the Borrower’s relative knowledge and access to information concerning the matter with respect to which the claim was asserted; (ii) the opportunity to correct and prevent any statement or omission; and (iii) any other equitable

considerations appropriate in the circumstances. The parties hereto hereby agree that it may not be equitable if the amount of such contribution were determined by pro rata or per capita allocation.

ARTICLE X

MISCELLANEOUS

Section 10.1. Notices. All notices, consents, approvals and requests required or permitted hereunder or under any other Borrower Loan Document or Funding Loan Document (a “notice”) shall be deemed to be given and made when delivered by hand, by recognized overnight delivery service, confirmed facsimile transmission (provided any telecopy or other electronic transmission received by any party after 4:00 p.m., local time, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day), or five (5) calendar days after deposited in the United States mail, registered or certified, postage prepaid, with return receipt requested, addressed to the appropriate party at the addresses set forth in Section 12.1 of the Funding Loan Agreement. Any party may change such party’s address for the notice or demands required under this Borrower Loan Agreement by providing written notice of such change of address to the other parties as provided herein.

Section 10.2. Brokers and Financial Advisors. The Borrower hereby represents that it has dealt with no financial advisors, brokers, underwriters, placement agents, agents or finders in connection with the Borrower Loan, other than those disclosed to the Funding Lender and whose fees shall be paid by the Borrower pursuant to separate agreements. The Borrower and the Funding Lender shall indemnify and hold the other harmless from and against any and all claims, liabilities, costs and expenses of any kind in any way relating to or arising from a claim by any Person that such Person acted on behalf of the indemnifying party in connection with the transactions contemplated herein. The provisions of this Section 10.2 shall survive the expiration and termination of this Borrower Loan Agreement and the repayment of the Borrower Payment Obligations.

Section 10.3. Survival. This Borrower Loan Agreement and all covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the making by the Governmental Lender of the Borrower Loan and the execution and delivery to the Governmental Lender of the Borrower Note and the assignment of the Borrower Note to the Funding Lender, and shall continue in full force and effect so long as all or any of the Borrower Payment Obligations is unpaid. All the Borrower’s covenants and agreements in this Borrower Loan Agreement shall inure to the benefit of the respective legal representatives, successors and assigns of the Governmental Lender, the Funding Lender and the Servicer.

Section 10.4. Preferences. To the extent the Borrower makes a payment to the Governmental Lender or the Servicer, or the Governmental Lender or the Servicer receives proceeds of any collateral, which is in whole or part subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds received, the Borrower Payment Obligations or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment or proceeds had not been received by the Governmental Lender or the Servicer. In furtherance of the preceding sentence, the Governmental Lender shall have the continuing and exclusive right to apply or reverse and reapply any and all payments (without duplication) by the Borrower to any portion of the Borrower Payment Obligations.

Section 10.5. Waiver of Notice. The Borrower shall not be entitled to any notices of any nature whatsoever from the Funding Lender or the Servicer except with respect to matters for which this Borrower Loan Agreement or any other the Borrower Loan Document specifically and expressly provides for the giving of notice by the Funding Lender or the Servicer, as the case may be, to the Borrower and except with respect to matters for which the Borrower is not, pursuant to applicable Legal Requirements, permitted to waive the giving of notice. The Borrower hereby expressly waives the right to receive any notice from the Funding Lender or the Servicer, as the case may be, with respect to any matter for which no Borrower Loan Document specifically and expressly provides for the giving of notice by the Funding Lender or the Servicer to the Borrower.

Section 10.6. Offsets, Counterclaims and Defenses. The Borrower hereby waives the right to assert a counterclaim, other than a compulsory counterclaim, in any action or proceeding brought against it by the Funding Lender or the Servicer with respect to a Borrower Loan Payment. Any assignee of Funding Lender's interest in and to the Borrower Loan Documents or the Funding Loan Documents shall take the same free and clear of all offsets, counterclaims or defenses that are unrelated to the Borrower Loan Documents or the Funding Loan Documents which the Borrower may otherwise have against any assignor of such documents, and no such unrelated offset, counterclaim or defense shall be interposed or asserted by the Borrower in any action or proceeding brought by any such assignee upon such documents, and any such right to interpose or assert any such unrelated offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by the Borrower.

Section 10.7. Intentionally Omitted.

Section 10.8. Construction of Documents. The parties hereto acknowledge that they were represented by counsel in connection with the negotiation and drafting of the Borrower Loan Documents and the Funding Loan Documents and that the Borrower Loan Documents and the Funding Loan Documents shall not be subject to the principle of construing their meaning against the party that drafted them.

Section 10.9. No Third Party Beneficiaries. The Borrower Loan Documents and the Funding Loan Documents are solely for the benefit of the Governmental Lender, the Funding Lender, the Servicer and the Borrower and, with respect to Sections 9.1.3 and 9.1.4 hereof, the Underwriter Group, and nothing contained in any Borrower Loan Document shall be deemed to confer upon anyone other than the Governmental Lender, the Funding Lender, the Servicer, and the Borrower any right to insist upon or to enforce the performance or observance of any of the obligations contained therein.

Section 10.10. Assignment. The Borrower Loan, the Security Instrument, the Borrower Loan Documents and the Funding Loan Documents and all Funding Lender's rights, title, obligations and interests therein may be assigned by the Funding Lender at any time in its sole discretion, whether by operation of law (pursuant to a merger or other successor in interest) or otherwise, subject in any event to the provisions of Section 2.4 of the Funding Loan Agreement. Upon such assignment, all references to Funding Lender in this Borrower Loan Agreement and in any Borrower Loan Document shall be deemed to refer to such assignee or successor in interest and such assignee or successor in interest shall thereafter stand in the place of the Funding Lender. The Borrower shall accord full recognition to any such assignment, and all rights and remedies of Funding Lender in connection with the interest so assigned shall be as fully enforceable by such assignee as they were by Funding Lender before such assignment. In connection with any proposed assignment, Funding Lender may disclose to the proposed assignee any information that Borrower has delivered, or caused to be delivered, to Funding

Lender with reference to Borrower, General Partner, Guarantor or any Borrower Affiliate, or the Project, including information that Borrower is required to deliver to Funding Lender pursuant to this Borrower Loan Agreement, provided that such proposed assignee agrees to treat such information as confidential. The Borrower may not assign its rights, interests or obligations under this Borrower Loan Agreement or under any of the Borrower Loan Documents or Funding Loan Documents, or Borrower's interest in any moneys to be disbursed or advanced hereunder, except only as may be expressly permitted hereby.

Section 10.11. [Intentionally Omitted]

Section 10.12. Governmental Lender, Funding Lender and Servicer Not in Control; No Partnership. None of the covenants or other provisions contained in this Borrower Loan Agreement shall, or shall be deemed to, give the Governmental Lender, the Funding Lender or the Servicer the right or power to exercise control over the affairs or management of the Borrower, the power of the Governmental Lender, the Funding Lender and the Servicer being limited to the rights to exercise the remedies referred to in the Borrower Loan Documents and the Funding Loan Documents. The relationship between the Borrower and the Governmental Lender, the Funding Lender and the Servicer is, and at all times shall remain, solely that of debtor and creditor. No covenant or provision of the Borrower Loan Documents or the Funding Loan Documents is intended, nor shall it be deemed or construed, to create a partnership, joint venture, agency or common interest in profits or income between the Borrower and the Governmental Lender, the Funding Lender or the Servicer or to create an equity interest in the Project in the Governmental Lender, the Funding Lender or the Servicer. Neither the Governmental Lender, the Funding Lender nor the Servicer undertakes or assumes any responsibility or duty to the Borrower or to any other person with respect to the Project or the Borrower Loan, except as expressly provided in the Borrower Loan Documents or the Funding Loan Documents; and notwithstanding any other provision of the Borrower Loan Documents and the Funding Loan Documents: (1) the Governmental Lender, the Funding Lender and the Servicer are not, and shall not be construed as, a partner, joint venturer, alter ego, manager, controlling person or other business associate or participant of any kind of the Borrower or its stockholders, members, or partners and the Governmental Lender, the Funding Lender and the Servicer do not intend to ever assume such status; (2) the Governmental Lender, the Funding Lender and the Servicer shall in no event be liable for any the Borrower Payment Obligations, expenses or losses incurred or sustained by the Borrower; and (3) the Governmental Lender, the Funding Lender and the Servicer shall not be deemed responsible for or a participant in any acts, omissions or decisions of the Borrower, the Borrower Controlling Entities or its stockholders, members, or partners. The Governmental Lender, the Funding Lender and the Servicer and the Borrower disclaim any intention to create any partnership, joint venture, agency or common interest in profits or income between the Governmental Lender, the Funding Lender, the Servicer and the Borrower, or to create an equity interest in the Project in the Funding Lender or the Servicer, or any sharing of liabilities, losses, costs or expenses.

Section 10.13. Release. The Borrower hereby acknowledges that it is executing this Borrower Loan Agreement and each of the Borrower Loan Documents and the Funding Loan Documents to which it is a party as its own voluntary act free from duress and undue influence.

Section 10.14. Term of Borrower Loan Agreement. This Borrower Loan Agreement shall be in full force and effect until all payment obligations of the Borrower hereunder have been paid in full and the Borrower Loan and the Funding Loan have been retired or the payment thereof has been provided for; except that on and after payment in full of the Borrower Note, this Borrower Loan Agreement shall be terminated, without further action by the parties hereto; provided,

however, that the obligations of the Borrower under Sections 5.8 (Governmental Lender's and Funding Lender's Fees), 5.9 (Expenses), 5.10 (Indemnity), 9.1.3 (Borrower Obligations Regarding Secondary Market Disclosure Documents), 9.1.4 (Borrower Indemnity Regarding Filings), 9.1.5 (Indemnification Procedure), 9.1.6 (Contribution) and 10.15 (Reimbursement of Expenses) hereof, shall survive the termination of this Borrower Loan Agreement.

Section 10.15. Reimbursement of Expenses. If, upon or after the occurrence of any Event of Default or Potential Default, the Governmental Lender, the Funding Lender or the Servicer shall employ attorneys or incur other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the Borrower contained herein, the Borrower will on demand therefor reimburse the Governmental Lender, the Funding Lender and the Servicer for fees of such attorneys and such other expenses so incurred.

The Borrower's obligation to pay the amounts required to be paid under this Section 10.15 shall be subordinate to its obligations to make payments under the Borrower Note.

Section 10.16. Permitted Contests. Notwithstanding anything to the contrary contained in this Borrower Loan Agreement, Borrower shall have the right to contest or object in good faith to any claim, demand, levy or assessment (other than in respect of Debt or Contractual Obligations of Borrower under any Borrower Loan Document or Related Document) by appropriate legal proceedings that are not prejudicial to Funding Lender's rights, but this shall not be deemed or construed as in any way relieving, modifying or providing any extension of time with respect to Borrower's covenant to pay and comply with any such claim, demand, levy or assessment, unless Borrower shall have given prior Written Notice to the Funding Lender of Borrower's intent to so contest or object thereto, and unless (i) Borrower has, in the Funding Lender's judgment, a reasonable basis for such contest, (ii) Borrower pays when due any portion of the claim, demand, levy or assessment to which Borrower does not object, (iii) Borrower demonstrates to Funding Lender's satisfaction that such legal proceedings shall conclusively operate to prevent enforcement prior to final determination of such proceedings, (iv) Borrower furnishes such bond, surety, undertaking or other security in connection therewith as required by law, or as requested by and satisfactory to Funding Lender, to stay such proceeding, which bond, surety, undertaking or other security shall be issued by a bonding company, insurer or surety company reasonably satisfactory to Funding Lender and shall be sufficient to cause the claim, demand, levy or assessment to be insured against by the Title Company or removed as a lien against the Project, (v) Borrower at all times prosecutes the contest with due diligence, and (vi) Borrower pays, promptly following a determination of the amount of such claim, demand, levy or assessment due and owing by Borrower, the amount so determined to be due and owing by Borrower. In the event that Borrower does not make, promptly following a nonappealable determination of the amount of such claim, demand, levy or assessment due and owing by Borrower, any payment required to be made pursuant to clause (vi) of the preceding sentence, an Event of Default shall have occurred, and Funding Lender may draw or realize upon any bond or other security delivered to Funding Lender in connection with the contest by Borrower, in order to make such payment.

Section 10.17. Funding Lender Approval of Instruments and Parties. All proceedings taken in accordance with transactions provided for herein, and all surveys, appraisals and documents required or contemplated by this Borrower Loan Agreement and the persons responsible for the execution and preparation thereof, shall be satisfactory to and subject to approval by Funding Lender. Funding Lender's approval of any matter in connection with the Project shall be for the sole purpose of protecting the security and rights of Funding Lender. No

such approval shall result in a waiver of any default of Borrower. In no event shall Funding Lender's approval be a representation of any kind with regard to the matter being approved.

Section 10.18. Funding Lender Determination of Facts. Funding Lender shall at all times be free to establish independently, to its reasonable satisfaction, the existence or nonexistence of any fact or facts, the existence or nonexistence of which is a condition of this Borrower Loan Agreement.

Section 10.19. Calendar Months. With respect to any payment or obligation that is due or required to be performed within a specified number of Calendar Months after a specified date, such payment or obligation shall become due on the day in the last of such specified number of Calendar Months that corresponds numerically to the date so specified; provided, however, that with respect to any obligation as to which such specified date is the 29th, 30th or 31st day of any Calendar Month: if the Calendar Month in which such payment or obligation would otherwise become due does not have a numerically corresponding date, such obligation shall become due on the first day of the next succeeding Calendar Month.

Section 10.20. Determinations by Lender. Except to the extent expressly set forth in this Borrower Loan Agreement to the contrary, in any instance where the consent or approval of the Governmental Lender and the Funding Lender may be given or is required, or where any determination, judgment or decision is to be rendered by the Governmental Lender and the Funding Lender under this Borrower Loan Agreement, the granting, withholding or denial of such consent or approval and the rendering of such determination, judgment or decision shall be made or exercised by the Governmental Lender and the Funding Lender, as applicable (or its designated representative) at its sole and exclusive option and in its sole and absolute discretion.

Section 10.21. Governing Law. This Borrower Loan Agreement shall be governed by and enforced in accordance with the laws of the State, without giving effect to the choice of law principles of the State that would require the application of the laws of a jurisdiction other than the State.

Section 10.22. Consent to Jurisdiction and Venue. Borrower agrees that any controversy arising under or in relation to this Borrower Loan Agreement or the Borrower Note shall be litigated exclusively in the County of San Diego, California unless the Governmental Lender waives this requirement. The state and federal courts and authorities with jurisdiction in the State shall have exclusive jurisdiction over all controversies which shall arise under or in relation to this Borrower Loan Agreement. Borrower irrevocably consents to service, jurisdiction, and venue of such courts for any such litigation and waives any other venue to which it might be entitled by virtue of domicile, habitual residence or otherwise. However, nothing herein is intended to limit Beneficiary Parties' right to enforce a judgment against Borrower or any of Borrower's assets in any court of any other jurisdiction where Borrower's assets are located.

Section 10.23. Successors and Assigns. This Borrower Loan Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors, successors-in-interest and assigns, as appropriate. The terms used to designate any of the parties herein shall be deemed to include the heirs, legal representatives, successors, successors-in-interest and assigns, as appropriate, of such parties. References to a "person" or "persons" shall be deemed to include individuals and entities.

Section 10.24. Severability. The invalidity, illegality or unenforceability of any provision of this Borrower Loan Agreement shall not affect the validity, legality or enforceability of any other provision, and all other provisions shall remain in full force and effect.

Section 10.25. Entire Agreement; Amendment and Waiver. This Borrower Loan Agreement contains the complete and entire understanding of the parties with respect to the matters covered. This Borrower Loan Agreement may not be amended, modified or changed, nor shall any waiver of any provision hereof be effective, except by a written instrument signed by the party against whom enforcement of the waiver, amendment, change, or modification is sought, and then only to the extent set forth in that instrument. No specific waiver of any of the terms of this Borrower Loan Agreement shall be considered as a general waiver. Without limiting the generality of the foregoing, no Disbursement shall constitute a waiver of any conditions to the Governmental Lender's or the Funding Lender's obligation to make further Disbursements nor, in the event Borrower is unable to satisfy any such conditions, shall any such waiver have the effect of precluding the Governmental Lender or the Funding Lender from thereafter declaring such inability to constitute a Potential Default or Event of Default under this Borrower Loan Agreement.

Section 10.26. Counterparts. This Borrower Loan Agreement may be executed in multiple counterparts, each of which shall constitute an original document and all of which together shall constitute one agreement.

Section 10.27. Captions. The captions of the sections of this Borrower Loan Agreement are for convenience only and shall be disregarded in construing this Borrower Loan Agreement.

Section 10.28. Servicer. Borrower hereby acknowledges and agrees that, pursuant to the terms of Section 39 of the Security Instrument: (a) from time to time, the Governmental Lender or the Funding Lender may appoint a servicer to collect payments, escrows and deposits, to give and to receive notices under the Borrower Note, this Borrower Loan Agreement or the other Borrower Loan Documents, and to otherwise service the Borrower Loan and (b) unless Borrower receives Written Notice from the Governmental Lender or the Funding Lender to the contrary, any action or right which shall or may be taken or exercised by the Governmental Lender or the Funding Lender may be taken or exercised by such servicer with the same force and effect.

Section 10.29. Beneficiary Parties as Third Party Beneficiary. Each of the Beneficiary Parties shall be a third party beneficiary of this Borrower Loan Agreement for all purposes.

Section 10.30. Waiver of Trial by Jury. TO THE MAXIMUM EXTENT PERMITTED UNDER APPLICABLE LAW, EACH OF BORROWER AND THE BENEFICIARY PARTIES (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS BORROWER LOAN AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

Section 10.31. Time of the Essence. Time is of the essence with respect to this Borrower Loan Agreement.

Section 10.32. Modifications. Modifications (if any) to this Borrower Loan Agreement ("Modifications") are set forth on Exhibit A attached to this Borrower Loan Agreement. In the

event of a Transfer permitted under the terms of the Security Instrument, some or all of the Modifications to this Borrower Loan Agreement may be modified or rendered void by the Governmental Lender or the Funding Lender at its option by notice to Borrower or such transferee.

Section 10.33. Reference Date. This Borrower Loan Agreement is dated for reference purposes only as of [August] 1, 2025, and will not be effective and binding on the parties hereto unless and until the Closing Date (as defined herein) occurs.

ARTICLE XI

LIMITATIONS ON LIABILITY

Section 11.1. Limitation on Liability. Notwithstanding anything to the contrary herein, the liability of the Borrower hereunder and under the other Borrower Loan Documents and the Funding Loan Documents shall be limited to the extent set forth in the Borrower Note.

Section 11.2. Limitation on Liability of Governmental Lender. The Governmental Lender shall not be obligated to pay the principal (or prepayment price) of or interest on the Funding Loan, except from moneys and assets received by the Funding Lender on behalf of the Governmental Lender pursuant to the assignment by Governmental Lender to Funding Lender of this Borrower Loan Agreement. Neither the faith and credit nor the taxing power of the State, or any political subdivision thereof, or the City of San Diego, the County of San Diego, nor the faith and credit of the Governmental Lender is pledged to the payment of the principal (or prepayment price) of or interest on the Funding Loan. The Governmental Lender shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Borrower Loan Agreement or the Funding Loan Agreement, except only to the extent amounts are received for the payment thereof from the Borrower under this Borrower Loan Agreement.

The Borrower hereby acknowledges that the Governmental Lender's sole source of moneys to repay the Funding Loan will be provided by the payments made by the Borrower pursuant to this Borrower Loan Agreement, together with investment income on certain funds and accounts held by the Funding Lender under the Funding Loan Agreement, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal (or prepayment price) of and interest on the Funding Loan as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Funding Lender or the Servicer, the Borrower shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or prepayment price) of or interest on the Funding Loan, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Funding Lender, the Borrower, the Governmental Lender or any third party, subject to any right of reimbursement from the Funding Lender, the Governmental Lender or any such third party, as the case may be, therefor, but solely, in the case of the Governmental Lender, from the sources pledged therefor under the Funding Loan Agreement, other than with respect to any deficiency caused by the willful misconduct of the Governmental Lender.

Section 11.3. Waiver of Personal Liability. No board member, officer, agent or employee of the Governmental Lender shall be individually or personally liable for the payment of any principal (or prepayment price) of or interest on the Funding Loan or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Borrower Loan Agreement; but nothing herein contained shall relieve any such member, director,

officer, agent or employee from the performance of any official duty provided by law or by this Borrower Loan Agreement.

Section 11.4. Limitation on Liability of Governmental Lender's and Funding Lender's Commissioners, Officers, Employees, Etc.

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

(b) None of the Governmental Lender, the Funding Lender, the other Beneficiary Parties or any of their respective commissioners, officers, directors, employees or agents shall be liable to any contractor, subcontractor, supplier, laborer, architect, engineer or any other party for services performed or materials supplied in connection with the Project. The Governmental Lender and the Funding Lender shall not be liable for any debts or claims accruing in favor of any such parties against Borrower or others or against the Project. The Borrower is not and shall not be an agent of the Governmental Lender and the Funding Lender for any purpose. Neither the Governmental Lender nor the Funding Lender is a joint venture partner with Borrower in any manner whatsoever. Prior to default by Borrower under this Borrower Loan Agreement and the exercise of remedies granted herein, the Governmental Lender and the Funding Lender shall not be deemed to be in privity of contract with any contractor or provider of services to the Project, nor shall any payment of funds directly to a contractor, subcontractor or provider of services be deemed to create any third party beneficiary status or recognition of same by the Governmental Lender and the Funding Lender. Approvals granted by the Governmental Lender and the Funding Lender for any matters covered under this Borrower Loan Agreement shall be narrowly construed to cover only the parties and facts identified in any written approval or, if not in writing, such approvals shall be solely for the benefit of Borrower.

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

Section 11.5. Delivery of Reports, Etc. The delivery of reports, information and documents to the Governmental Lender and the Funding Lender as provided herein is for informational purposes only and the Governmental Lender's and the Funding Lender's receipt of such shall not constitute constructive knowledge of any information contained therein or determinable from information contained therein. The Governmental Lender and the Funding Lender shall have no duties or responsibilities except those that are specifically set forth herein, and no other duties or obligations shall be implied in this Borrower Loan Agreement against the Governmental Lender and the Funding Lender.

