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**LOAN AGREEMENT**

**by and between**

**LENZEN SQUARE COMMUNITY PARTNERS, LP**

**and**

**CITY OF SAN JOSE**

**Dated as of August 1, 2019**

**Relating to:**

**\$18,500,000**

**City of San Jose**

**Multifamily Housing Revenue Bonds  
(Lenzen Square) 2019 Series A-1**

**and**

**\$3,000,000**

**City of San Jose**

**Multifamily Housing Revenue Bonds  
(Lenzen Square) 2019 Series A-2**

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The amounts payable to the City of San Jose (the “Issuer”) and other rights of the Issuer (except for Reserved Rights), under this Loan Agreement have been pledged and assigned to U.S. Bank National Association, as trustee (the “Trustee”) under the Indenture of Trust between the Issuer and the Trustee dated as of August 1, 2019.

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## LOAN AGREEMENT

This LOAN AGREEMENT (as amended, modified or supplemented from time to time, this “Agreement”) made as of August 1, 2019, by and between CITY OF SAN JOSE, a municipal corporation and charter city organized and existing under its Charter and the laws of the State of California (together with its successors and assigns, the “Issuer”) and LENZEN SQUARE COMMUNITY PARTNERS, LP, a limited partnership, duly organized and validly existing under the laws of the State of California (together with its permitted successors and assigns, the “Borrower”).

### WITNESSETH:

**WHEREAS**, the Issuer is authorized under the Act to issue, sell and deliver its Bonds and to loan the proceeds derived from the sale thereof to the Borrower to assist in the financing of one or more projects authorized under the Act for such payments and upon such terms and conditions as the Issuer may deem advisable in accordance with the provisions of the Act; and

**WHEREAS**, the Issuer has determined that the public purposes set forth in the Act will be furthered by the issuance, sale and delivery of \$18,500,000 in original aggregate principal amount of the Issuer’s Multifamily Housing Revenue Bonds (Lenzen Square) 2019 Series A-1 (the “Series A-1 Bonds”) and \$3,000,000 in original aggregate principal amount of the Issuer’s Multifamily Housing Revenue Bonds (Lenzen Square) 2019 Series A-2 (the “Series A-2 Bonds”, and together with the Series A-1 Bonds, the “Bonds”), pursuant to an Indenture of Trust (as amended, modified or supplemented from time to time, the “Indenture”), dated as of August 1, 2019, between the Issuer and U.S. Bank National Association, as trustee (together with any successor trustee under the Indenture and their respective successors and assigns, the “Trustee”), to provide funds to finance the costs of the acquisition, improvement, renovation and equipping of the Project Facilities (as hereunder defined); and

**WHEREAS**, the proceeds of the Bonds are being applied to finance the acquisition, renovation and equipping of a multifamily apartment housing facility consisting of a total of 88 units (including one manager’s unit) and related improvements, personal property and equipment, located in San Jose, California and known as “Lenzen Square Apartments” (the “Project Facilities”).

NOW, THEREFORE, IN CONSIDERATION OF THE FOREGOING AND THE UNDERTAKINGS HEREIN SET FORTH AND OTHER GOOD AND VALUABLE CONSIDERATION, THE ADEQUACY AND RECEIPT OF WHICH ARE HEREBY ACKNOWLEDGED, AND INTENDING TO BE LEGALLY BOUND, THE BORROWER AND THE ISSUER HEREBY AGREE AS FOLLOWS:

### ARTICLE I DEFINITIONS

Section 1.1. **Definitions.** In this Agreement (except as otherwise expressly provided for or unless the context otherwise requires), any capitalized terms used, but not defined herein, shall have the meanings ascribed to them in the Indenture.

Section 1.2. Rules of Construction; Time of Day. In this Agreement, unless otherwise indicated, (i) defined terms may be used in the singular or the plural and the use of any gender includes all genders, (ii) the words “hereof”, “herein”, “hereto”, “hereby” and “hereunder” refer to this entire Agreement, and (iii) all references to particular Articles or Sections are references to the Articles or Sections of this Agreement, (iv) the terms “agree” and “agreements” contained herein are intended to include and mean “covenant” and “covenants”, (v) the term “including” shall mean “including, but not limited to,” and (vi) the terms “best knowledge” or “knowledge” shall mean the actual knowledge of any Authorized Representative of the Borrower after due inquiry. References to any time of the day in this Agreement shall refer to Pacific standard time or Pacific daylight saving time, as in effect in San Jose, California on such day.

## **ARTICLE II LOAN AND PROVISIONS FOR REPAYMENT**

### Section 2.1. Basic Loan and Repayment Terms.

(a) The Issuer agrees, upon the terms and conditions contained in this Agreement and the Indenture, to lend to the Borrower the proceeds received by the Issuer from the sale of the Bonds. The Loan shall be made by depositing the proceeds from the initial sale of the Bonds in accordance with Article IV of the Indenture. Such proceeds shall be disbursed to or on behalf of the Borrower as provided for in this Agreement and the Indenture. The Borrower’s obligation to repay the Loan shall be evidenced by the Note, the forms of which are attached hereto as Exhibit A-1 and Exhibit A-2.

(b) The Borrower hereby agrees to repay the Loan, as evidenced by the Note, made pursuant to this Agreement by paying or causing to be paid to the Trustee in immediately available funds for the account of the Issuer for deposit into the Bond Fund or the Redemption Fund, as applicable, on the dates and in the amounts set forth on Schedule 3 hereto, and any other date that any payment of interest, premium, if any, or principal is required to be made in respect of the Bonds pursuant to the Indenture whether at maturity, upon acceleration or by sinking fund redemption or mandatory redemption, until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, a sum which will enable the Trustee to pay the amount payable on such date as principal of (whether at maturity or upon mandatory redemption or acceleration or otherwise), premium, if any, and interest on the Bonds, as provided in the Indenture.

(c) It is understood and agreed that the Note and all payments payable by the Borrower under this Section 2.1 are assigned by the Issuer to the Trustee for the benefit of the Bondholders. The Borrower assents to such assignment. The Issuer hereby directs the Borrower and the Borrower hereby agrees to pay to the Trustee, at the address specified in or in accordance with Section 10.1 hereof, all loan repayments payable to the Issuer pursuant to the Note and this subsection.

(d) The Borrower shall have, and is hereby granted, the option to prepay the unpaid principal amount of the Loan, together with interest thereon to the date of redemption of the Bonds, but only pursuant to the provisions of Section 2.3(b) hereof and Section 2.12(a) of the



Indenture with respect to voluntary prepayment of the Loan and optional redemption of the Bonds.

Section 2.2. Fees.

(a) On the date of execution and delivery of this Agreement, the Borrower shall pay, or cause to be paid, to Red Stone A7 LLC an origination fee equal to \$268,750.

(b) Intentionally omitted.

(c) Upon submission to the Controlling Person of the materials required for the Controlling Person to determine if Stabilization has occurred, the Borrower shall pay, or cause to be paid, to Red Stone A7 LLC a fee equal to \$5,000.

(d) The Borrower shall pay (as directed by the Controlling Person) on the first Business Day of each month commencing on October 1, 2019, through Final Completion of the Work in respect of the Project Facilities, an amount equal to the costs of the Engineering Consultant incurred by the Controlling Person in the prior month in an amount not to exceed \$1,800 per month (plus travel and reasonable and necessary expenses). If the Borrower fails to requisition such costs, the Controlling Person may direct the Trustee to disburse such amounts as part of any Advance.

(e) On the date of execution and delivery of this Agreement, the Borrower shall pay, or cause to be paid, to the Issuer an initial issuance fee of \$[\_\_\_\_], as required by [\_\_\_\_\_].

(f) The Borrower shall pay any and all special servicing fees or costs in accordance with Section 6.34 hereof.

Section 2.3. Termination; Voluntary Prepayment and Redemption.

(a) Notwithstanding anything to the contrary contained in this Agreement or the other Bond Documents, the Controlling Person's and the Majority Owner's and each Holder's rights, interests and remedies hereunder and under the other Bond Documents shall not terminate or expire or be deemed to have been discharged or released until the earlier to occur of (i) the payment in full of the Bonds, or (ii) defeasance of all of the Bonds. No such termination, expiration or release shall affect the survival of the indemnification provisions of this Agreement, which provisions shall survive any such termination, expiration or release.

(b) The Loan may be prepaid by the Borrower, and the Bonds shall be optionally redeemed pursuant to Section 2.12(a) of the Indenture, on any Interest Payment Date on or after August 1, 2034 [**NOTE: 15 YEARS FROM CLOSING**], upon the payment of the principal amount of the Bonds plus interest accrued thereon to, but not including, the date of redemption, without premium or penalty.

(c) Acceleration of the obligations of the Borrower hereunder upon an Event of Default prior to August 1, 2034 [**NOTE: 15 YEARS FROM CLOSING**], shall constitute an evasion of the prepayment provisions of this Agreement and any tender of payment of an amount

necessary to satisfy the entire Indebtedness evidenced by this Agreement shall include an acceleration premium, equal to the amount of interest which would have accrued on the amount of Bonds scheduled to be Outstanding from the date of acceleration to, but not including, August 1, 2034 [NOTE: 15 YEARS FROM CLOSING].

(d) The Borrower shall be required to prepay the Loan at the times and in the amounts necessary to provide funds for the payment of the mandatory redemption of the Bonds pursuant to Section 2.12(b) of the Indenture. In addition, on each Interest Payment Date, the Borrower shall pay to the Trustee for deposit into the Redemption Fund the amount set forth for such purpose on Schedule 3 hereto, which amount shall be applied on each Principal Payment Date to the mandatory sinking fund redemption of the Series A-1 Bonds pursuant to Section 2.12(c) of the Indenture.

(e) Notwithstanding the foregoing, the Borrower shall have the right at any time to defease the Bonds in accordance with the provisions of Article V of the Indenture, without premium or penalty.

By initialing below, Borrower waives any right under California Civil Code Section 2954.10 or otherwise to prepay the Loan, in whole or in part, without payment of the amounts described above in Section 2.3. Borrower agrees to pay any and all such amounts if all or any portion of the principal amount of the Loan is prepaid, whether voluntarily or by reason of acceleration, including acceleration upon any transfer or conveyance of any right, title or interest in the Project Facilities giving the Trustee the right to accelerate the maturity of the Loan.

Dated: \_\_\_\_\_, 2019

LENZEN SQUARE COMMUNITY PARTNERS, LP Initial: \_\_\_\_\_

Section 2.4. Obligations Absolute. The obligations of the Borrower under this Agreement shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including without limitation the following circumstances: (i) any lack of validity or enforceability of the Bond Documents or any other agreement or document relating thereto; (ii) any amendment or waiver of or any consent to or departure from the Bond Documents or any document relating thereto; or (iii) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against the Issuer or the Trustee (or any persons or entities for whom the Trustee may be acting) or any other person or entity, whether in connection with this Agreement, the transactions described herein or any unrelated transaction. The Borrower understands and agrees that no payment by it under any other agreement (whether voluntary or otherwise) shall constitute a defense to its obligations hereunder, except to the extent that the Loan evidenced hereby has been indefeasibly paid in full and all other sums, whether owing under this Agreement or under the other Bond Documents have been paid in full.

Section 2.5. Indemnification. Borrower covenants to defend, indemnify and hold harmless the Issuer, the Trustee, the Controlling Person, the Majority Owner, the Series A-2 Purchaser and each of their respective Affiliates and each of their and their Affiliates' respective directors, officers, governing members, officials, employees, representatives, attorneys and

agents (each, an “Indemnified Party” and, collectively, the “Indemnified Parties”), except as limited below, from and against any and all claims, actions, judgments, obligations, fees, damages, losses, liabilities, costs and expenses (including attorneys’ fees for counsel of each of the Indemnified Parties’ choice, which shall be the same counsel for all such Indemnified Parties unless, in the reasonable judgment of such Indemnified Party, a conflict of interest exists by reason of common representation) whatsoever which the Indemnified Parties may incur (or which may be claimed against any of the Indemnified Parties by any person or entity whatsoever) by reason of or in connection with:

(a) the Bonds, the Indenture, the Loan Agreement, the Land Use Restriction Agreement, or the Tax Certificate or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including the issuance, sale or resale, remarketing, defeasance or redemption, in whole or in part, of the Bonds;

(b) any breach by the Borrower of any representation, warranty, covenant, term or condition in, or the occurrence of any default under, this Agreement or the other Bond Documents;

(c) the involvement of any of the Indemnified Parties in any legal suit, investigation, proceeding, inquiry or action as a consequence, direct or indirect, of the Controlling Person, the Majority Owner or the Series A-2 Purchaser’s actions taken pursuant to this Agreement or any of the other Bond Documents or any other event or transaction contemplated by any of the foregoing;

(d) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact by or on behalf of the Borrower contained or incorporated by reference in any offering or reoffering materials or disclosure or continuing disclosure document prepared in respect of the Bonds, or any supplement or amendment thereof, or the omission or alleged omission by or on behalf of the Borrower to state therein a material fact necessary to make such statements in light of the circumstances in which they are or were made not misleading;

(e) the acceptance or administration of the Bond Documents or the Security Interests thereunder or the performance of duties under the Bond Documents or any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Project Facilities or the use thereof, including without limitation any lease thereof or assignment of its interest in this Agreement;

(f) any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees in connection with the Advances or the Project Facilities, the operation of the Project Facilities, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition or renovation of, the Improvements or any part thereof;

(g) any Lien (other than a Permitted Encumbrance) or charge upon payments by the Borrower to the Issuer and the Trustee hereunder, or any taxes (including, without

limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Issuer or the Trustee in respect of any portion of the Project Facilities;

(h) any violation or alleged violation of any applicable law or regulation with respect to the Project Facilities, including, without limitation, any Environmental Law or any inspection, review or testing with respect to, or the release of any toxic substance from, the Project Facilities or any part thereof;

(i) the enforcement of, or any action taken by the Issuer or any other Indemnified Party, related to remedies under, this Agreement, the Indenture and the other Bond Documents;

(j) any action, suit, claim, proceeding, audit, inquiry, examination, or investigation of a judicial, legislative, administrative or regulatory nature concerning or related to interest payable on the Bonds not being excludable from gross income for purposes of federal income taxation or exempt from state income taxation;

(k) any action, suit, claim or demand contesting or affecting the title of the Project Facilities;

(l) the investigation of, preparation for or defense of any litigation, proceeding or investigation in connection with the Project Facilities or the transactions to be consummated in connection therewith of any nature whatsoever, commenced or threatened against the Borrower, the Project Facilities or any Indemnified Party;

(m) any brokerage commissions or finders' fees claimed by any broker or other party in connection with the Project (other than brokers claiming by or through Underwriter or the Controlling Person) or the Bonds;

(n) any declaration of taxability of interest on the Bonds, or allegations (or regulatory inquiry) that interest on the Bonds is taxable, for federal tax purposes; and

(o) the Trustee's acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party;

except (i) in the case of the foregoing indemnification of the Trustee (or other Indemnified Party other than the Issuer) or any of their respective officers, members, directors, officials, employees and agents, to the extent such damages are caused by the gross negligence or willful misconduct of such Indemnified Party; or (ii) in the case of the foregoing indemnification of the Issuer or the members of the Issuer or any of their officers, members, directors, officials, employees and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Borrower and 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, in the Indemnified Party's reasonable discretion. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Borrower if in the reasonable judgment of such Indemnified Party a conflict of interest exists by reason of common representation.

In addition thereto, the Borrower will pay upon demand all of the fees and expenses paid or incurred by an Indemnified Party in enforcing the provisions hereof, as more fully set forth in this Agreement. As such, the indemnification shall include the reasonable costs and expenses of defending itself or investigating any claim of liability and other reasonable expenses and attorneys' fees incurred by the Indemnified Parties.

The rights of any persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses pursuant this Agreement shall survive the final payment or defeasance of the Bonds and in the case of the Trustee any resignation or removal. The provisions of this Section shall survive the termination of this Agreement and the Indenture. The obligations of the Borrower to the Indemnified Parties under this Section shall not be subject to the recourse limitations of Section 10.14 hereof. Amounts payable hereunder shall be due and payable ten (10) days after demand and will accrue interest at the Default Rate, commencing with the expiration of the ten (10) day period.

Nothing contained in this Section 2.5 shall in any way be construed to limit the indemnification rights of the Issuer contained in [Section 9 of the Land Use Restriction Agreement]. With respect to the Issuer, in the event of a conflict between the terms of this Section and [Section 9 of the Land Use Restriction Agreement] such indemnity provisions contained in the Land Use Restriction Agreement shall control.

Section 2.6. Amounts Remaining on Deposit Upon Payment of the Bonds. After payment in full of the principal of, premium, if any, and interest on the Bonds (or defeasance of the Bonds) and upon payment of amounts payable to the United States pursuant to any rebate requirement and the payment of any other amounts owed hereunder or under the Indenture, all amounts on deposit with the Trustee pursuant to the Indenture, this Agreement or any other Bond Document shall be paid by the Trustee to the Borrower.

### **ARTICLE III SECURITY**

Section 3.1. Mortgage and Other Security Documents. To further secure the Borrower's obligations under this Agreement, the Borrower shall, at its sole expense, execute and deliver to the Trustee (and where required, duly record), (a) the Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (With Power of Sale) dated as of the date hereof, made by the Borrower in favor of the Trustee covering the Project Facilities (the "Mortgage"); (b) the Environmental Indemnity Agreement dated as of the date hereof, by the Borrower and the Guarantor in favor of the Trustee (the "Environmental Indemnity") pursuant to

which the Borrower and the Guarantor shall indemnify and hold the Trustee harmless from environmental liabilities; (c) the Assignment of Management Agreement, dated as of the date hereof, by the Borrower to and for the benefit of the Trustee, consented to by the Manager (the “Assignment of Management Agreement and Consent”); (d) the Replacement Reserve and Security Agreement, dated as of the date hereof, made by the Borrower in favor of the Trustee (the “Replacement Reserve Agreement”); (e) intentionally omitted; (f) the Assignment of Project Documents, dated as of the date hereof, made by the Borrower in favor of the Trustee (the “Assignment of Project Documents”) and consented to by the Architect and the Contractor; (g) the Guaranty of Recourse Obligations, dated as of the date hereof, made by the Guarantor in favor of the Trustee (the “Guaranty of Recourse Obligations”); (h) the Guaranty of Completion, dated as of the date hereof made by the Guarantor in favor of the Trustee (the “Guaranty of Completion”); (i) the Guaranty of Debt Service and Stabilization dated as of the date hereof, made by the Guarantor in favor of the Trustee (the “Guaranty of Debt Service and Stabilization”); (j) the Assignment of Leases, Rents and Other Income, dated as of the date hereof, made the Borrower to the Trustee (the “Assignment of Rents”); (k) the Assignment of Capital Contributions, dated the date hereof, by the Borrower for the benefit of the Trustee, consented to by the Tax Credit Investor (the “Assignment of Capital Contributions”), pursuant to which the Tax Credit Investor agrees to deposit all installments of equity with the Trustee upon satisfaction of the applicable terms and conditions of the Partnership Agreement; (l) a Limited Guaranty, Pledge of Partnership Interests and Security Agreement, dated the date hereof, by the General Partner and the Managing General Partner in favor of the Trustee (the “General Partner Pledge”); and (m) a Developer Limited Guaranty, Pledge and Security Agreement dated as of the date hereof, from [DEVELOPER], as “Developer” in favor of the Trustee (the “Developer Fee Pledge”).

Section 3.2. Financing Statements. The Borrower hereby authorizes the Trustee, without the signature of the Borrower, to file such Financing Statements (including continuation statements), and perform such other acts, under the Uniform Commercial Code of the State or other applicable Legal Requirements as are necessary or advisable to perfect and maintain perfection of the Issuer’s and/or the Trustee’s security interests under this Agreement, the Indenture, the Mortgage and the other Bond Documents. The Borrower will pay upon demand the costs of filing the foregoing Financing Statements and the Financing Statements required under Section 7.8 of the Indenture in such public offices as the Controlling Person may designate.

#### **ARTICLE IV REPRESENTATIONS OF ISSUER**

Section 4.1. Representations by the Issuer. The Issuer represents and warrants to the Borrower, the Trustee and the Holders from time to time of the Bonds as follows:

(a) The Issuer is a municipal corporation and charter city organized and existing under its Charter and the laws of the State of California and is authorized by the Act to execute and enter into this Agreement and to undertake the transactions contemplated herein.

(b) The Issuer has all requisite power, authority and legal right to execute and deliver the Bond Documents to which it is a party and all other instruments and documents to be

executed and delivered by the Issuer pursuant thereto, to perform and observe the provisions thereof and to carry out the transactions contemplated by the Bond Documents. All action on the part of the Issuer which is required for the execution, delivery, performance and observance by the Issuer of the Bond Documents has been duly authorized and effectively taken, and such execution, delivery, performance and observation by the Issuer do not contravene applicable law or any contractual restriction binding on or affecting the Issuer.

(c) The Issuer has duly approved the issuance of the Bonds and the loan of the proceeds thereof to the Borrower for the acquisition and renovation of the Project Facilities; no other authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required as a condition to the performance by the Issuer of its obligations under the Bond Documents.

(d) This Agreement is, and each other Bond Document to which the Issuer is a party when delivered will be, legal, valid and binding special obligations of the Issuer enforceable against the Issuer in accordance with its terms except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

(e) There is no default of the Issuer in the payment of the principal of or interest on any of its indebtedness for borrowed money or under any instrument or instruments or agreements under and subject to which any indebtedness for borrowed money has been incurred which does or could affect the validity and enforceability of the Bond Documents or the ability of the Issuer to perform its obligations thereunder, and no event has occurred and is continuing under the provisions of any such instrument or agreement which constitutes or, with the lapse of time or the giving of notice, or both, would constitute such a default.

(f) There are no obligations of the Issuer other than the Bonds that have been, are being or will be (i) sold at substantially the same time, (ii) sold pursuant to the same plan of financing, and (iii) reasonably expected to be paid from substantially the same source of funds.

(g) There is no action, suit, proceeding, inquiry, or investigation at law or in equity or before or by any court, public board or body pending, or, to the best knowledge of the Issuer, threatened against or affecting the Issuer wherein an unfavorable decision, ruling or finding would adversely affect (i) the transactions contemplated by, or the validity or enforceability of, the Bonds, the Indenture or this Agreement or (ii) the exclusion from gross income of interest on the Bonds for purposes of federal income taxation.

(h) In connection with the authorization, issuance and sale of the Bonds, the Issuer has complied in all material respects with all provisions of the laws of the State, including the Act.

(i) The Issuer has not assigned or pledged and will not assign or pledge its interest in this Agreement for any purpose other than to secure the Bonds under the Indenture. The Bonds constitute the only bonds or other obligations of the Issuer in any manner payable from the revenues to be derived from this Agreement, and except for the Bonds, no bonds or other obligations have been or will be issued on the basis of this Agreement.

(j) The Issuer is not in default under any of the provisions of the laws of the State, which default would affect the issuance, validity or enforceability of the Bonds or the transactions contemplated by this Agreement or the Indenture.

(k) The Issuer covenants and agrees that it will take or cause to be taken all required actions to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. All of the amounts received upon the sale of the Bonds shall be allocated to, and shall be used, for the purpose of financing the aggregate basis of land and building costs within the meaning of Section 42(h)(4)(B) of the Code. To the extent within the reasonable control of the Issuer, and provided that the Issuer shall be under no duty to enforce compliance, the amounts received upon the sale of the Bonds and interest and other investment earnings on those amounts shall be allocated and used for financing Project Costs of each building and related land in the Project Facilities so that the aggregate basis of each such building and related land, within the meaning of Section 42(h)(4) of the Code, shall be financed fifty percent (50%) or more from those amounts.

(l) No member of the Issuer, nor any other official or employee of the Issuer, has any interest (financial, employment or other) in the Borrower, in the Project Facilities or in the transactions contemplated hereby, by the other Bond Documents or by the Indenture.

(m) The Issuer used no broker in connection with the execution hereof and the transactions contemplated hereby.

Section 4.2. No Liability of Issuer. The Issuer shall not be obligated to pay the principal (or redemption price) of or interest on the Bonds, except from the Security and other moneys and assets received by the Trustee on behalf of the Issuer pursuant to this Agreement. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the Issuer or any member is pledged to the payment of the principal (or redemption price) or interest on the Bonds. The Issuer shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Borrower under this Agreement.

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



**ARTICLE V**  
**REPRESENTATIONS AND WARRANTIES OF THE BORROWER**

The Borrower represents and warrants to and for the benefit of the Issuer, the Trustee, the Controlling Person and the Holders from time to time of the Bonds as follows:

Section 5.1. Existence. The Borrower is a limited partnership, duly organized, validly existing and in good standing under the Legal Requirements of the state of its organization and is duly qualified to do business in the State. The Borrower has furnished to the Issuer, the Trustee and the Controlling Person true and complete copies of its Partnership Agreement and certificate of limited partnership. The Borrower owns and will own no other assets other than the Project Facilities. The Borrower has been, is and will be engaged solely in the business of acquiring, renovating, equipping, financing, owning, managing and operating the Project Facilities and activities incident thereto. The General Partner of the Borrower is WNC – Lenzen Square Community Partners GP, LLC, a limited liability company, duly organized, validly existing and in good standing under the laws of the State of California and is duly qualified to do business in the State. The General Partner has furnished to the Issuer, the Trustee and the Controlling Person true and complete copies of its articles of organization and operating agreement. The General Partner has and will have no other assets other than its partnership interests in the Borrower. The Managing General Partner of the Borrower is FFAH V Lenzen Square, LLC, a limited liability company, duly organized, validly existing and in good standing under the laws of the State of California and is duly qualified to do business in the State. The Managing General Partner has furnished to the Issuer, the Trustee and the Controlling Person true and complete copies of its articles of organization and operating agreement. The Managing General Partner has and will have no other assets other than its partnership interests in the Borrower.

Section 5.2. Power, Authorization and No Conflicts. The Borrower has all requisite power and authority and the legal right to own and operate its properties and to conduct its business and operations as they are currently being conducted and as proposed to be conducted by it. The execution, delivery and performance by the Borrower of this Agreement and the other Bond Documents to which the Borrower is a party (i) are within the Borrower’s powers, (ii) have been duly authorized by all necessary company and legal action by or on behalf of the Borrower, and (iii) do not contravene the Partnership Agreement, operating agreement, articles of incorporation, articles of organization, or certificate of limited partnership of the Borrower, the Managing General Partner or the General Partner, as applicable, or any Legal Requirement applicable to the Borrower, the Managing General Partner, the General Partner or any Material Contract or restriction binding on or affecting the Borrower, the General Partner, the Managing General Partner or any of their respective assets, or result in the creation of any mortgage, pledge, lien or encumbrance upon any of its assets other than as provided by the terms thereof.

Section 5.3. Governmental Authorizations and Other Approvals. The Borrower, the Managing General Partner and the General Partner have all necessary Governmental Actions and qualifications, and have complied with all applicable Legal Requirements necessary to conduct their business as it is presently conducted and to own, operate and renovate the Project Facilities in accordance with the provisions of the Bond Documents. The Borrower has obtained, or will obtain when due, all Governmental Actions from such Governmental Authorities which are a necessary precondition to renovate, own and operate the Project Facilities and all such

Governmental Actions were or will be duly issued, are or will be in full force and effect and are not and will not be subject to any pending judicial or administrative proceedings, the period for judicial or administrative appeal or review having expired and no petition for administrative or judicial appeal or review having been filed. The Project Facilities (upon completion of renovation of the Project Facilities as contemplated in the Plans and Specifications) will comply with all Governmental Actions and Legal Requirements, including all zoning restrictions (including without limitation, use density, setbacks, parking and other similar requirements) or the Borrower has a valid variance for or exemption from such requirements. All Governmental Actions obtained by the Borrower are listed and described on Schedule 6 hereto and have been validly issued and are in full force and effect. With respect to any Government Actions not yet obtained, the steps listed on Schedule 6 are all the steps needed to obtain such Governmental Actions and the Borrower knows of no reason such Governmental Actions will not be timely obtained in the ordinary course of business and as needed in connection with the renovation or operation of the Project Facilities. No such Governmental Action will terminate, or become void or voidable or terminable, upon any sale, transfer or other disposition of the Project Facilities including any transfer pursuant to foreclosure sale under the Mortgage.

