



REPORT TO THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO

DATE ISSUED: July 24, 2019

REPORT NO: HAR19-019

ATTENTION: Chair and Members of the Housing Authority of the City of San Diego
For the Agenda of July 30, 2019

SUBJECT: Final Bond Authorization for Wesley Terrace

COUNCIL DISTRICT: 9

REQUESTED ACTION

Authorize the issuance of up to \$22,000,000 in Housing Authority of the City of San Diego tax-exempt Multifamily Housing Revenue Bonds to fund the acquisition and rehabilitation of Wesley Terrace, a 161-unit rental housing development, located at 5343 Monroe Avenue, San Diego 92115, which will consist of 159 units that will remain affordable for 55 years and two unrestricted managers' units.

STAFF RECOMMENDATION

That the Housing Authority of the City of San Diego (Housing Authority) authorize the issuance of up to \$22,000,000 in tax-exempt Multifamily Housing Revenue Bonds to facilitate Wesley Terrace Partners, LP's acquisition and rehabilitation of Wesley Terrace, a 161-unit rental housing development, located at 5343 Monroe Avenue, San Diego 92115, in the College Area of City Council District 9, which will consist of 159 units that will remain affordable for 55 years and two unrestricted managers' units.

SUMMARY

Development Summary is included as Attachment 1.

Table 1 – Development Details

Address	5343 Monroe Avenue, San Diego 92115
Council District	9
Community Plan Area	College Area
Development Type	Rehabilitation
Construction Type	Type-I
Parking Type	Surface – 61 parking spaces
Housing Type	Senior
Lot Size	1.52 acres – 66,211 square feet
Units	161
Density	105 dwelling units per acre
Affordable Unit Mix	114 studio units 45 one-bedroom units 1 one-bedroom manager unit 1 two-bedroom manager unit
Gross Building Area	110,000 square feet
Net Rentable Area	67,370 square feet

The Development

Wesley Terrace is an existing 161-unit senior rental housing development located at 5343 Monroe Avenue in the College Area (Attachment 2 – Site Map). The eight-story building was originally constructed in 1973 and consists of 114 studio units, 45 one-bedroom units, one one-bedroom manager's unit, and one two-bedroom manager's unit, on-site parking, library, community kitchen, computer lab, and on-site support staff.

Developer's Request

The development partners submitted a request for final steps for the issuance of up to \$22,000,000 of tax-exempt Multifamily Housing Revenue Bonds.

Building Conditions/Proposed Rehabilitation Work

Wesley Terrace is approximately 46 years old, and the building is in need of capital improvements. The developer is requesting the issuance of up to \$22,000,000 in Multifamily Housing Revenue Bonds to finance the acquisition and rehabilitation of the property to extend its useful life and maintain its marketability. The scope of the proposed rehabilitation includes comprehensive improvements to unit interiors, common areas, and elevator, as well as improvements to building electrical, plumbing, and mechanical systems.

Relocation

The developer does not anticipate permanent relocation of any of the current tenants. The rehabilitation work will require the developer to temporarily relocate tenants while work is taking place in their unit. The developer will be responsible for coordinating all temporary relocation.

Sustainability Features

Wesley Terrace will comply with the California Tax Credit Allocation Committee's (TCAC) minimum energy efficiency standards for rehabilitation projects, which requires demonstrating at least 10 percent post-rehabilitation improvement in energy efficiency over existing conditions.

Accessibility

TCAC requires wheelchair accessibility in 10 percent of the units, with an additional 4 percent of the units accessible to residents with visual and/or hearing impairment. In the event that existing building conditions prove to be financially infeasible to correct, to comply with the 10 percent TCAC requirements, Wesley Terrace Partners, LP and the project architect will work to obtain a waiver from TCAC.

Development Team

During the 15-year tax credit compliance period, Wesley Terrace will be owned by Wesley Terrace Partners, a California limited partnership (a single-asset limited partnership) that will include: Wesley Terrace Management, LLC; Wesley Developments, a California nonprofit corporation as general partner; and Boston Financial Investment Management Company tax-credit investor limited partner.

Wesley Terrace Management, LLC, is composed of C&C Development Group, LLC (C&C) and DAL Development, LLC (DAL). Principals of C&C are Casey Healing and Colin Rice. The principal at DAL is David Beacham. Combined, C&C and DAL have developed 28 properties totaling 3,778 affordable units. Currently, C&C and DAL combined hold ownership in 16 developments totaling 2,419 affordable units. Public disclosures are included as Attachment 3 and 4.

Table 2 - Development Team Summary

ROLE	FIRM
Owner	Wesley Terrace Partners, LP
Administrative General Partner	Wesley Terrace Management, LLC
Managing General Partner	Wesley Developments, a California Nonprofit Corp.
Investor Limited Partner	Boston Financial Investment Management Company
Developer	C&C Development Group LLC DAL Development, LLC
Architect	Ground Floor Design
General Contractor	MFRG/Icon Construction
Property Management	Royal Property Management
Construction Lender	Citi Community Capital
Permanent Lender	Citi Community Capital

FINANCING STRUCTURE

Wesley Terrace has an estimated total development cost of \$32,715,038. Financing will include a combination of tax-exempt Multifamily Housing Revenue Bonds, federal 4 percent tax credits, capitalized interest from operations, and a deferred developer fee.

There will be no Housing Commission loan proceeds provided to this development.

Estimated permanent sources and uses of financing are provided in Table 3. The developer's project pro forma is provided as Attachment 5.

Table 3 –Estimated Sources and Uses of Financing

Permanent Financing Sources	Amounts	Permanent Financing Uses	Amounts
Permanent Loan	\$21,000,000	Acquisition Costs	\$12,000,000
Tax Credit Equity	7,614,432	Construction Costs	13,853,827
Seller Proceeds	3,774,550	Soft Costs	3,117,813
Capitalized Interest from Operations	300,000	Financing Costs	483,350
Deferred Developer Fee	26,056	Developer Fee	3,260,048
Total Development Cost	\$32,715,038	Total Development Cost	\$32,715,038

Developer Fee

On April 25, 2017, the Housing Authority approved the “*Request for Approval of Updated Developer Fees*” (HAR17-011). That report approved certain developer fee guidelines for multifamily loans and bonds issuances. That report states: “*Multifamily housing revenue bond issuances that do not include Housing Commission gap financing shall not be restricted to Housing Commission developer fee limits.*” Wesley Terrace’s financing does not include Housing Commission cash gap financing. Thus, this development’s proposed developer fee is calculated pursuant to TCAC regulations. For 4 percent tax credit transactions the TCAC developer fee is a calculation of 15 percent of eligible basis and 15 percent of acquisition bases (not including the developer fee).

Wesley Terrace’s proposed developer fee is as follows:

\$ 3,260,048 – gross developer fee
- 26,056 – deferred developer fee
\$ 3,233,992 – net cash developer fee

Prevailing Wages

Prevailing wages are not applicable to the proposed rehabilitation because no federal or state funds will be used.

Development Cost Key Performance Indicators

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

Table 4 – Key Performance Indicators

Development Cost Per Unit	$\$32,715,038 \div 161 \text{ units} =$	\$203,199
Acquisition Cost Per Unit	$\$12,000,000 \div 161 \text{ units} =$	\$74,534
Net Rentable Square Foot Hard Cost	$\$13,853,827 \div 67,370 \text{ sq. ft.} =$	\$206
Gross Building Square Foot Hard Cost	$\$13,853,827 \div 110,000 \text{ sq. ft.} =$	\$126

Project Comparison Chart

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

Table 5 – Comparable Rehabilitation Projects

Project Name	Year	Construction Type	Units	Total Development Costs	Cost Per Unit	SDHC Subsidy Per Unit	Hard Cost Per Unit
Wesley Terrace	2019	I	161	\$32,715,038	\$203,199	\$0	\$86,049
Luther Tower	2017	I	200	\$29,377,773	\$146,889	\$0	\$57,111
San Diego Square	2014	I	155	\$38,956,670	\$251,333	\$0	\$76,549

AFFORDABLE HOUSING IMPACT

Under the proposed bond financing, Wesley Terrace would have 159 units restricted to households with incomes from 50 percent to 60 percent of San Diego Area Median Income (AMI). The remaining units will be two unrestricted managers' units. The affordable units will be restricted for a 55-year term. Table 6 summarizes the affordability:

Table 6 – Affordability & Monthly Estimated Rent Table

Unit Type	AMI	Number of Units	Maximum Gross Rents
Studio	50%	12	\$936
1-bedroom	50%	5	\$1,003
Studio	60%	102	\$1,123
1-bedroom	60%	40	\$1,203
1-bedroom Manager	--	1	--
2-bedroom Manager	--	1	--
Total		161	

TAX-EXEMPT MULTIFAMILY HOUSING REVENUE BONDS

Proposed Housing Bonds

Multifamily housing financing often involves the issuance of tax-exempt Multifamily Housing Revenue Bonds (Bonds) on behalf of private developers of qualifying affordable rental apartment projects. The advantages of tax-exempt financing to developers include below-market interest rates and access to Low Income Housing Tax Credits (Tax Credits) – features that are not available with typical conventional multifamily housing mortgage loans.

The Housing Commission utilizes the Housing Authority's tax-exempt borrowing status to pass on lower tax-exempt interest rate financing (and make 4 percent tax credits available) to developers of affordable rental housing. The Housing Authority's ability to issue bonds is limited under the U.S. Internal Revenue Code. To issue bonds for a development, the Housing Authority must first submit an application to the California Debt Limit Allocation Committee (CDLAC) for a bond allocation. Prior to submitting applications to CDLAC, developments are brought before the Housing Commission, Housing Authority and City Council. Housing Authority bond inducement resolution must be obtained prior to application submittal, and a City Council Tax Equity and Fiscal Responsibility Act (TEFRA) City Council resolution must be secured no later than 30 days after application submittal. On April 23, 2019, these actions were completed for Wesley Terrace.

The project is anticipated to receive an allocation of up to \$22,000,000 in tax-exempt Multifamily Housing Revenue Bonds and 4 percent tax credits on July 17, 2019, from TCAC and CDLAC. The developer proposes that the bond proceeds will be used for both construction financing and permanent financing. The developer proposed that the bonds be issued through a tax-exempt private placement bond issuance. The bonds will meet all requirements of the Housing Commission's Multifamily Housing Revenue Bond Program policy and will fully comply with the City of San Diego's (City) ordinance on bond disclosure. The amount of bonds ultimately issued will be based upon development costs, revenues and interest rates prevailing at the time of bond issuance.

A general description of the Multifamily Housing Revenue Bond Program and the actions that must be taken by the Housing Authority to initiate and finalize proposed financings are described in Attachment 6. Final authorization of the Bonds issuance will require Housing Authority approval on July 30, 2019.

Public Disclosure on Bond Authorization

The tax-exempt debt, in the form of the bonds/note (Bonds), will be sold through a private placement purchased directly by Citibank, N.A. Citibank is a "qualified institutional buyer" within the meaning of the U.S. securities laws. At closing, Citibank

Under the private placement structure for this transaction, Citibank will make a loan to the Housing Authority pursuant to the terms of the Funding Loan Agreement among Citibank, the Housing Authority and a to-be-selected Fiscal Agent. The Loan made by Citibank to the Housing Authority (Funding Loan) will be evidenced by the Bonds, which will obligate the Housing Authority to pay Citibank the amount it receives from the Borrower, as described below. The Housing Authority and the Borrower will enter into a Borrower Loan Agreement, pursuant to which the proceeds of the Funding Loan will be advanced to the Borrower. In return, the Borrower agrees to pay the Fiscal Agent amounts sufficient to make payments on the Bonds. The Housing Authority's obligation to make payments on the Bonds is limited to the amounts the Fiscal Agent receives from the Borrower under the Borrower Loan Agreement, and no other funds of the Housing Authority are pledged to make payments on the Bonds.

Citibank will be originating its loan pursuant to the Freddie Mac “TEL” (i.e., tax exempt loan) program. Within 30 days of closing, the Note will be purchased from Citibank by Freddie Mac under the TEL program, Citibank will be the initial purchaser of the Note issued by the Housing Authority.

The transfer of the Bonds to any subsequent purchaser – including to Freddie Mac pursuant to the preceding paragraph – will comply with Housing Commission policy number PO300.301. Moreover, any subsequent Bond holder would be required to represent to the Housing Authority that it is a qualified institutional buyer or accredited investor who is buying the Bonds for investment purposes and not for resale, and has made due investigation of any material information necessary in connection with the purchase of the Bonds. The following document will be executed on behalf of the Housing Authority with respect to the Bonds: Funding Loan Agreement, Borrower Loan Agreement, Assignment of Deed of Trust, Regulatory Agreement, and other ancillary loan documents. At the time of docketing, documents in substantially final form will be presented to members of the Housing Authority. Any changes to the documents following Housing Authority approval require the consent of the City Attorney’s Office and Bond Counsel.

The Bonds will be issued pursuant to the Funding Loan Agreement. Based upon instructions contained in the Funding Loan Agreement and the Borrower Loan Agreement, Citibank will disburse Bond proceeds for eligible costs and will, pursuant to an assignment from the Housing Authority, receive payments from the Borrower. The Borrower Loan Agreement sets out the terms of the repayment and the security for the loan made by the Housing Authority to the Borrower, and the Housing Authority assigns its rights to receive repayments under the loan agreement to Citibank. The Regulatory Agreement will also ensure that the project complies with all applicable federal and state laws. An Assignment of Deed of Trust and other Loan Documents, which assigns the Housing Authority’s rights and responsibilities as the issuer to Citibank, is signed by the Housing Authority for the benefit of Citibank. Rights and responsibilities that are assigned to Citibank include the right to collect and enforce the collection of loan payments, monitor project construction and related budgets, and enforce insurance and other requirements. These rights will be used by Citibank to protect its financial interests as the holder of the Bonds.

Financial Advisor’s Recommendations

Squire Patton Boggs is the bond counsel and CSG Advisors is the Municipal Advisor to work on the tax-exempt bond issuance. After evaluating the terms of the proposed financing and the public benefits to be achieved, it is the Financial Advisor’s recommendation that the Housing Authority proceed with the bond issuance. The financial advisor’s analysis and recommendation is included as Attachment 7.

FISCAL CONSIDERATIONS

The proposed funding sources and uses proposed for approval by this proposed action are included in the Housing Authority-approved Fiscal Year (FY) 2020 Housing Commission Budget. Approving this action will not change the FY 2020 total budget.

Estimated funding sources approved by this action will be as follows:

Bond Issuance Fees - \$55,000.00 (\$22,000,000 x .0025)

Estimated funding uses approved by this action will be as follows:

Rental Housing Finance Program Administration Costs - \$55,000.00

There are no fiscal impacts to the Housing Commission, the City of San Diego, or the Housing Authority. The bonds would not constitute a debt of the City. If bonds are ultimately issued for the development, the

bonds will not financially obligate the City, the Housing Authority or the Housing Commission because security for the repayment of the bonds will be limited to specific private revenue sources of the development. Neither the faith and credit nor the taxing power of the City or the Housing Authority would be pledged to the payment of the bonds. The developer is responsible for the payment of all costs under the financing, including the Housing Commission annual administrative fee, as well as Housing Commission Bond Counsel and Financial Advisor fees. Additionally the developer is responsible for payment of the Housing Commission's 0.0025 bond amount issuer fee (estimated at \$55,000 with a \$22,000,000 bond issue) and the Housing Commission's annual administrative fee (estimated at \$26,250) with an estimated \$21,000,000 outstanding bonds amount at permanent financing conversion.

Development Schedule

The estimated development timeline is as follows.

Milestones	Estimated Dates
• Housing Authority final bond authorization • Estimated bond issuance and escrow closing • Estimated start of construction work • Estimated completion of construction work	• July 30, 2019 • August 15, 2019 • September 2019 • July 2020

PREVIOUS COUNCIL and/or COMMITTEE ACTION

On April 11, 2019, and April 23, 2019, respectively, the Housing Commission (Report No. HCR19-031) and the Housing Authority (Report No. HAR19-009) approved preliminary steps to issue up to \$24,000,000 of tax-exempt Multifamily Housing Revenue Bonds.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

As required by the Housing Commission Bonds Program, the developer presented their proposal for Wesley Terrace to the College Area Planning Group on March 13, 2019.

KEY STAKEHOLDERS and PROJECTED IMPACTS

Stakeholders include C&C Development Partners, DAL Development, the College Area community and residents. Rehabilitation of the property is expected to have a positive impact on the community because it will provide the needed capital improvements to the property and extend the affordability of 159 units of affordable housing.

ENVIRONMENTAL REVIEW

This project's proposed rehabilitation is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Section 15301 of the State CEQA Guidelines because the Project is an existing facility and the proposed actions do not involve expansion of the existing use. Processing under the National Environmental Policy Act (NEPA) is not required as no federal funds are involved in this action.

Respectfully submitted,

Tina Kessler

Tina Kessler
Housing Programs Manager
Real Estate Division

Approved by,

Jeff Davis

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

Attachments: 1) Development Summary
2) Site Map
3) Developer Disclosure Statement
4) Developer Disclosure Statement
5) Developer's Project Pro forma
6) Multifamily Housing Revenue Bond Program
7) Financial Advisor's Recommendation

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

Attachment 1

Table 1 – Development Details

Address	5343 Monroe Avenue, San Diego 92115
Council District	9
Community Plan Area	College Area
Development Type	Rehabilitation
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Parking Type	Surface – 61 parking spaces
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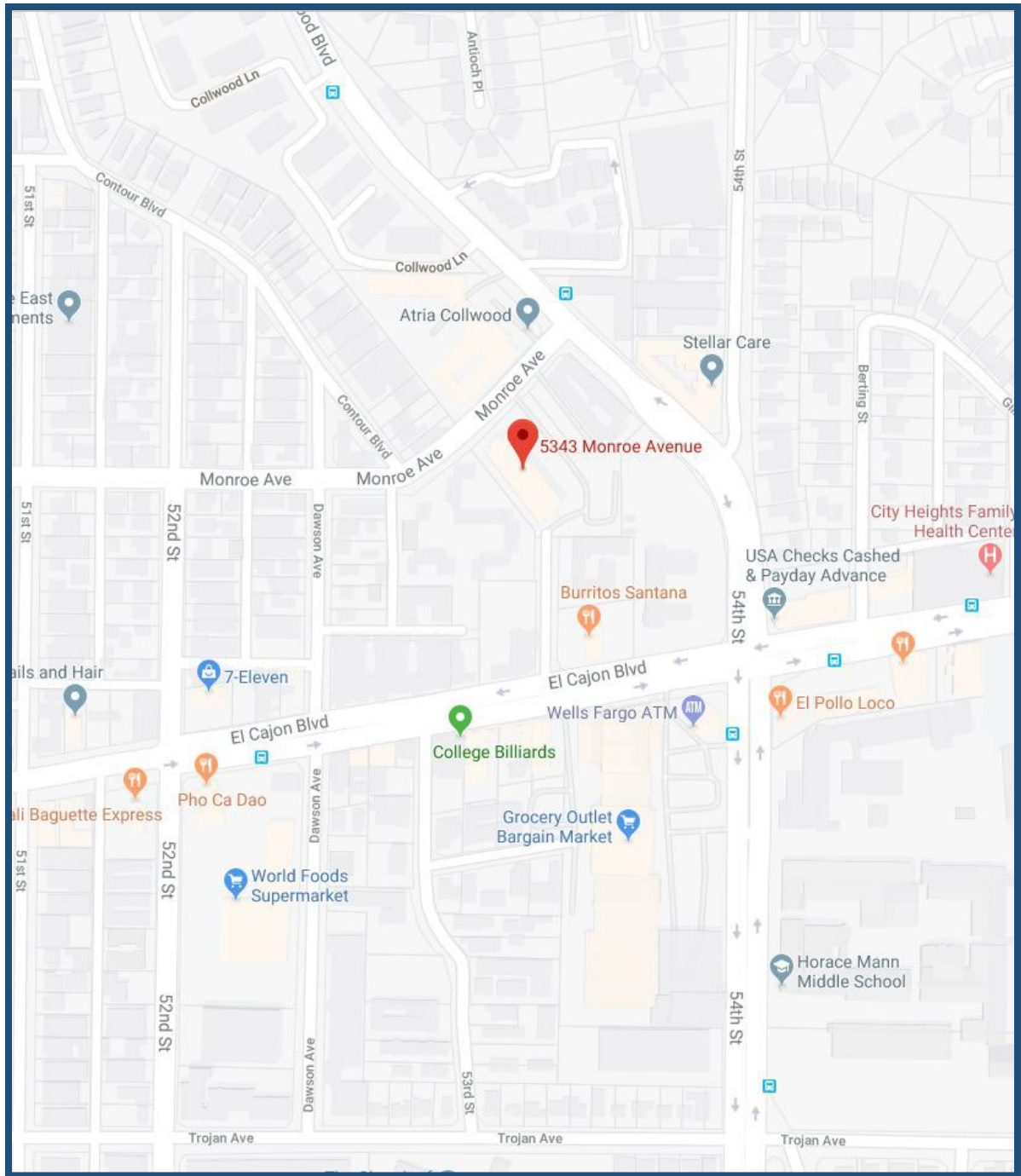
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Attachment 2





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

1. Name of CONTRACTOR: C&C Development Group, LLC (dba RAHD Group)
2. Address and Zip Code: 1660 Hotel Circle N., Ste 725, San Diego, CA 92108
3. Telephone Number: (619) 750-8580
4. Name of Principal Contact for CONTRACTOR: Colin Rice
5. Federal Identification Number or Social Security Number of CONTRACTOR: 27-3480105
6. If the CONTRACTOR is not an individual doing business under his own name, the CONTRACTOR has the status indicated below and is organized or operating under the laws of California as:
 - ☐ A corporation (Attach Articles of Incorporation)
 - ☐ A nonprofit or charitable institution or corporation. (Attach copy of Articles of Incorporation and documentary evidence verifying current valid nonprofit or charitable status)
 - ☐ A partnership known as: _____
(Name)Check one:
 - ☐ General Partnership (Attach statement of General Partnership)
 - ☐ Limited Partnership (Attach Certificate of Limited Partnership)
 - ☐ A business association or a joint venture known as: _____
(Attach joint venture or business association agreement)
 - ☐ A Federal, State or local government or instrumentality thereof.
 - X ☐ Other (explain): Limited Liability Company
7. If the CONTRACTOR is not an individual or a government agency or instrumentality, give date of organization:
September 14, 2010
8. Provide names, addresses, telephone numbers, title of position (if any) and nature and extent of the interest of the current officers, principal members, shareholders, and investors of the CONTRACTOR, other than a government agency or instrumentality, as set forth below:
 - a. If the CONTRACTOR is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock. N/A
 - b. If the CONTRACTOR is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body. N/A

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

Name and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name: Colin Rice	Member
Address: 4632 Lucille Dr. SD 92115	50%
Name: Casey Haeling	Managing Member
Address: 1541 Garrison Place, SD 92106	50%
Name:	
Address:	

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

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

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

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

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

Name and Address	Relationship to CONTRACTOR
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	

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

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

Project will be funded by the issuance of a tax-exempt bond loan (estimated to be approximately \$19,500,000), investor equity from the allocation of tax credits (estimated to be approximately \$9,500,000).

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

- a. In banks/savings and loans: Citibank, N.A.
Name: Citi Community Capital, N.A.
Address: 325 E. Hillcrest Dr., Suite 160, Thousand Oaks, CA 91360
Amount: \$ 19,500,000

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

Name:

Address:

Amount: \$

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

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

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

Name and Address	Contact Name
Name: First Republic Bank	Rick Doyle
Address: 1200 Prospect Street, La Jolla, CA 92037	
Name: Citi Community Capital	Mike Hemmens
Address: 325 E. Hillcrest Dr., Ste 160, Thousand Oaks, CA 91360	
Name:	
Address:	

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

☐ Yes ☒ No

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

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

☐ Yes ☒ No

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

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

Type of Bond	Project Description	Date of Completion	Amount of Bond	Action on Bond
Tax-Exempt Bonds	Escondido Apts, 92-unit senior, low-income acquisition-rehab project	In constrction	\$15,000,000	Finance of Ac-Rehab Project
Tax-Exempt Bonds	Luther Tower, 200-unit senior, low-income acquisition-rehab project	12/31/18	\$20,000,000	Finance of Ac-Rehab Project
Tax-Exempt Bonds	Garden Villas, 100-unit senior, low-income acquisition-rehab project	12/31/14	\$11,300,000	Finance of Ac-Rehab Project
Tax-Exempt Bonds	Sorrento Tower, 198-unit senior, low-income acquisition-rehab project	12/31/11	\$14,500,000	Finance of Ac-Rehab Project

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

- a. Name and addresses of such contractor or builder:

Name and Address	Affiliation
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	

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

☐ Yes

☐ No

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

- c. Total amount of construction or development work performed by such contractor or builder during the last three (3) years: \$_____

General description of such work:

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

Project Name		
Project Owner Contact Information		
	Name	Address
Project Location		
Project Details		
Bonding Company Involved		
	Name	Amount of Contract
Change Order Details		
Change Order Cost		
Litigation Details		
	Location/Date	Outcome Details

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

Identification of Contract or Development	Location	Amount	Date to be Completed

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

Awarding Agency	Amount	Date Opened

22. Provide a detailed and complete statement regarding equipment, experience, financial capacity, and other resources available to such contractor or builder for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment, and the general experience of the contractor: N/A

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

☐ Yes

☒ No

If yes, explain:

24. Statements and other evidence of the CONTRACTOR's qualifications and financial responsibility (other than the financial statement referred to in Item 8) are attached hereto and hereby made a part hereof as follows:
N/A

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

☐ Yes

☒ No

If yes, explain:

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

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

Check coverage(s) carried:

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

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

Check coverage(s) carried:

- ☐ Comprehensive Form
☐ Owned
☐ Hired
☐ Non-Owned

- c. Workers Compensation [Attach certificate of insurance showing the amount of coverage and coverage period(s)]
- d. Professional Liability (Errors and Omissions) [Attach certificate of insurance showing the amount of coverage and coverage period(s)]
- e. Excess Liability [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]
- f. Other (Specify) [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]

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

30. List all citations, orders to cease and desist, stop work orders, complaints, judgments, fines, and penalties received by or imposed upon CONTRACTOR for safety violations from any and all government entities including but not limited to, the City of San Diego, County of San Diego, the State of California, the United States of America and any and all divisions and departments of said government entities for a period of five (5) years prior to the date of this statement. If none, please state:

Government Complaint	Entity Making	Date	Resolution
None			

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

☐ Yes X ☐ No

If yes, please explain, in detail,

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

Government Agency	License Description	License Number	Date Issued (Original)	Status (Current)	Revocation (Yes/No)

33. Describe in detail any and all other facts, factors or conditions that may adversely affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, SALES of Real Property to, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the SDHC.

There are none.

34. Describe in detail, any and all other facts, factors or conditions that may favorably affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the SDHC.

Our experience and expertise. We have performed on similar projects in the past. Always on time. And have adhered to all the terms of such contracts, loans, grants etc. Our track record speaks for itself.

35. List all CONTRACTS with, DEVELOPMENTS for or with, LOANS with, PROJECTS with, GRANTS from, SALES of Real Property to, the SDHC, AUTHORITY and/or the CITY within the last five (5) years: N/A

Date	Entity Involved (i.e. City SDHC, etc)	Status (Current, delinquent, repaid, etc.)	Dollar Amount

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

☐ Yes X ☐ No

If yes, explain:

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

☐ Yes X ☐ No

If yes, explain:

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

1. Name: Robb Lally
Address: 3737 Fifth Ave.
Phone: (619) 542-1877
Project Name and Description: Escondido Apartments
2. Name: Juan Vargas
Address: 333 F Street, Chula Vista, CA 91910
Phone: (619) 422-5963
Project Name and Description: Garden Villas
3. Name: Todd Gloria
Address: 1350 Front Street, San Diego, CA 92101
Phone: (619) 645-3090
Project Name and Description: Luther Tower

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

Wesley Terrace Partners, LP, is comprised of C&C Development and DAL Development. Combined, and often together, they have acquired and rehabilitated over 9000 affordable housing units. C&C and DAL have worked with the SDHC and City of San Diego on a couple of projects recently, namely Sorrento Tower and Luther Tower. Both projects have been successful projects, on time and on budget, delivering high quality affordable living to the residents of San Diego.

40. Give the name and experience of the proposed Construction Superintendent. N/A

Name	Experience

CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

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

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

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

Executed this 20th day of February, 2019, at San Diego, California.

CONTRACTOR,

By: _____

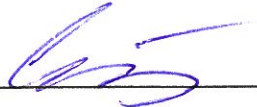
Signature

Managing Member

Title

CERTIFICATION

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

By: 

Title: Managing Member

Dated: 2/20/19

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

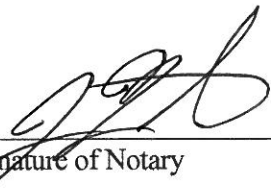
JURAT

State of California

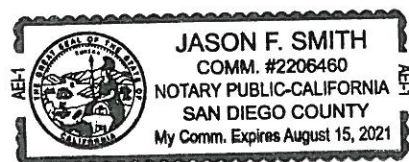
County of San Diego

Subscribed and sworn to (or affirmed) before me on this 20 day of February, 20 19

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


Signature of Notary

SEAL





Real Estate Department

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

1. Name of CONTRACTOR: DAL Development, LLC
2. Address and Zip Code: 3603 Corte Castillo, Carlsbad, CA 92009
3. Telephone Number: (760) 579-2093
4. Name of Principal Contact for CONTRACTOR: David Beacham
5. Federal Identification Number or Social Security Number of CONTRACTOR: 20-18422367
6. If the CONTRACTOR is not an individual doing business under his own name, the CONTRACTOR has the status indicated below and is organized or operating under the laws of California as:
 - ☐ A corporation (Attach Articles of Incorporation)
 - ☐ A nonprofit or charitable institution or corporation. (Attach copy of Articles of Incorporation and documentary evidence verifying current valid nonprofit or charitable status)
 - ☒ A partnership known as: DAL Development, LLC
(Name)

Check one:

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

- c. If the CONTRACTOR is a partnership, each partner, whether a general or limited, and either the percent of interest or a description of the character and extent of interest. Alice Lynn Blash Beacham 51% member, David A Beacham 49% manager a member.
- d. If the CONTRACTOR is a business association or a joint venture, each participant and either the percent of interest or a description of the character and extent of interest. N/A
- e. If the CONTRACTOR is some other entity, the officers, the members of the governing body, and each person having an interest of more than 10%.(Attach extra sheet if necessary) N/A

Name and Address		Position Title (if any) and percent of interest or description of character and extent of interest
Name:	David Beacham	Manager and Member of DAL Development, LLC
Address:	3603 Corte Castillo	
	Carlsbad, CA 92009	

9. Has the makeup as set forth in Item 8(a) through 8(e) changed within the last twelve (12) months? If yes, please explain in detail. N/A
10. Is it *anticipated* that the makeup as set forth in Item 8(a) through 8(e) will change within the next twelve (12) months? If yes, please explain in detail. N/A
11. Provide name, address, telephone number, and nature and extent of interest of each person or entity (not named in response to Item 8) who has a beneficial interest in any of the shareholders or investors named in response to Item 8 which gives such person or entity more than a computed 10% interest in the CONTRACTOR (for example, more than 20% of the stock in a corporation which holds 50% of the stock of the CONTRACTOR or more than 50% of the stock in the corporation which holds 20% of the stock of the CONTRACTOR): N/A

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

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

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

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

Name and Address	Relationship to CONTRACTOR
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	

14. Provide the financial condition of the CONTRACTOR as of the date of the statement and for a period of twenty-four (24) months prior to the date of its statement as reflected in the **attached** financial statements, including, but not necessarily limited to, profit and loss statements and statements of financial position.
15. If funds for the development/project are to be obtained from sources other than the CONTRACTOR's own funds, provide a statement of the CONTRACTOR's plan for financing the development/project:
We will finance the project with proceeds from the issuance of tax-exempt bonds and investor equity from the allocation of low-income housing tax credits. The debt proceeds from the tax-exempt bonds will amount to \$19,500,000 while the investor equity will approximate \$9,500,000.
16. Provide sources and amount of cash available to CONTRACTOR to meet equity requirements of the proposed undertaking:
- In banks/savings and loans: Citibank, N.A.
Name: Citi Community Capital, N.A.
Address: 325 E Hillcrest Dr., Suite 160, Thousand Oaks, CA 91360
Amount: \$ 19,500,000

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

Name:

Address:

Amount: \$

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

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

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

Name and Address	Contact Name
Name: Citibank, N.A.	Vincent Michael Affinito
Address: 13455 Poway Road	(858) 848-3411
Poway, CA 92064	For David Beacham

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

☐ Yes

☐ No

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

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

☐ Yes

☐ No

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

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

Type of Bond	Project Description	Date of Completion	Amount of Bond	Action on Bond
Tax-Exempt Bonds	Meadowbrook Apartments, San Diego, CA	12/31/2014	55,000,000	Finance Acq/Rehab of Project
Tax-Exempt Bonds	Kiku Gardens, Chula Vista CA	12/31/2014	11,300,000	Fiance Acq/Rehab of Project
Tax-Exempt Bonds	Sorrento Tower, San Diego CA	12/31/2011	14,500,000	Finance Acq/Rehab of Project

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

- a. Name and addresses of such contractor or builder:

Name and Address	Affiliation
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	

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

☐ Yes

☐ No

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

- c. Total amount of construction or development work performed by such contractor or builder during the last three (3) years: \$_____

General description of such work:

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

Project Name		
Project Owner Contact Information		
	Name	Address
Project Location		
Project Details		
Bonding Company Involved		
	Name	Amount of Contract
Change Order Details		
Change Order Cost		
Litigation Details		
	Location/Date	Outcome Details

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

Identification of Contract or Development	Location	Amount	Date to be Completed

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

Awarding Agency	Amount	Date Opened

22. Provide a detailed and complete statement regarding equipment, experience, financial capacity, and other resources available to such contractor or builder for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment, and the general experience of the contractor: N/A

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

☐ Yes ☒ No

If yes, explain:

24. Statements and other evidence of the CONTRACTOR's qualifications and financial responsibility (other than the financial statement referred to in Item 8) are attached hereto and hereby made a part hereof as follows: N/A

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

☐ Yes ☐ No

If yes, explain:

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

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

Check coverage(s) carried:

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

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

Check coverage(s) carried:

- ☐ Comprehensive Form
- ☐ Owned
- ☐ Hired
- ☐ Non-Owned

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

30. List all citations, orders to cease and desist, stop work orders, complaints, judgments, fines, and penalties received by or imposed upon CONTRACTOR for safety violations from any and all government entities including but not limited to, the City of San Diego, County of San Diego, the State of California, the United States of America and any and all divisions and departments of said government entities for a period of five (5) years prior to the date of this statement. If none, please state: N/A

Government Complaint	Entity	Making	Date	Resolution

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

☐ Yes

☐ No

If yes, please explain, in detail,

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

Government Agency	License Description	License Number	Date Issued (Original)	Status (Current)	Revocation (Yes/No)

33. Describe in detail any and all other facts, factors or conditions that may adversely affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, SALES of Real Property to, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the SDHC. N/A

34. Describe in detail, any and all other facts, factors or conditions that may favorably affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the SDHC. N/A
35. List all CONTRACTS with, DEVELOPMENTS for or with, LOANS with, PROJECTS with, GRANTS from, SALES of Real Property to, the SDHC, AUTHORITY and/or the CITY within the last five (5) years: N/A

Date	Entity Involved (i.e. City SDHC, etc)	Status (Current, delinquent, repaid, etc.)	Dollar Amount

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

☐ Yes ☐ No

If yes, explain:

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

☐ Yes ☐ No

If yes, explain:

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

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

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

Wesley Terrace Partners, LP is more than qualified to acquire and develop Wesley Terrace. C&C and DAL have developed over 9,000 affordable housing units separately or together over the past 13 years including Meadowbrook Apartments 448 units in San Diego and Sorrento Tower 200 units in San Diego.

40. Give the name and experience of the proposed Construction Superintendent. N/A

Name	Experience

CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

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

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

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

Executed this 20 day of February, 2019, at San Diego, California.

CONTRACTOR

By: 

Signature

Manager and Member

Title

CERTIFICATION

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

By: 

By: _____

Title: Manager/Member

Title: _____

Dated: 2/20/2019

Dated: _____

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

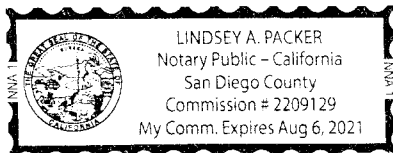
JURAT

State of California

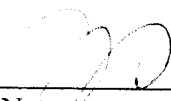
County of San Diego

Subscribed and sworn to (or affirmed) before me on this 20th day of February, 2019

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



SEAL


Signature of Notary

LIHTC ACQUISITION-REHAB FINANCIAL MODEL

Page 1 - Project Summary

Draft #6

June 11, 2019

04:12 PM

Wesley Terrace San Diego, California

Unit Mix and Utility Allowances				Max. Rents per Affordability Commitments			Project Rents		
	Total Units	Net Rentable Square Feet	Utility Allowances	Group B: 60% AMGI	Group C: 60%	Group D: 50%	Current	New, At Closing	HUD FMR
Studio	114	380	0	1,123	0	936	1,300	1,300	1,165
Studio, SDHC	0	0	0	0	0	0	0	0	0
One bedroom	46	550	0	1,203	0	1,003	1,650	1,650	1,420
One bedroom, SDHC	0	0	0	0	0	0	0	0	0
Two bedroom	1	800	0	0	0	0	0	0	0
Four bedroom, two bath	0	0	0	0	0	0	0	0	0
Totals	Units = 161			Avg = 1,145	Avg = 0	Avg = 957	Avg = 1,392	Avg = 1,398	Avg = 1,231

Operations Summary			
	Total \$	Per Unit	Per SF
Gross Rental Income	2,669,400	16,580	38.45
Parking and Commercial Income	0	0	0.00
Other Income @ \$2.43 per unit per month	4,700	29	0.07
Vacancy @ 5.00%	(133,470)	(829)	-1.92
Effective Gross Income	2,540,630	15,780	36.60
Operating Expenses, including \$300 per unit reserves	(875,175)	(5,436)	-12.61
Net Operating Income	1,665,455	10,344	23.99
Total Debt Service (excluding cash flow-based loans)	(1,192,443)	(7,406)	-17.18
Net Cash Flow (before partnership-level expenses)	473,012	2,938	6.81

Sources and Uses of Funds			
Debt:			
Perm Loan #1 (3.86% interest & fees, 1.40 DCR, 30-year amort.)	21,000,000	(TBD)	
Perm Loan #2	0		
Perm Loan #3	0		
Deferred Developer Fee (payable from cash flow over 3 years)	26,056	(deferred fee = 1% of total fee)	
Equity:			
Tax Credit Equity @ \$0.9375 (99.99% of available credits)	7,614,432	(equity = \$47,295 per LI unit)	
Capitalized Interest Paid from Operations	300,000		
Income During Lease-Up	0		
Additional Proceeds	3,774,550	(Net cash from seller less RR depo)	
TOTAL SOURCES	32,715,038		
Property Acquisition (asking price is \$12,000,000)			
	12,000,000	Per Unit 74,534	Per SF 172.86
Renovation Costs	13,853,827	86,049	199.57
Indirect Costs:			
Third Party Reports	135,500	842	1.95
Financing Placement	483,350	3,002	6.96
Capitalized Interest	300,000	1,863	4.32
Accounting Fees	10,000	62	0.14
Legal & Organizational Fees	200,000	1,242	2.88
Relocation Allowance	300,000	1,863	4.32
Initial Deposits to Reserves	1,717,000	10,665	24.73
Tax Credit Reservation Fees	75,313	468	1.08
Other Fees and Costs	380,000	2,360	5.47
Developer Fee (non-deferred portion = \$3,233,992)	3,260,048	20,249	46.96
TOTAL USES	32,715,038	203,199	471.26

Affordability Commitments and Other Tax Credit Assumptions			
	% of AMGI	% of Project	Statistical Area: San Diego, CA
A - Market	n/a	0%	Effective AMGI: \$107,000
B - Affordable	60%	90%	Last AMGI Increase: 2019
C - Affordable	60%	0%	DDA or QCT: No
D - Affordable	50%	10%	Applicable Percentage: 3.25%, as of May 2019

Affordability	
Weighted Average Set-Aside Commitment = 59.0% of Median Income	
Average Post-Rehab Gross Rent = 73.2% of Median Income	

Feasibility Indices	
LIHTC Equity Subsidy (of next eligible rehab \$)	30.5%
Cash Flow/Operating Expense Ratio	54.0%
Capitalization Rate on Stabilized NOI	13.88%
NPV of Sponsor Benefits, per unit	\$71,205

Annual Federal Credits	
Stabilized	812,295
Year 1 - 2019	0
Year 2 - 2020	808,890
Year 3 - 2021	812,295

Project Timing Assumptions	
Acquisition Closing	31-Aug-19
Renovation Start	01-Sep-19
Renovation Complete	31-Aug-20
Start of Credit Period (First Unit Qualified)	01-Jan-20
Last Unit Qualified	31-Mar-20

LP Capital Account	
Cap Acct EOY 10	0
Cap Acct EOY 15	0
Years 1-3 Losses/Credits	241%
Years 1-10 Losses/Credits	90%
Years 1-15 Losses/Credits	85%

Equity and Developer Fee Installments; Estimated Yield				
	Estimated Date	Equity Percent	Equity Installments	Developer Fee
At Closing	31-Aug-19	20.0%	1,522,886	750,000
	n/a	0.0%	0	0
	n/a	0.0%	0	0
Second Installment	30-Apr-20	20.0%	1,522,886	0
Third Installment	31-Oct-20	25.0%	1,903,608	750,000
Fourth Installment	31-Jul-21	35.0%	2,665,051	1,733,992
			7,614,432	3,233,992
Leveraged Yield = 11.64% (compounded quarterly)				
Maximum Equity Timing Gap During Pay-In Period = \$0				

Unit Mix - All Housing Units	Residential Units	Employee Units	All Units	Square Feet	Utility Allowance
Studio	114	0	114	380	0.00
Studio, SDHC	0	0	0	0	0.00
One bedroom	45	1	46	550	0.00
One bedroom, SDHC	0	0	0	0	0.00
Two bedroom	0	1	1	800	0.00
Four bedroom, two bath	0	0	0	0	0.00
Totals	159	2	161	69,420	

A: Market Rate Units (None)						Current and Post-Rehab Rents		
Units	Square Feet	Maximum Gross Rent	Utility Allowance	Maximum Net Rent		Current	Post-Rehab	Post-Rehab Extension
Studio	0	0	not applicable			0	0	0
Studio, SDHC	0	0				0	0	0
One bedroom	0	0				0	0	0
One bedroom, SDHC	0	0				0	0	0
Two bedroom	0	0				0	0	0
Four bedroom, two bath	0	0				0	0	0
Totals	0	0				0	0	0
Percent of Residential Units	0.00%	0.00%						

B: 90% @ 60% of Median						Current and Post-Rehab Rents		
Units	Square Feet	Maximum Gross Rent	Utility Allowance	Maximum Net Rent		Current	Post-Rehab	Post-Rehab Extension
Studio	103	380	1,123.50	None Req'd	1,123.50	1,165	1,300	133,900
Studio, SDHC	0	0	0.00	0.00	0.00	0	0	0
One bedroom	40	550	1,203.75	None Req'd	1,203.75	1,420	1,650	66,000
One bedroom, SDHC	0	0	0.00	0.00	0.00	0	0	0
Two bedroom	0	0	0.00	0.00	0.00	0	0	0
Four bedroom, two bath	0	0	0.00	0.00	0.00	0	0	0
Totals	143	61,140						199,900
Percent of Residential Units	89.94%	89.82%						

C: None						Current and Post-Rehab Rents		
Units	Square Feet	Maximum Gross Rent	Utility Allowance	Maximum Net Rent		Current	Post-Rehab	Post-Rehab Extension
Studio	0	0	0.00	0.00	0.00	0	0	0
Studio, SDHC	0	0	0.00	0.00	0.00	0	0	0
One bedroom	0	0	0.00	0.00	0.00	0	0	0
One bedroom, SDHC	0	0	0.00	0.00	0.00	0	0	0
Two bedroom	0	0	0.00	0.00	0.00	0	0	0
Four bedroom, two bath	0	0	0.00	0.00	0.00	0	0	0
Totals	0	0				0	0	0
Percent of Residential Units	0.00%	0.00%						