Section 11.6. Electronic Transactions. The transactions described in this Borrower Loan Agreement may be conducted and the Related Documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original, manually executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law. Notwithstanding the foregoing, original, manually executed versions of each of the Funding Loan Documents shall be delivered to the Funding Lender in connection with the closing of the transactions described herein.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Borrower Loan Agreement or caused this Borrower Loan Agreement to be duly executed and delivered by its respective authorized representative as of the date first set forth above.

BORROWER:

SEA BREEZE GARDENS PRESERVATION LP
a California limited partnership

By: Sea Breeze Gardens Preservation GP LLC,
a Delaware limited liability company,
its administrative general partner

By: _____
Russell Condas, Vice President

By: PacH Sea Breeze Holdings, LLC,
a California limited liability company,
its managing general partner

By: Pacific Housing, Inc.,
a California nonprofit public benefit corporation,
its sole member and manager

By: _____
Mark A. Wiese, President

GOVERNMENTAL LENDER:

HOUSING AUTHORITY OF THE CITY OF SAN
DIEGO

By: _____
Jennifer Kreutter, Vice President of
Multifamily Housing Finance of the San Diego
Housing Commission

Agreed to and Acknowledged by:

FUNDING LENDER:

STERLING BANK, a Missouri banking corporation

By: _____

Name:

Title:

EXHIBIT A
MODIFICATIONS TO BORROWER LOAN AGREEMENT

[None]

FUNDING LOAN AGREEMENT

between

**STERLING BANK,
as Funding Lender**

and

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

and

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

Dated as of [August] 1, 2025

relating to:

**\$7,500,000
Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(Sea Breeze Gardens)
Subordinate Series 2025A**

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EXHIBIT A	FORM OF GOVERNMENTAL LENDER NOTE
EXHIBIT B	FORM OF REQUIRED TRANSFEREE REPRESENTATIONS

FUNDING LOAN AGREEMENT

This Funding Loan Agreement, dated as of [August] 1, 2025 (this "Funding Loan Agreement"), is entered into by STERLING BANK, a Missouri banking corporation (together with any successor hereunder, the "Funding Lender"), 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 its successors and assigns, the "Governmental Lender"), and U.S. Bank Trust company, National Association, a national banking association organized and existing under the laws of the United States of America, as fiscal agent (the "Fiscal Agent").

RECITALS:

WHEREAS, pursuant to the Constitution and laws of the State of California, particularly Chapter 1 of Part 2 of Division 24 (commencing with Section 34200) of the Health and Safety Code of the State of California (the "Act"), the Governmental Lender is agreeing to make a mortgage loan to Sea Breeze Gardens Preservation LP, a California limited partnership (the "Borrower") in the maximum aggregate principal amount of \$7,500,000 (the "Borrower Loan") to provide for the financing of a multifamily rental housing development located at 4802-4890 Logan Avenue in the City of San Diego, California, known as "Sea Breeze Gardens" (the "Project"); and

WHEREAS, the Borrower has requested that the Governmental Lender enter into this Funding Loan Agreement under which the Funding Lender will advance funds (the "Funding Loan") to or for the account of the Governmental Lender, and the Governmental Lender will apply the proceeds of the Funding Loan to make a loan (the "Borrower Loan") to the Borrower to finance the acquisition, rehabilitation and improvement of the Project; and

WHEREAS, simultaneously with the delivery of this Funding Loan Agreement, the Governmental Lender and the Borrower will enter into a Borrower Loan Agreement dated as of [August] 1, 2025 (as it may be supplemented or amended, the "Borrower Loan Agreement"), whereby the Borrower agrees to make loan payments to the Governmental Lender in an amount which, when added to other funds available under this Funding Loan Agreement, will be sufficient to enable the Governmental Lender to repay the Funding Loan and to pay all costs and expenses related thereto when due; and

WHEREAS, to evidence its payment obligations under the Borrower Loan Agreement, the Borrower will execute and deliver to the Governmental Lender its Borrower Note, as defined in the Borrower Loan Agreement (the "Borrower Note") and the obligations of the Borrower under the Borrower Note will be secured by a lien on and security interest in the Project pursuant to a Deed of Trust With Assignment of Rents (With Acceleration Clause), dated as of [August] 1, 2025 (as it may be supplemented and amended, the "Security Instrument"), made by the Borrower in favor of the Governmental Lender, and as assigned by the Governmental Lender without recourse to the Fiscal Agent in trust for the benefit of the Funding Lender pursuant to that certain Assignment of Deed of Trust and Loan Documents of even date herewith (as it may be supplemented or amended, the "Assignment of Security Instrument"), to secure the performance by the Governmental Lender of its obligations under the Funding Loan; and

WHEREAS, the Governmental Lender has executed and delivered to the Funding Lender its Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Sea Breeze Gardens) Subordinate Series 2025A (the "Governmental Lender Note"), dated as of the Closing Date (defined below) and substantially in the form attached hereto as Exhibit A, evidencing its

obligation to make the payments due to the Funding Lender under the Funding Loan as provided in this Funding Loan Agreement; and

WHEREAS, all things necessary to make this Funding Loan Agreement, the valid, binding and legal limited obligations of the Governmental Lender, have been done and performed and the execution and delivery of this Funding Loan Agreement and the Governmental Lender Note by the Governmental Lender, subject to the terms hereof, have in all respects been duly authorized.

A G R E E M E N T:

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

ARTICLE I

DEFINITIONS; PRINCIPLES OF CONSTRUCTION

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

(a) Unless specifically defined herein, all capitalized terms shall have the meanings ascribed thereto in the Borrower Loan Agreement.

(b) The terms “herein,” “hereof” and “hereunder” and other words of similar import refer to this Funding Loan Agreement as a whole and not to any particular Article, Section or other subdivision. The terms “agree” and “agreements” contained herein are intended to include and mean “covenant” and “covenants.”

(c) All references made (i) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, and (ii) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well. Singular terms shall include the plural as well as the singular, and vice versa.

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

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

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

(g) References to the Governmental Lender Note as “tax exempt” or to the “tax exempt status” of the Governmental Lender Note or the Funding Loan are to the exclusion of interest on the Governmental Lender Note evidencing the Funding Loan (other than interest on any portion of the Funding Loan owned by a “substantial user” of the Project or a “related person” within the meaning of Section 147 of the Code) from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

(h) The following terms have the meanings set forth below:

“Act” shall mean Chapter 1 of Part 2 of Division 24 (commencing with Section 34200) of the Health and Safety Code of the State of California.

“Additional Borrower Payments” shall have the meaning given such term in the Borrower Loan Agreement.

“Administrative General Partner” shall mean Sea Breeze Gardens Preservation GP LLC, a Delaware limited liability company, the administrative general partner of the Borrower.

“Affiliate” shall mean, as to any Person, any other Person that, directly or indirectly, is in Control of, is Controlled by or is under common Control with such Person. Notwithstanding the foregoing, “Affiliate”, as used with respect to the Managing General Partner, shall not include every other partnership or company which Pacific Housing, Inc., a California nonprofit public benefit corporation (“PHI”) is the sole member or its general partner or manager member, as applicable, to the extent such entity has delegated rights and obligations to an administrative general partner or similar type partner or non-managing member, as applicable.

“Approved Transferee” means (1) a “qualified institutional buyer” (“QIB”) as defined in Rule 144A promulgated under the Securities Act of 1933, as in effect on the date hereof, that is a financial institution or commercial bank having capital and surplus of \$5,000,000,000 or more, (2) an affiliate of the Funding Lender, (3) a trust or custodial arrangement established by the Funding Lender or one of its affiliates, the beneficial interests in which will be owned only by QIBs.

“Authorized Amount” shall mean \$7,500,000, the maximum aggregate principal amount of the Governmental Lender Note authorized under this Funding Loan Agreement.

“Authorized Governmental Lender Representative” shall mean any Designated Officer of the Governmental Lender described in the Resolution and such additional Person or Persons, if any, duly designated by the Governmental Lender in writing to act on its behalf as evidenced by a written certificate furnished to the Funding Lender and the Borrower containing the specimen signature of such person and signed on behalf of the Governmental Lender by an Authorized Governmental Lender Representative. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Authorized Governmental Lender Representative.

“Borrower” shall mean Sea Breeze Gardens Preservation LP, a California limited partnership, and its permitted successors and assigns under the Borrower Loan Agreement, the Security Instrument and the Regulatory Agreement as owner of the Project.

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

“Borrower Loan Agreement” shall mean the Borrower Loan Agreement, dated as of [August] 1, 2025, between the Governmental Lender and the Borrower, as supplemented, amended or replaced from time to time in accordance with its terms.

“Borrower Loan Agreement Default” shall mean any event of default set forth in Section 8.1 of the Borrower Loan Agreement. A Borrower Loan Agreement Default shall “exist” if a Borrower Loan Agreement Default shall have occurred and be continuing beyond any applicable cure period.

“Borrower Loan Amount” shall mean the amount of \$7,500,000, the original maximum principal amount of the Borrower Note.

“Borrower Loan Documents” shall have the meaning given such term in the Borrower Loan Agreement.

“Borrower Note” shall mean the “Borrower Note” as defined in the Borrower Loan Agreement.

“Business Day” shall mean any day other than (i) a Saturday or a Sunday, (ii) a day on which federally insured depository institutions in the State of California or in New York, New York are authorized or obligated by law, regulation, governmental decree or executive order to be closed, or (iii) a California state holiday when the Governmental Lender is authorized or obligated to be closed.

“Closing Costs Fund” shall mean the fund or account of such name established pursuant to Section 7.3 hereof;

“Closing Date” shall mean [____], 2025, being the date that initial Funding Loan proceeds are disbursed hereunder, as described in Section 2.1(b).

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

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

“Control” shall mean, with respect to any Person, either (i) ownership directly or through other entities of more than 50% of all beneficial equity interest in such Person, or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities, by contract or otherwise.

“Electronic Notice” shall mean [_____].

“Equity Account” shall mean the fund or account of such name established pursuant to Section 7.3 hereof;

“Equity Investor” shall mean, collectively, Berkadia Housing Partnership XI 2022 LP, a Delaware limited partnership, and Riverside Manager, LLC, a New Jersey limited liability company, d/b/a Berkadia Affordable Manager, and their permitted successors and assigns in accordance with the terms of the Partnership Agreement (as defined in the Borrower Loan Agreement).

“Event of Default” shall have the meaning ascribed thereto in Section 9.1 hereof.

“Expense Fund” shall mean the fund or account of such name established pursuant to Section 7.3 hereof;

“Fiscal Agent’s Fees” shall mean the ongoing annual compensation and expenses of the Fiscal Agent payable annually in advance, each [August] 1, commencing on [August] 1, 2025, in an initial amount equal to \$3,500 per annum.

“First Amendment to Regulatory Agreement” shall have the meaning given to that term in the Borrower Loan Agreement.

“Fitch” shall mean Fitch, Inc.

“Funding Lender” shall mean Sterling Bank, a Missouri banking corporation, and any successor under this Funding Loan Agreement and the Borrower Loan Documents.

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

“Funding Loan Documents” shall mean (i) this Funding Loan Agreement, (ii) the Borrower Loan Agreement, (iii) the Regulatory Agreement, (iv) the Tax Certificate, (v) the Borrower Loan Documents, (vi) all other documents evidencing, securing, governing or otherwise pertaining to the Funding Loan, and (vii) all amendments, modifications, renewals and substitutions of any of the foregoing.

“Governmental Lender” shall mean the Housing Authority of the City of San Diego, and any successor under this Funding Loan Agreement and the Funding Loan Documents.

“Governmental Lender Note” shall mean the Governmental Lender Note described in the recitals of this Funding Loan Agreement.

“Highest Rating Category” shall mean, with respect to a Permitted Investment, that the Permitted Investment is rated by S&P or Moody’s in the highest rating given by that rating agency for that general category of security. By way of example, the Highest Rating Category for tax exempt municipal debt established by S&P is “A-1+” for debt with a term

of one year or less and “AAA” for a term greater than one year, with corresponding ratings by Moody’s of “MIG 1” (for fixed rate) or “VMIG 1” (for variable rate) for three months or less and “Aaa” for greater than three months. If at any time (i) both S&P and Moody’s rate a Permitted Investment and (ii) one of those ratings is below the Highest Rating Category, then such Permitted Investment will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency. For example, a Permitted Investment rated “AAA” by S&P and “Aa3” by Moody’s is rated in the Highest Rating Category. If, however, the lower rating is more than one full rating category below the Highest Rating Category of that rating agency, then the Permitted Investment will be deemed to be rated below the Highest Rating Category. For example, a Permitted Investment rated “AAA” by S&P and “A1” by Moody’s is not rated in the Highest Rating Category.

“Managing General Partner” shall mean Pach Sea Breeze Holdings, LLC, a California limited liability company, the managing general partner of the Borrower.

“Maturity Date” shall mean, with respect to the Governmental Lender Note, [December 14, 2026].

“Maximum Rate” shall mean the lesser of (i) 12% per annum and (ii) the maximum interest rate that may be paid on the Funding Loan under State law.

“Minimum Beneficial Ownership Amount” shall mean \$100,000 or the full outstanding principal amount of the Funding Loan, if such principal amount is less than \$100,000.

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

“Note Proceeds Account” shall mean the fund or account of such name established pursuant to Section 7.3 hereof;

“Noteowner” or “owner of the Governmental Lender Note” means the owner of the Governmental Lender Note as shown on the registration books maintained by the Funding Lender pursuant to Section 2.4(d).

“Opinion of Counsel” shall mean a written opinion from an attorney or firm of attorneys, acceptable to the Funding Lender and the Governmental Lender with experience in the matters to be covered in the opinion; provided that whenever an Opinion of Counsel is required to address the exclusion of interest on the Governmental Lender Note from gross income for purposes of federal income taxation, such opinion shall be provided by Tax Counsel.

“Permitted Investments” shall mean, to the extent authorized by law for investment of any moneys held under this Funding Loan Agreement:

(a) Direct obligations of the United States of America including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America (“Government Obligations”).

(b) Direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or

instrumentality of the United States of America, or direct obligations of the World Bank, which obligations are rated no lower than the then-current rating on Government Obligations.

(c) Demand deposits or time deposits with, or certificates of deposit issued by, the Fiscal Agent or its affiliates or any bank organized under the laws of the United States of America or any state or the District of Columbia which has combined capital, surplus and undivided profits of not less than \$50,000,000 and maturing in less than 365 days; provided that the Fiscal Agent or such other institution has been rated at least "VMIG-1"/"A-1+" by Moody's/S&P which deposits or certificates are fully insured by the Federal Deposit Insurance Corporation or collateralized pursuant to the requirements of the Office of the Comptroller of the Currency.

(d) Bonds (including tax-exempt bonds), bills, notes or other obligations of or secured by Fannie Mae, Freddie Mac, the Federal Home Loan Bank or the Federal Farm Credit Bank.

(e) Money market funds rated AAA by S&P which are registered with the Securities and Exchange Commission and which meet the requirements of Rule 2(a)(7) of the Investment Company Act of 1940, as amended, which may be administered by the Fiscal Agent or its affiliates.

(f) Collateralized Investment Agreements or Repurchase Agreements with financial institutions rated in the "A" category or higher without regard to qualifiers, by at least one Rating Agency. The agreement must be continually collateralized with obligations specified in paragraphs (a), (b) and/or (d) above, eligible for wire through the Federal Reserve Bank System or the DTC/PTC as applicable, and at a level of at least 103% of the amount on deposit and valued no less than daily. The collateral must be held by a third party custodian and be free and clear of all liens and claims of third parties. Securities must be valued daily, marked-to-market at current market price plus accrued interest. If the market value of the securities is found to be below the required level, the provider must restore the market value of the securities to the required level within one (1) business day. Permitted collateral must be delivered to and held in a segregated account by the Fiscal Agent or a custodian (the "Collateral Agent"), and the Collateral Agent cannot be the provider. The collateral must be delivered to the Collateral Agent before/simultaneous with payment (perfection by possession of certificated securities). Acceptable collateral must be free and clear of all liens and claims of third parties and shall be registered in the name of the Collateral Agent for the benefit of the Governmental Lender and Fiscal Agent. The agreement shall state that the Collateral Agent has a valid and perfected first priority security interest in the securities, any substituted securities and all proceeds thereof.

(g) Any other investment authorized by the laws of the State, if such investment is approved in advance in writing by the Funding Lender in its sole discretion. Permitted Investments shall not include any of the following:

(1) Except for any investment described in the next sentence, any investment or any agreement with a maturity profile greater than the date(s) on which funds representing the corpus of the investment may be

needed under the Funding Loan Documents. This exception (1) shall not apply to Permitted Investments listed in paragraph (g).

(2) Any obligation bearing interest at an inverse floating rate.

(3) Any investment which may be prepaid or called at a price less than its purchase price prior to stated maturity.

(4) Any investment the interest rate on which is variable and is established other than by reference to a single index plus a fixed spread, if any, and which interest rate moves proportionately with that index.

“Person” shall mean any individual, corporation, limited liability company, partnership, joint venture, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

“Pledged Revenues” shall mean the amounts pledged under this Funding Loan Agreement to the payment of the principal of, prepayment premium, if any, and interest on the Funding Loan and the Governmental Lender Note, consisting of the following: (i) all income, revenues, proceeds and other amounts to which the Governmental Lender is entitled (other than amounts received by the Governmental Lender with respect to the Unassigned Rights) derived from or in connection with the Project and the Funding Loan Documents, including all Borrower Loan Payments due under the Borrower Loan Agreement and the Borrower Note, payments with respect to the Borrower Loan Payments and all amounts obtained through the exercise of the remedies provided in the Funding Loan Documents and all receipts credited under the provisions of this Funding Loan Agreement against said amounts payable, and (ii) moneys held in the funds and accounts established under this Funding Loan Agreement, together with investment earnings thereon. Notwithstanding the foregoing, “Pledged Revenues” shall not include amounts payable by the Borrower to the Governmental Lender pursuant to Sections 2.5, 5.11, 5.14, 5.15, 5.35 or 10.15 of the Borrower Loan Agreement, or under Article IX of the Borrower Loan Agreement, and shall not include amounts in the Rebate Fund referenced in Section 5.35 of the Borrower Loan Agreement.

“Prepayment Premium” shall mean (i) any premium payable by the Borrower pursuant to the Borrower Loan Documents in connection with a prepayment of the Borrower Note (including any Prepayment Premium as set forth in the Borrower Note) and (ii) any premium payable on the Governmental Lender Note pursuant to this Funding Loan Agreement.

“Project” shall have the meaning given to that term in the recitals of this Funding Loan Agreement.

“Project Fund” shall mean the fund or account of such name established pursuant to Section 7.3 hereof;

“Rating Agency” shall mean any one and each of S&P, Moody’s and Fitch then rating the Permitted Investments or any other nationally recognized statistical rating agency then rating the Permitted Investments, which has been approved by the Funding Lender.

“Rebate Fund” shall mean the fund or account of such name established pursuant to Section 7.3 hereof;

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

“Regulatory Agreement” shall have the meaning given to that term in the Borrower Loan Agreement.

“Required Transferee Representations” shall mean the representations in substantially the form attached to this Funding Loan Agreement as Exhibit B.

“Resolution” shall mean Resolution No. [] of the Governmental Lender, adopted by the Board of Directors of the Governmental Lender on [], 2025, authorizing the incurrence by the Governmental Lender of the Funding Loan and the execution and delivery by the Governmental Lender of the Governmental Lender Note and the Funding Loan Documents to which the Governmental Lender is a party.

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

“Security” shall mean the security for the performance by the Governmental Lender of its obligations under the Governmental Lender Note and this Funding Loan Agreement as more fully set forth in Article IV hereof.

“Security Instrument” shall have the meaning given to that term in the recitals of this Funding Loan Agreement.

“Servicer” shall mean any Servicer appointed by the Funding Lender to perform certain servicing functions with respect to the Funding Loan and on the Borrower Loan pursuant to a separate servicing agreement to be entered into between the Funding Lender and the Servicer. Initially the Servicer shall be the Funding Lender pursuant to this Funding Loan Agreement.

“Servicing Agreement” shall mean any servicing agreement entered into between the Funding Lender and a Servicer with respect to the servicing of the Funding Loan and/or the Borrower Loan.

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

“State” shall mean the State of California.

“Tax Certificate” shall mean, collectively, (i) the Certificate as to Arbitrage, dated the Closing Date, executed and delivered by the Governmental Lender and the Borrower, and (ii) the Certificate Regarding Use of Proceeds, dated the Closing Date, executed and delivered by the Borrower, in each case as such document may be amended, modified, supplemented and replaced from time to time.

“Tax Counsel” shall mean (a) Jones Hall, A Professional Law Corporation; or (b) any other attorney or firm of attorneys designated by the Governmental Lender and

approved by the Funding Lender having a national reputation for skill in connection with the authorization and issuance of municipal obligations under Sections 103 and 141 through 150 (or any successor provisions) of the Code.

“Tax Counsel Approving Opinion” shall mean an opinion of Tax Counsel substantially to the effect that the Governmental Lender Note constitutes a valid and binding obligation of the Governmental Lender and that, under existing statutes, regulations published rulings and judicial decisions, the interest on the Governmental Lender Note is excludable from gross income for federal income tax purposes (subject to the inclusion of such customary exceptions as are acceptable to the recipient thereof).

“Tax Counsel No Adverse Effect Opinion” shall mean an opinion of Tax Counsel substantially to the effect that the taking of the action specified therein will not, in and of itself, adversely affect any exclusion of interest on the Governmental Lender Note from gross income for purposes of federal income taxation (subject to the inclusion of such customary exceptions as are acceptable to the recipient thereof).