Section 5.4. Validity and Binding Effect. This Agreement, and the other Bond Documents to which the Borrower is a party are the legal, valid and binding obligations of the Borrower, enforceable against it in accordance with their respective terms, subject to the application by a court of general principles of equity and to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar Legal Requirement affecting creditors' rights generally.

Section 5.5. No Litigation. Except as disclosed on Schedule 1 attached hereto, there is no pending action or proceeding, including eminent domain proceedings, before any Governmental Authority or arbitrator against or involving the Borrower, the Managing General Partner, the General Partner or to the Borrower's knowledge after due inquiry, the Project Facilities and, to the best knowledge of the Borrower, the Managing General Partner and the General Partner, there is no threatened action or proceeding, including eminent domain proceedings, affecting the Borrower, the Managing General Partner or the General Partner before any Governmental Authority or arbitrator which, in any case, might materially and adversely affect the business, operations, assets, condition (financial or otherwise) or prospects of the Borrower, the Managing General Partner or the General Partner or the validity or enforceability of this Agreement, the Bonds, or the Bond Documents or the renovation, operation or ownership or renting of the Project Facilities, or the exclusion from gross income of interest on the Bonds for purposes of federal income taxation or the exemption of the Project Facilities from ad valorem real estate taxation under the laws of the State.

Section 5.6. No Violations. The Borrower, the Managing General Partner and the General Partner are in compliance with, and not in breach of or default under (a) any applicable Governmental Actions or Legal Requirements with respect to the Project Facilities of any Governmental Authority having jurisdiction, or (b) the Bond Documents, or any other credit agreement, indenture, mortgage, agreement or other instrument to which it is a party or otherwise subject. To the best knowledge of the Borrower, the General Partner and the Managing General Partner, no event has occurred and is continuing which, with the passage of time or the giving of

notice or both, would constitute an event of default under any such instrument. The Borrower is not in violation, nor is there any notice or other record of any violation of any Legal Requirements, restrictive covenants or other restrictions applicable to any of the Project Facilities. 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 the Project Facilities.

Section 5.7. Compliance. The ownership of the Project Facilities, the renovation of the Project Facilities, and the use and operation of the Project Facilities as contemplated hereby do and shall, in all material respects, comply with, and are lawful and permitted uses under, the Tax Certificate and the Land Use Restriction Agreement, all applicable building, fire, safety, zoning, subdivision, sewer, Environmental Laws, health, insurance and other Legal Requirements and plan approval conditions of any Governmental Authority. The Project Facilities are located wholly within the boundaries of the Issuer's jurisdiction. The Project Facilities will satisfy all Legal Requirements with respect to multifamily rental housing and/or qualified residential rental facilities, and the Borrower and its general partners will satisfy all requirements for an exemption from ad valorem real estate taxation under the laws of the State.

Section 5.8. Title to Properties; Liens and Encumbrances. The Borrower has good and indefeasible title in fee simple to the Project Facilities, free and clear of all liens or encumbrances except for the Permitted Encumbrances. All such real property, fixtures and equipment necessary to the conduct of the business of the Borrower and the operation of the Project Facilities are and will be in reasonable working order and are suitable for the purposes for which they are and will be used. There exist no Liens, encumbrances or other charges against the Project Facilities (including without limitation statutory and other liens of mechanics, workers, contractors, subcontractors, suppliers, taxing authorities and others), except Permitted Encumbrances.

Section 5.9. Utilities and Access. All utility services necessary for the operation of the Project Facilities in the manner contemplated hereby, including water supply, storm and sanitary sewer facilities, gas, electricity and telephone facilities are available within the boundaries of the Project Facilities; and all roads necessary for the full utilization of the Project Facilities in the manner contemplated hereby either have been completed or rights-of-way therefor have been acquired by the appropriate Governmental Authority or others or have been dedicated to public use and to the best knowledge of the Borrower, accepted by such Governmental Authority.

Section 5.10. Financial Information.

(a) All of the financial information furnished to the Controlling Person, the Majority Owner and the Series A-2 Purchaser with respect to the Borrower, the Guarantor, the Managing General Partner and the General Partner in connection with this Agreement (i) is complete and correct in all material respects as of the date hereof; and (ii) accurately presents the financial condition of such party as of the date hereof. None of the Borrower, the Guarantor, the Managing General Partner or the General Partner has any material liability or contingent liability

not disclosed to the Controlling Person, the Majority Owner and the Series A-2 Purchaser in writing; and

(b) Since its formation, each of the Borrower, the Managing General Partner and the General Partner has conducted its operations in the ordinary course, and no material adverse change has occurred in the business, operations, assets or financial condition of the Borrower, the Managing General Partner or the General Partner. Since its formation, the Guarantor has conducted its operations in the ordinary course and, since the date of its last financial statement, no material adverse change has occurred in the business operations, assets or financial condition of the Guarantor.

Section 5.11. ERISA. No employee pension plan maintained by the Borrower, the Managing General Partner or the General Partner or any ERISA Affiliate which is subject to Part 3 of Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) has an accumulated funding deficiency (as defined in Section 302(a) of ERISA), no reportable event (as defined in Section 4043 of ERISA) has occurred with respect to any employee pension plan maintained for employees of the Borrower or any ERISA Affiliate and covered by Title IV of ERISA, no liability has been asserted against the Borrower, the Managing General Partner, the General Partner or any ERISA Affiliate by the Pension Benefit Guaranty Corporation (“PBGC”) or by a trustee appointed pursuant to Section 4042(b) or (c) of ERISA, and no lien has been attached and no person has threatened to attach a lien to any of the Borrower’s, the Managing General Partner’s, the General Partner’s or any ERISA Affiliate’s property as a result of failure to comply with ERISA or as a result of the termination of any employee pension plan covered by Title IV of ERISA. Each employee pension plan (as defined in Section 3(2) of ERISA) maintained for employees of the Borrower, the Managing General Partner, the General Partner or any ERISA Affiliate which is intended to be qualified under Section 401 (a) of the Code, including all amendments to such plan or to any trust agreement, group annuity or insurance contract or other governing instrument, is the subject of a favorable determination by the Internal Revenue Service with respect to its qualification under Section 401(a) of the Code. With respect to any multi-employer pension plan (as defined in Section 3(37) of ERISA) to which the Borrower, the Managing General Partner, the General Partner or any ERISA Affiliate is or has been required to contribute after September 25, 1980, (i) no withdrawal liability (within the meaning of Section 4201 of ERISA) has been incurred by the Borrower, the Managing General Partner, the General Partner or any ERISA Affiliate, (ii) no withdrawal liability has been asserted against the Borrower, the Managing General Partner, the General Partner or any ERISA Affiliate by a sponsor or an agent of a sponsor of any such multi-employer plan, (iii) no such multi-employer pension plan is in reorganization (as defined in Section 4241(a) of ERISA), and (iv) neither the Borrower, the Managing General Partner, the General Partner nor any ERISA Affiliate has any unfilled obligation to contribute to any such multi-employer pension plan. As used in this Agreement, “ERISA Affiliate” means (i) any corporation included with the Borrower, the Managing General Partner or the General Partner in a controlled group of corporations within the meaning of Section 414(b) of the Code, (ii) any trade or business (whether or not incorporated or for-profit) which is under common control with the Borrower, the Managing General Partner or the General Partner within the meaning of Section 414(c) of the Code, (iii) any member of an affiliated service group of which the Borrower, the Managing General Partner or the General Partner is a member within the meaning

of Section 414(m) of the Code, and (iv) any other entity treated as being under common control with the Borrower, the Managing General Partner or the General Partner under Section 414(o) of the Code.

Section 5.12. Environmental Representations.

(a) Except as set forth on the Environmental Audit delivered to the Controlling Person (a) the Borrower has no knowledge of any activity at the Project Facilities, or any storage, treatment or disposal of any Hazardous Substances connected with any activity at the Project Facilities, which has been conducted, or is being conducted, in violation of any Environmental Law; (b) the Borrower has no knowledge of any of the following which could give rise to material liabilities, material costs for remediation or a material adverse change in the business, operations, assets, condition (financial or otherwise) or prospects of the Borrower: (i) Contamination present at the Project Facilities, (ii) polychlorinated biphenyls present at the Project Facilities, (iii) asbestos or materials containing asbestos present at the Project Facilities, (iv) urea formaldehyde foam insulation present at the Project Facilities, or (v) lead-based paint at the Project Facilities; (c) no portion of the Project Facilities constitutes an Environmentally Sensitive Area; (d) the Borrower has no knowledge of any investigation of the Project Facilities for the presence of radon; (e) no tanks presently or formerly used for the storage of any liquid or gas above or below ground are present at any of the Project Facilities; (f) no condition, activity or conduct exists on or in connection with the Project Facilities which constitutes a violation of Environmental Laws; (g) no notice has been issued by any Governmental Authority to the Borrower, the Managing General Partner or the General Partner, identifying the Borrower, the Managing General Partner or the General Partner as a potentially responsible party under any Environmental Laws; (h) there exists no investigation, action, proceeding or claim by any Governmental Authority or by any third party which could result in any liability, penalty, sanctions or judgment under any Environmental Laws with respect to the Project Facilities; and (i) the Borrower is not required to obtain any permit or approval from any Governmental Authority or need notify any Governmental Authority pursuant to any Environmental Law with regard to the renovation of the Project Facilities.

(b) The Borrower and the Issuer agree that: (i) this Section 5.12 is intended as Issuer's written request for information (and the Borrower's response) concerning the environmental condition of the real property security as required by California Code of Civil Procedure §726.5; and (ii) each provision in this Section (together with any indemnity applicable to a material breach of any such provision) with respect to the environmental condition of the real property security is intended by the Issuer and the Borrower to be an "environmental provision" for purposes of California Code of Civil Procedure §736.

(c) The term of the indemnity provided for herein will commence on the date hereof. Without in any way limiting the above, it is expressly understood that the Borrower's duty to indemnify the Indemnified Parties hereunder shall survive: (1) any judicial or non-judicial foreclosure under the Mortgage, or transfer of the Project Facilities in lieu thereof; (2) the cancellation of the Note and the release, satisfaction or reconveyance or partial release, satisfaction or reconveyance of the Mortgage; and (3) the satisfaction of all of Borrower's obligations under the Bond Documents.

(d) If any portion of the Project Facilities is determined to be “environmentally impaired” (as “environmentally impaired” is defined in California Code of Civil Procedure Section 726.5(e)(3)) or to be an “affected parcel” (as “affected parcel” is defined in California Code of Civil Procedure Section 726.5(e)(1)), then, without otherwise limiting or in any way affecting Issuer’s or the Trustee’s rights and remedies under the Mortgage, Issuer may elect to exercise its right under California Code of Civil Procedure Section 726.5(a) to (1) waive its lien on such environmentally impaired or affected parcel or portion of the Project Facilities and (2) exercise (i) the rights and remedies of an unsecured creditor, including reduction of its claim against the Borrower to judgment, and (ii) any other rights and remedies permitted by law. For purposes of determining Issuer’s right to proceed as an unsecured creditor under California Code of Civil Procedure Section 726.5(a), the Borrower shall be deemed to have willfully permitted or acquiesced in a release or threatened release of hazardous materials, within the meaning of California Code of Civil Procedure Section 726.5(d)(1), if the release or threatened release of hazardous materials was knowingly or negligently caused or contributed to by any lessee, occupant or user of any portion of the Project Facilities and the Borrower knew or should have known of the activity by such lessee, occupant or user which caused or contributed to the release or threatened release. All out-of-pocket costs and expenses, including, without limitation, attorneys’ fees, incurred by Trustee in connection with any action commenced under this Section, including any action required by California Code of Civil Procedure Section 726.5(b) to determine the degree to which the Project Facilities is environmentally impaired, plus interest thereon at the Default Rate (as defined in the Indenture) until paid, shall be added to the obligations secured by the Mortgage and shall be due and payable to Issuer upon its demand made at any time following the conclusion of such action.

Section 5.13. Outstanding Obligations and Material Contracts. Attached hereto as Schedule 2 is (i) a complete list of all Obligations of the Borrower, the Managing General Partner and the General Partner as of the date of execution and delivery hereof, together with a description of the instruments evidencing, governing or securing such obligations (provided that no description need be provided of the Obligations hereunder) and (ii) a complete list of all other Material Contracts. There exists no default under any such instrument. Except for the obligations listed on Schedule 2, neither the Borrower, the Managing General Partner nor the General Partner has incurred any Obligations, secured or unsecured, direct or contingent. Each of the Borrower, the Managing General Partner and the General Partner, as applicable, has complied with all provisions of such Material Contracts in all material respects, to the extent such contract is applicable to such party, and there exists no default or event which, with the giving of notice or the passage of time, or both, would constitute a default, under any such Material Contract.

Section 5.14. Solvency. Each of the Borrower, the Guarantor, the Managing General Partner and the General Partner is and, after giving effect to this Agreement and all other agreements of the Borrower, the Guarantor, the Managing General Partner and the General Partner being entered into on the date of execution and delivery of this Agreement, will be solvent (which for this purpose shall mean that it is able to pay its current debts as they come due).

Section 5.15. Full Disclosure. This Agreement, the exhibits hereto and any other Bond Documents, the exhibits and schedules thereto, and any other documents or certificates required to be furnished thereunder to the Controlling Person, the Majority Owner or the Series A-2 Purchaser by or on behalf of the Borrower, the Guarantor, the Managing General Partner or the General Partner in connection with the transactions contemplated hereby or by the Bond Documents, do not contain any untrue statement of a material fact with respect to the Borrower, the Guarantor, the Managing General Partner or the General Partner or the Project Facilities and do not omit to state a material fact with respect to the Borrower, the Guarantor, the Managing General Partner or the General Partner or the Project Facilities necessary in order to make the statements contained therein not misleading in light of the circumstances under which they were made. There is no fact known to the Borrower, the Guarantor, the Managing General Partner or the General Partner which materially adversely affects or in the future may adversely affect the business, operations, properties, assets or financial condition of the Borrower, the Guarantor, the Managing General Partner or the General Partner, as applicable, which has not been set forth in this Agreement or in the other documents, certificates, opinions, schedules and statements furnished to the Controlling Person, the Majority Owner and the Series A-2 Purchaser on behalf of any such party before the date of execution and delivery of this Agreement in connection with the transactions contemplated hereby.

Section 5.16. Bond Documents. Each of the Borrower, the Guarantor, the Managing General Partner and the General Partner, as applicable, has provided the Controlling Person, the Majority Owner and the Series A-2 Purchaser with true, correct and complete copies of: (i) all Bond Documents executed by the Borrower, the Guarantor, the Managing General Partner or the General Partner in connection with the financing that is the subject of this Agreement; (ii) all management and service contracts entered into by the Borrower in connection with the Project Facilities, including all amendments thereto; (iii) all known correspondence, if any, relating to the Bonds from the Trustee, the Issuer, the Securities and Exchange Commission, the Internal Revenue Service or any state or local securities regulatory body or taxing authority or any securities rating agency; and (iv) all documentation, if any, relating to governmental grants, subsidies or loans or any other loans, lines of credit or other subordinate financing relating to the Borrower or the Project Facilities, whether or not secured by the Project Facilities. Each of the representations and warranties on the Borrower's part made in the Bond Documents to which the Borrower is a party remain true and correct in all material respects and no Default exists under any covenants on the Borrower's part to perform under the Bond Documents to which the Borrower is a party.

Section 5.17. Illegal Activity. No portion of any of the Project Facilities has been or will be acquired, renovated, fixtured, equipped or furnished with proceeds of any illegal activity conducted by the Borrower.

Section 5.18. Executive Order 13224. Neither the Borrower, the Managing General Partner, the General Partner, nor any Person holding any legal or beneficial interest whatsoever in any of those entities is included in, owned by, controlled by, acting for or on behalf of, providing assistance, support, sponsorship, or services of any kind to, or otherwise associated with any of the persons or entities referred to or described in Executive Order 13224 — Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or

Support Terrorism, as amended. It shall constitute an Event of Default hereunder if the foregoing representation and warranty shall ever become false.

Section 5.19. No Broker. The Borrower has used no broker in connection with the execution hereof and the transactions contemplated hereby.

Section 5.20. Construction Contract; Architect's Agreement. The Construction Contract and the Architect's Agreement are each in full force and effect, and no default has occurred thereunder. The work to be performed by the Contractor under the Construction Contract is the work called for by the Plans and Specifications, and all Work required to complete the Improvements in accordance with the Plans and Specifications is provided for under the Construction Contract.

Section 5.21. Development Budget. The Development Budget attached hereto as Schedule 4 accurately reflects all anticipated costs of implementing and completing the Work within the Plans and Specifications.

Section 5.22. Plans and Specifications. The Borrower has furnished the Trustee, the Controlling Person, the Majority Owner and the Series A-2 Purchaser with true and complete sets of the Plans and Specifications. The Plans and Specifications so furnished to the Trustee, the Controlling Person, the Majority Owner and the Series A-2 Purchaser comply with all Legal Requirements, all Governmental Actions, and all restrictions, covenants and easements affecting the Project Facilities, and have been approved by the Tax Credit Investor and such Governmental Authorities as is required for renovation of the Project Facilities.

Section 5.23. Survey. The survey for the Project Facilities delivered to the Trustee, the Controlling Person, the Majority Owner and the Series A-2 Purchaser does not fail to reflect any material matter of survey affecting the Project Facilities or the title thereto.

Section 5.24. Flood Plain. No part of the Project Facilities is located in an area identified by the Federal Emergency Management Agency as an area having special flood hazard or to the extent any part of the Project Facilities is an area identified as an area having special flood hazard, flood insurance in an amount equal to 100% of the appraised insurable value of the Project Facilities has been obtained by the Borrower.

Section 5.25. Rent Roll. To the best knowledge of Borrower, attached hereto as Schedule 12 is a true, correct and complete rent roll for the Project Facilities (the "Rent Roll"), which includes all residential leases affecting the Project Facilities. Except as set forth in Schedule 12, to the Borrower's actual knowledge: (i) each lease is in full force and effect; (ii) the tenants under the leases have accepted possession of and are in occupancy of all of their respective demised Project Facilities, have commenced the payment of rent under such leases, and there are no offsets, claims, or defenses to the enforcement thereof; (iii) all rents due and payable under the leases have been paid and no portion thereof has been paid for any period more than thirty (30) days in advance; (iv) the rent payable under each lease is the amount of fixed rent set forth in the Rent Roll, and there is no claim or basis for a claim by tenant thereunder for an adjustment to the rent; (v) no tenant has made any claim against the landlord under the leases (except as disclosed on Schedule 12) which remains outstanding, there are no



defaults on the part of the landlord under any lease, and no event has occurred which, with the giving of notice or passage of time, or both, would constitute such a default; and (vi) to the Borrower's best knowledge, there is not present a material default by the tenant under any lease. The Borrower will hold any security deposits under the leases in a non-commingled bank account in the name of the Borrower and meeting the requirements of applicable laws. None of the leases contains any option to purchase or right of first refusal to purchase the Project Facilities or any part thereof. Neither the leases nor the Rents have been assigned or pledged to any Person and no Person has any interest therein except the tenants thereunder.

Section 5.26. Requisition. Each Requisition submitted to the Controlling Person shall constitute an affirmation that the representations and warranties of the Borrower contained in this Agreement and in the other Bond Documents remain true and correct as of the date thereof unless otherwise noted in writing; and unless the Controlling Person is notified to the contrary, in writing, prior to the requested date of the advance under such Requisition, shall constitute an affirmation that the same remain true and correct on the date of such advance.

Section 5.27. No Consent. No consent or approval of any trustee or holder of any indebtedness of the Borrower, and to the best knowledge of the Borrower and with respect to the Borrower, no consent, permission, authorization, order or license of, or filing or registration with, any Governmental Authority (except with respect to any state securities or "blue sky" laws) is necessary in connection with the execution and delivery of this Agreement or the Bond Documents, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

## **ARTICLE VI GENERAL COVENANTS**

So long as any amount is due and owing hereunder, the Borrower covenants and agrees, except to the extent the Controlling Person shall otherwise consent in writing to perform and comply with each of the following covenants:

Section 6.1. Conduct of Business; Maintenance of Existence; Mergers. The Borrower, the Managing General Partner and the General Partner will (i) engage solely in the business of financing, rehabilitating, owning and operating the Project Facilities, and activities incident thereto, (ii) preserve and maintain in full force and effect its existence as a limited partnership or limited liability company, as applicable, under the Legal Requirements of the state of its organization, and its rights and privileges and its qualification to do business in the State, (iii) not dissolve or otherwise dispose of all or substantially all of its assets, (iv) not consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it, (v) not amend any provision of its certificate of limited partnership, or articles of organization except as permitted herein, or its Partnership Agreement or operating agreement, as applicable, relating to its purpose, management or operation without the prior written consent of the Controlling Person, but excluding any amendments to reflect a Permitted Transfer, and (vi) promptly and diligently enforce its rights under the Partnership Agreement, and cause the Tax Credit Investor to make its capital contributions as and when required under the Partnership Agreement.

Section 6.2. Compliance with Legal Requirements; Payment of Impositions. The Borrower will comply with all Legal Requirements applicable to the Borrower or the Project Facilities. The Borrower will pay all Impositions and insurance premiums prior to delinquency and will make the applicable deposits required by Section 8.2 of this Agreement for such purposes.

Section 6.3. Maintenance of Governmental Authorizations. The Borrower shall timely obtain any Governmental Actions required for the renovation of the Project Facilities not obtained prior to the Issue Date and shall provide copies thereof to the Controlling Person and the Trustee upon receipt. The Borrower will maintain in full force and effect all of its Governmental Actions and qualifications necessary for the conduct of its business as it is presently being conducted and the ownership, renovation and operation of the Project Facilities as they are presently being operated and as contemplated by the terms of the Bond Documents. The Borrower will promptly furnish copies of all reports and correspondence relating to a loss or proposed revocation of any such qualification to the Controlling Person.

Section 6.4. Maintenance of Insurance.

(a) At all times throughout the term hereof, the Borrower shall, at its sole cost and expense, maintain or cause to be maintained insurance against such risks and for such amounts as required by the Controlling Person for facilities of the type and size of the Project Facilities and shall pay, as the same become due and payable, all premiums with respect thereto. The initial insurance requirements are set forth on Schedule 13 hereto.

(b) All insurance required by this Section 6.4 shall be produced and maintained in financially sound and generally recognized responsible insurance companies selected by the entity required to procure the same and authorized to write such insurance in the State. Such insurance may be written with deductible amounts comparable to those on similar policies carried by other companies engaged in businesses similar in size, character and other respects to those in which the procuring entity is engaged. All property and casualty insurance policies required by Section 6.4(a) hereof shall contain a standard non-contributory mortgagee clause showing the interest of the Trustee as first mortgagee and shall provide for payment to the Trustee of the net proceeds of insurance resulting from any claim for loss or damage thereunder. All policies of insurance required by Section 6.4(a) hereof shall provide for at least thirty (30) days' prior written notice of the restriction, cancellation or modification thereof to the Trustee, with a copy to the Controlling Person. The policy evidencing liability insurance required by Section 6.4(a) hereof shall name the Issuer, the Controlling Person, the Trustee, the Majority Owner and any other Holder, if required by such Holder, as additional named insureds. The Borrower acknowledges that a security interest in the policies of property and casualty insurance required by Section 6.4(a) and the net proceeds thereof is being granted to the Trustee pursuant to the Mortgage. Upon request of the Trustee, the Borrower will assign and deliver (which assignment shall be deemed to be automatic and to have occurred upon the occurrence of an Event of Default hereunder) to the Trustee, the policies of property and casualty insurance required under Section 6.4(a), so and in such manner and form that the Trustee shall at all times, upon such request and until the payment in full of the Bonds, have and hold said policies and the net proceeds thereof as collateral and further security under the Mortgage for application as

provided in the Mortgage. The policies under Section 6.4(a) hereof shall contain appropriate waivers of subrogation.

(c) Copies of the policy or certificate (or binder) of insurance required by Section 6.4(a) hereof (including all required endorsements) shall be delivered to the Trustee, with a copy to the Controlling Person on or before the Issue Date. Prior to the expiration of each such policy, the Borrower shall furnish the Trustee, with a copy to the Controlling Person, with evidence that such policy has been renewed or replaced or is no longer required by this Agreement. The Borrower shall provide such further information with respect to the insurance coverage required by this Agreement as the Controlling Person may, from time to time, reasonably require.

(d) The net proceeds of the property and casualty insurance carried pursuant to the provisions of Section 6.4(a) hereof shall be applied as provided in the Mortgage and the net proceeds of the liability insurance required by Section 6.4(a) hereof shall be applied, with the prior written consent of the Controlling Person, toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid.

PURSUANT TO CALIFORNIA CIVIL CODE SECTION 2955.5, UNDER CALIFORNIA LAW, NO LENDER SHALL REQUIRE A BORROWER, AS A CONDITION OF RECEIVING OR MAINTAINING A LOAN SECURED BY REAL PROPERTY, TO PROVIDE HAZARD INSURANCE COVERAGE AGAINST RISKS TO THE IMPROVEMENTS ON THAT REAL PROPERTY IN AN AMOUNT EXCEEDING THE REPLACEMENT VALUE OF THE IMPROVEMENTS ON THE PROPERTY.

Section 6.5. Compliance with Other Contracts and Bond Documents. The Borrower will comply with all of its covenants and agreements under the Bond Documents to which it is a party, as the same may hereafter be amended or supplemented from time to time, and each of such covenants is incorporated herein by reference as if fully set forth herein. The Borrower acknowledges that the Indenture imposes certain obligations upon the Borrower and the Borrower agrees to discharge such obligations as if they were fully set forth herein (notwithstanding that the Borrower is not a party to the Indenture). The Borrower shall comply in all material respects with, or cause to be complied with, all requirements and conditions of all Material Contracts and insurance policies which relate to the Borrower or the Project Facilities.

Section 6.6. Maintenance of Project Facilities. The Borrower will, at its sole expense and as one of the Expenses (including use of the funds on deposit in the Accounts, in accordance with the terms of the Indenture and the Replacement Reserve Agreement), (i) maintain and preserve the Project Facilities in good working order and repair, subject to reasonable wear and tear, fit for the purposes for which they were originally erected; (ii) not permit, commit or suffer any waste or abandonment of the Project Facilities; (iii) not use (and use reasonable efforts to not permit tenants to use) the Project Facilities for any unlawful purpose and use reasonable efforts to not permit any nuisance to exist thereon; (iv) promptly make such repairs or replacements (structural or nonstructural, foreseen or unforeseen) as are required for the proper operation, repair and maintenance of the Project Facilities in an economical and efficient manner and consistent with customary and prudent practices, standards and procedures applicable to properties of like size and type; (v) perform all repairs or replacements in a good and

workmanlike manner, and in compliance with all applicable Governmental Actions and Legal Requirements; (vi) keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas which may be owned by the Borrower in good and neat order; (vii) not take (or fail to take) any action, which if taken (or not so taken) would increase in any way the risk of fire or other hazard occurring to or affecting the Project Facilities; and (viii) not sell, lease (other than pursuant to residential leases permitted under this Agreement), cause a Sale of or otherwise dispose of any part of the Project Facilities, except as otherwise permitted hereunder and under the other Bond Documents.