D: 10% @ 50% of Median						Current and Post-Rehab Rents		
Units	Square Feet	Maximum Gross Rent	Utility Allowance	Maximum Net Rent		Current	Post-Rehab	Post-Rehab Extension
Studio	11	380	936.25	None Req'd	936.25	1,165	1,300	14,300
Studio, SDHC	0	0	0.00	0.00	0.00	0	0	0
One bedroom	5	550	1,003.13	None Req'd	1,003.13	1,420	1,650	8,250
One bedroom, SDHC	0	0	0.00	0.00	0.00	0	0	0
Two bedroom	0	0	0.00	0.00	0.00	0	0	0
Four bedroom, two bath	0	0	0.00	0.00	0.00	0	0	0
Totals	16	6,930						22,550
Percent of Residential Units	10.06%	10.18%						

Recap of All Housing Units				
	Total Units	Percent of All Units	Percent of Total SF	Total Rent
Group A (Market Rate)	0	0.00%	0.00%	0
Group B (60% of Median)	143	88.82%	88.07%	199,900
Group C (60% of Median)	0	0.00%	0.00%	0
Group D (50% of Median)	16	9.94%	9.98%	22,550
Employee (Common Area) Units	2	0.00%	0.00%	0
Totals	161	98.76%	98.06%	222,450

Other Unit Mix Analysis	
Tax Credit Percentage (lesser of unit or floor space fraction)	98.06%
% Units Larger than 2 Bedrooms	0.00%

Stabilized Income From Operations

	INPUT (BASE YEAR)	OUTPUT (BASE YEAR)			TRENDED OUTPUT	
		Total \$	Per Unit	Per SF	Base +1	Base +2
GROSS ANNUAL RENTAL INCOME		2,669,400	16,580	38.45	2,722,788	2,777,244
Annual Carport Income		0	0	0.00	0	0
Annual Garage Income		0	0	0.00	0	0
Annual Commercial Income (NNN)		0	n/a	n/a	0	0
Annual IRP Income		0	n/a	n/a	0	0
Interest on Debt Service Reserve @ 0.00% annual		0	n/a	n/a	0	0
Other Income (net of vacancy)		4,700	29	0.07	4,794	4,890
TOTAL GROSS INCOME		2,674,100	16,609	38.52	2,727,582	2,782,134
Less: Residential Vacancy	5.0%	133,470	829	1.92	136,139	138,862
Parking Vacancy	0.0%	0	0	0.00	0	0
Commercial Vacancy	10.0%	0	0	0.00	0	0
EFFECTIVE GROSS INCOME		2,540,630	15,780	36.60	2,591,443	2,643,271
Less: Professional Management	4.0% of EGI	101,625	631	1.46	103,658	105,731
Payroll & Benefits	1.447 per unit	233,000	1,447	3.36	241,155	249,595
Office & Administration *	373 per unit	60,000	373	0.86	62,100	64,273
Services	0 per unit	0	0	0.00	0	0
Utilities						
Water/Sewer	510 per unit	82,150	510	1.18	85,025	88,001
Garbage	49 per unit	7,900	49	0.11	8,176	8,463
Gas	63 per unit	10,067	63	0.15	10,419	10,784
Electricity (common area and vacancy)	965 per unit	155,333	965	2.24	160,770	166,397
Maintenance						
Supplies & Repairs	800 per unit	128,800	800	1.86	133,308	137,974
Turnover & Redecorating	0 per unit	0	0	0.00	0	0
Security	19 per unit	3,000	19	0.04	3,105	3,214
Insurance	280 per unit	45,000	280	0.65	46,575	48,205
Replacement Reserves	300 per unit	48,300	300	0.70	48,300	48,300
Total Before Taxes		875,175	5,436	12.61	902,591	930,937
Real Property Taxes (see calculation below)		0	0	0.00	0	0
Total Operating Expenses		875,175	5,436	12.61	902,591	930,937
NET OPERATING INCOME		1,665,455	10,344	23.99	1,688,851	1,712,335

(residential averages only)

Real Property Tax Calculation

Tax year	2016
Local Millage Rate (per \$100 valuation)	1.2000
Estimated Assessed Value per Unit	74,534
Estimated Assessed Value	12,000,000
Real Estate Tax Abated (Percent)	95%
Estimated Real Estate Tax	0

Annual Escalator for Income Items:	2.00%	2.00%
Annual Escalator for Expense Items:	3.50%	3.50%
Annual Escalator for Property Taxes:	2.00%	2.00%
Annual Escalator for Replacement Reserves:	3.00%	3.00%

Wesley Terrace

Page 4

Construction-Related Costs					COST SEGREGATION				
					-- Depreciable Costs --				
					Land & Non-	5 yrs	15 yrs	27.5 yrs	
					Depreciable	Personal Property	Sitework	Buildings	Total

Wesley Terrace
Page 5.1

11,539,479 72,122

Indirect and Acquisition Costs			OUTPUT			COST SEGREGATION						
INPUT			Total \$	Per Unit	Per SF	Land & Non-Depreciable	Depreciable	-- Amortizable Costs --			Expensed Costs	Total
								5 yrs/Org Costs	17 yrs/Perm Loan	15 yrs/TCAC		
ACQUISITION COSTS:												
Land	1,231,231	per unit	1,231,231	7,647	17.74	1,231,231	0	0	0	0	0	1,231,231
Acquisition - Buildings & Personal Property	6,771,769	fixed sum	6,771,769	42,061	97.55	0	6,771,769	0	0	0	0	6,771,769
Total Acquisition Costs			8,003,000	49,708	115.28	1,231,231	6,771,769	0	0	0	0	8,003,000
THIRD PARTY REPORTS:												
Phase I, PNA, Asbestos, PML, Energy Reserved	35,000	fixed sum	35,000	217	0.50	0	35,000	0	0	0	0	35,000
Market Study	0	fixed sum	0	0	0.00	0	0	0	0	0	0	0
Financing Appraisal	6,500	fixed sum	6,500	40	0.09	0	6,500	0	0	0	0	6,500
Cost Segregation Study	6,500	fixed sum	6,500	40	0.09	0	6,500	0	0	0	0	6,500
ALTA Survey	10,000	fixed sum	10,000	62	0.14	0	10,000	0	0	0	0	10,000
Non Profit Fee	7,500	fixed sum	7,500	47	0.11	0	7,500	0	0	0	0	7,500
Chain Title, Historical and City Review Predev Exp	10,000	fixed sum	10,000	62	0.14	0	0	10,000	0	0	0	10,000
Total Third Party Reports	60,000	fixed sum	60,000	373	0.86	0	60,000	0	0	0	0	60,000
			135,500	842	1.95	0	125,500	10,000	0	0	0	135,500
FINANCING PLACEMENT COSTS:												
Construction Loan/LOC Origination	0.00%	of loan amt	0	0	0.00	0	0	0	0	0	0	0
Loan Conversion costs	0	fixed sum	0	0	0.00	0	0	0	0	0	0	0
Construction Lender Underwriting Costs	0	fixed sum	0	0	0.00	0	0	0	0	0	0	0
Permanent Loan/LOC Origination	1.00%	of loan amt	210,000	1,304	3.03	0	0	0	210,000	0	0	210,000
Permanent Lender Legal	65,000	fixed sum	65,000	404	0.94	0	0	0	65,000	0	0	65,000
Permanent Lender Underwriting Costs	25,000	fixed sum	25,000	155	0.36	0	0	0	25,000	0	0	25,000
Freddie Mac Legal	0	fixed sum	0	0	0.00	0	0	0	0	0	0	0
Freddie Mac Application Fee	0.10%	basis points	21,000	130	0.30	0	0	0	21,000	0	0	21,000
Fixed Costs of Issuance (see below page 5.2)	162,350	fixed sum	162,350	1,008	2.34	0	0	0	162,350	0	0	162,350
Bond Underwriter	0.00%	of bond amt	0	0	0.00	0	0	0	0	0	0	0
Total Financing Placement Costs			483,350	3,002	6.96	0	0	0	483,350	0	0	483,350
INTEREST:												
Construction Loan Interest (if interest is not being paid through operations)	0		0	0	0.00	0	0	0	0	0	0	0
Capitalized Interest Paid from Operations (per page 14)	300,000		300,000	1,863	4.32	0	300,000	0	0	0	0	300,000
Total Interest			300,000	1,863	4.32	0	300,000	0	0	0	0	300,000
OTHER INDIRECT COSTS:												
Accounting, Cost Certification	10,000	fixed sum	10,000	62	0.14	0	10,000	0	0	0	0	10,000
Allowance for Relocation Costs	300,000	fixed sum	300,000	1,863	4.32	0	300,000	0	0	0	0	300,000
Soft Cost Contingency	30,000	fixed sum	30,000	186	0.43	0	30,000	0	0	0	0	30,000
Title, Escrow, Recording	20,000	fixed sum	20,000	124	0.29	0	10,000	0	10,000	0	0	20,000
Impounds, Prorations, Insurance and Tenant File	150,000	fixed sum	150,000	932	2.16	60,000	55,000	0	0	35,000	0	150,000
Consultant Fee	180,000	fixed sum	180,000	1,118	2.59	0	180,000	0	0	0	0	180,000
Partnership Legal, Syn legal, compliance and rehab re	200,000	fixed sum	200,000	1,242	2.88	20,000	97,560	12,500	10,000	59,940	0	200,000
Reserves:												
Operating	517,000	fixed sum	517,000	3,211	7.45	517,000	0	0	0	0	0	517,000
Cash and Replacement Reserve	5,197,000	fixed sum	5,197,000	32,280	74.86	5,197,000	0	0	0	0	0	5,197,000
Tax Credit Fees (TCAC)	75,313	fixed sum	75,313	468	1.08	0	0	0	0	75,313	0	75,313
Total Other Indirect Costs			6,679,313	41,486	96.22	5,794,000	682,560	12,500	20,000	170,253	0	6,679,313
DEVELOPER FEE												
Fee on Acquisition Costs	15.00%	of basis	1,042,765									
Fee on Renovation and Indirect Costs	15.00%	of basis	2,217,283									
Total Fee			3,260,048	20,249	46.96	0	3,260,048	0	0	0	0	3,260,048
GRAND TOTAL - ALL ACQUISITION AND INDIRECT COSTS			18,861,211	117,150	271.70	7,025,231	11,139,878	22,500	503,350	170,253	0	18,861,211

Wesley Terrace
Page 5.2

Bond Issuance Cost Detail

	INPUT	OUTPUT			COST SEGREGATION				COSTS PAID BY	
		Total \$	Per Unit	Per SF	Land & Non- Amortizable	Depreciable	Amortizable	Total	Tax-Exempt Bonds *	Equity or Taxable Bonds
FIXED COSTS (for page 5.1, line 32):										
Bond Counsel	55,000 fixed sum	55,000	342	0.79	0	0	55,000	55,000	55,000	0
Issuer Fee	0.250% of bond amt	52,500	326	0.76	0	0	52,500	52,500	52,500	0
Issuer Advisors Fee	35,000 fixed sum	35,000	217	0.50	0	0	35,000	35,000	35,000	0
City Attorney Fee	3,000 fixed sum	3,000	19	0.04	0	0	3,000	3,000	3,000	0
Housing Commission Application Fee	3,000 fixed sum	3,000	19	0.04	0	0	3,000	3,000	3,000	0
Rating Agency	0 fixed sum	0	0	0.00	0	0	0	0	0	0
Printing and Mailing (POS/OS)	0 fixed sum	0	0	0.00	0	0	0	0	0	0
Trustee Acceptance Fee and Attorney Fee	6,500 fixed sum	6,500	40	0.09	0	0	6,500	6,500	6,500	0
CDLAC Application Fee	1,200 fixed sum	1,200	7	0.02	0	0	1,200	1,200	1,200	0
CDLAC Issuance Fee (net of application fee)	0.035% of bond amt	6,150	38	0.09	0	0	6,150	6,150	6,150	0
Reserved	0.000% of bond amt	0	0	0.00	0	0	0	0	0	0
CSCDA Application Fee	0 fixed sum	0	0	0.00	0	0	0	0	0	0
COI Contingency	0 fixed sum	0	0	0.00	0	0	0	0	0	0
TEFRA Fee SDHC	0 fixed sum	0	0	0.00	0	0	0	0	0	0
Reserved	0 fixed sum	0	0	0.00	0	0	0	0	0	0
Total Fixed Costs		162,350	1,008	2.34	0	0	162,350	162,350	162,350	0

* Issuance costs financed by bond

Flow of Funds

	CLOSING	Second Equity Installment	Third Equity Installment	Fourth Equity Installment	Fifth Equity Installment	Sixth Equity Installment	SOURCES & USES RECAP	
Date of Event (EOM)	31-Aug-19			30-Apr-20	31-Oct-20	31-Jul-21		
Months From Closing	0			8	14	23	Cash Basis	Accrual Basis
SOURCES OF FUNDS:								
Permanent Loan #1	21,000,000	0	0	0	0	0	21,000,000	21,000,000
Permanent Loan #2	0	0	0	0	0	0	0	0
Permanent Loan #3	0	0	0	0	0	0	0	0
Deferred Developer Fee	0	0	0	0	0	0	0	26,056
Tax Credit Equity Installments	1,522,886	0	0	1,522,886	1,903,608	2,665,051	7,614,432	7,614,432
Capitalized Interest Paid from Operations	0	300,000	0	0	0	0	300,000	300,000
Transfer of Funds from (to) Operations	0	0	0	0	0	0	0	0
Additional Equity: Net cash from seller less RR dep	2,626,000	1,148,550	0	0	0	0	3,774,550	3,774,550
Other Timing Adjustments to Sources (manual entry)								
Reserved	0	0	0	0	0	0	0	0
Reserved	0	0	0	0	0	0	0	0
Total Sources of Funds	25,148,886	1,448,550	0	1,522,886	1,903,608	2,665,051	32,688,982	32,715,038
USES OF FUNDS:								
Property Acquisition	8,003,000	0	0	0	0	0	8,003,000	8,003,000
Renovation Costs	469,795	4,056,895	4,056,895	4,216,442	1,053,800	0	13,853,827	13,853,827
Indirect Costs:								
Third Party Reports	125,000	0	10,500	0	0	0	135,500	135,500
Financing Placement	483,350	0	0	0	0	0	483,350	483,350
Construction Loan Interest Reserve	0	0	0	0	0	0	0	0
Capitalized Interest Paid From Operations	0	300,000	0	0	0	0	300,000	300,000
Accounting, Cost Certification	0	0	10,000	0	0	0	10,000	10,000
Allowance for Relocation Costs	75,000	225,000	0	0	0	0	300,000	300,000
Soft Cost Contingency	0	30,000	0	0	0	0	30,000	30,000
Title, Escrow, Recording	20,000	0	0	0	0	0	20,000	20,000
Impounds, Prorations, Insurance and Tena	115,000	0	0	0	35,000	0	150,000	150,000
Consultant Fee	180,000	0	0	0	0	0	180,000	180,000
Partnership Legal, Syn legal, compliance a	185,060	14,940	0	0	0	0	200,000	200,000
Deposit to Operating Reserves	0	0	0	0	0	517,000	517,000	517,000
Deposit to Debt Service Reserves	3,997,000	0	0	0	0	1,200,000	5,197,000	5,197,000
Tax Credit Fees (TCAC)	10,123	0	0	0	65,190	0	75,313	75,313
Developer Fee	750,000	0	0	0	750,000	1,733,992	3,233,992	3,260,048
Other Timing Adjustments to Uses (manual entry)								
Reserved	0	0	0	0	0	0	0	0
Reserved	0	0	0	0	0	0	0	0
Reserved	0	0	0	0	0	0	0	0
Total Uses of Funds	14,413,328	4,626,835	4,077,395	4,216,442	1,903,990	3,450,992	32,688,982	32,715,038
Net Change in Working Capital	10,735,558	-3,178,285	-4,077,395	-2,693,556	-382	-785,941		
Working Capital Balance	10,735,558	7,557,274	3,479,879	786,323	785,941	0		

10,264,442

Volume Cap Utilization

Senior Debt
Subordinate Debt (Perm Loan #2)
Subordinate Debt (Perm Loan #3)
Totals
Percent (Tax-Exempt to Total)

VOLUME CAP AWARDED		CAP UTILIZED THIS MODEL	
Tax-Exempt	Taxable	Tax-Exempt	Taxable
21,000,000	0	21,000,000	0
0	0	0	0
0	0	0	0
21,000,000	0	21,000,000	0
100.00%	0.00%	100.00%	0.00%

Permanent Debt Service Assumptions

Available During Construction?
Coupon Rate Assumption

Coupon Rate

Guaranty
Servicing
Liquidity
Remarketing
Issuer
Trustee (fixed fee of \$2,000 per year)
Total "Stack"
Total Mortgage Rate

Underwriting Spread
Interest Rate Cap Reserve
Swap Termination Guarantee Fee
FHA Mortgage Insurance Premium
Total Debt Service Rate
Blended Average Total Rates

SENIOR DEBT		PERM LOAN #2		PERM LOAN #3	
Tax-Exempt	Taxable	Tax-Exempt	Taxable	Tax-Exempt	Taxable
Yes		Yes		No	
Mod Rehab Fixed Rate	None	IRP	None	None	None
3.730%	0.000%	0.000%	0.000%	0.000%	4.000%
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
0.125%	0.000%	0.000%	0.000%	0.000%	0.000%
0.010%	0.010%	0.000%	0.000%	0.000%	0.000%
0.135%	0.010%	0.000%	0.000%	0.000%	0.000%
3.865%	0.010%	0.000%	0.000%	0.000%	4.000%
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
3.865%	0.010%	0.000%	0.000%	0.000%	4.000%
3.865%		0.000%		0.000%	

Construction Debt Service Assumptions

Coupon Rate Assumption

Coupon Rate

Permanent Lender Guaranty (standby)
Construction Lender LOC
Liquidity
Remarketing
Issuer
Trustee (fixed fee of \$2,000 per year)
Total "Stack"
Total Construction Rate
Blended Average Total Rate

SENIOR DEBT		PERM LOAN #2	PERM LOAN #3
Tax-Exempt Rate	Taxable Rate	Blended Rate	Blended Rate
Mod Rehab Fixed Rate	30-day LIBOR (variable)	See Permanent column	Not available for construction
3.730%	0.000%	0.000%	4.000%
0.000%	0.000%	0.000%	0.000%
0.000%	0.000%	0.000%	0.000%
0.000%	0.000%	0.000%	0.000%
0.125%	0.000%	0.000%	0.000%
0.010%	0.000%	0.000%	0.000%
0.135%	0.000%	0.000%	0.000%
3.865%	0.000%	0.000%	4.000%
3.865%			

Tax Credit Calculations

	Total Costs	Ineligible Costs	Eligible Basis	Federal Credits			State Credits		
				ACQUISITION	REHABILITATION	TOTAL	ACQUISITION	REHABILITATION	TOTAL
Land Costs	1,231,231	1,231,231	0	0	0	0			
Acquisition Costs	6,771,769	0	6,771,769	6,771,769	0	6,771,769			
Direct Construction Costs	13,853,827	0	13,853,827	0	13,853,827	13,853,827			
Indirect Costs	7,598,163	6,490,103	1,108,060	180,000	928,060	1,108,060			
Developer Fee	3,260,048	0	3,260,048	1,042,765	2,217,283	3,260,048			
Total Project Costs	32,715,038	7,721,334	24,993,704	7,994,535	16,999,170	24,993,704			
Less: Ineligible Grant or Loan(s)			0	0	0	0			
Total Eligible Basis			24,993,704	7,994,535	16,999,170	24,993,704	0	0	0
High Cost Factor Adjustment (for DDA or QCT)				100%	100%		0%	0%	
Low Income Occupancy Percentage ("Applicable Fraction")				100%	100%		0%	0%	
Qualified Basis				7,994,535	16,999,170	24,993,704	0	0	0
Applicable Percentage (as of May 2019)				3.25%	3.25%		0.00%	0.00%	
MAXIMUM CREDIT REQUEST BASED ON QUALIFIED BASIS				259,822	552,473	812,295	0	0	0
Subject to Limit Based on Credit Reservation						812,295			0
State Credits as Percent of Federal Credits					32.50%				0%
Annual State Credits									0
TAX CREDIT EQUITY VALUATION:									
Annual Credit Allowed						812,295			
Total Credit Allowed Over 10 Years						812,295			0
Investors' Percentage Allocation of Credits						8,122,954			0
Investors' Dollar Allocation of Credits						99.99%			0.00%
Tax Credit Factor						8,122,060			0
Tax Credit Equity Value						0.9375			0.0000
						7,614,432			0
TOTAL TAX CREDIT EQUITY VALUE (Federal + State)						7,614,432			

Credit Application/Reservation

Qualified Basis per Application	0
Applicable Percentage per Application	3.32%
Credit Reservation Amount	0

Credit Delivery to Investor (from pages 13 and 15); equals 99.99% of credits available)

	\$ Amount	% of Annual
Credits Delivered in 2019	0	0.00%
Credits Delivered in 2020	808,801	99.58%
Credits Delivered in 2021	812,206	100.00%

"50%" Test

Land	1,231,231
Sitework	544,849
Personal Property (excluding FF&E)	3,472,886
Residential Buildings	20,975,969
Total Land + Buildings	26,224,935
Times 50%	13,112,467
Tax-Exempt Debt	21,000,000
Percent of Land + Buildings	80.08%
Costs Below 50% Threshold	15,775,065

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	CONSTRUCTION & LEASEUP			STABILIZED						
	2019 (4 months)	2020	2021	2022	2023	2024	2025	2026	2027	2028
GROSS ANNUAL RENTAL INCOME	889,800	2,722,788	2,777,244	2,832,789	2,889,444	2,947,233	3,006,178	3,066,302	3,127,628	3,190,180
Parking and Commercial Income	-23,850	-71,550	0	0	0	0	0	0	0	0
Rent Reduction Pre Rehab	0	0	0	0	0	0	0	0	0	0
Other Income (net)	1,567	4,794	4,890	4,988	5,087	5,189	5,293	5,399	5,507	5,617
TOTAL GROSS INCOME	867,517	2,656,032	2,782,134	2,837,776	2,894,532	2,952,422	3,011,471	3,071,700	3,133,134	3,195,797
Less: Vacancy	44,490	136,139	138,862	141,639	144,472	147,362	150,309	153,315	156,381	159,509
EFFECTIVE GROSS INCOME	823,027	2,519,893	2,643,271	2,696,137	2,750,060	2,805,061	2,861,162	2,918,385	2,976,753	3,036,288
Less:										
Professional Management	33,875	100,796	105,731	107,845	110,002	112,202	114,446	116,735	119,070	121,452
Payroll & Benefits	77,667	241,155	249,595	258,331	267,373	276,731	286,416	296,441	306,817	317,555
Office & Administration	20,000	62,100	64,273	66,523	68,851	71,261	73,755	76,337	79,009	81,774
Marketing/Advertising	0	0	0	0	0	0	0	0	0	0
Utilities	85,150	264,391	273,644	283,222	293,135	303,394	314,013	325,004	336,379	348,152
Maintenance:										
Supplies & Repairs	42,933	133,308	137,974	142,803	147,801	152,974	158,328	163,870	169,605	175,541
Turnover & Redecorating	0	0	0	0	0	0	0	0	0	0
Grounds	1,000	3,105	3,214	3,326	3,443	3,563	3,688	3,817	3,950	4,089
Insurance	15,000	46,575	48,205	49,892	51,639	53,446	55,316	57,253	59,256	61,330
Property Taxes	0	0	0	0	0	0	0	0	0	0
Annual Deposit to Replacement Reserves	0	0	8,050	49,749	51,490	53,292	55,158	57,088	59,086	61,154
Total Expenses	275,625	851,429	890,687	961,692	993,734	1,026,864	1,061,122	1,096,544	1,133,172	1,171,047
NET OPERATING INCOME	547,402	1,668,463	1,752,585	1,734,445	1,756,326	1,778,197	1,800,041	1,821,841	1,843,581	1,865,241
Permanent Loan Debt Service (#1 & #2 combined)	270,517	811,550	938,514	1,192,443	1,192,443	1,192,443	1,192,443	1,192,443	1,192,443	1,192,443
Permanent Loan #3 Debt Service	0	0	0	0	0	0	0	0	0	0
Developer Loan Debt Service	0	0	0	26,624	0	0	0	0	0	0
NET PROJECT CASH FLOW	276,885	856,913	814,070	515,377	563,883	585,753	607,597	629,398	651,138	672,798
Compliance Monitoring Fee	0	9,540	9,540	9,540	9,540	9,540	9,540	9,540	9,540	9,540
Priority Distribution to LP	0	7,500	7,725	7,957	8,195	8,441	8,695	8,955	9,224	9,501
Annual Deposit to Interest Rate Cap Reserve	0	0	0	0	0	0	0	0	0	0
Annual Deposit to Operating Reserves	0	0	0	0	0	0	0	0	0	0
Priority Distribution to Nonprofit GP	0	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Resident Services Budget	0	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Asset Management Fee to GP	0	0	0	0	11,475	11,877	12,293	12,723	13,168	13,629
Incentive Management Fee to GP	276,885	754,873	711,805	371,592	404,705	423,806	442,863	461,862	480,785	499,615
Add'l Incentive Fee to GP	0	0	0							

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15-Year Cash Flow

15th Compliance Year

	STABILIZED					
	2029	2030	2031	2032	2033	2034
GROSS ANNUAL RENTAL INCOME	3,253,984	3,319,063	3,385,445	3,453,154	3,522,217	3,592,661
Parking and Commercial Income	0	0	0	0	0	0
Interest on Debt Service Reserve	0	0	0	0	0	0
Other Income (net)	5,729	5,844	5,961	6,080	6,202	6,326
TOTAL GROSS INCOME	3,259,713	3,324,907	3,391,405	3,459,233	3,528,418	3,598,987
Less: Vacancy	162,699	165,953	169,272	172,658	176,111	179,633
EFFECTIVE GROSS INCOME	3,097,014	3,158,954	3,222,133	3,286,576	3,352,307	3,419,353
Less: Professional Management	123,881	126,358	128,885	131,463	134,092	136,774
Payroll & Benefits	328,670	340,173	352,079	364,402	377,156	390,356
Office & Administration	84,636	87,598	90,664	93,837	97,122	100,521
Marketing/Advertising	0	0	0	0	0	0
Utilities	360,337	372,949	386,002	399,513	413,496	427,968
Maintenance:						
Supplies & Repairs	181,685	188,044	194,626	201,438	208,488	215,785
Turnover & Redecorating	0	0	0	0	0	0
Grounds	4,232	4,380	4,533	4,692	4,856	5,026
Insurance	63,477	65,699	67,998	70,378	72,841	75,391
Property Taxes	0	0	0	0	0	0
Annual Deposit to Replacement Reserves	63,295	65,510	67,803	70,176	72,632	75,174
Total Expenses	1,210,212	1,250,711	1,292,591	1,335,898	1,380,683	1,426,995
NET OPERATING INCOME	1,886,802	1,908,243	1,929,543	1,950,678	1,971,625	1,992,358
Permanent Loan Debt Service (#1 & #2 combined)	1,192,443	1,192,443	1,192,443	1,192,443	1,192,443	1,192,443
Permanent Loan #3 Debt Service	0	0	0	0	0	0
Developer Loan Debt Service	0	0	0	0	0	0
NET PROJECT CASH FLOW	694,359	715,800	737,099	758,235	779,182	799,915
Compliance Monitoring Fee	9,540	9,540	9,540	9,540	9,540	9,540
Priority Distribution to LP	9,786	10,079	10,382	10,693	11,014	11,344
Annual Deposit to Interest Rate Cap Reserve	0	0	0	0	0	0
Annual Deposit to Operating Reserves	0	0	0	0	0	0
Priority Distribution to Nonprofit GP	10,000	10,000	10,000	10,000	10,000	10,000
Resident Services Budget	75,000	75,000	75,000	75,000	75,000	75,000
Asset Management Fee to GP	14,106	14,600	15,111	15,640	16,187	16,753
Incentive Management Fee to GP	518,334	536,923	555,360	573,626	591,697	609,550
Add'l Incentive Fee to GP	0	0	0	0	0	0
Transfer of Funds to (from) Project Budget	0	0	0	0	0	0
NET PARTNERSHIP CASH FLOW	57,593	59,658	61,707	63,736	65,744	67,728
Residual Allocation to Limited Partner (99.99%)	57,586	59,651	61,700	63,729	65,737	67,720
Allocation to General Partner (0.01%)	6	7	7	7	7	7
DEBT COVERAGE RATIO	1.58	1.60	1.62	1.64	1.65	1.67
Annual Escalator for Income Items (except IRP):	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Annual Escalator for Expense Items and Priority Fees:	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Annual Escalator for Real Property Taxes:	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Annual Escalator for Replacement Reserves:	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

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PERMANENT LOAN #1

	2019 (4 months)	2020	2021	2022	2023	2024	2025	2026	2027	2028
PERMANENT LOAN #1										
Beginning Balance	21,000,000	21,000,000	21,000,000	20,872,442	20,480,129	20,072,930	19,650,280	19,211,593	18,756,261	18,283,651
Debt Service Payments	270,517	811,550	938,514	1,192,443	1,192,443	1,192,443	1,192,443	1,192,443	1,192,443	1,192,443
<i>Consisting of:</i>										
Interest (bond coupon rate) @ 3.73%	261,100	783,300	782,707	771,880	756,994	741,543	725,506	708,860	691,583	673,650
Credit Enhancement Fees	0	0	0	0	0	0	0	0	0	0
Issuer Fee @ 12.5 bps	8,750	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250
Trustee Fees @ \$2,000/year	667	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Principal (30-year amortization)	0	0	127,558	392,313	407,199	422,650	438,687	455,333	472,610	490,543
Ending Balance	21,000,000	21,000,000	20,872,442	20,480,129	20,072,930	19,650,280	19,211,593	18,756,261	18,283,651	17,793,108
PERMANENT LOAN #2 (NONE)										
Beginning Balance	0	0	0	0	0	0	0	0	0	0
Debt Service Payments	0	0	0	0	0	0	0	0	0	0
<i>Consisting of:</i>										
Interest (bond coupon rate)	0	0	0	0	0	0	0	0	0	0
Credit Enhancement Fees	0	0	0	0	0	0	0	0	0	0
Issuer Fee	0	0	0	0	0	0	0	0	0	0
Principal	0	0	0	0	0	0	0	0	0	0
Ending Balance	0	0	0	0	0	0	0	0	0	0
PERMANENT LOAN #3 (NONE)										
Beginning Balance	0	0	0	0	0	0	0	0	0	0
Debt Service Payments	0	0	0	0	0	0	0	0	0	0
<i>Consisting of:</i>										
Interest	0	0	0	0	0	0	0	0	0	0
Principal	0	0	0	0	0	0	0	0	0	0
Ending Balance	0	0	0	0	0	0	0	0	0	0
DEFERRED DEVELOPER FEE										
Beginning Balance	26,056	26,056	26,056	26,056	0	0	0	0	0	0
Payments from Disbursed Reserves	0	0	0	0	0	0	0	0	0	0
Payments from Operations	0	0	0	26,624	0	0	0	0	0	0
<i>Consisting of:</i>										
Interest @ 4.00%	0	0	0	568	0	0	0	0	0	0
Principal	0	0	0	26,056	0	0	0	0	0	0
Ending Balance	26,056	26,056	26,056	0	0	0	0	0	0	0
RESERVE ACCOUNTS										
Beginning Balance	0	0	517,000	525,050	525,050	525,050	525,050	525,050	525,050	525,050
Deposits to Reserve Accounts										
Deposits (from debt or equity sources)	0	517,000	0	0	0	0	0	0	0	0
Deposits (from operations)	0	0	8,050	49,749	51,490	53,292	55,158	57,088	59,086	61,154
Total Deposits	0	517,000	8,050	49,749	51,490	53,292	55,158	57,088	59,086	61,154
Withdrawals from Reserve Accounts										
Withdrawals (for capital replacements)	0	0	0	-49,749	-51,490	-53,292	-55,158	-57,088	-59,086	-61,154
Withdrawals (to purchase interest rate cap)	0	0	0	0	0	0	0	0	0	0
Withdrawals (to reduce developer loan)	0	0	0	0	0	0	0	0	0	0
Withdrawals (as additional incentive fee)	0	0	0	0	0	0	0	0	0	0
Total Withdrawals	0	0	0	-49,749	-51,490	-53,292	-55,158	-57,088	-59,086	-61,154
Interest Earned @ 0.00%	0	0	0	0	0	0	0	0	0	0
Ending Balance	0	517,000	525,050	525,050	525,050	525,050	525,050	525,050	525,050	525,050

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Loan Amortization and Cash Reserves

	2029	2030	2031	2032	2033	2034
PERMANENT LOAN #1						
Beginning Balance	17,793,108	17,283,951	16,755,476	16,206,947	15,637,605	15,046,660
Debt Service Payments	1,192,443	1,192,443	1,192,443	1,192,443	1,192,443	1,192,443
Consisting of:						
Interest (bond coupon rate) @ 3.73%	655,037	635,717	615,665	594,851	573,248	550,825
Credit Enhancement Fees	0	0	0	0	0	0
Issuer Fee @ 12.5 bps	26,250	26,250	26,250	26,250	26,250	26,250
Trustee Fees @ \$2,000/year	2,000	2,000	2,000	2,000	2,000	2,000
Principal (30-year amortization)	509,156	528,476	548,529	569,342	590,945	613,368
Ending Balance	17,283,951	16,755,476	16,206,947	15,637,605	15,046,660	14,433,291
PERMANENT LOAN #2 (NONE)						
Beginning Balance	0	0	0	0	0	0
Debt Service Payments	0	0	0	0	0	0
Consisting of:						
Interest (bond coupon rate)	0	0	0	0	0	0
Credit Enhancement Fees	0	0	0	0	0	0
Issuer Fee	0	0	0	0	0	0
Principal	0	0	0	0	0	0
Ending Balance	0	0	0	0	0	0
PERMANENT LOAN #3 (NONE)						
Beginning Balance	0	0	0	0	0	0
Debt Service Payments	0	0	0	0	0	0
Consisting of:						
Interest	0	0	0	0	0	0
Principal	0	0	0	0	0	0
Ending Balance	0	0	0	0	0	0
DEFERRED DEVELOPER FEE						
Beginning Balance	0	0	0	0	0	0
Payments from Disbursed Reserves	0	0	0	0	0	0
Payments from Operations	0	0	0	0	0	0
Consisting of:						
Interest @ 4.00%	0	0	0	0	0	0
Principal	0	0	0	0	0	0
Ending Balance	0	0	0	0	0	0
RESERVE ACCOUNTS						
Beginning Balance	525,050	525,050	525,050	525,050	525,050	525,050
Deposits to Reserve Accounts						
Deposits (from debt or equity sources)	0	0	0	0	0	0
Deposits (from operations)	63,295	65,510	67,803	70,176	72,632	75,174
Total Deposits	63,295	65,510	67,803	70,176	72,632	75,174
Withdrawals from Reserve Accounts						
Withdrawals (for capital replacements)	-63,295	-65,510	-67,803	-70,176	-72,632	-75,174
Withdrawals (to purchase interest rate cap)	0	0	0	0	0	0
Withdrawals (to reduce developer loan)	0	0	0	0	0	0
Withdrawals (as additional incentive fee)	0	0	0	0	0	0
Total Withdrawals	-63,295	-65,510	-67,803	-70,176	-72,632	-75,174
Interest Earned @ 0.00%	0	0	0	0	0	0
Ending Balance	525,050	525,050	525,050	525,050	525,050	525,050

Wesley Terrace

Inputs and Assumptions - 1

Accrued Interest and Fees Paid to Affiliates: Can Deduct?

Acquisition Price

Seller's Asking Price

Additional Equity:

Annual Escalators (years 4-16)

Income

Expenses

Property Taxes

Replacement Reserves

Applicable Fraction

Applicable Percentage

30% PV

70% PV

Month

Per Capita Allocation Required?

Area Identification:

AMGI (Area Median Gross Income)

County or MSA

Commercial and "Other" Income

Carports

Garages/Structured Parking

Laundry, Tenant Fees, Forfeited Deposits

NNN Rent on Commercial Space

Cost Segregation:

Personal Property Acquired at Closing (part of purchase price)

Personal Property Added, per Unit

Site Improvements Acquired at Closing (% of acquisition improvements)

Credit Application

Applicable Percentage

Credit Reservation Amount

Total Qualified Basis per Application

DDA or QCT?

Employee/Common Units, impute rent?

Income and Rent Set-Asides:

Market Rate

Restricted, First Tier

Restricted, Second Tier

Restricted, Third Tier

Ineligible Grants or Loans (\$)

Interest Reduction Payment (IRP)

Annual IRP

Last IRP Month

Limited Partner, Allocations and Distributions:

Profits and Losses

Cash from Operations (residual)

Proceeds from Sale or Refinance

Utilize Capital Deficit Restoration Provision?

Utilize Minimum Gain Chargeback Provision?

Zero Out Reversion Proceeds from Yield Calculation?

If Exit Tax Only: Gross Up to Include One Tax Iteration?

Loan Assumptions:

Deferred Developer Fee: Amortize or Cash Flow?

Deferred Developer Fee: Amortization Period, in months

Deferred Developer Fee: Interest Rate

Deferred Developer Fee: Subordinate to GP's Asset Management Fee?

Deferred Developer Fee: Subordinate to Perm Loan #3?

Interest-Only Prior to Conversion for Perm Loan #1?

Interest-Only Prior to Conversion for Perm Loan #2?

Issuer Fee on Amortized Loan Balance?

Perm Loan #1: Amortize at Underwriting Rate?

Minimum BMA for Underwriting Rate

Underwriting Spread

Perm Loan #1: Illustrate at Actual Rate or Underwriting Rate?

No

\$12,000,000

\$12,000,000

\$3,774,550

2.50%

3.50%

2.00%

3.00%

98%

3.25%

9.00%

May 2019

No

\$107,000

San Diego, CA

Number or SF Per Month

0 \$0.00

0 \$0.00

\$2.43

1 \$0.00

\$1,286,636

\$0

1.42%

3.32%

\$0

\$0

No

No

% of Project

0%

% of AMGI

60%

Utility Allowances

No

HAP Overhang

No

90%

60%

No

No

0%

60%

No

No

10%

50%

No

No

\$0

\$0

Mar-2017

99.99%

99.99%

10.00%

Yes

Yes

Yes

No

Cash Flow

184

4.00%

No

No

Yes

No

No

3.75%

0.00%

Actual

Wesley Terrace

Inputs and Assumptions - 2

Loan Assumptions (continued):

Perm Loan #3: Percent of Cash Flow Allocable to Loan Payments

50%

Perm Loan #3: Recourse or Nonrecourse (affects minimum gain calculation page 12.1)?

Nonrecourse

Reserve all Construction Loan Interest at Closing?

No

Section 266ii Election to Capitalize All Interest Prior to PIS?

No

Partnership Level Fees & Reserves

		Payable to:	Rate/Factor	Reference	Fixed \$
1st Tier	Compliance Monitoring Fee	State of CA	\$150	per L/I unit	
2nd Tier	Priority Distribution to LP	Limited Partner			\$7,500
3rd Tier	Annual Deposit to Operating Reserves	Reserves			\$0
4th Tier	Priority Distribution to Nonprofit GP	Nonprofit GP			\$10,000
5th Tier	Resident Services Budget	Res. Services			\$75,000
6th Tier	Asset Management Fee to GP	General Partner	0.00%	of EGI	\$10,000
7th Tier	Incentive Management Fee to GP	General Partner	90.00%	of cash flow	
8th Tier	Add'l Incentive Fee to GP	General Partner	0.00%	of cash flow	

Lease-Up Achievement Fee (displaces Developer Fee during lease-up period)

Percent of Lease-Up Cash Flow

0.00%

Duration (months)

0

Escalator for Fixed-Dollar Priority Distributions

3.50%

Cap on Incentive Management Fee to GP (6th Tier, cap as percent of cash flow)

None

Priority Distribution to LP, delay start until conversion?

No

Project Identification:

Name

Wesley Terrace

Location (City)

San Diego

Location (State)

California

Version

Draft #6

Real Property Taxes:

Current Annual Taxes

\$0

Current Assessed Value

\$0

Current Tax Year

2016

Increase Assessed Value to Purchase Price?

Yes

Real Property Tax Abatement, Percent Abated

95%

Reserves:

Debt Service Reserve, Build Up 6-Month FNMA Reserve Over 10 Years?

No

Debt Service Reserve, Interest on

0.00%

Interest Rate Cap Reserve, Term of (years)

0

Operating Reserves, Equity Installment Funded From

Fifth

Operating and Replacement Reserves, Interest on

0.00%

Operating Reserves, Release of

Year Released Percent Released

First Portion

2.026 100%

Second Portion

0 0%

Third Portion

0 0%

Fourth Portion

0 0%

Replacement Reserves, Commence at Conversion? ("No" = commence at closing)

Yes

Reversion Assumptions:

Capitalization Rate

5.00%

Preference to Limited Partner

\$0

Preference to General Partner

\$0

Selling Costs

3.0%

State Tax Credits

Utilize State Credits?

No

Annual or Total?

Annual

State Credits as Percent of Federal

100%

Offset State Credits Against Federal Income?

Yes

Years Over Which Credits Taken

10

Tax Assumptions:

Marginal Rate

35.00%

State

Generic

Utility Allowances

Source of

Master Metered

Dated

TBD

ATTACHMENT 6
HOUSING COMMISSION MULTIFAMILY
HOUSING REVENUE BOND PROGRAM
SUMMARY

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

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

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

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

Approval Process:

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

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

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

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

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

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

June 24, 2019

Ms. Tina Kessler
San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, California 92101

RE: Wesley Terrace Apartments

Dear Ms. Kessler:

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

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

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

CURRENT PROJECT STATUS AND THE PROPOSED PROJECT

The Project will consist of the rehabilitation of an existing 161-unit property (the "Property") located at 5343 Monroe Avenue, San Diego, California (the "Site"). The Developer proposes to rehabilitate the Property. Rehabilitation of the Project will be financed, from among other sources, equity raised from the sale of 4% low-income housing tax credits and tax-exempt debt issued by the Housing Authority of the City of San Diego (the "Housing Authority").

159 units (i.e., excluding two managers' units), will be subject to affordability restrictions as further described herein.

The Project was originally financed with an FHA loan under its 236 program. The Project currently is subject to a housing assistance payments (“HAP”) Section 8 contract and Use Agreement covering 159 units¹. The HAP contract rents will be “marked-to-market” and assigned to the new Project owner. The Project is currently owned by Wesley Development, Inc, a California non-profit corporation.

In 2000, the Commission funded a loan in the amount of \$190,000 in order to fund rehabilitation/repairs at the Project. The loan was repaid in August, 2012; however certain regulatory restrictions in connection with the Commission’s loan remain in effect until August 23, 2021.

On April 23, 2019, the Housing Authority approved a resolution evidencing its official intent to conduct a tax-exempt issuance in the not-to-exceed amount of \$24,000,000 for the Project. The resolution also approved submittal of the application to the California Debt Limit Allocation Committee (“CDLAC”).

On April 23, 2019, the City Council held a public hearing (“TEFRA”) required pursuant to Section 147(f) of the Internal Revenue Code for tax-exempt issuances. The City Council approved the resulting approving resolution on April 26, 2019. The TEFRA hearing remains valid for a period of one year.

On May 17, 2019, the Housing Authority submitted an application to CDLAC for \$22,000,000 in tax-exempt private activity issuance authority for the Project.

Based on the May 17, 2019, application, CDLAC would be expected to consider the application at its scheduled July 17, 2019 Allocation Meeting.

THE PROPOSED FINANCING

The Developer proposes that the Housing Authority issue up to \$22,000,000 in a tax-exempt “Tax-Exempt Note”² (the “Note”). The issuance of the Notes would occur under a single Funding Loan Agreement.

¹ The HAP contract actually covers 160 units; however, because California law requires two manager’s units for a development of this number of units, one of these 160 units will be a manager’s unit and excluded from the requirements of the HAP and Use Agreement.