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

“Unassigned Rights” shall mean the Governmental Lender’s rights (a) to reimbursement and payment of its fees, costs and expenses under Section 2.5 of the Borrower Loan Agreement and Section 17 of the Regulatory Agreement, (b) to access to the Project under Section 5.17 of the Borrower Loan Agreement, (c) to indemnification under Section 5.15 of the Borrower Loan Agreement and Section 7 of the Regulatory Agreement, (d) to attorneys’ fees and other fees and expenses under Sections 5.11, 5.14, 5.15 and 10.15 of the Borrower Loan Agreement and Section 17 of the Regulatory Agreement, (e) to receive notices, reports and other statements and its rights to consent to certain matters, including but not limited to its right to consent to amendments to this Funding Loan Agreement, the Borrower Loan Agreement and the Regulatory Agreement, and otherwise as provided in this Funding Loan Agreement and the Borrower Loan Agreement, (f) to seek performance by the Borrower of its obligations under the Regulatory Agreement or the Tax Certificate, (g) to seek performance of, and enforce, various tax covenants as described in Section 2.2(b)(i) of the Borrower Loan Agreement, including but not limited to those in Sections 5.34 and 5.35 of the Borrower Loan Agreement, and (h) to enforce the provisions of Section 10.22 of the Borrower Loan Agreement. For the avoidance of doubt, no rights of the Governmental Lender under the Regulatory Agreement have been assigned to the Funding Lender or any other party.

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

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

Section 1.2. Effect of Headings and Table of Contents. The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.3. Date of Funding Loan Agreement. The date of this Funding Loan Agreement is intended as and for a date for the convenient identification of this Funding Loan Agreement and is not intended to indicate that this Funding Loan Agreement was executed and delivered on said date.

Section 1.4. Designation of Time for Performance. Except as otherwise expressly provided herein, any reference in this Funding Loan Agreement to the time of day shall mean the time of day in the city where the Funding Lender maintains its place of business for the performance of its obligations under this Funding Loan Agreement.

Section 1.5. Interpretation. The parties hereto acknowledge that each of them and their respective counsel have participated in the drafting and revision of this Funding Loan Agreement. Accordingly, the parties agree that any rule of construction that disfavors the drafting party shall not apply in the interpretation of this Funding Loan Agreement or any amendment or supplement or exhibit hereto.

ARTICLE II

TERMS; GOVERNMENTAL LENDER NOTE

Section 2.1. Terms.

(a) Principal Amount. The total principal amount of the Funding Loan is hereby expressly limited to the Authorized Amount.

(b) Draw-Down Funding. The Funding Loan is originated on a draw-down basis. The proceeds of the Funding Loan shall be advanced by the Funding Lender to the Fiscal Agent, and from the Fiscal Agent to the Title Company, for disbursement to the Borrower for the account of the Governmental Lender as and when needed to make each advance in accordance with the disbursement provisions of the Borrower Loan Agreement, the Construction Funding Agreement, and the [Disbursement Agreement]. Upon each advance of principal under the Borrower Loan Agreement and the Construction Funding Agreement, a like amount of the Funding Loan shall be deemed concurrently and simultaneously advanced under this Funding Loan Agreement, including the initial advance of \$[_____]. Subject to the terms and conditions of the Borrower Loan Agreement, the Funding Lender agrees to advance, on behalf of the Governmental Lender, to the Borrower under the Borrower Loan Agreement the amount of the initial advance referenced in the preceding sentence on the Closing Date, which amount shall be deemed to have been simultaneously advanced for the account of the Governmental Lender under this Funding Loan Agreement as an advance on the Funding Loan. Notwithstanding anything in this Funding Loan Agreement to the contrary, no additional amounts of the Funding Loan may be drawn down and funded hereunder after December 31 of the third full calendar year following the Closing Date; provided, however, that upon the delivery of a Tax Counsel No Adverse Effect Opinion to the Governmental Lender and the Funding Lender such date may be changed to a later date as specified in such Tax Counsel No Adverse Effect Opinion.

The Governmental Lender agrees to take all actions requested in writing by the Funding Lender or the Borrower that are reasonably required of the Governmental Lender in connection

with the conversion of the Funding Loan to a fully drawn loan in the event the Funding Lender and the Borrower agree to convert the Funding Loan to a fully drawn loan, all at the expense of the Borrower.

(c) Origination Date; Maturity. The Funding Loan shall be originated on the Closing Date and shall mature on the Maturity Date at which time the entire principal amount of the Funding Loan, to the extent not previously paid, and all accrued and unpaid interest, shall be due and payable.

(d) Principal. The outstanding principal amount of the Governmental Lender Note and of the Funding Loan as of any given date shall be the total amount advanced by the Funding Lender to or for the account of the Governmental Lender to fund corresponding advances with respect to the Borrower Note under the Borrower Loan Agreement and the Construction Funding Agreement as proceeds of the Borrower Loan, less any payments of principal of the Governmental Lender Note previously received upon payment of corresponding principal amounts under the Borrower Note, including regularly scheduled principal payments and voluntary and mandatory prepayments. The principal amount of the Governmental Lender Note and interest thereon shall be payable on the basis specified in this paragraph (d) and in paragraphs (e) and (f) of this Section 2.1.

The Fiscal Agent shall keep a record of all principal advances and principal repayments made under the Governmental Lender Note and shall upon written request provide the Governmental Lender with a statement of the outstanding principal balance of the Governmental Lender Note and the Funding Loan.

(e) Interest. Interest shall be paid on the outstanding principal amount of the Governmental Lender Note at the rate or rates set forth in the Borrower Note and otherwise as set forth in the Borrower Loan Agreement.

(f) Corresponding Payments. The payment or prepayment of principal, interest and premium, if any, due on the Governmental Lender Note shall be identical with and shall be made on the same dates, terms and conditions, as the principal, interest, premiums, late payment fees and other amounts due on the Borrower Note. The Governmental Lender Note shall be payable from payments on the Borrower Note. Any payment or prepayment made by the Borrower of principal, interest, or premium, if any, due on the Borrower Note shall be deemed to be like payments or prepayments of principal, interest and premium, if any, due on the Governmental Lender Note.

(g) Usury. The Governmental Lender intends to conform strictly to the usury laws applicable to this Funding Loan Agreement and the Governmental Lender Note and all agreements made in the Governmental Lender Note, this Funding Loan Agreement and the Funding Loan Documents are expressly limited so that in no event whatsoever shall the amount paid or agreed to be paid as interest or the amounts paid for the use of money advanced or to be advanced hereunder exceed the highest lawful rate prescribed under any law which a court of competent jurisdiction may deem applicable hereto. If, from any circumstances whatsoever, the fulfillment of any provision of the Governmental Lender Note, this Funding Loan Agreement or the other Funding Loan Documents shall involve the payment of interest in excess of the limit prescribed by any law which a court of competent jurisdiction may deem applicable hereto, then the obligation to pay interest hereunder shall be reduced to the maximum limit prescribed by law. If from any circumstances whatsoever, the Funding Lender shall ever receive anything of value deemed interest, the amount of which would exceed the highest lawful rate, such amount as

would be excessive interest shall be deemed to have been applied, as of the date of receipt by the Funding Lender, to the reduction of the principal remaining unpaid hereunder and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance, such excess shall be refunded to the Borrower. This paragraph shall control every other provision of the Governmental Lender Note, this Funding Loan Agreement and all other Funding Loan Documents.

In determining whether the amount of interest charged and paid might otherwise exceed the limit prescribed by law, the Governmental Lender intends and agrees that (i) interest shall be computed upon the assumption that payments under the Borrower Loan Agreement and other Funding Loan Documents will be paid according to the agreed terms, and (ii) any sums of money that are taken into account in the calculation of interest, even though paid at one time, shall be spread over the actual term of the Funding Loan.

Section 2.2. Form of Governmental Lender Note. As evidence of its obligation to repay the Funding Loan, simultaneously with the delivery of this Funding Loan Agreement to the Funding Lender, the Governmental Lender hereby agrees to execute and deliver the Governmental Lender Note. The Governmental Lender Note shall be substantially in the form set forth in Exhibit A attached hereto, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Funding Loan Agreement.

Section 2.3. Execution and Delivery of Governmental Lender Note. The Governmental Lender Note shall be executed on behalf of the Governmental Lender by the manual or facsimile signature of an Authorized Governmental Lender Representative and authenticated by the manual signature of an authorized signatory of the Fiscal Agent. The manual or facsimile signature of any individual who was at the time of his or her execution of the Governmental Lender Note a proper officer of the Governmental Lender shall bind the Governmental Lender, notwithstanding that such individual shall have ceased to hold such office after his or her execution and delivery of the Governmental Lender Note.

Section 2.4. Required Transferee Representations; Sale and Assignment.

(a) The Funding Lender shall deliver to the Governmental Lender the Required Transferee Representations in substantially the form attached hereto as Exhibit B on the Closing Date.

(b) The Funding Lender shall have the right to sell (i) the Governmental Lender Note and the Funding Loan in whole or (ii) any portion of the Governmental Lender Note and the Funding Loan, to the extent permitted by Section 2.4(c) below, provided that such sale shall be only to purchasers that are Approved Transferees and that execute and deliver to the Funding Lender, with a copy to the Governmental Lender and the Fiscal Agent, the Required Transferee Representations.

(c) Notwithstanding the other provisions of this Section 2.4, no beneficial ownership interest in the Governmental Lender Note and the Funding Loan shall be sold in an amount that is less than the Minimum Beneficial Ownership Amount. Furthermore, no transfer of the Governmental Lender Note and the Funding Loan in whole, or any portion of the Governmental Lender Note and the Funding Loan, shall be permitted if such transfer would result in there being more than five (5) holders of the Governmental Lender Note and Funding Loan.

(d) No service charge shall be made for any sale or assignment of all or any portion of the Governmental Lender Note and the Funding Loan, but in each case the Governmental Lender may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any such sale or assignment. Such sums shall be paid in every instance by the applicable purchaser or assignee of the Governmental Lender Note and the Funding Loan or portion thereof. The Governmental Lender Note shall be in fully-registered form transferable to subsequent holders only on the registration books that shall be maintained by the Fiscal Agent for such purpose and that shall be open to inspection by the Governmental Lender and the Funding Lender upon reasonable prior notice. The Governmental Lender Note shall not be transferred through the services of the Depository Trust Company or any other third party registrar.

(e) The Funding Lender and the Governmental Lender agree that no rating shall be sought from a rating agency with respect to the Funding Loan or the Governmental Lender Note.

ARTICLE III

PREPAYMENT

Section 3.1. Prepayment of the Governmental Lender Note From Prepayment under the Borrower Note. The Governmental Lender Note is subject to voluntary and mandatory prepayment as follows:

(a) The Governmental Lender Note shall be subject to voluntary prepayment in full or in part by the Governmental Lender, from funds of the Governmental Lender received by the Governmental Lender to the extent and in the manner and on any date that the Borrower Note is subject to voluntary prepayment as set forth therein, at a prepayment price equal to the principal balance of the Borrower Note to be prepaid, plus interest thereon to the date of prepayment and the amount of any Prepayment Premium payable under the Borrower Note, plus any Additional Borrower Payments due and payable under the Borrower Loan Agreement through the date of prepayment.

The Borrower shall not have the right to voluntarily prepay all or any portion of the Borrower Note, thereby causing the Governmental Lender Note to be prepaid, except as specifically permitted in the Borrower Note, without the prior written consent of Funding Lender, which may be withheld in Funding Lender's sole and absolute discretion.

(b) The Governmental Lender Note shall be subject to mandatory prepayment in whole or in part upon prepayment of the Borrower Note at the direction of the Funding Lender in accordance with the terms of the Borrower Note, at a prepayment price equal to the outstanding principal balance of the Borrower Note prepaid, plus accrued interest plus any other amounts payable under the Borrower Note or the Borrower Loan Agreement.

Section 3.2. Notice of Prepayment. Notice of prepayment of the Governmental Lender Note shall be deemed given to the extent that notice of prepayment of the Borrower Note is timely and properly given to Funding Lender in accordance with the terms of the Borrower Note and the Borrower Loan Agreement, and no separate notice of prepayment of the Governmental Lender Note is required to be given.

ARTICLE IV

SECURITY

Section 4.1. Security for the Funding Loan. To secure the payment of the Funding Loan and the Governmental Lender Note, to declare the terms and conditions on which the Funding Loan and the Governmental Lender Note are secured, and in consideration of the terms and provisions of this Funding Loan Agreement and of the funding of the Funding Loan by the Funding Lender, the Governmental Lender does hereby grant, bargain, sell, remise, release, convey, assign, transfer, mortgage, hypothecate, pledge, set over and confirm to the Funding Lender (except as limited herein), a lien on and security interest in the following described property (excepting, however, in each case, the Unassigned Rights and amounts excluded from the definition of Pledged Revenues) (said property, rights and privileges being herein collectively called, the "Security"):

(a) All right, title and interest of the Governmental Lender in, to and under the Borrower Loan Agreement and the Borrower Note, including, without limitation, all rents, revenues and receipts derived by the Governmental Lender from the Borrower relating to the Project and including, without limitation, all Pledged Revenues, Borrower Loan Payments and Additional Borrower Payments derived by the Governmental Lender under and pursuant to, and subject to the provisions of, the Borrower Loan Agreement; provided that the pledge and assignment made under this Funding Loan Agreement shall not impair or diminish the obligations of the Governmental Lender under the provisions of the Borrower Loan Agreement;

(b) All right, title and interest of the Governmental Lender in, to and under, together with all rights, remedies, privileges and options pertaining to, the Funding Loan Documents, and all other payments, revenues and receipts derived by the Governmental Lender under and pursuant to, and subject to the provisions of, the Funding Loan Documents;

(c) Any and all moneys and investments from time to time on deposit in, or forming a part of, all funds and accounts created and held under this Funding Loan Agreement subject to the provisions of this Funding Loan Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein; and

(d) Any and all other real or personal property of every kind and nature or description, which may from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien of this Funding Loan Agreement as additional security by the Governmental Lender or anyone on its part or with its consent, or which pursuant to any of the provisions hereof or of the Borrower Loan Agreement may come into the possession or control of the Fiscal Agent or the Funding Lender or a receiver appointed pursuant to this Funding Loan Agreement; and the Fiscal Agent or the Funding Lender is hereby authorized to receive any and all such property as and for additional security for the Funding Loan and the Governmental Lender Note and to hold and apply all such property subject to the terms hereof.

The pledge and assignment of and the security interest granted in the Security pursuant to this Section 4.1 for the payment of the principal of, premium, if any, and interest on the Governmental Lender Note, in accordance with its terms and provisions, and for the payment of all other amounts due hereunder, shall attach and be valid and binding from and after the time of the delivery of the Governmental Lender Note by the Governmental Lender. The Security so pledged and then or thereafter received by the Fiscal Agent or the Funding Lender shall immediately be subject to the lien of such pledge and security interest without any physical

delivery or recording thereof or further act, and the lien of such pledge and security interest shall be valid and binding and prior to the claims of any and all parties having claims of any kind in tort, contract or otherwise against the Governmental Lender irrespective of whether such parties have notice thereof.

Section 4.2. Delivery of Security. To provide security for the payment of the Funding Loan and the Governmental Lender Note, the Governmental Lender has pledged and assigned to secure payment of the Funding Loan and the Governmental Lender Note its right, title and interest in the Security to the Funding Lender. In connection with such pledge, assignment, transfer and conveyance, there shall be delivered to the Funding Lender, by or at the direction of the Borrower, the following documents or instruments promptly following their execution and, to the extent applicable, their recording or filing:

(a) The Borrower Note endorsed without recourse to the Funding Lender by the Governmental Lender;

(b) The originally executed Borrower Loan Agreement and First Amendment to Regulatory Agreement;

(c) The originally executed Security Instrument, Assignment of Security Instrument, and all other Borrower Loan Documents existing at the time of delivery of the Borrower Note;

(d) Uniform Commercial Code financing statements or other chattel security documents giving notice of the Funding Lender's status as an assignee of the Governmental Lender's security interest in any personal property forming part of the Project, in a form provided by the Funding Lender; and

(e) Uniform Commercial Code financing statements, in forms provided by the Funding Lender, giving notice of the pledge by the Governmental Lender of the Security pledged under this Funding Loan Agreement.

The Governmental Lender shall deliver and deposit with the Funding Lender such additional documents, financing statements, and instruments as the Funding Lender may reasonably request in writing from time to time for the better perfecting and assuring to the Funding Lender of its lien and security interest in and to the Security in each case at the expense of the Borrower.

ARTICLE V

LIMITED LIABILITY

Section 5.1. Source of Payment of Funding Loan and Other Obligations. Pursuant to the Act, the Funding Loan and the Governmental Lender Note are limited obligations of the Governmental Lender, payable solely from the Pledged Revenues and other funds and the Security pledged and assigned hereunder notwithstanding the provisions of any other law or statute. None of the Governmental Lender, the City of San Diego, the County of San Diego, the State or any political subdivision thereof, or any other public entity (except the Governmental Lender, to the limited extent set forth herein), shall in any event be liable for the payment of the principal of, premium (if any) or interest on the Funding Loan or the Governmental Lender 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 Lender

Note or any of the Governmental Lender's agreements or obligations with respect to the Funding Loan, the Governmental Lender 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.

(a) The Funding Loan and the Governmental Lender Note, together with the interest and premium, if any, thereon and the purchase price thereof, shall not be deemed to constitute a debt or liability of the Governmental Lender, the State or of any public agency or a pledge of the faith and credit of the Governmental Lender, the State or any political subdivision or public agency thereof, but shall be payable solely from the funds provided therefor pursuant to this Funding Loan Agreement. The Funding Loan and the Governmental Lender Note are only limited obligations of the Governmental Lender as provided by the Act, and neither the Governmental Lender nor any public agency shall under any circumstances be obligated to pay the Funding Loan or the Governmental Lender Note except from the Security.

(b) Neither the faith and credit nor the taxing power of the State, any public agency or any political subdivision of the State is pledged to the payment of the principal of, premium, if any, purchase price of or interest on the Funding Loan or the Governmental Lender Note, nor is the State, any public agency or any political subdivision of the State, in any manner obligated to make any appropriation for such payment.

(c) No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Funding Loan or the Governmental Lender Note or for any claim based thereon or upon any obligation, covenant or agreement in this Funding Loan Agreement contained (except from the Security), against the Governmental Lender, any past, present or future member of its governing body, its officers, attorneys, accountants, financial advisors, agents or staff, or the officers, attorneys, accountants, financial advisors, agents or staff of any successor public entity, as such, either directly or through the Governmental Lender or any successor public entity, under any rule of law or penalty or otherwise, and all such liability of the Governmental Lender, any member of its governing body and its officers, attorneys, accountants, financial advisors, agents and staff is hereby expressly waived and released as a condition of, and in consideration for, the execution of this Funding Loan Agreement.

(d) The Governmental Lender shall not be liable for payment of the principal of, redemption price or interest on the Governmental Lender Note or any other costs, expenses, losses, damages, claims or actions of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Funding Loan Agreement, the Governmental Lender Note or any other documents, except only to the extent amounts are received for the payment thereof from the Borrower under the Borrower Loan Agreement

Section 5.2. Exempt From Individual Liability. No covenant, condition or agreement contained herein shall be deemed to be a covenant, agreement or obligation of any present or future member of the Board of Directors, officer, director, employee or agent of the Governmental Lender in his individual capacity, and none of the members of the Board of Directors, the officers, directors, employees or agents of the Governmental Lender executing the Governmental Lender Note or this Funding Loan Agreement shall be liable personally on the Governmental Lender Note or under this Funding Loan Agreement or be subject to any personal liability or accountability by reason of the issuance of the Governmental Lender Note or the execution of this Funding Loan Agreement.

ARTICLE VI

CLOSING CONDITIONS; APPLICATION OF FUNDS

Section 6.1. Conditions Precedent to Closing. Closing of the Funding Loan on the Closing Date shall be conditioned upon satisfaction or waiver by the Funding Lender in its sole discretion of each of the conditions precedent to closing set forth in this Funding Loan Agreement (other than the requirements in clause (g) as applicable to deliverables to the Governmental Lender, or the requirements in clauses (e) and (i) below, each of which may only be waived by the Governmental Lender), including but not limited to the following:

- (a) Receipt by the Funding Lender of the original Governmental Lender Note;
- (b) Receipt by the Funding Lender of the original executed Borrower Note, endorsed without recourse to the Funding Lender by the Governmental Lender;
- (c) Receipt by the Funding Lender of executed counterpart copies of this Funding Loan Agreement, the Borrower Loan Agreement, the Construction Funding Agreement, the First Amendment to Regulatory Agreement, the Tax Certificate and the Security Instrument;
- (d) A certified copy of the Resolution;
- (e) An Executed Required Transferee Representations from the Funding Lender;
- (f) Delivery into escrow or to the Fiscal Agent, as appropriate, of all amounts required to be paid in connection with the origination of the Borrower Loan and the Funding Loan and any underlying real estate transfers or transactions, including the Costs of Funding Deposit (as defined in the Borrower Loan Agreement), as described and in accordance with Section 2.3(c)(ii) of the Borrower Loan Agreement;
- (g) Receipt by the Funding Lender and the Governmental Lender of a Tax Counsel Approving Opinion;
- (h) [Reserved];
- (i) Delivery of an opinion of counsel to the Borrower addressed to the Governmental Lender and the Funding Lender to the effect that the Borrower Loan Documents and the Regulatory Agreement are valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their terms, subject to such exceptions and qualifications as are acceptable to the Governmental Lender and the Funding Lender; and
- (j) Receipt by the Funding Lender and the Governmental Lender of any other documents or opinions that the Funding Lender, the Governmental Lender or Tax Counsel may require in connection with the closing.

ARTICLE VII

FUNDS AND ACCOUNTS

Section 7.1. Authorization to Create Funds and Accounts. No funds or accounts shall be established in connection with the Funding Loan at the time of closing and origination of the

Funding Loan. The Funding Lender, Fiscal Agent, and the Servicer, if any, and any designee of the Funding Lender or the Servicer, are authorized to establish and create from time to time such other funds and accounts or subaccounts as may be necessary for the deposit of moneys (including, without limitation, insurance proceeds and/or condemnation awards), if any, received by the Governmental Lender, the Funding Lender, the Fiscal Agent, or the Servicer pursuant to the terms hereof or any of the other Funding Loan Documents and not immediately transferred or disbursed pursuant to the terms of the Funding Loan Documents and/or the Borrower Loan Documents.

Section 7.2. Investment of Funds. Amounts held in any funds or accounts created under this Funding Loan Agreement shall be invested by the Funding Lender, the Servicer or the designee of the Funding Lender or Servicer, as applicable, in Permitted Investments at the written direction of the Borrower, subject in all cases to the restrictions of Section 8.7 hereof and of the Tax Certificate. Any investment income earned on amounts on deposit in each such fund or account shall be retained in and credited to and become a part of the amounts on deposit in that fund or account.