Section 6.7. Inspection Rights.

(a) The Borrower will, at any reasonable time and from time to time, upon reasonable prior notice, permit the Controlling Person, the Trustee, the Issuer, and the agents or representatives of the Controlling Person, the Trustee and the Issuer, to examine and copy and make abstracts from the records and books of account of, and visit the properties of, the Borrower, and to discuss the affairs, finances and accounts of the Borrower with the General Partner and the Accountant. Upon reasonable prior notice, and subject to the rights of tenants, the Borrower will permit the Engineering Consultant to inspect, or cause to be inspected, the Project Facilities at any reasonable time or times as the Controlling Person may direct. The Borrower shall pay or reimburse the Controlling Person on demand for fees and expenses incurred in connection with such inspections.

(b) After the Engineering Consultant shall have inspected or caused to have been inspected the Project Facilities, the Engineering Consultant shall send written notice to the Controlling Person notifying the Controlling Person of the nature and extent of capital needs of the Project Facilities, if any, which are, in the Engineering Consultant's professional judgment, necessary to maintain and preserve the Project Facilities in accordance with the standards set forth in Section 6.6 hereof, and which are not addressed in the Annual Budget for the Project Facilities. After considering the Engineering Consultant's recommendation, the Controlling Person shall notify the Borrower of the work which the Engineering Consultant recommends be performed in order to comply with the requirements of Section 6.6 hereof and the time period over which, in its professional judgment, such work should be commenced and completed.

(c) The Borrower shall promptly commence and diligently complete the work recommended by the Engineering Consultant within the time period set forth in the report. If the Borrower fails to complete the work within such time period, the Controlling Person, at the Controlling Person's discretion, may complete such work for and on the Borrower's behalf and may do any act or thing the Controlling Person deems necessary or appropriate to that end. The expenses incurred by the Controlling Person in completing such work shall bear interest at the Default Rate, shall be borne by the Borrower and shall be reimbursed to the Controlling Person immediately upon demand. All work performed by the Borrower shall be performed in a good and workmanlike manner and shall be completely free and clear of any mechanics or materialman's liens and encumbrances and shall be subject to the requirements of Section 6.6 hereof.

Section 6.8. Keeping of Books. The Borrower will keep proper books of record and account, in which full and correct entries shall be made of financial transactions and the assets

and operations of the Borrower in accordance with GAAP, and have a complete audit of such books of record and account made by the Accountant for each Fiscal Year.

Section 6.9. Reporting Requirements. The Borrower will furnish or cause to be furnished to the Controlling Person the following in form satisfactory to the Controlling Person and in such number of copies as the Controlling Person may reasonably require:

(a) As soon as available and in any event within forty-five (45) days after the close of each fiscal quarter of each Fiscal Year of the Borrower:

(1) unaudited financial statements for the Borrower and the Project Facilities, including a balance sheet and related statement of income as of the end of such fiscal quarter and for such fiscal quarter and the current Fiscal Year to the end of such fiscal quarter, which shall be internally prepared and presented on a consistent basis;

(2) a certificate signed by an Authorized Representative stating that, except as disclosed in such certificate, (i) during such fiscal quarter the Borrower has observed and performed all of its covenants and agreements set forth in this Agreement and the other Bond Documents (including the rules qualifying the interest payable on the Bonds for federal tax exemption pursuant to Section 142(d) of the Code and the regulations issued thereunder), except as disclosed in such certificate, (ii) if the Project Facilities have received a tax credit allocation, during such fiscal quarter the Project Facilities have complied with the requirements of Section 42 of the Code and the regulations issued thereunder, and (iii) no Event of Default has occurred or exists;

(b) As soon as available and in any event within one hundred twenty (120) days after the close of each Fiscal Year of the Borrower:

(1) audited financial statements for the Borrower, on a consolidated basis, including a balance sheet and related statements of income and changes in financial position as of the end of such Fiscal Year and for such Fiscal Year, which shall be prepared and reported on without qualification by the Accountant in accordance with GAAP, and shall fairly present the financial condition of the Borrower and the Project Facilities as of the end of such Fiscal Year; and

(2) a certificate signed by an Authorized Representative stating that (i) during such Fiscal Year the Borrower has observed and performed all of its covenants and agreements set forth in this Agreement and the other Bond Documents, except as disclosed in such certificate, and (ii) no Default or Event of Default has occurred or exists, except as disclosed in such certificate; and

(3) an occupancy report stating as of the last day of the month prior to the date of delivery thereof, with respect to each lease of all or any part of the Project Facilities, the tenant's name, the date thereof, the premises demised,

the term, the rent, the security deposits, any advance rent payments in excess of one month and any defaults by the tenant or the Borrower in respect thereof (including, without limitation, the amounts of arrearages);

(c) As soon as possible and in any event within twenty-five (25) days after the end of each calendar month, operating statements of the Project Facilities certified by an Authorized Person and containing itemized information regarding all items of expense and income as well as occupancy reports, a rent roll and, if required by the Controlling Person, other reports such as reports on concessions, security deposits and advance rents, all in such detail as may be required by the Controlling Person;

(d) Weekly, an occupancy report for the Project Facilities, which may be delivered electronically;

(e) Upon receipt thereof by the Borrower, copies of any letter or report with respect to the management, operations or properties of the Borrower submitted to the Borrower by the Accountant in connection with any annual or interim audit of the Borrower's accounts, and a copy of any written response of the Borrower to any such letter or report;

(f) As soon as possible and in any event within fifteen (15) days after receipt of notice thereof, notice of any pending or threatened litigation, investigation or other proceeding involving the Borrower, the Managing General Partner, the General Partner, the Guarantor or the Project Facilities; (i) which could have a material adverse effect on the operations or financial condition of the Borrower, the Managing General Partner, the General Partner, the Guarantor (so long as any guaranty obligation remains outstanding) or the Project Facilities; (ii) wherein the potential damages, in the reasonable judgment of the Borrower based upon the advice of counsel experienced in such matters, are not fully covered by the insurance policies maintained by the Borrower (except for the deductible amounts applicable to such policies); or (iii) which challenges the exclusion from gross income of interest on the Bonds for purposes of federal income taxation;

(g) As soon as possible, notice of any material adverse change in the operations, financial condition or prospects of the Borrower, the Managing General Partner, the General Partner, the Guarantor or the Project Facilities;

(h) Upon delivery thereof by the Borrower, copies of any reports, certifications, financial information, compliance documents, rebate information, audits and all other items submitted by or on behalf of the Borrower to the Trustee or the Issuer;

(i) Not later than the Completion Date, the certificate of completion and the use of proceeds certificate set forth as Schedules 8 and 9 hereof;

(j) As and when required under the Land Use Restriction Agreement, the monthly compliance certificates, the annual copies of IRS Forms 8703 and other reports and notices required to be delivered under the Land Use Restriction Agreement;

(k) Upon receipt thereof by the Borrower, notice of the cancellation or expiration (without renewal or replacement) of any insurance required to be maintained by this Agreement;

(l) Not later than the Stabilization Date, a stabilization certificate in the form set forth on Schedule 10 hereto;

(m) As soon as possible and in any event within fifteen (15) days after the occurrence of an Event of Default, a statement of the Borrower setting forth the details of such Event of Default and the action which the Borrower proposes to take with respect thereto;

(n) Contemporaneously with the delivery to the Trustee copies of any notices, reports or other information provided to the Trustee under the Bond Documents;

(o) Copies of IRS Forms 8609 as issued and received by the Borrower; and

(p) Such other information respecting the operations and properties, financial or otherwise, of the Borrower as the Controlling Person may from time to time reasonably request.

#### Section 6.10. Tax-Exempt Status.

(a) The Borrower covenants, represents and agrees that it will not take or omit to take or permit any action that, if taken or omitted, respectively, would adversely affect the exclusion of interest on the Bonds from gross income 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 Agreement, the Mortgage and the Land Use Restriction Agreement, as may be necessary, in the opinion of Bond 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 Bonds or affecting the Project Facilities.

(b) The Borrower will not make or permit any use, and will not direct the Trustee to make any investment or use of the proceeds of any of the Bonds, which would cause any of the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and the Regulations thereunder as the same may be applicable to the Bonds at the time of such action, investment or use and agrees to take and cause the Issuer and Trustee to take all actions required to comply with the provisions of Section 148 of the Code. The representations contained in the Tax Certificate (which is incorporated herein by reference) are true and correct, and the Borrower and the Issuer will observe the applicable covenants therein as if set forth herein. In the event of a conflict between the terms of this Agreement and the Tax Certificate, the terms of the Tax Certificate shall control.

(c) The Borrower further covenants and agrees that it will comply with and will take all action reasonably necessary to insure that the Trustee complies with all applicable requirements of said Section 148 and the rules and regulations of the United States Treasury

Department thereunder relating to the Bonds and the interest thereon, including the employment of a Rebate Analyst for the calculation of any rebatable amount (the “Rebate Amount”) to the United States Treasury Department. The Borrower agrees that it will cause a qualified rebate analyst reasonably acceptable to the Controlling Person (the “Rebate Analyst”) to calculate the Rebate Amount not later than forty-five (45) days after the fifth (5th) anniversary of the Issue Date and each five (5) years thereafter and agrees that the Borrower will pay all costs associated therewith. Within fifteen (15) days of the date of each such calculation, the Borrower shall promptly (i) deliver a report or letter from the Rebate Analyst setting forth the Rebate Amount, if any, then due and the methods used to calculate such amount (each, a “Rebate Report”) to the Issuer, the Controlling Person and the Trustee, (ii) deliver the Rebate Amount to the Trustee, and (iii) deliver to the Trustee any forms required by the Internal Revenue Service to be submitted with the Rebate Amount, if any, and the addresses to which such forms must be sent.

(d) Neither the Borrower nor any related person shall, pursuant to any arrangement, formal or informal, purchase any of the Bonds, unless the Borrower or such related person delivers a Favorable Opinion of Bond Counsel to the Trustee, the Controlling Person, the Majority Owner, the Holders and the Issuer.

(e) No changes will be made to the Project Facilities, no actions will be taken by the Borrower and the Borrower will not omit to take any actions, which will in any way adversely affect the exclusion from gross income of interest on the Bonds for purposes of federal income taxation.

(f) The Borrower will not make any changes in the Project Facilities that would, at the time made, cause the average reasonably expected economic life of the Project Facilities, determined pursuant to Section 147(b) of the Code, to be less than the average reasonably expected economic life of the Project Facilities set forth in such certificates or letters of representation of the Borrower, unless the Borrower files with the Trustee and the Controlling Person a Favorable Opinion of Bond Counsel.

(g) No portion of the proceeds of the Bonds will be used to acquire existing property or any interest therein unless such acquisition meets the rehabilitation requirements of Section 147(d) of the Code.

(h) The Project Facilities will be owned, managed and operated as a “qualified residential rental property” as such phrase is utilized in Section 142(d) of the Code. To that end, the Borrower hereby represents and covenants and agrees that it will comply with the terms, conditions and provisions of the Tax Certificate and the Land Use Restriction Agreement.

(i) The Borrower will permit any duly authorized representative of the Trustee, the Department of the Treasury or the Internal Revenue Service and the Controlling Person to inspect the books and records of the Borrower pertaining to the incomes of qualifying tenants residing in the Project Facilities upon reasonable notice (given at least 5 days in advance) and at reasonable times during business hours on business days.



(j) The Borrower will promptly notify the Trustee and the Controlling Person if at any time the dwelling units in the Project Facilities are not available for occupancy as required by the Land Use Restriction Agreement.

Section 6.11. Single Purpose Entities.

(a) The Borrower, the Managing General Partner and the General Partner shall (i) not engage in any business or activity, other than the ownership, renovation, operation and maintenance of the Project Facilities and activities incidental thereto; and (ii) not acquire, own, hold, lease, operate, manage, maintain, develop or improve any assets other than the Project Facilities and such personal property as may be necessary for the operation of the Project Facilities and shall conduct and operate its business as presently conducted and operated.

(b) The Borrower, the Managing General Partner and the General Partner shall (i) not maintain its assets in a way difficult to segregate and identify; (ii) ensure that business transactions between the Borrower and any Affiliate of the Borrower, any Affiliate of the Managing General Partner or any Affiliate of the General Partner shall be entered into upon terms and conditions that are substantially similar to those that would be available on an arms-length basis with a third Person other than the Managing General Partner or the General Partner, or any respective Affiliate thereof; (iii) not incur or contract to incur any Obligations, secured or unsecured, direct or contingent (including guaranteeing any Obligation), other than, in the case of the Borrower, the Obligations evidenced by this Agreement and the other Bond Documents, or the Partnership Agreement; (iv) not make any loans or advances to any third Person (including any Affiliate of the Borrower, the Managing General Partner or the General Partner); (v) do or cause to be done all things necessary to preserve its existence; (vi) except as permitted under the Bond Documents, including, without limitation, in connection with a Permitted Transfer or an amendment necessary solely to preserve the intended allocation of tax benefits among the partners of the Borrower, not amend, modify or otherwise change its partnership certificate, Partnership Agreement, articles of organization, operating agreement, articles of incorporation or bylaws without obtaining the prior written consent of the Controlling Person, except as may be permitted pursuant to the Bond Documents; (vii) conduct and operate its business as presently conducted and operated; (viii) maintain its books and records and bank accounts separate from those of its Affiliates; (ix) be, and at all times shall hold itself out to the public as, a legal entity separate and distinct from any other Person (including any Affiliate); (x) file its own tax returns (unless it is a disregarded entity); (xi) maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations and in any event not less than that required under State law in order to remain a separate legal entity; (xii) not seek or consent to the dissolution or winding up, in whole or in part, of the Borrower, the Managing General Partner or the General Partner; (xiii) not (A) consent to the dissolution or liquidation in whole or in part of the Borrower, or (B) permit the Managing General Partner or the General Partner to dissolve, or (C) consent to the dissolution or liquidation of the Managing General Partner or the General Partner; (xiv) not commingle the funds and other assets of the Borrower with those of the Managing General Partner, the General Partner, any Affiliate thereof or any other Person; and (xv) not enter into any transaction with an Affiliate without the prior written consent of the Controlling Person.

Section 6.12. Negative Pledge; No Sale.

(a) The Borrower will not create, incur, assume or permit to exist any mortgage, pledge, security interest, encumbrance or other Lien upon the Project Facilities or any property, tangible or intangible, now owned or hereafter acquired (including without limitation property leased to or being acquired by the Borrower under capital leases or installment sale agreements), by the Borrower (the sale with recourse of receivables or any “sale and lease back” of any fixed assets being deemed to be the giving of a lien thereon for money borrowed), other than Permitted Encumbrances.

(b) Other than Permitted Transfers and the making of residential leases, the Borrower shall not sell, assign, transfer, convey or otherwise dispose of the Project Facilities, or any part thereof, or permit or consent to a Sale without in each instance (i) obtaining the express prior written consent of the Controlling Person, which consent may be withheld or granted (and be subject to the payment of such fees and the satisfaction of other conditions as set forth in Section 1.12 of the Mortgage) in the Controlling Person’s sole and absolute discretion; and (ii) complying with the applicable requirements of the Land Use Restriction Agreement.

Section 6.13. Payment of Indebtedness; Accounts Payable; Restrictions on Indebtedness.

(a) The Borrower will pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all of the Borrower’s Indebtedness under the Bond Documents, and all of its other Obligations, whether now existing or hereafter arising, and comply with all covenants and agreements set forth in agreements evidencing Obligations of the Borrower.

(b) The Borrower shall pay or cause to be paid the Expenses, and Capital Expenditures and its other accounts payable with respect to and costs of operation and maintenance of the Project Facilities within thirty (30) days of receipt of an invoice therefor, or prior to the same becoming delinquent. The Borrower shall make no distribution of funds to its partners unless no Default or Event of Default exists, such distribution is in accordance with the provisions of the Partnership Agreement, and all current accounts payable shall have been paid and funds shall have been set aside for the payment of accounts payable becoming due within thirty (30) days of said distribution. In addition, the Borrower shall not make any payment to the General Partner and/or the Managing General Partner, or to any officers or directors thereof, prior to the required monthly payment of the Borrower’s Indebtedness under the Bond Documents, the funding of any required reserves under the Bond Documents and the payment of any of its other Obligations then due and payable.

(c) Without obtaining the prior written consent of the Controlling Person, the Borrower will not create, incur, assume, guarantee or be or remain liable for any indebtedness or Obligations other than (i) Indebtedness under the Bond Documents; (ii) current liabilities of the Borrower relating to the Project Facilities incurred in the ordinary course of business but not incurred through the borrowing of money or obtaining of credit; and (iii) an unsecured deferred developer fee and loans from partners made pursuant to the Partnership Agreement which are subordinate to the Loan.

Section 6.14. Environmental Covenants.

(a) The Borrower will cause all activities at the Project Facilities during the term of this Agreement to be conducted in full compliance with all applicable Environmental Laws. The Borrower will obtain all Governmental Actions and will make all notifications, as required by Environmental Laws, and will, at all times, comply with the terms and conditions of any such Governmental Actions or notifications. During the term of this Agreement, if requested by the Controlling Person, the Borrower will provide to the Controlling Person copies of (i) applications or other materials submitted to any Governmental Authority in compliance with Environmental Laws, (ii) any notifications submitted to any Person pursuant to Environmental Laws, (iii) any Governmental Action granted pursuant to Environmental Laws, (iv) any record or manifest required to be maintained pursuant to Environmental Laws, and (v) any correspondence, notice of violation, summons, order, complaint or other document received by the Borrower, its lessees, sub-lessees or assigns, pertaining to compliance with any Environmental Laws.

(b) The Borrower will, at all times during the term of this Agreement, cause Hazardous Substances used at the Project Facilities to be handled, used, stored and disposed in accordance with all Environmental Laws and in a manner which will not cause an undue risk of Contamination.

(c) The Borrower shall not install or permit to be installed any temporary or permanent tanks for storage of any liquid or gas above or below ground, except after obtaining written permission from the Controlling Person to do so and in compliance with Environmental Laws.

(d) The Borrower shall implement a moisture management and control program (the "Moisture Management Program") for the Improvements at the Project Facilities to prevent the occurrence of mold, dangerous fungi, bacterial or microbial matter contamination or pathogenic organisms that reproduces through the release of spores or the splitting of cells (collectively, "Mold"), at, on or under the Project Facilities, which Moisture Management Program shall include, at a minimum: (a) periodic inspections of the Improvements at the Project Facilities for Mold, (b) removing or cleaning up any Mold and in a manner consistent with best industry practices and utilizing an experienced remediation contractor acceptable to and approved by the Controlling Person, and (c) in the event that the Mold identified at the Improvements at the Project Facilities cannot be removed or cleaned from any impacted building materials (e.g., porous materials such as carpeting, certain types of ceiling materials, etc.) and/or equipment, removing all such impacted building materials and/or equipment from the Project Facilities, all in accordance with the procedures set forth in the United States Environmental Protection Agency's ("EPA") guide entitled "Mold Remediation in Schools and Commercial Buildings", EPA No. 402-K-01-001, dated March 2001 and in a manner consistent with best industry practices and utilizing an experienced remediation contractor acceptable to and approved by the Controlling Person. The Borrower shall include as part of every residential lease a California Addendum to HUD Lease Agreements in the form attached hereto as Exhibit C. The Borrower further covenants and agrees that, in connection with any mold remediation undertaken by or on behalf of the Borrower hereunder, the source (e.g., leaking pipe, water damage, water infiltration, etc.) of any Mold at the Improvements at the Project Facilities shall be promptly identified and corrected to prevent the occurrence or re-occurrence of any Mold.

(e) Upon the occurrence of an Event of Default, or if the Controlling Person has reason to believe that there has occurred and is continuing a violation of Environmental Law or that there exists a condition that could give rise to any Governmental Action, the Controlling Person may, at its discretion, commission an investigation at the Borrower's expense of (i) compliance at the Project Facilities with Environmental Laws, (ii) the presence of Hazardous Substances or Contamination at the Project Facilities, (iii) the presence at the Project Facilities of materials which are described in clause (b) of Section 5.12, (iv) the presence at the Project Facilities of Environmentally Sensitive Areas, (v) the presence at the Project Facilities of radon products, (vi) the presence at the Project Facilities of tanks of the type described in paragraph (a) of Section 5.12 or in paragraph (c) of Section 6.14 above, or (vii) the presence of Mold at the Project Facilities. In connection with any investigation pursuant to this paragraph, the Borrower, and its lessees, sub-lessees and assigns, will comply with any reasonable request for information made by the Controlling Person or its agents in connection with any such investigation. Any response by or on behalf of the Borrower to any such request for information will be full and complete. The Borrower will assist the Controlling Person and its agents to obtain any records pertaining to the Project Facilities or to the Borrower and the lessees, sub-lessees or assigns of the Borrower in connection with an investigation pursuant to this paragraph. The Borrower will permit the Controlling Person and its agents access to all areas of the Project Facilities at reasonable times and in reasonable manners in connection with any investigation pursuant to this paragraph. No investigation commissioned pursuant to this paragraph shall relieve the Borrower from any responsibility for its representations and warranties under Section 5.12 hereof or under the Environmental Indemnity Agreement.

(f) In the event of any Contamination affecting the Project Facilities, whether or not the same originates or emanates from the Project Facilities or any contiguous real estate, or if the Borrower otherwise shall fail to comply with any of the requirements of Environmental Laws, the Controlling Person may, at its election, but without the obligation so to do, give such notices, cause such work to be performed at the Project Facilities and take any and all other actions as the Controlling Person shall deem necessary or advisable in order to remedy said Contamination or cure said failure of compliance and any amounts paid as a result thereof, together with interest thereon at the Default Rate from the date of payment by the Controlling Person, shall be immediately due and payable by the Borrower and until paid shall be added to and become a part of the Indebtedness under the Bond Documents and shall have the benefit of the lien hereby created as a part thereof prior to any right, title or interest in or claim upon the Project Facilities attaching or accruing subsequent to the lien of the Mortgage on the Project Facilities.

Section 6.15. Controlling Person. The Borrower acknowledges and agrees that (i) the Majority Owner has the sole and exclusive right to arrange for servicing of the Loan and to appoint another person or entity to serve as its representative hereunder, under the other Bond Documents and under the Indenture; (ii) the Majority Owner has appointed Red Stone Servicer, LLC to serve in the capacity of Controlling Person hereunder, under the other Bond Documents, and under the Indenture; and (iii) the Majority Owner retains the sole and exclusive right to appoint, remove or replace the Controlling Person, without the consent or approval of the Borrower. The Borrower shall comply with the directions of the Controlling Person made on behalf of the Majority Owner.

Section 6.16. Tax Returns. The Managing General Partner and the General Partner will timely file all tax returns for itself (unless it is a disregarded entity) and for the Borrower, pay or cause to be paid when due all taxes imposed on their operations, assets, income or properties, and, upon request, provide to the Controlling Person copies of such returns and receipts for payment of such taxes.

Section 6.17. Leases. The Borrower hereby represents that there are no leases or agreements to lease all or any part of the Project Facilities now in effect except for leases to residential tenants in compliance with the Land Use Restriction Agreement. Except for leases to residential tenants in compliance with the Land Use Restriction Agreement and leases for services associated with residential rental properties (such as laundry and cable lease), the Borrower shall not enter into or become liable under, any leases or agreements to lease all or any part of the Project Facilities without the prior written approval thereof and of the prospective tenant by the Controlling Person. Each lease of residential units in the Project Facilities to a residential tenant shall be on a form of lease approved by the Controlling Person and shall be in compliance with the requirements of the Land Use Restriction Agreement.

Section 6.18. Further Assurances. The Borrower will promptly and duly execute, acknowledge and deliver from time to time such further instruments and take such further actions as may be reasonably required by the Issuer, the Trustee or the Controlling Person to carry out the purposes and provisions of this Agreement and the other Bond Documents, to confirm the priority and/or perfection of any lien, pledge, assignment or security interest created or intended to be created by this Agreement and the other Bond Documents and to assure the Controlling Person and the Majority Owner of the subrogation and security rights in favor of the Trustee for the benefit of the Holders of the Bonds contemplated by this Agreement, by the other Bond Documents and by the Indenture.

Section 6.19. Management Agreement. The Borrower has entered into a property management agreement in a form approved by the Controlling Person with the Manager (together with any extension and replacements thereof and as the same may be amended, modified or supplemented from time to time the “Management Agreement”). Under the Management Agreement, the Manager shall provide certain management services and shall be entitled to receive as compensation for those services an amount not in excess of four percent (4.0%) of the gross income received from the Project Facilities on account of rents, service fees, late charges and penalties and other charges received under leases. Any amounts due the Manager in excess of the four percent (4.0%) of such gross revenue shall be subordinated to the payment by the Borrower of all principal of, premium, if any, and interest due on the Bonds, all Third Party Costs and all required deposits into the Accounts. The Borrower shall not replace the Manager for the Project Facilities without the Controlling Person’s prior written approval, and the Management Agreement shall not be terminated or modified without the Controlling Person’s prior written approval. In the event the Manager resigns or is removed, the Borrower shall promptly seek a replacement Manager and submit such Manager and its proposed form of Management Agreement to the Controlling Person for approval; if the Borrower has not done so within thirty (30) days of becoming aware of such resignation or removal of the Manager, the Controlling Person may (but shall not be required to) engage a new Manager on terms satisfactory to the Controlling Person in its sole discretion and at the expense of the Borrower.

The sole and exclusive compensation (exclusive of reimbursement for expenses pursuant to the applicable Management Agreement) paid to manage the Project Facilities under the Management Agreement shall be as described in this Section 6.19. The Borrower shall have no employees whatsoever. The Manager shall execute a consent to the Assignment of the Management Agreement pursuant to which the Manager shall confirm the subordination provisions described above and agree that the Management Agreement shall be terminable by the Controlling Person, with or without cause, on thirty (30) days' notice following an Event of Default.

Section 6.20. Determination of Taxability. Neither the Borrower, the Managing General Partner nor the General Partner shall admit in writing to the Issuer or the Trustee or to any Governmental Authority that interest on the Bonds has become includable in gross income for purposes of federal income taxation without first providing reasonable advance notice to the Controlling Person and permitting the Controlling Person at its sole discretion and at its expense, to contest such conclusion. Promptly after the Borrower first becomes aware of any Determination of Taxability or an event that could trigger a Determination of Taxability, the Borrower shall give written notice thereof to the Issuer, the Trustee and the Controlling Person.

Section 6.21. Intentionally Omitted.

Section 6.22. Use of Proceeds. The Borrower agrees that the proceeds of the Bonds will be allocated exclusively to pay Project Costs, including any costs of issuance of the Bonds, to the extent permitted, and that, for the greatest possible number of buildings, the Bond proceeds will be allocated to the Project Facilities and the land on which such Project Facilities are located, so that the Project Facilities and the land on which they are located will have been financed fifty percent (50%) or more by the proceeds of the Bonds for the purpose of complying with Section 42(h)(4)(B) of the Code.