² The financing would occur through the issuance of tax-exempt “Notes” under a “Back-to-Back” loan structure. The Back-to-Back structure and a bond issuance structure with an Indenture are functionally equivalent. In the Back-to-Back Structure, a Bank Loan Agreement (between the Lender, Issuer and the Fiscal Agent) replaces the Indenture and a Borrower Loan Agreement (between the Issuer and the Borrower) replaces the Loan Agreement from an Indenture.

The Developer proposes that Citibank serve as the lender/initial bond purchaser. Within 30 days of closing, the Note will be purchased from Citibank by Freddie Mac under its “TEL” (i.e., tax exempt loan) program. Citibank will be the initial purchaser of Note issued by the Housing Authority in a not-to-exceed amount of \$22,000,000.

According to projections provided by the Developer, the total development cost, including the cost of reserves purchased pursuant to the acquisition price, totals approximately \$32,937,500.

The financing is structured as an “immediate funding” i.e., as essentially as an immediate permanent loan. However, the Citibank commitment identifies an “Initial Construction Period” of 24 months during which time interest on the loan shall accrue on an interest-only basis; and a subsequent “Permanent Loan Term” equal to 17 years (from Closing), the commencement of which marks the beginning of principal amortization. Certain conditions must be met at least 90 days before the end of the Initial Construction Period before conversion to the Permanent Loan Term can occur.

Wesley Terrace : Permanent Source Summary

	<u>Permanent</u>
Tax-Exempt Note	\$21,000,000
Tax Credit Equity	\$7,614,400
Purchased Reserves	\$3,997,000
Cash From Operations	\$300,000
Deferred Developer Fee	<u>\$26,100</u>
	\$32,937,500

Wesley Terrace : Permanent Use Summary

	<u>Permanent</u>
Land/Acquisition	\$12,000,000
Construction	\$12,640,500
Construction Contingency	\$1,213,300
Developer Fee	\$3,260,000
Operating Reserve	\$517,000
Initial/Existing Replacement Reserve	\$222,500
Other Reserves	\$1,200,000
Capitalized Interest	\$300,000
Other Hard and Soft Costs	<u>\$1,584,200</u>
	\$32,937,500

structure. A “Fiscal Agent” replaces the Trustee. Certain lenders prefer the Back-to-Back structure in order to obtain beneficial treatment under the Community Reinvestment Act.

Ownership

The Project will be owned by Wesley Terrace Partners, a California limited partnership (the “Borrower”). Wesley Terrace Management, LLC and Wesley Developments (a California non-profit corporation) will comprise the Borrower’s general partner. An affiliate of Boston Financial, the tax credit investor, will serve as the investor limited partner.

Tax-Exempt Note Structure and Credit Enhancement

Construction Loan

The Developer proposes that the Housing Authority issue up to \$22,000,000 in a Tax-Exempt Note in order to finance the acquisition and rehabilitation of the Project.

The Note would be unrated, without credit enhancement, and would be purchased by Citibank on a private placement basis. However, within 30 days of Closing, Citibank expects to sell the Note to Freddie Mac under its TEL program. Solely revenues pledged under the Funding and Borrower Loan Agreements will secure the payment of principal and interest to the Noteholder.

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

The Initial Construction Period would be 24 months. The Citibank commitment indicates a preliminary interest rate of 4.50%. This same interest rate would be applicable during the Permanent Loan Term. Payments during the Initial Construction Period would be interest-only.

Permanent Loan

Upon satisfaction of certain conditions within 90 days of the end of the Initial Construction Period, the loan will converting to the Permanent Loan Term and commence amortization of principal and interest.

Per the Citibank commitment letter, the Permanent Loan Term would extend 17 years from *Closing*. Principal and interest payments would be based on a 35-year fully amortizing schedule. The interest rate would be the same as that in effect during the Initial Construction Period.

Projected Issuance Date

The Developer proposes that the Housing Authority issue the Notes on or about August 12, 2019. CDLAC has not yet provided an allocation; however, if an allocation is received on the expected Allocation Meeting date of July 17, 2019, the anticipated allocation expiration date would be approximately January 13, 2020.

Commission Financial Involvement

The Commission has no existing loans on the property and has no other financial involvement.

Affordability Restrictions

The Project is subject to the following *existing and continuing* regulatory restriction:

<u>Source of Restriction</u>	<u>Restriction</u>	<u>Expiration Date</u>
HUD Section 8 HAP Use Agreement (existing)	159 units at 80% AMI	2042
San Diego Housing Commission	32 units at 50%AMI; 128 units at 65% AMI	2021

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

<u>Source of Restriction</u>	<u>Restriction</u>	<u>Expiration Date</u>
California Tax Credit Allocation Committee (expected, new)	17 units at 50% AMI; 142 units at 60% AMI	2074
Tax-Exempt Bond (expected, new)	17 units at 50% AMI; 142 units at 60% AMI	2074

These new and existing restrictions are overlapping, inclusive restrictions, and apply to the same units where applicable. Overall, the most restrictive restrictions and for the longest term will apply.

PROJECT'S PROJECTED FINANCIAL STATUS

Under the proposed financing according to information provided by the Developer and analysis by CSG annual debt service on the maximum senior

loan (assuming Citibank's underwriting rate of 4.50%) would total approximately \$1,192,607. According to preliminary information provided by the Developer and analysis by CSG, stabilized annual cash flow (before reserves) after construction and lease-up (including Issuer fees) would total approximately \$560,281 at a debt coverage ratio (DCR) of 1.47. Cash flow after reserves would total approximately \$509,039 at a DCR of 1.43. The Citibank debt coverage minimum is 1.20.

THE BENEFITS AND RISKS TO THE COMMISSION

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

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

As proposed, the financing will maintain and extend the affordability of 159 units. These units will remain long-term affordable for an additional 55 years.

If the Authority issues the Notes, the Commission would receive a fee at closing of 0.25% of the issue amount (approximately \$52,500) and an annual fee equal to the greater of \$10,000 and 0.125% of the outstanding Notes.

PUBLIC PURPOSE

The proposed financing will result in maintaining and extending the affordability of 159 housing units in the City of San Diego. The proposed financing will result in *new* CDLAC and CTCAC regulatory restrictions as follows:

- 17 units will be restricted to households earning 50% of AMI or less;
- 142 units will be restricted to households earning 60% of AMI or less.

These new restrictions will be in effect for 55 years.

NEGOTIATION OF ADDITIONAL PUBLIC BENEFIT

As noted above, the financing will result in long-term affordability restrictions on 159 units within the Project.

RECOMMENDATIONS

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

- The financing will maintain and extend the affordability on 159 units in the City of San Diego with long-term affordability covenants.
- The Commission expects to receive tax-exempt authority of \$22,000,000 from CDLAC for the Project.
- Citibank, Freddie Mac, and Boston Financial are currently underwriting the Project.
- The Commission will not be responsible for costs of issuance. The Commission will receive an issuance fee at closing of approximately \$52,500, and a long-term annual fee equal to the greater of \$10,000 and 0.125% the outstanding Notes.
- The net Tax-Exempt Note financing and tax credit equity will provide approximately \$7,614,000 for development costs.

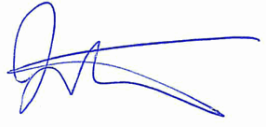
Contingent Items

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

- As of this writing, neither Citibank, Freddie Mac, or Boston Financial have provided final credit approval for the financing. The tax-exempt Notes cannot be issued without these final approvals.
- The Commission must have received an allocation of tax-exempt authority from CDLAC specifically for the Project. That allocation is expected to be provide by CDLAC at its July 17, 2019 Allocation Meeting
- Final Notes documents and approving resolution must be approved by the Housing Authority.

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

Sincerely,
CSG Advisors



John Hamilton

Exhibit A

Wesley Terrace

date of rev:

6/21/19

Long-Term Tax-Exempt Loan Loan

	Tranche A	Tranche B	Total
Principal Amount ¹	\$ 21,000,000	\$ -	\$ 21,000,000
Mortgage Rate ¹	4.500%	0.000%	
Amortization Term (yrs) ²	35	0	
Underwriting Monthly Debt Service	\$ 99,384	\$ -	\$ 99,384
Underwriting Annual Debt Service	\$ 1,192,607	\$ -	\$ 1,192,607

¹ Source: Citi Commitment Letter May 9, 2019

² Per Citi Commitment Letter May 9, 2019

Post Financing Operations Analysis ¹

Income				Stabilized Year				
				1	2	3	4	5
Gross Tax Credit Rental Income ²	2.50% Inflation			\$ 2,832,789	\$ 2,903,609	\$ 2,976,199	\$ 3,050,604	\$ 3,126,869
Commercial Income	2.50% Inflation			\$ -	\$ -	\$ -	\$ -	\$ -
Manager's Unit	2.50% Inflation			\$ -	\$ -	\$ -	\$ -	\$ -
Other Income	2.50% Inflation			\$ 4,988	\$ 5,113	\$ 5,241	\$ 5,372	\$ 5,506
Gross Potential Income				\$ 2,837,777	\$ 2,908,721	\$ 2,981,439	\$ 3,055,975	\$ 3,132,375
Vacancy Collection Loss ³	5.00%			(141,889)	(145,436)	(149,072)	(152,799)	(156,619)
Effective Gross Income				\$ 2,695,888	\$ 2,763,285	\$ 2,832,367	\$ 2,903,177	\$ 2,975,756
Expenses								
Operating Expenses	3.50% Inflation			\$ (910,451)	\$ (942,316)	\$ (975,297)	\$ (1,009,433)	\$ (1,044,763)
RE Taxes	2.00% Inflation			\$ -	\$ -	\$ -	\$ -	\$ -
Service Coordinator	0.00% Inflation			\$ -	\$ -	\$ -	\$ -	\$ -
Issuer Fee	\$ 10,000 min	0.125%		\$ (26,250)	\$ (26,250)	\$ (26,250)	\$ (26,250)	\$ (26,250)
Trustee Fee ⁴	\$ 3,000 min	0.030%		\$ (6,300)	\$ (6,300)	\$ (6,300)	\$ (6,300)	\$ (6,300)
Total Expenses				\$ (943,001)	\$ (974,866)	\$ (1,007,847)	\$ (1,041,983)	\$ (1,077,313)
Net Operating Income				\$ 1,752,888	\$ 1,788,419	\$ 1,824,520	\$ 1,861,194	\$ 1,898,443
Required Debt Service								
Senior								
Real Estate Loan				\$ (1,192,607)	\$ (1,192,607)	\$ (1,192,607)	\$ (1,192,607)	\$ (1,192,607)
Cash Flow before Reserves				\$ 560,281	\$ 595,812	\$ 631,913	\$ 668,587	\$ 705,836
Debt Coverage Ratio Before Reserves				1.47	1.50	1.53	1.56	1.59
Reserves ⁵	300 per unit	3% Inflation		\$ (51,241)	\$ (52,266)	\$ (53,312)	\$ (54,378)	\$ (55,465)
Cash Flow After Reserves				\$ 509,039	\$ 543,546	\$ 578,602	\$ 614,209	\$ 650,371
Overall Debt Coverage Ratio (DCR)				1.43	1.46	1.49	1.52	1.55
Cash Flow Including Commercial Income				509,039	543,546	578,602	614,209	650,371
Debt Coverage Ratio Including Commercial Income				1.43	1.46	1.49	1.52	1.55

¹ Source: Per Developer Projections

² Per Developer projections. Stabilized Year 2022

³ Of Gross Potential Income.

⁴ Estimate

⁵ Per Developer projections; required by Equity LOI. Inflated to stabilized Year (2 yrs)

Exhibit A

Wesley Terrace Permanent Sources and Uses of Funds ¹

Sources

Tax Exempt Note	\$	21,000,000
Tax Credit Equity	\$	7,614,400
Purchased Reserves ²	\$	3,997,000
Cash from Operations	\$	300,000
Deferred Developer Fee	\$	<u>26,100</u>
Total Sources	\$	32,937,500

Uses

Land and Acquisition Costs	\$	12,000,000
Construction Costs	\$	12,640,500
Construction Contingency	\$	1,213,300
Developer Fee	\$	3,260,000
Operating Reserve	\$	517,000
Initial (i.e. Existing) Replacement Reserve Deposit	\$	222,500
Other Reserves	\$	1,200,000
Capitalized Interest	\$	300,000
Other Hard and Soft Costs	\$	<u>1,584,200</u>
Total Uses	\$	32,937,500

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

² Includes initial/existing Replacement Reserve

HOUSING AUTHORITY OF
THE CITY OF SAN DIEGO

RESOLUTION NUMBER HA-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO AUTHORIZING THE ISSUANCE OF A MULTIFAMILY HOUSING REVENUE NOTE IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$22,000,000 FOR THE PURPOSE OF FINANCING THE ACQUISITION, REHABILITATION AND EQUIPPING OF A MULTIFAMILY RENTAL HOUSING FACILITY KNOWN AS WESLEY TERRACE, AND APPROVING OTHER RELATED DOCUMENTS AND ACTIONS.

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

WHEREAS, Wesley Terrace Partners, LP, a California limited partnership (Borrower), has requested that the Authority borrow funds and loan the funds to the Borrower to finance the acquisition, rehabilitation and equipping by the Borrower of a multifamily residential rental housing facility (Project) to be known as Wesley Terrace, to consist of 161 apartment units located at 5343 Monroe Avenue, San Diego, CA 92115, in the City of San Diego; and

WHEREAS, the Board of Commissioners of the Authority (Board) desires that a portion of the units in the Project be available for low and very low-income persons or families, and in order to accomplish such purpose it is desirable for the Authority to provide for the issuance of a revenue note to finance costs of the acquisition, rehabilitation and equipping of the Project; and

WHEREAS, the Authority intends to issue its Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Wesley Terrace), 2019 Series C (or such other series designation as approved by a hereinafter defined Designated Officer) (Note) in an aggregate principal amount not to exceed \$22,000,000, which Note is expected to be purchased by Citibank, N.A. (Purchaser) in a private placement to the Purchaser; and

WHEREAS, the Authority will loan the proceeds of the Note to the Borrower (Mortgage Loan) and the Borrower will use the proceeds of the Note to finance costs of the acquisition, rehabilitation and equipping of the Project and the costs of issuing the Note; and

WHEREAS, the City Council of the City of San Diego, by its Resolution No. R-312438, with a date of final passage of April 26, 2019, approved the issuance by the Authority of the Note, after publication of a “TEFRA” notice on April 11, 2019 and the holding on April 23, 2019 of a “TEFRA” hearing, as required by the Internal Revenue Code of 1986, as amended and applicable United States Treasury Regulations; and

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

WHEREAS, CDLAC has allocated to the Project \$22,000,000 of the State of California 2019 State ceiling for private activity bonds under section 146 of the Internal Revenue Code of 1986; and

WHEREAS, the following documents are presented for consideration;

(1) the form of Funding Loan Agreement (Funding Loan Agreement), by and among the Authority, the fiscal agent to be named therein acceptable to a Designated Officer (Fiscal Agent), and Citibank, N.A., including the related form of the Note; and

(2) the form of Project Loan Agreement (Project Loan Agreement), by and among the Authority, the Fiscal Agent and the Borrower; and

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

(4) the form of Assignment of Security Instrument (Assignment) by the Authority in favor of the Fiscal Agent; and

WHEREAS, it appears that each of the above-referenced documents is in appropriate form and is an appropriate instrument for the purposes intended; NOW, THEREFORE,

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

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

Section 2. Authorization of Note. For the purpose of financing the acquisition, rehabilitation and equipping of the Project, the Authority hereby approves the issuance of the Note in an aggregate principal amount not to exceed \$22,000,000. The Note shall be issued in the principal amount, and shall bear interest and mature as provided in the Funding Loan Agreement. The Note shall be in substantially the form set forth in the Funding Loan Agreement, with such appropriate variations, omissions, insertions and provisions as are required or permitted by the Funding Loan Agreement. The Note shall be a special, limited obligation of the Authority and shall be payable as to principal and interest, and the obligations of the Authority

under the Funding Loan Agreement shall be paid and satisfied solely from the revenues, receipts and other moneys and assets pledged therefor under the Funding Loan Agreement.

Section 3. Execution and Delivery of the Note. The Note shall be executed on behalf of the Authority by the manual or facsimile signature of the Chairman of the Authority (Chairman), the Vice Chairman of the Authority (Vice Chairman), the Executive Director of the Authority (Executive Director), the Senior Vice President of Real Estate (Senior Vice President) of the San Diego Housing Commission (Housing Commission), the Vice President of Real Estate Finance and Program Development of the Housing Commission (Senior Director), or the Chief Operating Officer of the Housing Commission (COO), and the official seal of the Authority, or a facsimile thereof, shall be impressed or imprinted thereon and attested with the manual or facsimile signature of the Secretary or a Deputy Secretary of the Authority.

Section 4. Approval of the Funding Loan Agreement. The Funding Loan Agreement, in the form on file in the Housing Commission offices, is hereby approved. The Chairman, the Vice Chairman, the Executive Director, the Senior Vice President, the Senior Director, the COO and the Secretary or a Deputy Secretary of the Authority, or the designee of any such officer (such officers and any of his or her respective designees are hereinafter referred to as the Designated Officers and each, a Designated Officer) are each hereby authorized to execute and deliver the Funding Loan Agreement in such form, together with such changes as may be approved by the Designated Officer executing the same, upon consultation with the General Counsel to the Authority, such execution thereof to constitute conclusive evidence of the approval of all changes from the form of the Funding Loan Agreement approved at this meeting.

Section 5. Approval of Project Loan Agreement. The Project Loan Agreement, in the form on file in the Housing Commission offices, is hereby approved. The Designated Officers

are each hereby authorized to execute and deliver the Project Loan Agreement in such form, together with such changes as may be approved by the Designated Officer executing the same, upon consultation with the General Counsel to the Authority, such execution thereof to constitute conclusive evidence of the approval of all changes from the form of the Project Loan Agreement approved at this meeting.

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

Section 7. Approval of Assignment. The Assignment, in the form on file in the Housing Commission offices, is hereby approved. The Designated Officers are each hereby authorized to execute and deliver the Assignment in such form, together with such changes as may be approved by the Designated Officer executing the same, upon consultation with the General Counsel to the Authority, such execution thereof to constitute conclusive evidence of the approval of all changes from the form of the Assignment approved at this meeting.

Section 8. Actions Ratified and Authorized. All actions heretofore taken by the officers, employees and agents of the Authority with respect to the issuance and sale of the Note are hereby approved, confirmed and ratified, and the Designated Officers are each hereby authorized, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements (including a tax

agreement or no arbitrage certificate) and other documents, including but not limited to those described in any of the documents approved by this Resolution, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Note and the making of the mortgage loan pursuant to the Project Loan Agreement in accordance with the Act and this Resolution.

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

Section 10. Conflicting Resolutions Repealed. All resolutions or parts thereto in conflict herewith are, to the extent of such conflict, hereby repealed.

Section 11. Severability. If any section, paragraph or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any remaining provisions of this Resolution.

Section 12. Effective Date. This Resolution shall take effect immediately upon its adoption.

APPROVED: MARA W. ELLIOTT, City Attorney

By _____
Marguerite E. Middaugh
Deputy City Attorney

MEM:sc:jvg
07/15/19
Or.Dept: Housing Authority
Doc. No.: 2053400

HOUSING AUTHORITY OF
THE CITY OF SAN DIEGO

RESOLUTION NUMBER HA-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO DETERMINING THAT THE ACQUISITION AND REHABILITATION OF WESLEY TERRACE IS CATEGORICALLY EXEMPT FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT PURSUANT TO TITLE 14 CALIFORNIA CODE OF REGULATIONS SECTION 15301.

WHEREAS, the Housing Authority of the City of San Diego (Authority) is considering authorizing the issuance of tax-exempt multifamily housing revenue notes, and entering into related agreements, to provide funding for the acquisition and rehabilitation of the residential rental housing facility known as “Wesley Terrace,” consisting of 161 apartment units located at 5343 Monroe Avenue in the City of San Diego (Project); and

WHEREAS, the California Environmental Quality Act (CEQA), California Public Resources Code (Code) sections 21000 – 21189.3, provides in section 21083 that the California Office of Planning and Research shall promulgate and the Secretary of the California Natural Resources Agency shall adopt guidelines for implementation of CEQA; and

WHEREAS, the California Office of Planning and Research promulgated and the Secretary of the California Natural Resources Agency adopted the guidelines for implementation of CEQA set forth in Title 14 California Code of Regulations sections 15000 – 15387 (CEQA Guidelines); and

WHEREAS, Code section 21084 provides that the CEQA Guidelines shall include a list of classes of projects that have been determined not to have a significant effect on the environment and are exempt from the provisions of CEQA; and

WHEREAS, CEQA Guidelines sections 15300 – 15333 list classes of projects that have been determined not to have a significant effect on the environment and declared to be exempt from preparation of environmental documents under CEQA; and

WHEREAS, the Authority has considered the written record regarding the Project and any public comments concerning the potential environmental effects of the Project; and

WHEREAS, the Authority, using its independent judgment, has determined that the Project is categorically exempt from the provisions of CEQA pursuant to CEQA Guidelines section 15301 for Class 1 Existing Facilities; and

WHEREAS, no exception to the application of a categorical exemption set forth in CEQA Guidelines section 15300.2 applies to the Project; NOW, THEREFORE,

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

1. The Project is categorically exempt from the provisions of CEQA pursuant to CEQA Guidelines section 15301 for Class 1 Existing Facilities.
2. No exception to the application of a categorical exemption set forth in CEQA Guidelines section 15300.2 applies to the Project.

3. The Secretary of the Authority, or designee, is directed to file a Notice of Exemption in accordance with CEQA with the Clerk of the Board of Supervisors for the County of San Diego regarding the Project.

APPROVED: MARA W. ELLIOTT, General Counsel

By: _____
Marguerite E. Middaugh
Deputy General Counsel

MEM:jdf:jvg
07/03/19
Or.Dept: Housing Authority
Doc. No.: 2044721

FUNDING LOAN AGREEMENT

among

**CITIBANK, N.A.,
as Initial Funding Lender**

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

and

**[NAME OF FISCAL AGENT],
as Fiscal Agent**

Relating to

**Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(Wesley Terrace Apartments),
2019 Series C**

**Wesley Terrace Apartments
5343 Monroe Ave., San Diego CA**

Original Funding Loan Principal Amount: \$22,000,000

Dated as of August 1, 2019

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FUNDING LOAN AGREEMENT

THIS FUNDING LOAN AGREEMENT (this “**Funding Loan Agreement**”), is made and entered into as of August 1, 2019, by and among **CITIBANK, N.A.**, in its capacity as Initial Funding Lender (the “**Initial Funding Lender**”), the **HOUSING AUTHORITY OF THE CITY OF SAN DIEGO** (the “**Governmental Lender**”), a public body corporate and politic, organized and existing under the laws of the State of California (the “**State**”), and **[NAME OF FISCAL AGENT]**, a [national banking association][state banking corporation], organized and operating under the laws of the [United States of America][State of _____], having a corporate trust office in [_____], as Fiscal Agent (the “**Fiscal Agent**”). Capitalized terms are defined in Section 1.01 of this Funding Loan Agreement.

RECITALS

A. Pursuant to Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code (the “**Act**”) and the Project Loan Agreement dated as of August 1, 2019 (the “**Project Loan Agreement**”) by and among the Governmental Lender, the Fiscal Agent and Wesley Terrace Partners, LP, a limited partnership duly organized and existing under the laws of the State of California (the “**Borrower**”), the Governmental Lender is agreeing to make a mortgage loan to the Borrower in the original principal amount of \$22,000,000 (the “**Project Loan**”) to provide for the financing of a multifamily rental housing development located at 5343 Monroe Ave., in San Diego, California known as Wesley Terrace (the “**Project**”).

B. The Governmental Lender is making the Project Loan to the Borrower with the proceeds received from the separate loan made to the Governmental Lender pursuant to this Funding Loan Agreement in the original principal amount of \$22,000,000 (the “**Funding Loan**” and together with the Project Loan, the “**Loans**”). The Funding Loan is being originated and funded by the Initial Funding Lender hereunder and is evidenced by the Multifamily Note dated [August __, 2019] in the form attached hereto as Exhibit A (together with all riders and addenda thereto, the “**Governmental Note**”) delivered by the Governmental Lender to the Initial Funding Lender.

C. The Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise (“**Freddie Mac**”), has entered into a commitment with the Initial Funding Lender dated August [__], 2019 (the “**Freddie Mac Commitment**”) whereby Freddie Mac has agreed to purchase the Funding Loan upon the date of satisfaction of the conditions set forth in the Freddie Mac Commitment (the “**Freddie Mac Purchase Date**”). On the Freddie Mac Purchase Date, the Initial Funding Lender will assign to Freddie Mac all of its rights and interest in the Governmental Note, this Funding Loan Agreement, the Continuing Covenant Agreement and the other Financing Documents (as such terms are herein defined).

D. The Borrower has agreed to use the proceeds of the Project Loan to finance the acquisition and rehabilitation of the Project.

E. The Borrower’s repayment obligations in respect of the Project Loan will be evidenced by a Project Note dated [August __, 2019] (together with all riders and modifications thereto, the “**Project Note**”) delivered to the Governmental Lender, which Project Note will be endorsed by the Governmental Lender to the Fiscal Agent as security for the Funding Loan.

F. To secure the Borrower's obligations under the Project Note, the Borrower will execute and deliver to the Governmental Lender a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (California) dated as of the date hereof (the "**Security Instrument**") with respect to the Project, which Security Instrument will be assigned by the Governmental Lender to the Fiscal Agent as security for the Funding Loan.

G. On and after the Freddie Mac Purchase Date, Freddie Mac will act as Funding Lender Representative with respect to the Loans (in such capacity and any successor in such capacity, the "**Funding Lender Representative**"). **Citibank, N.A.** (the "**Servicer**") will act as initial servicer for the Loans on behalf of the Funding Lender Representative.

H. The Borrower is also entering into a Continuing Covenant Agreement dated as of the date hereof with the Initial Funding Lender (the "**Continuing Covenant Agreement**"), which sets forth various other requirements with respect to the Project, and which agreement will be assigned to Freddie Mac on the Freddie Mac Purchase Date.

I. The Governmental Lender has determined that all things necessary to incur the Funding Loan and to make the Governmental Note, when executed by the Governmental Lender and authenticated by the Fiscal Agent and issued in accordance with this Funding Loan Agreement, the valid, binding and legal obligation of the Governmental Lender and to constitute this Funding Loan Agreement a valid lien on the properties, interests, revenues and payments herein pledged to the payment of the principal of, premium, if any, and interest on, the Governmental Note, have been duly taken, and the creation, execution and delivery of this Funding Loan Agreement and the execution and delivery of the Governmental Note, subject to the terms of this Funding Loan Agreement, have been duly authorized by the Governmental Lender.

J. The Fiscal Agent has the power and authority to enter into this Funding Loan Agreement, including corporate trust powers to accept the trusts hereunder and to accept and assume its other responsibilities hereunder as Fiscal Agent as evidenced by its execution of this Funding Loan Agreement.

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

ARTICLE I

DEFINITIONS

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

"*Act*" means Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code.

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

“Assignment” means the Assignment of Security Instrument dated as of the date hereof by the Governmental Lender assigning its interest in the Security Instrument to the Fiscal Agent.

“Authorized Officer” means (a) when used with respect to the Governmental Lender, the Chairman, Vice Chairman, or Executive Director of the Governmental Lender, Senior Vice President of Real Estate, Senior Director of Housing Finance and Program Development, or Chief Operating Officer of the Commission, or any person or persons designated to act on behalf of the Governmental Lender by a certificate filed with the Borrower, Funding Lender and Servicer, if any, containing the specimen signatures of such person or persons and signed on behalf of the Governmental Lender by its Chairman, Vice Chairman, or Executive Director of the Governmental Lender or Senior Vice President of Real Estate, Senior Director of Housing Finance and Program Development or Chief Operating Officer of the Commission, (b) when used with respect to the Borrower, any [] of the Borrower and such additional Person or Persons, if any, duly designated by the Borrower in writing to act on its behalf, (c) when used with respect to the Fiscal Agent, any authorized signatory of the Fiscal Agent, or any Person who is authorized in writing to take the action in question on behalf of the Fiscal Agent, (d) when used with respect to the Servicer, any Person or Persons duly designated by the Servicer in writing to act on its behalf, and (e) when used with respect to the Funding Lender Representative, any Person who is authorized in writing to take the action in question on behalf of the Funding Lender Representative.

“Bankruptcy Code” means Title 11 of the United States Code entitled “Bankruptcy,” as now and hereafter in effect, or any successor federal statute.

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

“Borrower” means Wesley Terrace Partners, LP, a limited partnership duly organized and existing under the laws of the State of California, or any of its permitted successors or assigns, as owner of the Project.

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

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

“Business Day” means any day other than (a) a Saturday or a Sunday, or (b) a day on which (i) banking institutions in the City of New York or in the city in which the Principal Office of the Fiscal Agent is located are authorized or obligated by law or executive order to be closed or (ii) the New York Stock Exchange is closed.

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

“Code” means the Internal Revenue Code of 1986 and the regulations promulgated thereunder.

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

“Cost,” “Costs” or “Costs of the Project” means costs paid with respect to the Project that (i) are properly chargeable to capital account (or would be so chargeable with a proper election by the Borrower or but for a proper election by the Borrower to deduct such costs) in accordance with general federal income tax principles and in accordance with United States Treasury Regulations Section 1.103-8(a)(1), (ii) are paid with respect to a qualified residential rental project or projects within the meaning of Section 142(d) of the Code, (iii) are paid after the earlier of (A) 60 days prior to the date of a resolution of the Governmental Lender to reimburse costs of the Project with proceeds of the Loans or (B) the Delivery Date, and (iv) if the Costs of the Project were previously paid and are to be reimbursed with proceeds of the Loans such costs were (A) Costs of Issuance of the Governmental Note, (B) preliminary capital expenditures (within the meaning of United States Treasury Regulations Section 1.150-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or rehabilitation of the Project that do not exceed twenty percent (20%) of the issue price of the Governmental Note (as defined in United States Treasury Regulations Section 1.148-1), or (C) were capital expenditures with respect to the Project that are reimbursed no later than eighteen (18) months after the later of the date the expenditure was paid or the date the Project is placed in service (but no later than three (3) years after the expenditure is paid); provided however, that if any portion of the Project is being constructed or developed by the Borrower or an affiliate (whether as a developer, a general contractor or a subcontractor), *“Cost,” “Costs” or “Costs of the Project”* shall include only (a) the actual out-of-pocket costs incurred by the Borrower or such affiliate in developing or constructing the Project (or any portion thereof), (b) any reasonable fees for supervisory services actually rendered by the Borrower or such affiliate (but excluding any profit component) and (c) any overhead expenses incurred by the Borrower or such affiliate which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the acquisition, rehabilitation or development of the Project or payments received by such affiliate due to early completion of the Project (or any portion thereof).

“Cost of Issuance Fund” means the Cost of Issuance Fund established by the Fiscal Agent pursuant to Section 4.01 hereof.

“*Costs of Issuance*” means, as applicable, (i) the fees (excluding ongoing fees), costs and expenses of (a) the Governmental Lender, the Governmental Lender’s counsel and the Governmental Lender’s financial advisor, (b) Bond Counsel, (c) the Fiscal Agent and the Fiscal Agent’s counsel, (d) the Servicer and the Servicer’s counsel, (e) the Funding Lender and the Funding Lender’s counsel (including both the Initial Funding Lender and Freddie Mac, as assignee thereof on the Freddie Mac Purchase Date), and (f) Borrower’s counsel attributable to the funding of the Loans and the Borrower’s financial advisor, if any, and (ii) all other fees, costs and expenses directly associated with the Funding Loan and the Project Loan, including, without limitation, printing costs, costs of reproducing documents, filing and recording fees.

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

“*Default Rate*” means the lower of (i) the Interest Rate otherwise in effect notwithstanding the default plus four percent (4%) per annum or (ii) the maximum rate allowed by law.

“*Delivery Date*” means [August __, 2019], the date of initial funding of the Funding Loan and the delivery of the Governmental Note by the Governmental Lender to the Initial Funding Lender.

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

“*Electronic Notice*” means delivery of notice in a Word format or a Portable Document Format (PDF) by electronic mail to the electronic mail addresses listed in Section 11.04 hereof; provided, that if a sender receives notice that the electronic mail is undeliverable, notice must be sent as otherwise required by Section 11.04 hereof.

“*Event of Default*” or “*event of default*” means any of those events specified in and defined by the applicable provisions of Article VI hereof to constitute an event of default.

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

“Extraordinary Fiscal Agent’s Fees and Expenses” means all those fees, expenses and reimbursements earned or incurred by the Fiscal Agent as described under Section 7.06 hereof during any Rebate Year for Extraordinary Services, as set forth in a detailed invoice to the Borrower, the Servicer and the Funding Lender Representative.

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

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

“Fiscal Agent” means [NAME OF FISCAL AGENT] and its successors hereunder.

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

“Freddie Mac Commitment” means the commitment from Freddie Mac to the Initial Funding Lender pursuant to which Freddie Mac has agreed to purchase the Funding Loan, subject to the terms and conditions set forth therein, as such commitment may be amended, modified or supplemented from time to time.

“Freddie Mac Purchase Date” means the date Freddie Mac purchases the Funding Loan from the Initial Funding Lender upon satisfaction of the conditions set forth in the Freddie Mac Commitment.

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

“Funding Lender Representative” means the Funding Lender or any Person designated by the Funding Lender to act on behalf of the Funding Lender as provided in Section 11.05, or an assignee of such Person as provided in Section 11.05. The initial Funding Lender Representative shall be the Initial Funding Lender, and Freddie Mac shall become the Funding Lender Representative upon the occurrence of the Freddie Mac Purchase Date.

“Funding Loan” means the loan in the original principal amount of \$22,000,000 made to the Governmental Lender pursuant to this Funding Loan Agreement by the Initial Funding Lender.

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

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

“Governmental Lender” means Housing Authority of the City of San Diego, a public body corporate and politic, organized and existing under the laws of the State of California.

“Governmental Lender Fee” means the ongoing annual fee of the Governmental Lender in connection with the making of the Project Loan in an amount equal to the greater of \$10,000 or 0.125% of the principal amount of Governmental Note outstanding.

“Governmental Note” means the Multifamily Note dated the Delivery Date, executed by the Governmental Lender and authenticated by the Fiscal Agent in favor of the Initial Funding Lender, in the form attached hereto as Exhibit A, as the same may be amended, restated, supplemented or otherwise modified from time to time, or any mortgage note executed in substitution therefor, as such substitute note may be amended, restated, supplemented or otherwise modified from time to time.

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

“Initial Debt Service Deposit” means an amount equal to the sum of (i) the interest payable on the Funding Loan, and (ii) the ongoing fees payable with respect to the Project Loan (as provided in Section 4.02 of the Project Loan Agreement), in each case for the period commencing on the Delivery Date to but not including the first day of the calendar month immediately succeeding the Delivery Date.

“Initial Funding Lender” means Citibank, N.A., as initial holder of the Governmental Note.

“Interest Payment Date” means (i) the first day of each calendar month, commencing September 1, 2019, (ii) the date of any prepayment of the Funding Loan, but only with respect to the portion of the Funding Loan subject to prepayment, and (iii) the Maturity Date.

“Interest Rate” means the interest rate of ___% per annum; provided during the continuance of any Event of Default hereunder, the Interest Rate shall be the Default Rate.

“*Investment Income*” means the earnings and profits derived from the investment of money pursuant to Section 4.08 hereof.

“*Loans*” means, together, the Project Loan and the Funding Loan.

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

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

“*Maturity Date*” means the maturity date of the Funding Loan set forth in Section 2.01(b) hereof.

“*Moody’s*” means Moody’s Investors Service, Inc., its successors and assigns, if such successors and assigns continue to perform the services of a securities rating agency.

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

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

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

“*Paying Agent*” means the Person designated to make payments of principal of, Prepayment Premium, if any, and interest on the Funding Loan, to the Funding Lender pursuant to Section 2.12 hereof. The initial Paying Agent shall be the Servicer.

“*Person*” means an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated association, a limited liability company or a government or any agency or political subdivision thereof, or any other organization or entity (whether governmental or private).

“*Pledged Security*” shall have the meaning given to that term in Section 2.02 hereof.

“*Prepayment Premium*” shall mean any premium payable hereunder in connection with a prepayment of the Funding Loan, which premium shall be in an amount equal to the amount payable by the Borrower under Section 10 of the Project Note in connection with a prepayment of the Project Loan.

“*Principal Office of the Fiscal Agent*” means the office of the Fiscal Agent referenced in Section 11.04(a) hereof, or such other office or offices as the Fiscal Agent may designate in writing from time to time, or the office of any successor Fiscal Agent where it principally

conducts its business of serving as Fiscal Agent under indentures pursuant to which municipal or governmental obligations are issued.

“Project” means, collectively, the land and residential rental apartment units, and related fixtures, equipment, furnishings and site improvements known as Wesley Terrace located at 5343 Monroe Ave., in San Diego California, including the real estate described in the Security Instrument.

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

“Project Loan” means the loan made by the Governmental Lender to the Borrower pursuant to the Project Loan Agreement in the original principal amount of \$22,000,000, as evidenced by the Project Note.

“Project Loan Agreement” means the Project Loan Agreement dated as of the date hereof among the Borrower, the Governmental Lender and the Fiscal Agent, as amended, supplemented or restated from time to time.

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

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

“Project Note” means the Project Note dated the Delivery Date from the Borrower, including all riders and addenda thereto, evidencing the Borrower’s obligation to repay the Project Loan, which Project Note will be delivered to the Governmental Lender and endorsed by the Governmental Lender to the Fiscal Agent as security for the Funding Loan, as the same may be amended, restated, supplemented or otherwise modified from time to time, or any note executed in substitution therefor, as such substitute note may be amended, restated, supplemented or otherwise modified from time to time.

“Qualified Investments” means any of the following if and to the extent permitted by law: (a) direct and general obligations of the United States of America; (b) obligations of any agency or instrumentality of the United States of America the payment of the principal of and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America; (c) senior debt obligations of Freddie Mac; (d) senior debt obligations of Fannie Mae; (e) demand deposits or time deposits with, or certificates of deposit issued by, the Fiscal Agent or its affiliates or any bank organized under the laws of the United States of America or any state or the District of Columbia which has combined capital, surplus and undivided profits of not less than \$50,000,000; provided that the Fiscal Agent or such other institution has been rated at least “VMIG-1”/”A-1+” by Moody’s or S&P which deposits or certificates are fully insured by the Federal Deposit Insurance Corporation or collateralized pursuant to the requirements of the Office of the Comptroller of the Currency; (f) investment agreements with a bank or any insurance company or other financial institution which has a rating assigned by Moody’s or S&P to its outstanding long-term unsecured debt which is the highest rating (as defined below) for

long-term unsecured debt obligations assigned by Moody's or S&P, and which are approved by the Funding Lender Representative; (g) shares or units in any money market mutual fund rated "Aaa"/"AAA" by Moody's or S&P (or if a new rating scale is implemented, the equivalent rating category given by the Rating Agency for that general category of security) (including mutual funds of the Fiscal Agent or its affiliates or for which the Fiscal Agent or an affiliate thereof serves as investment advisor or provides other services to such mutual fund receives reasonable compensation therefor) registered under the Investment Company Act of 1940, as amended, whose investment portfolio consists solely of (A) direct obligations of the government of the United States of America, or (B) tax exempt obligations; (h)(i) tax-exempt obligations rated in the highest short term rating category by Moody's or S&P, or (ii) shares of a tax-exempt municipal money market mutual fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the federal Securities Act of 1933, having assets of at least \$100,000,000, and having a rating of "Aaa"/"AAA" by Moody's or S&P (or if a new rating scale is implemented, the equivalent rating category given by the Rating Agency for that general category of security), for which at least 95% of the income paid to the holders on interest in such money market fund will be excludable from gross income under Section 103 of the Code, including money market funds for which the Fiscal Agent or its affiliates receive a fee for investment advisory or other services to the fund; or (i) any other investments approved in writing by the Funding Lender Representative. For purposes of this definition, the "highest rating" shall mean a rating of at least "VMIG-1"/"A-1+" for obligations with less than one year maturity; at least "Aaa"/"VMIG-1"/"AAA"/"A-1+" for obligations with a maturity of one year or greater but less than three years; and at least "Aaa"/"AAA" for obligations with a maturity of three years or greater. Qualified Investments must be limited to instruments that have a predetermined fixed-dollar amount of principal due at maturity that cannot vary or change and interest, if tied to an index, shall be tied to a single interest rate index plus a single fixed spread, if any, and move proportionately with such index.

"*Rating Agency*" means Moody's or S&P, as applicable, or any successor rating service thereof.

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

"*Rebate Fund*" means the Rebate Fund established by the Fiscal Agent pursuant to Section 4.01 hereof.

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

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

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

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

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

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

“*Security Instrument*” means the Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (California) dated as of the date hereof, by the Borrower, granting a first priority mortgage and security interest in the Project to the Governmental Lender to secure the repayment of the Project Loan and related obligations, which Security Instrument has been assigned by the Governmental Lender to the Fiscal Agent pursuant to the Assignment as security for the Funding Loan, as the same may be amended, supplemented or restated.

“*S&P*” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, and its successors and assigns, if such successors and assigns continue to perform the services of a securities rating agency.

“*Servicer*” means any entity appointed by the Funding Lender Representative to service the Loans and any successor in such capacity as appointed by the Funding Lender Representative pursuant to Section 3.02 of the Project Loan Agreement. Initially, the Servicer shall be Citibank, N.A.

“*State*” means the State of California.

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

“*Tax Certificate*” means the Tax Certificate and Agreement executed by the Governmental Lender, the Fiscal Agent and the Borrower on the Delivery Date.

“*Tax Regulatory Agreement*” means the Regulatory Agreement and Declaration of Restrictive Covenants dated as of [August 1, 2019] among the Governmental Lender, the Fiscal Agent and the Borrower.

“*Transferee Representations Letter*” has the meaning set forth in Section 2.08 hereof.

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

“*Window Period*” means the three (3) consecutive month period prior to the Maturity Date.

Section 1.02 Interpretation. The words “hereof,” “herein,” “hereunder,” and other words of similar import refer to this Funding Loan Agreement as a whole and not to any particular Article, Section or other subdivision. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa unless the context shall otherwise indicate. All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time. References to Articles, Sections, and other subdivisions of this Funding Loan Agreement are to the designated Articles, Sections and other subdivisions of this Funding Loan Agreement as originally executed. The headings of this Funding Loan Agreement are for convenience only and shall not define or limit the provisions hereof.

THE FUNDING LOAN

Section 2.01 Terms The Funding Loan shall be originated and funded on the Delivery Date in the original principal amount of \$22,000,000 with funds provided to the Governmental Lender by the Initial Funding Lender. The proceeds of the Funding Loan shall be deposited and disbursed in accordance with this Funding Loan Agreement. The Funding Loan shall be evidenced by the Governmental Note and shall bear interest and be paid in accordance with the payment terms set forth in the Governmental Note and this Funding Loan Agreement.

(b) The Funding Loan shall bear interest payable on each Interest Payment Date at the Interest Rate and shall mature on September 1, 2036, subject to scheduled monthly principal payments as provided in Section 2.01(c) below and optional and mandatory prepayment prior to maturity as provided in Article III hereof. Interest on the Funding Loan shall be computed on the basis of a 360-day year and the actual number of days elapsed.

(c) The unpaid principal balance of the Funding Loan shall be paid on the dates and in the amounts set forth on the Funding Loan Amortization Schedule attached as Schedule 1 to the Governmental Note. All unpaid principal and all accrued and unpaid interest outstanding under the Funding Loan shall be due and payable on the Maturity Date.

(d) Payment of principal of, premium, if any, and interest on the Funding Loan shall be paid by wire transfer in immediately available funds to an account within the United States of America designated by such Funding Lender (unless otherwise directed by the Funding Lender).

(e) Subject to Section 2.12 hereof, on or before the date fixed for payment, money shall be deposited with the Fiscal Agent to pay, and the Fiscal Agent is hereby authorized and directed to apply such money to the payment of, the Funding Loan, together with accrued interest thereon to the date of payment.