The Fiscal Agent may make any and all investments permitted under this Funding Loan Agreement through its own trust or banking department or any affiliate and may pay said department reasonable, customary fees for placing such investments. The Fiscal Agent and its affiliates may act as principal, agent, sponsor, advisor or depository with respect to Permitted Investments under this Funding Loan Agreement. The Fiscal Agent shall not be liable for any losses from investments made by the Fiscal Agent in accordance with this Funding Loan Agreement.

The Governmental Lender, the Funding Lender and the Borrower (by its execution of the Borrower Loan Agreement) acknowledge that to the extent regulations of the Office of the Comptroller of the Currency or other applicable regulatory entity grant the Governmental Lender or the Funding Lender the right to receive brokerage confirmations of security transactions as they occur, the Governmental Lender and the Funding Lender will not receive such confirmations to the extent permitted by law. The Fiscal Agent shall furnish the Borrower, the Funding Lender and the Governmental Lender (to the extent requested by such parties) periodic cash transaction statements which shall include detail for all investment transactions, if any, made by the Fiscal Agent hereunder.

Section 7.3. Establishment of Funds. There are established with the Fiscal Agent the following funds and accounts:

- (a) The Funding Loan Payment Fund;
- (b) The Project Fund (and within such fund, the Note Proceeds Account, and the Equity Account);
- (c) The Closing Costs Fund;
- (d) The Expense Fund; and
- (e) The Rebate Fund, when needed.

All money required to be deposited with or paid to the Fiscal Agent for the account of any of the funds or accounts created by this Funding Loan Agreement shall be held by the Fiscal

Agent in trust for the benefit of the Funding Lender, and except for money held in the Expense Fund or the Rebate Fund, shall, while held by the Fiscal Agent, constitute part of the Pledged Revenues and be subject to the lien hereof.

Section 7.4. Funding Loan Payment Fund. The Governmental Lender and the Borrower shall have no interest in the Funding Loan Payment Fund or the moneys therein, which shall always be maintained by the Fiscal Agent completely separate and segregated from all other moneys held hereunder and from any other moneys of the Governmental Lender and the Borrower.

The Fiscal Agent shall deposit into the Funding Loan Payment Fund any amounts received from the Borrower as payments of principal of, or interest or premium (if any) on, the Borrower Loan and any other amounts received by the Fiscal Agent that are subject to the lien and pledge of this Funding Loan Agreement, including any Pledged Revenues not required to be deposited to the Expense Fund or not otherwise specifically directed in writing to be deposited into other funds created by this Funding Loan Agreement.

The Fiscal Agent shall apply all amounts on deposit in the Funding Loan Payment Fund in the following order of priority:

First, to pay or provide for the payment of the interest then due on the Funding Loan to the Funding Lender;

Second, to pay or provide for the payment or the prepayment of principal on the Funding Loan, provided moneys have been transferred or deposited into the Funding Loan Payment Fund for such purpose; and

Third, to pay or provide for the payment of the Governmental Lender Note on the Maturity Date.

Section 7.5. Expense Fund. The Fiscal Agent shall deposit into the Expense Fund the amounts required by the Regulatory Agreement or the Borrower Loan Agreement to be paid by the Borrower to the Governmental Lender or the Fiscal Agent. Amounts on deposit in the Expense Fund shall be used to pay the fees and expenses of the Governmental Lender and the Fiscal Agent, as and when the same become due. In that regard, moneys in the Expense Fund shall be withdrawn or maintained, as appropriate, by the Fiscal Agent to pay (i) the Authority Fee with respect to the Governmental Lender Note to the Government Lender as and when due, (ii) the Fiscal Agent amounts due pursuant to the definition of "Fiscal Agent's Fees" herein, (iii) upon receipt, to the Fiscal Agent, any amounts due to the Fiscal Agent that have not been paid, other than amounts paid in accordance with clause (ii) hereof, and (iv) upon receipt, to, or at the direction of, the Governmental Lender, any amounts owing the Governmental Lender by the Borrower and then due and unpaid, other than amounts paid in accordance with clause (i) hereof.

In the event that the amounts on deposit in the Expense Fund are not equal to the amounts payable from the Expense Fund as provided in the preceding paragraph on any date on which such amounts are due and payable, the Fiscal Agent shall give notice to the Borrower of such deficiency and of the amount of such deficiency and request payment within two Business Days to the Fiscal Agent of the amount of such deficiency.

Written notice of any insufficiency, which results in the Governmental Lender not receiving the Authority Fee on the applicable due date, shall be provided by the Fiscal Agent to the

Governmental Lender (with a copy to the Borrower and the Funding Lender) within 10 days of the respective due date.

Upon payment by the Borrower of such deficiency, the amounts for which such deficiency was requested shall be paid by the Fiscal Agent.

Notwithstanding anything herein to the contrary, the Fiscal Agent, on behalf of the Governmental Lender, shall prepare and submit a written invoice to the Borrower for payment of the Authority Fee not later than thirty (30) days prior to the due date for payment of such Authority Fee, and shall remit moneys received by the Borrower to the Governmental Lender for payment of such fee.

Section 7.6. Closing Costs Fund. On the Closing Date, the Borrower shall deposit or cause to be deposited with the Fiscal Agent, for deposit in the Closing Costs Fund, the amount of \$[0.00]. Amounts in the Closing Costs Fund shall be disbursed by the Fiscal Agent to pay Closing Costs on the Closing Date or as soon as practicable thereafter as follows: moneys on deposit in the Closing Costs Fund shall be applied to pay Closing Costs at the written direction of the Authorized Borrower Representative, countersigned by the Funding Lender. Any interest earnings on amounts on deposit in the Closing Costs Fund shall remain in the Closing Costs Fund. Any moneys remaining in the Closing Costs Fund (including investment proceeds) after the earlier of (i) the payment of all costs of issuance as certified in writing to the Fiscal Agent by the Borrower or (ii) a period of six (6) months after the Closing Date, shall be paid to or at the direction of the Borrower and the Closing Costs Fund shall be closed.

Section 7.7. Project Fund.

(a) All proceeds of the Funding Loan provided by the Funding Lender shall be deposited to the Note Proceeds Account of the Project Fund and disbursed as herein provided. Additional amounts provided by or on behalf of the Borrower to the Fiscal Agent for the payment of costs of the Project shall be deposited by the Fiscal Agent to the Equity Account of the Project Fund. The Fiscal Agent shall use moneys in the Project Fund for the acquisition, rehabilitation and development of the Project, to pay other Qualified Project Costs (as defined in the Borrower Loan Agreement) and to pay other costs related to the Project as provided herein.

Not less than 95% of the moneys deposited in and credited to the Note Proceeds Account of the Project Fund, and taking into account proceeds of the Funding Loan (if any) deposited in the Closing Costs Fund, representing the proceeds of the Funding Loan, including investment income thereon, will be expended for Qualified Project Costs (the "95% Requirement"). The amounts on deposit in the Note Proceeds Account of the Project Fund shall not be applied to the payment of Closing Costs.

Before any payment shall be made from the Project Fund, the First Amendment to Regulatory Agreement shall have been executed and submitted to a title company for recordation in the official records of the County of San Diego and there shall be filed with the Fiscal Agent a Written Requisition of the Borrower substantially in the form attached hereto as EXHIBIT C and approved by the Funding Lender pursuant to the terms, conditions and provisions of the Borrower Loan Agreement, with a copy to the Governmental Lender. The Fiscal Agent shall be entitled to conclusively rely upon any Written Requisition in determining whether to disburse amounts from the Project Fund.

In connection with a Written Requisition:

(i) Only the signature of an authorized officer of the Funding Lender shall be required on a Written Requisition during any period in which a Borrower Loan Agreement Default has occurred and is then continuing (Written Notice of which Borrower Loan Agreement Default has been given by an authorized officer of the Funding Lender to the Fiscal Agent and the Governmental Lender, and the Fiscal Agent shall be entitled to conclusively rely on any such Written Notice as to the occurrence and continuation of such Borrower Loan Agreement Default).

(ii) The Fiscal Agent shall disburse amounts in the Project Fund upon receipt of a Written Requisition signed only by the Funding Lender (and without any need for any signature by an Authorized Borrower Representative (as defined in the Borrower Loan Agreement)), so long as the amount to be disbursed is to be used solely to make payments of principal, interest and/or fees due under the Funding Loan Documents.

(iii) The Fiscal Agent may conclusively rely on all Written Requisitions, the execution of the Written Requisitions by the Authorized Borrower Representative and the approval of all Written Requisitions by the Funding Lender, as required by this Section, as conditions of payment from the Project Fund, which Written Requisitions constitute, as to the Fiscal Agent, irrevocable determinations that all conditions to payment of the specified amounts from the Project Fund have been satisfied. These documents shall be retained by the Fiscal Agent, subject at all reasonable times to examination by the Borrower, the Governmental Lender, the Funding Lender and the agents and representatives thereof upon reasonable notice to the Fiscal Agent. The Fiscal Agent is not required to inspect the Project or the construction work or to make any independent investigation with respect to the matters set forth in any Written Requisition or other statements, orders, certifications and approvals received by the Fiscal Agent. The Fiscal Agent is not required to obtain completion bonds, lien releases or otherwise supervise the acquisition, construction, development, equipping, improvement and installation of the Project.

(b) Upon receipt of each Written Requisition submitted by the Borrower and approved in writing by the Funding Lender, the Fiscal Agent shall promptly, but in any case within one (1) Business Day, make payment from the appropriate account within the Project Fund in accordance with such Written Requisition, subject to the requirements of the following paragraph. The Fiscal Agent shall have no duty to determine whether any requested disbursement from the Project Fund complies with the terms, conditions and provisions of the Funding Loan Documents, constitutes payment of Qualified Project Costs or complies with the 95% Requirement. The approval in writing of a Written Requisition by the Funding Lender shall be deemed a certification and, insofar as the Fiscal Agent and the Governmental Lender are concerned, shall constitute conclusive evidence that all of the terms, conditions and requirements of the Funding Loan Documents applicable to such disbursement have been fully satisfied or waived and the Written Requisition from the Borrower shall, insofar as the Fiscal Agent and the Governmental Lender are concerned, constitute conclusive evidence that the costs described in the Written Requisition constitute Qualified Project Costs or other permitted Project costs.

The Fiscal Agent shall provide Written Notice to the Borrower, the Funding Lender and the Governmental Lender if there are not sufficient funds available to or on deposit with the Fiscal Agent to make the transfers as and when required by this Section 7.7(b). Except as provided in the next sentence, all such payments shall be made by check or draft payable, or by wire transfer, either (i) directly to the Disbursing Agent for disbursement to another person, firm or corporation to be paid (which payee may be the Borrower), or (ii) if the payee is a person, firm or corporation

other than the Borrower, to the Borrower and such person, firm or corporation, or (iii) upon receipt by the Funding Lender and the Governmental Lender of evidence that the Borrower has previously paid such amount and Written Direction to the Fiscal Agent as to such, as evidenced by the Funding Lender's approval of the Written Requisition, directly to the Borrower. Upon the occurrence of an Event of Default of the Borrower of which the Fiscal Agent has knowledge as provided herein, which is continuing under the Funding Loan Documents, with the Written Consent of the Funding Lender, the Fiscal Agent may apply amounts on deposit in the Project Fund to the payment of principal of and interest on the Funding Loan. Upon final disbursement of all amounts on deposit in the Project Fund, the Fiscal Agent shall close the Project Fund.

(c) Amounts on deposit in the Equity Account of the Project Fund shall be disbursed from time to time by the Fiscal Agent to pay designated amounts as set forth in and upon receipt of a Written Requisition of the Borrower substantially in the form attached hereto as EXHIBIT C signed by an Authorized Borrower Representative and the Funding Lender.

(d) Immediately prior to any mandatory prepayment of the Funding Loan pursuant to hereto, any amounts then remaining in the Project Fund shall, at the written direction of the Funding Lender, be transferred to the Funding Loan Payment Fund to be applied to the prepayment of the Funding Loan pursuant hereto.

(e) Amounts on deposit in the Project Fund shall be invested in Permitted Investments directed in writing by the Borrower. Investment income earned on amounts on deposit in each account of the Project Fund shall be retained in and credited to and become a part of the amounts on deposit in that account of the Project Fund.

Section 7.8. Rebate Fund.

(a) The Fiscal Agent shall deposit or transfer to the credit of the Rebate Fund each amount delivered to the Fiscal Agent by the Borrower for deposit thereto and each amount directed by the Borrower to be transferred thereto.

(b) Within fifteen (15) days after each receipt or transfer of funds to the Rebate Fund, the Fiscal Agent shall withdraw from the Rebate Fund and pay to the United States of America the entire balance of the Rebate Fund.

(c) All payments to the United States of America pursuant to this Section shall be made by the Fiscal Agent for the account and in the name of the Governmental Lender and shall be paid through the United States mail (return receipt requested or overnight delivery), addressed to the appropriate Internal Revenue Service Center and accompanied by the appropriate Internal Revenue Service forms (such forms to be provided to the Fiscal Agent by the Borrower or the Rebate Analyst).

(d) The Fiscal Agent shall preserve all statements, forms and explanations received from the Borrower and delivered to the Fiscal Agent and all records of transactions in the Rebate Fund until six (6) years after the retirement in full of the Governmental Lender Note.

(e) The Fiscal Agent may conclusively rely on the instructions of the Borrower (based upon the report of the Rebate Analyst) with regard to any actions to be taken by it pursuant to this Section and shall have no liability (absent its own negligence or willful misconduct) for any consequences of any failure of the Borrower or the Rebate Analyst to perform its duties or obligations or to supply accurate or sufficient instructions. Except as specifically provided in

Subsection (b) above, the Fiscal Agent shall have no duty or responsibility with respect to the Rebate Fund or the Borrower's duties and responsibilities with respect thereto except to follow the Borrower's specific written instruction related thereto.

(f) If at any time during the term of this Funding Loan Agreement the Governmental Lender, the Fiscal Agent or the Borrower desires to take any action which would otherwise be prohibited by the terms of this Section, such person shall be permitted to take such action if it shall first obtain and provide to the other persons named herein, a Tax Counsel No Adverse Effect Opinion and an opinion of Tax Counsel that such action shall be in compliance with the laws of the State and the terms of this Funding Loan Agreement.

(g) Moneys and securities held by the Fiscal Agent in the Rebate Fund shall not be deemed funds of the Governmental Lender and are not pledged or otherwise subject to any security interest in favor of the owners to secure the Governmental Lender Note or any other obligations.

(h) Moneys in the Rebate Fund may be separately invested and reinvested by the Fiscal Agent, at the request of and as directed in writing by the Borrower, in Permitted Investments, subject to the Code. The Fiscal Agent shall sell and reduce to cash a sufficient amount of such Permitted Investments, as directed in writing by the Borrower, whenever the cash balance in the Rebate Fund is insufficient for its purposes.

(i) Notwithstanding anything to the contrary in this Funding Loan Agreement, no payment shall be made by the Fiscal Agent to the United States of America if the Borrower shall furnish to the Governmental Lender and the Fiscal Agent, an opinion of Tax Counsel to the effect that such payment is not required under Sections 148(d) and (f) of the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Governmental Lender Note. In such event the Borrower shall be entitled to withdraw funds from the Rebate Fund to the extent the Borrower shall provide a Tax Counsel No Adverse Effect Opinion to the Governmental Lender and the Fiscal Agent with respect to such withdrawal.

(j) The Fiscal Agent shall keep and make available to the Governmental Lender and the Borrower records concerning the investments of all funds held by the Fiscal Agent pursuant to the Funding Loan Agreement including date bought and sold, price and commission paid, and bids taken, if any, and shall keep all such records until six years after the date on which no Governmental Lender Note is outstanding in order to enable the Borrower to make the computations required under Section 148(f) of the Code.

(k) Notwithstanding the foregoing, the computations and payments of rebate amounts referred to in this Section 7.8 need not be made to the extent that neither the Governmental Lender nor the Borrower will thereby fail to comply with any requirements of Section 148(f) of the Code based on a Tax Counsel No Adverse Effect Opinion, a copy of which shall be provided to the Fiscal Agent.

ARTICLE VIII

REPRESENTATIONS AND COVENANTS

Section 8.1. General Representations. The Governmental Lender makes the following representations as the basis for the undertakings on its part herein contained:

(a) The Governmental Lender is a public body, corporate and politic, duly organized and existing under the laws of the State, and has the power and authority to (i) enter into the Funding Loan Documents to which it is a party and undertake the transactions on its part contemplated thereby, (ii) incur the limited obligation represented by the Governmental Lender Note and the Funding Loan, and apply the proceeds of the Funding Loan to finance the Project, and (iii) carry out its other obligations under this Funding Loan Agreement and the Governmental Lender Note, and by proper action the Governmental Lender has duly authorized the Governmental Lender's execution and delivery of, and its performance under, the Funding Loan Documents to which it is a party.

(b) The Governmental Lender is not in default under or in violation of, and the execution and delivery of the Funding Loan Documents to which it is a party and its compliance with the terms and conditions thereof will not conflict or constitute a default under or a violation of, (i) the Act, (ii) to its knowledge, any other existing laws, rules, regulations, judgments, decrees and orders applicable to it, or (iii) to its knowledge, the provisions of any agreements and instruments to which the Governmental Lender is a party, a default under or violation of which would prevent it from entering into this Funding Loan Agreement, executing and delivering the Governmental Lender Note, financing the Project, executing and delivering the other Funding Loan Documents to which it is a party or consummating the transactions contemplated thereby, and, to its knowledge, no event has occurred and is continuing under the provisions of any such agreement or instrument or otherwise that with the lapse of time or the giving of notice, or both, would constitute such a default or violation (it being understood, however, that the Governmental Lender is making no representations as to the necessity of registering the Governmental Lender Note or the Borrower Note pursuant to any securities laws or complying with any other requirements of securities laws).

(c) To the best knowledge of the Governmental Lender, no litigation, inquiry or investigation of any kind in or by any judicial or administrative court or agency is pending with respect to which the Governmental Lender has been served with process or is threatened against the Governmental Lender with respect to (i) the organization and existence of the Governmental Lender, (ii) its authority to execute or deliver the Funding Loan Documents to which it is a party, (iii) the validity or enforceability of any such Funding Loan Documents or the transactions contemplated thereby, (iv) the title of any officer of the Governmental Lender who executed such Funding Loan Documents or (v) any authority or proceedings relating to the execution and delivery of such Funding Loan Documents to which it is a party on behalf of the Governmental Lender, and no such authority or proceedings have been repealed, revoked, rescinded or amended or are not in full force and effect.

(d) The revenues and receipts to be derived from the Borrower Loan Agreement, the Borrower Note and this Funding Loan Agreement have not been pledged previously by the Governmental Lender to secure any of its notes or bonds other than the Funding Loan as evidenced by the Governmental Lender Note.

(e) The California Debt Limit Allocation Committee has provided an allocation of the State's [2025] private activity bond volume cap under Section 146 of the Code to the Governmental Lender for the Governmental Lender Note and the Governmental Lender has timely made any required carry forward elections with respect to such allocation. The Governmental Lender hereby elects to apply the alternative option under clause (2) of the first paragraph of Section 3.01 of IRS Notice 2011-63 with respect to the issue date of the Governmental Lender Note; and, in connection therewith, has directed Tax Counsel to include

the information on Form 8038 filed for the Governmental Lender Note that is required by section 3.03 of said Notice.

THE GOVERNMENTAL LENDER MAKES NO REPRESENTATION, COVENANT OR AGREEMENT AS TO THE FINANCIAL POSITION OR BUSINESS CONDITION OF THE BORROWER OR THE PROJECT AND DOES NOT REPRESENT OR WARRANT AS TO ANY STATEMENTS, MATERIALS, REPRESENTATIONS OR CERTIFICATIONS FURNISHED BY THE BORROWER IN CONNECTION WITH THE FUNDING LOAN OR THE BORROWER LOAN, OR AS TO THE CORRECTNESS, COMPLETENESS OR ACCURACY THEREOF.

Section 8.2. No Encumbrance on Security. The Governmental Lender will not knowingly create or knowingly permit the creation of any mortgage, pledge, lien, charge or encumbrance of any kind on the Security or any part thereof prior to or on a parity with the lien of this Funding Loan Agreement, except as expressly permitted or contemplated by the Funding Loan Documents.

Section 8.3. Repayment of Funding Loan. Subject to the provisions of Articles III and V hereof, the Governmental Lender will duly and punctually repay, or cause to be repaid, the Funding Loan, as evidenced by the Governmental Lender Note, as and when the same shall become due, all in accordance with the terms of the Governmental Lender Note and this Funding Loan Agreement.

Section 8.4. Servicer. The Funding Lender may appoint a Servicer to service and administer the Funding Loan and/or the Borrower Loan on behalf of the Funding Lender, including without limitation the fulfillment of rights and responsibilities granted by Governmental Lender to Funding Lender pursuant to Section 2.1 of the Borrower Loan Agreement.

Section 8.5. Borrower Loan Agreement Performance.

(a) The Funding Lender and the Servicer, if any, on behalf of the Governmental Lender, may (but shall not be required or obligated) perform and observe any agreement or covenant of the Governmental Lender under the Borrower Loan Agreement, all to the end that the Governmental Lender's rights under the Borrower Loan Agreement may be unimpaired and free from default.

(b) The Governmental Lender will promptly notify the Borrower, the Servicer and the Funding Lender in writing of the occurrence of any Borrower Loan Agreement Default, provided that the Governmental Lender has received written notice of such event.

Section 8.6. Maintenance of Records; Inspection of Records.

(a) The Fiscal Agent shall keep and maintain adequate records pertaining to any funds and accounts established by the Fiscal Agent hereunder, including all deposits to and disbursements from said funds and accounts and shall keep and maintain the registration books for the Governmental Lender Note and interests therein. The Fiscal Agent shall retain in its possession all certifications and other documents presented to it, all such records and all records of principal, interest and premium paid on the Funding Loan, subject to the inspection of the Governmental Lender and its representatives at all reasonable times and upon reasonable prior notice.

(b) The Governmental Lender will at any and all times, upon the reasonable request of the Servicer, the Borrower or the Funding Lender, afford and procure a reasonable opportunity by their respective representatives to inspect the books, records, reports and other papers of the Governmental Lender relating to the Project and the Funding Loan, if any, and to make copies thereof.