Section 6.23. Compliance with Anti-Terrorism Regulations. Neither the Borrower, the Managing General Partner, the General Partner nor any Person holding any legal or beneficial interest whatsoever in the Borrower shall, at any time while the Bonds are outstanding, be described in, covered by or specially designated pursuant to or be affiliated with any Person described in, covered by or specially designated pursuant to Executive Order 13224 —Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, as amended, or any similar list issued by the Office of Foreign Assets Control (“OFAC”) or any other department or agency of the United States of America. Notwithstanding the foregoing, the Borrower, the Managing General Partner and the General Partner hereby each confirm that if it becomes aware or receives any notice of any violation of the foregoing covenant and agreement (an “OFAC Violation”), the Borrower, the Managing General Partner or the General Partner, as applicable, will immediately (i) give notice to the Controlling Person of such OFAC Violation, and (ii) comply with all Legal Requirements applicable to such OFAC Violation, including, without limitation, Executive Order 13224; the International Emergency Economic Powers Act, 50 U.S.C. Sections 1701-06; the Iraqi Sanctions Act, Pub. L. 101-5 13, 104 Stat. 2047-55; the United Nations Participation Act, 22 U.S.C. Section 287c; the Antiterrorism and Effective Death Penalty Act, (enacting 8 U.S.C. Section 219, 18 U.S.C. Section 2332d, and 18 U.S.C. Section 2339b); the International Security and Development Cooperation Act, 22 U.S.C. Section 2349 aa-9; the Terrorism Sanctions Regulations, 31 C.F.R. Part 595; the Terrorism List Governments Sanctions Regulations, 31

C.F.R. Part 596; and the Foreign Terrorist Organizations Sanctions Regulations, 31 C.F.R. Part 597 (collectively, the “Anti-Terrorism Regulations”), and the Borrower, the Managing General Partner and the General Partner hereby authorize and consent to the Controlling Person’s taking any and all reasonable steps the Controlling Person deems necessary, in its sole discretion, to comply with all Legal Requirements applicable to any such OFAC Violation, including the requirements of the Anti-Terrorism Regulations. Notwithstanding anything to the contrary in this Section, the Borrower shall not be deemed to be in violation of the covenants and agreements set forth in the first sentence of this Section if the Borrower timely complies with all requirements imposed by the foregoing sentence and all requirements of the Antiterrorism Regulations and all other applicable Legal Requirements relating to such OFAC Violation.

Section 6.24. Adoption of Capital and Operating Budgets.

(a) On or before December 1 of each Fiscal Year, the Borrower shall submit to the Controlling Person for approval a proposed capital and operating budget with respect to the Project Facilities to be effective for the next following Fiscal Year (the “Proposed Budget”). The Controlling Person shall have the right to approve or disapprove any Proposed Budget, which approval shall not be unreasonably withheld, conditioned or delayed. Third Party Costs not within the Borrower’s control and costs associated with remediation of emergency conditions shall be permitted variances to the Annual Budget. If any Proposed Budget is not disapproved by the Controlling Person within thirty (30) days following submission by the Borrower, such budget shall be deemed approved. If any budget is disapproved, the Borrower shall thereafter consult with the Controlling Person in an effort to achieve a mutually acceptable Annual Budget for an additional thirty (30) days. To the extent the proposed operating budget is disapproved, the operating budget for the previous Fiscal Year shall remain in effect increased by five percent (5%) over the previous Fiscal Year (except for costs of utilities, Impositions and insurance and other third-party costs or cost associated with remediation of emergency conditions which shall be permitted variances to the Proposed Budget) until the parties resolve their differences. In addition to, and not in limitation of the foregoing, each Annual Budget may be revised from time to time with approval of Controlling Person to reflect changes to Expenses and proposed Capital Expenditures set forth in the then-current Annual Budget.

(b) Without limiting the generality that each Proposed Budget must be approved by the Controlling Person, each Proposed Budget:

(i) shall be prepared on the basis of sound accounting practices consistently applied;

(ii) shall reflect all amounts projected to be deposited in the Replacement Reserve Fund and the projected revenues and Expenses of the Project Facilities;

(iii) shall reflect all projected Capital Expenditures which are reasonably expected to be made in connection with the Project Facilities during the Fiscal Year covered by such Proposed Budget; and

(iv) shall be in such form as is reasonably acceptable to the Controlling Person and containing such other information as reasonably may be requested by the Controlling Person.

Section 6.25. Borrower's Approval of Indenture. The Borrower understands that the Issuer will, pursuant to the Indenture and as security for the payment of the principal of, acceleration premium, if any, and the interest on the Bonds, assign and pledge to the Trustee, and create a security interest in favor of the Trustee in certain of its rights, title and interest in and to this Agreement (including all payments hereunder) reserving, however, the Reserved Rights; and the Borrower hereby agrees and consents to such assignment and pledge. The Borrower acknowledges that it has received a copy of the Indenture for its examination and review. By its execution of this Agreement, the Borrower acknowledges that it has approved, has agreed to and is bound by the applicable provisions of the Indenture. The Borrower agrees that the Trustee shall be entitled to enforce and to benefit from the terms and conditions of this Agreement that relate to it notwithstanding the fact that it is not a signatory hereto.

Section 6.26. Conditions Precedent; Payment of Certain Fees, Deposits and Expenses. On the date of execution and delivery hereof, (a) the Controlling Person shall have received, in immediately available funds, an amount equal to the fees set forth in Section 2.2(a) hereof, and the fees of the Engineering Consultant set forth in Section 2.2(b) hereof incurred as of the date of the execution and delivery hereof, and (b) the Trustee shall have received the deposits required to be made in the Accounts on such date pursuant to Article 8 hereof.

Section 6.27. Additional Conditions Precedent. The rights of the Borrower to draw the initial advance of funds from the Project Fund under this Agreement shall be subject to the conditions precedent set forth in Section 9.12 hereof and on Schedule 7 hereof.

Section 6.28. No Amendments. The Borrower shall not amend, modify or otherwise change the other Bond Documents without the prior written consent of the Issuer, the Trustee, and the Controlling Person.

Section 6.29. Renovation of Improvements. The Borrower shall cause the Work to be performed in a true, thorough and workmanlike manner and substantially in accordance with the Plans and Specifications and in compliance with all applicable Governmental Actions and Legal Requirements. The Borrower shall provide, at the Borrower's expense all manner of materials, labor, implements and cartage of every description for the due completion of the Work. The Borrower shall take all necessary steps to assure that commencement of the Work shall begin within thirty (30) days following the Issue Date, shall proceed continuously and diligently and in a commercially reasonable manner, and shall be completed lien free in a timely manner substantially in accordance with the Plans and Specifications and in all instances in compliance with all applicable Governmental Actions and Legal Requirements, on or before the Completion Date, subject to delays caused by a Force Majeure.

Section 6.30. Evidence of Payment of Costs. If requested by the Controlling Person, the Borrower shall furnish, before each advance agreed to be made and on completion of construction, all receipted bills, certificates, affidavits, conditional releases of lien and other documents which may be reasonably required by the Controlling Person, as evidence of full



payment for all labor and materials incident to the construction of the Project Facilities for each requested draw with copies of unconditional releases of lien from each prior draw and will promptly secure the release of the Project Facilities from all liens by payment thereof or transfer to bond or other security.

Section 6.31. Correction of Deficiencies in Improvements. The Borrower agrees that it will correct any work performed and replace any materials that do not comply with the Plans and Specifications in any material respect. In the event of any dispute between the Borrower and the Controlling Person with respect to the interpretation and meaning of the Plans and Specifications, the same shall be determined by an independent engineer selected by the Borrower from the list of engineers approved by the Controlling Person.

Section 6.32. Sufficiency of Loan Proceeds. If, for any reason, the Controlling Person shall, in the reasonable exercise of the Controlling Person's judgment, determine that the combined total of (i) the remaining proceeds of the Loan, and (ii) any other sums on deposit by the Borrower with the Trustee and the capital contributions from Borrower's partners are insufficient to complete construction of the Project Facilities, the Controlling Person may require the Borrower to deposit with the Trustee for deposit into the Project Fund, within ten (10) days after written request by the Controlling Person, the projected deficiency, and such deposit shall be first disbursed in the same manner as the Loan is to be disbursed as provided herein before any further disbursements of the proceeds of the Loan shall be made.

Section 6.33. Use of Loan Proceeds. All labor and materials contracted for and in connection with the renovation of the Project Facilities shall be used and employed solely for the Improvements and in said renovation and only in accordance with the Plans and Specifications. Moneys disbursed from Accounts held under the Indenture to or for the account of the Borrower under this Agreement shall constitute a trust fund in the hands of the Borrower or other payee and shall be used solely by such payee for the payment of the Qualified Project Costs and for no other purpose unless another use is specifically provided for in this Agreement or consented to in writing by the Controlling Person. Nothing in this paragraph shall be deemed to impose a trust on the undisbursed portion of the Loan or any other amounts held under the Indenture or to impose any duty on the Controlling Person with respect thereto.

Section 6.34. Special Servicing Costs. In accordance with industry standards and as set forth on Exhibit D hereto, the Controlling Person, as servicer of the Loan, may charge the Borrower additional servicing fees and costs for special servicing requests. The Borrower shall pay as and when due all such special servicing fees or costs.

Section 6.35. Additional Payments. The Borrower shall pay to the Issuer or the Trustee, as the case may be, as Additional Payments hereunder the following:

(a) All taxes and assessments of any type or character charged to the Issuer or to the Trustee affecting the amount available to the Issuer or the Trustee from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or Governmental Authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net

income of the Trustee; provided, however, that the Borrower shall have the right to protest any such taxes or assessments and to require the Issuer or the Trustee, at the Borrower's expense, to protest and contest any such taxes or assessments levied upon them and that the Borrower shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Issuer or the Trustee;

(b) All reasonable fees, charges and expenses of the Trustee for services rendered under the Indenture, as and when the same become due and payable;

(c) The annual fee of the Issuer, payable as set forth in [Section 20] of the Land Use Restriction Agreement, and the reasonable fees and expenses of the Issuer or any agents, attorneys, accountants, consultants selected by the Issuer to act on its behalf in connection with this Loan Agreement, the Land Use Restriction Agreement, the Tax Certificate, the Bonds or the Indenture, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds or in connection with any litigation which may at any time be instituted involving this Loan Agreement, the Land Use Restriction Agreement, the Tax Certificate, the Bonds or the Indenture 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.

(d) These obligations and those in Section 2.5 shall remain valid and in effect notwithstanding repayment of the Loan hereunder or termination of this Loan Agreement or the Indenture.

Upon the payment, prepayment, or incurrence of any such cost, expense, or liability described in this Section by any such party, the Additional Payments in respect thereof shall be payable upon written demand to the Borrower, which demand shall be accompanied by invoices or other appropriate documentation concerning the nature, amount and incurrence of such cost, expense or liability. If the Additional Payments payable under this Section are not paid by the Borrower within ten (10) days of the Borrower's receipt of such demand, such Additional Payments shall bear interest from such tenth (10th) date at the Bond Coupon Rate for an Advance until the amount due shall have been fully paid.

Section 6.36. Payment and Developer Fee. So long as no Event of Default has occurred, the Borrower shall make payments of the Developer Fee in accordance with the terms of that certain Development Agreement, dated on or about the date hereof, by and between Developer and Borrower ("Development Agreement"), it being expressly understood by the parties that (i) upon an Event of Default, the Borrower will not make any payments of the Developer Fee, (ii) payments of the Developer Fee are subordinate to any and all payments of principal and premium, if any, and interest due on the Series A-1 Bonds, and (iii) any deferred Developer Fee shall be paid in accordance with Section 2.3(b) of the Indenture [**NOTE: TO BE CONFIRMED UPON RECEIPT OF DEVELOPMENT AGREEMENT**].

## ARTICLE VII DEFAULTS AND REMEDIES

Section 7.1. Defaults. Each of the following shall constitute an event of default hereunder (“Event of Default”):

(a) Failure by the Borrower to pay any principal, premium, if any, and interest payments on the Note when the same shall become due and payable, or (ii) failure by the Borrower to pay any other amount required to be paid by the Borrower under this Agreement, the Note or any of the other Bond Documents when the same shall become due and payable and the continuation of such failure under this subsection (ii) for ten (10) days after demand for payment of the same;

(b) Failure by the Borrower to perform or comply with any of the terms or conditions contained in Section 6.1, 6.11, 6.12 or 6.36 hereof;

(c) Failure by the Borrower to perform or comply with any of the terms or conditions contained in this Agreement and any of the other Bond Documents to which the Borrower is a party, other than as described in paragraphs (a) and (b) above, and continuation of such failure for thirty (30) days after written notice from the Trustee or the Controlling Person to the Borrower, or such longer period to which the Controlling Person may agree in the case of a default not curable by the exercise of due diligence within such thirty (30) day period, if the Borrower, the General Partner, the Managing General Partner or the Tax Credit Investor shall have commenced a cure of such default within such thirty (30) day period and shall be diligently pursuing such cure as quickly as reasonably possible;

(d) Any of the representations or warranties of the Borrower set forth in this Agreement, any of the other Bond Documents or any other document furnished to the Issuer, the Trustee, the Controlling Person, the Majority Owner or any other Holder pursuant to the terms hereof proves to have been false or misleading in any material respect when made;

(e) Any provision of this Agreement or any of the other Bond Documents to which the Borrower, the Managing General Partner, the General Partner or any Guarantor is a party for any reason ceases to be valid and binding on the Borrower, the Managing General Partner, the General Partner or the Guarantor, is declared to be null and void or the validity or enforceability thereof is contested by the Borrower, the Managing General Partner, the General Partner or any Guarantor or any Governmental Authority, or the Borrower, the Managing General Partner, the General Partner or any Guarantor denies that it has any or further liability or obligation under this Agreement or any of the Bond Documents to which the Borrower, the Managing General Partner, the General Partner or any Guarantor is a party; provided, if any of the foregoing occurs with respect to the Managing General Partner only, the Managing General Partner may be replaced within sixty (60) days of such event with another non-profit managing general partner acceptable to the Controlling Person, in which case no Event of Default shall be deemed to have occurred;

(f) The occurrence of an Event of Default as defined in the Indenture, the other Bond Documents;

(g) The Borrower, any Guarantor, the Managing General Partner or the General Partner (i) applies for or consents to the appointment of a receiver, trustee, liquidator or

custodian or the like of the Borrower, any Guarantor, the Managing General Partner or the General Partner, as applicable, or of property of any such party or (ii) admits in writing the inability of the Borrower, any Guarantor, the Managing General Partner or the General Partner to pay its debts generally as they become due, or (iii) makes a general assignment for the benefit of creditors, (iv) is adjudicated bankrupt or insolvent, (v) commences a voluntary case under the Bankruptcy Code or files a voluntary petition or answer seeking reorganization, an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or files an answer admitting the material allegations of a petition filed against the Borrower, any Guarantor, the Managing General Partner or the General Partner in any bankruptcy, reorganization or insolvency proceeding, or action of the Borrower, any Guarantor, the Managing General Partner or the General Partner is taken for the purpose of effecting any of the foregoing, or (vi) has instituted against it, without the application, approval or consent of the Borrower, any Guarantor, the Managing General Partner or the General Partner, as applicable, a proceeding in any court of competent jurisdiction, under any Legal Requirements relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking in respect of the Borrower, any Guarantor, the Managing General Partner or the General Partner an order for relief or an adjudication in bankruptcy, reorganization, dissolution, winding up or liquidation, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of the Borrower, any Guarantor, the Managing General Partner or the General Partner or of all or any substantial part of the assets of such party or other like relief in respect thereof under any Legal Requirements relating to bankruptcy or insolvency law, and, if such proceeding is being contested by the Borrower, such Guarantor, the Managing General Partner or the General Partner, as applicable, in good faith, the same (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed and undischarged for a period of sixty (60) days; provided, if the foregoing subsection (vi) occurs with respect to the Managing General Partner only, the Managing General Partner may be replaced within sixty (60) days of such event with another non-profit managing general partner acceptable to the Controlling Person, in which case no Event of Default shall be deemed to have occurred;

(h) The Borrower fails to maintain in full force and effect any insurance required pursuant to this Agreement;

(i) The Project Facilities suffer a loss by fire or other casualty and such loss is not fully insured and any deficiency in the amount of insurance proceeds paid with respect to such loss is not posted with the Trustee within thirty (30) days of the determination of such deficiency;

(j) The Project Facilities fail to (i) achieve Final Completion on or before the Completion Date, or (ii) achieve Stabilization on or before the Stabilization Date, or (iii) obtain and maintain the exemption from ad valorem real estate taxation to the fullest extent permitted under the California Revenue and Taxation Code Section 214(g), and any successor statutes thereto;

(k) Any litigation or administrative proceeding ensues, and is not dismissed within thirty (30) days, involving the Borrower, the Managing General Partner, the General Partner, any Guarantor or any instrument, contract or document delivered by the Borrower to the

Controlling Person, the Majority Owner, the Series A-2 Purchaser or the Trustee in compliance with this Agreement, and the adverse result of such litigation or proceeding has, in the Controlling Person's reasonable opinion, a materially adverse effect on the Borrower's, the Managing General Partner's, the General Partner's or any Guarantor's ability to pay its obligations and comply with the covenants under this Agreement or any of the other Bond Documents; provided, if any of the foregoing occurs with respect to the Managing General Partner only, the Managing General Partner may be replaced within sixty (60) days of such event with another non-profit managing general partner acceptable to the Controlling Person, in which case no Event of Default shall be deemed to have occurred;

(l) Failure by the Borrower to cause a redemption of the Bonds as required in accordance with Section 2.12(b)(iii) of the Indenture;

(m) Any one or more judgments or orders are entered against the Borrower, any Guarantor, the Managing General Partner or the General Partner, and (1) continue unsatisfied and unstayed for thirty (30) days or (2) a judgment lien on any property of the Borrower, any Guarantor, the Managing General Partner or the General Partner is recorded in respect thereof and is not stayed pending appeal by a bond or other arrangement given or obtained by the Borrower, any Guarantor or the General Partner on terms which do not violate any of the Borrower's covenants under this Agreement; provided, if any of the foregoing occurs with respect to the Managing General Partner only, the Managing General Partner may be replaced within sixty (60) days of such event with another non-profit managing general partner acceptable to the Controlling Person, in which case no Event of Default shall be deemed to have occurred;

(n) Failure by the Borrower or the Guarantor (1) to make any payment or payments in respect of any Obligation or Indebtedness (unless a bona fide dispute exists as to whether such payment is due), when such payment or payments are due and payable (after the lapse of any applicable grace period), (2) to perform any other obligation or covenant under any such Obligation or Indebtedness or (3) to pay or perform any obligation or covenant under any Material Contract, any of which (x) results in the acceleration of such Obligation or Indebtedness or enables the holder or holders of such Obligation or Indebtedness or any person acting on behalf of such holder or holders to accelerate the maturity of such obligation or (y) would have, in the Controlling Person's reasonable opinion, a materially adverse effect on either the Borrower's or the Guarantor's ability to pay its obligations and comply with the covenants under this Agreement or any of the other Bond Documents;

(o) Renovation of the Improvements shall have been discontinued for thirty (30) consecutive working days for any reason whatsoever, except for Force Majeure (not to exceed thirty (30) days) or any such other reason as the Controlling Person shall deem reasonable;

(p) If at any time the Borrower shall have been unable for a period of forty-five (45) days to meet the requirements for an Advance under this Agreement, regardless of whether the Borrower has requested an Advance that has not been funded;

(q) The Contractor shall have defaulted under the Construction Contract, which default the Controlling Person, in its sole opinion, shall deem to be substantial, and the Borrower, upon ten (10) days written notice from the Controlling Person, shall have failed to exercise any right or remedy to which it shall be entitled; and

(r) The Improvements have not been completed substantially in accordance with the Plans and Specifications by the Completion Date.

Section 7.2. Remedies. If an Event of Default has occurred and is continuing uncured (provided that the Trustee and Controlling Person shall have no obligation to accept a cure of any Event of Default), the Trustee, acting solely at the direction of the Controlling Person, shall:

(a) Declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable; and

(b) Declare the Borrower's obligations hereunder, under the Note and under the other Bond Documents to be, whereupon the same shall become, immediately due and payable, provided, no such declaration shall be required, and acceleration shall be automatic, upon occurrence of an event set forth in Section 7.1(g) hereof, except that such acceleration shall not become automatic until sixty (60) days after the occurrence of an event set forth in 7.1(g)(vi) with respect to the Managing General Partner only; and

(c) Enter upon the Project Facilities and take possession thereof, together with the Improvements in the course of renovation, and all of the Borrower's materials, supplies, tools, equipment and construction facilities and appliances located thereon, and proceed either in the name of the Trustee or in the name of the Borrower as the attorney-in-fact of the Borrower (which authority is coupled with an interest and is irrevocable by the Borrower) as the Controlling Person shall elect, to complete the renovation of the Improvements at the cost and expense of the Borrower; if the Controlling Person elects to complete or cause the renovation of the Improvements to be so completed, it may do so according to the terms of the Plans and Specifications and as the Controlling Person shall deem expedient or necessary, and the Trustee may enforce or cancel all contracts entered into as aforesaid or make other contracts which in the Controlling Person's reasonable opinion may seem advisable, and the Borrower shall be liable, under this Agreement and under the Note or any other note given by it pursuant to the provisions hereof, to pay the Controlling Person or the Trustee upon demand any amount or amounts expended by the Controlling Person or the Trustee or its representatives for such performance, together with any costs, charges or expenses incident thereto or otherwise incurred or expended by the Controlling Person or the Trustee or its representatives on behalf of the Borrower in connection with the Improvements, and the amounts so expended shall bear interest at the default rate specified in the Note, and shall be considered part of the indebtedness evidenced by the Note and secured by the Mortgage; and

(d) In the event the Contractor shall have defaulted as aforesaid, and the Contractor has no surety, the Controlling Person may proceed to negotiate or invite bidding to procure, within an additional fifteen (15) days, a successor Contractor to complete the Improvements under a performance bond and labor and material payment bond approved by the Controlling Person in the full amount of the new contract price; if the Contractor has a surety,

but the surety refuses or fails to commence completion of the Improvements within fifteen (15) days after notice from the Borrower to do so, the Controlling Person may proceed, within ten (10) days, to negotiate or invite bidding as herein provided or to take action against the entity; and

(e) (1) Enter upon or take possession of the Project Facilities and call upon or employ suppliers, agents, managers, maintenance personnel, security guards, architects, engineers and inspectors to complete, manage or operate the Project Facilities or to protect the Project Facilities from injury; (2) pay out additional sums (which sums shall be immediately due and payable by the Borrower to the Trustee) and use any property of the Borrower associated with the Project Facilities, or any property of the Borrower in which the Trustee has or obtains an interest for application to or as a reserve for payment of any or all of the following with respect to the protection, management, operation or maintenance of the Project Facilities or the protection of the Trustee's interest therein, and in such connection deliver or disburse the same to such entities in such amounts and with such preferences and priorities as the Controlling Person in its sole discretion shall determine, either with or without vouchers or orders executed by the Borrower: (A) all sums due from the Borrower to the Trustee; (B) premiums and costs of title and any other insurance; (C) leasing fees and brokerage or sales commissions; (D) fees, costs and expenses of the Trustee, the Controlling Person, the Majority Owner and the Series A-2 Purchaser and their respective counsel in connection with the enforcement and performance of this Agreement, the other Bond Documents and the other documents contemplated hereby; (E) any taxes (including federal, state and local taxes) or other governmental charges; (F) any sums required to indemnify and hold the Trustee and the Controlling Person harmless from any act or omission of the Trustee and the Controlling Person (except such as are grossly negligent or due to its willful misconduct) under Section 2.5 hereof, the other Bond Documents or any other document; (G) architectural and engineering costs or any sums due to contractors, subcontractors, mechanics or materialmen for work or services actually furnished on or for the Project Facilities; (H) claims of any Governmental Authority for any required withholding of taxes on wages payable or paid by the Borrower; and (I) other costs and expenses which are required to complete, manage or operate the Project Facilities or to protect the Project Facilities from injury or maintain the Trustee's security position before the rights of all others; (3) place additional encumbrances upon the Project Facilities; and (4) employ leasing and sales agents and negotiate and execute leases, sales contracts and financing undertakings in connection with all or any part of the Project Facilities; and

(f) Subject to all Legal Requirements, require the Borrower to transfer all security deposits to the Trustee; and

(g) Exercise, or cause to be exercised, any and all such remedies as it may have under this Agreement, the other Bond Documents or at law or in equity.

Section 7.3. No Waivers; Consents. No waiver of, or consent with respect to, any provision of this Agreement shall in any event be effective unless the same shall be in writing and signed by the Trustee at the direction of the Controlling Person (or by the Issuer if the same relates to Reserved Rights), and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

Section 7.4. No Waiver; Remedies Cumulative. No failure on the part of the Issuer, the Trustee, the Controlling Person or any Bondholder to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; and no single or partial exercise of any right hereunder shall preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies available under any other document or at law or in equity.

Section 7.5. Set-Off. Upon the occurrence and during the continuation of an Event of Default hereunder (provided that the Trustee and Controlling Person shall have no obligation to accept a cure of any Event of Default), the Trustee is hereby authorized at any time and from time to time without notice to the Borrower, the Managing General Partner or the General Partner (any such notice being expressly waived by the Borrower, the Managing General Partner and the General Partner) and, to the fullest extent permitted by applicable Legal Requirements, to set off and to apply any and all balances, credits, deposits (general or special, time or demand, provisional or final), accounts or moneys at any time held (including any amounts in the Accounts except for the Rebate Fund and the Tax and Insurance Escrow Fund) and other indebtedness at any time owing by the Trustee, Majority Owner or other Holder to or for the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement, the Bond Documents or any other agreement or instrument delivered by the Borrower to the Trustee, Majority Owner or other Holder in connection therewith, whether or not the Trustee, Majority Owner or other Holder shall have made any demand hereunder or thereunder and although such obligations may be contingent or unmatured. The rights of the Trustee under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Trustee may have.

Section 7.6. Issuer and Borrower to Give Notice of Default. The Issuer and the Borrower severally covenant that they will, at the expense of the Borrower, promptly give to the Trustee, the Controlling Person, the Majority Owner, the Series A-2 Purchaser, the Tax Credit Investor and Special Limited Partner and to each other written notice of the occurrence of any Event of Default under this Agreement or any of the Bond Documents, and any act, event or circumstance which, with the passage of time, or notice, or both, would constitute such an Event of Default of which they shall have actual knowledge or written notice, but the Issuer shall not be liable for failing to give such notice.

Section 7.7. Cure by Tax Credit Investor and/or Special Limited Partner. Notwithstanding anything to the contrary contained herein or in any of the Bond Documents, the Issuer, the Trustee and Controlling Person hereby agrees that any timely cure of any default made or tendered by the Tax Credit Investor and/or Special Limited Partner shall be deemed to be a cure by the Borrower, and shall be accepted or rejected on the same basis as if made or tendered by the Borrower; provided, however, that neither the Tax Credit Investor nor the Special Limited Partner shall have any obligation or duty to take any action to cure any default or to cause any default to be cured.

Section 7.8. Default Rate; Acceleration Premium. In the event there shall have occurred an acceleration of the obligations of the Borrower hereunder following an Event of Default on or before August 1, 2034, any tender of payment of an amount necessary to satisfy the indebtedness evidenced by this Agreement and the Note shall include the acceleration



premium set forth in Section 2.3(c) hereof. In addition, in the event that principal or interest payable hereunder is not paid when due and upon the occurrence and continuance of another Event of Default, there shall be payable on the amount not timely paid or other amount due, interest at the Default Rate until the unpaid amount, together with interest thereon, shall have been paid in full.

Section 7.9. Reserved Rights; Land Use Restriction Agreement Defaults.

(a) Notwithstanding anything to the contrary contained herein, the Issuer may enforce its Reserved Rights under the Bond Documents and exercise the permitted remedies with respect thereto against the Borrower, subject to the provisions of subparagraph (c) below.