(f) In no contingency or event whatsoever shall the aggregate of all amounts deemed interest hereunder and charged or collected pursuant to the terms of this Funding Loan Agreement exceed the highest rate permissible under any law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. In the event that such court determines the Funding Lender has charged or received interest hereunder in excess of the highest applicable rate, the Funding Lender shall apply, in its sole discretion, and set off such excess interest received by the Funding Lender against other obligations due or to become due under the Financing Documents and such rate shall automatically be reduced to the maximum rate permitted by such law.

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

(a) All right, title and interest of the Governmental Lender in and to all Revenues;

(b) All right, title and interest of the Governmental Lender in and to the Project Loan Agreement, the Project Note, the Security Instrument and the other Project Loan Documents (other than the Unassigned Rights), including all extensions and renewals of the terms thereof, if any, including, but without limiting the generality of the foregoing, the present and continuing right to receive, receipt for, collect or make claim for any of the money, income, revenues, issues, profits and other amounts payable or receivable thereunder (including all casualty insurance benefits or condemnation awards), whether payable under the above referenced documents or otherwise, to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Governmental Lender or any other Person is or may become entitled to do under said documents; and

(c) Except for funds, money or securities in the Cost of Issuance Fund, the Administration Fund and the Rebate Fund, all funds, money and securities and any and all other rights and interests in property whether tangible or intangible from time to time hereafter by delivery or by writing of any kind, conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder for the Funding Loan by the

Governmental Lender or by anyone on its behalf or with its written consent to the Fiscal Agent, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

The foregoing notwithstanding, if the Governmental Lender or its successors or assigns shall pay or cause to be paid to the Funding Lender in full the principal, interest and premium, if any, to become due with respect to the Funding Loan at the times and in the manner provided in Article IX hereof, and if the Governmental Lender shall keep, perform and observe, or cause to be kept, performed and observed, all of its covenants, warranties and agreements contained herein, then these presents and the estate and rights hereby granted shall, at the option of the Governmental Lender, cease, terminate and be void, and thereupon the Fiscal Agent shall cancel and discharge the lien of this Funding Loan Agreement and execute and deliver to the Governmental Lender such instruments in writing as shall be requisite to satisfy the lien hereof, and, subject to the provisions of Sections 4.11 and 4.12 hereof and Article IX hereof, reconvey to the Governmental Lender the estate hereby conveyed, and assign and deliver to the Governmental Lender any property at the time subject to the lien of this Funding Loan Agreement which may then be in its possession, except for the Rebate Fund and cash held by the Fiscal Agent for the payment of interest on and principal of the Governmental Note; otherwise this Funding Loan Agreement to be and shall remain in full force and effect.

Section 2.03 *Limited Obligations.* The Funding Loan is a limited obligation of the Governmental Lender, payable solely from the Pledged Revenues and other funds and moneys and Security pledged and assigned hereunder. None of the Governmental Lender (except as provided in the first sentence of this Section 2.03), the City of San Diego, the State, or any political subdivision thereof (except the Governmental Lender, to the limited extent set forth herein), shall in any event be liable for the payment of the principal of, premium (if any) or interest on the Funding Loan or for the performance of any pledge, obligation or agreement of any kind whatsoever with respect thereto except as set forth herein, and none of the Funding Loan, or the Governmental Note or any of the Governmental Lender's agreements or obligations with respect to the Funding Loan, the Governmental Note, or hereunder or under any of the other Funding Loan Documents, shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of or a moral obligation of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever. The Governmental Lender has no taxing power.

Section 2.04 *Funding Loan Agreement Constitutes Contract.* In consideration of the origination and funding of the Funding Loan by the Initial Funding Lender, the provisions of this Funding Loan Agreement shall be part of the contract of the Governmental Lender with the Initial Funding Lender and any successors or assigns thereof in such capacity from time to time.

Section 2.05 *Form and Execution.* The Governmental Note shall be executed on behalf of the Governmental Lender by the manual or facsimile signature of the Authorized Officer and attested by the manual or facsimile signature of its Secretary or Deputy Secretary of Housing Authority of the City of San Diego. The manual or facsimile signatures of individuals who were the proper officers of the Governmental Lender at the time of execution shall bind the Governmental Lender, notwithstanding that such individuals or any of them shall have ceased to hold such offices prior to the execution and delivery of the Governmental Note or shall not have held such offices at the date of the Governmental Note.

Section 2.06 *Authentication.* The Governmental Note shall not be valid or obligatory for any purpose or entitled to any security or benefit under this Funding Loan Agreement unless a certificate of authentication on the Governmental Note, substantially in the form set forth in **Exhibit A**, shall have been duly executed by an Authorized Officer of the Fiscal Agent; and such executed certificate of authentication upon the Governmental Note shall be conclusive evidence that the Governmental Note has been duly executed, registered, authenticated and delivered under this Funding Loan Agreement.

Section 2.07 *Mutilated, Lost, Stolen or Destroyed Governmental Note.* In the event the Governmental Note is mutilated, lost, stolen or destroyed, the Governmental Lender shall execute and the Fiscal Agent shall authenticate a new Governmental Note substantially in the form set forth in **Exhibit A** in exchange and substitution for and upon cancellation of the mutilated Governmental Note or in lieu of and in substitution for such lost, stolen or destroyed Governmental Note, upon payment by the Funding Lender of any applicable tax or governmental charge and the reasonable expenses and charges of the Governmental Lender and the Fiscal Agent in connection therewith, and in the case where the Governmental Note is lost, stolen or destroyed, the filing with the Fiscal Agent of evidence satisfactory to it that the Governmental Note was lost, stolen or destroyed, and of the ownership thereof, and furnishing the Governmental Lender and the Fiscal Agent with indemnity satisfactory to each of them. In the event where the Governmental Note shall have matured, instead of delivering a new Governmental Note the Governmental Lender may pay the same without surrender thereof.

Section 2.08 *Registration; Transfer of Funding Loan; Transferee Representations Letter.*

(a) The Funding Loan shall be fully registered as to principal and interest in the manner and with any additional designation as the Fiscal Agent deems necessary for the purpose of identifying the registered owner thereof. The Funding Loan shall be transferable only on the registration books of the Fiscal Agent. The Fiscal Agent shall maintain books or other records showing the name and date of registration, address and employer identification number of the registered owner of the Funding Loan and any transfers of the Funding Loan as provided herein. The Funding Loan shall initially be registered to the Initial Funding Lender, and upon the Freddie Mac Purchase Date, shall be registered to Freddie Mac.

(b) The Funding Lender shall have the right to sell, assign or otherwise transfer in whole its interest in the Funding Loan or to grant a participation interest in the Funding Loan in a percentage of not less than twenty-five percent (25%) of the outstanding principal amount of the Funding Loan; provided that the Funding Loan may be transferred, or any participation interest therein granted, only to an “accredited investor” as that term is defined in Rule 501 of Regulation D under the Securities Act or a “qualified institutional buyer” as that term is defined under Rule 144A of the Securities Act (such “accredited investor” or “qualified institutional buyer” a “Qualified Transferee”) that delivers a letter to the Fiscal Agent substantially in the form attached hereto as **Exhibit C** setting forth certain representations with respect to such Qualified Transferee (the “Transferee Representations Letter”). Notwithstanding the preceding sentence, no Transferee Representations Letter shall be required for the Funding Lender Representative to (i) transfer the Funding Loan to any affiliate or other party related to the Funding Lender that is a Qualified Transferee or (ii) sell or transfer the Funding Loan to a special purpose entity, a trust or a custodial or similar pooling arrangement from which the Funding Loan or securitized interests

therein are not expected to be sold or transferred except to (x) owners or beneficial owners thereof that are Qualified Transferees or (y) in circumstances where secondary market credit enhancement is provided for such securitized interests resulting in a rating thereof of at least “A” or better. In connection with any sale, assignment or transfer of the Funding Loan, the Funding Lender shall give notice of such sale, assignment or transfer to the Fiscal Agent and the Fiscal Agent shall record such sale, assignment or transfer on its books or other records maintained for the registration of transfer of the Funding Loan.

Section 2.09 [Reserved].

Section 2.10 *Funding Loan Closing Conditions; Delivery of Governmental Note.*
Closing of the Funding Loan on the Delivery Date shall be conditioned upon, and the Governmental Lender shall only execute and deliver to the Fiscal Agent, and the Fiscal Agent shall only authenticate the Governmental Note and deliver the Governmental Note to the Initial Funding Lender upon, receipt by the Fiscal Agent of the following:

- (a) executed counterparts of this Funding Loan Agreement, the Project Loan Agreement, the Tax Regulatory Agreement and the Tax Certificate;
- (b) an opinion of Bond Counsel or counsel to the Governmental Lender to the effect that the Governmental Lender is duly organized and existing under the laws of the State and has duly authorized, executed and delivered this Funding Loan Agreement, the Governmental Note and the other Financing Documents to which it is a party, and such documents are valid and binding special, limited obligations of the Governmental Lender enforceable in accordance with their terms subject to customary exceptions;
- (c) the proceeds of the Funding Loan from the original funding thereof by the Initial Funding Lender;
- (d) the executed Project Note and an endorsement of the Project Note by the Governmental Lender in favor of the Fiscal Agent;
- (e) a copy of the executed Security Instrument, the Assignment and the Continuing Covenant Agreement;
- (f) an opinion of counsel to the Borrower to the effect that the Borrower is duly organized and validly existing and in good standing under the laws of the state in which it has been organized and in good standing under the laws of each other state in which the Borrower transacts business and has full power and authority to enter into the Financing Documents to which it is a party, that its execution and delivery of and performance of its covenants in such documents do not contravene law or any provision of any other documents to which it is a party or by which it or such property is bound or affected, and that all such agreements have been duly authorized, executed and delivered by the Borrower, and are legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms;
- (g) a customary approving opinion of Bond Counsel, including but not limited to an opinion to the effect that the interest on the Governmental Note, under laws in

effect on the date of such opinion, is excluded from gross income for federal income tax purposes and, where applicable, for State income tax purposes;

(h) a certified copy of the Resolution;

(i) the written request and authorization to the Fiscal Agent by the Governmental Lender to authenticate and deliver the Governmental Note to the Initial Funding Lender upon funding to the Fiscal Agent of the full amount of the Funding Loan; and

(j) receipt by the Fiscal Agent of the amounts specified in Section 2.11 of this Funding Loan Agreement and Section 3.03 of the Project Loan Agreement.

(k) receipt by the Fiscal Agent of a Transferee Representations Letter from the Initial Funding Lender substantially in the form attached hereto as **Exhibit C**.

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

(a) The Fiscal Agent shall establish, maintain and hold in trust and there is hereby established with the Fiscal Agent a Project Loan Fund and therein a Project Account and a Borrower Equity Account. No amount shall be charged against the Project Loan Fund except as expressly provided in this Section 2.11 and Section 4.02 hereof.

(b) The proceeds of the Funding Loan shall be delivered by the Initial Funding Lender to the Fiscal Agent on behalf of the Governmental Lender on the Delivery Date. The Fiscal Agent shall deposit such proceeds to the credit of the Project Account of the Project Loan Fund. Amounts in the Project Loan Fund shall be disbursed as provided in subparagraph (d) below, subject to the conditions set forth in Section 3.01 of the Project Loan Agreement. Upon the disbursement of all amounts in the Project Loan Fund, the Fiscal Agent shall close the Project Loan Fund.

(c) The Governmental Lender shall cause the Borrower to deliver from sources other than the Loans, (i) to the Fiscal Agent, on or prior to the Delivery Date, the Costs of Issuance Deposit for deposit to the credit of the Cost of Issuance Fund and the Borrower Equity Deposit for deposit to the credit of the Borrower Equity Account, and (ii) to the Servicer the Initial Debt Service Deposit. The Fiscal Agent shall also deposit in the Borrower Equity Account any additional amounts delivered from time to time to the Fiscal Agent and directed by the Borrower or Servicer to be deposited therein, excluding any proceeds of the Loans.

(d) Upon the making of the initial deposits described above in this Section 2.11, the Governmental Lender shall originate the Project Loan pursuant to the Project Loan Agreement. The Fiscal Agent shall make disbursements of amounts in the Project Loan Fund to the Borrower or otherwise as provided in Section 4.02 hereof.

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

(a) Notwithstanding any provision in this Funding Loan Agreement to the contrary, during any period that a Servicer is engaged with respect to the Loans, the Governmental Lender and the Fiscal Agent agree that all payments of principal of, Prepayment Premium, if any, and interest on the Funding Loan and all fees due hereunder and under the Project Loan Agreement shall be paid by the Borrower to the Servicer. The Servicer shall remit all payments collected from the Borrower of principal of, Prepayment Premium, if any, and interest on the Funding Loan, together with other amounts due to the Funding Lender, directly to the Funding Lender (without payment through the Fiscal Agent) per the instructions of the Funding Lender Representative. The Servicer shall be entitled to retain its Servicing Fee collected from the Borrower and shall remit the Governmental Lender Fee to the Governmental Lender and shall remit the Ordinary Fiscal Agent's Fees and Expenses to the Fiscal Agent, together with any other amounts due to the Governmental Lender and the Fiscal Agent collected by the Servicer from the Borrower, in each case in accordance with their respective instructions. Any payment made in accordance with the provisions of this Section shall be accompanied by sufficient information to identify the source and proper application of such payment. The Servicer shall promptly notify the Fiscal Agent, the Funding Lender Representative and the Governmental Lender in writing of any failure of the Borrower to make any payment of principal of, Prepayment Premium, if any, and interest on the Funding Loan when due or to pay any fees due hereunder or under the Project Loan Agreement, and the Fiscal Agent and the Governmental Lender shall not be deemed to have any notice of such failure unless it has received such notice in writing.

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

(c) So long as payments of principal of, Prepayment Premium, if any, and interest on the Governmental Note and all fees due hereunder and under the Project Loan Agreement are being made to the Servicer in accordance with this Section 2.12 and no Event of Default has occurred of which the Fiscal Agent has been given, or been deemed to have, notice thereof pursuant to this Funding Loan Agreement, the Fiscal Agent shall have no obligations to collect loan payments with respect to the Funding Loan, nor shall it be obligated to collect loan payments or fee payments pursuant to the Project Loan Agreement, except at the express written direction of the Funding Lender Representative. Notwithstanding the foregoing, the Funding Lender Representative may elect to have the Fiscal Agent collect and remit loan payments and fee payments hereunder and under the Project Loan Agreement upon written notice of such election to the Fiscal Agent, the Borrower and the Governmental Lender.

ARTICLE III

PREPAYMENT OF THE FUNDING LOAN

Section 3.01 *Prepayment of the Funding Loan Prior to Maturity.*

(a) **Optional Prepayment.** The Funding Loan, together with accrued interest thereon, is subject to optional prepayment in whole upon optional prepayment of the Project Loan in accordance with the notice and other prepayment provisions set forth in the Project Note.

(b) **Mandatory Prepayment.** The Funding Loan, together with accrued interest thereon, and together with Prepayment Premium (to the extent payable under the Project Note), is subject to mandatory prepayment on any Business Day, in whole or in part as indicated below, at the earliest practicable date upon the occurrence of any of the following:

(i) in whole or in part, upon the occurrence of a mandatory prepayment of the Project Loan pursuant to Section 10(b) of the Project Note and receipt by the Fiscal Agent of a written direction by the Funding Lender Representative that the Funding Loan shall be subject to mandatory payment as a result thereof; or

(ii) in part, on the Interest Payment Date next following the completion of the rehabilitation of the Project, to the extent amounts remaining in the Project Account of the Project Loan Fund are transferred to the Loan Prepayment Fund pursuant to Section 4.02(e) hereof.

Section 3.02 *Notice of Prepayment.* Notice of the intended prepayment of the Funding Loan shall be given by the Fiscal Agent by first class mail, postage prepaid, or by overnight delivery service, to the Funding Lender. All such prepayment notices shall be given not less than ten (10) days (not less than thirty (30) days in the case of optional prepayment) nor more than sixty (60) days prior to the date fixed for prepayment. Notices of prepayment shall state (i) the prepayment date, (ii) the prepayment amount, and (iii) the place or places where amounts due upon such prepayment will be payable.

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

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

ARTICLE IV

REVENUES AND FUNDS

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

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

- (a) Revenue Fund;
- (b) Loan Payment Fund;
- (c) Loan Prepayment Fund;
- (d) Administration Fund;
- (e) Cost of Issuance Fund; and
- (f) Rebate Fund.

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

Section 4.02 *Project Loan Fund.*

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

(b) Disbursements. Amounts on deposit in the Project Loan Fund shall be disbursed from time to time by the Fiscal Agent for the purpose of paying Costs of the Project. In addition, amounts in the Project Loan Fund shall be transferred to the Loan Prepayment Fund, the Rebate Fund and the Borrower at the times and in the manner provided in subsection (e) of this Section 4.02.

(c) Transfers and Requisitions. The Fiscal Agent shall make disbursements from the respective accounts of the Project Loan Fund for purposes described in subsection (b) of this Section 4.02 only upon the receipt of Requisitions signed by an Authorized Officer of the Borrower and countersigned by an Authorized Officer of the Servicer (signifying the consent to the Requisition by the Servicer). The Fiscal Agent shall have no right or duty to determine whether any requested disbursement from the Project Loan Fund complies with the terms, conditions and provisions of the Continuing Covenant Agreement. The countersignature of the Authorized Officer of the Servicer on a Requisition shall be deemed a certification and, insofar as the Fiscal Agent and the Governmental Lender are concerned, constitute conclusive evidence, that all of the terms, conditions and requirements of the Continuing Covenant Agreement applicable to such disbursement have been fully satisfied or waived. The Fiscal Agent shall, immediately upon each receipt of a completed Requisition signed by an Authorized Officer of the Borrower and countersigned by an Authorized Officer of the Servicer, initiate procedures with the provider of a Qualified Investment to make withdrawals as necessary to fund the Requisition.

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

(d) If a Requisition signed by an Authorized Officer of the Borrower and countersigned by an Authorized Officer of the Servicer or (as permitted hereunder) solely by an Authorized Officer of the Servicer, is received by the Fiscal Agent, the requested disbursement shall be paid by the Fiscal Agent as soon as practicable, but in no event later than three (3) Business Days following receipt thereof by the Fiscal Agent. Upon final disbursement of all amounts on deposit in the Project Loan Fund, including all interest accrued therein, the Fiscal Agent shall close the Project Loan Fund.

(e) Immediately prior to any mandatory prepayment of the Funding Loan pursuant to Section 3.01(b)(i) hereof, any amount then remaining in the Project Loan Fund shall, at the

written direction of the Funding Lender Representative, be transferred to the Loan Prepayment Fund to pay amounts due on the Funding Loan, if any. In addition, any amount remaining in the Project Account of the Project Loan Fund following completion of the rehabilitation of the Project in accordance with the Continuing Covenant Agreement, evidenced by an instrument signed by the Funding Lender Representative or the Servicer, shall be transferred to the Loan Prepayment Fund and used to prepay the Funding Loan in accordance with Section 3.01(b)(ii) hereof, unless the Fiscal Agent receives an opinion of Bond Counsel (which shall also be addressed to the Funding Lender Representative) to the effect that a use of such money for other than prepayment of the Funding Loan will not adversely affect the tax exempt status of the Governmental Note; provided, that any amounts in the Project Account of the Project Loan Fund in excess of the amount needed to fund the related prepayment of the Funding Loan shall be transferred to the Rebate Fund. In the event there are funds remaining in the Borrower Equity Account following completion of the rehabilitation of the Project in accordance with the Continuing Covenant Agreement [and the Stabilization Requirements (as defined in the Continuing Covenant Agreement)] have been satisfied, evidenced by an instrument signed by the Funding Lender Representative, and provided no default by the Borrower exists under this Funding Loan Agreement or any Project Loan Document, such funds shall be paid by the Fiscal Agent to the Borrower at the written direction of the Funding Lender Representative or the Servicer.

(f) Amounts on deposit in the Project Loan Fund shall be invested as provided in Section 4.08 hereof. All Investment Income on amounts on deposit in the Project Loan Fund shall be retained in and credited to and become a part of the amounts on deposit in the Project Loan Fund, and shall constitute part of any transfers required by subsection (b) or (e) of this Section 4.02.

Section 4.03 *Application of Revenues.*

(a) All Revenues received by the Fiscal Agent shall be deposited by the Fiscal Agent, promptly upon receipt thereof, to the Revenue Fund, except (i) the proceeds of the Funding Loan received by the Fiscal Agent on the Delivery Date, which shall be applied in accordance with the provisions of Section 2.11 hereof; (ii) as otherwise specifically provided in subsection (c) of this Section 4.03 with respect to certain deposits into the Loan Prepayment Fund; (iii) with respect to Investment Income to the extent required under the terms hereof to be retained in the funds and accounts to which they are attributable; and (iv) with respect to amounts required to be transferred between funds and accounts as provided in this Article IV.

(b) Subject to Section 2.12 hereof, on each Interest Payment Date or any other date on which payment of principal of or interest on the Funding Loan becomes due and payable, the Fiscal Agent, out of money in the Revenue Fund, shall credit the following amounts to the following funds, but in the order and within the limitations hereinafter indicated with respect thereto, as follows:

FIRST: to the Loan Payment Fund, an amount equal to the principal of and interest due on the Funding Loan on such date (including scheduled principal pursuant to the Funding Loan Amortization Schedule); and

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

(c) Promptly upon receipt, the Fiscal Agent shall deposit directly to the Loan Prepayment Fund (i) Net Proceeds representing casualty insurance proceeds or condemnation awards paid as a prepayment of the Project Loan, such amount to be applied to provide for the extraordinary mandatory prepayment of all or a portion of the Funding Loan pursuant to Section 3.01(b)(i) hereof; (ii) funds paid to the Fiscal Agent to be applied to the optional prepayment of all of the Funding Loan pursuant to Section 3.01(a); and (iii) amounts transferred to the Loan Prepayment Fund from the Project Loan Fund pursuant to Section 4.02(e) hereof.

(d) Subject to Section 2.12 hereof, should the amount in the Loan Payment Fund be insufficient to pay the amount due on the Funding Loan on any given Interest Payment Date, the Fiscal Agent shall credit to the Loan Payment Fund the amount of such deficiency by charging the following funds and accounts in the following order of priority: (1) the Revenue Fund; and (2) the Loan Prepayment Fund, except no such charge to the Loan Prepayment Fund shall be made from money to be used to effect a prepayment for which notice of prepayment has been provided for hereunder.

Section 4.04 *Application of Loan Payment Fund.* Subject to Section 2.12 hereof, the Fiscal Agent shall charge the Loan Payment Fund, on each Interest Payment Date, an amount equal to the unpaid interest and principal due on the Funding Loan on such Interest Payment Date as provided in Section 4.03(a) and (b), and shall cause the same to be applied to the payment of such interest and principal when due. Any money remaining in the Loan Payment Fund on any Interest Payment Date after application as provided in the preceding sentence may, to the extent there shall exist any deficiency in the Loan Prepayment Fund to prepay the Funding Loan if called for prepayment on such Interest Payment Date, be transferred to the Loan Prepayment Fund to be applied for such purpose.

Any Investment Income on amounts on deposit in the Loan Payment Fund shall be deposited by the Fiscal Agent upon receipt thereof in the Revenue Fund.

No amount shall be charged against the Loan Payment Fund except as expressly provided in this Article IV and in Section 6.05 hereof.

Section 4.05 *Application of Loan Prepayment Fund.* Any money credited to the Loan Prepayment Fund shall be applied as set forth in Sections 4.03(b) and 4.03(c) hereof; provided, however, that to the extent any money credited to the Loan Prepayment Fund is in excess of the amount necessary to effect the prepayments described in Sections 4.03(b) and 4.03(c) hereof it shall be applied to make up any deficiency in the Loan Payment Fund on any Interest Payment Date, to the extent money then available in accordance with Section 4.03(d) hereof in the Revenue Fund is insufficient to make up such deficiency; provided that no money to be used to effect a prepayment for which a notice of prepayment has been provided shall be so transferred to the Loan Payment Fund.

On or before each Interest Payment Date, any Investment Income on amounts on deposit in the Loan Prepayment Fund shall be credited by the Fiscal Agent to the Revenue Fund.

No amount shall be charged against the Loan Prepayment Fund except as expressly provided in this Article IV and in Section 6.05 hereof.

Section 4.06 *Administration Fund.* Subject to Section 2.12 hereof, the Fiscal Agent shall deposit into the Administration Fund, promptly upon receipt thereof, all amounts received from the Servicer (or the Borrower if no Servicer exists for the Loans) designated for deposit into such fund. Amounts in the Administration Fund shall be withdrawn or maintained, as appropriate, by the Fiscal Agent and used **FIRST**, to pay to the Fiscal Agent when due the Ordinary Fiscal Agent's Fees and Expenses; **SECOND**, to pay to the Governmental Lender when due the Governmental Lender Fee; **THIRD**, to pay when due the reasonable fees and expenses of a Rebate Analyst in connection with the computations relating to arbitrage rebate required under this Funding Loan Agreement and the Project Loan Agreement, upon receipt of an invoice from the Rebate Analyst; **FOURTH**, to pay to the Fiscal Agent any Extraordinary Fiscal Agent's Fees and Expenses due and payable from time to time, as set forth in an invoice submitted to the Borrower and the Servicer; **FIFTH**, to pay to the Governmental Lender any extraordinary expenses it may incur in connection with the Loans or this Funding Loan Agreement from time to time, as set forth in an invoice submitted to the Fiscal Agent and the Servicer; **SIXTH**, to pay to the Funding Lender Representative any unpaid amounts due under the Continuing Covenant Agreement, as certified in writing by the Funding Lender Representative to the Fiscal Agent; **SEVENTH**, to make up any deficiency in the Loan Prepayment Fund on any prepayment date of the Funding Loan, to the extent money then available in accordance with Section 4.03(d) hereof in the Loan Prepayment Fund is insufficient to prepay the Funding Loan scheduled for prepayment on such prepayment date; and **EIGHTH**, to transfer any remaining balance after application as aforesaid to the Revenue Fund.

In the event that the amounts on deposit in the Administration Fund are not equal to the amounts payable from the Administration Fund as provided in the preceding paragraph on any date on which such amounts are due and payable, the Fiscal Agent shall give notice to the Borrower and the Servicer of such deficiency and of the amount of such deficiency and request payment within two (2) Business Days to the Fiscal Agent of the amount of such deficiency. Upon payment by the Borrower or the Servicer of such deficiency, the amounts for which such deficiency was requested shall be paid by the Fiscal Agent.

On or before each Interest Payment Date, any Investment Income on amounts on deposit in the Administration Fund not needed to pay the foregoing amounts shall be credited by the Fiscal Agent to the Revenue Fund.

No amount shall be charged against the Administration Fund except as expressly provided in this Article IV and Section 6.05 hereof.

Section 4.07 *[Reserved]*.

Section 4.08 *Investment of Funds.* The money held by the Fiscal Agent shall constitute trust funds for the purposes hereof. Any money attributable to each of the funds and accounts hereunder shall be, except as otherwise expressly provided herein, invested by the

Fiscal Agent, at the written direction of the Borrower (or, in the case of the Rebate Fund, as provided in Section 5.07(b)), in Qualified Investments which mature or shall be subject to prepayment or withdrawal at par without penalty on or prior to the earlier of (i) six months from the date of investment and (ii) the date such money is needed; provided, that if the Fiscal Agent shall have entered into any investment agreement requiring investment of money in any fund or account hereunder in accordance with such investment agreement and if such investment agreement constitutes a Qualified Investment, such money shall be invested in accordance with such requirements. In the absence of written direction from the Borrower, the Fiscal Agent shall invest amounts on deposit in the funds and accounts established under this Funding Loan Agreement in Government Obligations or in investments of the type described in subparagraph (g) of the definition of Qualified Investments which shall have the same maturity and other restrictions as set forth above. Such investments may be made through the investment or securities department of the Fiscal Agent. The Fiscal Agent may purchase from or sell to itself or an affiliate, as principal or agent, securities herein authorized. The Fiscal Agent shall be entitled to assume, absent receipt by the Fiscal Agent of written notice to the contrary, that any investment which at the time of purchase is a Qualified Investment remains a Qualified Investment thereafter.

Qualified Investments representing an investment of money attributable to any fund or account shall be deemed at all times to be a part of said fund or account, and, except as otherwise may be provided expressly in other Sections hereof, the interest thereon and any profit arising on the sale thereof shall be credited to the Revenue Fund, and any loss resulting on the sale thereof shall be charged against the Revenue Fund. Such investments shall be sold at the best price obtainable (at least par) whenever it shall be necessary so to do in order to provide money to make any transfer, withdrawal, payment or disbursement from said fund or account. In the case of any required transfer of money to another such fund or account, such investments may be transferred to that fund or account in lieu of the required money if permitted hereby as an investment of money in that fund or account. The Fiscal Agent shall not be liable or responsible for any loss resulting from any investment made in accordance herewith.

The Governmental Lender acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory agency grant the Governmental Lender the right to receive brokerage confirmations of the security transactions as they occur, to the extent permitted by law, the Governmental Lender specifically waives compliance with 12 C.F.R. 12 and hereby notifies the Fiscal Agent hereunder, that no brokerage confirmations need be sent relating to the security transactions as they occur.

In computing for any purpose hereunder the amount in any fund or account on any date, obligations so purchased shall be valued at Fair Market Value.

Section 4.09 *[Reserved]*.

Section 4.10 *Accounting Records.* The Fiscal Agent shall maintain accurate books and records for all funds and accounts established hereunder.

Section 4.11 *Amounts Remaining in Funds.* After full payment of the Funding Loan (or provision for payment thereof having been made in accordance with Section 9.01 hereof) and full payment of the fees, charges and expenses of the Governmental Lender, the Fiscal Agent, the

Rebate Analyst, the Funding Lender and the Servicer and other amounts required to be paid hereunder or under any Project Loan Document, including, but not limited to, the Continuing Covenant Agreement (as certified in writing to the Fiscal Agent by the Governmental Lender with respect to amounts due to the Governmental Lender and by the Funding Lender Representative or the Servicer on its behalf with respect to amounts owed under the Continuing Covenant Agreement and by the Rebate Analyst with respect to amounts due to the Rebate Analyst), any amounts remaining in any fund or account hereunder other than the Rebate Fund shall be paid to the Borrower.

Section 4.12 *Rebate Fund; Compliance with Tax Certificate.* The Rebate Fund shall be established by the Fiscal Agent and held and applied as provided in this Section 4.12. On any date on which any amounts are required by applicable federal tax law to be rebated to the federal government, amounts shall be deposited into the Rebate Fund by the Borrower for such purpose. All money at any time deposited in the Rebate Fund shall be held by the Fiscal Agent in trust, to the extent required to satisfy the rebate requirement (as set forth in the Tax Certificate) and as calculated by the Rebate Analyst, for payment to the government of the United States of America, and neither the Governmental Lender, the Borrower nor the Funding Lender shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section 4.12 and by the Tax Certificate. The Fiscal Agent shall conclusively be deemed to have complied with such provisions if it follows the written instructions of the Governmental Lender, Bond Counsel or the Rebate Analyst, including supplying all necessary information in the manner set forth in the Tax Certificate, and shall not be required to take any actions under the Tax Certificate in the absence of written instructions from the Governmental Lender, Bond Counsel or the Rebate Analyst.

Within 55 days of the end of each fifth Rebate Year, the Borrower shall cause the Rebate Analyst to calculate the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code)), for this purpose treating the last day of the applicable Rebate Year as a (computation) date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “**Rebatable Arbitrage**”). Pursuant to Section 2.04 of the Project Loan Agreement, the Borrower shall cause the Rebate Analyst to provide such calculations to the Fiscal Agent and the Governmental Lender. In the event that the Borrower fails to provide such information to the Fiscal Agent and the Governmental Lender within 55 days of the end of each fifth Rebate Year, the Fiscal Agent, at the expense of the Borrower, shall select the Rebate Analyst, with the prior written approval of the Governmental Lender, and shall cause the Rebate Analyst to calculate the amount of rebatable arbitrage as required herein.

Within 55 days of the end of each fifth Rebate Year, upon the written direction of the Governmental Lender, Bond Counsel or the Rebate Analyst, an amount shall be deposited to the Rebate Fund by the Fiscal Agent from amounts provided by the Borrower, if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with the preceding paragraph.

The Fiscal Agent shall pay, as directed by the Governmental Lender, Bond Counsel or the Rebate Analyst, to the United States Department of the Treasury, out of amounts in the Rebate Fund:

- (i) Not later than 60 days after the end of (A) the fifth Rebate Year, and (B) each applicable fifth Rebate Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Rebate Year; and
- (ii) Not later than 60 days after the payment in whole of the Funding Loan, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Rebate Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

Each payment required to be made under this Section shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 (or such other address provided in such direction), on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be prepared by the Rebate Analyst and provided to the Fiscal Agent.

Notwithstanding any provision of this Funding Loan Agreement to the contrary, the obligation to remit payment of the Rebatable Arbitrage to the United States of America and to comply with all other requirements of Sections 2.04 and 4.03 of the Project Loan Agreement and this Section 4.12, and the requirements of the Tax Certificate shall survive the defeasance or payment in full of the Funding Loan.

Any funds remaining in the Rebate Fund after payment in full of the Funding Loan and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Fiscal Agent, shall be withdrawn and remitted to the Borrower.

The Fiscal Agent shall obtain and keep such records of the computations made pursuant to this Section 4.12 as are required under Section 148(f) of the Code to the extent furnished to the Fiscal Agent. The Borrower shall or shall cause the Rebate Analyst to provide to the Governmental Lender and the Fiscal Agent copies of all rebate computations made pursuant to this Section 4.12. The Fiscal Agent shall keep and make available to the Borrower such records concerning the investments of the gross proceeds of the Funding Loan and the investments of earnings from those investments made by the Fiscal Agent as may be requested by the Borrower in order to enable the Borrower to cause the Rebate Analyst to make the aforesaid computations as are required under Section 148(f) of the Code.

Notwithstanding the foregoing, the computations and payments of Rebatable Arbitrage need not be made to the extent that neither the Governmental Lender nor the Borrower will thereby fail to comply with any requirements of Section 148(f) of the Code based on an opinion of Bond Counsel, to the effect that such failure will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Governmental Note, a copy of which shall be provided to the Fiscal Agent and the Funding Lender Representative, at the expense of the Borrower.

Section 4.13 *Cost of Issuance Fund.* The Fiscal Agent shall use money on deposit to the credit of the Cost of Issuance Fund to pay the costs of issuance on the Delivery Date or as

soon as practicable thereafter in accordance with a Requisition in the form of Exhibit D to be given to the Fiscal Agent by the Borrower on the Delivery Date, along with appropriate invoices for such expenses. Amounts in the Cost of Issuance Fund funded with proceeds of the Funding Loan, if any, shall be expended prior to the application of the Costs of Issuance Deposit. Investment Income on amounts on deposit in the Cost of Issuance Fund shall be retained in such fund. Amounts remaining on deposit in the Cost of Issuance Fund six (6) months after the Delivery Date shall be transferred to the Borrower. Upon such final disbursement, the Fiscal Agent shall close the Cost of Issuance Fund.

Section 4.14 *Reports From the Fiscal Agent.* The Fiscal Agent shall, on or before the fifteenth (15th) day of each month, file with the Funding Lender Representative, the Servicer, the Governmental Lender (at its written request) and the Borrower a statement setting forth in respect of the preceding calendar month:

- (i) the amount withdrawn or transferred by it, and the amount deposited within or on account of each fund and account held by it under the provisions of this Funding Loan Agreement, including the amount of investment income on each fund and account;
- (ii) the amount on deposit with it at the end of such month to the credit of each fund and account;
- (iii) a brief description of all obligations held by it as an investment of money in each such fund and account; and
- (iv) any other information which the Funding Lender Representative or the Governmental Lender may reasonably request and to which the Fiscal Agent has access in the ordinary course of its operations.

Upon the written request of the Funding Lender, the Fiscal Agent, at the cost of the Borrower, shall provide a copy of such statement to Funding Lender. All records and files pertaining to the Pledged Security shall be open at all reasonable times to the inspection of the Governmental Lender and the Funding Lender Representative or the Servicer and their agents and representatives upon reasonable prior notice during normal business hours.

ARTICLE V

GENERAL COVENANTS AND REPRESENTATIONS

Section 5.01 *Payment of Principal and Interest.* The Governmental Lender covenants that it will promptly pay or cause to be paid, but only from the sources identified herein, sufficient amounts to provide for the payment of the principal of, premium, if any, and interest on the Funding Loan at the place, on the dates and in the manner provided herein and in the Governmental Note, according to the true intent and meaning thereof.

Section 5.02 *Performance of Covenants.* The Governmental Lender covenants that it will faithfully perform at all times any and all of its covenants, undertakings, stipulations and provisions contained in this Funding Loan Agreement, in the Governmental Note and in all proceedings pertaining thereto.

Section 5.03 *Instruments of Further Assurance.* The Governmental Lender covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such supplements hereto, and such further acts, instruments and transfers as may be reasonably required for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Fiscal Agent all and singular its interest in the property herein described and the revenues, receipts and other amounts pledged hereby to the payment of the principal of, premium, if any, and interest on the Funding Loan. Any and all interest in property hereafter acquired which is of any kind or nature herein provided to be and become subject to the lien hereof shall and without any further conveyance, assignment or act on the part of the Governmental Lender or the Fiscal Agent, become and be subject to the lien of this Funding Loan Agreement as fully and completely as though specifically described herein, but nothing in this sentence contained shall be deemed to modify or change the obligations of the Governmental Lender under this Section 5.03. The Governmental Lender covenants and agrees that, except as herein otherwise expressly provided, it has not and will not sell, convey, mortgage, encumber or otherwise dispose of any part of its interest in the Pledged Security or the revenues or receipts therefrom.

The Governmental Lender will promptly notify the Fiscal Agent, the Funding Lender Representative and the Servicer in writing of the occurrence of any of the following:

- (i) the submission of any claim or the initiation of any legal process, litigation or administrative or judicial investigation against the Governmental Lender with respect to the Loans;
- (ii) any change in the location of the Governmental Lender's principal office or any change in the location of the Governmental Lender's books and records relating to the transactions contemplated hereby;
- (iii) the occurrence of any default or Event of Default of which the Governmental Lender has actual knowledge;
- (iv) the commencement of any proceedings or any proceedings instituted by or against the Governmental Lender in any federal, state or local court or before any governmental body or agency, or before any arbitration board, relating to the Notes; or
- (v) the commencement of any proceedings by or against the Governmental Lender under any applicable bankruptcy, reorganization, liquidation, rehabilitation, insolvency or other similar law now or hereafter in effect or of any proceeding in which a receiver, liquidator, conservator, Fiscal Agent or similar official shall have been, or may be, appointed or requested for the Governmental Lender or any of its assets relating to the Loans.

Section 5.04 *Inspection of Project Books.* The Governmental Lender covenants and agrees that all books and documents in its possession relating to the Project shall, upon reasonable prior notice, during normal business hours, be open to inspection and copying by such accountants or other agents as the Fiscal Agent or the Funding Lender Representative may from time to time reasonably designate.

Section 5.05 *No Modification of Security; Additional Indebtedness.* The Governmental Lender covenants to and for the benefit of the Funding Lender that it will not, without the prior written consent of the Funding Lender Representative, take any of the following actions:

- (i) alter, modify or cancel, or agree to consent to alter, modify or cancel any agreement to which the Governmental Lender is a party, or which has been assigned to the Governmental Lender, and which relates to or affects the security for the Loans or the payment of any amount owed under the Financing Documents; or
- (ii) create or suffer to be created any lien upon the Pledged Security or any part thereof other than the lien created hereby and by the Security Instrument.

Section 5.06 *Damage, Destruction or Condemnation.* Net Proceeds resulting from casualty to or condemnation of the Project shall be applied as provided in the Continuing Covenant Agreement and, to the extent consistent therewith, Section 3.01(b)(i) hereof.

Section 5.07 *Tax Covenants.*

(a) *Governmental Lender's Covenants.* The Governmental Lender covenants to and for the benefit of the Funding Lender that it will:

- (i) neither make or use nor cause to be made or used any investment or other use of the proceeds of the Funding Loan or the money and investments held in the funds and accounts in any manner which would cause the Governmental Note to be an “arbitrage bond” under Section 148 of the Code and the Regulations issued under Section 148 of the Code (the “**Regulations**”) or which would otherwise cause the interest payable on the Governmental Note to be includable in gross income for federal income tax purposes;
- (ii) enforce or cause to be enforced all obligations of the Borrower under the Tax Regulatory Agreement in accordance with its terms and seek to cause the Borrower to correct any violation of the Tax Regulatory Agreement within a reasonable period after it first discovers or becomes aware of any such violation;
- (iii) not take or cause to be taken any other action or actions, or fail to take any action or actions, if the same would cause the interest payable on the Governmental Note to be includable in gross income for federal income tax purposes;
- (iv) at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Governmental Lender on the Funding Loan will be excluded from the gross income for federal income tax purposes, of the Funding Lender pursuant to the Code, except in the event where the Funding Lender is a “substantial user” of the facilities financed with the Loans or a “related person” within the meaning of the Code; and
- (v) not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Governmental Note to be “federally guaranteed” within the meaning of Section 149(b) of the Code and the Regulations.

In furtherance of the covenants in this Section 5.07, the Governmental Lender and the Borrower shall execute, deliver and comply with the provisions of the Tax Certificate, which is by this reference incorporated into this Funding Loan Agreement and made a part of this Funding Loan Agreement as if set forth in this Funding Loan Agreement in full, and by its acceptance of this Funding Loan Agreement the Fiscal Agent acknowledges receipt of the Tax Certificate and acknowledges its incorporation into this Funding Loan Agreement by this reference and agrees to comply with the terms specifically applicable to it.

(b) *Fiscal Agent's Covenants.* The Fiscal Agent agrees that it will invest funds held under this Funding Loan Agreement in accordance with the covenants and terms of this Funding Loan Agreement and the Tax Certificate (this covenant shall extend through the term of the Funding Loan, to all funds and accounts created under this Funding Loan Agreement and all money on deposit to the credit of any such fund or account). The Fiscal Agent covenants to and for the benefit of the Funding Lender that, notwithstanding any other provisions of this Funding Loan Agreement or of any other Financing Document, it will not knowingly make or cause to be made any investment or other use of the money in the funds or accounts created hereunder which would cause the Governmental Note to be classified as an "arbitrage bond" within the meaning of Sections 103(b) and 148 of the Code or would cause the interest on the Governmental Note to be includable in gross income for federal income tax purposes; provided that the Fiscal Agent shall be deemed to have complied with such requirements and shall have no liability to the extent it reasonably follows the written directions of the Borrower, the Governmental Lender, the Funding Lender Representative, Bond Counsel or the Rebate Analyst. This covenant shall extend, throughout the term of the Funding Loan, to all funds created under this Funding Loan Agreement and all money on deposit to the credit of any such fund. Pursuant to this covenant, with respect to the investments of the funds and accounts under this Funding Loan Agreement, the Fiscal Agent obligates itself to comply throughout the term of the Funding Loan with the requirements of Sections 103(b) and 148 of the Code; provided that the Fiscal Agent shall be deemed to have complied with such requirements and shall have no liability to the extent it reasonably follows the written directions of the Borrower, the Governmental Lender, Bond Counsel or the Rebate Analyst. The Fiscal Agent further covenants that should the Governmental Lender or the Borrower file with the Fiscal Agent (it being understood that neither the Governmental Lender nor the Borrower has an obligation to so file), or should the Fiscal Agent receive, an opinion of Bond Counsel to the effect that any proposed investment or other use of proceeds of the Funding Loan would cause the Governmental Note to become an "arbitrage bond," then the Fiscal Agent will comply with any written instructions of the Governmental Lender, the Borrower, the Funding Lender Representative or Bond Counsel regarding such investment (which shall, in any event, be a Qualified Investment) or use so as to prevent the Governmental Note from becoming an "arbitrage bond," and the Fiscal Agent will bear no liability to the Governmental Lender, the Borrower, the Funding Lender or the Funding Lender Representative for investments made in accordance with such instructions.

Section 5.08 *Representations and Warranties of the Governmental Lender.* The Governmental Lender hereby represents and warrants as follows:

(a) The Governmental Lender is a public body corporate and politic, duly organized, validly existing and in good standing under the laws of the State.