Section 8.7. Tax Covenants. The Governmental Lender covenants to and for the benefit of the Funding Lender that, notwithstanding any other provisions of this Funding Loan Agreement or of any other instrument, it will do the following:

(a) The Governmental Lender shall require the Borrower to execute the First Amendment to Regulatory Agreement as a condition of funding the Borrower Loan.

(b) The Governmental Lender shall not knowingly take or cause to be taken any action or actions, or knowingly fail to take any action or actions, which would cause the interest payable on the Governmental Lender Note to be includable in gross income for federal income tax purposes.

(c) Whenever and so often as requested by Funding Lender, at the sole cost and expense of the Borrower, the Governmental Lender shall do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Governmental Lender on the Governmental Lender Note will be excluded from the gross income of the Noteowner, for federal income tax purposes, pursuant to Section 103 of the Code, except in the event where any owner of the Governmental Lender Note or a portion thereof is a "substantial user" of the facilities financed with the Funding Loan or a "related person" within the meaning of Section 147(a) of the Code.

(d) The Governmental Lender shall assure that the proceeds of the Governmental Lender Note are used in a manner that will satisfy the requirements of Section 142(d) of the Code relating to qualified residential rental projects.

(e) The Governmental Lender shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Governmental Lender Note to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(f) The Governmental Lender shall take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Governmental Lender Note.

(g) The Governmental Lender shall not take, or permit or suffer to be taken by the Borrower or otherwise, any action with respect to the proceeds of the Governmental Lender Note which, 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 Governmental Lender Note would have caused the Governmental Lender Note to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(h) The Governmental Lender shall take all actions necessary to assure the exclusion of interest on the Governmental Lender Note from the gross income of the owners of Governmental Lender Note to the same extent as such interest is permitted to be excluded from

gross income under the Code as in effect on the date of issuance of the Governmental Lender Note.

(i) The Governmental Lender Note upon issuance and delivery shall be considered a “private activity bond” within the meaning of the Code with respect to which the California Debt Limit Allocation Committee 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 Governmental Lender Note.

(j) The Governmental Lender covenants that, from the proceeds of the Governmental Lender Note and investment earnings thereon, an amount not in excess of two percent (2%) of the proceeds of the Governmental Lender Note, will be used for costs of issuance of the Governmental Lender Note, all within the meaning of Section 147(g)(1) of the Code. For this purpose, if the fees of the Funding Lender are retained as a discount on the purchase of the Governmental Lender Note, such retention shall be deemed to be an expenditure of proceeds of the Governmental Lender Note for said fees.

(k) The Governmental Lender covenants that not less than ninety-five percent (95%) of the net proceeds of the Governmental Lender Note (within the meaning of Section 150(a)(3) of the Code) will be paid for Qualified Project Costs.

(l) The Governmental Lender covenants that less than twenty-five percent (25%) of the proceeds of the Governmental Lender Note shall be used, directly or indirectly, for the acquisition of land.

(m) The Governmental Lender covenants that no proceeds of the Governmental Lender 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 145(d) of the Code) with respect to such building equal or exceed fifteen percent (15%) of the portion of the cost of acquiring such building (and equipment) financed with proceeds; and provided, further, that this limitation shall not apply with respect to any structure other than a building if rehabilitation expenditures with respect to such structure equal or exceed one hundred percent (100%) of the portion of the cost of acquiring such structure financed with the proceeds of the Governmental Lender Note.

(n) The Governmental Lender covenants that no proceeds of the Governmental Lender 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 Governmental Lender 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.

(o) The Governmental Lender hereby elects to have the Project meet the requirements of Section 142(d)(1)(B) of the Code in that forty percent (40%) or more of the residential units in the Project shall be occupied by persons or families whose Adjusted Income (as defined in the Regulatory Agreement) is sixty percent (60%) or less of Median Income for the Area (as defined in the Regulatory Agreement), adjusted for household size.

In furtherance of the covenants in this Section 8.7, the Governmental Lender and the Borrower shall execute, deliver and comply with the provisions of the Tax Certificate, which are by this reference incorporated into this Funding Loan Agreement and made a part of this Funding Loan Agreement as if set forth in this Funding Loan Agreement in full. In the event of any conflict between this Funding Loan Agreement and the Tax Certificate, the requirements of the Tax Certificate shall control.

For purposes of this Section 8.7 the Governmental Lender's compliance shall be based solely on matters within the Governmental Lender's knowledge and control and no acts, omissions or directions of the Borrower, the Funding Lender or any other Persons shall be attributed to the Governmental Lender. The Governmental Lender's compliance with this Section 8.7 may be conditioned on the payment of, or provision for, the costs of such compliance by the Borrower or other third party, to the satisfaction of the Governmental Lender.

In complying with the foregoing covenants, the Governmental Lender may rely from time to time on a Tax Counsel No Adverse Effect Opinion or other appropriate opinion of Tax Counsel.

Section 8.8. Performance by the Borrower. Without relieving the Governmental Lender from the responsibility for performance and observance of the agreements and covenants required to be performed and observed by it hereunder, the Borrower, on behalf of the Governmental Lender, may perform any such agreement or covenant if no Borrower Loan Agreement Default or Potential Default (as defined in the Borrower Loan Agreement) under the Borrower Loan Agreement exists.

Section 8.9. Maintenance of Records. The Funding Lender shall keep and maintain adequate records pertaining to the funds and accounts, if any, established hereunder, including all deposits to and disbursements from said funds and accounts and shall keep and maintain the registration books for the Funding Loan and interests therein.

ARTICLE IX

DEFAULT; REMEDIES

Section 9.1. Events of Default. Any one or more of the following shall constitute an event of default (an "Event of Default") under this Funding Loan Agreement (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or Governmental Authority):

(a) A default in the payment of any interest on the Governmental Lender Note when such interest becomes due and payable; or

(b) A default in the payment of principal of, or premium on, the Governmental Lender Note when such principal or premium becomes due and payable, whether at its stated maturity, by declaration of acceleration or call for mandatory prepayment or otherwise; or

(c) Subject to Section 8.8 hereof, default in the performance or breach of any material covenant or warranty of the Governmental Lender in this Funding Loan Agreement (other than a covenant or warranty or default in the performance or breach of which is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 30 days after there has been given written notice, as provided in Section 11.1 hereof, to the Governmental

Lender and the Borrower by the Funding Lender or the Servicer, specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under this Funding Loan Agreement; provided that, so long as the Governmental Lender, or the Borrower, Equity Investor, or Administrative General Partner on the Borrower's behalf, has commenced to cure such failure to observe or perform within the thirty (30) day cure period and the subject matter of the default is not capable of cure within said thirty (30) day period and the Governmental Lender, or the Borrower, Equity Investor, or Administrative General Partner on the Borrower's behalf, is diligently pursuing such cure to the Funding Lender's satisfaction, with the Funding Lender's Written Direction or Written Consent, then the Governmental Lender, or the Borrower, Equity Investor, or Administrative General Partner on the Borrower's behalf, shall have an additional period of time as reasonably necessary (not to exceed 30 days unless extended in writing by the Funding Lender) within which to cure such default; or

(d) A default in the payment of any of the Additional Borrower Payments; or

(e) Any other "Default" or "Event of Default" under any of the other Funding Loan Documents (taking into account any applicable grace periods therein).

Section 9.2. Acceleration of Maturity; Rescission and Annulment.

(a) Subject to the provisions of Section 9.9 hereof, upon the occurrence of an Event of Default under Section 9.1 hereof, then and in every such case, the Funding Lender may declare the principal of the Funding Loan and the Governmental Lender Note and the interest accrued to be immediately due and payable, by notice to the Governmental Lender and the Borrower and upon any such declaration, all principal of and Prepayment Premium, if any, and interest on the Funding Loan and the Governmental Lender Note shall become immediately due and payable.

(b) At any time after a declaration of acceleration has been made pursuant to subsection (a) of this Section, the Funding Lender may by Written Notice to the Governmental Lender, rescind and annul such declaration and its consequences if:

(i) There has been deposited with the Funding Lender a sum sufficient to pay (1) all overdue installments of interest on the Funding Loan, (2) the principal of and Prepayment Premium on the Funding Loan that has become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in the Funding Loan, (3) to the extent that payment of such interest is lawful, interest upon overdue installments of interest at the rate or rates prescribed therefor in the Funding Loan, and (4) all sums paid or advanced by the Funding Lender and the reasonable compensation, expenses, disbursements and advances of the Funding Lender, its agents and counsel (but only to the extent not duplicative with subclauses (1) and (3) above); and

(ii) All Events of Default, other than the non-payment of the principal of the Funding Loan which have become due solely by such declaration of acceleration, have been cured or have been waived in writing as provided in Section 9.9 hereof.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

(c) Notwithstanding the occurrence and continuation of an Event of Default, it is understood that the Funding Lender shall pursue no remedies against the Borrower or the Project

if no Borrower Loan Agreement Default has occurred and is continuing. An Event of Default hereunder shall not in and of itself constitute a Borrower Loan Agreement Default.

Section 9.3. Additional Remedies; Funding Lender Enforcement.

(a) Upon the occurrence of an Event of Default, the Funding Lender may, subject to the provisions of this Section 9.3 and Section 9.9 hereof, proceed to protect and enforce its rights by mandamus or other suit, action or proceeding at law or in equity. No remedy conferred by this Funding Loan Agreement upon or remedy reserved to the Funding Lender is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to any other remedy given to the Funding Lender hereunder or now or hereafter existing at law or in equity or by statute.

(b) Upon the occurrence and continuation of any Event of Default, the Funding Lender may proceed forthwith to protect and enforce its rights and this Funding Loan Agreement by such suits, actions or proceedings as the Funding Lender, in its sole discretion, shall deem expedient. Funding Lender shall have upon the occurrence and continuation of any Event of Default all rights, powers, and remedies with respect to the Security as are available under the Uniform Commercial Code applicable thereto or as are available under any other applicable law at the time in effect and, without limiting the generality of the foregoing, the Funding Lender may proceed at law or in equity or otherwise, to the extent permitted by applicable law:

(i) to take possession of the Security or any part thereof, with or without legal process, and to hold, service, administer and enforce any rights thereunder or thereto, and otherwise exercise all rights of ownership thereof, including (but not limited to) the sale of all or part of the Security;

(ii) to become mortgagee of record for the Borrower Loan including, without limitation, completing the assignment of the Security Instrument by the Governmental Lender to the Funding Lender as anticipated by this Funding Loan Agreement, and recording the same in the real estate records of the jurisdiction in which the Project is located, without further act or consent of the Governmental Lender, and to service and administer the same for its own account;

(iii) to service and administer the Funding Loan as agent and on behalf of the Governmental Lender or otherwise, and, if applicable, to take such actions necessary to enforce the Borrower Loan Documents and the Funding Loan Documents on its own behalf, and to take such alternative courses of action, as it may deem appropriate; or

(iv) to take such steps to protect and enforce its rights whether by action, suit or proceeding in equity or at law for the specific performance of any covenant, condition or agreement in the Governmental Lender Note, this Funding Loan Agreement or the other Funding Loan Documents, or the Borrower Loan Documents, or in and of the execution of any power herein granted, or for foreclosure hereunder, or for enforcement of any other appropriate legal or equitable remedy or otherwise as the Funding Lender may elect.

(c) Whether or not an Event of Default has occurred, the Funding Lender, in its sole discretion, shall have the sole right to waive or forbear any term, condition, covenant or agreement of the Security Instrument, the Borrower Loan Agreement, the Borrower Note or any other Borrower Loan Documents or Funding Loan Documents applicable to the Borrower, or any breach thereof, other than a covenant that would adversely impact the tax exempt status of the interest

on the Governmental Lender Note, and provided that the Governmental Lender may seek to enforce the Unassigned Rights.

(d) If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in the Regulatory Agreement, and if such default remains uncured for a period of 60 days after the Borrower and the Funding Lender receive Written Notice stating that a default under the Regulatory Agreement has occurred and specifying the nature of the default, the Funding Lender shall have the right to seek specific performance of the provisions of the Regulatory Agreement or to exercise its other rights or remedies thereunder.

(e) If the Borrower defaults in the performance of its obligations under the Borrower Loan Agreement to make rebate payments, to comply with any applicable continuing disclosure requirements, or to make payments owed pursuant to Sections 2.5, 5.14 or 5.15 of the Borrower Loan Agreement for fees, expenses or indemnification, the Funding Lender shall have the right to exercise all its rights and remedies thereunder (subject to the last paragraph of Section 9.14 hereof).

Section 9.4. Application of Money Collected. Any money collected by the Funding Lender pursuant to this Article and any other sums then held by the Funding Lender as part of the Security, shall be applied in the following order, at the date or dates fixed by the Funding Lender:

(a) First: To the payment of any and all amounts due under the Funding Loan Documents other than with respect to principal and interest accrued on the Funding Loan, including, without limitation, any amounts due to the Fiscal Agent, the Governmental Lender, the Funding Lender, the Servicer and the Rebate Analyst;

(b) Second: To the payment of the whole amount of the Funding Loan, as evidenced by the Governmental Lender Note, then due and unpaid in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Funding Loan) on overdue principal of, and Prepayment Premium and overdue installments of interest on the Funding Loan; provided, however, that partial interests in any portion of the Funding Loan shall be paid in such order of priority as may be prescribed by Written Direction of the Funding Lender in its sole and absolute discretion; and

(c) Third: The payment of the remainder, if any, to the Borrower or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

If and to the extent this Section 9.4 conflicts with the provisions of the Servicing Agreement, if any, the provisions of the Servicing Agreement shall control. Capitalized terms used in this Section 9.4 but not otherwise defined in this Funding Loan Agreement shall have the meanings given such terms in the Servicing Agreement.

Section 9.5. Remedies Vested in Funding Lender. All rights of action and claims under this Funding Loan Agreement or the Governmental Lender Note may be prosecuted and enforced by the Funding Lender without the possession of the Governmental Lender Note or the production thereof in any proceeding relating thereto.

Section 9.6. Restoration of Positions. If Funding Lender shall have instituted any proceeding to enforce any right or remedy under this Funding Loan Agreement and such

proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Funding Lender, then and in every such case the Governmental Lender and the Funding Lender shall, subject to any determination in such proceeding, be restored to their former positions hereunder, and thereafter all rights and remedies of the Governmental Lender and the Funding Lender shall continue as though no such proceeding had been instituted.

Section 9.7. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Funding Lender is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 9.8. Delay or Omission Not Waiver. No delay or omission of the Funding Lender to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Funding Lender may be exercised from time to time, and as often as may be deemed expedient, by Funding Lender. No waiver of any default or Event of Default pursuant to Section 9.9 hereof shall extend to or shall affect any subsequent default or Event of Default hereunder or shall impair any rights or remedies consequent thereon.

Section 9.9. Waiver of Past Defaults. Before any judgment or decree for payment of money due has been obtained by the Funding Lender, the Funding Lender may, subject to Section 9.6 hereof, by Written Notice to the Governmental Lender and the Borrower, waive any past default hereunder or under the Borrower Loan Agreement and its consequences except for any default in obligations due the Governmental Lender pursuant to or under the Unassigned Rights. Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Funding Loan Agreement and the Borrower Loan Agreement; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 9.10. Remedies Under Borrower Loan Agreement or Borrower Note. As set forth in this Section 9.10 but subject to Section 9.9 hereof, the Funding Lender shall have the right, in its own name or on behalf of the Governmental Lender, to declare any default and exercise any remedies under the Borrower Loan Agreement or the Borrower Note, whether or not the Governmental Lender Note has been accelerated or declared due and payable by reason of an Event of Default.

Section 9.11. Waiver of Appraisal and Other Laws.

(a) To the extent permitted by law, the Governmental Lender will not at any time insist upon, plead, claim or take the benefit or advantage of, any appraisal, valuation, stay, extension or redemption law now or hereafter in force, in order to prevent or hinder the enforcement of this Funding Loan Agreement; and the Governmental Lender, for itself and all who may claim under it, so far as it or they now or hereafter may lawfully do so, hereby waives the benefit of all such laws. The Governmental Lender, for itself and all who may claim under it,

waives, to the extent that it may lawfully do so, all right to have the property in the Security marshaled upon any enforcement hereof.

(b) If any law now in effect prohibiting the waiver referred to in Section 9.11(a) shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to constitute any part of the contract herein contained or to preclude the application of this Section 9.11.

Section 9.12. Suits to Protect the Security. Other than with respect to the Unassigned Rights, the Funding Lender shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Security by any acts that may be unlawful or in violation of this Funding Loan Agreement and to protect its interests in the Security and in the rents, issues, profits, revenues and other income arising therefrom, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security hereunder or be prejudicial to the interests of the Funding Lender.

Section 9.13. Remedies Subject to Applicable Law. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Funding Loan Agreement invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law.

Section 9.14. Assumption of Obligations. In the event that the Funding Lender or its assignee or designee shall become the legal or beneficial owner of the Project by foreclosure or deed in lieu of foreclosure, such party shall succeed to the rights and the obligations of the Borrower under the Borrower Loan Agreement, the Borrower Note, the Regulatory Agreement and any other Funding Loan Documents to which the Borrower is a party. Such assumption shall be effective from and after the effective date of such acquisition and shall be made with the benefit of the limitations of liability set forth therein and without any liability for the prior acts of the Borrower.

It is the intention of the parties hereto that upon the occurrence and continuance of an Event of Default hereunder, rights and remedies may be pursued pursuant to the terms of the Funding Loan Documents.

ARTICLE X

AMENDMENT; AMENDMENT OF BORROWER LOAN AGREEMENT AND OTHER DOCUMENTS

Section 10.1. Amendment of Funding Loan Agreement. Any of the terms of this Funding Loan Agreement and the Governmental Lender Note may be amended or waived only by an instrument signed by the Funding Lender, the Fiscal Agent, and the Governmental Lender; provided, however, no such amendment which materially affects the rights, duties, obligations or other interests of the Borrower shall be made without the consent of the Borrower and, provided further, that if the Borrower is in default under any Funding Loan Document, no Borrower consent shall be required unless such amendment has a material adverse effect on the rights, duties, obligations or other interests of the Borrower. All of the terms of this Funding Loan Agreement

shall be binding upon the successors and assigns of and all persons claiming under or through the Governmental Lender or any such successor or assign, and shall inure to the benefit of and be enforceable by the successors and assigns of the Funding Lender.

Section 10.2. Amendments Require Funding Lender Consent. The Governmental Lender shall not consent to any amendment, change or modification of the Borrower Loan Agreement or any other Borrower Loan Document or Funding Loan Document without the prior Written Consent of the Funding Lender.

Section 10.3. Consents and Opinions. No amendment to this Funding Loan Agreement or any other Funding Loan Document entered into under this Article X or any amendment, change or modification otherwise permitted under this Article X shall become effective unless and until (i) the Funding Lender shall have approved the same in writing in its sole discretion, and (ii) the Funding Lender and the Governmental Lender shall have received, at the expense of the Borrower, a Tax Counsel No Adverse Effect Opinion and an Opinion of Counsel to the effect that any such proposed amendment is authorized and complies with the provisions of this Funding Loan Agreement and is a legal, valid and binding obligation of the parties thereto, subject to normal exceptions relating to bankruptcy, insolvency and equitable principles limitations.

ARTICLE XI

THE FISCAL AGENT

Section 11.1. Appointment of Fiscal Agent; Acceptance. The Governmental Lender hereby appoints U.S. Bank Trust Company, National Association as Fiscal Agent hereunder. The Fiscal Agent shall signify its acceptance of the duties and obligations imposed upon it by this Funding Loan Agreement by executing this Funding Loan Agreement.

Section 11.2. Certain Duties and Responsibilities of Fiscal Agent.

(a) The Fiscal Agent undertakes to perform such duties and only such duties as are specifically set forth in this Funding Loan Agreement, and no implied covenants or obligations shall be read into this Funding Loan Agreement against the Fiscal Agent.

(b) If an Event of Default exists hereunder or under any Borrower Loan Document, the Fiscal Agent shall exercise such of the rights and powers vested in it by this Funding Loan Agreement, and subject to Section 11.2(c)(iii) hereof, shall use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of their own affairs.

(c) No provision of this Funding Loan Agreement shall be construed to relieve the Fiscal Agent from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, in each case, as finally adjudicated by a court of law, except that:

(i) This subsection shall not be construed to limit the effect of subsection (a) of this Section;

(ii) The Fiscal Agent shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts;

(iii) The Fiscal Agent shall not be liable with respect to any action taken in good faith, omitted to be taken in good faith by it in accordance with the direction of the Funding Lender relating to the time, method and place of conducting any proceeding for any remedy available to the Fiscal Agent, or exercising any right or power conferred upon the Fiscal Agent under this Funding Loan Agreement; and

(iv) No provision of this Funding Loan Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

Subject to its rights to indemnification pursuant to Section 11.4 hereof, the Fiscal Agent is directed to enter into the Borrower Loan Documents to which it is a party and other related documents, solely in its capacity as Fiscal Agent.

(d) Whether or not therein expressly so provided, every provision of this Funding Loan Agreement and the other Funding Loan Documents relating to the conduct or affecting the liability of or affording protection to the Fiscal Agent shall be subject to the provisions of this Section.

(e) The Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of this Funding Loan Agreement; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Funding Loan Agreement.

(f) The permissive rights of the Fiscal Agent to do things enumerated in this Funding Loan Agreement shall not be construed as a duty.

Section 11.3. Notice of Defaults. Upon the occurrence of any Event of Default hereunder or under any Borrower Loan Document and provided that the Fiscal Agent is aware of or has received Written Notice of the existence of such Event of Default, promptly, and in any event within fifteen (15) days, the Fiscal Agent shall transmit to the Governmental Lender, the Borrower, the Servicer, if any, and the Funding Lender, in the manner and at the addresses for notices set forth in Section 12.1 hereof, notice of such Event of Default hereunder known to the Fiscal Agent pursuant to Section 11.4(g) hereof, unless such Event of Default shall have been cured or waived.