(b) If there shall have occurred and be then continuing an event of default under the Land Use Restriction Agreement which would, in the reasonable judgment of the Issuer, the Trustee or the Controlling Person, jeopardize the exclusion from gross income of interest on the Bonds (a “Land Use Restriction Agreement Default”) and such Land Use Restriction Agreement Default remains uncured or unwaived for a period of sixty (60) days after the Borrower, the Controlling Person, the Majority Owner and the Holders receive written notice from the Trustee or the Issuer stating that a Land Use Restriction Agreement Default has occurred and specifying the nature of such default, then, if authorized by the Bond Documents, the Issuer and the Trustee may, without the consent of the Controlling Person, the Majority Owner or the Holders, exercise the remedy of pursuing specific performance of the Bond Documents on account of such default, unless:

(i) The Issuer and the Trustee, prior to the end of such sixty (60) day period, are provided with an opinion of Bond Counsel to the effect that the failure to cure such default will not have an adverse effect on the exclusion from gross income for federal income tax purposes of interest on the Bonds (which opinion may be requested and obtained and relied upon by the Controlling Person, the Majority Owner or the Holders);

(ii) The Controlling Person, the Majority Owner, the Holders or the Borrower institutes action to cure such Land Use Restriction Agreement Default within such sixty (60) day period and diligently pursues such action thereafter until such Land Use Restriction Agreement Default is cured; or

(iii) If such Land Use Restriction Agreement Default is not reasonably curable by the Controlling Person, the Majority Owner or the Holders without the Trustee’s first securing possession of the Project Facilities and/or operational control of the Borrower and the Controlling Person, the Majority Owner or the Holders (subject to extension during any stay on account of the bankruptcy of the Borrower) (x) instructs the Trustee, subject to the terms of the Indenture, to institute, within such sixty (60) day period, proceedings or other action for the purposes of obtaining such possession or control pursuant to the Bond Documents; (y) thereafter instructs the Trustee, pursuant to the terms of the Indenture, to pursue diligently such proceedings until such possession or control is obtained; and (z) diligently pursues action to cure such default after the Trustee or other designee of the Controlling Person, the Majority Owner or the Holders obtains

possession or control of the Project Facilities, until such default is cured; provided, however, that any extension, of the period within which a Land Use Restriction Agreement Default must be cured shall only be effective if and to the extent that, in the opinion of Bond Counsel provided to the Trustee, the Controlling Person, the Majority Owner and the Holders, such extension will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds; and provided further, that the Trustee, upon five (5) Business Days' prior written notice to the Controlling Person, the Majority Owner or the Holders following any such Land Use Restriction Agreement Default, may reduce the 60-day period provided above to such shorter period of time as is specified in such notice (but in no event less than fifteen (15) Business Days), but only if the Trustee, the Controlling Person, the Majority Owner and the Holders shall have been provided with an opinion of Bond Counsel to the effect that such reduction of such period is necessary to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds.

(c) In the event of a default in respect of Reserved Rights or a Land Use Restriction Agreement Default which remains uncured after written notice thereof to the Borrower, the Controlling Person, the Majority Owner and the Holders, nothing in this Section 7.9 shall restrict or in any way limit the right of the Issuer or the Trustee to take any action for specific performance available under the Land Use Restriction Agreement or at law or in equity in order to enforce the terms of the Land Use Restriction Agreement or to enforce Reserved Rights hereunder, so long as neither the Issuer nor the Trustee takes any action (i) to declare the outstanding balance of the Bonds or the Loan to be due on account of such default, (ii) to have a receiver appointed in respect of the Project Facilities, (iii) to foreclose any liens upon or security interests or to enforce any other similar remedy against any of the property described in the Mortgage, or (iv) to enforce any other similar remedy which would cause such liens or security interests to be discharged or materially impaired thereby.

## **ARTICLE VIII DEPOSITS TO FUNDS**

Section 8.1. Deposits to and Disbursements from the Replacement Reserve Fund. Pursuant to the Replacement Reserve Agreement, the Borrower shall pay or cause to be paid to the Trustee, for deposit into the Replacement Reserve Fund established by the Indenture, the amounts described in the Replacement Reserve Agreement. The sums contained in the Replacement Reserve Fund from time to time, shall be maintained, disbursed, and applied as provided in the Replacement Reserve Agreement and pursuant to Section 4.5(d) of the Indenture.

Section 8.2. Deposits to Tax and Insurance Escrow Fund.

(a) On the Issue Date, the Borrower shall pay, or cause to be paid, to the Trustee, to be deposited in the Tax and Insurance Escrow Fund, an amount which, when added to an amount equal to the sum of:

(i) the product of the Impositions component of the Monthly Tax and Insurance Amount for the Project Facilities and the number of months from and including

the Issue Date, until and including the month in which occurs the date that the Impositions on the Project Facilities are due and payable before penalty; and

(ii) the product of the insurance component of the Monthly Tax and Insurance Amount and the number of months from and including the Issue Date, until and including the month in which occurs the date that the annual insurance premiums for the insurance on the Project Facilities required hereunder are due and payable will be sufficient to pay in full the Impositions and insurance premiums for the Project Facilities when the same become due and payable before penalty.

(b) Thereafter, on the first (1st) Business Day of each month commencing September 1, 2019, and each month thereafter, the Borrower shall pay, or cause to be paid, to the Trustee an amount equal to the Monthly Tax and Insurance Amount for the Project Facilities to be deposited in the Tax and Insurance Escrow Fund.

Section 8.3. Intentionally Omitted.

Section 8.4. Deposits to Redemption Fund. On the first Business Day of each month commencing on September 1, 2019, and thereafter on the first (1st) Business Day of each month until the date on which the Bonds are no longer Outstanding or have been defeased, the Borrower shall pay to the Trustee the monthly amount shown on Schedule 3 attached hereto for deposit into the Redemption Fund pursuant to Section 4.5(a) of the Indenture. Following any partial redemption of Bonds (other than pursuant to Section 2.12(c) of the Indenture), the Controlling Person shall adjust the monthly amount due pursuant to this provision to account for any partial redemption of the Bonds in the manner set forth in Section 2.12(e) of the Indenture and shall provide the Borrower and the Trustee with the revised Schedule 3. The Borrower shall also pay to the Trustee for deposit in the Redemption Fund all amounts required to redeem the Bonds pursuant to Section 2.12(b)(vi) of the Indenture on or before the Interest Payment Date specified in the notice of the Controlling Person as provided in Section 2.12(b)(vi) of the Indenture. The Borrower shall also pay to the Trustee for deposit in the Redemption Fund all other amounts required to redeem Bonds pursuant to Section 2.12 of the Indenture, as provided therein.

Section 8.5. Deposits to Operating Reserve Fund. On the Stabilization Date, the Borrower shall pay or cause to be paid to the Trustee, to be deposited in the Operating Reserve Fund, the sum of \$[\_\_\_\_\_] pursuant to Section 4.1 of the Indenture. Following any disbursement, payment or transfer of moneys from the Operating Reserve Fund, the Borrower shall replenish the Operating Reserve Fund monthly, from and to the extent of revenue from the operation of the Project Facilities available after payment of Expenses, Capital Expenditures and amounts then due and owing under the Bond Documents, and prior to the payment of any distributions to the Borrower's partners, until such time as the balance on deposit in the Operating Reserve Fund equals \$[\_\_\_\_\_].

Section 8.6. Deposits to Project Revenue Account. At all times prior to the achievement of Stabilization, the Borrower shall deposit into the Project Revenue Account of the Project Fund all amounts received in connection with operating the Project Facilities (net of Expenses), which funds will be used in accordance with Section 4.3(e) of the Indenture.

Section 8.7. Investment. Funds in the Accounts shall be invested in Permitted Investments upon the direction of the Borrower with the consent of the Controlling Person, as set forth in Section 4.7 of the Indenture. Earnings on the Accounts hereunder shall be held or disbursed as set forth in Article IV of the Indenture. The Trustee shall have the right to invest or withdraw any deposited funds or to direct the liquidation of any investments held in order to pay the amounts required under this Agreement and the other Bond Documents. The Trustee shall not be liable for any loss sustained as a result of any liquidation of any collateral prior to its maturity. Any income or gain realized on such investments shall be credited to and become part of the respective Account and reinvested and applied as provided in the Indenture. Provided that no Default or Event of Default exists, the Borrower from time to time may request the Controlling Person to consent to the disbursement to or upon the order of the Borrower of the investment income previously credited to the Operating Reserve Fund, which consent by the Controlling Person shall not be unreasonably withheld or delayed.

Section 8.8. Security Interest in Accounts. The Borrower hereby assigns and pledges to the Issuer, and grants the Issuer a security interest in, as additional collateral security for the Borrower's obligations to the Issuer hereunder (and the Borrower acknowledges and agrees that the Issuer shall have a continuing security interest in) all of the Borrower's right, title and interest, if any, in all Accounts, all cash, cash equivalents, instruments, investments and other securities at any time held in the Accounts, all proceeds of the foregoing, and all of the Borrower's rights associated with such Accounts, if any. The Issuer hereby directs the Trustee to hold all moneys in the Accounts from time to time as assignee of the Issuer.

Section 8.9. Reports. The Trustee shall provide to the Borrower detailed monthly reports on or before the fifth (5th) day of the month following the month to which such report relates showing receipts, disbursements, balances and investments of each Account. Within ten (10) days of a written request of the Borrower to such effect, the Trustee shall deliver to the Borrower an accounting of receipts, disbursements and balances in one or more of the Accounts as necessary and appropriate to assist the Borrower in complying with its covenants to calculate and pay any rebate amount or yield reduction payments due and owing to the United States of America with respect to the Bonds.

Section 8.10. No Liability of Trustee. In performing any of its duties hereunder, the Trustee shall not incur any liability to anyone for any damages, losses or expenses, except for its gross negligence, bad faith or willful misconduct; and the Trustee shall not incur any liability with respect to any action taken or omitted in good faith in the performance of its duties and responsibilities under this Agreement.

## **ARTICLE IX RENOVATION AND FUNDING OF ADVANCES**

Section 9.1. Renovation of Project Facilities; Final Completion. The Borrower shall commence performance of the Work in respect of the Improvements no later than thirty (30) days after the issuance of the Bonds, and shall achieve Final Completion of such Work in accordance with the Plans and Specifications on or before the Completion Date; provided, however, that at the request of the Borrower and with the prior written approval of the Controlling Person, the Completion Date may be extended one or more times for such periods as

the Controlling Person may approve in its sole discretion and upon delivery of such other information and funds as the Controlling Person may require in its sole discretion.

Section 9.2. Making The Advances.

(a) At such time as the Borrower desires to obtain an advance from the Project Fund, an Authorized Representative shall complete, execute and deliver a Requisition to the Controlling Person for its approval; no Requisition shall be delivered to the Trustee until it has been approved by the Controlling Person, and each advance by the Trustee of the amounts in the Project Fund shall be subject to the prior approval of the Requisition by the Controlling Person. The Controlling Person shall endeavor to approve or object to any Requisition within ten (10) Business Days of its submission and the submission of all additional information required in connection with such Requisition and shall endeavor to provide specific information concerning the nature of any objection it may have.

(b) Each Requisition shall be submitted to the Controlling Person at least fifteen (15) Business Days prior to the date of the requested Advance, and no more frequently than once each month (excluding the month in which the initial advance is requested). The Borrower shall open and maintain a checking account with a financial institution reasonably satisfactory to the Controlling Person. Except as otherwise provided for herein, the Controlling Person shall direct the Trustee to deposit the proceeds of each Requisition into such account.

Section 9.3. Advances to Contractors; to Others. At its option during the existence of any Event of Default or Default, the Controlling Person may direct the Trustee to make any or all advances: (a) for costs incurred under any construction contract directly to a contractor, subcontractor or vendor, (b) through the Title Company, or (c) to any Person to whom the Controlling Person in good faith determines payment is due.

Section 9.4. Requisition. Each Requisition shall be in the form set forth on Exhibit B hereto, shall be signed on behalf of the Borrower by an Authorized Representative, shall be subject to approval by the Controlling Person prior to payment and shall state with respect to each disbursement to be made: (a) the number of the Requisition; (b) the amount to be disbursed; (c) that each obligation therein for which such disbursement is being requested has been properly incurred and has not been the basis for any previous disbursement; and (d) that the expenditure of such disbursement, when added to all previous disbursements, will result in not less than (i) ninety-five percent (95%) of all disbursements having been used to pay or reimburse the Borrower for Qualified Project Costs and (ii) 100% of all disbursements having been used to pay or reimburse the Borrower for Project Costs.

Section 9.5. Project Costs. The Development Budget reflects the purposes and the amounts for which funds to be advanced by the Trustee from the Project Fund are to be used. Subject to Section 9.7 hereof, the Controlling Person shall not be required to approve any Requisition requiring disbursement of funds from the Project Fund for any item of Work in an amount exceeding the amount specified for any item in the Development Budget. Subject to Section 9.7 hereof, in no event shall the Controlling Person approve any Advance in an amount exceeding (a) the total cost (as determined by the Controlling Person) of the labor, materials, fixtures, machinery and equipment completed, approved and incorporated into the Project

Facilities prior to the date of such Requisition, less (b) Retainage (if required) less (c) the total amount of any Advances previously made by the Trustee from the Project Fund for such costs.

Section 9.6. Retainage. The Controlling Person shall approve disbursement of Retainage upon completion of the Work or category of Work by the contractor or subcontractor under the contract for which the Retainage was held. No advance of funds from the Project Fund shall be approved unless all Work done at the date the Requisition for such Advance is submitted is done in a good and workmanlike manner and without defects, as confirmed by the report of the Engineering Consultant.

Section 9.7. Contingency Reserve. The amount allocated to “contingency” in the Development Budget is not intended to be disbursed without, and will only be disbursed upon, the prior approval of the Controlling Person. The disbursement of a portion of the contingency reserve shall in no way prejudice the Controlling Person from directing the Trustee to withhold disbursement of any further portion of the contingency reserve.

Section 9.8. Stored Materials. The Controlling Person shall approve Requisitions for funds for materials, furnishings, fixtures, machinery or equipment not yet incorporated into the Improvements, provided that any such disbursement shall be subject to and shall be contingent upon the Controlling Person’s receiving satisfactory evidence that:

(a) such materials are components in a form ready for incorporation into the Improvements and shall be so incorporated within a period of thirty (30) days; and

(b) such materials are stored at the Project Facilities, or at such other site as the Controlling Person shall approve, and are protected against theft and damage.

Section 9.9. Cost Overruns and Savings.

(a) If the Borrower becomes aware of any change in the costs of the Work which will increase or decrease the projection of the costs reflected on the Development Budget by \$100,000 or more, the Borrower shall immediately notify the Controlling Person in writing and promptly submit to the Controlling Person for its approval a revised Development Budget. If the Controlling Person otherwise becomes aware of any such change in costs of the Work, the Controlling Person shall have the right to prepare and to authorize disbursements on the basis of a revised Development Budget.

(b) If the revised Development Budget indicates an increase in costs of the Work for the Project Facilities (in excess of the aggregate contingency amount and savings), no further Requisitions for the Work at the Project Facilities need be approved by the Controlling Person unless and until the Borrower has deposited with the Trustee any required funds necessary to cause the amount remaining on deposit in the Project Fund and any Required Equity Funds yet to be deposited with the Trustee to be sufficient to complete fully the renovation of the Improvements in accordance with the Plans and Specifications to the extent applicable, and to pay all other projected costs in connection with the Work.

(c) If the revised schedule indicates a decrease in costs of the Work for the Project Facilities, no savings may be reallocated by the Borrower unless and until the Borrower has furnished the Controlling Person and the Engineering Consultant with evidence reasonably satisfactory to them that the labor performed and materials supplied in connection with such line item of costs have been satisfactorily completed and paid for in full. At such time, such savings may be reallocated by the Borrower, with the consent of the Controlling Person, to other line items in the Development Budget.

(d) The Issuer does not make any warranty, either express or implied, that the moneys paid into the Project Fund and available for payment of the Project Costs will be sufficient to pay all of the Project Costs. The Borrower agrees that if after exhaustion of the moneys in the Project Fund, the Borrower should pay any portion of the Project Costs as required herein, the Borrower shall not be entitled to any reimbursement therefor from the Issuer, nor shall the Borrower be entitled to any diminution of the amounts payable under this Agreement or under the Note.

Section 9.10. Right to Retain the Engineering Consultant.

(a) The Controlling Person shall have the right to retain, at the Borrower's cost and expense, the Engineering Consultant to perform various services on behalf of the Controlling Person, including, without limitation, to make periodic inspections for the purpose of assuring that renovation of the Improvements to date is in accordance with the Plans and Specifications, to advise the Controlling Person of the anticipated cost of and time for completion of renovation of the Improvements and to review all construction contracts and subcontracts.

(b) The fees of the Engineering Consultant during the performance of the renovation shall be paid by the Borrower in accordance with Section 2.2(b) hereof.

(c) Neither the Controlling Person, the Majority Owner, the Holders, nor the Engineering Consultant shall have any liability to the Borrower on account of (i) the services performed by the Engineering Consultant, (ii) any neglect or failure on the part of the Engineering Consultant to properly perform its services, or (iii) any approval by the Engineering Consultant of renovation of the Improvements. Neither the Controlling Person, the Majority Owner, the Holders, nor the Engineering Consultant assumes any obligation to the Borrower, the General Partner, or any other Person concerning the quality of the Work performed or the absence of defects from the Improvements.

Section 9.11. Inspections. The Borrower agrees to provide and cause to be provided to the Controlling Person and its authorized agents, at all reasonable times, facilities commonly made available by responsible general contractors for the inspection of the Improvements, and to afford full and free access to the Controlling Person and its authorized agents to all plans, drawings and records with respect to the renovation of the Improvements. The Borrower further agrees to send to the Controlling Person, upon request, a copy of all construction inspection reports made by the Borrower's Architect or engineer.

Section 9.12. Initial Advances. The right of the Borrower to draw the initial Advance on the Issue Date shall be subject to the satisfaction of the following conditions precedent:

(a) The Borrower shall have delivered the items listed on Schedule 7 attached hereto;

(b) The Borrower shall have delivered evidence as to the obtaining of all approvals, permits and licenses which are then required, if any, or necessary for the renovation of the Improvements at the Project Facilities, together with copies of all such approvals, permits and licenses;

(c) The Borrower shall have delivered copies of the Borrower's contracts with the Architect and the Contractor, duly executed by the parties thereto, and to the extent applicable, a list of all subcontractors and materialmen who have been or, to the extent identified by the Borrower, will be, supplying labor or materials for the renovation of the Project Facilities;

(d) The Borrower shall have delivered to the Controlling Person two (2) complete sets of the Plans and Specifications, together with evidence of their approval by all Governmental Authorities having jurisdiction;

(e) The Borrower shall have delivered payment and performance bonds in respect of the Construction Contract;

(f) The Controlling Person shall have received a report or written confirmation from the Engineering Consultant that (a) the Engineering Consultant has reviewed the Plans and Specifications identified on Schedule 5, (b) the Construction Contract satisfactorily provides for the renovation of the Project Facilities, and (c) in the opinion of the Engineering Consultant renovation of the Project Facilities can be completed on or before the Completion Date for an amount not greater than the amount allocated for such purpose on the Development Budget;

(g) The Borrower shall have delivered to the Controlling Person evidence as to:

(i) the methods of access to and egress from the Project Facilities, and nearby or adjoining public ways, meeting the reasonable requirements of the Project Facilities and the status of completion of any required improvements to such access;

(ii) the availability of water supply and storm and sanitary sewer facilities meeting the reasonable requirements of the Project Facilities;

(iii) the availability of all other required utilities, in location and capacity sufficient to meet the reasonable needs of the Project Facilities; and

(iv) the obtaining of all Governmental Actions which are required, necessary or desirable for the renovation of the Improvements and the access thereto, together with copies of all such Governmental Actions as listed on Schedule 6;



(h) The first installment of the Borrower's Required Equity Funds (\$[\_\_\_\_]) shall have been delivered to the Trustee and the other deposits required under Section 4.1(c) of the Indenture shall have been made; and

(i) The Controlling Person, the Trustee and the Borrower shall have executed a closing statement for the Bonds in form and substance satisfactory to the Controlling Person and, if any portion of the initial Advance shall be for hard costs of renovation, a completed Requisition as described in Section 9.13(d)(i) hereof and the Engineering Consultant approval described in Section 9.13(d)(iii) hereof.

Section 9.13. Subsequent Advances. The right of the Borrower to draw any subsequent advances of funds from the Project Fund shall be subject to the satisfaction of the following conditions:

(a) The Borrower shall have delivered the items listed on Part B of Schedule 7 attached hereto.

(b) If the Improvements shall have been materially injured or damaged by fire, explosion, accident, flood or other casualty, such Improvements are able to be and are diligently being restored in accordance with the terms of the Mortgage;

(c) There shall not be continuing an Event of Default or a Default;

(d) The Controlling Person shall have received:

(i) a completed Requisition in the form set forth on Exhibit B hereto, accompanied by the certificates, applications, invoices and other materials required thereby;

(ii) a "date down" endorsement to the Title Policy indicating no change in the state of title not approved by the Controlling Person; and

(iii) approval of the portion of the Requisition applicable to the Work for such Advance by the Engineering Consultant, accompanied by a certificate or report from the Engineering Consultant to the effect that in its opinion, based on site observations and submissions by the Contractor, the Work for which the advance is requested to the date thereof was performed in a good and workmanlike manner and stating that the remaining non-disbursed portion of the Bond proceeds and other available funds and funds projected to be deposited in the Project Fund established under the Indenture is adequate to complete renovation of the Improvements in accordance with the Plans and Specifications.

(e) Notwithstanding anything to the contrary set forth in this Agreement, no sums shall be disbursed until the Borrower has delivered a conditional waiver or full or partial release of liens from all contractors, subcontractors, materialmen or others who may be entitled to a lien, as permitted by law for the Work supplied or materials provided and for which payment is requested, and with respect to all contractors, subcontractors, materialmen or others entitled to

a Lien for Work done or materials provided and paid from any prior Advance of funds, an unconditional waiver or release of lien with respect to such Work and materials.

(f) The Controlling Person may withhold or refuse to approve any Requisition hereunder if any mechanic's lien is filed or notice of intention to record or file a mechanic's lien has been filed or given, unless the same has been bonded over.

(g) In addition to the conditions set forth in this Section 9.13, the Controlling Person's obligation to approve any Requisition for Retainage shall be subject to receipt by the Controlling Person of the Engineering Consultant's certification of completion as to the Work performed under any contract or subcontract for which the Retainage will be disbursed.

(h) Intentionally omitted.

(i) All installments of Required Equity Funds then due and payable pursuant to the terms and conditions of the Partnership Agreement shall have been deposited with the Trustee.

(j) If at any time during the renovation of the Project Facilities, the Controlling Person shall in its sole discretion determine that the remaining undisbursed portion of the Project Fund, any other sums previously deposited by Borrower with the Trustee, any amounts required to be deposited in the Project Revenue Account pursuant to Section 8.6 hereof (other than funds which have not been deposited due to a default by the Borrower in its obligation to deposit such funds) and any Required Equity Funds yet to be deposited with the Trustee (other than Required Equity Funds which have not been deposited due to a default by the Borrower or any partner under the applicable provisions of the Partnership Agreement), is or will be insufficient to complete fully the renovation of the Improvements in accordance with the scope of work, and to pay all other projected costs in connection with the Work, the Borrower will, within seven (7) days after written notice of such determination from the Controlling Person deposit with the Trustee (for deposit into the Equity Account of the Project Fund) such sums of money in cash as the Controlling Person may reasonably require, in an amount sufficient to remedy the condition described in such notice, and sufficient to pay any liens for labor and materials alleged to be due and payable at the time in connection with the Improvements (to the extent not already bonded over or reserved for), and, at the Controlling Person's option, the Controlling Person shall not be obligated to authorize any further advances of the amounts held in the Project Fund by Trustee until the provisions of this Section 9.13(i) have been fully complied with.

(k) No Material Change Order shall have been made without the written approval of the Controlling Person.

(l) Within five (5) days after receiving notice from the Controlling Person (or the Engineering Consultant), the Borrower will commence or cause to be commenced the removal of all materials, whether worked or unworked, and all portions of the renovation which the Controlling Person (or the Engineering Consultant) may condemn as failing in a substantial way to conform with the Plans and Specifications, and will prosecute diligently or cause to be

prosecuted diligently such removal. The Borrower further agrees to make good all portions of the renovation and other materials damaged by such removal.

Section 9.14. Effect of Approval. Approval of any Requisition by the Controlling Person shall not constitute an approval or acceptance of the Work or materials, nor shall such approval give rise to any liability or responsibility relating to: (i) the quality of the work, the quantity of the work, the rate of progress in completion of the Work, or the sufficiency of materials or labor being supplied in connection therewith; and (ii) any errors, omissions, inconsistencies or other defects of any nature in the Plans and Specifications. Any inspection of the work that the Controlling Person may choose to make, whether through any consulting engineer or architect, agent or employee or officer, during the progress of the work shall be solely for the Controlling Person's information and under no circumstances will they be deemed to have been made for the purpose of supervising or superintending the Work, or for the information or protection of any right or interest of any person or entity other than the Controlling Person, the Majority Owner and the Holders.

**ARTICLE X  
MISCELLANEOUS**

Section 10.1. Notices. All notices and other communications provided for hereunder shall be in writing and sent by facsimile and by reputable overnight mail service or private delivery service addressed as follows:

To the Borrower:	Lenzen Square Community Partners, LP c/o WNC – Lenzen Square Community Partners GP, LLC 17782 Sky Park Circle Irvine, California 92614 Attention: Anand Kannan
With a copy to:	FFAH V Lenzen Square, LLC 384 Forest Avenue, Suite 14 Laguna Beach, California 92651 Attention: Deborrah A. Willard
With a copy to:	Cox, Castle & Nicholson LLP 50 California Street, Suite 3200 San Francisco, California 94111 Attention: Ofer Elitzur, Esq.
If to the Issuer:	City of San Jose Department of Housing 200 E. Santa Clara Street, T-12 San Jose, California 95113 Attention: Executive Director
With a copy to:	Office of the City Attorney 200 E. Santa Clara Street, T-16

San Jose, California 95113  
Attention: Housing Attorney.

With a copy to: Stradling Yocca Carlson & Rauth, P.C.  
660 Newport Center Drive, Suite 1600  
Newport Beach, California 92660  
Attention: Brad Neal, Esq.

If to the Trustee: U.S. Bank National Association  
One California Street, Suite 1000  
San Francisco, California 94111  
Attention: Andrew Fung

If to the Controlling Person: Red Stone Servicer, LLC  
666 Old Country Road, Suite 603  
Garden City, New York 11530  
Attention: Kiki Mastorakis

With a copy to: Sidley Austin LLP  
787 Seventh Avenue  
New York, New York 10019  
Attention: Adam S. Verstandig, Esq.

If to the Majority Owner: At the address provided by the Majority  
Owner to the Trustee from time to time

If to the Holder of the Series A-1 Bonds: At the address provided by the Majority  
Owner to the Trustee from time to time

If to the Series A-2 Purchaser: Arc70 Capital LLC  
Two Embarcadero Center, 8th Floor  
San Francisco, California 94111  
Attention: Adrian Garcia

If to the Holder of the Series A-2 Bonds: At the address provided by the Majority  
Owner to the Trustee from time to time

If to Tax Credit Investor: WNC Holding, LLC  
c/o WNC & Associates, Inc.  
17782 Sky Park Circle  
Irvine, California 92614  
Attention: David Shafer

With a copy to: Holland & Knight LLP  
10 St. James Avenue, 11th Floor  
Boston, MA 02116  
Attention: Jonathan I. Sirois, Esq.