(b) The Governmental Lender has all necessary power and authority to issue the Governmental Note and to execute and deliver this Funding Loan Agreement, the Project Loan Agreement and the other Financing Documents to which it is a party, and to perform its duties and discharge its obligations hereunder and thereunder.

(c) The revenues and assets pledged for the repayment of the Funding Loan are and will be free and clear of any pledge, lien or encumbrance prior to, or equal with, the pledge created by this Funding Loan Agreement, and all action on the part of the Governmental Lender to that end has been duly and validly taken.

(d) The Financing Documents to which the Governmental Lender is a party have been validly authorized, executed and delivered by the Governmental Lender, and assuming due authorization, execution and delivery by the other parties thereto, constitute valid and binding obligations of the Governmental Lender, enforceable against the Governmental Lender in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium or other laws affecting creditors' rights generally and the application of equitable principles.

ARTICLE VI

DEFAULT PROVISIONS AND REMEDIES OF FISCAL AGENT AND FUNDING LENDER

Section 6.01 *Events of Default.* Each of the following shall be an event of default with respect to the Funding Loan (an "Event of Default") under this Funding Loan Agreement:

(a) failure to pay the principal of, premium, if any, or interest on the Funding Loan when due, whether on an Interest Payment Date, at the stated maturity thereof, by proceedings for prepayment thereof, by acceleration or otherwise; or

(b) failure to observe the covenants set forth in Section 5.05 hereof; or

(c) failure to observe or perform any of the covenants, agreements or conditions on the part of the Governmental Lender (other than those set forth in Sections 5.01 and 5.05 hereof) set forth in this Funding Loan Agreement or in the Governmental Note and the continuance thereof for a period of thirty (30) days (or such longer period, if any, as is specified herein for particular defaults) after written notice thereof to the Governmental Lender from the Fiscal Agent or the Funding Lender Representative specifying such default and requiring the same to be remedied; provided that if such default cannot be cured within such thirty (30) day period through the exercise of diligence and the Governmental Lender commences the required cure within such thirty (30) day period and continues the cure with diligence and the Governmental Lender reasonably anticipates that the default could be cured within sixty (60) days, the Governmental Lender shall have sixty (60) days following receipt of such notice to effect the cure; or

(d) receipt by the Fiscal Agent of written notice from the Funding Lender Representative of the occurrence of an "Event of Default" under the Project Loan Agreement or the Continuing Covenant Agreement.

The Fiscal Agent will promptly notify the Governmental Lender, the Servicer and the Funding Lender Representative after a Responsible Officer obtains actual knowledge of the occurrence of an Event of Default or obtains actual knowledge of the occurrence of an event which would become an Event of Default with the passage of time or the giving of notice or both.

Section 6.02 *Acceleration; Other Remedies Upon Event of Default.*

Upon the occurrence of an Event of Default, the Fiscal Agent shall, upon the written request of the Funding Lender Representative, by notice in writing delivered to the Governmental Lender, declare the principal of the Funding Loan and the interest accrued thereon immediately due and payable, and interest shall continue to accrue thereon until such amounts are paid.

At any time after the Funding Loan shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered, the Fiscal Agent may, but only if directed in writing by the Funding Lender Representative, by written notice to the Governmental Lender and the Fiscal Agent, rescind and annul such declaration and its consequences if the Governmental Lender or the Borrower shall pay to or deposit with the Fiscal Agent a sum sufficient to pay all principal on the Funding Loan then due (other than solely by reason of such declaration) and all unpaid installments of interest (if any) on the Funding Loan then due, with interest at the rate borne by the Funding Loan on such overdue principal and (to the extent legally enforceable) on such overdue installments of interest, and the reasonable fees and expenses of the Fiscal Agent (including its counsel) shall have been made good or cured or adequate provision shall have been made therefor, and all outstanding amounts then due and unpaid under the Financing Documents (collectively, the “**Cure Amount**”) shall have been paid in full, and all other defaults hereunder shall have been made good or cured or waived in writing by the Funding Lender Representative; but no such rescission and annulment shall extend to or shall affect any subsequent default, nor shall it impair or exhaust any right or power consequent thereon.

Upon the occurrence and during the continuance of an Event of Default, the Fiscal Agent in its own name and as trustee of an express trust, on behalf and for the benefit and protection of the Funding Lender, may also proceed to protect and enforce any rights of the Fiscal Agent and, to the full extent that the Funding Lender itself might do, the rights of the Funding Lender under the laws of the State or under this Funding Loan Agreement by such of the following remedies as the Fiscal Agent shall deem most effectual to protect and enforce such rights; provided that, the Fiscal Agent may undertake any such remedy only upon the receipt of the prior written consent of the Funding Lender Representative (which consent may be given in the sole discretion of the Funding Lender Representative):

- (i) by mandamus or other suit, action or proceeding at law or in equity, to enforce the payment of the principal of, premium, if any, or interest on the Funding Loan and to require the Governmental Lender to carry out any covenants or agreements with or for the benefit of the Funding Lender and to perform its duties under the Act, this Funding Loan Agreement, the Project Loan Agreement or the Tax Regulatory Agreement (as applicable) to the extent permitted under the applicable provisions thereof;

(ii) by pursuing any available remedies under the Project Loan Agreement, the Tax Regulatory Agreement or any other Financing Document;

(iii) by realizing or causing to be realized through sale or otherwise upon the security pledged hereunder; and

(iv) by action or suit in equity enjoin any acts or things that may be unlawful or in violation of the rights of the Funding Lender and execute any other papers and documents and do and perform any and all such acts and things as may be necessary or advisable in the opinion of the Fiscal Agent in order to have the claim of the Funding Lender against the Governmental Lender allowed in any bankruptcy or other proceeding.

No remedy by the terms of this Funding Loan Agreement conferred upon or reserved to the Fiscal Agent or to the Funding Lender is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Fiscal Agent or the Funding Lender hereunder or under the Project Loan Agreement, the Tax Regulatory Agreement, the Continuing Covenant Agreement or any other Financing Document, as applicable, or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. No waiver of any Event of Default hereunder, whether by the Fiscal Agent or the Funding Lender, shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereto.

Section 6.03 *Funding Lender Representative Control of Proceedings.* If an Event of Default has occurred and is continuing, notwithstanding anything to the contrary herein, the Funding Lender Representative shall have the sole and exclusive right at any time to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Funding Loan Agreement, or for the appointment of a receiver or any other proceedings hereunder, in accordance with the provisions of law and of this Funding Loan Agreement. In addition, the Funding Lender Representative shall have the sole and exclusive right at any time to directly enforce all rights and remedies hereunder and under the other Financing Documents with or without the involvement of the Fiscal Agent or the Governmental Lender (and in connection therewith the Fiscal Agent shall transfer or assign to the Funding Lender Representative all of its interest in the Pledged Security at the request of the Funding Lender Representative). In no event shall the exercise of any of the foregoing rights result in an acceleration of the Funding Loan without the express direction of the Funding Lender Representative.

Section 6.04 *Waiver by Governmental Lender.* Upon the occurrence of an Event of Default, to the extent that such right may then lawfully be waived, neither the Governmental Lender nor anyone claiming through or under it shall set up, claim or seek to take advantage of any appraisal, valuation, stay, extension or prepayment laws now or hereinafter in force, in order to prevent or hinder the enforcement of this Funding Loan Agreement; and the Governmental Lender, for itself and all who may claim through or under it, hereby waives, to the extent that it lawfully may do so, the benefit of all such laws and all right of appraisal and prepayment to which it may be entitled under the laws of the State and the United States of America.

Section 6.05 *Application of Money After Default.* All money collected by the Fiscal Agent at any time pursuant to this Article shall, except to the extent, if any, otherwise directed by a court of competent jurisdiction, be credited by the Fiscal Agent to the Revenue Fund. Such money so credited to the Revenue Fund and all other money from time to time credited to the Revenue Fund shall at all times be held, transferred, withdrawn and applied as prescribed by the provisions of Article IV hereof and this Section 6.05.

In the event that at any time the money credited to the Revenue Fund, the Loan Payment Fund and the Loan Prepayment Fund available for the payment of interest or principal then due with respect to the Governmental Note shall be insufficient for such payment, such money shall be applied as follows and in the following order of priority:

(a) For payment of all amounts due to the Fiscal Agent incurred in performance of its duties under this Funding Loan Agreement, including, without limitation, the payment of all reasonable fees and expenses of the Fiscal Agent incurred in exercising any remedies under this Funding Loan Agreement.

(b) To the extent directed in writing by the Funding Lender Representative, to the reimbursement of any unreimbursed advances made by or on behalf of the Funding Lender pursuant to the Continuing Covenant Agreement or the Security Instrument.

(c) Unless the full principal amount of the Funding Loan shall have become or have been declared due and payable:

FIRST: to the Funding Lender, all installments of interest then due on the Funding Loan in the order of the maturity of such installments; and

SECOND: to the Funding Lender, unpaid principal of and premium, if any, on the Funding Loan which shall have become due, whether at maturity or by call for prepayment, in the order in which they became due and payable.

(d) If the full principal amount of the Governmental Note shall have become or have been declared due and payable, to the Funding Lender for the payment of the principal of, premium, if any, and interest then due and unpaid on the Funding Loan without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest.

Section 6.06 *Remedies Not Exclusive.* No right or remedy conferred upon or reserved to the Fiscal Agent, the Funding Lender or the Funding Lender Representative by the terms of this Funding Loan Agreement is intended to be exclusive of any other right or remedy, but each and every such remedy shall be cumulative and shall be in addition to every other right or remedy given to the Fiscal Agent, the Funding Lender or the Funding Lender Representative under this Funding Loan Agreement or existing at law or in equity or by statute (including the Act).

Section 6.07 *Fiscal Agent May Enforce Rights Without Governmental Note.* All rights of action and claims, including the right to file proof of claims, under this Funding Loan Agreement may be prosecuted and enforced by the Fiscal Agent at the written direction of the Funding Lender Representative without the possession of the Governmental Note or the

production thereof in any trial or other proceedings relating thereto. Subject to the rights of the Funding Lender Representative to direct proceedings hereunder, any such suit or proceeding instituted by the Fiscal Agent shall be brought in its name as Fiscal Agent without the necessity of joining as plaintiffs or defendants any Funding Lender, and any recovery or judgment shall be for the benefit as provided herein of the Funding Lender.

Section 6.08 [Reserved].

Section 6.09 *Termination of Proceedings.* In case the Fiscal Agent (at the direction of the Funding Lender Representative) or the Funding Lender Representative shall have proceeded to enforce any right under this Funding Loan Agreement by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Governmental Lender, the Fiscal Agent, the Funding Lender Representative, the Borrower and the Funding Lender shall be restored to their former positions and rights hereunder with respect to the Pledged Security herein conveyed, and all rights, remedies and powers of the Fiscal Agent and the Funding Lender Representative shall continue as if no such proceedings had been taken.

Section 6.10 *Waivers of Events of Default.* The Fiscal Agent shall waive any Event of Default hereunder and its consequences and rescind any declaration of maturity of principal of and interest on the Funding Loan upon the written direction of the Funding Lender Representative. In case of any such waiver or rescission, or in case any proceeding taken by the Fiscal Agent on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Governmental Lender, the Fiscal Agent, the Borrower, the Servicer, the Funding Lender Representative and the Funding Lender shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereto.

Section 6.11 *Interest on Unpaid Amounts and Default Rate for Nonpayment.* In the event that principal of or interest payable on the Funding Loan is not paid when due, there shall be payable on the amount not timely paid, on each Interest Payment Date, interest at the Default Rate, to the extent permitted by law. Interest on the Funding Loan shall accrue at the Default Rate until the unpaid amount, together with interest thereon, shall have been paid in full.

Section 6.12 *Assignment of Project Loan; Remedies Under the Project Loan.*

(a) The Funding Lender Representative shall have the right, with respect to the Project Loan, in its sole and absolute discretion, without directing the Fiscal Agent to effect an acceleration of the Funding Loan, to instruct the Fiscal Agent in writing to assign the Project Note, the Security Instrument and the other Project Loan Documents to the Funding Lender Representative, in which event the Fiscal Agent shall (a) endorse and deliver the Project Note to the Funding Lender Representative and assign (in recordable form) the Security Instrument, (b) execute and deliver to the Funding Lender Representative all documents prepared by the Funding Lender Representative necessary to assign (in recordable form) all other Project Loan Documents to the Funding Lender Representative and (c) execute all such documents prepared by the Funding Lender Representative as are necessary to legally and validly effectuate the assignments provided for in the preceding clauses (a) and (b). The Fiscal Agent's assignments to the Funding Lender Representative pursuant to this Section 6.12 shall be without recourse or

warranty except that the Fiscal Agent shall represent and warrant in connection therewith (A) that the Fiscal Agent has not previously endorsed or assigned any such documents or instruments and (B) that the Fiscal Agent has the corporate authority to endorse and assign such documents and instruments and such endorsements and assignments have been duly authorized.

(b) The Funding Lender Representative shall have the right, in its own name or on behalf of the Governmental Lender or the Fiscal Agent, to declare any default and exercise any remedies under the Project Loan Agreement, the Project Note or the Security Instrument, whether or not the Governmental Note has been accelerated or declared due and payable by reason of an Event of Default or the occurrence of a mandatory prepayment.

Section 6.13 Substitution. Upon receipt of written notice from the Funding Lender Representative and the approval of the Governmental Lender as and to the extent permitted under the Tax Regulatory Agreement, the Fiscal Agent shall exchange the Project Note and the Security Instrument for a new Project Note and Security Instrument, evidencing and securing a new loan (the “New Project Loan”), which may be executed by a person other than the Borrower (the “New Borrower”), provided that if the Fiscal Agent, the Funding Lender or a nominee of the Fiscal Agent or the Funding Lender has acquired the Project through foreclosure, by accepting a deed in lieu of foreclosure or by comparable conversion of the Project, no approval from the Governmental Lender of such exchange shall be required. Prior to accepting a New Project Loan, the Fiscal Agent shall have received (i) written evidence that the New Borrower shall have executed and recorded a document substantially in the form of the Tax Regulatory Agreement (or executed and recorded an assumption of all of the Borrower’s obligations under the Tax Regulatory Agreement) and that the Project Loan Documents have been modified as necessary to be applicable to the New Project Loan, and (ii) an opinion of Bond Counsel, to the effect that such exchange and modification, in and of itself, shall not affect the exclusion, from gross income, for federal income tax purposes of the interest payable on the Governmental Note.

ARTICLE VII

CONCERNING THE FISCAL AGENT

Section 7.01 Standard of Care. The Fiscal Agent, prior to an Event of Default as defined in Section 6.01 hereof and after the curing or waiver of all such events which may have occurred, shall perform such duties and only such duties as are specifically set forth in this Funding Loan Agreement. The Fiscal Agent, during the existence of any such Event of Default (which shall not have been cured or waived), shall exercise such rights and powers vested in it by this Funding Loan Agreement and use the same degree of care and skill in its exercise as a prudent Person would exercise or use under similar circumstances in the conduct of such Person’s own affairs.

No provision of this Funding Loan Agreement shall be construed to relieve the Fiscal Agent from liability for its breach of trust, own negligence or willful misconduct, except that:

(a) prior to an Event of Default hereunder, and after the curing or waiver of all such Events of Default which may have occurred:

(i) the duties and obligations of the Fiscal Agent shall be determined solely by the express provisions of this Funding Loan Agreement, and the Fiscal Agent shall not be liable except with regard to the performance of such duties and obligations as are specifically set forth in this Funding Loan Agreement; and

(ii) in the absence of bad faith on the part of the Fiscal Agent, the Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Fiscal Agent by the Person or Persons authorized to furnish the same;

(b) at all times, regardless of whether or not any such Event of Default shall exist:

(i) the Fiscal Agent shall not be liable for any error of judgment made in good faith by an officer or employee of the Fiscal Agent except for willful misconduct or negligence by the officer or employee of the Fiscal Agent as the case may be; and

(ii) the Fiscal Agent shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Funding Lender Representative relating to the time, method and place of conducting any proceeding for any remedy available to the Fiscal Agent, or exercising any trust or power conferred upon the Fiscal Agent under this Funding Loan Agreement.

Section 7.02 *Reliance Upon Documents.* Except as otherwise provided in Section 7.01 hereof:

(a) the Fiscal Agent may rely upon the authenticity or truth of the statements and the correctness of the opinions expressed in, and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, notarial seal, stamp, acknowledgment, verification, request, consent, order, bond, or other paper or document of the proper party or parties, including any Electronic Notice as permitted hereunder or under the Project Loan Agreement;

(b) any notice, request, direction, election, order or demand of the Governmental Lender mentioned herein shall be sufficiently evidenced by an instrument signed in the name of the Governmental Lender by an Authorized Officer of the Governmental Lender (unless other evidence in respect thereof be herein specifically prescribed), and any resolution of the Governmental Lender may be evidenced to the Fiscal Agent by a copy of such resolution duly certified by an Authorized Officer of the Governmental Lender;

(c) any notice, request, certificate, statement, requisition, direction, election, order or demand of the Borrower mentioned herein shall be sufficiently evidenced by an instrument purporting to be signed in the name of the Borrower by any Authorized Officer of the Borrower (unless other evidence in respect thereof be herein specifically prescribed), and any resolution or certification of the Borrower may be evidenced to the

Fiscal Agent by a copy of such resolution duly certified by a secretary or other authorized representative of the Borrower;

(d) any notice, request, certificate, statement, requisition, direction, election, order or demand of the Servicer mentioned herein shall be sufficiently evidenced by an instrument signed in the name of the Servicer by an Authorized Officer of the Servicer (unless other evidence in respect thereof be herein specifically prescribed);

(e) any notice, request, direction, election, order or demand of the Funding Lender Representative mentioned herein shall be sufficiently evidenced by an instrument purporting to be signed in the name of the Funding Lender Representative by any Authorized Officer of the Funding Lender Representative (unless other evidence in respect thereof be herein specifically prescribed);

(f) [Intentionally Omitted];

(g) [Intentionally Omitted];

(h) in the administration of the trusts of this Funding Loan Agreement, the Fiscal Agent may execute any of the trusts or powers hereby granted directly or through its agents, receivers or attorneys, and the Fiscal Agent may consult with counsel (who may be counsel for the Governmental Lender, the Servicer or the Funding Lender Representative) and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or permitted by it hereunder in good faith and in accordance with the opinion of such counsel;

(i) whenever in the administration of the trusts of this Funding Loan Agreement, the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or permitting any action hereunder, such matters (unless other evidence in respect thereof be herein specifically prescribed), may in the absence of negligence or willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a certificate of an officer or authorized agent of the Governmental Lender or the Borrower and such certificate shall in the absence of bad faith on the part of the Fiscal Agent be full warrant to the Fiscal Agent for any action taken or permitted by it under the provisions of this Funding Loan Agreement, but in its discretion the Fiscal Agent may in lieu thereof accept other evidence of such matter or may require such further or additional evidence as it may deem reasonable;

(j) the recitals herein and in the Governmental Note (except the Fiscal Agent's certificate of authentication thereon) shall not be considered as made by or imposing any obligation or liability upon the Fiscal Agent. The Fiscal Agent makes no representations as to the value or condition of the Pledged Security or any part thereof, or as to the title of the Governmental Lender or the Borrower to the Pledged Security, or as to the security of this Funding Loan Agreement, or of the Governmental Note issued hereunder, and the Fiscal Agent shall incur no liability or responsibility in respect of any of such matters;

(k) the Fiscal Agent shall not be personally liable for debts contracted or liability for damages incurred in the management or operation of the Pledged Security

except for its own willful misconduct or negligence; and every provision of this Funding Loan Agreement relating to the conduct or affecting the liability of or affording protection to the Fiscal Agent shall be subject to the provisions of this Section 7.02(k);

(l) the Fiscal Agent shall not be required to ascertain or inquire as to the performance or observance of any of the covenants or agreements (except to the extent they obligate the Fiscal Agent) herein or in any contracts or securities assigned or conveyed to or pledged with the Fiscal Agent hereunder, except Events of Default that are evident under Section 6.01(a) hereof. The Fiscal Agent shall not be required to take notice or be deemed to have notice or actual knowledge of any default or Event of Default specified in Section 6.01 hereof (except defaults under Section 6.01(a) hereof to the extent they are collecting loan payments hereunder) unless the Fiscal Agent shall receive from the Governmental Lender or the Funding Lender Representative written notice stating that a default or Event of Default has occurred and specifying the same, and in the absence of such notice the Fiscal Agent may conclusively assume that there is no such default. Every provision contained in this Funding Loan Agreement or related instruments or in any such contract or security wherein the duty of the Fiscal Agent depends on the occurrence and continuance of such default shall be subject to the provisions of this Section 7.02(l);

(m) the Fiscal Agent shall be under no duty to confirm or verify any financial or other statements or reports or certificates furnished pursuant to any provisions hereof, except to the extent such statement or reports are furnished by or under the direction of the Fiscal Agent, and shall be under no other duty in respect of the same except to retain the same in its files and permit the inspection of the same at reasonable times by the Funding Lender; and

(n) the Fiscal Agent shall be under no obligation to exercise those rights or powers vested in it by this Funding Loan Agreement, other than such rights and powers which it shall be obliged to exercise in the ordinary course of acting as Fiscal Agent under the terms and provisions of this Funding Loan Agreement and as required by law, at the request or direction of the Funding Lender Representative pursuant to Section 6.03 hereof, unless the Funding Lender Representative shall have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in the compliance with such request or direction.

None of the provisions contained in this Funding Loan Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

The Fiscal Agent is authorized and directed to execute in its capacity as Fiscal Agent, the Project Loan Agreement and the Tax Regulatory Agreement and shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the delivery of the Governmental Note.

The Fiscal Agent or any of its affiliates may act as advisor or sponsor with respect to any Qualified Investments.

The Fiscal Agent agrees to accept and act upon Electronic Notice of written instructions and/or directions pursuant to this Funding Loan Agreement.

Any resolution, certification, notice, request, direction, election, order or demand delivered to the Fiscal Agent pursuant to this Section 7.02 shall remain in effect until the Fiscal Agent receives written notice to the contrary from the party that delivered such instrument accompanied by revised information for such party.

The Fiscal Agent shall have no responsibility for the value of any collateral or with respect to the perfection or priority of any security interest in any collateral except as otherwise provided in Section 7.17 hereof.

Section 7.03 *Use of Proceeds.* The Fiscal Agent shall not be accountable for the use or application of the Governmental Note authenticated or delivered hereunder or of the proceeds of the Funding Loan except as provided herein.

Section 7.04 *[Reserved]*.

Section 7.05 *Trust Imposed.* All money received by the Fiscal Agent shall, until used or applied as herein provided, be held in trust for the purposes for which it was received.

Section 7.06 *Compensation of Fiscal Agent.* The Fiscal Agent shall be entitled to its Ordinary Fiscal Agent's Fees and Expenses in connection with the services rendered by it in the execution of the trusts hereby created and in the exercise and performance of any of the powers and duties of the Fiscal Agent hereunder or under any Financing Document to the extent money is available therefor, in accordance with Section 4.06 hereof, exclusive of Extraordinary Services. The Fiscal Agent shall be entitled to Extraordinary Fiscal Agent's Fees and Expenses in connection with any Extraordinary Services performed consistent with the duties hereunder or under any of the Financing Documents; provided the Fiscal Agent shall not incur any Extraordinary Fiscal Agent's Fees and Expenses without the consent of the Funding Lender Representative. If any property, other than cash, shall at any time be held by the Fiscal Agent subject to this Funding Loan Agreement, or any supplement hereto, as security for the Funding Loan, the Fiscal Agent, if and to the extent authorized by a receivership, bankruptcy, or other court of competent jurisdiction or by the instrument subjecting such property to the provisions of this Funding Loan Agreement as such security for the Funding Loan, shall be entitled to make advances for the purpose of preserving such property or of discharging tax liens or other liens or encumbrances thereon. Payment to the Fiscal Agent for its services and reimbursement to the Fiscal Agent for its expenses, disbursements, liabilities and advances, shall be limited to the sources described in the Project Loan Agreement and in Sections 4.06, 4.11 and 6.05 hereof. The Governmental Lender shall have no liability for Fiscal Agent's fees, costs or expenses. Subject to the provisions of Section 7.09 hereof, the Fiscal Agent agrees that it shall continue to perform its duties hereunder and under the Financing Documents even in the event that money designated for payment of its fees shall be insufficient for such purposes or in the event that the Borrower fails to pay the Ordinary Fiscal Agent's Fees and Expenses or, if applicable, the Extraordinary Fiscal Agent's Fees and Expenses as required by the Project Loan Agreement.

The Borrower shall indemnify and hold harmless the Fiscal Agent and its officers, directors, officials, employees, agents, receivers, attorneys, accountants, advisors, consultants

and servants, past, present or future, from and against (a) any and all claims by or on behalf of any person arising from any cause whatsoever in connection with this Funding Loan Agreement or transactions contemplated hereby, the Project, or the delivery of the Governmental Note or the Loans; (b) any and all claims arising from any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees in connection with the Project, or the delivery of the Governmental Note or the Loans; and (c) all costs, counsel fees, expenses or liabilities incurred in connection with any such claim or proceeding brought thereon; except that the Borrower shall not be required to indemnify any person for damages caused by the gross negligence, willful misconduct or unlawful acts of such person or which arise from events occurring after the Borrower ceases to own the Project. In the event that any action or proceeding is brought or claim made against the Fiscal Agent, or any of its officers, directors, officials, employees, agents, receivers, attorneys, accountants, advisors, consultants or servants, with respect to which indemnity may be sought hereunder, the Borrower, upon written notice thereof from the indemnified party, shall assume the investigation and defense thereof, including the employment of counsel and the payment of all expenses. The indemnified party shall have the right to approve a settlement to which it is a party and to employ separate counsel in any such action or proceedings and to participate in the investigation and defense thereof, and the Borrower shall pay the reasonable fees and expenses of such separate counsel. The provisions of this Section 7.06 shall survive the termination of this Funding Loan Agreement.

Section 7.07 *Qualifications of Fiscal Agent.* There shall at all times be a Fiscal Agent hereunder which shall be an association or a corporation organized and doing business under the laws of the United States of America or any state thereof, authorized under such laws to exercise corporate trust powers. Any successor Fiscal Agent shall have a combined capital and surplus of at least \$50,000,000 (or shall be a wholly-owned subsidiary of an association or corporation that has such combined capital and surplus), and be subject to supervision or examination by federal or state authority, or shall have been appointed by a court of competent jurisdiction pursuant to Section 7.11 hereof. If such association or corporation publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority referred to above, then for the purposes of this Section 7.07, the combined capital and surplus of such association or corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Fiscal Agent shall cease to be eligible in accordance with the provisions of this Section 7.07 and another association or corporation is eligible, the Fiscal Agent shall resign immediately in the manner and with the effect specified in Section 7.09 hereof.

Section 7.08 *Merger of Fiscal Agent.* Any association or corporation into which the Fiscal Agent may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any association or corporation resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party shall, ipso facto, be and become successor Fiscal Agent hereunder and vested with all the title to the whole property or Pledged Security and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instruments or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding, and shall also be and become successor Fiscal Agent in respect of the legal interest of the Fiscal Agent in the Loans.

Section 7.09 *Resignation by the Fiscal Agent.* The Fiscal Agent may at any time resign from the trusts hereby created by giving written notice to the Governmental Lender, the Borrower, the Servicer and the Funding Lender Representative. Such notice to the Governmental Lender, the Borrower, the Servicer and the Funding Lender Representative may be served personally or sent by certified mail or overnight delivery service. The resignation of the Fiscal Agent shall not be effective until a successor Fiscal Agent has been appointed as provided herein and such successor Fiscal Agent shall have agreed in writing to be bound by the duties and obligations of the Fiscal Agent hereunder.

Section 7.10 *Removal of the Fiscal Agent.* The Fiscal Agent may be removed at any time, either with or without cause, with the consent of the Funding Lender Representative (which consent of the Funding Lender Representative shall not be unreasonably withheld), by a written instrument signed by the Governmental Lender and delivered to the Fiscal Agent, the Servicer and the Borrower. The Fiscal Agent may also be removed by a written instrument signed by the Funding Lender Representative and delivered to the Fiscal Agent, the Servicer, the Governmental Lender and the Borrower. In each case written notice of such removal shall be given to the Servicer, the Borrower and to the Funding Lender. Any such removal shall take effect on the day specified in such written instrument(s), but the Fiscal Agent shall not be discharged from the trusts hereby created until a successor Fiscal Agent has been appointed and has accepted such appointment and has agreed in writing to be bound by the duties and obligations of the Fiscal Agent hereunder.

Section 7.11 *Appointment of Successor Fiscal Agent.*

(a) In case at any time the Fiscal Agent shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or shall be adjudged a bankrupt or insolvent, or if a receiver of the Fiscal Agent or of its property shall be appointed, or if a public supervisory office shall take charge or control of the Fiscal Agent or of its property or affairs, a vacancy shall forthwith and ipso facto be created in the office of such Fiscal Agent hereunder, and the Governmental Lender, with the written consent of the Funding Lender Representative, shall promptly appoint a successor Fiscal Agent. Any such appointment shall be made by a written instrument executed by an Authorized Officer of the Governmental Lender. If the Governmental Lender fails to appoint a successor Fiscal Agent within ten (10) days following the resignation or removal of the Fiscal Agent pursuant to Section 7.09 or Section 7.10 hereunder, as applicable, the Funding Lender Representative may appoint a successor Fiscal Agent.

(b) If, in a proper case, no appointment of a successor Fiscal Agent shall be made pursuant to subsection (a) of this Section 7.11 within sixty (60) days following delivery of all required notices of resignation given pursuant to Section 7.09 hereof or of removal of the Fiscal Agent pursuant to Section 7.10 hereof, the retiring Fiscal Agent may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. The court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Fiscal Agent.

Section 7.12 *Concerning Any Successor Fiscal Agent.* Every successor Fiscal Agent appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Governmental Lender a written instrument accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all

the Pledged Security and the rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the Governmental Lender, the Borrower or the Funding Lender Representative, or of its successor, and upon payment of all amounts due such predecessor, including but not limited to fees and expenses of counsel, execute and deliver such instruments as may be appropriate to transfer to such successor Fiscal Agent all the Pledged Security and the rights, powers and trusts of such predecessor hereunder; and every predecessor Fiscal Agent shall deliver all securities and money held by it as Fiscal Agent hereunder to its successor. Should any instrument in writing from the Governmental Lender be required by a successor Fiscal Agent for more fully and certainly vesting in such successor the Pledged Security and all rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Governmental Lender. The resignation of any Fiscal Agent and the instrument or instruments removing any Fiscal Agent and appointing a successor hereunder, together with all other instruments provided for in this Article, shall be filed and/or recorded by the successor Fiscal Agent in each recording office where this Funding Loan Agreement shall have been filed and/or recorded. Each successor Fiscal Agent shall mail notice by first class mail, postage prepaid, at least once within 30 days of such appointment, to the Funding Lender.

Section 7.13 *Successor Fiscal Agent*. In the event of a change in the office of Fiscal Agent, the predecessor Fiscal Agent which shall have resigned or shall have been removed shall cease to be Fiscal Agent with respect to the Governmental Note, and the successor Fiscal Agent shall become such Fiscal Agent.

Section 7.14 *Appointment of Co-Fiscal Agent or Separate Fiscal Agent*. It is the intent of the Governmental Lender and the Fiscal Agent that there shall be no violation of any law of any jurisdiction (including particularly the laws of the State) denying or restricting the right of banking corporations or associations to transact business as Fiscal Agent in such jurisdiction. It is recognized that in case of litigation under or connected with this Funding Loan Agreement, the Project Loan Agreement or any of the other Financing Documents, and, in particular, in case of the enforcement of any remedies on default, or in case the Fiscal Agent deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein or therein granted to the Fiscal Agent or hold title to the properties in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Fiscal Agent, with the consent of the Governmental Lender and the Funding Lender Representative, appoint an additional individual or institution as a co-fiscal agent or separate fiscal agent.

In the event that the Fiscal Agent appoints an additional individual or institution as a co-fiscal agent or separate fiscal agent, in the event of the incapacity or lack of authority of the Fiscal Agent, by reason of any present or future law of any jurisdiction, to exercise any of the rights, powers, trusts and remedies granted to the Fiscal Agent herein or to hold title to the Pledged Security or to take any other action that may be necessary or desirable in connection therewith, each and every remedy, power, right, obligation, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Funding Loan Agreement to be imposed upon, exercised by or vested in or conveyed to the Fiscal Agent with respect thereto shall be imposed upon, exercisable by and vest in such separate fiscal agent or co-fiscal agent, but only to the extent necessary to enable such co-fiscal agent or separate fiscal agent to

exercise such powers, rights, trusts and remedies, and every covenant and obligation necessary to the exercise thereof by such co-fiscal agent or separate fiscal agent shall run to and be enforceable by either of them, subject to the remaining provisions of this Section 7.14. Such co-fiscal agent or separate fiscal agent shall deliver an instrument in writing acknowledging and accepting its appointment hereunder to the Governmental Lender and the Fiscal Agent.

Should any instrument in writing from the Governmental Lender be required by the co-fiscal agent or separate fiscal agent so appointed by the Fiscal Agent for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Governmental Lender, the Fiscal Agent and the Borrower. If the Governmental Lender shall fail to deliver the same within thirty (30) days of such request, the Fiscal Agent is hereby appointed attorney-in-fact for the Governmental Lender to execute, acknowledge and deliver such instruments in the Governmental Lender's name and stead. In case any co-fiscal agent or separate fiscal agent, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such co-fiscal agent or separate fiscal agent, so far as permitted by law, shall vest in and be exercised by the Fiscal Agent until the appointment of a new Fiscal Agent or successor to such co-fiscal agent or separate fiscal agent.

Every co- fiscal agent or separate fiscal agent shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms, namely:

(a) the Governmental Note shall be authenticated and delivered, and all rights, powers, trusts, duties and obligations by this Funding Loan Agreement conferred upon the Fiscal Agent in respect of the custody, control or management of money, papers, securities and other personal property shall be exercised solely by the Fiscal Agent;

(b) all rights, powers, trusts, duties and obligations conferred or imposed upon the Fiscal Agent shall be conferred or imposed upon or exercised or performed by the Fiscal Agent, or by the Fiscal Agent and such co- fiscal agent, or separate fiscal agent jointly, as shall be provided in the instrument appointing such co- fiscal agent or separate fiscal agent, except to the extent that under the law of any jurisdiction in which any particular act or acts are to be performed the Fiscal Agent shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co- fiscal agent or separate fiscal agent;

(c) any request in writing by the Fiscal Agent to any co- fiscal agent or separate fiscal agent to take or to refrain from taking any action hereunder shall be sufficient warrant for the taking or the refraining from taking of such action by such co- fiscal agent or separate fiscal agent;

(d) any co- fiscal agent or separate fiscal agent to the extent permitted by law shall delegate to the Fiscal Agent the exercise of any right, power, trust, duty or obligation, discretionary or otherwise;

(e) the Fiscal Agent at any time by an instrument in writing with the concurrence of the Governmental Lender evidenced by a certified resolution may accept

the resignation of or remove any co- fiscal agent or separate fiscal agent appointed under this Section 7.14 and in case an Event of Default shall have occurred and be continuing, the Fiscal Agent shall have power to accept the resignation of or remove any such co- fiscal agent or separate fiscal agent without the concurrence of the Governmental Lender, and upon the request of the Fiscal Agent, the Governmental Lender shall join with the Fiscal Agent in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co- fiscal agent or separate fiscal agent so resigned or removed may be appointed in the manner provided in this Section 7.14;

(f) no Fiscal Agent or co- fiscal agent hereunder shall be personally liable by reason of any act or omission of any other Fiscal Agent hereunder;

(g) any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing executed by the Funding Lender Representative and delivered to the Fiscal Agent shall be deemed to have been delivered to each such co- fiscal agent or separate fiscal agent; and

(h) any money, papers, securities or other items of personal property received by any such co- fiscal agent or separate fiscal agent hereunder shall forthwith, so far as may be permitted by law, be turned over to the Fiscal Agent.

The total compensation of the Fiscal Agent and any co fiscal agent or separate fiscal agent shall be as, and may not exceed the amount, provided in Section 7.06 hereof.

Section 7.15 *Notice of Certain Events.* The Fiscal Agent shall give written notice to the Governmental Lender, the Servicer and the Funding Lender Representative of any failure by the Borrower to comply with the terms of the Tax Regulatory Agreement or any Determination of Taxability of which a Responsible Officer has actual knowledge.

Section 7.16 *[Reserved].*

Section 7.17 *Filing of Financing Statements.* The Fiscal Agent shall, at the expense of the Borrower, file or record or cause to be filed or recorded all UCC continuation statements for the purpose of continuing without lapse the effectiveness of those financing statements which have been filed on or approximately on the Delivery Date in connection with the security for the Funding Loan pursuant to the authority of the UCC. Upon the filing of any such continuation statement the Fiscal Agent shall immediately notify the Governmental Lender, the Borrower, the Funding Lender Representative and the Servicer that the same has been done. If direction is given by the Servicer or the Funding Lender Representative, the Fiscal Agent shall file all continuation statements in accordance with such directions.

Section 7.18 *USA Patriot Act Requirements of the Fiscal Agent.* To help the government of the United States of America fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. For a non-individual Person such as a business entity, a charity, a trust, or other legal entity, the Fiscal Agent may request documentation to verify such Person's formation and existence as a legal entity. The Fiscal

Agent may also request financial statements, licenses, identification and authorization documents from individuals claiming authority to represent such Person or other relevant documentation.

ARTICLE VIII

AMENDMENTS OF CERTAIN DOCUMENTS

Section 8.01 *Amendments to this Funding Loan Agreement.* Any of the terms of this Funding Loan Agreement and the Governmental Note may be amended or waived only by an instrument signed by the Fiscal Agent and the Governmental Lender, and with the prior written consent of the Funding Lender Representative.

Section 8.02 *Amendments to Financing Documents Require Consent of Funding Lender Representative.* Neither the Governmental Lender nor the Fiscal Agent shall consent to any amendment, change or modification of any Financing Document without the prior written consent of the Funding Lender Representative. The Fiscal Agent shall enter into such amendments to the Financing Documents as shall be directed by the Funding Lender Representative.

Section 8.03 *Opinion of Bond Counsel Required.* No amendment to this Funding Loan Agreement, the Governmental Note, the Project Loan Agreement, the Project Note, the Security Instrument or the Tax Regulatory Agreement shall become effective unless and until (i) the Funding Lender Representative shall have consented to the same in writing in its sole discretion and (ii) the Funding Lender Representative, the Governmental Lender and the Fiscal Agent shall have received, at the expense of the Borrower, (A) an opinion of Bond Counsel to the effect that such amendment, change or modification will not, in and of itself, cause interest on the Governmental Note to be includable in gross income of the holders thereof for federal income tax purposes, and (B) an opinion of counsel acceptable to the Funding Lender Representative to the effect that any such proposed such amendment, change or modification is authorized and complies with the provisions of this Funding Loan Agreement and is a legal, valid and binding obligation of the parties thereto, subject to normal exceptions relating to bankruptcy, insolvency and equitable principles limitations.

ARTICLE IX

SATISFACTION AND DISCHARGE OF FUNDING LOAN AGREEMENT

Section 9.01 *Discharge of Lien.* If the Governmental Lender shall pay or cause to be paid to the Funding Lender the principal, interest and premium, if any, to become due with respect to the Funding Loan at the times and in the manner stipulated herein and in the Governmental Note, in any one or more of the following ways:

- (a) by the payment of all unpaid principal of (including Prepayment Premium, if any) and interest on the Funding Loan; or
- (b) prior to the Window Period, by the deposit to the account of the Fiscal Agent, in trust, of money or securities in the necessary amount to pay the principal, Prepayment Premium and interest to the Maturity Date; or

(c) by the delivery of the Governmental Note by the Funding Lender to the Fiscal Agent for cancellation;

and shall have paid all amounts due and owing under the other Financing Documents, and shall have paid all fees and expenses of and any other amounts due to the Fiscal Agent, the Servicer and the Rebate Analyst, and if the Governmental Lender shall keep, perform and observe all and singular the covenants and promises in the Governmental Note and in this Funding Loan Agreement expressed as to be kept, performed and observed by it or on its part, then these presents and the estates and rights hereby granted shall cease, determine and be void, and thereupon the Fiscal Agent shall cancel and discharge the lien of this Funding Loan Agreement and execute and deliver to the Governmental Lender such instruments in writing as shall be requisite to satisfy the lien hereof, and reconvey to the Governmental Lender the estate hereby conveyed, and assign and deliver to the Governmental Lender any interest in property at the time subject to the lien of this Funding Loan Agreement which may then be in its possession, except amounts held by the Fiscal Agent for the payment of principal of, interest and premium, if any, on the Governmental Note, the payment of any amounts owed to the United States of America pursuant to Section 4.12 hereof.

Prior to the Window Period and subject to the satisfaction of the conditions set forth in Section 4.04(c) of the Project Loan Agreement, the Funding Loan shall, prior to the Maturity Date, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this Section 9.01 based on a deposit of moneys or securities with the Fiscal Agent pursuant to Section 9.01(b) if, under circumstances which do not cause interest on the Governmental Note to become includable in the holders' gross income for purposes of federal income taxation, the following conditions shall have been fulfilled: (a) there shall be on deposit with the Fiscal Agent either money or noncallable and nonprepayable direct obligations of the United States of America (or other defeasance securities constituting Qualified Investments approved in writing by the Funding Lender Representative) in an amount, together with anticipated earnings thereon (but not including any reinvestment of such earnings), which will be sufficient to pay, when due, the principal and interest due and to become due on the Funding Loan up to and on the Maturity Date; (b) the Fiscal Agent shall have received a verification report of a firm of certified public accountants or financial analyst reasonably acceptable to the Fiscal Agent and the Funding Lender Representative as to the adequacy of the amounts or securities so deposited to fully pay the Funding Loan; (c) the Fiscal Agent and the Funding Lender Representative shall have received a written opinion of nationally recognized counsel experienced in bankruptcy matters to the effect that if the Borrower, any general partner, member or guarantor of the Borrower, or the Governmental Lender were to become a debtor in a proceeding under the Bankruptcy Code (x) payment of such money to the Funding Lender would not constitute a voidable preference under Section 547 of the Bankruptcy Code and (y) the automatic stay provisions of Section 362(a) of the Bankruptcy Code would not prevent application of such money to the payment of the Funding Loan; (d) the Fiscal Agent and the Funding Lender Representative shall have received an opinion of Bond Counsel to the effect that the defeasance of the Funding Loan is in accordance with the provisions of the Funding Loan Agreement and that such defeasance will not adversely affect the exclusion of interest on the Governmental Note from gross income for federal income tax purposes; and (e) the Fiscal Agent shall have received written confirmation that all fees, expenses or reimbursement of any advances due to the Funding Lender and the Servicer under the Financing Documents have been fully paid.

Section 9.02 *Discharge of Liability on Funding Loan.* Upon the deposit with the Fiscal Agent, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 9.01 above) to pay or prepay the Funding Loan (whether upon or prior to their maturity or the prepayment date of the Funding Loan) provided that, if the Funding Loan is to be prepaid prior to the maturity thereof, notice of such prepayment shall have been given as in Article III provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, all liability of the Governmental Lender in respect of the Funding Loan shall cease, terminate and be completely discharged, except only that thereafter the Funding Lender shall be entitled to payment by the Governmental Lender, and the Governmental Lender shall remain liable for such payment, but only out of the money or securities deposited with the Fiscal Agent as aforesaid for their payment, subject, however, to the provisions of Section 9.03 hereof.

Section 9.03 *Payment of Funding Loan After Discharge of Funding Loan Agreement.* Notwithstanding any provisions of this Funding Loan Agreement, and subject to applicable unclaimed property laws of the State, any money deposited with the Fiscal Agent or any paying agent in trust for the payment of the principal of, interest or premium on the Governmental Note remaining unclaimed for six years after the maturity or earlier payment date: (a) shall be reported and disposed of by the Fiscal Agent in accordance with applicable unclaimed property laws; or (b) to the extent permitted by applicable law, shall be paid to the Borrower, whereupon all liability of the Governmental Lender and the Fiscal Agent with respect to such money shall cease, and the Funding Lender shall thereafter look solely to the Borrower for payment of any amounts then due. All money held by the Fiscal Agent and subject to this Section 9.03 shall be held uninvested and without liability for interest thereon.