Section 11.4. Certain Rights of Fiscal Agent. Except as otherwise provided in Section 11.1 hereof:

(a) The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, debenture, coupon or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) Any request or direction of the Governmental Lender mentioned herein shall be sufficiently evidenced by a certificate or order executed by an Authorized Governmental Lender Representative;

(c) Whenever in the administration of this Funding Loan Agreement or any Borrower Loan Document the Fiscal Agent shall deem it desirable that a matter be proved or established

prior to taking, suffering or omitting to take any action hereunder, the Fiscal Agent (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a Written Certificate of the Governmental Lender, the Funding Lender, the Servicer or the Borrower, as appropriate, unless other evidence is provided by the Governmental Lender, the Funding Lender, the Servicer or the Borrower, that calls the veracity of the matter proved by a Written Certificate into doubt;

(d) The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Funding Loan Agreement or any Borrower Loan Document at the request or direction of the Funding Lender, pursuant to this Funding Loan Agreement, unless the Funding Lender shall have offered to the Fiscal Agent in writing security or indemnity reasonably satisfactory to the Fiscal Agent against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction, except costs, expenses and liabilities which are adjudicated to have resulted from its own negligence or willful misconduct, provided, that nothing contained in this subparagraph (d) shall be construed to require such security or indemnity for the performance by the Fiscal Agent of its obligations under Article VI and Article VII hereof;

(e) The Fiscal Agent shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, debenture, coupon or other paper or document but the Fiscal Agent, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Fiscal Agent shall determine to make such further inquiry or investigation, it shall be entitled to examine the books and records of the Governmental Lender, if any, and of the Borrower, in either case personally or by agent or attorney after reasonable notice and during normal business hours;

(f) The Fiscal Agent may execute any of the duties or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and pay reasonable compensation thereto and the Fiscal Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder. The Fiscal Agent may act upon the advice of counsel of its choice concerning all matters hereof and the Fiscal Agent shall not be responsible for any loss or damage resulting from any action or inaction taken in good faith reliance upon said advice; and

(g) The Fiscal Agent shall not be required to take notice or be deemed to have notice of any Event of Default hereunder or under any Borrower Loan Document except for failure by the Borrower to make payments of principal, interest, premium, if any, or Authority Fee (2025A Notes) (as defined in the Regulatory Agreement) when due, unless a Responsible Officer of the Fiscal Agent shall be specifically notified by a Written Direction of such Event of Default by the Governmental Lender, the Servicer or the Funding Lender, and all notices or other instruments required by this Funding Loan Agreement or under any Borrower Loan Document to be delivered to the Fiscal Agent, must, in order to be effective, be delivered in writing to a Responsible Officer of the Fiscal Agent at the Office of the Fiscal Agent, and in the absence of such Written Notice so delivered the Fiscal Agent may conclusively assume there is no Event of Default as aforesaid.

(h) In no event shall the Fiscal Agent or an agent of the Fiscal Agent be responsible or liable for special, indirect, consequential, punitive or incidental loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Fiscal Agent or an agent of the Fiscal Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

(i) The Fiscal Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under this Funding Loan Agreement arising out of or caused, directly or indirectly, by circumstances beyond its control, including without limitation, any act or provision of any present or future law or regulation or governmental authority; acts of god; earthquakes; fires; floods; wars; terrorism; civil or military disturbances; sabotage; epidemics; quarantine restrictions; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications service; accidents; labor disputes; acts of civil or military authority or governmental actions; or the unavailability of the Federal Reserve Bank wire or telex or other wire or communication facility.

(j) The Fiscal Agent shall have the right to accept and act upon instructions or directions, including funds transfer instructions, pursuant to this Funding Loan Agreement and the Borrower Loan Agreement sent by Electronic Notice; provided, however, that the instructing parties as the case may be shall provide to the Fiscal Agent an incumbency certificate listing designated persons authorized to provide such instructions ("Authorized Officers"), which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the instructing parties elect to give the Fiscal Agent instructions by Electronic Notice and the Fiscal Agent in its discretion elects to act upon such instructions, the Fiscal Agent's understanding of such instructions shall be deemed controlling. The instructing parties agree that the Fiscal Agent cannot determine the identity of the actual sender of such instructions and that the Fiscal Agent shall conclusively presume that instructions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Fiscal Agent have been sent by such Authorized Officer. The instructing parties shall be responsible for ensuring that only Authorized Officers transmit such instructions to the Fiscal Agent, and the instructing parties and the Authorized Officers are responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and authentication keys provided by the Fiscal Agent, if any. The Fiscal Agent shall not be liable for any losses, costs, or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction delivered by other means. The instructing parties agree (i) to assume all risks arising out of the use of such Electronic Notice to submit instructions and direction to the Fiscal Agent, including without limitation the risk of the Fiscal Agent acting on unauthorized instructions and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting instructions to the Fiscal Agent and that there may be more secure methods of transmitting instructions than the use of Electronic Notice; (iii) that the security procedures (if any) to be followed in connection with its transmission of instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) that it will notify the Fiscal Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

(j) All notices, approvals, consents, requests and any communications to the Fiscal Agent hereunder must be in writing in English and must be in the form of a document that is signed manually or by way of an electronic signature (including electronic images of handwritten signatures and digital signatures provided by DocuSign, Orbit, Adobe Sign or any other electronic signature provider acceptable to the Fiscal Agent). Electronic signatures believed by the Fiscal Agent to comply with the E-SIGN ACT of 2000 or other applicable law shall be deemed original signatures for all purposes. If the applicable parties chooses to use electronic signatures to sign documents delivered to the Fiscal Agent, the applicable party agrees to assume all risks arising out of its use of electronic signatures, including without limitation the risk of the Fiscal Agent acting on an unauthorized document and the risk of interception or misuse by third parties. Notwithstanding the foregoing, the Fiscal Agent may in any instance and in its sole discretion

require that an original document bearing a manual signature be delivered to the Fiscal Agent in lieu of, or in addition to, any document signed via electronic signature.

Section 11.5. Not Responsible for Recitals. The recitals contained herein and in the Governmental Lender Note shall be taken as the statements of the Governmental Lender, and the Fiscal Agent assumes no responsibility for their correctness. The Fiscal Agent makes no representations as to the value or condition of the Pledged Revenues, the Security or any part thereof, or as to the title of the Governmental Lender thereto or as to the security afforded thereby or hereby, or as to the validity or sufficiency of this Funding Loan Agreement or of the Funding Loan.

The Fiscal Agent shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the funding of the Funding Loan.

The Fiscal Agent shall not be required to monitor the financial condition of the Borrower or the physical condition of the Project. Unless otherwise expressly provided, the Fiscal Agent shall be under no obligation to analyze, review or make any credit decisions with respect to any financial statements, reports, notices, certificates or documents received hereunder but shall hold such financial statements reports, notices, certificates and documents solely for the benefit of, and review by, the Funding Lender and such other parties to whom the Fiscal Agent may provide such information pursuant to this Funding Loan Agreement.

The Fiscal Agent makes no representations as to and shall have no responsibility for the sufficiency of the insurance required under any of the Borrower Loan Documents.

Section 11.6. Reserved.

Section 11.7. Moneys Held by the Fiscal Agent. Moneys held by the Fiscal Agent hereunder need not be segregated from other funds except to the extent required by law. The Fiscal Agent shall be under no liability for interest on any moneys received by it hereunder except as otherwise provided herein.

The Governmental Lender and the Borrower each acknowledge that to the extent regulations of the Office of the Comptroller of the Currency or other applicable regulatory entity grant the Governmental Lender or the Borrower the right to receive brokerage confirmations of security transactions as they occur, the Governmental Lender and the Borrower specifically waive receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish to the Governmental Lender and the Borrower periodic cash transaction statements that shall include detail for all investment transactions made by the Fiscal Agent hereunder.

Section 11.8. Compensation and Reimbursement. Under the Borrower Loan Agreement, the Borrower has agreed to, except as otherwise expressly provided herein, reimburse the Fiscal Agent as provided in this Funding Loan Agreement or the Borrower Loan Agreement, upon its request for all reasonable expenses, disbursements and advances incurred or made by the Fiscal Agent in accordance with any provision of this Funding Loan Agreement (including the reasonable fees, expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Fiscal Agent's negligence, fraud, or willful misconduct, as finally adjudicated by a court of law.

When the Fiscal Agent incurs expenses or renders service in connection with any bankruptcy or insolvency proceeding, such expenses (including the reasonable fees and expenses of its counsel) and the compensation for such services are intended to constitute expenses of administration under any bankruptcy law or law relating to creditors rights generally.

(a) The Governmental Lender has no obligation to pay the Fiscal Agent for services rendered.

(b) As security for the performance of the obligations of the Borrower under this Section and for the payment of such compensation, expenses, reimbursements and indemnity, the Fiscal Agent shall have the right to use and apply any moneys held by it as Pledged Revenues.

(c) The Fiscal Agent's rights to compensation and reimbursement shall survive its resignation or removal, the payment of the Funding Loan or the Borrower Loan or the release of this Funding Loan Agreement, to the extent Fiscal Agent's services were rendered prior to its resignation or removal.

Section 11.9. Fiscal Agent Required; Eligibility. Any successor Fiscal Agent shall at all times be a trust company, a state banking corporation or a national banking association with the authority to accept trusts in the State approved in writing by the Governmental Lender and either (a) have a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition, (b) be a wholly owned subsidiary of a bank holding company, or a wholly owned subsidiary of a company that is a wholly owned subsidiary of a bank holding company, having a combined capital surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition, have at least \$500,000,000 of trust assets under management and have a combined capital surplus of at least \$2,000,000 as set forth in its most recent published annual report of condition, or (c) be otherwise acceptable to the Funding Lender in its sole and absolute discretion.

Section 11.10. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Fiscal Agent hereunder and no appointment of a successor Fiscal Agent pursuant to this Article shall become effective until the written acceptance by the successor Fiscal Agent of such appointment.

(b) The Fiscal Agent may resign at any time by giving sixty (60) days' Written Notice thereof to the Governmental Lender, the Borrower, the Servicer, if any, and the Funding Lender. If an instrument of acceptance by a successor Fiscal Agent shall not have been delivered to the Fiscal Agent within thirty (30) days after the giving of such notice of resignation, the resigning Fiscal Agent may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent.

(c) The Fiscal Agent may be removed at any time with thirty (30) days' notice by (i) the Governmental Lender, with the Written Consent of the Funding Lender (which consent of the Funding Lender shall not be unreasonably withheld), (ii) the Borrower (unless the Borrower is in Default under any of the Borrower Loan Documents, subject to applicable notice and cure periods), with the Written Consent of the Funding Lender and the Governmental Lender, or (iii) the Funding Lender with the Written Consent of the Governmental Lender and Written Notice delivered to the Fiscal Agent and the Borrower.

(d) If the Fiscal Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the Office of the Fiscal Agent for any cause, the Governmental Lender shall promptly appoint a successor Fiscal Agent, with the consent of the Funding Lender. In case all or substantially all of the Pledged Revenues and Security shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee may similarly appoint a successor to fill such vacancy until a new Fiscal Agent shall be so appointed by the Governmental Lender. If, within sixty (60) days after such resignation, removal or incapability or the occurrence of such vacancy, the Governmental Lender has failed to so appoint a successor Fiscal Agent, then a successor Fiscal Agent shall be appointed by the Funding Lender (from any of the institutions approved by the Governmental Lender to serve as a fiscal agent) with Written Notice thereof delivered to the Governmental Lender, the Borrower, the Servicer, if any, and the retiring Fiscal Agent, and the successor Fiscal Agent so appointed shall, forthwith upon its acceptance of such appointment, become the successor Fiscal Agent and supersede the successor Fiscal Agent appointed by such receiver or Fiscal Agent. If no successor Fiscal Agent shall have been appointed by the Governmental Lender or the Funding Lender and accepted appointment in the manner hereinafter provided, the Fiscal Agent may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent.

(e) The retiring Fiscal Agent shall cause Written Notice of each resignation and each removal of the Fiscal Agent and each appointment of a successor Fiscal Agent to be provided to the Funding Lender. Each notice shall include the name of the successor Fiscal Agent and the address of the office of the successor Fiscal Agent.

Section 11.11. Acceptance of Appointment by Successor.

(a) Every successor Fiscal Agent appointed hereunder shall execute, acknowledge and deliver to the Governmental Lender and to the retiring Fiscal Agent an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Fiscal Agent shall become effective and such successor Fiscal Agent, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers and duties of the retiring Fiscal Agent; notwithstanding the foregoing, on request of the Governmental Lender or the successor Fiscal Agent, such retiring Fiscal Agent shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Fiscal Agent all the estates, properties, rights, powers and trusts of the retiring Fiscal Agent, and shall duly assign, transfer and deliver to such successor Fiscal Agent all property and money held by such retiring Fiscal Agent hereunder. Upon request of any such successor Fiscal Agent, the Governmental Lender shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Fiscal Agent all such estates, properties, rights and powers.

(b) No successor Fiscal Agent shall accept its appointment unless at the time of such acceptance such successor Fiscal Agent shall be qualified and eligible under this Article, to the extent operative.

Section 11.12. Merger, Conversion, Consolidation or Succession to Business. Any corporation into which the Fiscal Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Fiscal Agent shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Fiscal Agent, shall be the successor of the Fiscal Agent hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, to the extent operative, without the execution or filing of any paper or any further act on the part of any of the parties hereto. Notwithstanding the foregoing, any such successor Fiscal Agent shall cause Written

Notice of such succession to be delivered to the Funding Lender within 30 days of such succession.

Section 11.13. Appointment of Co-Fiscal Agent. It is recognized that in case of litigation under this Funding Loan Agreement, the Borrower Loan Agreement, any other Borrower Loan Document or the Regulatory Agreement, and in particular in case of the enforcement of any of them on default, or in case the Fiscal Agent deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Fiscal Agent or hold title to the properties, in trust, as herein provided, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Fiscal Agent appoint an additional individual or institution as a separate or co-fiscal agent. The following provisions of this Section are adopted to these ends.

The Fiscal Agent is hereby authorized to appoint an additional individual or institution as a separate or co-fiscal agent hereunder, upon Written Notice to the Governmental Lender, the Funding Lender and the Borrower, and with the consent of the Governmental Lender and the Funding Lender, but without the necessity of further authorization or consent, in which event each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Funding Loan Agreement, any Borrower Loan Document, the Regulatory Agreement or the Borrower Loan Agreement to be exercised by or vested in or conveyed to the Fiscal Agent with respect thereto shall be exercisable by and vest in such separate or co-fiscal agent but only to the extent necessary to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-fiscal agent shall run to and be enforceable by either of them.

Should any instrument in writing from the Governmental Lender be required by the separate fiscal agent or co-fiscal agent appointed by the Fiscal Agent for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, duties and obligations, any and all such instruments in writing shall, on request of the Fiscal Agent, be executed, acknowledged and delivered by the Governmental Lender. In case any separate fiscal agent or co-fiscal agent, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, duties and obligations of such separate fiscal agent or co-fiscal agent, so far as permitted by law, shall vest in and be exercised by the Fiscal Agent until the appointment of a successor to such separate fiscal agent or co-fiscal agent.

Section 11.14. Loan Servicing. The Governmental Lender and the Fiscal Agent acknowledge that the Funding Lender shall have the right to appoint a Servicer to service and administer the Funding Loan and the Borrower Loan as set forth in a Servicing Agreement. The Governmental Lender and the Fiscal Agent shall not be responsible for monitoring the performance of any Servicer or for any acts or omissions of such Servicer. The Funding Lender may, in its sole discretion, terminate or replace the Servicer.

Section 11.15. No Recourse Against Officers or Employees of Fiscal Agent. No recourse with respect to any claim related to any obligation, duty or agreement contained in this Funding Loan Agreement or any other Funding Loan Document shall be had against any officer or employee, as such, of the Fiscal Agent, it being expressly understood that the obligations, duties and agreements of the Fiscal Agent contained in this Funding Loan Agreement and the other Funding Loan Documents are solely corporate in nature.

ARTICLE XII

MISCELLANEOUS

Section 12.1. Notices. All notices, demands, requests and other communications required or permitted to be given by any provision of this Funding Loan Agreement shall be in writing and sent by first class, regular, registered or certified mail, commercial delivery service, overnight courier, telegraph, telecopier or facsimile transmission, air or other courier, hand delivery to the party to be notified addressed as follows:

If to the Governmental Lender: Housing Authority of the City of San Diego
1122 Broadway, Suite 300
San Diego, California 92121
Attention: Vice President of Multifamily Housing
Finance

with a copy to: Jones Hall, A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: Brian C. Haroldson
Facsimile: (415) 391-5780

If to the Borrower: Sea Breeze Gardens Preservation LP
c/o Lincoln Avenue Capital
401 Wilshire Boulevard, 11th Floor
Santa Monica, California 90401
Attention: Hanna Jamar and Russell Condas

with a copy to: Pach Sea Breeze Holdings LLC
c/o Pacific Housing, Inc.
2115 J Street, Suite 201
Sacramento, California 95816
Attention: Mat Eland

with a copy to: Cohen Liuzzo LLP
88 Pine Street, 14th Floor
New York, New York 10005
Attention: Eleor Cohen

with copies to the Equity
Investor and its counsel:

See below.

If to Funding
Lender: Sterling Bank
Attn: Phil Minden, Executive Vice President
1100 Sterling Drive
Poplar Bluff, Missouri 63901

with a copy to: David Woods
Rosenblum Goldenhersh, P.C.
7733 Forsyth Blvd., Suite 400
St. Louis, Missouri 63105

If to the Fiscal
Agent:

U.S. Bank Trust Company, National Association
633 W. Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Global Corporate Trust
Email: nabeel.badawi@usbank.com
Telephone: (213) 615-6079

If to the Equity Investor:

Berkadia Housing Partnership XI 2022 LP
Two Liberty Place
50 South 16th Street
Suite 2825
Philadelphia, PA 19102
Attention: Managing Director
Email: assetmanagement-atc@berkadia.com

With a copy to its counsel:

Holland & Knight LLP
10 St. James Avenue, 11th Floor
Boston, MA 02116
Attention: Sara C. Heskett, Esq.
Email: sara.heskett@hklaw.com

Any such notice, demand, request or communication shall be deemed to have been given and received for all purposes under this Funding Loan Agreement: (i) three Business Days after the same is deposited in any official depository or receptacle of the United States Postal Service first class, or, if applicable, certified mail, return receipt requested, postage prepaid; (ii) on the date of transmission when delivered by telecopier or facsimile transmission, telex, telegraph or other telecommunication device, provided any telecopy or other electronic transmission received by any party after 4:00 p.m., local time, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day; (iii) on the next Business Day after the same is deposited with a nationally recognized overnight delivery service that guarantees overnight delivery; and (iv) on the date of actual delivery to such party by any other means; provided, however, if the day such notice, demand, request or communication shall be deemed to have been given and received as aforesaid is not a Business Day, such notice, demand, request or communication shall be deemed to have been given and received on the next Business Day. Any facsimile signature by a Person on a document, notice, demand, request or communication required or permitted by this Funding Loan Agreement shall constitute a legal, valid and binding execution thereof by such Person.

Any party to this Funding Loan Agreement may change such party's address for the purpose of notice, demands, requests and communications required or permitted under this Funding Loan Agreement by providing written notice of such change of address to all of the parties by written notice as provided herein.

Section 12.2. Term of Funding Loan Agreement. This Funding Loan Agreement shall be in full force and effect until all payment obligations of the Governmental Lender hereunder have been paid in full and the Funding Loan has been retired or the payment thereof has been provided for; except that on and after payment in full of the Governmental Lender Note, this Funding Loan Agreement shall be terminated, without further action by the parties hereto.

Section 12.3. Successors and Assigns. All covenants and agreements in this Funding Loan Agreement by the Governmental Lender shall bind its successors and assigns, whether so expressed or not.

Section 12.4. Legal Holidays. In any case in which the date of payment of any amount due hereunder or the date on which any other act is to be performed pursuant to this Funding Loan Agreement shall be a day that is not a Business Day, then payment of such amount or such act need not be made on such date but may be made on the next succeeding Business Day, and such later payment or such act shall have the same force and effect as if made on the date of payment or the date fixed for prepayment or the date fixed for such act, and no additional interest shall accrue for the period after such date and prior to the date of payment.

Section 12.5. Governing Law; Venue. This Funding Loan Agreement and the Governmental Lender Note shall be governed by and shall be enforceable in accordance with the laws of the State applicable to contracts made and performed in the State, and venue shall be San Diego County, California, unless the Governmental Lender waives this requirement in writing.

Section 12.6. Severability. If any provision of this Funding Loan Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions shall not in any way be affected or impaired. In case any covenant, stipulation, obligation or agreement contained in the Governmental Lender Note or in this Funding Loan Agreement shall for any reason be held to be usurious or in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Governmental Lender or the Funding Lender only to the full extent permitted by law.

Section 12.7. Execution in Several Counterparts. This Funding Loan Agreement may be contemporaneously executed in several counterparts, all of which shall constitute one and the same instrument and each of which shall be, and shall be deemed to be, an original.

Section 12.8. Nonrecourse Obligation of the Borrower. Except as otherwise provided in the Borrower Loan Agreement, any obligations of the Borrower under this Funding Loan Agreement are without recourse to the Borrower or to the Borrower's partners or members, as the case may be, and the provisions of Section 11.1 of the Borrower Loan Agreement are by this reference incorporated herein.

Section 12.9. Waiver of Trial by Jury. TO THE MAXIMUM EXTENT PERMITTED UNDER APPLICABLE LAW, EACH OF BORROWER, THE GOVERNMENTAL LENDER AND THE FUNDING LENDER (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS FUNDING LOAN AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL. IF FOR ANY REASON THIS WAIVER IS DETERMINED TO BE UNENFORCEABLE, ALL DISPUTES WILL BE RESOLVED BY JUDICIAL REFERENCE PURSUANT TO THE PROCEDURES SET FORTH IN THE SECURITY INSTRUMENT.

Section 12.10. Recycling Transactions. Notwithstanding any provision of this Funding Loan Agreement or the Governmental Lender Note to the contrary, the Governmental Lender shall be permitted to direct Borrower Note prepayments to be transferred to a custodian or trustee

selected by the Governmental Lender, in lieu of application to prepay a like portion of the Governmental Lender Note, so long as the Governmental Lender simultaneously causes other funds to be applied to prepay such portion of the Governmental Lender Note. The preceding provisions shall apply only for purposes of preserving or “recycling” private activity bond volume cap in accordance with Section 146(i)(6) of the Code.