The above parties may change the address to which notices to it are to be sent by written notice given to the other persons listed in this Section. All notices shall, when sent as aforesaid, be effective when received.

Section 10.2. Successors and Assigns; Third Party Beneficiaries. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns, including, without limitation, the Trustee. The Controlling Person, the Majority Owner and the Series A-2 Purchaser are express third party beneficiaries of this Agreement and the rights of the Trustee (as assignee of the Issuer) hereunder, with full rights of enforcement thereof. The Borrower may not assign its interests in or its rights, duties or obligations under this Agreement without the prior written consent of the Controlling Person. The Borrower and the Issuer intend that no person other than the parties hereto, the Trustee, the Majority Owner, the Series A-2 Purchaser, the Controlling Person, and their respective successors and assigns as permitted hereunder, shall have any claim or interest under this Agreement or right of action hereon or hereunder.

Section 10.3. Survival of Covenants. All covenants made by the Borrower herein and in any document delivered pursuant hereto shall survive the issuance, sale and delivery of the Bonds, the delivery of this Agreement and the payment of any amounts under the Bond Documents.

Section 10.4. Counterparts; Electronic Signature. The execution hereof by each party hereto shall constitute a contract between them for the uses and purposes herein set forth, and this Agreement may be executed in any number of counterparts, with each executed counterpart constituting an original and all counterparts together constituting one agreement. To the fullest extent permitted by applicable law, facsimile or electronically transmitted signatures shall be treated as original signatures for all purposes hereunder.

Section 10.5. Costs, Expenses and Taxes. The Borrower agrees to pay on the Issue Date and thereafter within thirty (30) days after demand, all reasonable costs and expenses of the Issuer, the Trustee, the Controlling Person, the Majority Owner and the Series A-2 Purchaser in connection with the preparation, execution, delivery and administration of this Agreement, the other Bond Documents and any other documents that may be delivered in connection with this Agreement or the other Bond Documents or any amendments or supplements thereto, including, without limitation, the fees and expenses of the Engineering Consultant, the cost of an annual appraisal (but only upon the occurrence and during the continuation of an Event of Default) of the Project Facilities by an appraiser selected by the Controlling Person and the reasonable fees and expenses of counsel for the Majority Owner, the Series A-2 Purchaser and the Controlling Person with respect thereto and with respect to advising the Majority Owner, the Series A-2 Purchaser and the Controlling Person as to their respective rights and responsibilities under this Agreement, the other Bond Documents and such other documents, and all costs and expenses, if any, (including, without limitation, reasonable counsel fees and expenses of the Controlling Person, the Majority Owner and the Series A-2 Purchaser) in connection with the enforcement of this Agreement, the other Bond Documents and such other documents.

Section 10.6. Severability; Interest Limitation. If any provision hereof is found by a court of competent jurisdiction to be prohibited or unenforceable in any jurisdiction, it shall be ineffective as to such jurisdiction only to the extent of such prohibition or unenforceability, and such prohibition or unenforceability shall not invalidate the balance of such provision as to such jurisdiction to the extent it is not prohibited or unenforceable, nor invalidate such provision in any other jurisdiction, nor invalidate the other provisions hereof, all of which shall be liberally construed in favor of the Issuer in order to effect the provisions of this Agreement. Notwithstanding anything to the contrary herein contained, the total liability of the Borrower for payment of interest pursuant hereto shall not exceed the maximum amount, if any, of such interest permitted by applicable Legal Requirements to be contracted for, charged or received, and if any payments by the Borrower to the Trustee include interest in excess of such a maximum amount, the Trustee shall apply such excess to the reduction of the unpaid principal amount due pursuant hereto, or if none is due, such excess shall be refunded to the Borrower; provided that, to the extent permitted by applicable Legal Requirements, in the event the interest is not collected, is applied to principal or is refunded pursuant to this sentence and interest thereafter payable pursuant hereto shall be less than such maximum amount, then such interest thereafter so payable shall be increased up to such maximum amount to the extent necessary to recover the amount of interest, if any, theretofore uncollected, applied to principal or refunded pursuant to this sentence. Any such application or refund shall not cure or waive any Event of Default. In determining whether or not any interest payable under this Agreement exceeds the highest rate permitted by applicable Legal Requirements, any non-principal payment (except payments specifically stated in this Agreement to be “interest”) shall be deemed, to the extent permitted by applicable Legal Requirements, to be an expense, fee, premium or penalty rather than interest.

Section 10.7. Conflicts. Insofar as possible the provisions of this Agreement shall be deemed complementary to the terms of the other Bond Documents, but in the event of conflict the terms hereof shall control to the extent such are enforceable under applicable Legal Requirements.

Section 10.8. Complete Agreement. Taken together with the other Bond Documents and the other instruments and documents delivered in compliance herewith, this Agreement is a complete memorandum of the agreement of the Borrower, the Managing General Partner, the General Partner, the Guarantor, the Controlling Person, the Trustee, the Issuer, the Majority Owner, and the Series A-2 Purchaser, with respect to the subject matter hereof.

Section 10.9. Venue; Waiver of Jury Trial. This Agreement and the Bonds shall be enforceable in the State of California, and any action arising out of this Agreement or the Bonds shall be filed and maintained in Santa Clara County, California, unless the Issuer waives this requirement. **TO THE EXTENT PERMITTED BY LAW THE BORROWER HEREBY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION ARISING UNDER THIS AGREEMENT, ANY OF THE OTHER BOND DOCUMENTS OR OTHERWISE IN CONNECTION HEREWITH.**

Section 10.10. Governing Law. This Agreement shall be governed by, and construed in accordance with, the Legal Requirements of the State without reference to its principles of conflicts of law.

Section 10.11. Judicial Reference. Except for claims brought by or against the Issuer, any claim brought hereunder in a California state court shall be resolved by a general reference to a referee (or a panel of referees) as provided in California Code of Civil Procedure Section 638. The referee (or presiding referee of the panel) shall be a retired judge or justice of the California state court system. The referee(s) shall be selected by mutual written agreement of the parties. If the parties do not agree, the referee(s) shall be selected by the presiding judge of the court (or his or her representative) as provided in California Code of Civil Procedure Section 640. The referee(s) shall hear and determine all issues relating to the claim, whether of fact or of law, and shall do so in accordance with the laws of the State of California, and shall report a statement of decision. The referee(s) shall be empowered to enter equitable as well as legal relief, provide all temporary or provisional remedies, enter equitable and legal orders that will be binding on the parties, and rule on any motion which would be authorized in court litigation, including motions to dismiss, for summary judgment, or for summary adjudication. The referee(s) shall award legal fees and costs (including the fees of the referee(s)) relating to the judicial reference proceeding, and to any related litigation or arbitration, in accordance with the terms of this Agreement. The award that results from the decision of the referee(s) shall be entered as a judgment in the court that appointed the referee(s), in accordance with the provisions of California Code of Civil Procedure Sections 644(a). Pursuant to California Code of Civil Procedure Sections 645, the parties reserve the right to seek appellate review of any judgment or order, including but not limited to, orders pertaining to class certification, to the same extent permitted in a court of law.

Section 10.12. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 10.13. Sale of Bonds and Secondary Market Transaction.

(a) At the Controlling Person's request (to the extent not already required to be provided by the Borrower under this Agreement or the other Bond Documents), the Borrower shall use reasonable efforts to satisfy the market standards to which the Controlling Person customarily adheres or which may be reasonably required in the marketplace or by the Controlling Person in connection with one or more sales or assignments of all or a portion of the Bonds or participations therein or securitizations of single or multi-class securities (the "Securities") secured by or evidencing ownership interests in all or a portion of the Bonds (each such sale, assignment and/or securitization, a "Secondary Market Transaction"); provided that neither the Borrower, the Managing General Partner, the General Partner, any Guarantor nor the Issuer 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 including, without limitation, any costs associated with receiving a rating on the Bonds, shall be paid by the Controlling Person, and shall not materially modify Borrower's, the Managing General Partner's, the General Partner's or any Guarantor's rights or obligations. Without limiting the generality of the foregoing, the Borrower shall, upon reasonable request of the Controlling Person, the Majority Owner or the Holders, so long as the Loan is still outstanding:

(i) (1) provide financial and other information with respect to the Bonds, and with respect to the Project Facilities, the Borrower, the General Partner, the Guarantor, the Manager, or the Contractor of the Project Facilities, (2) provide financial statements, audited, if available, relating to the Project Facilities with customary disclaimers for any forward looking statements or lack of audit, and (3) at the expense of the Controlling Person, 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, termite and other insect infestation reports and other due diligence investigations of the Project Facilities, the Borrower, the General Partner, the Guarantor, the Manager, the Contractor and other third parties in connection with the Bonds, as may be reasonably requested from time to time by the Controlling Person 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 Controlling Person pursuant to this paragraph (i) and the other information provided pursuant to this Agreement and the other Bond Documents used in connection with a Secondary Market Transaction being called the "Provided Information"), together, if customary, with appropriate verification of and/or consents to the Provided Information through letters of auditors or opinions of counsel of independent attorneys acceptable to the Controlling Person and the Rating Agencies;

(ii) make such representations and warranties as of the closing date of any Secondary Market Transaction with respect to the Project Facilities, the Borrower, the Managing General Partner, the General Partner, the Guarantor, the Manager, the Contractor, other third parties and the Bond Documents reasonably acceptable to the Controlling Person, consistent with the facts covered by such representations and warranties as they exist on the date thereof, including a "bring down" of the representations and warranties contained in the Bond Documents as of the date thereof and a representation that no Default or Event of Default has occurred and is continuing; and

(iii) execute such amendments to the Bond Documents to accommodate such Secondary Market Transaction so long as such amendment does not affect the material economic terms of the Bond Documents and is not otherwise materially adverse to such party in its reasonable discretion.

(b) 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 10.13(c) hereof, with the Controlling Person 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, the Managing General Partner, the General Partner, the Guarantor,



the Manager, the Contractor and other third parties and the Project Facilities 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.

(c) 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 Controlling Person pertaining to the Borrower, the Managing General Partner, the General Partner, the Guarantor, the Project Facilities or such third party (and portions of any other sections reasonably requested by the Controlling Person pertaining to the Borrower, the Managing General Partner, the General Partner, the Guarantor, the Project Facilities or the third party). The Borrower shall, if requested by the Controlling Person, certify in writing that the Borrower has carefully examined those portions of such Secondary Market Disclosure Document, pertaining to the Borrower, the Managing General Partner, the General Partner, the Guarantor, the Project Facilities or the third party, and such portions (and portions of any other sections reasonably requested and pertaining to the Borrower, the Managing General Partner, the General Partner, the Guarantor, the Project Facilities or the third party) 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 third parties; provided further that the Borrower will be required to make commercially reasonable efforts to cause such third parties to provide similar certifications with respect to any information not so certified by the Borrower. Furthermore, the Borrower hereby indemnifies the Controlling Person, the Majority Owner, the Holders, the Trustee, the Issuer, sponsor, Guarantor and the underwriter group (the “Underwriter Group”) for any Securities, and their affiliates, officers, directors, partners, members, agents, attorneys, and controlling persons (collectively, the “Securities Parties”) 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.

(d) In connection with filings under the Exchange Act or the Securities Act, the Borrower shall (i) defend and indemnify the Controlling Person, the Majority Owner, the Holders, the Trustee, the Issuer, its members, and the other Securities Parties for any liabilities to which the Majority Owner, the Holders, the Controlling Person, the Issuer, the Trustee or any of the other Securities Parties may become subject insofar as such 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 Controlling Person, the Majority Owner, the Holders, the Issuer, the Trustee and the other Securities Parties for any legal or other expenses reasonably incurred by the Controlling Person, the Majority Owner, the Holders, the Trustee or the Securities Parties 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.

(e) Promptly after receipt by an indemnified party under this Section 10.13 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 10.13 and provided that the Borrower duly provides the defense and indemnity herein described, including payment of all required fees, expenses and liabilities, 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.

(f) In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in this Section 10.13 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 this Section 10.13, 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 11(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.

#### Section 10.14. Nonrecourse.

(a) Notwithstanding anything to the contrary contained in this Agreement (other than Section 10.14(b) through (e) hereof) or the other Bond Documents, the Issuer agrees that, in connection with the exercise of any rights or remedies available to the Issuer under this Agreement or any of the other Bond Documents (other than the Environmental Indemnity and the other guaranty agreements of the Guarantor), the Issuer shall look solely to the enforcement of the lien and security interests created by this Agreement and the other Bond Documents and to the collateral and other security held by the Trustee under the Bond Documents and all assets of the Borrower.

(b) Notwithstanding the preceding subsection, the Borrower and the Guarantor shall have full recourse and personal liability for, and be subject to, judgments and deficiency decrees arising from and to the extent of any loss or damage suffered or incurred by the Issuer, the Trustee, the Majority Owner, the Holders, the Controlling Person or the Bondholders as a result of the occurrence of any of the following events:

(i) the Borrower fails to pay to the Trustee upon demand after an Event of Default all Rents to which the Trustee is entitled under Section 2 of the Mortgage and the amount of all security deposits collected by Borrower from tenants then in residence. However, Borrower will not be personally liable for any failure described in this Section 10.14(b)(i) if Borrower is unable to pay to the Trustee all Rents and security deposits as required by the Mortgage because of a valid order issued in a bankruptcy, receivership, or similar judicial proceeding;

(ii) the Borrower fails to apply all insurance proceeds or casualty or condemnation proceeds as required by the Bond Documents. However, Borrower will not be personally liable for any failure described in this Section 10.14(b)(ii) if Borrower is unable to apply insurance or casualty or condemnation proceeds as required by the Bond Documents because of a valid order issued in a bankruptcy, receivership, or similar judicial proceeding;

(iii) if an Event of Default has occurred and is continuing, the Borrower fails to deliver all books and records relating to the Project Facilities or its operation in accordance with the provisions of Sections 6.8 or 6.9 of this Agreement;

(iv) the Borrower engages in any willful act of material waste of the Project Facilities;

(v) the Borrower, the Managing General Partner or the General Partner fails to comply with any provision of Section 6.11(b) hereof;

(vi) the occurrence of any of the following transfers:

(A) any Person that is not an Affiliate creates a mechanic's lien or other involuntary lien or encumbrance against the Project Facilities and Borrower has not complied with the provisions of this Agreement with respect to removal or bonding over for such lien or encumbrance;

(B) a transfer of an interest in the Project Facilities by devise, descent or operation of law in violation of the requirements in the Bond Documents;

(C) the Borrower grants an easement that does not meet the requirements set forth in the Bond Documents; and/or

(D) Borrower executes a Lease that does not meet the requirements set forth in the Bond Documents;

(vii) any act of fraud or willful misconduct or any criminal act of the Borrower, the Managing General Partner, the General Partner, or the Guarantor;

(viii) the Borrower or its general partners fail to comply with any provision of Section 5.7 hereof with respect to the Project Facilities' tax abatement;

(ix) the Borrower's misappropriation of funds or other Collateral; or

(x) any litigation or other legal proceeding related to the Obligations filed by any of Borrower, Guarantor or any of their Affiliates, or any other action of any such Person that delays, opposes, impedes, obstructs, hinders, enjoins or otherwise interferes with or frustrates the efforts of Trustee or the Controlling Person to exercise any rights and remedies available to Trustee or the Controlling Person as provided herein or in the other Bond Documents.

(c) The Borrower and the Guarantor shall have full recourse and personal liability for all of the Indebtedness (and the limitation on liability in the first sentence of Section 10.14(a) hereof shall be null and void) as a result of the occurrence of any of the following:

(i) a violation of Section 6.11(a), 6.12(b) or 6.13(c) hereof; provided, if any of the foregoing violations occurs with respect to the Managing General Partner only, the Managing General Partner may be replaced within sixty (60) days of such violation with another non-profit managing general partner acceptable to the Controlling Person, in which case the Borrower and the Guarantor shall not have the liability described in this Section 10.14(a) with respect to such violation only;

(ii) the Borrower's taking any action which adversely affects the exclusion from gross income of interest on the Bonds for federal income tax purposes, or the Borrower's omitting or failing to take any action required to maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes;

(iii) the Borrower, the Managing General Partner or the General Partner fails to comply with any provision of Section 6.11(b) hereof and a court of competent jurisdiction holds or determines that such failure or combination of failures is the basis, in whole or in part, for the substantive consolidation of the assets and liabilities of the Borrower, the Managing General Partner or the General Partner with the assets and liabilities of a debtor pursuant to Title 11 of the Bankruptcy Code;

(iv) a transfer that is an Event of Default under Section 7.1 hereof occurs (other than a transfer described in Section 10.14(b)(vi) above, for which Borrower will have personal liability for any loss or damage); provided, however, that Borrower will not have any personal liability for a transfer consisting solely of the involuntary

removal or involuntary withdrawal of the Managing General Partner or the General Partner;

(v) there was fraud or written material misrepresentation by the Borrower or any officer, director, partner, member or employee of the Borrower in connection with the application for or creation of the Indebtedness or there is fraud in connection with any request for any action or consent by the Issuer, Trustee, Controlling Person or the Bondholders;

(vi) the Borrower, the Managing General Partner or the General Partner voluntarily files for bankruptcy protection under the Bankruptcy Code;

(vii) the Borrower, the Managing General Partner or the General Partner voluntarily becomes subject to any reorganization, receivership, insolvency proceeding, or other similar proceeding pursuant to any other federal or state law affecting debtor and creditor rights;

(viii) the Project Facilities or any part of the Project Facilities becomes an asset in a voluntary bankruptcy or becomes subject to any voluntary reorganization, receivership, insolvency proceeding, or other similar voluntary proceeding pursuant to any other federal or state law affecting debtor and creditor rights;

(ix) an order of relief is entered against the Borrower, the Managing General Partner or the General Partner pursuant to the Bankruptcy Code or other federal or state law affecting debtor and creditor rights in any involuntary bankruptcy proceeding initiated or joined in by a Related Party; or

(x) an involuntary bankruptcy or other involuntary insolvency proceeding is commenced against the Borrower, the Managing General Partner or the General Partner (by a party other than the Trustee or the owner of any Bonds) but only if the Borrower, the Managing General Partner or the General Partner, as applicable, has failed to use commercially reasonable efforts to dismiss such proceeding or has consented to such proceeding; provided, if any of the foregoing occurs with respect to the Managing General Partner only, the Managing General Partner may be replaced within sixty (60) days of such event with another non-profit managing general partner acceptable to the Controlling Person, in which case the Borrower and the Guarantor shall not have the liability described in this Section 10.14(a) with respect to such event only. "Commercially reasonable efforts" will not require any direct or indirect interest holders in the Borrower, the Managing General Partner or the General Partner to contribute or cause the contribution of additional capital to the Borrower, the Managing General Partner or the General Partner.

(d) The Borrower and the Guarantor shall have full recourse and personal liability for all of the following:

(i) the performance of and compliance with all of Borrower's obligations under Sections 5.12 and 6.14 of this Agreement (relating to environmental

matters) or the Borrower's failure to comply with the provisions of the Environmental Indemnity;

(ii) the costs of any audit under Section 6.8 of this Agreement;

(iii) any costs and expenses incurred by the Issuer, Trustee, the Controlling Person, the Majority Owner and the Bondholders in connection with the collection of any amount for which Borrower is personally liable under this Section 10.14, including attorneys' fees and costs and the costs of conducting any independent audit of Borrower's books and records to determine the amount for which Borrower has personal liability; and

(iv) Borrower's indemnity obligations pursuant to Sections 2.05 and 10.13.

(e) Further, nothing contained in this Section shall be deemed to limit, vary, modify or amend any obligation owed under any guaranty, master lease or indemnification agreement, including the Environmental Indemnity and the other guaranty agreements of the Guarantor, furnished in connection with financing of the acquisition, improvement and renovation of the Project Facilities, recourse under which is not, by its terms, expressly limited in accordance with this Section 10.14.

(f) Notwithstanding anything to the contrary in this Agreement, the Note or any of the Bond Documents, Issuer and Trustee shall not be deemed to have waived any right which Issuer or Trustee may have under Section 506(a), 506(b), 1111(b) or any other provisions of the Bankruptcy Code to file a claim for the full amount of the Borrower's and Guarantor's Obligations under the Bond Documents or to require that all collateral shall continue to secure all of the Obligations under the Bond Documents.

Section 10.15. Publicity. The Borrower hereby authorizes the Controlling Person, the Majority Owner or the Holders and their respective affiliates, without further notice or consent, to use the Borrower's and its affiliates' name(s), logo(s) and photographs related to the Project Facilities in its advertising, marketing and communications materials on a national and/or international basis. Such materials may include web pages, print ads, direct mail and various types of brochures or marketing sheets, and various media formats other than those listed (including without limitation video or audio presentations through any media form). In these materials, the Controlling Person, the Majority Owner or the Holders also may discuss at a high level the types of services and solutions the Controlling Person or the Majority Owner has provided the Borrower. This authorization shall remain in effect unless the Borrower notifies the Controlling Person, the Majority Owner and the Holders in writing in accordance with the notice provisions set forth herein that such authorization is revoked. The Controlling Person, the Majority Owner or the Holders shall also have the right to publicize its involvement in the financing of the Project Facilities, including the right to maintain a sign indicating such involvement at a location at the Project Facilities reasonably acceptable to the Borrower or the Controlling Person, the Majority Owner or the Holders as applicable.

Section 10.16. Determinations by the Controlling Person and Majority Owner. Subject to specific provisions in this Agreement to the contrary, in any instance under this Agreement where the consent or approval of the Controlling Person or the Majority Owner may be given or is required, or where any determination, judgment or decision is to be rendered by the Controlling Person or the Majority Owner under this 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 Controlling Person or the Majority Owner (or its designated representative) at its sole and absolute discretion.

Section 10.17. Waiver of Personal Liability. No member, officer, agent or employee of the Issuer or any of its members or any director, officer, agent or employee of the Borrower shall be individually or personally liable for the payment of any principal (or redemption price) or interest on the Bonds or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this 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 Agreement.

Section 10.18. Expenses. The Borrower shall pay and indemnify the Issuer and the Trustee against all reasonable fees, costs and charges, including reasonable fees and expenses of attorneys, accountants, consultants and other experts, incurred in good faith (and with respect to the Trustee, without negligence) and arising out of or in connection with this Agreement and the other Bond Documents. These obligations and those in Section 2.5 shall remain valid and in effect notwithstanding repayment of the loan hereunder or termination of this Agreement or the Indenture.

[The remainder of this page is left blank intentionally.]

IN WITNESS WHEREOF, the Issuer and the Borrower have caused this Agreement to be duly executed and delivered on the day and year first above written.

**CITY OF SAN JOSE**

By: \_\_\_\_\_  
Name:  
Title: Authorized Signatory

**LENZEN SQUARE COMMUNITY PARTNERS, LP,**  
a California limited partnership

By: WNC – Lenzen Square Community Partners GP,  
LLC,  
a California limited liability company,  
its Co-General Partner

By: WNC Development Partners, LLC,  
a California limited liability company,  
its Manager

By: \_\_\_\_\_  
Name: Anand Kannan  
Title: President

By: FFAH V Lenzen Square, LLC,  
a California limited liability company,  
its Managing General Partner

By: Foundation for Affordable Housing V, Inc.,  
a California nonprofit public benefit  
corporation,  
its Sole Member

By: \_\_\_\_\_  
Name: Deborrah A. Willard  
Title: President



**EXHIBIT A-1**  
**FORM OF SERIES A-1 PROMISSORY NOTE**

**PROMISSORY NOTE**

AFTER THE ENDORSEMENT AS HEREON PROVIDED AND PLEDGE OF THIS NOTE, THIS NOTE MAY NOT BE ASSIGNED, PLEDGED, ENDORSED OR OTHERWISE TRANSFERRED EXCEPT TO AN ASSIGNEE OR SUCCESSOR OF THE TRUSTEE IN ACCORDANCE WITH THE INDENTURE, BOTH REFERRED TO HEREIN.

\$18,500,000.00

August 1, 2019

FOR VALUE RECEIVED, Lenzen Square Community Partners, LP, a limited partnership duly formed and validly existing under the laws of the State of California (the “Borrower”), by this promissory note hereby promises to pay to the order of the City of San Jose, a municipal corporation and charter city organized and existing under its Charter and the laws of the State of California (the “Issuer”) the principal sum of EIGHTEEN MILLION FIVE HUNDRED THOUSAND and no/100 Dollars (\$18,500,000.00), together with interest on the unpaid principal amount hereof, from the Issue Date (as defined in the Indenture referenced below) until paid in full, at a rate per annum equal to the rate of interest borne by the Series A-1 Bonds (as hereinafter defined), and acceleration premium, if any, on the Series A-1 Bonds. All such payments of principal, interest and acceleration premium, if any, shall be made in funds which shall be immediately available on the due date of such payments and in lawful money of the United States of America at the principal corporate trust office of U.S. Bank National Association, One California Street, Suite 1000, San Francisco, California 94111, or its successor as trustee under the Indenture (the “Trustee”).

The principal amount and interest shall be payable on the dates and in the amounts set forth on Schedule 3 of the Agreement (as hereinafter defined) and on such other dates, that principal and redemption price of, and interest on the Series A-1 Bonds, and the acceleration premium, if any, are payable, subject to prepayment as provided in the Indenture and the Agreement.

This promissory note is the “Series A-1 Note” referred to in the Loan Agreement, dated as of August 1, 2019 (as the same may be amended, modified or supplemented from time to time, the “Agreement”) between the Borrower and the Issuer, the terms, conditions and provisions of which are hereby incorporated by reference.

This Series A-1 Note and the payments required to be made hereunder are irrevocably assigned, without recourse, representation or warranty, and pledged to the Trustee under the Indenture of Trust, dated as of August 1, 2019 (as the same may be amended, modified or supplemented from time to time, the “Indenture”), by and between the Issuer and the Trustee, and such payments will be made directly to the Trustee for the account of the Issuer pursuant to such assignment. Such assignment is made as security for the payment of \$18,500,000 Multifamily Housing Revenue Bonds (Lenzen Square) 2019 Series A-1 (the “Series A-1 Bonds”), issued by the Issuer pursuant to the Indenture. All the terms, conditions and provisions

of the Indenture and the Series A-1 Bonds are hereby incorporated as a part of this Series A-1 Note.

Under certain circumstances, the Borrower may at its option and may be required to, prepay all or any part of the amount due on this Series A-1 Note, together with accrued interest thereon, as provided in the Agreement. The terms of Section 10.14 of the Loan Agreement are hereby incorporated as if more particularly set forth herein.

Presentation, demand, protest and notice of dishonor are hereby expressly waived by the Borrower.

The Borrower hereby promises to pay reasonable costs of collection and reasonable attorneys' fees in case of an Event of Default on this Series A-1 Note, as set forth in the Agreement.

This Series A-1 Note shall be governed by, and construed in accordance with, the laws of the State of California, without regard to conflict of laws principles.

**LENZEN SQUARE COMMUNITY PARTNERS, LP,**  
a California limited partnership

By: WNC – Lenzen Square Community Partners GP,  
LLC,  
a California limited liability company,  
its Co-General Partner

By: WNC Development Partners, LLC,  
a California limited liability company,  
its Manager

By: \_\_\_\_\_  
Name: Anand Kannan  
Title: President

By: FFAH V Lenzen Square, LLC,  
a California limited liability company,  
its Managing General Partner

By: Foundation for Affordable Housing V, Inc.,  
a California nonprofit public benefit  
corporation,  
its Sole Member

By: \_\_\_\_\_  
Name: Deborrah A. Willard  
Title: President

**ENDORSEMENT**

Pay to the order of U.S. Bank National Association, without recourse, as Trustee under the Indenture referred to in the within mentioned Agreement, as security for such Series A-1 Bonds issued under such Indenture. This endorsement is given without any warranty as to the authority or genuineness of the signature of the maker of the Series A-1 Note.