ARTICLE X

INTENTIONALLY OMITTED

ARTICLE XI

MISCELLANEOUS

Section 11.01 *Servicing of the Loans.* The Funding Lender Representative may appoint a Servicer (which may be the Funding Lender Representative if the Funding Lender Representative elects to service the Loans) to service the Loans as provided in Section 3.02 of the Project Loan Agreement.

Section 11.02 *Limitation of Rights.* With the exception of rights herein expressly conferred, nothing expressed or to be implied from this Funding Loan Agreement or the Governmental Note is intended or shall be construed to give to any Person other than the Parties hereto, the Funding Lender, the Funding Lender Representative, the Servicer and the Borrower, any legal or equitable right, remedy or claim under or in respect to this Funding Loan Agreement or any covenants, conditions and provisions hereof.

Section 11.03 *Construction of Conflicts; Severability.* Notwithstanding anything provided herein, or in any of the documents referred to herein, in the event that any contracts or other documents executed by the Borrower or any other arrangements agreed to by the Borrower

in order to finance or refinance the Project with the proceeds of the Funding Loan, the interest on which is excluded from gross income for federal income tax purposes under Section 103(a) of the Code are inconsistent with the Project Loan Documents, then the Project Loan Documents shall be controlling in all respects. If any provision of this Funding Loan Agreement shall be held or deemed to be, or shall in fact be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution, statute, rule of law or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or sections in this Funding Loan Agreement contained, shall not affect the remaining portions of this Funding Loan Agreement, or any part thereof.

Section 11.04 Notices.

(a) Whenever in this Funding Loan Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Any notice, request, complaint, demand, communication or other paper required or permitted to be delivered to the Governmental Lender, the Fiscal Agent, the Funding Lender Representative, the Borrower or the Servicer shall be sufficiently given and shall be deemed given (unless another form of notice shall be specifically set forth herein) on the Business Day following the date on which such notice or other communication shall have been delivered to a national overnight delivery service (receipt of which to be evidenced by a signed receipt from such overnight delivery service) addressed to the appropriate party at the addresses set forth below or as may be required or permitted by this Funding Loan Agreement by Electronic Notice. The Governmental Lender, the Fiscal Agent, the Funding Lender Representative, the Borrower or the Servicer may, by notice given as provided in this paragraph, designate any further or different address to which subsequent notices or other communication shall be sent.

The Governmental Lender: Housing Authority of the City of San Diego
1122 Broadway, Suite 300
San Diego, California 92101
Attention: Executive Director
Phone: (619) 578-7575

The Fiscal Agent: [NAME OF FISCAL AGENT]
[ADDRESS OF FISCAL AGENT]
Attention:
Email:
Telephone:

The Borrower: Wesley Terrace Management, LLC

c/o C&C Development Group
PO Box 33882
San Diego, CA 92163
casey@rahdgroup.com
colin@rahdgroup.com
dabdaldevelopment@gmail.com

and to: Wesley Developments
5343 Monroe Avenue
San Diego, CA 92103
grestep@cox.net

with copies to: Rodriguez Wright LLP
Attention Byron A. Rodriguez, Esq.
brodriguez@rodriguezwright.com

and to: Goldfarb & Lipman LLP
Attention: Robert Mills
rmills@goldfarblipman.com

BF Wesley Terrace CA, LLLP
c/o Boston Financial Investment Management, LP
101 Arch Street
Boston, MA 02110
Attention: Asset Management (Wesley Terrace)

Holland & Knight LLP
10 St. James Avenue, 11th Floor
Boston, MA 02116
Attention: James E. McDermott, Esq.

Funding Lender
Representative
(as of Freddie Mac Purchase Date):

Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive, MS B4P
McLean, Virginia 22102
Attention: Multifamily Operations - Loan Accounting
Email: mfla@freddiemac.com
Telephone: (703) 714-4177

with a copy to: Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive, MS 210
McLean, Virginia 22102
Attention: Managing Associate General Counsel –
Multifamily Legal Division

Email: joshua_schonfeld@freddiemac.com
Telephone: (703) 903-2000

Initial Funding Lender
and Servicer:

If to the Funding Lender: Citibank, N.A.
388 Greenwich Street, Trading 6th Floor
New York, New York 10013
Attention: Transaction Management Group

and to: Citibank, N.A.
325 East Hillcrest Drive, Suite 160
Thousand Oaks, California 91360
Attention: Operations Manager/Asset Manager

A duplicate copy of each notice or other communication given hereunder by any party to the Servicer shall also be given to the Funding Lender Representative and by any party to the Funding Lender Representative to the Servicer.

The Fiscal Agent agrees to accept and act upon Electronic Notice of written instructions and/or directions pursuant to this Funding Loan Agreement.

(b) The Fiscal Agent shall provide to the Funding Lender Representative and the Servicer (i) prompt notice of the occurrence of any Event of Default pursuant to Section 6.01 hereof and (ii) any written information or other written communication received by the Fiscal Agent hereunder within ten (10) Business Days of receiving a written request from the Funding Lender Representative and the Servicer for any such information or other communication.

Section 11.05 Funding Lender Representative.

(a) The Initial Funding Lender is the initial Funding Lender Representative with respect to the Governmental Note. Upon the Freddie Mac Purchase Date, Freddie Mac shall be the Funding Lender Representative. The Funding Lender Representative shall be entitled to all the rights and privileges of the Funding Lender hereunder and under the other Financing Documents.

(b) The Funding Lender Representative may provide written notice to the Fiscal Agent designating particular individuals or Persons authorized to execute any consent, waiver, approval, direction or other instrument on behalf of the Funding Lender Representative, and such notice may be amended or rescinded by the Funding Lender Representative at any time by subsequent written notice. The Funding Lender Representative may be removed and a successor appointed by a written notice in the form of Exhibit B hereto given by the Funding Lender to the Fiscal Agent, the Governmental Lender, the Servicer and the Borrower. The removal and reappointment shall be effective immediately upon receipt of such notice by the Fiscal Agent. The Funding Lender may appoint any Person to act as Funding Lender Representative, including, without limitation, the Servicer. If, for any reason, a Funding Lender Representative resigns by written notice provided to the Fiscal Agent, the Funding Lender, the Governmental

Lender, the Servicer and the Borrower, all references to Funding Lender Representative herein and in the other Financing Documents shall be deemed to refer to the Funding Lender until a successor Funding Lender Representative is appointed by the Funding Lender.

(c) Whenever pursuant to this Funding Loan Agreement or any other Financing Document, the Funding Lender Representative exercises any right given to it to approve or disapprove, any arrangement or term hereof, the decision of the Funding Lender Representative to approve or disapprove or to decide whether arrangements or terms are acceptable or not acceptable shall be in the sole discretion of the Funding Lender Representative, except as otherwise specifically indicated.

(d) Each Funding Lender, by their purchase or other acquisition of the Funding Loan, shall be deemed to have acknowledged and agreed to the provisions of this Funding Loan Agreement and the other Financing Documents with respect to the Funding Lender Representative and the rights and privileges thereof, including but not limited to the right to control all remedies in respect of the Governmental Note and the Loans.

Section 11.06 *Payments Due on Non-Business Days.* In any case where a date of payment with respect to the Funding Loan shall be a day other than a Business Day, then such payment need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on such date, and no interest shall accrue for the period after such date provided that payment is made on such next succeeding Business Day.

Section 11.07 *Counterparts.* This Funding Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.08 *Laws Governing Funding Loan Agreement.* The effect and meanings of this Funding Loan Agreement and the rights of all parties hereunder shall be governed by, and construed according to, the internal laws of the State without regard to conflicts of laws principles.

Section 11.09 *No Recourse.* No recourse under or upon any obligation, covenant or agreement contained in this Funding Loan Agreement or in the Governmental Note shall be had against any member, officer, commissioner, director or employee (past, present or future) of the Governmental Lender, either directly or through the Governmental Lender or its governing body or otherwise, for the payment for or to the Governmental Lender or any receiver thereof, or for or to the Funding Lender, or otherwise, of any sum that may be due and unpaid by the Governmental Lender or its governing body upon the Governmental Note. Any and all personal liability of every nature whether at common law or in equity or by statute or by constitution or otherwise of any such member, officer, commissioner, director or employee, as such, to respond by reason of any act of omission on his/her part or otherwise, for the payment for or to the Funding Lender or otherwise of any sum that may remain due and unpaid with respect to the Funding Loan hereby secured is, by the acceptance hereof, expressly waived and released as a condition of and in consideration for the execution of this Funding Loan Agreement and the delivery of the Governmental Note.

Section 11.10 *Successors and Assigns.* All the covenants and representations contained in this Funding Loan Agreement by or on behalf of the parties hereto shall bind and inure to the benefit of their successors and assigns, whether so expressed or not.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Governmental Lender, the Initial Funding Lender and the Fiscal Agent have caused this Funding Loan Agreement to be executed and delivered by duly authorized officers thereof as of the day and year first written above.

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

By: _____
Richard C. Gentry
Executive Director

**[GOVERNMENTAL LENDER'S SIGNATURE PAGE TO WESLEY TERRACE FUNDING LOAN
AGREEMENT]**

CITIBANK, N.A.

By: _____
Kathy Millhouse,
Vice President

[INITIAL FUNDING LENDER'S SIGNATURE PAGE TO WESLEY TERRACE FUNDING LOAN
AGREEMENT]

[NAME OF FISCAL AGENT], as Fiscal
Agent

By: _____
Name:
Title:

[FISCAL AGENT'S SIGNATURE PAGE TO WESLEY TERRACE FUNDING LOAN AGREEMENT]

EXHIBIT A
FORM OF GOVERNMENTAL NOTE

THIS GOVERNMENTAL NOTE MAY BE OWNED ONLY BY A QUALIFIED TRANSFEREE IN ACCORDANCE WITH THE TERMS OF THE FUNDING LOAN AGREEMENT, AND THE HOLDER HEREOF, BY THE ACCEPTANCE OF THIS GOVERNMENTAL NOTE (A) REPRESENTS THAT IT IS A QUALIFIED TRANSFEREE AND (B) ACKNOWLEDGES THAT IT CAN ONLY TRANSFER THIS GOVERNMENTAL NOTE TO ANOTHER QUALIFIED TRANSFEREE IN ACCORDANCE WITH THE TERMS OF THE FUNDING LOAN AGREEMENT.

**HOUSING AUTHORITY OF THE CITY OF SAN DIEGO
MULTIFAMILY HOUSING REVENUE NOTE
(WESLEY TERRACE APARTMENTS),
2019 SERIES C**

US \$22,000,000

[August __, 2019]

FOR VALUE RECEIVED, the undersigned, **HOUSING AUTHORITY OF THE CITY OF SAN DIEGO** (the “**Obligor**”), promises to pay (but solely from the sources and in the manner provided for in the Funding Loan Agreement referenced below) to the order of **CITIBANK, N.A.** (the “**Funding Lender**”), and its assigns, the principal sum of Twenty-Two Million Dollars (\$22,000,000), plus premium, if any, and interest thereon and to pay the other amounts owing from time to time hereunder, all as set forth below.

This Multifamily Note (this “**Note**”) is being delivered pursuant to that certain Funding Loan Agreement dated as of [August __, 2019] (together with any and all amendments, modifications, supplements and restatements, the “**Funding Loan Agreement**”), among the Funding Lender, the Obligor and [NAME OF FISCAL AGENT] (the “**Fiscal Agent**”), pursuant to which the Obligor has incurred a loan in the original principal amount of \$22,000,000 (the “**Funding Loan**”), and this Note is entitled to the benefits of the Funding Loan Agreement and is subject to the terms, conditions and provisions thereof. The Obligor is using the proceeds of the Funding Loan to make a loan to Wesley Terrace Partners, LP (the “**Borrower**”) pursuant to the Project Loan Agreement dated as of [August __, 2019] (the “**Project Loan Agreement**”), among the Obligor, the Borrower and the Fiscal Agent.

1. **Defined Terms.** As used in this Note, (i) the term “Funding Lender” means the holder of this Note, and (ii) the term “Indebtedness” means the principal of, premium, if any, and interest on or any other amounts due at any time under this Note or the Funding Loan Agreement. “Event of Default” and other capitalized terms used but not defined in this Note shall have the meanings given to such term in the Funding Loan Agreement.

2. **Payments of Principal and Interest.** The Obligor shall pay (but solely from the sources and in the manner provided for in the Funding Loan Agreement) on the first calendar day of each month commencing [September 1, 2019], interest on this Note at the rate of [_____] % per annum (or such higher rate of interest borne by the Funding Loan upon any default) (the “**Interest Rate**”) on the outstanding principal balance of this Note, and shall also pay interest on

this Note at the Interest Rate on the date of any optional or mandatory prepayment or acceleration of all or part of the Funding Loan pursuant to the Funding Loan Agreement, in an amount equal to the accrued and unpaid interest to the date of prepayment on the portion of this Note subject to prepayment (each such date for payment an “**Interest Payment Date**”). Interest on this Note shall be computed on the basis of a 360-day year and the actual number of days elapsed.

The Obligor shall pay (but solely from the sources and in the manner provided for in the Funding Loan Agreement) the outstanding principal of this Note in full on September 1, 2036 (the “**Maturity Date**”) and in monthly installments on each date set forth on the Funding Loan Amortization Schedule attached as Schedule 1 hereto in an amount equal to the corresponding amounts set forth thereon, or at such earlier times and in such amounts as may be required, in the event of an optional or mandatory prepayment or acceleration of the Funding Loan pursuant to the Funding Loan Agreement. The outstanding principal hereof is subject to acceleration at the time or times and under the terms and conditions, and with notice, if any, as provided under the Funding Loan Agreement.

3. **Manner of Payment.** All payments under this Note shall be made in lawful currency of the United States and in immediately available funds as provided for herein and in the Funding Loan Agreement.

4. **Application of Payments.** If at any time the Funding Lender receives any amount applicable to the Indebtedness that is less than all amounts due and payable at such time, the Funding Lender may apply that payment to amounts then due and payable in any manner and in any order determined by the Funding Lender, in the Funding Lender’s discretion. Neither the Funding Lender’s acceptance of a payment in an amount that is less than all amounts then due and payable nor the Funding Lender’s application of such payment shall constitute or be deemed to constitute either a waiver of the unpaid amounts or an accord and satisfaction.

5. **Security.** The Indebtedness is secured by, among other things, the Pledged Security pledged pursuant to the Funding Loan Agreement.

6. **Acceleration.** If an Event of Default has occurred and is continuing, the entire unpaid principal balance, any accrued interest, and all other amounts payable under this Note shall at once become due and payable, at the option of the Funding Lender, as governed by the Funding Loan Agreement, without any prior notice to the Obligor (unless required by applicable law). The Funding Lender may exercise this option to accelerate regardless of any prior forbearance.

7. **Prepayment; Prepayment Premium.** This Note is subject to prepayment as specified in the Funding Loan Agreement. Prepayment Premium shall be payable as specified in the Funding Loan Agreement.

8. **Forbearance.** Any forbearance by the Funding Lender in exercising any right or remedy under this Note or any other document evidencing or securing the Funding Loan or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of that or any other right or remedy. The acceptance by the Funding Lender of any payment after the due date of such payment, or in an amount which is less than the required payment, shall not be a

waiver of the Funding Lender's right to require prompt payment when due of all other payments or to exercise any right or remedy with respect to any failure to make prompt payment. Enforcement by the Funding Lender of any security for the obligations under this Note shall not constitute an election by the Funding Lender of remedies so as to preclude the exercise of any other right or remedy available to the Funding Lender.

9. **Waivers.** Presentment, demand, notice of dishonor, protest, notice of acceleration, notice of intent to demand or accelerate payment or maturity, presentment for payment, notice of nonpayment, grace and diligence in collecting the Indebtedness are waived by the Obligor and all endorsers and guarantors of this Note and all other third-party obligors.

10. **Loan Charges.** Neither this Note nor any of the other Financing Documents will be construed to create a contract for the use, forbearance, or detention of money requiring payment of interest at a rate greater than the rate of interest which results in the maximum amount of interest allowed by applicable law (the "**Maximum Interest Rate**"). If any applicable law limiting the amount of interest or other charges permitted to be collected from Obligor in connection with the Funding Loan is interpreted so that any interest or other charge provided for in any Financing Document, whether considered separately or together with other charges provided for in any other Financing Document, violates that law, and Obligor is entitled to the benefit of that law, that interest or charge is hereby reduced to the extent necessary to eliminate that violation. The amounts, if any, previously paid to Funding Lender in excess of the permitted amounts will be applied by Funding Lender to reduce the unpaid principal balance of this Note. For the purpose of determining whether any applicable law limiting the amount of interest or other charges permitted to be collected from Obligor has been violated, all indebtedness that constitutes interest, as well as all other charges made in connection with the indebtedness that constitute interest, will be deemed to be allocated and spread ratably over the stated term of this Note. Unless otherwise required by applicable law, such allocation and spreading will be effected in such a manner that the rate of interest so computed is uniform throughout the stated term of this Note.

11. **Governing Law.** This Note shall be governed by the internal law of the State of California (the "**Property Jurisdiction**").

12. **Captions.** The captions of the paragraphs of this Note are for convenience only and shall be disregarded in construing this Note.

13. **Address for Payment.** All payments due under this Note shall be payable at the principal office of the Funding Lender as designated by the Funding Lender in writing to the Fiscal Agent and the Servicer.

14. **Default Rate.** So long as (a) any monthly installment under this Note remains past due, or (b) any other Event of Default has occurred and is continuing, interest under this Note shall accrue on the unpaid principal balance from the earlier of the due date of the first unpaid monthly installment or the occurrence of such other Event of Default, as applicable, at a rate (the "**Default Rate**") equal to the lesser of (i) the Interest Rate otherwise in effect notwithstanding the default plus four percent (4%) per annum or (ii) the Maximum Interest Rate. If the unpaid principal balance and all accrued interest are not paid in full on the Maturity Date,

the unpaid principal balance and all accrued interest shall bear interest from the Maturity Date at the Default Rate.

15. **Limited Obligation.** This Governmental Note is a limited obligation of the Obligor, payable solely from the Pledged Revenues and other funds and moneys and Security pledged and assigned under the Funding Loan Agreement. None of the Governmental Lender, the State, or any political subdivision thereof (except the Governmental Lender, to the limited extent set forth herein) nor any public agency shall in any event be liable for the payment of the principal of, premium (if any) or interest on the Funding Loan or for the performance of any pledge, obligation or agreement of any kind whatsoever with respect thereto except as set forth herein and in the Funding Loan Agreement, and none of the Funding Loan or the Governmental Note or any of the Governmental Lender's agreements or obligations with respect to the Funding Loan or this Governmental Note shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of or a moral obligation of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever. The Governmental Lender has no taxing power.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Governmental Note by its authorized representative as of the date first set forth above. The undersigned intends that this instrument shall be deemed to be signed and delivered as a sealed instrument.

OBLIGOR:

HOUSING AUTHORITY OF THE CITY
OF SAN DIEGO

By: _____
Richard C. Gentry,
Executive Director

[SEAL]

ATTEST:

By: _____
Deputy Secretary

CERTIFICATE OF AUTHENTICATION

This Multifamily Note is issued under the provisions of and described in the within-mentioned Funding Loan Agreement.

Date of Authentication: _____

[NAME OF FISCAL AGENT]

By: _____
Authorized Signer

SCHEDULE 1
FUNDING LOAN AMORTIZATION SCHEDULE

EXHIBIT B

**FORM OF NOTICE OF APPOINTMENT
OF FUNDING LENDER REPRESENTATIVE**

[NAME OF FISCAL AGENT]
[FISCAL AGENT'S ADDRESS]

Wesley Terrace Partners, LP
c/o C&C Development Group
PO Box 33882
San Diego, CA 92163

Housing Authority of the City of San Diego
1122 Broadway, Suite 300
San Diego, California 92101
Attention: Executive Director

Citibank, N.A.
388 Greenwich Street, Trading 6th Floor
New York, New York 10013
Attention: Transaction Management Group

Re: **Housing Authority of the City of San Diego Multifamily Housing Revenue
Note (Wesley Terrace Apartments), 2019 Series C**

Ladies and Gentlemen:

The undersigned is the holder (the "**Funding Lender**") of the Multifamily Note dated August [], 2019 (the "**Governmental Note**") delivered pursuant to the Funding Loan Agreement dated as of August 1, 2019 (the "**Funding Loan Agreement**"), among Citibank, N.A., in its capacity as Initial Funding Lender (the "**Initial Funding Lender**"), the Housing Authority of the City of San Diego (the "**Governmental Lender**") and [NAME OF FISCAL AGENT] (the "**Fiscal Agent**"). Pursuant to Section 11.05 of the Funding Loan Agreement, you are hereby notified that, effective immediately upon receipt of this notice by the Fiscal Agent, the Funding Lender Representative appointed under Section 11.05 of the Funding Loan Agreement shall be _____. [The person or entity previously appointed as Funding Lender Representative shall upon the effectiveness of this notice no longer have any further rights or obligations as Funding Lender Representative.]

The following individual or individuals shall have the authority to execute any consent, waiver, approval, direction or other instrument on behalf of the Funding Lender Representative and the signature(s) set forth next to his/her (their) name(s) is (are) his/her (their) true and correct signature(s).

NAME

SIGNATURE

Additional individuals may be given such authority by written notice to you from the Funding Lender Representative or from the Funding Lender.

This notice is dated as of the _____ day of _____, _____.

[FUNDING LENDER SIGNATURE BLOCK]

By: _____

EXHIBIT C

FORM OF TRANSFeree REPRESENTATIONS LETTER

[To be prepared on letterhead of transferee]

[Date]

Housing Authority of the City of San Diego
1122 Broadway, Suite 300
San Diego, California 92101
Attention: Executive Director

[NAME OF FISCAL AGENT]
[Address]

**Re: Housing Authority of the City of San Diego Multifamily Housing Revenue Note
(Wesley Terrace Apartments), 2019 Series C**

Ladies and Gentlemen:

The undersigned (the “Funding Lender”) hereby acknowledges receipt of the Multifamily Note dated August [], 2019 (the “Governmental Note”) delivered pursuant to the Funding Loan Agreement dated as of August 1, 2019 (the “Funding Loan Agreement”), among Citibank, N.A., in its capacity as Initial Funding Lender (the “Initial Funding Lender”), the Housing Authority of the City of San Diego (the “Governmental Lender”) and [NAME OF FISCAL AGENT] (the “Fiscal Agent”). Capitalized terms used herein and not otherwise defined have the meanings given to such terms in the Funding Loan Agreement.

In connection with the [origination/purchase] of the Funding Loan by the Funding Lender, the Funding Lender hereby makes the following representations upon which you may rely:

1. The Funding Lender has authority to [originate/purchase] the Funding Loan and to execute this letter, and any other instruments and documents required to be executed by the Funding Lender in connection with the [origination/purchase] of the Funding Loan.
2. The Funding Lender is an “accredited investor” under Regulation D of the Securities Act of 1933 (the “Act”) or a “qualified institutional buyer” under Rule 144(a) of said Act (such “accredited investor” or “qualified institutional buyer”, a “Qualified Transferee”), and therefore, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Funding Loan.
3. The Funding Lender acknowledges that it is [originating/purchasing] the Funding Loan for investment for its own account and not with a present view toward resale or the distribution thereof (except as set forth below), in that it does not now intend to resell or otherwise dispose of all or any part of its interests in the Funding Loan (except as set forth

below); provided, however, that the Funding Lender may, notwithstanding the foregoing and the terms of Paragraph 4 below, (i) transfer the Funding Loan to any affiliate or other party related to the Funding Lender that is a Qualified Transferee or (ii) sell or transfer the Funding Loan to a special purpose entity, a trust or a custodial or similar pooling arrangement from which the Funding Loan or securitized interests therein are not expected to be sold except to (x) owners or beneficial owners thereof that are Qualified Transferees or (y) in circumstances where secondary market credit enhancement is provided for such securitized interests resulting in a rating thereof of at least “A” or better [INSERT FOR SELLER/SERVICER PURCHASER LETTER]; provided, further, however, the Funding Lender has originated and funded the Funding Loan with the expectation that the Funding Loan will be sold to the Federal Home Loan Mortgage Corporation (“Freddie Mac”) pursuant to the commitment dated August [___], 2019 (the “Freddie Mac Commitment”)].

4. In addition to the right to sell or transfer the Funding Loan as set forth in Paragraph 3 above, the Funding Lender further acknowledges its right to sell or transfer the Funding Loan, subject, as required under the Funding Loan Agreement, to the delivery to the Fiscal Agent of a transferee representations letter from the transferee to substantially the same effect as this Transferee Representations Letter or in such other form authorized by the Funding Loan Agreement with no revisions except as may be approved in writing by the Governmental Lender.

5. The Funding Lender understands that the Governmental Note is not registered under the Act and that such registration is not legally required as of the date hereof; and further understands that the Governmental Note (a) is not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating service and (d) will be delivered in a form which may not be readily marketable.

6. The Funding Lender understands that (a) the Funding Loan is not secured by any pledge of any moneys received or to be received from taxation by the State of California or any political subdivision thereof [and that the Governmental Lender has no taxing power], (b) the Funding Loan does not and will not represent or constitute a general obligation or a pledge of the faith and credit of the Governmental Lender, the State of California or any political subdivision thereof; and (c) the liability of the Governmental Lender with respect to the Funding Loan is limited to the Pledged Security as set forth in the Funding Loan Agreement.

7. The Funding Lender has either been supplied with or been given access to information, including financial statements and other financial information, which it considers necessary to make an informed decision in connection with the [origination/purchase] of the Funding Loan. The Funding Lender has not relied upon the Governmental Lender for any information in connection with its purchase of the Funding Loan.

8. The Funding Lender has made its own inquiry and analysis with respect to the Funding Loan and the security therefor, and other material factors affecting the security and payment of the Funding Loan. The Funding Lender is aware that the business of the Borrower involves certain economic variables and risks that could adversely affect the security for the Funding Loan.

All agreements, representations and warranties made herein shall survive the execution and delivery of this letter agreement and, notwithstanding any investigation heretofore or hereafter, shall continue in full force and effect.

[SIGNATURE BLOCK]

By: _____

Name: _____

Title: _____

EXHIBIT D

COSTS OF ISSUANCE REQUISITION (Cost of Issuance Fund)

[NAME OF FISCAL AGENT], as Fiscal Agent

Re: Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Wesley Terrace Apartments), 2019 Series C

Fiscal Agent:

You are requested to disburse funds from the Cost of Issuance Fund pursuant to Section 4.13 of the Funding Loan Agreement in the amount(s), to the person(s) and for the purpose(s) set forth in this requisition (the “**Requisition**”). The terms used in this requisition shall have the meaning given to those terms in the Funding Loan Agreement (the “**Funding Loan Agreement**”), dated as of August 1, 2019, by and among Citibank, N.A., in its capacity as Initial Funding Lender (the “Initial Funding Lender”), the Housing Authority of the City of San Diego and [NAME OF FISCAL AGENT], as Fiscal Agent, securing the Multifamily Note dated August [___], 2019 (the “**Governmental Note**”).

REQUISITION NO.:

PAYMENT DUE TO:

AMOUNT TO BE DISBURSED: \$

The undersigned, on behalf of Wesley Terrace Partners, LP, a limited partnership duly organized and existing under the laws of the State of California (the “**Borrower**”), certifies that:

(a) the expenditures for which money is requisitioned by this Requisition represent proper charges against the Cost of Issuance Fund, have not been included in any previous requisition and are set forth in the Schedule attached to this Requisition, with invoices attached for any sums for which reimbursement is requested; and

(b) the money requisitioned is not greater than those necessary to meet obligations due and payable or to reimburse the applicable party for funds actually advanced for Costs of Issuance.

Attached to this Requisition is a Schedule, together with copies of invoices or bills of sale covering all items for which payment is being requested.

Date of Requisition: _____

WESLEY TERRACE PARTNERS, LP,
a California limited partnership

By: Wesley Terrace Management, LLC,
a California limited liability company,
its Administrative General Partner

By: C&C Development Group LLC,
a California limited liability company,
its Manager

By: Haeling Development, LLC,
a California limited liability company,
a Member

By: _____
Casey Haeling, Manager

By: Wesley Developments, LLC,
a California limited liability company,
its Managing General Partner

By: Wesley Developments,
a California nonprofit public benefit corporation, its
Member

By: _____
Greg R. Estep, President

EXHIBIT E

PROJECT LOAN FUND REQUISITION (Project Loan Fund)

[NAME OF FISCAL AGENT], as Fiscal Agent

Re: **Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Wesley Terrace Apartments), 2019 Series C**

You are requested to disburse funds from the Project Loan Fund pursuant to Section 4.02 of the Funding Loan Agreement in the amount(s), to the person(s) and for the purpose(s) set forth in this requisition (the “**Requisition**”). The terms used in this requisition shall have the meaning given to those terms in the Funding Loan Agreement (the “**Funding Loan Agreement**”), dated as of August 1, 2019, by and among Citibank, N.A., in its capacity as Initial Funding Lender (the “**Initial Funding Lender**”), the Housing Authority of the City of San Diego (the “**Governmental Lender**”) and [NAME OF FISCAL AGENT], as Fiscal Agent (the “**Fiscal Agent**”), securing the Multifamily Note dated August [___], 2019 (the “**Governmental Note**”).

REQUISITION NO.:

PAYMENT DUE TO:

AMOUNT(S) TO BE DISBURSED: \$ _____ from the Project Account
\$ _____ from the Borrower Equity Account

The undersigned Borrower hereby represents and warrants that the following information and certifications provided in connection with this Requisition are true and correct as of the date hereof and authorizes Servicer to submit this Requisition to the Fiscal Agent on behalf of Borrower:

1. Purposes for which disbursement is requested are specified in the **attached Schedule**.
2. Party or parties to whom the disbursements shall be made are specified in the **attached Schedule** (may be the undersigned in the case of reimbursement for advances and payments made or cost incurred for work done by the undersigned); provided, that no reimbursement shall be made for advances and payments made prior to _____, 20____).
3. The undersigned certifies that:
 - a. the conditions precedent to disbursement set forth in the Continuing Covenant Agreement have been satisfied;
 - b. the disbursement requested pursuant to this Requisition will be used solely to pay a cost or costs allowable under the Funding Loan Agreement and the Continuing Covenant Agreement;

- c. none of the items for which disbursement is requested pursuant to this Requisition has formed the basis for any disbursement previously made from the Project Loan Fund and all such items have been properly recorded in Borrower's books and are set forth on the Schedule attached hereto, along with paid invoices attached for any sum for which reimbursement is requested and invoices or bills of sales for all other items;
- d. all labor and materials for which disbursements have been requested have been incorporated into the Project in accordance with reasonable and standard building practices, the Continuing Covenant Agreement and all applicable laws, ordinances, rules and regulations of any governmental authority having jurisdiction over the Project;
- e. the materials, supplies and equipment furnished or installed for the Improvements are not subject to any lien or security interest or that the funds to be disbursed pursuant to this Requisition are to be used to satisfy any such lien or security interest;
- f. all of the funds being requisitioned are being used in compliance with all tax covenants set forth in the Funding Loan Agreement, the Project Loan Agreement, the Tax Regulatory Agreement and the Tax Certificate, including that none of the proceeds of the Funding Loan (including investment earnings thereon) will be used to provide an airplane, a skybox or any other private luxury box, any facility primarily used for gambling, health club facility or any store the principal business of which is the sale of alcoholic beverages for consumption off premises;
- g. with respect to amounts from the Project Account of the Project Loan Fund, not less than 95% of the sum of:
 - (A) the amounts requisitioned by this Requisition; plus
 - (B) all amounts previously requisitioned and disbursed from the Project Account of the Project Loan Fund;
 have been or will be applied by Borrower to pay the Costs of the Project;
- h. Borrower is not in default under the Project Loan Agreement, the Continuing Covenant Agreement or any other Project Loan Document to which it is a party and nothing has occurred to the knowledge of Borrower that would prevent the performance of its obligations under such documents;
- i. no amounts being requisitioned hereby will be used to pay, or reimburse, any Costs of Issuance incurred in connection with the delivery of the Governmental Note or pay debt service with respect to the Loans; and
- j. Funds deposited with Borrower for further disbursement to third parties shall be paid to such third parties by check dated the date of such deposit and Borrower reasonably expects such funds will be disbursed from its account within five Business Days of such deposit.

[Following items may not be required for Initial Disbursement]

4. Estimated costs of completing the uncompleted Repairs (as defined in the Continuing Covenant Agreement) as of the date of this Requisition:
_____.
5. Percent of the Repairs completed as of the date this request: _____%
6. The Borrower certifies that monthly occupancy for the month preceding this Requisition was _____, as indicated by the **attached rent roll** which is true, correct and complete.
7. The Borrower certifies that net operating income for the month preceding this Requisition was _____, as indicated by the **attached operating statement**.

IN WITNESS WHEREOF, the undersigned has executed this Requisition as of the day and date first above written.

Date: _____

WESLEY TERRACE PARTNERS, LP,
a California limited partnership

By: Wesley Terrace Management, LLC,
a California limited liability company,
its Administrative General Partner

By: C&C Development Group LLC,
a California limited liability company,
its Manager

By: Haeling Development, LLC,
a California limited liability company,
a Member

By: _____
Casey Haeling, Manager

By: Wesley Developments, LLC,
a California limited liability company,
its Managing General Partner

By: Wesley Developments,
a California nonprofit public benefit corporation, its
Member

By: _____
Greg R. Estep, President

APPROVED:

[SERVICER SIGNATURE BLOCK]

By: _____
Name:
Title:

PROJECT LOAN AGREEMENT

among

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

**[NAME OF FISCAL AGENT],
as Fiscal Agent**

and

**WESLEY TERRACE PARTNERS, LP,
as Borrower**

Relating to

**Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(Wesley Terrace Apartments),
2019 Series C**

**Wesley Terrace Apartments
5343 Monroe Ave., San Diego CA**

Original Funding Loan Principal Amount: \$22,000,000

Dated as of August 1, 2019

All of the right, title and interest of the Housing Authority of the City of San Diego (except for its Unassigned Rights) in and to this Project Loan Agreement are being assigned to [NAME OF FISCAL AGENT], as Fiscal Agent, as security for the Funding Loan made pursuant to that certain Funding Loan Agreement dated as of [August 1, 2019] by and among the Governmental Lender, the Initial Funding Lender named therein and the Fiscal Agent.

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PROJECT LOAN AGREEMENT

THIS PROJECT LOAN AGREEMENT (this “**Project Loan Agreement**”) is made and entered into as of [August 1, 2019], by and among the **HOUSING AUTHORITY OF THE CITY OF SAN DIEGO** (the “**Governmental Lender**”), a public body corporate and politic, organized and existing under the laws of the State of California (the “**State**”), [NAME OF **FISCAL AGENT**], a [national banking association][state banking corporation], duly organized and existing under the laws of the [United States][State of _____] (together with any successor Fiscal Agents appointed under the Funding Loan Agreement, the “**Fiscal Agent**”), and **WESLEY TERRACE PARTNERS, LP**, a limited partnership duly organized and existing under the laws of the State (together with its successors and assigns permitted hereunder, the “**Borrower**”).

RECITALS

A. Pursuant to Pursuant to Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code (the “**Act**”) and this Project Loan Agreement, the Governmental Lender is agreeing to make a mortgage loan to the Borrower in the original principal amount of \$22,000,000 (the “**Project Loan**”) to provide for the financing of a multifamily rental housing development located at 5343 Monroe Ave., in San Diego, California known as Wesley Terrace (the “**Project**”).

B. The Governmental Lender is making the Project Loan to the Borrower with the proceeds received from the loan in the original principal amount of \$22,000,000 (the “**Funding Loan**” and together with the Project Loan, the “**Loans**”) made to the Governmental Lender pursuant to the Funding Loan Agreement (the “**Funding Loan Agreement**”), by and among Citibank, N.A., in its capacity as Initial Funding Lender (the “**Initial Funding Lender**”), the Governmental Lender and the Fiscal Agent. The Funding Loan is being originated and funded by the Initial Funding Lender and is evidenced by the Governmental Lender's Multifamily Note dated [August __, 2019] (together with all riders and addenda thereto, the “**Governmental Note**”) delivered by the Governmental Lender to the Initial Funding Lender.

C. The Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise (“**Freddie Mac**”), has entered into a commitment with the Initial Funding Lender dated August [__], 2019 (the “**Freddie Mac Commitment**”) whereby Freddie Mac has agreed to purchase the Funding Loan upon the satisfaction of the conditions set forth in the Freddie Mac Commitment (the “**Freddie Mac Purchase Date**”). On the Freddie Mac Purchase Date, the Initial Funding Lender will assign to Freddie Mac all of its rights and interest in the Governmental Note, the Funding Loan Agreement, the Continuing Covenant Agreement and the other Financing Documents (as such terms are herein defined).

D. The Borrower has agreed to use the proceeds of the Project Loan to finance the acquisition and rehabilitation of the Project.

E. The Borrower's repayment obligations in respect of the Project Loan will be evidenced by a Multifamily Note dated [August __, 2019] (together with all riders and modifications thereto, the "**Project Note**") delivered to the Governmental Lender, which Project Note will be endorsed by the Governmental Lender to the Fiscal Agent as security for the Funding Loan.

F. To secure the Borrower's obligations under the Project Note, the Borrower will execute and deliver to the Governmental Lender a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (California) dated as of the date hereof (the "**Security Instrument**") with respect to the Project, which Security Instrument will be assigned by the Governmental Lender to the Fiscal Agent as security for the Funding Loan.

G. On and after the Freddie Mac Purchase Date, Freddie Mac will act as Funding Lender Representative with respect to the Loans (in such capacity and any successor in such capacity, the "**Funding Lender Representative**"). Citibank, N.A. (the "**Servicer**") will act as initial servicer for the Loans on behalf of the Funding Lender Representative.

H. The Borrower is also entering into a Continuing Covenant Agreement dated as of the date hereof with the Initial Funding Lender (the "**Continuing Covenant Agreement**"), which sets forth various other requirements with respect to the Project, and which agreement is being assigned to Freddie Mac on the Freddie Mac Purchase Date.

NOW, THEREFORE, for and in consideration of the mutual covenants and representations hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions. All words and phrases (except for Event of Default) defined in the Funding Loan Agreement and the Continuing Covenant Agreement shall have the same meanings for the purposes of this Project Loan Agreement. In addition to the words and phrases defined in the Funding Loan Agreement and elsewhere herein, the following words and phrases shall have the following meanings:

"Event of Default" means any of those events specified in and defined by the applicable provisions of Article VII hereof to constitute an event of default.

"Fee Component" means the regular, ongoing fees due from time to time to the Governmental Lender, the Fiscal Agent and the Rebate Analyst, if any, expressed as a flat, fixed amount or in terms of a percentage of the unpaid principal amount of the Funding Loan on an annual basis.

"Project Loan Agreement" means this Project Loan Agreement, together with any amendments hereto.

“*Project Loan Amortization Schedule*” means the Project Loan Amortization Schedule attached as Schedule 1 to the Project Note.

“*Project Loan Payment*” means each payment of the Project Loan on each Project Loan Payment Date pursuant to the Project Note and this Project Loan Agreement.

“*Project Loan Payment Date*” means (A) the first day of each calendar month, commencing September, 2019, or (B) any other date on which the Project Loan is prepaid or paid, whether at scheduled maturity or upon prepayment or acceleration of the maturity thereof; provided, however, that if a Project Loan Payment Date is not a Business Day, payment shall be made on the first Business Day following such Project Loan Payment Date.

“*Servicing Fee*” means the ordinary fee payable to the Servicer in connection with the servicing of the Project Loan and the Funding Loan payable monthly in an amount equal to one twelfth of 0.11% of the outstanding principal balance of the Project Loan, computed on the basis of a 360-day year and the actual number of days elapsed.

“*Taxes*” means all taxes, water rents, sewer rents, assessments and other governmental or municipal or public or private dues, fees, charges and levies and any liens (including federal tax liens) which are or may be levied, imposed or assessed upon the Project or any part thereof, or upon any leases pertaining thereto, or upon the rents, issues, income or profits thereof, whether any or all of the aforementioned be levied directly or indirectly or as excise taxes or as income taxes.

Section 1.02 *Interpretation.* Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa unless the context shall otherwise indicate. Words importing persons include firms, partnerships, limited liability companies, joint ventures, associations and corporations. References to Articles, Sections and other subdivisions of this Project Loan Agreement are the Articles, sections and other subdivisions of this Project Loan Agreement as originally executed.

The terms “herein,” “hereunder,” “hereby,” “hereto,” “hereof” and any similar terms refer to this Project Loan Agreement; the term “heretofore” means before the date of execution of this Project Loan Agreement; and the term “hereafter” means after the date of execution of this Project Loan Agreement.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.01 *Representations, Warranties and Covenants of the Governmental Lender.* The Governmental Lender makes the following representations, warranties and covenants for the benefit of the Borrower, the Fiscal Agent, the Funding Lender and the Servicer:

(a) The Governmental Lender is a public body corporate and politic duly organized, validly existing and in good standing under the laws of the State.

(b) The Governmental Lender has all necessary power and authority to incur the indebtedness of the Funding Loan evidenced by the Governmental Note and to make the Project Loan from the proceeds thereof, and to execute, and deliver this Project Loan Agreement, the Funding Loan Agreement, and the other Financing Documents to which it is a party, and to perform its duties and discharge its obligations hereunder and thereunder.

(c) The Governmental Lender has taken all action on its part to incur the Funding Loan evidenced by the Governmental Note and make the Project Loan from the proceeds thereof and for the sale, execution and delivery thereof.

(d) Each of the Financing Documents to which the Governmental Lender is a party has been duly and validly authorized, executed and delivered by the Governmental Lender and, assuming due authorization, execution and delivery by the other parties thereto, constitutes the legal, valid and binding obligation of the Governmental Lender, enforceable against the Governmental Lender in accordance with its respective terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium or other laws affecting creditors' rights generally and the application of equitable principles.

(e) The Governmental Lender has complied with the provisions of the laws of the State, including, but not limited to, the Act, which are prerequisites to the consummation of the transactions on the part of the Governmental Lender described or contemplated in the Financing Documents. The execution and delivery of the Governmental Note and the Financing Documents to which the Governmental Lender is a party, the consummation of the transactions on the part of the Governmental Lender contemplated thereby and the fulfillment of or compliance with the terms and conditions thereof do not conflict with or result in the breach of any of the terms, conditions or provisions of any agreement or instrument or judgment, order or decree to which the Governmental Lender is now a party or by which it is bound, nor do they constitute a default under any of the foregoing or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature upon any property or assets of the Governmental Lender under the terms of any instrument or agreement.

(f) No authorization, consent, approval, order, registration, declaration or withholding of objection on the part of, or filing of or with any governmental authority, other than those already obtained, is required for the due execution and delivery by the Governmental Lender of, and performance by the Governmental Lender of its obligations under, the Financing Documents.

(g) There is no action, suit, proceeding, inquiry or investigation pending or, to the knowledge of the Governmental Lender, threatened against the Governmental Lender by or before any court, governmental agency or public board or body, nor, to the

Governmental Lender's knowledge, is there any basis therefor, which (i) affects or questions the existence or the territorial jurisdiction of the Governmental Lender or the title to office of any member of the governing body of the Governmental Lender; (ii) affects or seeks to prohibit, restrain or enjoin the execution and delivery of any Financing Documents or the issuance, sale, execution or delivery of the Governmental Note; (iii) affects or questions the validity or enforceability of the Governmental Note or any Financing Document; (iv) questions the tax-exempt status of the Governmental Note; or (v) questions the power or authority of the Governmental Lender to perform its obligations under the Governmental Note or any Financing Document, or to carry out the transactions contemplated by the Governmental Note and the Financing Documents.

(h) No officer or other official of the Governmental Lender has any personal financial interest in the Project or the Borrower or in the transactions contemplated by this Project Loan Agreement.

(i) Upon the discovery by the Governmental Lender of any noncompliance by the Borrower with this Project Loan Agreement, the Tax Certificate or the Tax Regulatory Agreement, the Governmental Lender will promptly notify the Fiscal Agent, the Servicer and the Funding Lender Representative of such noncompliance and will, subject to the provisions of Article VII hereof, promptly institute action, or cause the Fiscal Agent to institute action, to correct such noncompliance, will diligently pursue such action and will attempt to correct such noncompliance within sixty (60) days after such discovery, subject to the provisions of the Funding Loan Agreement, this Project Loan Agreement, the Tax Certificate and the Tax Regulatory Agreement.