Section 12.11. Electronic Transactions. The transactions described in this Funding Loan Agreement may be conducted and the related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law. Notwithstanding the foregoing, original executed versions of each of the Funding Loan Documents shall be delivered to the Funding Lender in connection with the closing of the transactions described herein.

Section 12.12. Reference Date. This Funding Loan Agreement is dated for reference purposes only as of [August] 1, 2025 and will not be effective and binding upon the parties hereto unless and until the Closing Date occurs.

IN WITNESS WHEREOF, the Funding Lender and the Governmental Lender have caused this Funding Loan Agreement to be duly executed by their respective representatives as of the date first written above.

STERLING BANK,
a Missouri banking corporation

By: _____
Name:
Title:

HOUSING AUTHORITY OF THE CITY OF
SAN DIEGO

By: _____
Jennifer Kreutter, Vice President of
Multifamily Housing Finance of the San
Diego Housing Commission

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

By: _____
Name: ,
Title:

EXHIBIT A

FORM OF GOVERNMENTAL LENDER NOTE

THIS GOVERNMENTAL LENDER NOTE MAY BE OWNED ONLY BY AN “APPROVED TRANSFEREE” (AS SUCH TERM IS DEFINED IN THE FUNDING LOAN AGREEMENT REFERENCED BELOW), AND THE HOLDER HEREOF, BY THE ACCEPTANCE OF THIS GOVERNMENTAL LENDER NOTE (A) REPRESENTS THAT IT IS AN APPROVED TRANSFEREE AND (B) ACKNOWLEDGES THAT IT CAN ONLY TRANSFER THIS GOVERNMENTAL LENDER NOTE OR ANY INTEREST HEREIN TO ANOTHER APPROVED TRANSFEREE IN ACCORDANCE WITH THE TERMS OF THE FUNDING LOAN AGREEMENT.

**HOUSING AUTHORITY OF THE CITY OF SAN DIEGO
MULTIFAMILY HOUSING REVENUE NOTE
(SEA BREEZE GARDENS)
SUBORDINATE SERIES 2025A**

Dated _____, 2025

\$7,500,000

FOR VALUE RECEIVED, the undersigned HOUSING AUTHORITY OF THE CITY OF SAN DIEGO (“Obligor”) promises to pay to the order of STERLING BANK, a Missouri banking corporation (together with its successors and assigns, “Holder”) the maximum principal sum of Seven Million Five Hundred Thousand Dollars (\$7,500,000), on [December 14, 2026], or earlier as provided herein, together with interest thereon at the rates, at the times and in the amounts provided below.

Obligor shall pay to the Holder on or before each date on which payment of principal is due under that certain Funding Loan Agreement, dated as of [August] 1, 2025 (the “Funding Loan Agreement”), among Obligor, Holder, and U.S. Bank Trust Company, National Association as fiscal agent, an amount in immediately available funds sufficient to pay the principal amount of and Prepayment Premium, if any, on the Funding Loan then due and payable, whether by maturity, acceleration, prepayment or otherwise, but solely in accordance with such Funding Loan Agreement. In the event that amounts held derived from proceeds of the Borrower Loan, condemnation awards or insurance proceeds or investment earnings thereon are applied to the payment of principal due on the Funding Loan in accordance with the Funding Loan Agreement, the principal amount due hereunder shall be reduced to the extent of the principal amount of the Funding Loan so paid. Capitalized terms not otherwise defined herein shall have the meaning assigned in the Funding Loan Agreement or, if not assigned therein, in the Borrower Loan Agreement.

Obligor shall pay to the Holder on or before each date on which interest on the Funding Loan is payable interest on the unpaid balance hereof in an amount in immediately available funds sufficient to pay the interest on the Funding Loan then due and payable in the amounts and at the rate or rates set forth in the Funding Loan Agreement.

The Funding Loan and this Governmental Lender Note are pass-through obligations relating to a construction loan (the “Borrower Loan”) made by Obligor from proceeds of the

Funding Loan to Sea Breeze Gardens Preservation LP, a California limited partnership, as borrower (the "Borrower"), under that certain Borrower Loan Agreement, dated as of [August] 1, 2025 (as the same may be modified, amended or supplemented from time to time, the "Borrower Loan Agreement"), between the Obligor and the Borrower, evidenced by the Borrower Note (as defined in the Borrower Loan Agreement). Reference is made to the Borrower Loan Agreement and to the Borrower Note for complete payment and prepayment terms of the Borrower Note, payments on which are passed-through under this Governmental Lender Note.

This Governmental Lender Note is a limited obligation of the Obligor, payable solely from the Pledged Revenues and other funds and moneys and Security pledged and assigned under the Funding Loan Agreement. None of the Obligor, the City of San Diego, the County of San Diego or the State or any political subdivision thereof (except the Obligor, to the limited extent set forth herein) shall in any event be liable for the payment of the principal of, premium (if any) or interest on the Funding Loan or for the performance of any pledge, obligation or agreement of any kind whatsoever with respect thereto except as set forth herein and in the Funding Loan Agreement, and none of the Funding Loan or this Governmental Lender Note or any of the Obligor's agreements or obligations with respect to the Funding Loan or this Governmental Lender Note shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of or a moral obligation of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever. The Obligor has no taxing power. The Obligor shall not be liable for payment of the principal of, redemption price or interest on this Governmental Lender Note or any other costs, expenses, losses, damages, claims or actions of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Governmental Lender Note or any other documents, except only to the extent amounts are received for the payment thereof from the Borrower under the Borrower Loan Agreement.

This Governmental Lender Note is subject to the express condition that at no time shall interest be payable on this Governmental Lender Note or the Funding Loan at a rate in excess of the Maximum Rate and the Obligor shall not be obligated or required to pay, nor shall the Holder be permitted to charge or collect, interest at a rate in excess of such Maximum Rate. If by the terms of this Governmental Lender Note or of the Funding Loan Agreement, the Obligor is required to pay interest at a rate in excess of the Maximum Rate, the rate of interest hereunder or thereunder shall be deemed to be reduced immediately and automatically to the Maximum Rate, and any such excess payment previously made shall be immediately and automatically applied to the unpaid balance of the principal sum hereof and not to the payment of interest.

Amounts payable hereunder representing late payments, penalty payments or the like shall be payable to the extent allowed by law.

This Governmental Lender Note is subject to all of the terms, conditions, and provisions of the Funding Loan Agreement, including those respecting prepayment and the acceleration of maturity, and those respecting limitations on liability in Article V of the Funding Loan Agreement.

If there is an Event of Default under the Funding Loan Documents, then in any such event and subject to the requirements set forth in the Funding Loan Agreement, the Holder may declare the entire unpaid principal balance of this Governmental Lender Note and accrued interest, if any, due and payable at once. All of the covenants, conditions and agreements contained in the Funding Loan Documents are hereby made part of this Governmental Lender Note.

No delay or omission on the part of the Holder in exercising any remedy, right or option under this Governmental Lender Note or the Funding Loan Documents shall operate as a waiver

of such remedy, right or option. In any event a waiver on any one occasion shall not be construed as a waiver or bar to any such remedy, right or option on a future occasion. The rights, remedies and options of the Holder under this Governmental Lender Note and the Funding Loan Documents are and shall be cumulative and are in addition to all of the rights, remedies and options of the Holder at law or in equity or under any other agreement.

Obligor shall pay all costs of collection on demand by the Holder, including without limitation, reasonable attorneys' fees and disbursements, which costs may be added to the indebtedness hereunder, together with interest thereon, to the extent allowed by law, as set forth in the Funding Loan Agreement, but solely from the Pledged Revenues, the Security, or amounts provided by the Borrower.

Notwithstanding any provision of this Governmental Lender Note or the Funding Loan Agreement to the contrary, the Obligor shall be permitted to direct Borrower Note prepayments to be transferred to a custodian or trustee selected by the Obligor, in lieu of application to prepay a like portion of this Governmental Lender Note, so long as the Obligor simultaneously causes other funds to be applied to prepay such portion of this Governmental Lender Note. The preceding provisions shall apply only for purposes of preserving or "recycling" private activity bond volume cap in accordance with Section 146(i)(6) of the Code.

This Governmental Lender Note may not be changed orally. Presentment for payment, notice of dishonor, protest and notice of protest are hereby waived. The acceptance by the Holder of any amount after the same is due shall not constitute a waiver of the right to require prompt payment, when due, of all other amounts due hereunder. The acceptance by the Holder of any sum in an amount less than the amount then due shall be deemed an acceptance on account only and upon condition that such acceptance shall not constitute a waiver of the obligation of Obligor to pay the entire sum then due, and Obligor's failure to pay such amount then due shall be and continue to be a default notwithstanding such acceptance of such amount on account, as aforesaid. Consent by the Holder to any action of Obligor which is subject to consent or approval of the Holder hereunder shall not be deemed a waiver of the right to require such consent or approval to future or successive actions.

This Governmental Lender Note (and the Funding Loan that it represents), and any interests herein or therein, are transferable by the registered owner hereof, but only in the manner, subject to the limitations and upon payment of the charges (if any provided in the Funding Loan Agreement. Upon such transfer a new fully registered Governmental Lender Note will be issued to the transferee(s) in exchange herefor. The Obligor and the Funding Lender may treat the registered owner(s) hereof as the absolute owner(s) hereof for all purposes, and the Obligor and the Funding Lender shall not be affected by any notice to the contrary.

The Obligor hereby certifies that all of the conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Governmental Lender Note do exist, have happened and have been performed in due time, form and manner as required by the Constitution and laws of the State (including the Act) and that the amount of this Governmental Lender Note, together with all other indebtedness of the Obligor, does not exceed any limit prescribed by the Constitution or laws of the State.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Governmental Lender Note by its authorized representative as of the date first set forth above.

OBLIGOR:

HOUSING AUTHORITY OF THE CITY OF
SAN DIEGO

By: _____
Jennifer Kreutter, Vice President of
Multifamily Housing Finance of the
San Diego Housing Commission

CERTIFICATE OF AUTHENTICATION

This is the Subordinate Series 2025A Note described in the within mentioned Funding Loan Agreement.

Date of Authentication: _____

U.S. Bank Trust Company, National
Association,
as Fiscal Agent

By: _____

Name: _____

Title: _____

EXHIBIT B

FORM OF REQUIRED TRANSFeree REPRESENTATIONS

[_____, 20__]

The undersigned, as owner (the "Holder") of [an interest in] the Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Sea Breeze Gardens) Subordinate Series 2025A (the "Governmental Lender Note") evidencing a loan (the "Funding Loan") in the aggregate maximum principal amount of \$7,500,000 from STERLING BANK, a Missouri banking corporation (the "Funding Lender") to the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO (the "Governmental Lender") pursuant to a Funding Loan Agreement, dated as of [August] 1, 2025 (the "Funding Loan Agreement") between the Funding Lender and the Governmental Lender hereby represents that:

1. The Holder has sufficient knowledge and experience in financial and business matters with respect to the evaluation of residential real estate developments such as the Project to be able to evaluate the risk and merits of the investment represented by the Funding Loan. The Holder is able to bear the economic risks of such investment.

2. The Holder acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and the Holder has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Governmental Lender, the Project, the use of proceeds of the Funding Loan, the Funding Loan, and the security therefor, so that, as a reasonable investor, the Holder has been able to make its decision to purchase the Governmental Lender Note [or an interest therein] and assume the position of the Funding Lender under the Governmental Lender Note. In entering into this transaction, the Holder acknowledges that it has not relied upon any representations or opinions of the Governmental Lender relating to the legal consequences to the Funding Lender or other aspects of its making the Funding Loan and acquiring the Governmental Lender Note, nor has it looked to, nor expected, the Governmental Lender to undertake or require any credit investigation or due diligence reviews relating to the Borrower, its financial condition or business operations, the Project (including the financing or management thereof), or any other matter pertaining to the merits or risks of the transactions contemplated by the Funding Loan Agreement and the Borrower Loan Agreement, or the adequacy of the funds pledged to the Funding Lender to secure repayment of the Governmental Lender Note.

3. The Holder is an Approved Transferee (as defined in the Funding Loan Agreement).

4. The Holder acknowledges that it is [assuming the position of the Funding Lender under the Governmental Lender Note] [purchasing an interest in the Governmental Lender Note] for investment for its own account and not with a present view toward resale or the distribution thereof, in that it does not now intend to resell or otherwise dispose of all or any part of its interests in the Governmental Lender Note; provided, however, that the Holder may sell or transfer the Governmental Lender Note and the Funding Loan as provided in Section 2.4 of the Funding Loan Agreement. The Holder agrees to and shall indemnify, hold harmless and defend the Governmental Lender, its officers, members, directors, officials and employees, and each of them, against all loss, costs, damages, expenses, suits, judgments, actions and liabilities of whatever nature (including, without limitation, attorneys' fees, litigation and court costs, amounts paid in

settlement, and amounts paid to discharge judgments) directly or indirectly resulting from or arising out of or related to its transfer of the Governmental Lender Note, any interest in the Governmental Lender Note and the Funding Loan, or any interest in the Funding Loan in violation of Section 2.4 of the Funding Loan Agreement.

5. The Holder understands that (a) the Governmental Lender Note is a limited obligation of the Governmental Lender, payable solely from funds and moneys pledged and assigned under the Funding Loan Agreement, and that the liabilities and obligations of the Governmental Lender with respect to the Governmental Lender Note are expressly limited as set forth in the Funding Loan Agreement and related documents, (b) the Governmental Lender Note 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 the Governmental Lender has no taxing power, and (c) the Governmental Lender Note does not and will not represent or constitute a general obligation or a pledge of the faith and credit of the Governmental Lender, the City of San Diego, the County of San Diego or the State of California or any political subdivision thereof.

6. The Holder has authority to assume the position of the Funding Lender under the Governmental Lender Note or to purchase an interest therein and to execute these representations and any other instructions and documents required to be executed by the Holder in connection with the assumption of the position of the Funding Lender under the Governmental Lender Note or the purchase of an interest therein. The undersigned is a duly appointed qualified and acting officer of the Holder and is authorized to execute these representations on behalf of the Holder.

7. The Holder understands that the Governmental Lender Note is not registered under the Securities Act of 1933, as amended, and that such registration is not legally required as of the date hereof; and further understands that the Governmental Lender 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 on any stock or other securities exchange, and (c) will not carry a rating from any rating agency. The Holder agrees that it will comply with any applicable state and federal securities laws then in effect with respect to any disposition of any interest in the Governmental Lender Note by it, as well as the provisions of Section 2.4 of the Funding Loan Agreement, and further acknowledges that any current exemption from registration of the Governmental Lender Note does not affect or diminish such requirements.

8. None of the Governmental Lender, its members, its Board of Directors, or any of its employees, counsel or agents will have any responsibility to the Holder for the accuracy or completeness of information obtained by the Holder from any source regarding the Borrower or its financial condition or the Project, or regarding the Governmental Lender Note, the provision for payment thereof, or the sufficiency of any security therefor. No written information has been provided by the Governmental Lender to the Holder with respect to the Governmental Lender Note. The Holder acknowledges that, as between the Holder and all of such parties, the Holder has assumed responsibility for obtaining such information and making such review as the Holder deemed necessary or desirable in connection with its decision to purchase the Governmental Lender Note or an interest therein and to assume the position of Funding Lender.

9. The Holder agrees to indemnify and hold harmless the Fiscal Agent and the Governmental Lender, each member, officer, director, partner or employee of the Fiscal Agent or the Governmental Lender, and each person who controls the Fiscal Agent or the Governmental Lender within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (collectively called the "Indemnified

Parties”), against any and all losses, claims, damages, liabilities or expenses (including any legal or other expenses incurred by it in connection with investigating any claims against it and defending any actions) whatsoever arising out of any sale, transfer or other disposition of the Funding Loan, or any interest therein, by Holder in violation of the provisions hereof. No Indemnified Parties other than the Governmental Lender and its members, officers and employees shall be indemnified hereunder for any losses, claims, damages or liabilities resulting from the negligence of such Indemnified Parties. No Indemnified Party shall be indemnified hereunder for any losses, claims, damages or liabilities resulting from the willful misconduct of such parties.

10. Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Funding Loan Agreement.

[_____] , as Holder

By:

Name:

Its:

[Signature page to Required Transferee Representations – Sea Breeze Gardens Subordinate Series 2025A]

EXHIBIT C

FORM OF WRITTEN REQUISITION OF THE BORROWER

To: U.S. Bank Trust Company, National Association, as Fiscal Agent (the “**Fiscal Agent**”) under that certain Funding Loan Agreement, dated as of [August] 1, 2025, among Sterling Bank, as Funding Lender, the Housing Authority of the City of San Diego, as Governmental Lender, and the Fiscal Agent (the “**Funding Loan Agreement**”).

1. You are requested to disburse funds from the Project Fund pursuant to Section 7.7 of the Funding Loan Agreement as set forth below:

Amount	Project Fund Account	Payable To

2. The undersigned certifies that:

- (i) the obligation stated on the requisition has been incurred in or about the construction or equipping of the Project, each item is a proper charge against the Project Fund, and the obligation has not been the basis for a prior requisition that has been paid;
- (ii) such requisition contains no items representing any Costs of Issuance or any other amount constituting an issuance cost under section 147(g) of the Code;
- (iii) not less than 95% of the sum of: (A) the amounts requisitioned by this Requisition to be funded with the proceeds of the Governmental Lender Note plus (B) all amounts allocated to the Governmental Lender Note previously disbursed from the Project Fund, have been or will be applied by the Borrower to pay Qualified Project Costs;
- (iv) as of the date hereof no event or condition has happened or is happening or exists that constitutes, or that with notice or lapse of time or both, would constitute, an Event of Default under the Funding Loan Agreement; and
- (v) attached as Schedule I to this Requisition is an exhibit that allocates the amount requested hereby among the sources for payment.

Dated: _____

BORROWER:

SEA BREEZE GARDENS PRESERVATION LP,
a California limited partnership

By: Sea Breeze Gardens Preservation GP LLC,
a Delaware limited liability company,
its administrative general partner

By: _____
Russell Condas, Vice President

By: PacH Sea Breeze Holdings, LLC,
a California limited liability company
its managing general partner

By: Pacific Housing, Inc.
a California nonprofit public benefit
corporation
its sole member and manager

By: _____
Mark A. Wiese, President

Dated: _____

APPROVED BY:
STERLING BANK,
a Missouri banking corporation,
as Funding Lender

By: _____

Name: _____

Title: _____

**RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:
Jones Hall, A Professional Law Corporation
475 Sansome Street, Suite 1700
San Francisco, California 94111
Attention: Brian C. Haroldson, Esq.**

**FIRST AMENDMENT TO REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

By and Among

HOUSING AUTHORITY OF THE CITY OF SAN DIEGO

and

**SEA BREEZE GARDENS PRESERVATION LP,
a California limited partnership**

and

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION

and

FEDERAL HOME LOAN MORTGAGE CORPORATION

Dated as of [August] 1, 2025

Relating to:

**\$7,500,000
Housing Authority of the City of San Diego
Multifamily Housing Revenue Notes
(Sea Breeze Gardens)
Subordinate Series 2025A**

FIRST AMENDMENT TO REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

THIS FIRST AMENDMENT TO REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (this “**First Amendment to Regulatory Agreement**”), dated as of [August] 1, 2025, is 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 (together with any successor to its rights, duties and obligations, the “**Authority**”), Sea Breeze Gardens Preservation LP, a California limited partnership (together with any successor to its rights, duties and obligations hereunder and as owner of the Project (as defined in the Funding Loan Agreement (as defined herein)), the “**Borrower**”), U.S. Bank Trust Company, National Association, a national banking association, organized and operating under the laws of the United States of America, as fiscal agent under the Funding Loan Agreement (the “**Fiscal Agent**”) and as trustee with respect to the 2024E Bonds (as defined herein) and the 2025A Notes (as defined herein), and Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States (and sometimes referred to as “Freddie Mac” herein), regarding the land described in Appendix A attached hereto.

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, rehabilitation 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 May 21, 2024, the legislative body of the Authority adopted a resolution (the “**Original Resolution**”) authorizing the issuance of revenue bonds in connection with financing the acquisition, rehabilitation, and equipping of a 268-unit (including three manager’s units) multifamily rental housing project located in the City; and

WHEREAS, in furtherance of the purposes of the Act and the Original Resolution and as a part of the Authority’s plan of financing residential rental housing, on June 14, 2024, the Authority issued its Multifamily Housing Revenue Bonds (Sea Breeze Gardens) Series 2024E (the “**2024E Bonds**”) under a Trust Indenture, dated as of June 1, 2024 (as supplemented and amended from time to time, the “**2024E Bonds Indenture**”), between the Authority and U.S. Bank Trust Company, National Association, a national banking association, organized and operating under the laws of the United States of America, as trustee (the “**Trustee**”); and

WHEREAS, the Authority used the proceeds of the sale of the 2024E Bonds to make a mortgage loan (the “**Bond Mortgage Loan**”) in the principal amount of \$75,000,000 to the

Borrower, pursuant to the terms of the 2024E Bonds Indenture and the Financing Agreement, dated as of June 1, 2024, by and among the Authority, Borrower, and Trustee (as supplemented and amended from time to time, the “**Financing Agreement**”), to enable the Borrower to finance the acquisition, rehabilitation and equipping of the Project for the public purpose of providing decent, safe and sanitary housing for families and individuals of low income and very low income; and

WHEREAS, with respect to the 2024E Bonds, the Authority 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, in connection with the issuance of the 2024E Bonds, the Authority, the Borrower, and the Trustee entered into that certain Regulatory Agreement and Declaration of Restrictive Covenants, dated as of June 1, 2024, with respect to the Project (the “**Original Regulatory Agreement**” and, as amended by this First Amendment to Regulatory Agreement, the “**Regulatory Agreement**”), whereby the Borrower agreed to restrict the use and operation of the Project, which Original Regulatory Agreement was recorded on June 17, 2024, in the Official Records of San Diego County as Document No. 2024-0152366; and

WHEREAS, on [July 22], 2025, the legislative body of the Authority adopted a resolution (the “**Supplemental Resolution**” and, together with the Original Resolution, the “**Resolutions**”) authorizing the issuance of revenue notes in connection with financing the acquisition, rehabilitation, and equipping of the Project; and

WHEREAS, in furtherance of the purposes of the Act and the Supplemental Resolution and as a part of the Authority’s plan of financing residential rental housing, the Authority proposes to issue its Multifamily Housing Revenue Notes (Sea Breeze Gardens) Subordinate Series 2025A (the “**2025A Notes**”) pursuant to a Funding Loan Agreement, dated as of [August] 1, 2025 (the “**Funding Loan Agreement**”), by and among the Authority, the Fiscal Agent, and Sterling Bank, a Missouri banking corporation (the “**Bank**”); and

WHEREAS, the Authority has agreed to use the proceeds of the sale of the 2025A Notes to make a mortgage loan (the “**Borrower Loan**”) in the principal amount of \$7,500,000 to the Borrower, pursuant to the terms of that certain Borrower Loan Agreement, dated as of [August] 1, 2025 (the “**Borrower Loan Agreement**”), by and between the Authority and the Borrower, and acknowledged by the Bank, to enable the Borrower to finance the acquisition, rehabilitation and equipping of the Project for the public purpose of providing decent, safe and sanitary housing for families and individuals of low income and very low income; and

WHEREAS, with respect to the 2025A Notes, the Authority 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 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 First Amendment to Regulatory Agreement in order to set forth certain terms and conditions relating to the acquisition, rehabilitation, equipping and operation of the Project;

WHEREAS, the Regulatory Agreement provides that it may be amended by a written instrument executed by the parties hereto, and the parties hereto now desire to provide for the amendment to the Regulatory Agreement as provided herein, in order to reflect the issuance of the 2025A Notes.