**CITY OF SAN JOSE**

By: \_\_\_\_\_  
Name:  
Title: Authorized Signatory

Dated: \_\_\_\_\_, 2019

**EXHIBIT A-2**  
**FORM OF SERIES A-2 PROMISSORY NOTE**

**PROMISSORY NOTE**

AFTER THE ENDORSEMENT AS HEREON PROVIDED AND PLEDGE OF THIS NOTE, THIS NOTE MAY NOT BE ASSIGNED, PLEDGED, ENDORSED OR OTHERWISE TRANSFERRED EXCEPT TO AN ASSIGNEE OR SUCCESSOR OF THE TRUSTEE IN ACCORDANCE WITH THE INDENTURE, BOTH REFERRED TO HEREIN.

\$3,000,000.00

August 1, 2019

FOR VALUE RECEIVED, Lenzen Square Community Partners, LP, a limited partnership duly formed and validly existing under the laws of the State of California (the “Borrower”), by this promissory note hereby promises to pay to the order of the City of San Jose, a municipal corporation and charter city organized and existing under its Charter and the laws of the State of California (the “Issuer”) the principal sum of THREE MILLION and no/100 Dollars (\$3,000,000.00), together with interest on the unpaid principal amount hereof, from the Issue Date (as defined in the Indenture referenced below) until paid in full, at a rate per annum equal to the rate of interest borne by the Series A-2 Bonds (as hereinafter defined), and acceleration premium, if any, on the Series A-2 Bonds. All such payments of principal, interest and acceleration premium, if any, shall be made in funds which shall be immediately available on the due date of such payments and in lawful money of the United States of America at the principal corporate trust office of U.S. Bank National Association, One California Street, Suite 1000, San Francisco, California 94111, or its successor as trustee under the Indenture (the “Trustee”).

The principal amount and interest shall be payable on the dates and in the amounts set forth on Schedule 3 of the Agreement (as hereinafter defined) and on such other dates, that principal and redemption price of, and interest on the Series A-2 Bonds, and the acceleration premium, if any, are payable, subject to prepayment as provided in the Indenture and the Agreement.

This promissory note is the “Series A-2 Note” referred to in the Loan Agreement, dated as of August 1, 2019 (as the same may be amended, modified or supplemented from time to time, the “Agreement”) between the Borrower and the Issuer, the terms, conditions and provisions of which are hereby incorporated by reference.

This Series A-2 Note and the payments required to be made hereunder are irrevocably assigned, without recourse, representation or warranty, and pledged to the Trustee under the Indenture of Trust, dated as of August 1, 2019 (as the same may be amended, modified or supplemented from time to time, the “Indenture”), by and between the Issuer and the Trustee, and such payments will be made directly to the Trustee for the account of the Issuer pursuant to such assignment. Such assignment is made as security for the payment of \$3,000,000 Multifamily Housing Revenue Bonds (Lenzen Square) 2019 Series A-2 (the “Series A-2 Bonds”), issued by the Issuer pursuant to the Indenture. All the terms, conditions and provisions of the Indenture and the Series A-2 Bonds are hereby incorporated as a part of this Series A-2 Note.

Under certain circumstances, the Borrower may at its option and may be required to, prepay all or any part of the amount due on this Series A-2 Note, together with accrued interest thereon, as provided in the Agreement. The terms of Section 10.14 of the Loan Agreement are hereby incorporated as if more particularly set forth herein.

Presentation, demand, protest and notice of dishonor are hereby expressly waived by the Borrower.

The Borrower hereby promises to pay reasonable costs of collection and reasonable attorneys' fees in case of an Event of Default on this Series A-2 Note, as set forth in the Agreement.

This Series A-2 Note shall be governed by, and construed in accordance with, the laws of the State of California, without regard to conflict of laws principles.

**LENZEN SQUARE COMMUNITY PARTNERS, LP,**  
a California limited partnership

By: WNC – Lenzen Square Community Partners GP,  
LLC,  
a California limited liability company,  
its Co-General Partner

By: WNC Development Partners, LLC,  
a California limited liability company,  
its Manager

By: \_\_\_\_\_  
Name: Anand Kannan  
Title: President

By: FFAH V Lenzen Square, LLC,  
a California limited liability company,  
its Managing General Partner

By: Foundation for Affordable Housing V, Inc.,  
a California nonprofit public benefit  
corporation,  
its Sole Member

By: \_\_\_\_\_  
Name: Deborrah A. Willard  
Title: President

**ENDORSEMENT**

Pay to the order of U.S. Bank National Association, without recourse, as Trustee under the Indenture referred to in the within mentioned Agreement, as security for such Series A-2 Bonds issued under such Indenture. This endorsement is given without any warranty as to the authority or genuineness of the signature of the maker of the Series A-2 Note.

**CITY OF SAN JOSE**

By: \_\_\_\_\_  
Name:  
Title: Authorized Signatory

Dated: \_\_\_\_\_, 2019

**EXHIBIT B**

**FORM OF WRITTEN REQUISITION  
OF THE BORROWER**

BORROWER:

PROJECT:

REQUISITION NO.: \_\_\_\_\_

In the Amount of \$ \_\_\_\_\_

TO: U.S. Bank National Association, as trustee  
One California Street, Suite 1000  
San Francisco, California 94111  
Attention: Andrew Fung

Red Stone Servicer, LLC, as Controlling Person  
666 Old Country Road, Suite 603  
Garden City, New York 11530  
Attention: Kiki Mastorakis

The Borrower hereby requests payments in the following amounts, from the following sources and to be made to the following parties, all as set forth on the Borrower's Request for Payment attached to this Requisition:

<u>Amount</u>	<u>Source</u>	<u>Payable to:</u>
	[identify name of Account & Fund]	[Borrower's account #] [third party payment/wire instructions must be attached]

**Requisition - Contents and Attachments**

- Borrower's Representations and Warranties
- Contractor's Application and Certification for Payment (AIA Form G-702)
- Requisitions and Invoices Supporting Application
- Contractor's Requisition Certificate
- Architect's Requisition Certificate
- Borrower's Request for Payment
- Lien Waivers



## **Representations and Warranties**

1. No changes have been made in the Plans and Specifications which require and have not received the prior approval of (i) the Controlling Person under the terms of the Loan Agreement dated as of August 1, 2019 (the “Agreement”), (ii) any Governmental Authority having jurisdiction over the Project Facilities or (iii) any other parties from whom such approval is required.
2. Renovation of the Improvements has been performed in accordance with the Plans and Specifications (other than any changes that did not constitute Material Change Orders).
3. As of the date hereof, the Borrower has executed change orders (increasing/decreasing) the cost of renovation of the Improvements by \$[\_\_\_\_\_] in the aggregate, has notified the Engineering Consultant of such changes and, to the extent necessary, has received any and all necessary approvals from the Controlling Person.
4. Funding of this Requisition shall be in accordance with the terms and provisions of the (i) Agreement, and (ii) the Indenture of Trust dated as of August 1, 2019, with respect to the Bonds.
5. All money requisitioned by the Borrower for renovation of the Improvements and disbursed by the Trustee under previously approved requisitions have been paid to the Contractor and, to the Borrower’s best knowledge, all subcontractors, vendors and suppliers; all other funds requisitioned by the Borrower and disbursed by the Trustee under previously approved requisitions have been expended for the purpose for which they were requisitioned.
6. All of the information submitted to the Controlling Person and the Trustee in connection with this Requisition is true and accurate in all material respects as of the date of submission.
7. The representations and warranties set forth in the Bond Documents are true and correct in all material respects as of the date hereof with the same effect as if made on this date.
8. The Borrower represents and warrants that (i) there has occurred no Event of Default or event which, with the passage of time or the giving or notice or both, would constitute an Event of Default on the part of the Borrower or the Guarantor under the terms of the Bond Documents, (ii) except as previously disclosed by the Borrower to the Controlling Person, the Borrower has not received notice from or been informed by any Governmental Authority or the Engineering Consultant of any alleged deficiencies in the work performed to date or any deviation of such work from Plans and Specifications or notice of any assertion of a claim that the Improvements have not been renovated in accordance with all applicable Legal Requirements, (iii) with the exception of any Permitted Liens and those being contested by the Borrower in accordance with the terms of the Bond Documents, there are no liens against any portion of the Project Facilities or any other asset of the Borrower, and (iv) the Bond Documents are in full force and effect.

9. The Borrower represents and warrants that this Requisition is in the form of requisition required by the Controlling Person.
10. The Borrower represents and warrants that, following payment of the amounts requested under this Requisition, not less than (a) 95% of amounts paid from proceeds of the Bonds have been applied to the payment of Qualified Project Costs, and (b) 100% of amounts paid from proceeds of the Bonds have been applied to the payment of Project Costs.
11. Attached hereto are copies of lien waivers from all such subcontractors and materialmen requisitioning payment under this Requisition, the originals of which have been delivered to the Title Insurance Company.
12. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto under the Loan Agreement.

Executed this [\_\_\_\_] day of [\_\_\_\_], 20[\_\_\_\_].

**LENZEN SQUARE COMMUNITY PARTNERS, LP,**  
a California limited partnership

By: WNC – Lenzen Square Community Partners GP,  
LLC,  
a California limited liability company,  
its Co-General Partner

By: WNC Development Partners, LLC,  
a California limited liability company,  
its Manager

By: \_\_\_\_\_  
Name: Anand Kannan  
Title: President

[Signatures continue on following page]

By: FFAH V Lenzen Square, LLC,  
a California limited liability company,  
its Managing General Partner

By: Foundation for Affordable Housing V, Inc.,  
a California nonprofit public benefit  
corporation,  
its Sole Member

By: \_\_\_\_\_  
Name: Deborah A. Willard  
Title: President

Approved:

**RED STONE SERVICER, LLC**, as Controlling Person

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Dated: \_\_\_\_\_, 20\_\_

**Contractor's Application for Payment**

**Requisitions and Invoices**

**Contractor’s Requisition Certificate**

Application for Payment No. \_\_\_\_\_

TO: U.S. Bank National Association (“Trustee”)  
Red Stone Servicer, LLC (“Controlling Person”)

FROM: \_\_\_\_\_ (“Contractor”)

RE: Renovation of Lenzen Square Apartments, 88 units in San Jose, California (the  
“Project Facilities”) for Lenzen Square Community Partners, LP (“Borrower”).

We are the general contractor for the renovation Project Facilities and, to induce the Controlling Person to approve disbursements of Bond proceeds and other amounts by the Trustee to assist in funding renovation of the Improvements and knowing that the Trustee and the Controlling Person will rely on this certificate in doing so, we hereby certify as follows:

1. In reference to our contract dated [\_\_\_\_\_], with Borrower for renovation of the Improvements, and the Plans and Specifications therefor, no amendments, modifications or changes have been made with respect to our contract or the Plans and Specifications except such as have had your prior written approval. There are no pending change orders except as follows:
2. Our Application for Payment No. \_\_\_\_\_, dated [\_\_\_\_\_, 2019], which we understand is to be included as an item in the Borrower’s requisition to you, is in full compliance with the terms of our contract with Borrower, and, upon the payment of same, we will have no other or additional claim (including claims for so-called “extras”) against Borrower on account of our contract or otherwise for and through the period of time ending upon the date of our Application for Payment, for all labor and materials furnished by us through and including the date of our Application for Payment except as follows:
  - a. Retainage not exceeding [\_\_]% of the value of labor and materials incorporated into the Project Facilities and covered by applications submitted by us on account of the renovation of the Improvements for which payment is to be made to us after substantial completion of our contract, as provided therein (the amount of said retainage), as of the end of the period covered by our Application for Payment dated [\_\_\_\_\_, 20\_\_ is \$ \_\_\_\_\_]); and
  - b. [specify other claims, if any]
3. The Borrower is not in default of any of the Borrower’s obligations to us as of the date hereof except as follows:
4. We have paid in full all our obligations to subcontractors, workmen, suppliers and materialmen for and with respect to all labor and materials supplied through and including the date of our last Application for Payment, except for an amount equal to

\_\_% thereof, which we are holding in accordance with the terms of such obligations and our contract, and all our subcontractors have paid their subcontractors, workmen and materialmen in full for and with respect to all labor and materials supplied through and including the date of our last Application for Payment.

5. To the fullest extent allowed by law, we waive and release any and all rights to claim any lien for labor done or materials furnished up to an amount equal to the amount of our Application for Payment dated [\_\_\_\_\_, 20\_\_] plus the amount of all our previously funded applications.

Executed as an instrument under seal this \_\_\_\_ day of \_\_\_\_\_, 2019.

KATERRA AFFORDABLE HOUSING

By: \_\_\_\_\_  
Name:  
Title:



**Architect's Requisition Certificate.**

Application for Payment No. \_\_\_\_\_

TO: U.S. Bank National Association ("Trustee")  
Red Stone Servicer, LLC ("Controlling Person")

FROM: Irwin Partners Architects ("Architect")

RE: Renovation of Lenzen Square Apartments, 88 units in San Jose, California (the  
"Project Facilities") for Lenzen Square Community Partners, LP ("Borrower")

We are the architect for the renovation Project Facilities and, to induce the Controlling Person to approve disbursements of Bond proceeds and other amounts by the Trustee to assist in funding renovation of the Improvements, and knowing that the Controlling Person will rely on this certificate in doing so, we hereby certify as follows:

1. We inspected the Project Facilities on \_\_\_\_\_, 20\_\_ and found the status of Work at the Project Facilities on that date and the progress made on the Project Facilities since our last certificate to you dated \_\_\_\_\_, 20\_\_ to be as follows:
2. We delivered the Plans and Specifications for the Project Facilities, copies of which have been delivered to you (the "Plans and Specifications"). We have made no changes to the Plans and Specifications except as you have approved in writing. There are no pending change orders or construction change directives except as follows:
3. All Work to date has been done in accordance with the Plans and Specifications and in a good and workmanlike manner. All materials and fixtures usually furnished and installed or stored on site at the current stage of renovation have been furnished, installed or stored on site. All of the Work to date is hereby approved except as follows:
4. We have examined the requisition being submitted herewith to you by Borrower, which requisition includes an Application for Payment from Katterra Affordable Housing ("Contractor") respecting renovation of the Improvements. The payment so applied for by Contractor does not exceed (when added to the payments heretofore applied for by and paid to Contractor) \_\_% of the value of labor and materials incorporated into the Improvements.
5. We have been advised that as of this date there remains unexpended funds of \$\_\_\_\_\_ which are available to fund renovation costs, from which funds to pay the aforementioned Application for Payment will be deducted. In our opinion, such unexpended funds, after deduction of funds sufficient to cover both the current Application for Payment and the applicable retainage heretofore withheld and to become due on account of previous Applications, will be sufficient to pay for all renovation costs reasonably required to complete the Work, provided that the amount advanced under the current application is, in fact, applied against obligations incurred for labor and materials heretofore furnished on account of renovation of the Improvements.

6. All permits, licenses, approvals and the like required to complete renovation of the Improvements have been validly issued by the appropriate authorities and are in full force and effect, and there is no violation of any of the provisions thereof or of any Legal Requirements applicable to the Project Facilities of which we have notice or knowledge as of the date hereof except as follows:
  6. Access to and egress from the Project Facilities and all improvements constructed thereon are in accordance with all applicable Legal Requirements. Water, drainage and sanitary sewerage facilities and telephone, gas and electric services of public utilities are or are due to be installed in the locations indicated on the Plans and Specifications and are adequate to serve the Project Facilities. All necessary approvals for installation of or connection to said facilities or services have been obtained.
  7. To the best of our knowledge, there are no petitions, actions or proceedings pending or threatened to revoke, rescind, alter or declare invalid any laws, ordinances, regulations, permits, licenses or approvals for or relating to the Project Facilities.
  8. No amendments, modifications or changes have been made to our contract dated \_\_\_\_\_, 20\_\_ with the Borrower except such as have had your prior written approval.
  9. The Borrower is not in default of any of the Borrower's obligations to us as of the date hereof except as follows:

This certificate is rendered based on our examination of the Project Facilities, the Plans and Specifications, the data comprising the Application for Payment and all other matters which we deem relevant. We are to incur no liability under this certificate except for failure to exercise due professional skill and diligence.

Executed as a sealed instrument this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

IRWIN PARTNERS ARCHITECTS

By: \_\_\_\_\_

Name:

Title:

**Borrower's Request for Payment**

[attach spreadsheets in form provided by Red Stone]

**Lien Waivers**

**EXHIBIT C**

**CALIFORNIA ADDENDUM TO  
HUD LEASE AGREEMENTS**

This CALIFORNIA ADDENDUM TO HUD LEASE AGREEMENTS (the “CA Addendum”) is applicable to the Model Lease for Subsidized Programs (Family Model Lease), the Model Lease for Section 202/8 or Section 202 PACs, the Model Lease for Section 202 PRACs, and the Model Lease for Section 811 PRACs, and modifies the Residential Lease (“Lease”) dated the same date as this CA Addendum for the rental of Apartment Number \_\_\_\_\_ located at \_\_\_\_\_ California (“Premises”) and is made and entered by and between:

\_\_\_\_\_ (hereinafter called “Landlord”) and the following individuals (collectively referred to herein as “Tenant”):

Tenant \_\_\_\_\_ Tenant \_\_\_\_\_

Tenant \_\_\_\_\_ Tenant \_\_\_\_\_

Tenant \_\_\_\_\_ Tenant \_\_\_\_\_

Landlord and Tenant, in consideration of the covenants and promises contained herein and in the Lease, hereby agree as follows:

1. Disclosure of Manager and Agent for Owner. Pursuant to California Civil Code Section 1962(a)(1), the current on-site property manager is authorized to manage the Premises. The telephone number and street address at which personal service may be effected on this person is \_\_\_\_\_.

The current on-site property manager, so long as he/she is employed at the Premises, is also the person authorized by the Owner of the Premises (hereinafter “Owner”) to act for and on behalf of the Owner for the purpose of service of process and for the purpose of receiving and receipting for all notices and demands.

2. Payment of Rent. Pursuant to California Civil Code Section 1962(a)(2), rent checks should be made payable to \_\_\_\_\_. The name, telephone number and address of the person or entity to whom or to which rent payments shall be given is the same person and address identified in Paragraph 1 of this CA Addendum. The usual days and hours when rent payments may be made personally are Monday through Saturday, \_\_\_\_\_ a.m. to \_\_\_\_\_ p.m., and Sunday \_\_\_\_\_ a.m. to \_\_\_\_\_ p.m.

3. Initial Move-Out Inspection. Pursuant to California Civil Code Section 1950.5(f), within a reasonable time after notification of either party’s intention to terminate the tenancy, or before the end of the lease term, the Landlord shall notify the tenant in writing of Tenant’s option to request an initial or “pre-move out” inspection, unless the initial inspection is not required under

applicable law as a result of the circumstances of the termination. At a reasonable time, but no earlier than two weeks before the termination or the end of lease date, the Landlord, or its agent, shall upon the request of the Tenant, make an initial inspection of the Premises prior to any final inspection the Landlord makes after the Tenant has vacated the premises. The purpose of the initial inspection shall be to allow the tenant an opportunity to remedy identified deficiencies, in a manner consistent with the rights and obligations of the parties under the Lease in order to avoid deductions from the security deposit.

4. Authorization for Disclosure of Information. In order to comply with California laws and case decisions protecting each individual's right of privacy guaranteed under the California Constitution, Tenant hereby authorizes Landlord to release all of the information supplied by Tenant to representatives of any local, state or federal agency, committee, council or other entity responsible for providing any funding or oversight of the Premises or the Project in which the Premises is located.

5. Megan's Law Notice. As required by California Civil Code Section 2079.10a:

Notice: Pursuant to Section 290.46 of the Penal Code, information about specified **registered sex offenders** is made available to the public via an Internet Web site maintained by the Department of Justice at [www.meganslaw.ca.gov](http://www.meganslaw.ca.gov). Depending on an offender's criminal history, this information will include either the address at which the offender resides or the community of residence and ZIP Code in which he or she resides.

6. Proposition 65 Warning. Pursuant to California Health and Safety Code Section 25249.5 *et seq.*, the Premises, as well as the common areas in and around the Project, contain at least one of the chemical(s) known to the State of California to cause cancer or reproductive toxicity and for which warnings are now required. These chemicals include, but are not limited to, tobacco, smoke, lead and lead components, asbestos, carbon monoxide and gasoline components.

7. Duty to Clean and Ventilate. In order to address the increasing concerns about mold and mildew, Tenant hereby acknowledges mold and mildew can grow in the Premises if the Premises is not properly maintained and ventilated and it is important for Tenant to allow air to circulate in the apartment. Tenant agrees to regularly allow air to circulate in the Premises by using bathroom fan(s), using ceiling fans, where available, and regularly opening the windows and/or sliding doors where available. Tenant also agrees to clean all toilets, sinks, counter-tops, showers, bathtubs and tile or linoleum floors with a household cleaner on at least a bi-weekly basis. Tenant further agrees to notify Landlord immediately whenever Tenant learns of any condition which could lead to a build up of moisture in the apartment, including, but not limited to plumbing leaks, broken window or door seals, accumulation of rainwater or other moisture around windows or doors, broken water lines or sprinklers, inoperable fans, doors or windows and/or any failure or malfunction in the heating, ventilation or air-conditioning system in the unit. If Tenant notices mold or mildew growing in the Premises, Tenant agrees to notify Landlord of the condition immediately and in writing.

8. Satellite Dishes or Antenna. In compliance with Section 207 of the Telecommunications Act of 1996, as amended, if Tenant chooses to install an individual satellite dish at the unit, it must be one meter [approximately 3 feet, 3 inches] or less in diameter or a traditional stick type antenna. Tenant may not install a satellite dish or antenna in any common areas; drill holes through walls, roofs, railways or glass; or mount a satellite dish/antenna in a manner that will cause more than ordinary wear and tear to the Premises. Tenant assumes all risk and responsibility for any injury or property damage caused by the installation, operation or removal of the dish, including any injury or damage caused by a failure to securely attach the dish to the Premises. Because satellite dishes are susceptible to wind or being knocked over by Tenants, Tenant is encouraged to have Renter's Insurance which covers any and all losses from the installation, operation and removal of the dish. Only one dish or antenna is allowed unless more than one is necessary to receive the desired services and Tenant must notify Landlord in writing of the need for second dish or antenna before installing it on the Premises.

9. Security Deposit Interest. Generally, in California, Landlord is not required to place security deposits in interest bearing accounts or pay interest earned on security deposits to Tenant. If, however, the Premises is subject to a State or Federal Program which requires payment of security deposit interest to Tenant or the Premises is located in a city or county which mandates payment of interest on security deposits to Tenant, Landlord will pay such interest either to Tenant or to the Property's operating account in accordance with applicable laws and program regulations.

10. Asbestos Disclosure; Operation And Maintenance Program.

**Applicable only if checked here [ ]** *(must be checked if building is constructed prior to 1981 or if Landlord knows or believes there is asbestos on the Premises.)*

a. Asbestos is a mineral on the list of chemicals known to the State of California to cause cancer. Asbestos is present in the sprayed-on acoustic ceiling material (which has a "cottage cheese" appearance) in the Premises and in hallways and other areas in the building in which the Premises is located. Asbestos may also be present in other materials in the Premises and the building, including the insulation fireproofing and floor tiles.

b. Landlord has instituted operations and a maintenance program directed at maintaining the Premises in accordance with any applicable Federal and State safety requirements regarding asbestos-containing material. This program is designed (among other things) to prevent release of asbestos fibers into the air; minimize disturbance or damage to asbestos-containing materials; monitor the conditions of materials and air in the building; and regulate maintenance, renovation and construction activities. No matter how small the percentage of such material may be, Tenant and Tenant's invitees shall comply with such rules and regulations as Landlord from time to time may prescribe in connection with Landlord's operations and maintenance program, including, without limitation the following:

- i. Hazardous materials: Tenant shall not take or allow any action which in any way damages or disturbs all or part of the ceiling or floor tiles in the Premises, including, but not limited to: piercing the surface of the ceiling or floor tiles by drilling or any



other method; hanging plants, mobiles or other objects from the ceiling; allowing any objects to come into contact with the ceiling; permitting water or other liquid to come into contact with the ceiling; painting or undertaking any repairs or improvements with respect to the ceiling;

- ii. Tenant(s) shall notify Landlord immediately in writing (a) if there is any damage to or deterioration of the ceiling or floor tiles in the Premises, including, without limitation, loose, cracking, hanging or dislodged material, water leaks, or stains in the ceiling or floor tiles; or (b) upon the occurrence of any of the activities described in 8.b.i. above.

11. Lead-Based Paint Disclosure and Warning.

**Applicable only if checked here [ ]** *(must be checked if building is constructed prior to 1978 or if Landlord knows or believes there to be lead-based paint on the Premises.)*

a. Lead Warning Statement. Housing built before 1978 may contain lead-based paint. Lead from paint, paint chips and dust can pose health hazards if not managed properly. Lead exposure is especially harmful to young children and pregnant women. Before renting pre-1978 housing, Landlords must disclose the presence of known lead-based paint and/or lead based paint hazards in the dwelling. Tenant(s) must also receive a federally approved pamphlet on lead poisoning prevention.

b. Landlord's Disclosure *(check appropriate box or boxes).*

- Landlord has no knowledge of lead-based paint and/or lead-based paint hazards in the Premises.
- Landlord has no reports or records pertaining to lead-based and/or lead-based paint hazards in the Premises.
- Landlord knows that lead-based paint and/or lead-based paint hazards are present in the Premises *(explain)*. \_\_\_\_\_
- Landlord has reports or records pertaining to lead-based and/or lead-based paint hazards in the Premises and Landlord either (1) has provided Tenant with all available records and reports, which are attached to and made a part of this Addendum or, alternatively, (2) has made such reports available for Tenant's inspection upon request during normal business hours *(list documents)*.  
\_\_\_\_\_

c. Tenant's Acknowledgment *(check all that apply)*.

- Tenant has received copies of all information listed above, if any.
- Landlord has made copies of all information listed above, if any, available to Tenant for inspection during normal business hours.

Tenant has received the pamphlet *Protect Your Family from Lead in Your Home*.

12. Limitation of CA Addendum. Except as modified in this CA Addendum, the terms of the Lease and all attachments to the Lease are and shall remain the same and in full force and effect.

13. Approval of CA Addendum by HUD. Pursuant to Section 6-4 D of the HUD Handbook 4350.3 Rev-1, Change 3, this Addendum was approved by HUD effective as of December 18, 2012, for Los Angeles Multifamily Housing -- Southern California. If HUD rescinds its approval, the CA Addendum is null and void and shall not be enforced against Tenant; however, the underlying Lease Agreement will remain in full force and effect.