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

Section 2.02 *Representations, Warranties and Covenants of the Borrower.* The Borrower makes the following representations, warranties and covenants, all of which, together with the other representations and agreements of the Borrower contained in this Project Loan Agreement, are relied upon by the Governmental Lender, the Funding Lender, the Servicer and the Fiscal Agent and serve as a basis for the undertakings of the Governmental Lender, the Servicer and the Fiscal Agent contained in this Project Loan Agreement:

(a) The Borrower is a limited partnership duly organized, validly existing and in good standing under the laws of the state in which it has been organized and is duly qualified to conduct its business under the laws of the State and in every other state in which the nature of its business requires such qualification, has full legal right, power and authority to enter into this Project Loan Agreement and the other Financing Documents, and to carry out and consummate all transactions contemplated hereby and by the other

Financing Documents, and by proper action has duly authorized the execution, delivery and performance of this Project Loan Agreement and the other Financing Documents. All corporate general partners, if any, of the Borrower are duly organized and in good standing under the laws of their respective states of organization and are duly qualified to transact business in the State as either domestic or foreign corporations, as applicable. All partnership general partners, if any, are duly formed and in good standing under the laws of their respective states of formation and, to the extent required by the laws of the State, are duly qualified to transact business in the State as either domestic or foreign partnerships or limited liability companies, as applicable.

(b) The Borrower has the legal right, power and authority to (i) own its properties and assets, including, but not limited to, the Project, (ii) to carry on its business as now being conducted and the Borrower contemplates it to be conducted with respect to the Project and (iii) execute and deliver, carry out its obligations under, and close the transactions provided for in, the Financing Documents to which it is a party.

(c) Each of the Financing Documents to which the Borrower is a party has been duly authorized, executed and delivered by the Borrower and, assuming due authorization, execution and delivery by the other parties thereto, constitutes the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally and general principles of equity.

(d) No authorization, consent, approval, order, registration, declaration or withholding of objection on the part of, or filing of or with any governmental authority, other than those already obtained or those necessary to be obtained during the course of rehabilitation of the Project, is required for the due execution and delivery or approval, as the case may be, by the Borrower of, and the performance by the Borrower of its obligations under, the Financing Documents.

(e) None of the execution and delivery of the Financing Documents to which the Borrower is a party, the consummation of the transactions provided for in the Financing Documents, or the Borrower's fulfillment of or compliance with the terms and conditions of the Financing Documents (i) violates or will violate any law, rule or regulation of any governmental agency or body having jurisdiction over the Borrower, or any of its activities or properties, or any judgment, order, writ, injunction or decree to which the Borrower is subject, or any of the organizational or other governing documents of the Borrower, (ii) conflicts or will conflict with any agreement, instrument or license to which the Borrower is now a party or by which it or any of its properties or assets is bound or results or will result in a breach of, or constitutes or will constitute a default (with due notice or the passage of time or both) under, any such agreement, instrument or license, (iii) contravenes or will contravene any such law, rule or regulation or any such judgment, order, writ, injunction or decree, or (iv) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or

assets of the Borrower, except for any lien, charge or encumbrance permitted under the terms of the Financing Documents.

(f) There is no action, suit, proceeding, inquiry or investigation pending or, to the Borrower's knowledge, threatened against or affecting the Borrower or any of its properties (including, without limitation, the Project), which, if adversely determined, would (i) impair the right of the Borrower to carry on its business substantially as now conducted and as contemplated by the Financing Documents, (ii) adversely affect the financial condition of the Borrower, (iii) prohibit, restrain or enjoin the making of the Funding Loan or the Project Loan or the execution and delivery of any of the Financing Documents, (iv) adversely affect the validity or enforceability of any of the Financing Documents, or (v) adversely affect the exclusion from gross income for federal income tax purposes of interest on the Governmental Note.

(g) The Project and the operation of the Project (in the manner contemplated by the Financing Documents) conform and, following completion of the rehabilitation of the Project, will continue to conform in all material respects with the requirements of the Act as well as all applicable zoning, planning, building and environmental laws, ordinances and regulations of governmental authorities having jurisdiction over the Project.

(h) The Borrower has filed or caused to be filed all federal, state and local tax returns which are required to be filed or has obtained appropriate extensions therefor, and has paid or caused to be paid all taxes as shown on said returns or on any assessment received by it, to the extent that such taxes have become due.

(i) The Borrower is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument to which it is a party which default would materially adversely affect the transactions contemplated by the Financing Documents or the operations of the Borrower or the enforceability of the Financing Documents to which the Borrower is a party or the ability of the Borrower to perform all obligations thereunder.

(j) The Borrower agrees to pay all costs of maintenance and repair, all Taxes and assessments, insurance premiums (including public liability insurance and insurance against damage to or destruction of the Project) concerning or in any way related to the Project, or any part thereof, and any expenses or renewals thereof, and any other governmental charges and impositions whatsoever, foreseen or unforeseen, and all utility and other charges and assessments concerning or in any way related to the Project.

(k) If the Borrower is a partnership, all of the partnership interests in the Borrower are validly issued and are fully registered, if required, with the applicable governmental authorities and/or agencies, and there are no outstanding options or rights to purchase or acquire those interests. If the Borrower is a limited liability company, all of the ownership interests in the Borrower are validly issued and are fully registered, if

required, with the applicable governmental authorities and/or agencies, and there are no outstanding options or rights to purchase or acquire those interests. Nothing in this Project Loan Agreement shall prevent the Borrower from issuing additional partnership interests or ownership interests if such units are issued in accordance with all applicable securities laws.

(l) The representations and warranties of the Borrower contained in the Tax Certificate and Tax Regulatory Agreement are true and accurate in all material respects.

(m) The information, statements or reports furnished in writing to the Governmental Lender, the Servicer and the Funding Lender Representative by the Borrower in connection with this Project Loan Agreement or the consummation of the transactions contemplated hereby do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading; and the representations and warranties of the Borrower and the statements, information and descriptions contained in the Borrower's closing certificates, as of the Delivery Date, are true and correct in all material respects, do not contain any untrue statement of a material fact, and do not omit to state a material fact necessary to make the representations, warranties, statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading; and any estimates or assumptions contained in any certificate of the Borrower delivered as of the Delivery Date are reasonable.

(n) To the knowledge of the Borrower, no commissioner, member, officer or employee of the Governmental Lender has been or is in any manner interested, directly or indirectly, in that person's own name or in the name of any other person, in the Financing Documents, the Borrower or the Project, in any contract for property or materials to be furnished or used in connection with the Project, or in any aspect of the transactions contemplated by the Financing Documents.

(o) The Borrower intends to hold the Project for its own account and has no current plans to sell, and has not entered into any agreement, to sell all or any portion of the Project, other than as may be contemplated by Borrower's agreement of limited partnership, as the same may be amended from time to time.

(p) The Project is located wholly within the boundaries of the City of San Diego, California.

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

(r) The Funding Loan Agreement has been submitted to the Borrower for examination, and the Borrower, by execution of this Project Loan Agreement, acknowledges and agrees that it has participated in the drafting of the Funding Loan Agreement and that it is bound by, shall adhere to the provisions of, covenants and agrees to perform all obligations required of the Borrower pursuant to, and shall have the rights set forth by the applicable terms and conditions of, the Funding Loan Agreement.

(s) The Borrower will have a fee simple interest in the land and improvements on the Project, subject only to liens permitted under the Security Instrument.

(t) The Borrower acknowledges that (i) it understands the nature and structure of the transactions relating to the financing of the Project, (ii) it is familiar with the provisions of all of the documents and instruments relating to the financing, (iii) it understands the risks inherent in such transactions, including without limitation the risk of loss of the Project, and (iv) it has not relied on the Governmental Lender, the Fiscal Agent, Freddie Mac, the Funding Lender, the Funding Lender Representative or the Servicer for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by the Financing Documents or otherwise relied on the Governmental Lender, the Fiscal Agent, Freddie Mac, the Funding Lender, the Funding Lender Representative or the Servicer in any manner.

Section 2.03 *Representations and Warranties of the Fiscal Agent.* The Fiscal Agent makes the following representations and warranties for the benefit of the Governmental Lender, the Borrower, the Funding Lender and the Servicer:

(a) The Fiscal Agent is a [national banking association][state banking corporation], duly organized and existing under the laws of the [United States][State of _____]. The Fiscal Agent is duly authorized to act as a fiduciary and to execute the trust created by the Funding Loan Agreement, and meets the qualifications to act as Fiscal Agent under the Funding Loan Agreement.

(b) The Fiscal Agent has complied with the provisions of law which are prerequisite to the consummation of, and has all necessary power (including trust powers) and authority (i) to execute and deliver this Project Loan Agreement and the other Financing Documents to which it is a party, (ii) to perform its obligations under this Project Loan Agreement and the other Financing Documents to which it is a party, and (iii) to consummate the transactions contemplated by this Project Loan Agreement and the other Financing Documents to which it is a party.

(c) The Fiscal Agent has duly authorized (i) the execution and delivery of this Project Loan Agreement and the other Financing Documents to which it is a party, (ii) the performance by the Fiscal Agent of its obligations under this Project Loan Agreement and the other Financing Documents to which it is a party, and (iii) the actions of the Fiscal Agent contemplated by this Project Loan Agreement and the other Financing Documents to which it is a party.

(d) Each of the Financing Documents to which the Fiscal Agent is a party has been duly executed and delivered by the Fiscal Agent and, assuming due authorization, execution and delivery by the other parties thereto, constitutes a valid and binding obligation of the Fiscal Agent, enforceable against the Fiscal Agent in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(e) The Fiscal Agent meets the qualifications to act as Fiscal Agent under the Funding Loan Agreement.

(f) The Fiscal Agent has complied with the provisions of law which are prerequisites to the consummation of the transactions on the part of the Fiscal Agent described or contemplated in the Financing Documents.

(g) No approval, permit, consent, authorization or order of any court, governmental agency or public board or body not already obtained is required to be obtained by the Fiscal Agent as a prerequisite to (i) the execution and delivery of this Project Loan Agreement and the other Financing Documents to which the Fiscal Agent is a party, (ii) the authentication or delivery of the Governmental Note, (iii) the performance by the Fiscal Agent of its obligations under this Project Loan Agreement and the other Financing Documents to which it is a party, or (iv) the consummation of the transactions contemplated by this Project Loan Agreement and the other Financing Documents to which the Fiscal Agent is a party. The Fiscal Agent makes no representation or warranty relating to compliance with any federal or state securities laws.

Section 2.04 *Arbitrage and Rebate Fund Calculations.* The Borrower shall (a) take or cause to be taken all actions necessary or appropriate in order to fully and timely comply with Section 4.12 of the Funding Loan Agreement, and (b) if required to do so under Section 4.12 of the Funding Loan Agreement, select at the Borrower's expense, a Rebate Analyst reasonably acceptable to the Governmental Lender for the purpose of making any and all calculations required under Section 4.12 of the Funding Loan Agreement. Such calculations, if required, shall be made in the manner and at such times as specified in Section 4.12 of the Funding Loan Agreement. The Borrower shall cause the Rebate Analyst to provide such calculations to the Fiscal Agent and the Governmental Lender at such times and with such directions as are necessary to comply fully with the arbitrage and rebate requirements set forth in the Funding Loan Agreement and to comply fully with Section 148 of the Code, including the timely payment of any arbitrage rebate owed.

Section 2.05 *Tax Covenants of the Borrower.* The Borrower covenants and agrees that:

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

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

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

(d) It will comply with the requirements of Section 148 of the Code and the Regulations issued thereunder throughout the term of the Funding Loan and the Project Loan and will not make any use of the proceeds of the Funding Loan or the Project Loan, or of any other funds which may be deemed to be proceeds of the Governmental Note under the Code and the related regulations of the United States Treasury, which would cause the Governmental Note to be “arbitrage bonds” within the meaning of Section 148 of the Code; and

(e) If the Borrower becomes aware of any situation, event or condition which would, to the best of its knowledge, result in the interest on the Governmental Note becoming includable in gross income of the Funding Lender for purposes of federal income tax purposes, it will promptly give written notice of such circumstance, event or condition to the Governmental Lender, the Fiscal Agent, the Funding Lender Representative and the Servicer.

(f) The full amount of each disbursement of proceeds of the Project Loan will be applied to pay or to reimburse the Borrower for the payment of Costs of the Project and, after taking into account any proposed disbursement, (i) at least 95% of the net proceeds (as defined in Section 150 of the Code) of the Governmental Note will be used to provide a qualified residential rental project (as defined in Section 142(d) of the Code) and (ii) less than 25% of the net proceeds of the Governmental Note will have been disbursed to pay or to reimburse the Borrower for the cost of acquiring land; none of the proceeds of the Governmental Note (as defined for purposes of Section 147(g) of the Code) will be disbursed to provide working capital;

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

(h) All leases will comply with all applicable laws and the Tax Regulatory Agreement;

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

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

(k) From the proceeds of the Funding Loan and investment earnings thereon, an amount not in excess of two percent (2%) of the proceeds of the Funding Loan, will be used for Costs of Issuance of the Governmental Note, all within the meaning of Section 147(g)(1) of the Code; and

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

In the event of a conflict between the terms and requirements of this Section 2.05 and the Tax Certificate, the terms and requirements of the Tax Certificate shall control.

ARTICLE III

THE PROJECT LOAN

Section 3.01 *Conditions to Funding the Project Loan.* On the Delivery Date, the Governmental Lender shall cause the proceeds of the Funding Loan to be deposited with the Fiscal Agent in accordance with Section 2.11 of the Funding Loan Agreement and Section 3.03 hereof. The Fiscal Agent shall use such proceeds as provided in Article II of the Funding Loan Agreement to make the Project Loan, provided that no such disbursements of proceeds shall be made until the following conditions have been met:

(a) The Borrower shall have executed and delivered to the Governmental Lender the Project Note and the Governmental Lender shall have endorsed the Project Note to the Fiscal Agent;

(b) The Security Instrument and the Assignment, with only such changes therein as shall be approved in writing by Funding Lender Representative, shall have been executed and delivered by the Borrower and the Governmental Lender, respectively, and delivered to the title company for recording in the appropriate office for officially recording real estate documents in the jurisdiction in which the Project is located (the “**Recorder’s Office**”);

(c) The Tax Regulatory Agreement shall have been executed and delivered by the parties thereto and shall have been delivered to the title company for recording in the Recorder’s Office, and the Fiscal Agent shall have received evidence satisfactory to it of such delivery;

(d) All other Financing Documents not listed above shall have been executed and delivered by all parties thereto and delivered to the Fiscal Agent; and

(e) The Borrower shall have delivered to the Fiscal Agent, the Governmental Lender, the Funding Lender Representative and the Servicer a certificate confirming, as of the Delivery Date, the matters set forth in Section 2.02 hereof and an opinion of its counsel or other counsel satisfactory to the Fiscal Agent, the Governmental Lender, Bond Counsel, the Funding Lender Representative, Freddie Mac and the Servicer.

Section 3.02 *Terms of the Project Loan; Servicing.*

(a) The Project Loan shall (i) be evidenced by the Project Note; (ii) be secured by the Security Instrument; (iii) be in the original principal amount of \$22,000,000; (iv) bear interest as provided in the Project Note; (v) provide for principal and interest payments in accordance with the Project Note; and (vi) be subject to optional and mandatory prepayment at the times, in the manner and on the terms, and have such other terms and provisions, as provided herein and in the Project Note.

(b) The Funding Lender Representative may appoint a Servicer to service the Loans for all or a portion of the term of the Loans. The initial Servicer of the Loans is Citibank, N.A. who shall service the Loans pursuant to the terms of the Commitment and the Guide. The Funding Lender Representative may remove a Servicer or appoint a replacement Servicer, in its discretion, by written notice provided to the Governmental Lender, the Fiscal Agent and the Borrower. Any successor Servicer shall signify its acceptance of the duties and obligations imposed upon it by the Funding Loan Agreement and this Project Loan Agreement by executing such instrument(s) as shall be acceptable to the Funding Lender Representative, a copy of which shall be provided to the parties hereto.

(c) During any period that the Servicer services the Loans, the Borrower shall make all payments in connection with the Project Loan to the Servicer, and the Servicer will (i) retain the allocable portion of the monthly Servicing Fee for its own account, (ii) remit to the Funding Lender all payments of principal of, Prepayment Premium, if any,

and interest due with respect to the Funding Loan, together, with any other amounts due to the Funding Lender, (iii) remit to the Fiscal Agent the Ordinary Fiscal Agent's Fees and Expenses, together with any other amounts due to the Fiscal Agent, and (iv) remit to the Governmental Lender the Governmental Lender Fee, together with any other amounts due to the Governmental Lender. During a period in which there is no Servicer, all notices to be sent to the Servicer shall be sent to the Funding Lender Representative (to the extent not already provided) and all amounts to be paid to the Servicer by the Borrower shall be paid directly to the Fiscal Agent (unless otherwise directed by the Funding Lender Representative).

(d) The Governmental Lender, the Fiscal Agent and the Borrower hereby acknowledge and agree that (i) the Funding Lender Representative has appointed the Servicer to service and administer the Project Loan, (ii) the selection or removal of any Servicer is in the sole and absolute discretion of the Funding Lender Representative; (iii) none of the Governmental Lender, the Fiscal Agent or the Borrower shall terminate or attempt to terminate any Servicer as the servicer for the Project Loan or appoint or attempt to appoint a substitute servicer for the Project Loan, (iv) the *Guide* is subject to amendment without the consent of the Fiscal Agent, the Governmental Lender or the Borrower; and (v) none of the Fiscal Agent, the Governmental Lender or the Borrower shall have any rights under, or be a third party beneficiary of, the *Guide*.

Section 3.03 *Initial Deposits.* On the Delivery Date, proceeds of the Funding Loan in the amount of \$[] shall be deposited in the Project Account of the Project Loan Fund. The Borrower will deposit with the Fiscal Agent the sum of (i) \$[] for credit to the Cost of Issuance Fund; and (ii) \$[] for credit to the Borrower Equity Account of the Project Loan Fund. The Borrower will deposit with the Servicer the sum of \$_____ as the Initial Debt Service Deposit. Subject to the conditions listed in Section 3.1 hereof, amounts on deposit in the Project Loan Fund are to be disbursed to the Borrower or otherwise as provided in Section 2.11(d) of the Funding Loan Agreement.

To the extent that amounts in the Cost of Issuance Fund from the above-mentioned sources are insufficient to pay all costs of closing the Loans, the Borrower shall cause the payment of such additional costs of closing the Loans to be made on its behalf as such amounts become due.

Section 3.04 *Pledge and Assignment to Fiscal Agent.* The parties hereto acknowledge, and the Borrower consents to, the pledge and assignment by the Governmental Lender to the Fiscal Agent pursuant to the Funding Loan Agreement of all of the Governmental Lender's right, title and interest in this Project Loan Agreement (excluding the Unassigned Rights), the Project Loan, the Project Note, the Security Instrument, the other Project Loan Documents and the Revenues as security for the payment of the principal of, premium, if any, and interest on the Governmental Note and the payment of any other amounts due under the Financing Documents.

Section 3.05 *Investment of Funds.* Except as otherwise provided in the Funding Loan Agreement, any money held as a part of any fund or account established under the Funding Loan

Agreement shall be invested or reinvested by the Fiscal Agent in Qualified Investments in accordance with Section 4.08 of the Funding Loan Agreement.

Section 3.06 *Damage; Destruction and Eminent Domain.* If, prior to payment in full of the Project Loan, the Project or any portion thereof is destroyed or damaged in whole or in part by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall have been taken by the exercise of the power of eminent domain, and the Governmental Lender, the Borrower, the Fiscal Agent or the Servicer receives Net Proceeds from insurance or any condemnation award in connection therewith, such Net Proceeds shall be utilized as provided in the Project Loan Documents and the Funding Loan Agreement.

Section 3.07 *Enforcement of Financing Documents.* The Fiscal Agent or the Funding Lender Representative may enforce and take all reasonable steps, actions and the proceedings necessary for the enforcement of all terms, covenants and conditions of the Funding Loan Agreement and the other Financing Documents as and to the extent set forth herein and therein.

ARTICLE IV

LOAN PAYMENTS

Section 4.01 *Payments Under the Project Note; Independent Obligation of Borrower.*

(a) **Payment Obligations.** The Borrower agrees to repay the Project Loan on each Project Loan Payment Date as provided in the Project Note, and in all instances at the times and in the amounts necessary to enable the Fiscal Agent, on behalf of the Governmental Lender, or the Servicer, to pay all amounts payable with respect to the Funding Loan, when due, whether at maturity or upon prepayment (with premium, if applicable), acceleration or otherwise. To ensure such timely payment, the Servicer shall collect from the Borrower, and the Borrower shall provide to the Servicer the foregoing payments not less than two (2) Business Days prior to each respective Project Loan Payment Date.

The obligation of the Borrower to make the payments set forth in this Article IV shall be an independent obligation of the Borrower, separate from its obligation to make payments under the Project Note, provided that in all events payments made by the Borrower under and pursuant to the Project Note shall be credited against the Borrower's obligations hereunder on a dollar for dollar basis. If for any reason the Project Note or any provision of the Project Note shall be held invalid or unenforceable against the Borrower by any court of competent jurisdiction, the Project Note or such provision of the Project Note shall be deemed to be the obligation of the Borrower pursuant to this Project Loan Agreement to the full extent permitted by law and such holding shall not invalidate or render unenforceable any of the provisions of this Article IV and shall not serve to discharge any of the Borrower's payment obligations hereunder or eliminate the credit against such obligations to the extent of payments made under the Project Note.

(b) **Obligations Unconditional; No Set-Off.** The obligation of the Borrower to repay the Project Loan, to perform all of its obligations under the Project Loan Documents, to

provide indemnification pursuant to Section 6.01 hereof, to pay costs, expenses and charges pursuant to Section 4.02 hereof and to make any and all other payments required by this Project Loan Agreement, the Funding Loan Agreement or any other documents contemplated by this Project Loan Agreement or by the Project Loan Documents shall, subject to the limitations set forth in Section 4.06 hereof, be absolute and unconditional, and shall be paid or performed without notice or demand, and without abatement, deduction, set-off, counterclaim, recoupment or defense or any right of termination or cancellation arising from any circumstance whatsoever, whether now existing or hereafter arising, and irrespective of whether the Borrower's title to the Project or to any part thereof is defective or nonexistent, and notwithstanding any damage due to loss, theft or destruction of the Project or any part thereof, any failure of consideration or frustration of commercial purpose, the taking by eminent domain of title to or of the right of temporary use of all or any part of the Project, legal curtailment of the Borrower's use thereof, the eviction or constructive eviction of the Borrower, any change in the tax or other laws of the United States of America, the State or any political subdivision thereof, any change in the Governmental Lender's legal organization or status, or any default of the Governmental Lender or the Fiscal Agent hereunder or under any other Financing Document, and regardless of the invalidity of any action of the Governmental Lender or the invalidity of any portion of this Project Loan Agreement.

(c) **Payments from Borrower to Fiscal Agent or Servicer.** Each payment by the Borrower hereunder or under the Project Note shall be made in immediately available funds to the Servicer on each Project Loan Payment Date or such other date when such payment is due; provided, however, such Project Loan Payment shall be made directly to the Fiscal Agent if there is no Servicer or if the Borrower is so directed in writing by the Funding Lender Representative. Each such payment shall be made to the Fiscal Agent or the Servicer, as applicable, by deposit to such account as the Fiscal Agent or the Servicer may designate by written notice to the Borrower. Whenever any Project Loan Payment or any other payment under this Project Loan Agreement or under the Project Note shall be stated to be due on a day that is not a Business Day, such payment shall be made on the first Business Day immediately thereafter.

Section 4.02 Additional Payments Under the Project Note and this Project Loan Agreement.

(a) In addition to the payments set forth in Section 4.01 hereof, payments to be made by the Borrower under the Project Note include certain money to be paid in respect of, among others, the Fee Component, the Servicing Fee, and amounts required to be deposited pursuant to the Continuing Covenant Agreement and the other Project Loan Documents, as set forth in subsection (b) of this Section 4.02. To the extent that any portion of the Fee Component, the Servicing Fee, and amounts required to be deposited pursuant to the Continuing Covenant Agreement and the other Project Loan Documents remain due and owing at any time, such amounts remaining due and owing shall be payable from money on deposit in the Administration Fund as provided in Section 4.06 of the Funding Loan Agreement or from other money of the Borrower, to the extent that money in the Administration Fund is insufficient for such purposes. All other fees and expenses shall be payable from money of the Borrower as provided in subsection (b) of this Section 4.02.

(b) In addition to the funding of the initial deposits required of the Borrower described in Section 3.03, the Borrower shall pay (or cause to be paid by the Servicer or the Fiscal Agent (to the extent paid from money on deposit in the Administration Fund or the Cost of Issuance Fund, as applicable)), in consideration of the funding of the Project Loan, the following fees, expenses and other money payable in connection with the Loans:

(i) On the Delivery Date, from money on deposit in the Cost of Issuance Fund or, to the extent such money is insufficient for such purpose, from other money of the Borrower, to Freddie Mac, all third party and out-of-pocket expenses of Freddie Mac (including but not limited to the fees and expenses of counsel to Freddie Mac) in connection with the Loans.

(ii) On the Delivery Date, from money on deposit in the Cost of Issuance Fund or, to the extent such money is insufficient for such purpose, from other money of the Borrower, to the Governmental Lender, an initial financing fee in an amount equal to \$[____], together with all third party and out-of-pocket expenses of the Governmental Lender (including but not limited to the fees and expenses of Bond Counsel and counsel to the Governmental Lender) in connection with the Loans and the issuance of the Governmental Note.

(iii) On the Delivery Date, from money on deposit in the Cost of Issuance Fund, to the extent such money is insufficient for such purpose, from other money of the Borrower, to the Servicer, its commitment fees and application fees, together with all third party and out of pocket expenses of the Servicer (including but not limited to the fees and expenses of counsel to the Servicer, if any) in connection with the Loans.

(iv) On the Delivery Date, from money on deposit in the Cost of Issuance Fund or, to the extent such money is insufficient for such purpose, from other money of the Borrower, to the Fiscal Agent, an acceptance fee in an amount equal to \$[____], together with all third party and out-of-pocket expenses of the Fiscal Agent (including but not limited to the fees and expenses of counsel to the Fiscal Agent) in connection with the Loans and the issuance of the Governmental Note.

(v) To the Fiscal Agent, the Ordinary Fiscal Agent's Fees and Expenses and the Extraordinary Fiscal Agent's Fees and Expenses when due from time to time.

(vi) To the Governmental Lender, the Governmental Lender Fee when due and any extraordinary expenses not covered by the Governmental Lender Fee the Governmental Lender may incur in connection with the Financing Documents or the Project from time to time.

(vii) To the Rebate Analyst, the reasonable fees and expenses of such Rebate Analyst in connection with the computations relating to arbitrage rebate required under the Funding Loan Agreement and this Project Loan Agreement when due from time to time.

(viii) To the Funding Lender Representative, any amount due and owing the Funding Lender Representative from time to time but unpaid under the Continuing Covenant Agreement.

(ix) To the Servicer, the amount of any portion of the Servicing Fee remaining unpaid and any fees, costs and expenses of the Servicer as provided in the Continuing Covenant Agreement.

(x) To the Servicer, the amounts required to be deposited in respect of reserves and impounds required under the Continuing Covenant Agreement and the other Project Loan Documents.

(xi) If the Fiscal Agent is collecting and remitting loan payments under the Funding Loan Agreement, to the Fiscal Agent, within two (2) Business Days of receipt from the Fiscal Agent of a notice of deficiency in the Administration Fund as provided in Section 4.06 of the Funding Loan Agreement, the amount of any such deficiency in the Administration Fund.

Section 4.03 *Payments to Rebate Fund.* The Borrower shall pay when due to the Fiscal Agent at the Principal Office of the Fiscal Agent any amount required to be deposited in the Rebate Fund in accordance with Section 4.12 of the Funding Loan Agreement.

Section 4.04 *Prepayment.*

(a) **Optional Prepayment of the Project Loan.** The Borrower shall have the option to prepay the Project Loan in whole, together with all accrued and unpaid interest thereon, as provided in the Project Note.

(b) **Mandatory Prepayment of the Project Loan.** The Borrower shall be required to pay all or a portion of the outstanding principal balance of the Project Loan, together with accrued interest thereon, and together with any Prepayment Premium due under the Project Note, as provided in the Project Note.

(c) **Defeasance of the Funding Loan.** In addition, prior to the Window Period, the Borrower may cause a defeasance of the Funding Loan resulting in a release of the Pledged Security by satisfying the conditions set forth hereunder and in Article IX of the Funding Loan Agreement. In connection therewith, the Borrower will give written notice (a “**Defeasance Notice**”) to the Funding Lender Representative, the Servicer, the Governmental Lender and the Fiscal Agent of the date the Borrower desires to defease the Funding Loan (the “**Defeasance Date**”). The Defeasance Date may not be more than 60 calendar days, nor less than 30 calendar days, after the delivery of the Defeasance Notice. In connection with the delivery of the Defeasance Notice, the Borrower shall cause to be paid to the Funding Lender Representative the Defeasance Fee set forth in the Continuing Covenant Agreement. In addition to, and not in limitation of any other provisions of this Project Loan Agreement, the Borrower shall pay all fees, costs and expenses in connection with any defeasance whether or not such defeasance

occurs. Following such defeasance in accordance with the terms and conditions hereof and the Funding Loan Agreement, the Project Loan shall be deemed paid in full, and the Borrower shall be entitled to the release of the Security Instrument, the Pledged Security and other security provided by it for the Project Loan, subject to the terms and conditions hereof and the other Financing Documents.

Section 4.05 *Borrower's Obligations Upon Prepayment.* In the event of any prepayment, the Borrower will timely pay, or cause to be paid through the Servicer, an amount equal to the principal amount of the Funding Loan or portion thereof called for prepayment, together with interest accrued to the prepayment date and premium, if any. In addition, the Borrower will timely pay all fees, costs and expenses associated with any prepayment of the Funding Loan.

Section 4.06 *Limits on Personal Liability.*

(a) Except as otherwise set forth in Section 9 of the Project Note and subsection 4.06(b) below, the obligations of the Borrower under this Project Loan Agreement and the other Financing Documents are non-recourse liabilities of the Borrower which shall be enforced only against the Project and other property of the Borrower encumbered by the Financing Documents and not personally against the Borrower or any partner of the Borrower or any successor or assign of the Borrower. However, nothing in this Section 4.06 shall limit the right of the Governmental Lender, the Fiscal Agent, the Servicer or the Funding Lender Representative to proceed against the Borrower to recover any fees owing to any of them or any actual out-of-pocket expenses (including but not limited to actual out-of-pocket attorneys' fees incurred by any of them) incurred by any of them in connection with the enforcement of any rights under this Project Loan Agreement or the other Financing Documents. Nothing in this Section 4.06 shall limit any right that the Servicer or the Funding Lender Representative may have to enforce the Project Note, the Security Instrument, or any other Financing Document in accordance with their terms.

(b) Notwithstanding anything contained in any other provision of this Project Loan Agreement to the contrary (but subject to the provisions of Section 7.06 hereof), the following obligations of the Borrower shall be and remain the joint and several full recourse obligations of the Borrower and each of the Borrower's general partners; (i) the Borrower's obligations to the Governmental Lender and the Fiscal Agent under subsections (b)(ii), (b)(iv), (b)(v), and (b)(vi) of Section 4.02 hereof; (ii) the Borrower's obligations under Sections 2.05 and 6.01 of this Project Loan Agreement; (iii) the Borrower's obligation to pay any and all rebate amounts that may be or become owing with respect to the Funding Loan and fees and expenses of the Rebate Analyst as provided in Sections 2.04 and 4.03 of this Project Loan Agreement and the Tax Certificate; and (iv) the Borrower's obligation to pay legal fees and expenses under Section 7.04 hereof.

ARTICLE V

SPECIAL COVENANTS OF BORROWER

Section 5.01 *Performance of Obligations.* The Borrower shall keep and faithfully perform all of its covenants and undertakings contained herein and in the Financing Documents, including, without limitation, its obligations to make all payments set forth herein and therein in the amounts, at the times and in the manner set forth herein and therein.

Section 5.02 *Compliance With Applicable Laws.* All work performed in connection with the Project shall be performed in strict compliance with all applicable federal, state, county and municipal laws, ordinances, rules and regulations now in force or that may be enacted hereafter.

Section 5.03 *Funding Loan Agreement Provisions.* The execution of this Project Loan Agreement shall constitute conclusive evidence of approval of the Funding Loan Agreement by the Borrower. Whenever the Funding Loan Agreement by its terms imposes a duty or obligation upon the Borrower, such duty or obligation shall be binding upon the Borrower to the same extent as if the Borrower were an express party to the Funding Loan Agreement, and the Borrower shall carry out and perform all of its obligations under the Funding Loan Agreement as fully as if the Borrower were a party to the Funding Loan Agreement.

Section 5.04 *Reserved.*

Section 5.05 *Borrower to Maintain Its Existence; Certification of No Default.*

(a) The Borrower agrees to maintain its existence and maintain its current legal status with authority to own and operate the Project.

(b) In addition to performing all other similar requirements under the Financing Documents to which the Borrower is a party, the Borrower shall, within 30 days after the end of each calendar year, render to the Fiscal Agent a certificate executed by an Authorized Officer of the Borrower to the effect that the Borrower is not, as of the date of such certificate, in default of any of its covenants, agreements, representations or warranties under any of the Financing Documents to which the Borrower is a party and that, to the best of the Borrower's knowledge, after reasonable investigation, there has occurred no default or Event of Default (as such terms are defined in each respective Financing Document) under any of the Financing Documents.

Section 5.06 *Borrower to Remain Qualified in State and Appoint Agent.* The Borrower will remain duly qualified to transact business in the State and will maintain an agent in the State on whom service of process may be made in connection with any actions against the Borrower.

Section 5.07 *Sale or Other Transfer of Project.* The Borrower may convey and transfer the Project only upon strict compliance with the provisions of the Financing Documents,

and upon receipt of the prior written consent of the Governmental Lender and the Funding Lender Representative.

Section 5.08 *Right to Perform Borrower's Obligations.* In the event the Borrower fails to perform any of its obligations under this Project Loan Agreement, the Governmental Lender, the Fiscal Agent, the Servicer and/or the Funding Lender Representative, after giving requisite notice, if any, and subject to Section 5.05 of the Funding Loan Agreement, may, but shall be under no obligation to, perform such obligation and pay all costs related thereto, and all such costs so advanced shall become an additional obligation of the Borrower hereunder, payable on demand and if not paid on demand with interest thereon at the default rate of interest payable under the Project Loan Documents.

Section 5.09 *Notice of Certain Events.* The Borrower shall promptly advise the Governmental Lender, the Fiscal Agent, the Funding Lender Representative and the Servicer in writing of the occurrence of any Event of Default hereunder or any event which, with the passage of time or service of notice or both, would constitute an Event of Default, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto.

Section 5.10 *Survival of Covenants.* The provisions of Sections 2.04, 2.05, 4.02, 4.03, 6.01 and 7.04 hereof shall survive the expiration or earlier termination of this Project Loan Agreement and, with regard to the Fiscal Agent, the resignation or removal of the Fiscal Agent.

Section 5.11 *Access to Project; Records.* Subject to reasonable notice and the rights of tenants at the Project, the Governmental Lender, the Fiscal Agent, the Servicer and the Funding Lender Representative, and the respective duly authorized agents of each, shall have the right (but not any duty or obligation) at all reasonable times and during normal business hours: (a) to enter the Project and any other location containing the records relating to the Borrower, the Project, the Loans and the Borrower's compliance with the terms and conditions of the Financing Documents; (b) to inspect and audit any and all of the Borrower's records or accounts pertaining to the Borrower, the Project, the Loans and the Borrower's compliance with the terms and conditions of the Financing Documents; and (c) to require the Borrower, at the Borrower's sole expense, (i) to furnish such documents to the Governmental Lender, the Fiscal Agent, the Servicer and the Funding Lender Representative, as the Governmental Lender, the Fiscal Agent, the Servicer or the Funding Lender Representative, as the case may be, from time to time, deems reasonably necessary in order to determine that the provisions of the Financing Documents have been complied with and (ii) to make copies of any records that the Governmental Lender, the Fiscal Agent, the Servicer or the Funding Lender Representative or the respective duly authorized agents of each, may reasonably require. The Borrower shall make available to the Governmental Lender, the Fiscal Agent, the Servicer and the Funding Lender Representative, such information concerning the Project, the Security Instrument and the Financing Documents as any of them may reasonably request.

Section 5.12 *Tax Regulatory Agreement.* The covenants of the Borrower in the Tax Regulatory Agreement shall be deemed to constitute covenants of the Borrower running with the

land and an equitable servitude for the benefit of the Governmental Lender and the Funding Lender and shall be binding upon any owners of the Project until such time as such restrictions expire as provided in the Tax Regulatory Agreement. The Borrower covenants to file of record the Tax Regulatory Agreement and such other documents, and to take such other steps as are necessary in order to assure that the restrictions contained in the Tax Regulatory Agreement will, subject to the terms of the Tax Regulatory Agreement, be binding upon all owners of the Project. The Borrower covenants to include such restrictions or a reference to such restrictions in any documents transferring any interest in the Project to another to the end that such transferee has notice of, and is bound by, the Tax Regulatory Agreement. Subject to the provisions of Section 7.06 of this Project Loan Agreement, the Governmental Lender and the Fiscal Agent shall have the right to seek specific performance of or injunctive relief to enforce the requirements of any covenants of the Borrower contained in the Tax Regulatory Agreement.

Section 5.13 *Damage, Destruction and Condemnation.* If prior to full payment of the Funding Loan (or provision for payment of the Funding Loan in accordance with the provisions of the Funding Loan Agreement) the Project or any portion of it is destroyed (in whole or in part) or is damaged by fire or other casualty, or title to, or the temporary use of, the Project or any portion of it shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, or shall be transferred pursuant to an agreement or settlement in lieu of eminent domain proceedings, the Borrower shall nevertheless be obligated to continue to pay the amounts specified in this Project Loan Agreement and in the Project Note to the extent the Project Loan is not prepaid in full in accordance with the terms of the Project Loan Documents.

Section 5.14 *Obligation of the Borrower To Rehabilitate the Project.* The Borrower shall proceed with reasonable dispatch (and in no event later than required under the Financing Documents) to complete the rehabilitation, development and equipping of the Project as required by the Financing Documents. If amounts on deposit in the Project Loan Fund designated for the Project and available to be disbursed to the Borrower are not sufficient to pay the costs of such acquisition, rehabilitation, development and equipping, the Borrower shall pay such additional costs from its own funds. The Borrower shall not be entitled to any reimbursement from the Governmental Lender, the Fiscal Agent, the Servicer, the Funding Lender Representative or the Funding Lender in respect of any such additional costs or to any diminution or abatement in the repayment of the Project Loan. None of the Fiscal Agent, the Governmental Lender, the Funding Lender, the Funding Lender Representative or the Servicer makes any representation or warranty, either express or implied, that money, if any, which will be paid into the Project Loan Fund or otherwise made available to the Borrower will be sufficient to complete the Project, and none of the Fiscal Agent, the Governmental Lender, the Funding Lender, the Funding Lender Representative or the Servicer shall be liable to the Borrower or any other person if for any reason the Project is not completed.

Section 5.15 *Filing of Financing Statements.* The Borrower shall file or record or cause to be filed or recorded on or prior to the Delivery Date all UCC financing statements which are required to be filed or recorded in order fully to protect and preserve the security interests relating to the priority of the Project Loan, the Funding Loan, the Pledged Security and the

Security Instrument, and the rights and powers of the Governmental Lender, the Fiscal Agent and the Funding Lender in connection with such security interests. The Borrower shall cooperate with the Fiscal Agent in connection with the filing of any continuation statements for the purpose of continuing without lapse the effectiveness of such financing statements.

ARTICLE VI

INDEMNIFICATION

Section 6.01 *Indemnification.*

(a) **Indemnified Losses.** To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Governmental Lender, the Fiscal Agent, the Servicer, the Funding Lender and each of their respective officers, governing commissioners, members, directors, officials, employees, attorneys and agents (collectively, the “**Indemnified Parties**”), against any and all losses, damages (including, but not limited to, consequential and punitive damages), claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys’ fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under federal or state securities laws or any other statutory law or at common law or otherwise (collectively, “**Losses**”), to the extent arising, directly or indirectly, out of or based upon or in any way relating to:

(i) any breach by the Borrower of its obligations under the Financing Documents or the execution, amendment, restructuring or enforcement thereof, or in connection with transactions contemplated thereby, including the issuance, sale, transfer or resale of the Governmental Note;

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

(iii) any accident, injury to, or death of persons or loss of or damage to property occurring in, on or about the Project or any part thereof;

(iv) any lien (other than liens permitted under the Continuing Covenant Agreement) or charge upon payments by the Borrower to the Governmental Lender, the Fiscal Agent or the Servicer hereunder, or any Taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Governmental Lender or the Fiscal Agent in respect of any portion of the Project (other than income and similar taxes on fees received or earned in connection therewith);

(v) any violation of any environmental law, rule or regulation with respect to, or the release of any hazardous materials from, the Project or any part thereof;

(vi) [Reserved];

(vii) the enforcement of, or any action taken by the Governmental Lender, the Fiscal Agent or the Funding Lender Representative related to remedies under this Project Loan Agreement, the Funding Loan Agreement or any other Financing Document;

(viii) any untrue statement of a material fact or alleged untrue statement of a material fact by the Borrower contained in any offering statement or document for the Governmental Note or any of the Financing Documents to which the Borrower is a party, or any omission or alleged omission by the Borrower of a material fact from any offering statement or document for the Governmental Note necessary to be stated therein in order to make the statements made therein by the Borrower, in the light of the circumstances under which they were made, not misleading;

(ix) any declaration of taxability of interest on the Governmental Note or allegations (or regulatory inquiry) that interest on the Governmental Note is includable in gross income for federal income tax purposes;

(x) any audit or inquiry by the Internal Revenue Service with respect to the Project and/or the tax-exempt status of the Governmental Note; or

(xi) the Fiscal Agent's acceptance or administration of the trust of the Funding Loan Agreement, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Governmental Note to which it is a party;

except (A) in the case of the foregoing indemnification of the Fiscal Agent, or any of its respective officers, commissioners, members, directors, officials, employees, attorneys and agents, to the extent such Losses are caused by the negligence, unlawful acts or willful misconduct of such Indemnified Party; or (B) in the case of the foregoing indemnification of the Servicer, the Funding Lender or the Governmental Lender or any of their respective officers, commissioners, members, directors, officials, employees, attorneys and agents, to the extent such Losses are caused by the gross negligence or willful misconduct of such Indemnified Party.

(b) **Procedures.** In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from such Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected or approved by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that such Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and to participate in the investigation and defense thereof. The Borrower shall pay the reasonable fees

and expenses of such separate counsel; provided, however, that such Indemnified Party may employ separate counsel at the expense of the Borrower only if, in such Indemnified Party's good faith judgment, a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

(c) **Borrower to Remain Obligated**. Notwithstanding any transfer of the Project to another owner in accordance with the provisions of this Project Loan Agreement, the Security Instrument and the Regulatory Agreement, the Borrower shall remain obligated to indemnify each Indemnified Party pursuant to this Section 6.01 for Losses with respect to any claims based on actions or events occurring prior to the date of such transfer unless (i) such subsequent owner assumed in writing at the time of such transfer all obligations of the Borrower under this Section 6.01 (including obligations under this Section 6.01 for Losses with respect to any claims based on actions or events occurring prior to the date of such transfer) and (ii) any such transfer is in compliance with the requirements of the Financing Documents.

(d) **Survival**. The provisions of this Section 6.01 shall survive the termination of this Project Loan Agreement.