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, the Borrower, the Fiscal Agent, and Freddie Mac hereby agree as follows:

Section 1. Authority. This First Amendment to Regulatory Agreement is executed and delivered pursuant to and in accordance with Section 19 of the Original Regulatory Agreement.

Section 2. Recitals. The parties hereto acknowledge that each of the above recitals is true and correct. All capitalized terms not otherwise defined herein shall have the meanings set forth in the Original Regulatory Agreement or Funding Loan Agreement, as applicable.

Section 3. Amendments to Section 1 of Original Regulatory Agreement. Section 1 of the Original Regulatory Agreement is amended as follows:

(a) The definition of “Authority Fee” is hereby amended and restated as follows:

“**Authority Fee**” means, collectively, the Authority Fee (2024E Bonds) and Authority Fee (2025A Notes).

(b) The definition of “Bonds” is hereby amended and restated as follows:

“**Bonds**” means, collectively, the 2024E Bonds and the 2025A Notes.

(c) The definition of “Borrower’s Cost Certificate” is hereby amended and restated as follows:

“**Borrower’s Cost Certificate**” means (i) with respect to the 2024E Bonds, the Certificate Regarding Use of Proceeds, dated as of the Closing Date (First), with respect to certain Project Costs, executed by the Borrower and delivered to the Authority by the Borrower, and (ii) with respect to the 2025A Notes, the Certificate Regarding Use of Proceeds, dated as of the Closing Date (Second), with respect to certain Project Costs, executed by the Borrower and delivered to the Authority by the Borrower.

(d) The definition of “CDLAC Resolution” is hereby amended and restated as follows:

“**CDLAC Resolution**” means Resolution No. 23-302 adopted by CDLAC on December 6, 2023, and revised on May 22, 2024, awarding an allocation of \$75,000,000 to the Project, as such resolution may be further modified or amended from time to time, including as supplemented by Resolution No. 25-175, adopted by CDLAC on May 27, 2025, and attached to the First Amendment to Regulatory Agreement as Appendix B.

(e) The definition of “Closing Date” is hereby amended and restated as follows:

“**Closing Date**” means, with respect to the 2024E Bonds, the Closing Date (First), and, with respect to the 2025A Notes, the Closing Date (Second).

(f) The definition of “Indenture” is hereby amended and restated as follows:

“**Indenture**” means, together, the 2024E Bonds Indenture and the Funding Loan Agreement, or either one of them, as the context may require.

(g) The definition of “Inducement Date” is hereby amended and restated as follows:

“**Inducement Date**” means, (i) with respect to the 2024E Bonds, July 21, 2023, with respect to the Authority’s declaration of intent to issue tax-exempt multifamily housing revenue bonds in an aggregate principal amount not to exceed \$75,000,000 in connection with the Project, and (ii) with respect to the 2025A Notes, April 25, 2025, 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 \$7,500,000 in connection with the Project.

(h) The definition of “Partnership Agreement” is hereby amended and restated as follows:

“**Partnership Agreement**” means the Amended and Restated Agreement of Limited Partnership of the Borrower, dated as of the Closing Date (First), as amended by that certain [First Amendment to Amended and Restated Agreement of Limited Partnership] of the Borrower, dated as of the Closing Date (Second).

(i) The definition of “Trustee” is hereby amended and restated as follow:

“**Trustee**” means U.S. Bank Trust Company, National Association, or its successors and assigns, in its capacity as trustee for the 2024E Bonds and as fiscal agent for the 2025A Notes.

(j) The following definitions are inserted in alphabetical order:

“**2024E Bonds**” means the Authority’s Multifamily Housing Revenue Bonds (Sea Breeze Gardens) Series 2024E, issued on the Closing Date (First) in the original principal amount of \$75,000,000, pursuant to the 2024E Bonds Indenture.

“**2024E Bonds Indenture**” means that certain Trust Indenture, dated as of June 1, 2024 (as supplemented and amended from time to time), between the Authority and the Trustee, relating to the 2024E Bonds.

“2025A Notes” means the Authority’s Multifamily Housing Revenue Notes (Sea Breeze Gardens) Subordinate Series 2025A, issued on the Closing Date (Second) in the original principal amount of \$7,500,000, pursuant to the Funding Loan Agreement.

“Authority Fee (2024E Bonds)” means (i) the administrative fee of the Authority payable on the Closing Date (First) in the amount of 0.25% of the initial principal amount of the 2024E Bonds (i.e., \$187,500.00) and (ii) the ongoing administrative fee payable every 12 months, commencing June 1, 2025, in an amount equal to (A) prior to the completion of the rehabilitation of the Project in accordance with the Rehabilitation Escrow Agreement, 0.125% of the original principal amount of the 2024E Bonds, and (B) following the completion of the rehabilitation of the Project in accordance with the Rehabilitation Escrow Agreement, 0.125% of the principal amount of the 2024E Bonds outstanding immediately after completion of the rehabilitation of the Project in accordance with the Rehabilitation Escrow Agreement, provided, however, that the ongoing administrative fee shall in no event be less than \$10,000.00 or more than \$62,500.00.

“Authority Fee (2025A Notes)” means (i) the administrative fee of the Authority payable on the Closing Date (Second) in the amount of 0.25% of the initial principal amount of the 2025A Notes (i.e., \$18,750.00) and (ii) the ongoing administrative fee payable every 12 months, commencing [August] 1, 2026, in an amount equal to (A) prior to the completion of the rehabilitation of the Project in accordance with the Rehabilitation Escrow Agreement, 0.125% of the original principal amount of the 2025A Notes, and (B) following the completion of the rehabilitation of the Project in accordance with the Rehabilitation Escrow Agreement, 0.125% of the principal amount of the 2025A Notes outstanding immediately after completion of the rehabilitation of the Project in accordance with the Rehabilitation Escrow Agreement, provided, however, that the ongoing administrative fee shall in no event be less than \$10,000.00 or more than \$62,500.00.

“Closing Date (First)” means June 14, 2024, the date of execution, delivery and issuance of the 2024E Bonds.

“Closing Date (Second)” means [____], 2025, the date of execution, delivery and issuance of the 2025A Notes.

“First Amendment to Regulatory Agreement” means that certain First Amendment to Regulatory Agreement and Declaration of Restrictive Covenants dated as of [August] 1, 2025, is by and among the Authority, the Borrower, U.S. Bank Trust Company, National Association, a national banking association, organized and operating under the laws of the United States of America, as fiscal agent under the Funding Loan Agreement and as trustee with respect to the 2024E Bonds (as defined herein), and Federal Home Loan Mortgage Corporation.

“Funding Loan Agreement” means that certain Funding Loan Agreement, dated as of [August] 1, 2025, by and among the Authority, the Fiscal Agent, and Sterling Bank, a Missouri banking corporation.

Section 4. Additional Amendments to Original Regulatory Agreement.

(a) Paragraph (h) of Section 3 of the Original Regulatory Agreement is hereby amended and restated as follows:

“(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 Bond Mortgage Loan and Borrower Loan funded by the 2024E Bonds and 2025A Notes, respectively, and cause the 2024E Bonds and 2025A Notes to be prepaid 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.”

(b) Section 8 of the Original Regulatory Agreement is hereby amended and restated as follows:

“Section 8. Consideration. The Authority has agreed to issue the Bonds to provide funds to make the Bond Mortgage Loan and Borrower Loan to finance the Project, all for the purpose, among others, of inducing the Borrower to acquire, rehabilitate, equip and operate the Project. In consideration of the issuance of the Bonds 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.”

(c) Section 28 of the Original Regulatory Agreement is hereby amended and restated as follows:

“Section 28. Annual Reporting Covenant. No later than January 31 of each calendar year (commencing January 31, 2025 with respect to the 2024E Bonds and January 31, 2026 with respect to the 2025A Notes), 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 Bonds are no longer Outstanding or (ii) the proceeds of the Bonds have been fully spent.”

(d) The Certificate of Continuing Program Compliance attached as Appendix B to the Original Regulatory Agreement is hereby amended and restated in the form attached hereto as Appendix C.

(e) The CDLAC Resolution attached as Appendix D to the Original Regulatory Agreement is hereby amended to include CDLAC Resolution No. 25-175, adopted on May 27, 2025, attached hereto as Appendix B.

Section 5. Confirmation of Original Regulatory Agreement. Except as amended hereby, the Original Regulatory Agreement shall remain in full force and effect and is hereby

ratified and confirmed in all respects. This First Amendment to Regulatory Agreement shall be deemed to be an amendment to the Original Regulatory Agreement within the meaning of Section 19 of the Regulatory Agreement. All references in the Regulatory Agreement to “this Regulatory Agreement,” “hereunder,” “hereof,” “herein” or other words of like import, and all references to the Regulatory Agreement in any other agreement or document shall hereafter be deemed to refer to the Original Regulatory Agreement as amended hereby.

Section 6. Counterparts. This First Amendment to Regulatory 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.

[remainder of page left intentionally blank]

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: _____
Jennifer Kreutter, Vice President of
Multifamily Housing Finance of the San
Diego Housing Commission

[signatures continued on next page]

SEA BREEZE GARDENS PRESERVATION LP,
a California limited partnership

By: Sea Breeze Gardens Preservation GP LLC,
a Delaware limited liability company,
its administrative general partner

By: _____
Russell Condas, Vice President

By: PacH Sea Breeze Holdings, LLC,
a California limited liability company
its managing general partner

By: Pacific Housing, Inc.
a California nonprofit public benefit
corporation, its sole member and manager

By: _____
Mark A. Wiese, President

**U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION**, as Trustee for the Bonds and
Fiscal Agent for the Notes

By _____
Name:
Title:

FEDERAL HOME LOAN MORTGAGE CORPORATION

By:

Name:

Title:

[Notary Pages]

APPENDIX A

LEGAL DESCRIPTION

[Attached]

APPENDIX B
SUPPLEMENTAL CDLAC RESOLUTION

[attached]

APPENDIX C

[AMENDED AND RESTATED] CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

The undersigned, _____, being duly authorized to execute this certificate on behalf of Sea Breeze Gardens Preservation 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 Bonds (Sea Breeze Gardens) Series 2024E and Multifamily Housing Revenue Notes (Sea Breeze Gardens) Subordinate Series 2025A, such documents including:

(a) the Regulatory Agreement and Declaration of Restrictive Covenants dated as of June 1, 2024, by and among the Borrower, the Authority, and U.S. Bank Trust Company, National Association (the "Trustee"), as amended by that certain First Amendment to Regulatory Agreement and Declaration of Restrictive Covenants, dated as of [August] 1, 2025, by and among the Borrower, the Authority, the Trustee, and Federal Home Loan Mortgage Corporation (the "Regulatory Agreement"); and

(b) the Bond Mortgage Note (as defined in the Financing Agreement, dated as of June 1, 2024, by and among the Borrower, the Trustee, and the Authority (the "Financing Agreement")), dated June 14, 2024, from the Borrower to the Authority, representing the Borrower's obligation to repay the Bond Mortgage Loan (as defined in the Financing Agreement); and

(c) the Borrower Note (as defined in the Funding Loan Agreement), dated as of [August] 1, 2025, by and among the Borrower, the Trustee (as fiscal agent), and Sterling Bank (the "Funding Loan Agreement"), dated [CLOSING DATE (SECOND)], 2025, from the Borrower to the Authority, representing the Borrower's obligation to repay the Borrower Loan (as defined in the Funding Loan Agreement)..

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	Three-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].

SEA BREEZE GARDENS PRESERVATION LP,
a California limited partnership

By: Sea Breeze Gardens Preservation GP LLC,
a Delaware limited liability company,
its administrative general partner

By: _____
Russell Condas, Vice President

By: PacH Sea Breeze Holdings, LLC,
a California limited liability company
its managing general partner

By: Pacific Housing, Inc.
a California nonprofit public benefit
corporation, its sole member and manager

By: _____
Mark A. Wiese, President

RECORDING REQUESTED BY:
WHEN RECORDED MAIL TO

Rosenblum Goldenhersh, P.C.
7733 Forsyth, Suite 400
St. Louis, MO 63105
Attn: David T. Woods

(Space Above this Line for Recorder's Use)

ASSIGNMENT OF DEED OF TRUST AND LOAN DOCUMENTS

KNOW ALL PERSONS BY THESE PRESENTS:

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 ("**Assignor**"), pursuant to that certain Funding Loan Agreement, dated as of the date hereof ("**Funding Loan Agreement**"), by and between Assignor and **STERLING BANK**, a Missouri banking corporation ("**Funding Lender**"), for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does by these presents assign to **U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION**, a national banking association, as fiscal agent (the "**Fiscal Agent**"), in trust for the benefit of the Funding Lender, without recourse, all of Assignor's right, title and interest in and to, subject to the Unassigned Rights (as defined in the Funding Loan Agreement), the instruments ("**Assigned Instruments**") described on Schedule 1 attached hereto.

TO HAVE AND TO HOLD the same unto the said Fiscal Agent, in trust for the benefit of the Funding Lender, forever, subject only to all the provisions contained therein, AND the said Assignor hereby constitutes and appoints the Fiscal Agent as the Assignor's true and lawful attorney, irrevocable in law or in equity, in the Assignor's name, place and stead, but at Fiscal Agent's cost and expense, to have, use and take all lawful ways and means for the recovery of all of the said money and interest; and in case of payment, to discharge the same as fully as the Assignor might or could if these presents were not made.

Overriding Limitations. In no event shall Assignor:

(i) prosecute its action to a lien on the Project, as defined in that certain Borrower Loan Agreement by and between SEA BREEZE GARDENS PRESERVATION LP, a California limited partnership ("**Borrower**"), and Assignor (the "**Borrower Loan Agreement**"); or

(ii) 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 Borrower Loan or of causing Borrower to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of Borrower under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law in effect now or in the future; or

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

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

Definitions. All capitalized terms that are used and are not defined herein shall have the respective meanings ascribed to them in the Borrower Loan Agreement. In all references herein to any parties, persons, entities or corporations the use of any particular gender on the plural or singular number is intended to include the appropriate gender or number as the text of the within instrument may require.

Dated as of the __ day of _____, 2025.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Assignment of Deed of Trust and Loan Documents or caused this Assignment of Deed of Trust and Loan Documents to be duly executed and delivered by its authorized representative as of the date first set forth above.

ASSIGNOR:

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

By: _____

Name: Jennifer Kreutter

Title: Vice President of Multifamily Housing Finance
of the San Diego Housing Commission

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 CALIFORNIA

COUNTY OF _____

On _____ before me, _____ (here insert name and title of the 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.

Signature _____ (Seal)

**SCHEDULE 1
TO
ASSIGNMENT OF DEED OF TRUST
AND LOAN DOCUMENTS**

ASSIGNED INSTRUMENTS:

1. Deed of Trust with Assignment of Rents, dated as of the date hereof, executed by Borrower for the benefit of Assignor securing the principal amount of up to \$7,500,000, which is being recorded immediately prior hereto in the Recorder's Office of San Diego County, California, and encumbers the real property (and improvements thereon) that is more particularly described on **Exhibit A**.
2. Environmental Indemnification and Release Agreement dated as of the date hereof, executed by Borrower for the benefit of Assignor.

EXHIBIT A

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN DIEGO, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

ALL THOSE PORTIONS OF THE SOUTHWEST QUARTER AND THE SOUTHEAST QUARTER OF LOT 55 AND THE SOUTHWEST QUARTER OF LOT 54 OF A PORTION OF THE EX MISSION LANDS OF SAN DIEGO, COMMONLY CALLED HORTON'S PURCHASE IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO; STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 283, FILED IN THE OFFICE OF COUNTY RECORDER OF SAN DIEGO COUNTY, MARCH 9, 1878 DESCRIBED AS FOLLOWS

BEGINNING AT A POINT IN THE SOUTHERLY LINE OF SAID LOT 55 DISTANT THEREON NORTH 89° 39' 24" WEST 688.76 FEET FROM THE SOUTHEAST CORNER THEREOF, THENCE NORTH 0° 41' 46" EAST 30.00 FEET TO THE TRUE POINT OF BEGINNING; THENCE CONTINUING NORTH 0° 41' 46" EAST ALONG THE WESTERLY LINE OF THE EASTERLY 30.00 FEET OF THE SOUTH HALF OF THE SOUTHWEST QUARTER OF SAID LOT 55, A DISTANCE OF 301.03 FEET TO THE NORTHERLY LINE OF SAID SOUTH HALF OF THE SOUTHWEST QUARTER; THENCE ALONG SAID NORTHERLY LINE NORTH 89° 31' 29" WEST 110.00 FEET; THENCE NORTH 0° 41' 46" EAST 188.00 FEET; THENCE SOUTH 89° 31' 29" EAST 140.00 FEET TO THE WESTERLY LINE OF THE SOUTHEAST QUARTER OF SAID LOT 55; THENCE ALONG SAID WESTERLY LINE NORTH 0° 41' 46" EAST 144.48 FEET TO THE SOUTHWEST CORNER OF LEE'S ADDITION ACCORDING TO MAP THEREOF NO. 1092; FILED IN THE OFFICE OF COUNTY RECORDER OF SAN DIEGO COUNTY; THENCE ALONG THE SOUTHERLY LINE THEREOF BEING THE NORTHERLY LINE OF THE SOUTH HALF OF SAID LOT 55, SOUTH 89° 38' 51" EAST 299.16 FEET TO AN ANGLE POINT WHICH LIES 33.50 FEET SOUTHERLY FROM THE SOUTHEAST CORNER OF LOT 25 OF BLOCK 1 OF SAID LEE'S ADDITION AS SHOWN ON MAP OF O. D. ARNOLDS BONNIEVIEW UNIT NO. 4, MAP 4792; THENCE ALONG THE SOUTHERLY BOUNDARY THEREOF SOUTH 89° 59' 50" EAST 363.52 FEET TO AN ANGLE POINT IN THE SOUTHERLY LINE OF LOT 6 OF SAID MAP NO. 4792; BEING THE NORTHEAST CORNER OF THE SOUTHEAST QUARTER OF SAID LOT 55; THENCE ALONG THE EASTERLY LINE THEREOF SOUTH 0° 59' 10" WEST 0.76 FEET TO THE NORTHWEST CORNER OF THE SOUTHWEST QUARTER OF THE AFOREMENTIONED LOT 54 OF HORTON'S PURCHASE; THENCE ALONG THE NORTHERLY LINE OF THE SOUTH HALF OF SAID LOT 54 AND THE SOUTHERLY LINE OF SAID MAP NO. 4792; SOUTH 89° 42' 38" EAST 667.75 FEET TO THE NORTHEAST CORNER OF THE SOUTHWEST QUARTER OF SAID LOT 54; THENCE ALONG THE EASTERLY LINE OF SAID SOUTHWEST QUARTER SOUTH 0° 42' 00" WEST 332.71 FEET TO THE NORTHEAST CORNER OF THE SOUTH HALF OF SAID SOUTHWEST QUARTER OF LOT 54 SAID CORNER TO BE HEREINAFTER REFERRED TO AS POINT "A"; THENCE ALONG THE NORTHERLY LINE OF THE SOUTH HALF OF SAID SOUTHWEST QUARTER NORTH 89° 41' 07" WEST 227.16 FEET TO A POINT IN THE ARC OF A 52.00 FOOT RADIUS CURVE CONCAVE NORTHWESTERLY; THE CENTER OF WHICH BEARS NORTH 51° 41' 51" WEST FROM SAID POINT; THENCE SOUTHWESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 52° 00' 44" A DISTANCE OF 47.20 FEET; THENCE TANGENT TO SAID CURVE NORTH 89° 41' 07" WEST 322.00 FEET TO THE BEGINNING OF A TANGENT 25.00 FOOT RADIUS CURVE CONCAVE SOUTHEASTERLY; THENCE COUNTER-CLOCKWISE ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 89° 16' 56" A DISTANCE OF 38.96 FEET; THENCE TANGENT TO SAID CURVE SOUTH 1° 01' 57" WEST 242.73 FEET TO A POINT IN A LINE DRAWN PARALLEL TO AND DISTANT 45.00 FEET NORTHERLY, MEASURED AT RIGHT ANGLES FROM THE SOUTHERLY LINE OF SAID LOT 54, THENCE ALONG SAID PARALLEL LINE NORTH 89° 39' 24" WEST 55.00 FEET TO THE WESTERLY LINE OF SAID LOT 54; THENCE ALONG SAID WESTERLY LINE SOUTH 1° 01' 57" WEST 15.00 FEET TO A POINT IN A LINE DRAWN PARALLEL TO AND DISTANT 30.00 FEET NORTHERLY MEASURED AT RIGHT ANGLES FROM THE SOUTHERLY LINE OF THE AFOREMENTIONED LOT 55; THENCE ALONG SAID PARALLEL LINE NORTH 89° 39' 24" WEST 688.94 FEET TO THE TRUE POINT OF BEGINNING.

APN: 547-601-08-00