\_\_\_\_\_  
Tenant Date

\_\_\_\_\_  
Tenant Date

\_\_\_\_\_  
Tenant Date

\_\_\_\_\_  
Tenant Date

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Tenant Date

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Tenant Date

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Tenant Date

\_\_\_\_\_  
Tenant Date

\_\_\_\_\_  
Landlord/Owner/Authorized Agent Date

**EXHIBIT D**  
**SCHEDULE OF SERVICING FEES**

**SCHEDULE 1  
SCHEDULE OF LITIGATION**

[TO BE CONFIRMED]

**SCHEDULE 2**  
**SCHEDULE OF OBLIGATIONS AND MATERIAL CONTRACTS**

Management Agreement

Architect's Contract

Construction Contract

Development Agreement

[TO BE CONFIRMED]

**SCHEDULE 3**  
**SCHEDULE OF DEBT SERVICE PAYMENTS**

**SCHEDULE 4  
DEVELOPMENT BUDGET**

S4-1

**SCHEDULE 5  
PLANS AND SPECIFICATIONS**

S5-1



**SCHEDULE 6  
PERMITS AND APPROVALS**

- A. GOVERNMENTAL ACTIONS ALREADY OBTAINED  
[TO BE CONFIRMED]
  
- B. GOVERNMENTAL ACTIONS NOT YET OBTAINED  
[TO BE CONFIRMED]

**SCHEDULE 7**  
**CONDITIONS TO ADVANCES**

A. CONDITIONS TO INITIAL ADVANCE. The right of Borrower to draw the initial advance shall be subject to the fulfillment of the following conditions precedent in a manner, and by documentation, satisfactory to the Controlling Person:

1. Construction Documents. Each of the Architect's Agreement and the Construction Contract shall have been duly executed and delivered by the respective parties thereto and shall be in full force and effect. The Architect and the Contractor shall have duly executed and delivered to the Controlling Person a consent to the assignment of the Architect's Contract, the Engineer's Agreement and the Construction Contract in form and substance satisfactory to the Controlling Person.

2. Subcontracts; Other Contracts. The Borrower shall have delivered to the Controlling Person, and the Controlling Person shall have approved, a list of all subcontractors and materialmen who have been or, to the extent identified by the Borrower, will be supplying labor or materials for the Project Facilities in the amount of \$[\_\_\_\_\_] or more. The Borrower shall have delivered to the Controlling Person correct and complete photocopies of all other executed contracts with contractors, subcontractors, engineers or consultants for the Project Facilities in an amount of \$[\_\_\_\_\_] or more, and of all development, management, brokerage, sales or leasing agreements for the Project Facilities.

3. Validity of Liens. The Mortgage, the Assignment of Project Documents, the Assignment of Capital Contributions, the Assignment of Leases, the Developer Fee Pledge and the General Partner Pledge shall be effective to create in the Trustee a legal, valid and enforceable lien and security interest in the collateral identified therein. All filing, recordings and deliveries necessary to maintain, preserve and perfect such liens and security interests shall have been duly effected.

4. Deliveries. The following items or documents shall have been delivered to the Controlling Person by the Borrower and shall be in form and substance satisfactory to the Controlling Person.

(a) Plans and Specifications. Two complete sets of the Plans and Specifications and approval thereof by any necessary Governmental Authority, with a certification from the Architect that the Improvements to be constructed comply with all Legal Requirements and Governmental Actions and that the Construction Contract satisfactorily provides for the renovation of the Improvements.

(b) Title Policy. The Title Policy, or a pro forma policy that constitutes a commitment to issue the Title Policy in the form of such pro forma policy, together with proof of payment of all fees and premiums for such policy and true and accurate copies of all documents listed as exceptions under such policy.

(c) Other Insurance. Duplicate originals or certified copies of all policies of insurance required hereunder to be obtained and maintained during the renovation of the Improvements.

(d) Evidence of Sufficiency of Funds. Evidence that the proceeds of the Bonds together with Required Equity Funds delivered to the Trustee on the Issue Date or to be delivered after the Issue Date pursuant to the Partnership Agreement, will be sufficient to cover all Project Costs reasonably anticipated to be incurred to renovate the Improvements prior to the Completion Date and to carry the Project Facilities through to Stabilization.

5. Evidence of Access, Availability of Utilities, Project Approvals. Evidence as to:

(a) the methods of access to and egress from the Project Facilities, and nearby or adjoining public ways, meeting the reasonable requirements of the Project Facilities and the status of completion of any required improvements to such access;

(b) the availability of water supply and stone and sanitary sewer facilities meeting the reasonable requirements of the Project Facilities;

(c) the availability of all other required utilities, in location and capacity sufficient to meet the reasonable needs of the Project Facilities; and

(d) the obtaining of all Project Approvals which are required, necessary or desirable for the renovation of the Improvements and the access thereto, together with copies of all such Governmental Actions.

6. Environmental Report. An environmental site assessment report or reports of one or more qualified environmental engineering or similar inspection firms approved by the Controlling Person, which report or reports shall indicate a condition of the Land and any existing improvements thereon in compliance with all Requirements and in all respects satisfactory to the Controlling Person in its sole discretion and upon which report or reports the Controlling Person, the Trustee and the initial Majority Owner shall be expressly entitled to rely.

7. Soils Report. A soils report for the Project Facilities prepared by a soils engineer approved by the Controlling Person, which report shall indicate that based upon actual surface and subsurface examination of the Project Facilities, the soils conditions are fully satisfactory for the proposed renovation and operation of the Improvements and upon which report or reports the Controlling Person, the Trustee and the initial Majority Owner shall be expressly entitled to rely. A termite or other insect infestation report prepared by a firm approved by the Controlling Person, which report shall indicate that based upon actual inspection of the Project Facilities either (i) that no termite or other insect infestation at the Project Facilities, or (ii) that termite or insect infestation is present and recommended steps for extermination and remediation of the conditions at the Project Facilities, and upon which report or reports the Controlling Person, the Trustee and the initial Majority Owner shall be expressly entitled to rely.

8. Survey and Taxes. A Survey of the Land (and any existing improvements thereon) and Surveyor's Certificate, and evidence of payment of all real estate taxes and municipal charges on the Land (and any existing improvements thereon) which were due and payable prior to the Issue Date.
9. Deposit of Funds. The initial installment of Required Equity Funds shall have been delivered to the Trustee and deposited in the Project Fund.
10. Requisition. A Requisition complying with the provisions of this Agreement and the Indenture.
11. Form Lease. The standard form of lease to be used by the Borrower in connection with the Improvements.
12. Engineering Consultant Report. The Controlling Person shall have received a report or written confirmation from the Engineering Consultant that (i) the Engineering Consultant has reviewed the Plans and Specifications, (ii) the Plans and Specifications have been received and approved by each Governmental Authority to which the Plans and Specifications are required under applicable Legal Requirements to be submitted, (iii) the Construction Contract satisfactorily provides for the renovation of the Improvements, and (iv) in the opinion of the Engineering Consultant, renovation of the Improvements can be completed on or before the Completion Date for an amount not greater than the amount allocated for such purpose in the Development Budget.
13. Searches. The Controlling Person shall have received searches from a recognized search firm (which shall be updated from time to time at Borrower's expense upon request by the Controlling Person) that searches of the public record disclosed (a) no conditional sales contracts, security agreements, chattel mortgages, leases of personalty, financing statements or title retention agreements which affect the collateral, (b) no bankruptcy filings on the part of any of the Borrower, the General Partner, and the Guarantor (collectively, the "Obligors"), and (c) no litigation with respect to the Project Facilities or any of the Obligors that would materially adversely affect the obligations of the Obligors hereunder.
14. Mechanics' Liens. In the event that for any reason the initial Advance is not funded on the Issue Date, the Controlling Person may withhold or refuse to approve the initial Advance if any mechanic's lien or notice of intention to record or file a mechanic's lien has been filed or given.
15. Notices. All notices required by any Governmental Authority under applicable Legal Requirements to be filed prior to commencement of renovation of the Improvements shall have been filed.
16. Appraisal. The Controlling Person shall have received an Appraisal, in form and substance satisfactory to the Controlling Person, showing that the original face amount of the Bonds less amounts in the Operating Reserve Fund does not exceed [eighty five percent (85%)] of the value of the Project Facilities, assuming completion in accordance with the Plans and

Specifications and including the value of the low income housing tax credits and favorable financing.

17. Performance; No Default. The Borrower shall have performed and complied with all terms and conditions herein required to be performed or complied with by it on or prior to the date of the initial advance, and on the date of the initial advance there shall exist no Event of Default.

18. Representations and Warranties. The representations and warranties made by the Obligors in the Bond Documents, the General Partner Pledge, the Developer Fee Pledge or the documents executed by the Guarantor or otherwise made by or on behalf of the Obligors in connection therewith or after the date thereof shall have been true and correct in all respects when made and shall be true and correct in all respects on the date of the initial advance.

19. Proceedings and Documents. All proceedings in connection with the transactions contemplated by this Agreement and the other Bond Documents shall be satisfactory to the Controlling Person and their counsel in form and substance, and the Controlling Person shall have received all information and such counterpart originals or certified copies of such documents and such other certificates, opinions or documents as they or their counsel may reasonably require.

20. Payment and Performance Bonds. The Controlling Person shall have received the Payment and Performance Bonds in form and content satisfactory in all respects to the Controlling Person.

B. CONDITIONS TO SUBSEQUENT ADVANCES. The right of the Borrower to draw each advance after the initial advance shall be subject to the following conditions precedent in a manner, and by documentation, satisfactory to the Controlling Person:

1. Prior Conditions Satisfied. All conditions precedent to any prior disbursement shall continue to be satisfied as of the date of the Requisition of such subsequent advance.

2. Performance; No Default. The Borrower shall have performed and complied with all terms and conditions herein required to be performed or complied with by it on or prior to the date of such Requisition, and on such date there shall exist no Default or Event of Default.

3. Representations and Warranties. Each of the representations and warranties made by the Borrower in the Bond Documents or otherwise made by or on behalf of the Borrower in connection therewith after the date thereof shall have been true and correct in all respects on the date on when made and shall also be true and correct in all material respects on the Borrower on the date of such Requisition (except to the extent of changes resulting from transactions contemplated or permitted by the Bond Documents).

4. No Damage. The Improvements shall not have been injured or damaged by fire, explosion, accident, flood or other casualty.

5. Receipt by Controlling Person. The Controlling Person shall have received:

(a) Requisition. A Requisition in meeting the requirements of this Agreement and the Indenture;

(b) Endorsement to Title Policy. At the time of each advance to update the date of and increase the amount of coverage by the amount of such advance, such endorsements (a “Down Date Endorsement”) shall be delivered by the Title Insurer, increasing the coverage under the Title Policy by the amount of the approved Requisition plus the amount of any Bond proceeds disbursed from the Capitalized Interest Account of the Project Fund;

6. Intentionally Omitted.

7. Approval by Engineering Consultant. Approval of the Requisition for such disbursement by the Engineering Consultant, accompanied by a certificate or report from the Engineering Consultant to the effect that in its opinion, based on site observations and submissions by the Contractor, the renovation of the Improvements to the date thereof was performed in a good and workmanlike manner and in accordance with the Plans and Specifications, stating the estimated total cost of renovation of the Improvements, stating the percentage of in-place renovation of the Improvements, and stating that the remaining non-disbursed portion of the Project Fund and Required Equity Funds allocated for such purpose in the Development Budget is adequate to complete the renovation of the Improvements;

8. Contracts. Evidence that one hundred percent (100%) of the cost of the remaining Work is covered by firm fixed price or guaranteed maximum price contracts or subcontracts, or orders for the supplying of materials, with contractors, subcontractors, materialmen or suppliers satisfactory to the Controlling Person, and that payment and performance bonds have been obtained, as required.

9. Mechanics’ Liens. The Controlling Person may withhold or refuse to fund any advance hereunder if any mechanic’s lien has been filed or recorded and not bonded over or otherwise collateralized to the satisfaction of the Controlling Person, or if notice of intention to record or file any such lien has been received.

10. Required Equity Funds. All installments of Required Equity Funds which shall be then due and payable under the Partnership Agreement shall have been deposited with the Trustee.

11. Release of Retainage. In addition to the conditions set forth in this Section, the Controlling Person’s obligation to authorize any advance of Retainage shall be subject to receipt by the Controlling Person of evidence of Final Completion.

**SCHEDULE 8  
FORM OF COMPLETION CERTIFICATE**

\_\_\_\_\_, 20\_\_

U.S. Bank National Association, as trustee  
One California Street, Suite 1000  
San Francisco, California 94111  
Attention: Andrew Fung

Red Stone Servicer, LLC, as Controlling Person  
666 Old Country Road, Suite 603  
Garden City, New York 11530  
Attention: Kiki Mastorakis

Re: Lenzen Square Apartments, 88 units in San Jose, California (the “Project Facilities”)

Ladies and Gentlemen:

The undersigned, being the owner of the Project Facilities, hereby certifies to U.S. Bank National Association, as trustee (the “Trustee”), and Red Stone Servicer, LLC as Controlling Person, acting on behalf of the Majority Owner of the Bonds issued in connection with the Project Facilities (the “Controlling Person”) that “Final Completion” of the Project Facilities (as defined in the Indenture of Trust dated as of August 1, 2019 (the “Indenture”) by and between the Trustee and the City of San Jose (the “Issuer”) has been attained as of the date hereof and all conditions relating thereto as set forth in the Loan Agreement dated as of August 1, 2019 between the undersigned and the Issuer (the “Loan Agreement”) have been satisfied. Capitalized terms used herein and not defined shall have the meanings ascribed thereto in the Indenture or the Loan Agreement.

The undersigned hereby represents and warrants that:

1. Attached hereto is an original, executed Architect’s certificate as required by clause (iv) of the definition of “Final Completion” contained in the Indenture.
2. Attached hereto are true, complete and correct copies of all use and occupancy permits issued in connection with the Project Facilities (the “Permits”) as referenced in clause (ii) of the definition of “Final Completion” contained in the Indenture. The Permits are all of the permits, licenses or approvals required for the occupancy of the Project Facilities as a multifamily residential facility. No appeal, action or proceeding challenging any of the Permits has been filed; there is no pending claim, litigation or governmental proceeding challenging the Permits.
3. Attached hereto is a complete schedule of all Punchlist Items referenced in clause (ii) of the definition of “Final Completion” contained in the Indenture. This schedule of

Punchlist Items meets the requirements and limitations set forth in the Loan Agreement for Punchlist Items. The undersigned will promptly complete all Punchlist Items.

4. Attached are lien waivers required by clause (vii) of the definition of “Final Completion” contained in the Indenture.

5. Attached hereto is an endorsement down dating the Title Policy insuring the Mortgage in favor of the Trustee, subject only to Permitted Encumbrances, as required by clause (ix) of the definition of “Final Completion” contained in the Indenture.

6. Attached hereto is evidence of insurance meeting the requirements of Section 6.4 of the Loan Agreement.

7. Attached hereto is evidence of payment of all Impositions which are due and payable.

**LENZEN SQUARE COMMUNITY PARTNERS, LP,**  
a California limited partnership

By: WNC – Lenzen Square Community Partners GP,  
LLC,  
a California limited liability company,  
its Co-General Partner

By: WNC Development Partners, LLC,  
a California limited liability company,  
its Manager

By: \_\_\_\_\_  
Name: Anand Kannan  
Title: President

By: FFAH V Lenzen Square, LLC,  
a California limited liability company,  
its Managing General Partner

By: Foundation for Affordable Housing V, Inc.,  
a California nonprofit public benefit  
corporation,  
its Sole Member

By: \_\_\_\_\_  
Name: Deborrah A. Willard  
Title: President

S8-2



Accepted and agreed to by:

**RED STONE SERVICER, LLC**, as Controlling Person

By: \_\_\_\_\_

Name:

Title:

## **Schedule of Attachments to Completion Certificate**

Architect's Completion Certificate

Occupancy Permits

Schedule of Punchlist Items

Lien Waivers

Endorsement to Title Policy

Insurance Certificates

Evidence of Payment of Impositions

**SCHEDULE 9  
FORM OF USE OF PROCEEDS CERTIFICATE**

\_\_\_\_\_, 20\_\_

U.S. Bank National Association, as trustee  
One California Street, Suite 1000  
San Francisco, California 94111  
Attention: Andrew Fung

Red Stone Servicer, LLC, as Controlling Person  
666 Old Country Road, Suite 603  
Garden City, New York 11530  
Attention: Kiki Mastorakis

Re: Lenzen Square Apartments (“Project Facilities”)

Ladies and Gentlemen:

The undersigned, being the owner of the Project Facilities hereby certifies to U.S. Bank National Association, as trustee (the “Trustee”), and Red Stone Servicer, LLC, as Controlling Person, acting on behalf of the Majority Owner of the bonds issued in connection with the Project Facilities (the “Controlling Person”) that (i) no less than 95% of the net proceeds of the Bonds has been spent for Qualified Project Costs of the Project Facilities as required by Section 142(a) of the Internal Revenue Code, as amended. Attached hereto is a schedule of expenditures showing all costs of the Project Facilities, the amounts expended for each category of cost, the source of funds therefor, and a calculation of the percentage of the net proceeds of the Bonds expended in compliance with the requirements of the Internal Revenue Code; and (ii) the undersigned has expended, within two (2) years of the later of the date the Project Facilities were acquired or the date of issuance of the Bonds, from proceeds of the Bonds or other sources, an amount equal to at least 15% of the “portion of the cost of acquiring such building (and equipment) financed with the net proceeds of the Bonds” for “rehabilitation expenses” within the meaning of Section 147(d) of the Code. Capitalized terms used herein and not defined shall have the meanings ascribed to such terms in the Indenture of Trust dated as of August 1, 2019 between the Trustee and the City of San Jose.

WITNESS WHEREOF, the undersigned has duly executed this Use of Proceeds Compliance Certificate as of the day and year first above written.

**LENZEN SQUARE COMMUNITY PARTNERS, LP,**  
a California limited partnership

By: WNC – Lenzen Square Community Partners GP,  
LLC,  
a California limited liability company,  
its Co-General Partner

By: WNC Development Partners, LLC,  
a California limited liability company,  
its Manager

By: \_\_\_\_\_  
Name: Anand Kannan  
Title: President

By: FFAH V Lenzen Square, LLC,  
a California limited liability company,  
its Managing General Partner

By: Foundation for Affordable Housing V, Inc.,  
a California nonprofit public benefit  
corporation,  
its Sole Member

By: \_\_\_\_\_  
Name: Deborah A. Willard  
Title: President

**Schedule of Attachments to Use of Proceeds Compliance Certificate**

Evidence of Use of Proceeds

**SCHEDULE 10**  
**FORM OF STABILIZATION CERTIFICATE**

\_\_\_\_\_, 20\_\_

U.S. Bank National Association, as trustee  
One California Street, Suite 1000  
San Francisco, California 94111  
Attention: Andrew Fung

Red Stone Servicer, LLC, as Controlling Person  
666 Old Country Road, Suite 603  
Garden City, New York 11530  
Attention: Kiki Mastorakis

Re: Lenzen Square Apartments, 88 Units in San Jose, California (the “Project Facilities”)

Ladies and Gentlemen:

The undersigned, being the owner of the Project Facilities, hereby certifies to U.S. Bank National Association, as trustee (the “Trustee”) and Red Stone Servicer, LLC, as Controlling Person, acting on behalf of the Majority Owner of the bonds issued in connection with the Project Facilities (the “Controlling Person”) that the date of Final Completion was \_\_\_\_\_, 20\_\_ and:

The undersigned hereby represents and warrants that:

1. The Improvements have been 90% occupied by tenants meeting the requirements of the Bond Documents in each of the prior three (3) consecutive months.
2. The ratio of NOI in each of the prior three (3) consecutive months to maximum principal, interest, Issuer fees and Trustee fees payable in any month on the amount of the Series A-1 Bonds Outstanding is 1.15 to 1.0.
3. No Event of Default or event which, with the passage of time or the giving of notice or both, would constitute an Event of Default shall have occurred and be continuing under the Bond Documents, the General Partner Pledge, the Developer Fee Pledge or the Guarantor Documents.
4. The Borrower has at all times been and is currently in compliance with all requirements set forth in the Land Use Restriction Agreement.
5. There have been no disbursements from [insert names of any required reserves] which have not been replenished.
6. A portion of the Series A-1 Bonds shall have been redeemed as required under Section 2.12(b)(vii) of the Indenture.

9. Stabilization [has/has not] occurred.
10. Attached hereto is \_\_\_\_\_ showing the calculation of Stabilization.

Capitalized terms used herein and not defined shall have the meanings ascribed thereto in the Indenture of Trust dated as of August 1, 2019 between the Trustee and the City of San Jose.

**LENZEN SQUARE COMMUNITY PARTNERS, LP,**  
a California limited partnership

By: WNC – Lenzen Square Community Partners GP,  
LLC,  
a California limited liability company,  
its Co-General Partner

By: WNC Development Partners, LLC,  
a California limited liability company,  
its Manager

By: \_\_\_\_\_  
Name: Anand Kannan  
Title: President

By: FFAH V Lenzen Square, LLC,  
a California limited liability company,  
its Managing General Partner

By: Foundation for Affordable Housing V, Inc.,  
a California nonprofit public benefit  
corporation,  
its Sole Member

By: \_\_\_\_\_  
Name: Deborrah A. Willard  
Title: President

Accepted and agreed to by:

**RED STONE SERVICER, LLC,** as Controlling Person

By: \_\_\_\_\_  
Name:  
Title:

## Stabilization Spreadsheet

S10-3



**SCHEDULE 11-A  
ANNUAL EXPENSES (CONTROLLING PERSON)**

S11-A-1

**SCHEDULE 11-B  
ANNUAL EXPENSES (BORROWER)**

S11-B-1

**SCHEDULE 12  
RENT ROLL**

S12-1

**SCHEDULE 13  
INITIAL INSURANCE REQUIREMENTS**

[TO BE CONFIRMED]

<b>PROPERTY/BUILDERS RISK INSURANCE</b>
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Please provide evidence of insurance in the form of an ACORD 28 accompanied by a copy of the policy (a binder can be accepted if a new policy has not yet been issued by the carrier). Each of the following items must be evidenced:

- “All Risk” / Special Form coverage in an amount equal to 100% of the replacement cost of the collateral for permanent structures, or “All Risk” / Special Form coverage in an amount equal to 100% of construction contract Hard Cost value for new construction;
- Replacement Cost valuation (no deduction for depreciation);
- Maximum deductible shall be \$50,000 for all property-related coverages;
- 12 months of Business Income coverage is required for loans under \$50,000,000. For loans
- \$50,000,000 and greater, 18 months of Business income is required;
- For all loans, with the exception of new construction, a 180-day Extended Period of Indemnity is required for the Business Income coverage;
- No coinsurance on Building or Business Income coverage; if coinsurance applies, an Agreed Amount endorsement must be included on the policy;
- Terrorism coverage is required for all loans in an amount equal to 100% of the replacement cost of the collateral plus 12/18 months of Business Income coverage. No coinsurance is permitted;
- Wind/Hail and Named Windstorm coverage is required for all loans in an amount equal to 100% of the replacement cost of the collateral plus 12/18 months of Business Income coverage. If Wind is excluded from the special form policy, a separate policy must be provided. Maximum Wind deductibles shall be 5% of the collateral’s total insured value. No coinsurance is permitted;
- Equipment Breakdown coverage is required where boilers, centralized HVAC systems, mechanical, or other electrical systems appear. Coverage is required in an amount equal to the replacement cost of the building housing the equipment plus 12/18 months Business Income coverage. No coinsurance is permitted. If coverage is provided on a separate policy, a Joint Loss Agreement is required on both policies;
- Flood coverage is required for any real property located in Flood Zones A, V, or Shaded X. Coverage is required in an amount equal to no less than the replacement cost of the first floor of the structures plus 12/18 months of Business Income coverage. Maximum NFIP limits of
- \$500,000 per building with a \$25,000 per building deductible must be obtained. Excess Flood limits will be required for the difference in the building values and 12/18 months of Business Income coverage. No coinsurance is permitted;
- Earthquake coverage is required for properties located in seismic zones 3 or 4 that have a PML/SEL of 20% or greater, as determined for Seismic Risk Assessment Report. The amount of Earthquake coverage shall 100% of the replacement cost of the collateral

plus 12/18 months of Business Income coverage. No coinsurance is permitted. Maximum Earthquake deductibles shall be 5% of the total insured value, subject to a \$250,000 minimum.

- Ordinance & Law coverage is required for all loans, with the exception of new construction. Coverage A (Loss of Value to the Undamaged Portion of the Building) must be included within the building limit, Coverage B (Demolition and Debris Removal) must be included for 10% of replacement cost, and Coverage C (Increased Cost of Construction) must also be included 10% of replacement cost. (If Coverages B and C are written as a combined sublimit, they must be 20% of replacement cost);

## LIABILITY INSURANCE

Please provide evidence of insurance in the form of an ACORD 25 accompanied by copies of the policies (a binder can be accepted if a new policy has not yet been issued by the carrier). Each of the following items must be evidenced:

- Commercial General Liability policy with minimum limits of \$1,000,000 each occurrence and
- \$2,000,000 in the aggregate. Coverage must include Personal & Advertising Injury and Products Completed Operations. Policies that insure multiple locations shall include a 'per location' aggregate. Annual aggregate caps on multi-location GL policies are prohibited;
- Excess Liability/Umbrella Liability policy in an amount determined by loan size as follows:
  - If Loan Amount is \$10,000,000 or less, Umbrella requirement is \$5,000,000
  - If Loan Amount is \$10,000,000-\$15,000,000, Umbrella requirement is \$10,000,000
  - If Loan Amount is \$15,000,000-\$25,000,000, Umbrella requirement is \$15,000,000
  - If Loan Amount is \$25,000,000 or more, Umbrella requirement is \$25,000,000
- All liability policies must provide for claims to be made on an occurrence basis;
- All liability policies must have deductibles / self-insured retentions of \$35,000 or less;
- If the borrower owns vehicles, \$1,000,000 of Auto Liability is required;
- Terrorism coverage is required for all loans, on the GL and the Umbrella policies;

## OTHER INSURANCE

When a borrowing entity has employees, statutory Workers' Compensation, \$1,000,000 Employers' Liability, and Employee Dishonesty coverage in an amount no less than one month of Gross Income must be maintained.

Other coverages may be required at Lender's discretion: sinkhole, mine subsidence, volcanic eruption, sewer and drain backup, environmental

## GENERAL INFORMATION

For all loans, each insurer must be rated "A- X" or better by A.M. Best, or "A" or better by Standard or Poor's

Any insurance which Borrower is required to obtain may be carried under a "blanket" policy or policies covering other properties of Borrower or under an "umbrella" policy or policies covering other liabilities of Borrower, as applicable; provided that, such blanket or umbrella policy or policies otherwise comply with the provisions herein and shall otherwise provide the same protection as would a separate or stand- alone policy insuring only the subject property. And upon request, Borrower shall provide to Lender a Statement of Locations and Values which may be reviewed annually and shall be amended to the extent determined necessary by Lender based on revised Replacement Cost Valuations. The original or a certified copy of each such blanket or umbrella policy shall promptly be delivered to Lender.

Each property-related policy must name the Trustee as **Mortgagee** with respect to Property and **Loss Payee** with respect to Business Income. Each GL policy must name the Trustee as **Additional Insured–Mortgagee, Assignee, or Receiver** (form CG2018 or equivalent), and must name Red Stone and any investor entity as **Additional Insured–Designated Person or Organization** (form CG2026 or equivalent). The complete names and addresses of all entities will be provided prior to closing.

Each policy must include a Waiver of Subrogation clause substantially equivalent to the following": "The Company may require from the Insured an assignment of all rights of recovery against any party for loss to the extent that payment therefore is made by the Company, but the Company shall not acquire any rights of recovery which the Insured has expressly waived prior to loss, nor shall such waiver affect the Insured's rights under this policy".

Each policy must include a provision or endorsement granting the Trustee 30 days' notice of cancellation (10 days for nonpayment of premium).

A paid premium receipt, or premium invoice must accompany the evidence of coverage showing the premium paid to date for all required coverages and the outstanding premium that remains unpaid.