Section 6.02 *Limitation With Respect to the Funding Lender*. Notwithstanding anything in this Project Loan Agreement to the contrary, in the event that the Funding Lender (or its nominee) shall become the owner of the Project as a result of a foreclosure or a deed in lieu of foreclosure, or comparable conversion of the Project Loan, the Funding Lender (or its nominee) shall not be liable for any breach or default of any prior owner of the Project under this Project Loan Agreement and shall only be responsible for defaults and obligations incurred or occurring during the period that the Funding Lender (or its nominee) is the owner of the Project. Accordingly, during any period that the Funding Lender (or its nominee) owns the Project and that this Article VI is applicable to the Funding Lender (or its nominee), the Funding Lender's (or its nominee's) obligations under this Article VI shall be limited to acts and omissions of the Funding Lender (or its nominee) occurring during the period of the Funding Lender's (or its nominee's) ownership of the Project.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.01 *Events of Default*. The following shall be "Events of Default" under this Project Loan Agreement, and the term "Event of Default" shall mean, whenever it is used in this Project Loan Agreement, one or all of the following events:

(a) Any representation or warranty made by the Borrower in the Financing Documents or any certificate, statement, data or information furnished by the Borrower in connection therewith or included by the Borrower in its application to the Governmental Lender for assistance proves at any time to have been incorrect when made in any material respect;

(b) Failure by the Borrower to pay any amounts due under this Project Loan Agreement, the Project Note or the Security Instrument at the times and in the amounts required by this Project Loan Agreement, the Project Note and the Security Instrument, as applicable;

(c) The Borrower shall fail to observe or perform any other term, covenant, condition or agreement (after taking into account any applicable cure period) set forth in this Project Loan Agreement, which failure continues for a period of 30 days after notice of such failure by the Governmental Lender, the Fiscal Agent or the Funding Lender Representative to the Borrower (unless such default cannot with due diligence be cured within 30 days but can be cured within a reasonable period and will not, in the Funding Lender Representative's sole discretion, adversely affect the Funding Lender or result in impairment of this Project Loan Agreement or any other Financing Document, in which case no Event of Default shall be deemed to exist so long as Borrower shall have commenced to cure the default or Event of Default within 30 days after receipt of notice, and thereafter diligently and continuously prosecutes such cure to completion); provided, however, no such notice or grace periods shall apply in the case of any such failure which could, in the Funding Lender Representative's judgment, absent immediate exercise by the Funding Lender Representative of a right or remedy under this Agreement, result in harm to the Funding Lender, impairment of this Project Loan Agreement or any other Financing Document;

(d) The occurrence of a default under the Continuing Covenant Agreement or the Security Instrument (after taking into account any applicable cure period thereunder) shall at the discretion of the Funding Lender Representative constitute an Event of Default under this Project Loan Agreement but only if the Fiscal Agent is provided written notice by the Funding Lender Representative that an Event of Default has occurred under such Financing Document and the Fiscal Agent is instructed by the Funding Lender Representative that such default constitutes an Event of Default hereunder. The occurrence of an Event of Default hereunder shall in the discretion of the Funding Lender Representative constitute a default under the other Financing Documents.

Nothing contained in this Section 7.01 is intended to amend or modify any of the provisions of the Financing Documents or to bind the Governmental Lender, the Fiscal Agent, the Servicer or the Funding Lender Representative to any notice and cure periods other than as expressly set forth in the Financing Documents. The Governmental Lender acknowledges and agrees that Borrower's limited partner or its designee shall have the right, but not the obligation, to cure any default or Event of Default on behalf of Borrower, and that such cure shall be accepted on the same terms as if tended by Borrower itself.

Section 7.02 Remedies on Default. Subject to Section 7.06 hereof, whenever any Event of Default hereunder shall have occurred and be continuing, the Funding Lender (or the Fiscal Agent at the direction of the Funding Lender), may take any one or more of the following remedial steps:

(a) The Funding Lender (or the Fiscal Agent at the direction of the Funding Lender) may take such action, without notice or demand, as the Funding Lender deems advisable to protect and enforce its rights against the Borrower and in and to the Project, including declaring the Project Loan to be immediately due and payable (including, without limitation, declaring the principal of, Prepayment Premium, if any, and interest on and all other amounts due on the Project Note to be immediately due and payable).

(b) The Funding Lender (or the Fiscal Agent at the direction of the Funding Lender) may, without being required to give any notice (other than to the Governmental Lender or the Fiscal Agent, as applicable), except as provided herein, pursue all remedies of a creditor under the laws of the State, as supplemented and amended, or any other applicable laws.

(c) The Funding Lender (or the Fiscal Agent at the direction of the Funding Lender) may take whatever action at law or in equity may appear necessary or desirable to collect the payments under this Project Loan Agreement then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Project Loan Agreement.

In addition, subject to Section 7.06 hereof, the Governmental Lender and the Fiscal Agent may pursue remedies with respect to the Unassigned Rights.

Any amounts collected pursuant to Article IV hereof and any other amounts which would be applicable to payment of principal of and interest and any premium on the Funding Loan collected pursuant to action taken under this Section 7.02 shall be applied in accordance with the provisions of the Funding Loan Agreement.

Section 7.03 *No Remedy Exclusive.* Upon the occurrence of an Event of Default, all or any one or more of the rights, powers, privileges and other remedies available against the Borrower hereunder or under the Financing Documents or otherwise at law or in equity may be exercised by the Funding Lender (or the Fiscal Agent at the direction of the Funding Lender), at any time and from time to time, whether or not the Funding Lender has accelerated the Project Loan, and whether or not the Funding Lender shall have commenced any foreclosure proceeding or other action for the enforcement of its rights and remedies under any of the Financing Documents. No remedy conferred upon or reserved to the Funding Lender or the Fiscal Agent by this Project Loan Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Project Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Funding Lender (or the Fiscal Agent at the direction of the Funding Lender) to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be expressly required by this Project Loan Agreement.

Section 7.04 *Agreement to Pay Attorneys' Fees and Expenses.* In the event the Borrower shall default under any of the provisions of this Project Loan Agreement and the Governmental Lender, the Fiscal Agent, the Servicer or the Funding Lender Representative shall employ attorneys or incur other expenses for the collection of loan payments or the enforcement of performance or observance of any obligation or agreement on the part of the Borrower contained in this Project Loan Agreement or in the Project Note, the Borrower shall on demand therefor reimburse the reasonable fees of such attorneys and such other expenses so incurred.

Section 7.05 *No Additional Waiver Implied by One Waiver.* In the event any agreement contained in this Project Loan Agreement shall be breached by any party and thereafter waived by the other parties, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 7.06 *Control of Proceedings.*

(a) If an Event of Default has occurred and is continuing, notwithstanding anything to the contrary herein, the Funding Lender Representative shall have the sole and exclusive right at any time to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Project Loan Agreement, or for the appointment of a receiver or any other proceedings hereunder, in accordance with the provisions of law and of this Project Loan Agreement. In addition, the Funding Lender Representative shall have the sole and exclusive right at any time to directly enforce all rights and remedies hereunder and under the other Financing Documents with or without the involvement of the Fiscal Agent or the Governmental Lender. In no event shall the exercise of any of the foregoing rights result in an acceleration of the Project Loan without the express direction of the Funding Lender Representative.

(b) The Governmental Lender and the Fiscal Agent covenant that they will not, without the prior written consent of the Funding Lender Representative, take any of the following actions:

- (i) prosecute any action with respect to a lien on the Project; or
- (ii) initiate or take any action which may have the effect, directly or indirectly, of impairing the ability of the Borrower to timely pay the principal of, interest on, or other amounts due under, the Project Loan; or
- (iii) interfere with or attempt to influence the exercise by the Funding Lender Representative of any of its rights under the Financing Documents upon the occurrence of any event of default by the Borrower under the Financing Documents; or
- (iv) take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Project Loan or the Funding Loan.

(c) Notwithstanding Sections 7.06(a) and 7.06(b) hereof, the Governmental Lender or the Fiscal Agent may:

(i) specifically enforce the tax covenants of the Borrower specified in Section 2.04 and 2.05 hereof or seek injunctive relief against acts which may be in violation thereof;

(ii) specifically enforce the Tax Regulatory Agreement or seek injunctive relief against acts which may be in violation of the Tax Regulatory Agreement or are otherwise inconsistent with the operation of the Project in accordance with applicable requirements of the Internal Revenue Code and state law (but in neither the case of subsection (c)(i) above or this subsection (c)(ii) may the Governmental Lender or the Fiscal Agent seek any form of monetary damages from the Borrower in connection with such enforcement).

In addition, notwithstanding Section 7.06(a) and 7.06(b) hereof, the Governmental Lender and the Fiscal Agent may seek specific performance of the other Unassigned Rights (provided no monetary damages are sought), and nothing herein shall be construed to limit the rights of the Governmental Lender, the Fiscal Agent or any Indemnified Party related to the Governmental Lender or the Fiscal Agent under Section 6.01 (each a "Related Indemnified Party") to enforce their respective rights against the Borrower under Sections 4.02, 4.03, 6.01 and 7.04 hereof, provided that no obligation of the Borrower to the Governmental Lender, the Fiscal Agent or any Related Indemnified Party under such sections shall be secured by or in any manner constitute a lien on, or security interest in, the Project, whether in favor of the Governmental Lender, the Fiscal Agent or any Related Indemnified Party, and all such obligations are and shall be subordinate in priority, in right to payment and in all other respects to all other obligations, liens, rights (including without limitation the right to payment) and interests arising or created under the Financing Documents (except for the Fiscal Agent's right to receive payment of reasonable fees and expenses pursuant to Section 6.05(a) of the Funding Loan Agreement after an event of default with respect to the Funding Loan, which reasonable fees and expenses of the Fiscal Agent shall be payable as provided thereunder). Accordingly, none of the Governmental Lender, the Fiscal Agent or any Related Indemnified Party shall have the right to enforce any monetary obligation arising under such sections other than directly against the Borrower, without recourse to the Project. In addition, any such enforcement must not cause the Borrower to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Borrower under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law in effect now or in the future.

Section 7.07 *Assumption of Obligations.* In the event that the Fiscal Agent or the Funding Lender or their respective assignee or designee shall become the legal or beneficial owner of the Project by foreclosure or deed in lieu of foreclosure, such party shall succeed to the rights and the obligations of the Borrower under this Project Loan Agreement, the Project Note, the Tax Regulatory Agreement, and any other Financing Documents to which the Borrower is a party or with respect to which it is a third-party beneficiary. Such assumption shall be effective from and after the effective date of such acquisition and shall be made with the benefit of the

limitations of liability set forth therein and without any liability for the prior acts of the Borrower.

ARTICLE VIII

MISCELLANEOUS

Section 8.01 *Notices.*

(a) Whenever in this Project Loan Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Any notice, request, complaint, demand, communication or other paper required or permitted to be delivered to the Governmental Lender, the Fiscal Agent, the Funding Lender Representative, the Borrower or the Servicer shall be sufficiently given and shall be deemed given (unless another form of notice shall be specifically set forth herein) on the Business Day following the date on which such notice or other communication shall have been delivered to a national overnight delivery service (receipt of which to be evidenced by a signed receipt from such overnight delivery service) addressed to the appropriate party at the addresses set forth in Section 11.04 of the Funding Loan Agreement or as required or permitted by this Project Loan Agreement by Electronic Notice. The Governmental Lender, the Fiscal Agent, the Funding Lender Representative, the Borrower or the Servicer may, by notice given as provided in this paragraph, designate any further or different address to which subsequent notices or other communication shall be sent.

A duplicate copy of each notice or other communication given hereunder by any party to the Servicer shall also be given to the Funding Lender Representative and a duplicate copy of each notice or other communication given hereunder by any party to the Funding Lender Representative shall be given to the Servicer.

The Fiscal Agent agrees to accept and act upon Electronic Notice of written instructions and/or directions pursuant to this Project Loan Agreement.

(b) The Fiscal Agent shall provide to the Funding Lender Representative and the Servicer (i) prompt notice of the occurrence of any Event of Default hereunder and (ii) any written information or other communication received by the Fiscal Agent hereunder within ten (10) Business Days of receiving a written request from the Funding Lender Representative for any such information or other communication.

Section 8.02 *Concerning Successors and Assigns.* All covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the financing herein contemplated and shall continue in full force and effect so long as the obligations hereunder are outstanding. Whenever in this Project Loan Agreement any of the

parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Borrower which are contained in this Project Loan Agreement shall bind its successors and assigns and inure to the benefit of the successors and assigns of the Governmental Lender, the Fiscal Agent, the Servicer, the Funding Lender and the Funding Lender Representative, as applicable.

Section 8.03 *Governing Law.* This Project Loan Agreement and the Exhibits attached hereto shall be construed in accordance with and governed by the internal laws of the State and, where applicable, the laws of the United States of America.

Section 8.04 *Modifications in Writing.* Modification or the waiver of any provisions of this Project Loan Agreement or consent to any departure by the parties therefrom, shall in no event be effective unless the same shall be in writing approved by the parties hereto and shall require the prior written consent of the Funding Lender Representative and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Borrower in any case shall entitle it to any other or further notice or demand in the same circumstances.

Section 8.05 *Further Assurances and Corrective Instruments.* The Governmental Lender, the Fiscal Agent and the Borrower agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required (including such supplements or further instruments requested by the Funding Lender Representative) for correcting any inadequate or incorrect description of the performance of this Project Loan Agreement.

Section 8.06 *Captions.* The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Project Loan Agreement.

Section 8.07 *Severability.* The invalidity or unenforceability of any provision of this Project Loan Agreement shall not affect the validity of any other provision, and all other provisions shall remain in full force and effect.

Section 8.08 *Counterparts.* This Project Loan Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 8.09 *Amounts Remaining in Loan Payment Fund or Other Funds.* It is agreed by the parties hereto that any amounts remaining in the Loan Payment Fund or other funds and accounts established under the Funding Loan Agreement upon expiration or sooner termination of the term hereof (and the repayment in full of the Project Loan and all other amounts owing under the Project Loan Documents), shall be paid in accordance with the Funding Loan Agreement.

Section 8.10 *Effective Date and Term.* This Project Loan Agreement shall become effective upon its execution and delivery by the parties hereto, shall be effective and remain in full force from the date hereof, and, subject to the provisions hereof, shall expire on such date as the Funding Loan Agreement shall terminate.

Section 8.11 *Cross References.* Any reference in this Project Loan Agreement to an “Exhibit,” an “Article,” a “Section,” a “Subsection” or a “Paragraph” shall, unless otherwise explicitly provided, be construed as referring, respectively, to an exhibit attached to this Project Loan Agreement, an article of this Project Loan Agreement, a section of this Project Loan Agreement, a subsection of the section of this Project Loan Agreement in which the reference appears and a paragraph of the subsection within this Project Loan Agreement in which the reference appears. All exhibits attached to or referred to in this Project Loan Agreement are incorporated by reference into this Project Loan Agreement.

Section 8.12 *Funding Lender Representative and Servicer as Third-Party Beneficiaries.* The parties hereto agree and acknowledge that the Funding Lender Representative and the Servicer are third party beneficiaries of this Project Loan Agreement.

Section 8.13 *Reserved.*

Section 8.14 *Non-Liability of Governmental Lender.* The Governmental Lender shall not be obligated to pay the principal (or Prepayment Premium) of or interest on the Funding Loan, except from Revenues and other money and assets received by the Fiscal Agent on behalf of the Governmental Lender pursuant to this Project Loan Agreement. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the Governmental Lender or any member is pledged to the payment of the principal (or prepayment premium) or interest on the Funding Loan. The Governmental Lender shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Project Loan Agreement, the Funding Loan or the Funding Loan Agreement, except only to the extent amounts are received for the payment thereof from the Borrower under this Project Loan Agreement.

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

Section 8.15 *No Liability of Officers.* No recourse under or upon any obligation, covenant, or agreement or in the Governmental Note, or under any judgment obtained against the Governmental Lender, or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, shall be had against any incorporator, member, director, commissioner, employee, agent or officer, as such, past, present, or future, of the Governmental Lender, either directly or through the Governmental Lender, or otherwise, for the payment for or to the Governmental Lender or any receiver thereof, or for or to the Funding Lender, of any sum that may be due and unpaid by the Governmental Lender upon the Funding Loan. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, director, commissioner, employee, agent or officer, as such, to respond by reason of any act or omission on his or her part or otherwise, for the payment for or to the Governmental Lender or any receiver thereof, or for or to the Funding Lender, of any sum that may remain due and unpaid upon the Funding Loan, is hereby expressly waived and released as a condition of and consideration for the execution of this Project Loan Agreement and the issuance of the Governmental Note.

Section 8.16 *Capacity of the Fiscal Agent.* The Fiscal Agent is entering into this Project Loan Agreement solely in its capacity as Fiscal Agent and shall be entitled to the rights, protections, limitations from liability and immunities afforded it as Fiscal Agent under the Funding Loan Agreement. The Fiscal Agent shall be responsible only for the duties of the Fiscal Agent expressly set forth herein and in the Funding Loan Agreement.

Section 8.17 *Reliance.* The representations, covenants, agreements and warranties set forth in this Project Loan Agreement may be relied upon by the Governmental Lender, the Fiscal Agent, Bond Counsel, the Servicer, the Funding Lender and the Funding Lender Representative. In performing their duties and obligations under this Project Loan Agreement and under the Funding Loan Agreement, the Governmental Lender and the Fiscal Agent may rely upon statements and certificates of the Borrower, upon certificates of tenants believed to be genuine and to have been executed by the proper person or persons, and upon audits of the books and records of the Borrower pertaining to occupancy of the Project. In addition, the Governmental Lender and the Fiscal Agent may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Governmental Lender or the Fiscal Agent under this Project Loan Agreement and under the Funding Loan Agreement in good faith and in conformity with the opinion of such counsel. It is expressly understood and agreed by the parties to this Project Loan Agreement (other than the Governmental Lender) that:

- (a) the Governmental Lender may rely conclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Governmental Lender by the Fiscal Agent, the Funding Lender or the Borrower as to the existence of a fact or state of affairs required under this Project Loan Agreement to be noticed by the Governmental Lender;

(b) the Governmental Lender shall not be under any obligation to perform any record keeping or to provide any legal service, it being understood that such services shall be performed or caused to be performed by the Fiscal Agent, the Funding Lender Representative, the Servicer or the Borrower, as applicable; and

(c) none of the provisions of this Project Loan Agreement shall require the Governmental Lender or the Fiscal Agent to expend or risk its own funds (apart from the proceeds of Funding Loan issued under the Funding Loan Agreement) or otherwise endure financial liability in the performance of any of its duties or in the exercise of any of its rights under this Project Loan Agreement, unless it shall first have been adequately indemnified to its satisfaction against the costs, expenses and liabilities which may be incurred by taking any such action.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have executed this Project Loan Agreement,
all as of the date first set forth above.

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

By: _____
Richard C. Gentry
Executive Director

[GOVERNMENTAL LENDER'S SIGNATURE PAGE TO WESLEY TERRACE PROJECT LOAN AGREEMENT]

[NAME OF FISCAL AGENT], as Fiscal
Agent

By _____
Name:
Title:

[FISCAL AGENT'S SIGNATURE PAGE TO WESLEY TERRACE PROJECT LOAN AGREEMENT]

WESLEY TERRACE PARTNERS, LP,
a California limited partnership

By: Wesley Terrace Management, LLC,
a California limited liability company,
its Administrative General Partner

By: C&C Development Group LLC,
a California limited liability company,
its Manager

By: Haeling Development, LLC,
a California limited liability company,
a Member

By: _____
Casey Haeling, Manager

By: Wesley Developments, LLC,
a California limited liability company,
its Managing General Partner

By: Wesley Developments,
a California nonprofit public benefit corporation, its
Member

By: _____
Greg R. Estep, President

[BORROWER'S SIGNATURE PAGE TO WESLEY TERRACE PROJECT LOAN AGREEMENT]

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Squire Patton Boggs (US) LLP
555 South Flower Street, 31st Floor
Los Angeles, CA 90071
Attention: Thomas Bruder

APN: Lot __; Block __
Property Address: 5343 Monroe Ave., San Diego CA 92115

REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS

by and between the

HOUSING AUTHORITY OF THE CITY OF SAN DIEGO,

and

WESLEY TERRACE PARTNERS, LP,

Dated as of August 1, 2019

Relating to:

Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(Wesley Terrace Apartments),
2019 Series C

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REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

This REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (this “**Regulatory Agreement**”) is made and entered into as of August 1, 2019, by and between the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO (the “**Issuer**”), a public body corporate and politic, organized and existing under the laws of the State of California (the “**State**”), and WESLEY TERRACE PARTNERS, LP, a limited partnership duly organized and existing under the laws of the State (together with its successors and assigns permitted hereunder, the “**Owner**”), owner of a fee simple interest in the land described in Exhibit A attached hereto.

RECITALS

A. WHEREAS, the Legislature of the State of California enacted Chapter 1 of Part 2 of Division 24 (commencing with Section 34200) of the Health and Safety Code (the “**Act**”) to authorize housing authorities to, among other actions, issue revenue bonds to finance the acquisition and rehabilitation of multifamily rental housing for families and individuals of low income; and

B. WHEREAS, the Issuer is a public body (within the meaning of that term in the Regulations of the Department of Treasury and the rulings of the Internal Revenue Service prescribed and promulgated pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “**Code**”)); and

C. WHEREAS, on April 23, 2019, the Issuer adopted its Resolution No. HA-1807 (as so amended, the “**Inducement Resolution**”) authorizing the incurrence of debt pursuant to the Act in connection with the financing of the acquisition and renovation of 161 units of multifamily rental housing, and related and subordinate facilities, located at 5343 Monroe Ave., San Diego CA 92115 on the site described in Exhibit A hereto and known as Wesley Terrace (the “**Project**”), which housing project shall be subject to the terms and provisions hereof; and

D. WHEREAS, in furtherance of the purposes of the Act and the Inducement Resolution and as a part of the Issuer’s plan of financing residential housing, the Issuer has issued its Governmental Note designated “Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Wesley Terrace Apartments), 2019 Series C” in the aggregate principal amount of up to \$22,000,000 (the “**Governmental Note**”) pursuant to the terms of Funding Loan Agreement of even date herewith (the “**Funding Loan Agreement**”), among the Issuer, Citibank, N.A., as funding Lender and [____], as Fiscal Agent (the “**Fiscal Agent**”), the proceeds of which Note were loaned to the Owner (the “**Project Loan**”) pursuant to the terms of a Project Loan Agreement, dated the same date as the date of this Regulatory Agreement (the “**Project Loan Agreement**”), among the Issuer, the Owner and the Fiscal Agent; and

E. WHEREAS, the Issuer hereby certifies that all things necessary to make the Governmental Note, when issued as provided in the Funding Loan Agreement, the valid, binding and limited obligations of the Issuer according to the import thereof, and to constitute the

Funding Loan Agreement a valid assignment of the amounts pledged to the payment of the principal of, and premium, if any, and interest on the Governmental Note, have been done and performed, and the creation, execution and delivery of the Funding Loan Agreement and the execution and issuance of the Governmental Note, subject to the terms thereof, in all respects have been duly authorized; and

F. WHEREAS, the Code and the regulations and rulings promulgated with respect thereto, and the Act, prescribe that the use and operation of the Project be restricted in certain respects and in order to ensure that the Project will be renovated, used and operated in accordance with the Code and the Act, the Issuer and the Owner have determined to enter into this Regulatory Agreement in order to set forth certain terms and conditions relating to the acquisition, rehabilitation and operation of the Project.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and undertakings set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the Issuer and the Owner agree as follows:

1. Definitions and Interpretation. Capitalized terms used herein have the meanings assigned to them in this Section 1, unless the context in which they are used clearly requires otherwise:

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

“*Adjusted Income*” means the adjusted income of a person (together with the adjusted income of all persons of the age of 18 years or older who intend to reside with such person in one residential unit) as calculated in the manner prescribed pursuant to Section 8 of the United States Housing Act of 1937, or, if said Section 8 is terminated, as prescribed pursuant to said Section 8 immediately prior to its termination or as otherwise required under Section 142 of the Code and the Act.

“*Administrator*” means the San Diego Housing Commission, or its designee, or any successor Administrator appointed by the Issuer.

“*Affiliate*” or “*Affiliated Party*” means (a) a Person whose relationship with the Owner would result in a disallowance of losses under Section 267 or 707(b) of the Code, (b) a Person who together with the Owner are members of the same controlled group of corporations (as defined in Section 1563(a) of the Code, except that “more than 50 percent” shall be substituted for “at least 80 percent” each place it appears therein), (c) a partnership and each of its partners (and their spouses and minor children) whose relationship with the Owner would result in a disallowance of losses under Section 267 or 707(b) of the Code, and (d) an S corporation and each of its shareholders (and their spouses and minor children) whose relationship with the Owner would result in a disallowance of losses under Section 267 or 707(b) of the Code.

“*Area*” means the Primary Metropolitan Statistical Area in which the Project is located, as promulgated by HUD.

“*Authorized Owner Representative*” means any person who, at any time and from time to time, is designated as the Owner’s authorized representative by written certificate furnished to the Issuer and the Fiscal Agent containing the specimen signature of such person and signed on behalf of the Owner by the President and Chief Executive Officer of the managing general partner of the Owner, which certificate may designate an alternate or alternates.

“*CDLAC*” means the California Debt Limit Allocation Committee.

“*CDLAC Resolution*” means Resolution No. 19-489 adopted by CDLAC on [Date], 2019, with respect to the Project.

“*Certificate of Continuing Program Compliance*” means the certificate with respect to the Project to be filed by the Owner with the Issuer and the Fiscal Agent pursuant to Section 4(f) hereof, which shall be substantially in the form attached to this Regulatory Agreement as Exhibit D or in such other form as may be provided by the Administrator to the Owner.

“*City*” means the City of San Diego, California.

“*Closing Date*” has the meaning given to such term in the Funding Loan Agreement.

“*Code*” has the meaning given such term in the Funding Loan Agreement.

“*Completion Certificate*” means the certificate of completion of the acquisition and rehabilitation of the Project required to be delivered to the Issuer and the Fiscal Agent by the Owner pursuant to Section 2(e) of this Regulatory Agreement, which shall be substantially in the form attached to this Regulatory Agreement as Exhibit C.

“*Completion Date*” means the date of the completion of the acquisition and rehabilitation of the Project, as that date shall be certified as provided in Section 2(d) of this Regulatory Agreement.

“*Costs of Issuance*” shall have the meaning given to the term “Issuance Costs” in the Funding Loan Agreement.

“*County*” means the County of San Diego, California.

“*Equity Investor*” means, BF Wesley Terrace CA, LLLP, a Delaware limited liability limited partnership, and any successor in interest to its limited partnership interest in the Owner.

“*Housing Act*” means the United States Housing Act of 1937, as amended, or its successor.

“*HUD*” means the United States Department of Housing and Urban Development.

“Income Certification” means an Income Computation and Certification in the form attached as Exhibit B to this Regulatory Agreement or in such other form as may be provided by the Administrator to the Owner.

“Inducement Date” means April 23, 2019, the date of adoption of the Inducement Resolution.

“Issuer Fee” means, collectively, the fees payable by the Owner to the Issuer as described in the second paragraph of Section 5(a) hereof.

“Low Income Tenants” means individuals or families (i) with an Adjusted Income that does not exceed sixty percent (60%) of the Median Income for the Area with adjustments for family size; and (ii) with an income that does not exceed the qualifying limits for low income families as established and amended from time to time pursuant to Section 8 of the Housing Act, or who otherwise qualify as lower income households as defined by Section 50079.5 of the California Health and Safety Code. If all the occupants of a unit are students (as defined under Section 151(c)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, such occupants shall not qualify as Low Income Tenants.

“Low Income Units” means the dwelling units in the Project required to be rented to, or designated for occupancy by, Low Income Tenants pursuant to Section 4 of this Regulatory Agreement.

“Median Income for the Area” means the median income for the Area as most recently determined by the Secretary of the Treasury in a manner consistent with the determination of lower-income families and area median gross income under Section 8 of the Housing Act and Section 3009a of the Housing and Economic Recovery Act of 2008, including adjustments for family size, or, if programs under said Section 8 are terminated, median income for the area determined under the method in effect immediately before such termination.

“Partnership Agreement” means the Amended and Restated Agreement of Limited Partnership of the Owner as in effect on the Closing Date, and as it may thereafter be amended, modified or restated from time to time.

“Person” means an individual, a corporation, a partnership, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

“Project Costs” means, to the extent authorized by the Code, the Regulations and the Act, any and all costs incurred by the Owner with respect to the acquisition and rehabilitation of the Project, whether paid or incurred prior to or after the Inducement Date, including, without limitation, predevelopment interest expenses, costs for site preparation, the planning of housing and related facilities and improvements, the acquisition of property, the removal or demolition of existing structures, the rehabilitation of housing and related facilities and improvements, and all other work in connection therewith, and all costs of financing, including, without limitation, the cost of consultant, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Project, contractors’ and Owner’s overhead and supervisors’ fees and costs directly allocable to the Project, administrative and other expenses necessary or incident to the Project and the financing thereof (including reimbursement to any municipality,

county or entity for expenditures made for the Project), and interest accrued during rehabilitation and prior to the Completion Date.

“Qualified Project Costs” means Project Costs that meet each of the following requirements: (i) the costs are properly chargeable to capital account (or would be so chargeable with a proper election by the Owner or but for a proper election by the Owner to deduct such costs) in accordance with general Federal income tax principles and in accordance with United States Treasury Regulations §1.103-8(a)(1), provided, however, that only such portion of interest accrued during acquisition and rehabilitation of the Project shall be eligible to be a Qualified Project Cost as is so capitalizable and as bears the same ratio to all such interest as the Qualified Project Costs bear to all Project Costs; and provided further that interest accruing after the date of completion of the rehabilitation of the Project shall not be a Qualified Project Cost; and provided still further that if any portion of the Project is being constructed by an Affiliate (whether as a general contractor or a subcontractor), Qualified Project Costs shall include only (A) the actual out-of-pocket costs incurred by such Affiliate in constructing the Project (or any portion thereof or actual out-of-pocket supervisory cost incurred by such Affiliate (or any portion thereof) and (B) any overhead expenses incurred by the Affiliate which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the acquisition or rehabilitation of the Project or payments received by such Affiliate due to early completion of the Project (or any portion thereof); (ii) the costs are paid with respect to a qualified residential rental project or projects within the meaning of Section 142(d) of the Code, (iii) the costs are paid after the earlier of 60 days prior to the Inducement Date or the date of issue of the Governmental Note, and (iv) if the Project Costs were previously paid and are to be reimbursed with proceeds of the Governmental Note, such costs were (A) costs of issuance of the Governmental Note, (B) preliminary capital expenditures (within the meaning of United States Treasury Regulations §1.150-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or rehabilitation of the Project that do not exceed twenty percent (20%) of the issue price of the Governmental Note (as defined in United States Treasury Regulations §1.148-1), or (C) were capital expenditures with respect to the Project that are reimbursed no later than eighteen (18) months after the later of the date the expenditure was paid or the date the Project is placed in service (but no later than three (3) years after the expenditure is paid). Notwithstanding the foregoing, *“Qualified Project Costs”* shall not include costs of issuance or costs related to the acquisition or rehabilitation of any office or commercial space not functionally related to the dwelling units in the Project.

“Qualified Project Period” means the period beginning on the first day on which at least ten percent (10%) of the dwelling units in the Project are first occupied, and ending on the later of (a) the first day on which no tax exempt private activity bond issued with respect to the Project is outstanding, (b) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937 terminates, (c) the date on which the Governmental Note is paid in full or extinguished, or (d) the date which is 55 years after the Closing Date (which 55 years may be reduced to no less than 15 years following the date on which at least fifty percent (50%) of units in the Project are first occupied, upon receipt of the written consents of the Issuer and CDLAC to such shortened term, which consents may be given in the sole discretion of the Issuer and CDLAC, respectively). For purposes of clause (a), the

term “private activity bond” has the meaning contemplated in Section 142(d)(2)(A)(ii) of the Code.

“*Qualified Tenant*” means a Low Income Tenant or a Very Low Income Tenant, as the context dictates.

“*Regulations*” means the income tax regulations promulgated by the United States Department of the Treasury pursuant to the Code from time to time.

“*Security Instrument*” means the Security Instrument as defined in the Funding Loan Agreement.

“*Site*” means the parcel or parcels of real property described in Exhibit “A”, which is attached hereto and by this reference incorporated herein, and all rights and appurtenances thereunto appertaining.

“*State*” means the State of California.

“*Tax Certificate*” means the Tax Certificate and Agreement, dated the date of issuance of the Governmental Note, executed and delivered by the Issuer, the Owner and the Fiscal Agent, as amended or supplemented from time to time.

“*Tax Counsel*” shall mean (a) Squire Patton Boggs (US) LLP, or (b) any other attorney or firm of attorneys designated by the Issuer and approved by the Underwriter having a national reputation for skill in connection with the authorization and issuance of municipal bonds under Sections 103 and 141 through 150 (or any successor provisions) of the Code.

“*Tax Counsel No Adverse Effect Opinion*” shall mean an opinion of Tax Counsel to the effect that the taking of the action specified therein will not impair the exclusion of interest on the Governmental Note from gross income for purposes of federal income taxation from the holder thereof except for a “substantial user” or “related person” as defined in Section 147(a) of the Code (subject to the inclusion of such customary exceptions as are acceptable to the recipient thereof).

“*Tax-Exempt*” with respect to interest on any obligations of a state or local government, including the Governmental Note, means that such interest is excluded from gross income for federal income tax purposes from the owner thereof except for a “substantial user” or “related person” as defined in Section 147(a) of the Code; provided, however, that such interest may be includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax under the Code.

“*Very Low Income Tenants*” means individuals or families whose income does not exceed the qualifying limits for very low income families as established and amended from time to time pursuant to Section 8 of the Housing Act, or who otherwise qualify as very low income households as defined by Section 50105 of the California Health and Safety Code.

“*Very Low Income Units*” means the 16 dwelling units in the Project designated for occupancy by Very Low Income Tenants pursuant to Section 4(a) of this Regulatory Agreement.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of the masculine, feminine or neuter gender shall be construed to include each other gender when appropriate and words of the singular number shall be construed to include the plural number, and vice versa, when appropriate. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The defined terms used in the preamble and recitals of this Regulatory Agreement have been included for convenience of reference only, and the meaning, rehabilitation and interpretation of all defined terms shall be determined by reference to this Section 1 notwithstanding any contrary definition in the preamble or recitals hereof. The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

The parties to this Regulatory Agreement acknowledge that each party and their respective counsel have participated in the drafting and revision of this Regulatory Agreement. Accordingly, the parties agree that any rule of rehabilitation to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Regulatory Agreement or any supplement or exhibit hereto.

2. Acquisition, Rehabilitation of the Project. The Owner, hereby represents, as of the date hereof, and covenants, warrants and agrees as follows:

(a) The Owner has incurred, or will incur within six (6) months after the Closing Date, a substantial binding obligation to a third party to commence the rehabilitation of the Project, pursuant to which the Owner is or will be obligated to expend an amount equal to or greater than five percent (5%) of the aggregate principal amount of the Governmental Note for the payment of Qualified Project Costs.

(b) The Owner's reasonable expectations respecting the total cost of rehabilitation of the Project and the disbursement of proceeds from the Governmental Note is accurately set forth in the Tax Certificate, which has been delivered to the Issuer on the Closing Date.

(c) The Owner will proceed with due diligence to complete the acquisition, development and rehabilitation of the Project and expects to expend the maximum authorized amount of the Loan for Project Costs within three (3) years of the Closing Date.

(d) No later than ten (10) days after the Completion Date, the Owner will submit to the Issuer and the Fiscal Agent a duly executed and completed Completion Certificate.

(e) The Owner shall prepare and submit to the Issuer a final allocation of the proceeds of the Governmental Note to the payment of Qualified Project Costs, which

allocation shall be consistent with the Cost Certification delivered pursuant to the Owner's Partnership Agreement, within sixty (60) days after the Completion Date, but in any event no later than the earlier of: (1) eighteen (18) months from the placed in service date for the Project; (2) the latest maturity date for the Governmental Note; (3) the fifth anniversary of the Closing Date; or (4) redemption or defeasance in full of the Governmental Note. Such final allocation shall provide the Administrator with final actual sources and uses of funds for the acquisition and rehabilitation of the Project, and shall confirm to the staff of the Administrator that such sources and uses of funds complies with all applicable State and federal legal requirements, including those set forth in the Tax Certificate.

(f) On the date on which fifty percent (50%) of the units in the Project are first rented, the Owner will submit to the Issuer and the Fiscal Agent a duly executed and completed Certificate as to Commencement of Qualified Project Period, in the form of Exhibit E hereto.

(g) Money on deposit in any fund or account in connection with the Governmental Note, whether or not such money was derived from other sources, shall not be used by or under the direction of the Owner in a manner which would cause the Governmental Note to be "arbitrage bonds" within the meaning of Section 148 of the Code, and the Owner specifically agrees that the investment of money in any such fund shall be restricted as may be necessary to prevent the Governmental Note from being "arbitrage bonds" under the Code.

(h) The Owner (and any person related to it within the meaning of Section 147(a)(2) of the Code) will not take or omit to take any action if such action or omission would in any way cause the proceeds from the execution, issuance and delivery of the Governmental Note to be applied in a manner contrary to the requirements of the Loan Documents or this Regulatory Agreement.

(i) On or concurrently with the final draw by the Owner of amounts representing proceeds of the Governmental Note, the expenditure of such draw, when added to all previous disbursements representing proceeds of the Governmental Note, will result in not less than ninety-five percent (95%) of all disbursements of proceeds from the Governmental Note having been used to pay or reimburse the Owner for Qualified Project Costs and less than twenty-five percent (25%) of all disbursements having been used to pay for the acquisition of land or any interest therein.

(j) The statements made in the various certificates delivered by the Owner to the Issuer on the Closing Date are true and correct.

(k) All of the amounts received by the Owner from the proceeds of the Governmental Note and earnings from the investment of such proceeds will be used to pay Project Costs; and no more than two percent (2%) of the proceeds of the Governmental Note shall be used to pay issuance costs of executing, issuing and delivering the Governmental Note, within the meaning of Section 147(g) of the Code.

(l) The Owner shall file the annual certification required by Section 142(d)(7) of the Code with the Internal Revenue Service, and shall provide a copy thereof to the Issuer, the Administrator and the Fiscal Agent.

(m) No portion of the proceeds of the Governmental Note or the Loan shall be used to provide any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises. No portion of the proceeds of the Governmental Note or the Loan shall be used for an office unless the office is located on the premises of the facilities constituting the Project and unless not more than a de minimis amount of the functions to be performed at such office is not related to the day-to-day operations of the Project.

(n) The Owner will not take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the Tax-Exempt status of interest on the Governmental Note (other than with respect to interest on any portion thereof for a period during which such portion is held by a “substantial user” of any facility financed with the proceeds of the Governmental Note or a “related person,” as such terms are used in Section 147(a) of the Code), and, if it should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof.

(o) The Owner will take such action or actions as may be necessary, in the written opinion of Tax Counsel to the Issuer, to comply fully with the Act, the Code and all applicable rules, rulings, policies, procedures, Regulations or other official statements promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service to the extent necessary to maintain the Tax-Exempt status of interest on the Governmental Note (other than with respect to interest on any portion of thereof for a period during which such portion is held by a “substantial user” of any facility financed with the proceeds of the Governmental Note or a “related person,” as such terms are used in Section 147(a) of the Code).

(p) In accordance with Section 147(b) of the Code, the average maturity of the Governmental Note does not exceed 120% of the average reasonably expected economic life of the facilities being financed with proceeds of the Governmental Note.

(q) The owner hereby incorporates herein, as if set forth in full herein, each of the representations, covenants and warranties of the owner contained in the Tax Certificate.

(r) The Owner agrees to obtain a written report from an independent firm with experience in calculating excess investment earnings for purposes of Section 148(f) of the Code, not less than once on or about each five year anniversary of the Closing Date and within thirty (30) days of the date the Governmental Note have been paid in full, determining that either (i) no excess investment earnings subject to rebate to the federal government under Section 148(f) of the Code have arisen with respect to the

Governmental Note in the prior five-year period (or, with respect to the final such report following the repayment of the Governmental Note, have arisen since the last five-year report); or (ii) excess investment earnings have so arisen during the prior five-year period (or, with respect to the final such report following the repayment of the Governmental Note, have arisen since the last five-year report), and specifying the amount thereof that needs to be rebated to the federal government and the date by which such amount needs to be so rebated. The Owner shall provide a copy of each report prepared in accordance with the preceding sentence to the Issuer, each time within one week of its receipt of the same from the independent firm that prepared the respective report.

(s) The Owner shall provide sufficient funds to pay, on the Closing Date, the Costs of Issuance.

(t) The Owner shall comply with all applicable requirements of Section 65863.10 of the California Government Code, including, if applicable, the requirements for providing notices in Sections (b), (c), (d) and (e) thereof, and with all applicable requirements of Section 65863.11 of the California Government Code.

(u) The Owner acknowledges, represents and warrants that it understands the nature and structure of the transactions contemplated by this Regulatory Agreement; that it is familiar with the provisions of all of the documents and instruments relating to the Governmental Note to which it is a party or of which it is a beneficiary; that it understands the financial and legal risks inherent in such transactions; and that it has not relied on the Issuer for any guidance or expertise in analyzing the financial or other consequences of such financing transactions or otherwise relied on the Issuer in any manner except to issue the Governmental Note in order to provide funds to assist the Owner in constructing the Project.

3. Qualified Residential Rental Property. The Owner hereby acknowledges and agrees that the Project will be owned, managed and operated as a “qualified residential rental project” (within the meaning of Section 142(d) of the Code). The Issuer hereby elects to have the Project meet the requirements of Section 142(d)(1)(A) of the Code and the Owner hereby elects and covenants that it shall comply with Section 142(d)(1)(A) of the Code. To that end, and for the term of this Regulatory Agreement, the Owner hereby represents, as of the date hereof, and covenants, warrants and agrees as follows:

(a) The Project is being acquired, developed and constructed for the purpose of providing multifamily residential rental property, including certain facilities related thereto, and the Owner shall own, manage and operate the Project as a project to provide multifamily residential rental property comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with applicable provisions of Section 142(d) of the Code and Section 1.103-8(b) of the Regulations, and the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the dwelling units in the Project will be similarly constructed units, and, to the extent required by the Code and the Regulations, each dwelling unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range (which may be a countertop cooking range), refrigerator and sink.

(c) None of the residential dwelling units in the Project will at any time be used on a transient basis (e.g., subject to leases that are less than thirty (30) days duration) (including use as a corporate suite), or be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home, retirement house or trailer court or park.

(d) No part of the Project will at any time be owned as a condominium or by a cooperative housing corporation, nor shall the Owner take any steps in connection with a conversion to such ownership or uses during the Qualified Project Period. The Owner shall not take any steps in connection with a conversion of the Project to a condominium ownership except with the prior written opinion of Tax Counsel that the interest on the Governmental Note will not become taxable thereby under Section 103 of the Code during the Qualified Project Period.

(e) All of the residential dwelling units in the Project will be available for rental on a continuous basis to members of the general public and the Owner will not give preference to any particular class or group in renting the residential dwelling units in the Project, except to the extent required by (i) this Regulatory Agreement, (ii) any regulatory or restrictive use agreement to which the Project is subject pursuant to Section 42 of the Code, (iii) any additional tenant income and rent restrictions imposed by any other federal, State or local governmental agencies, and (iv) any other legal or contractual requirement not excepted by clauses (i) through (ii) of this paragraph, upon receipt by the Owner, the Fiscal Agent and the Issuer of an opinion of Tax Counsel to the effect that compliance with such other requirement will not adversely affect the Tax-Exempt status of interest on the Tax-Exempt Governmental Note.

(f) [Reserved]

(g) No residential dwelling unit in the Project shall be occupied by the Owner. Notwithstanding the foregoing, if the Project contains five (5) or more residential dwelling units, this Section shall not be construed to prohibit occupancy of residential dwelling units by one or more resident managers or maintenance personnel any of whom may be the Owner; provided that the number of such managers or maintenance personnel is not unreasonable given industry standards in the area for the number of residential dwelling units in the Project.

(h) The Owner shall not discriminate on the basis of race, creed, religion, color, sex, source of income (e.g., TANF, Section 8 or SSI), physical disability (including HIV/AIDS), age, national origin, ancestry, marital or domestic partner status, sexual preference or gender identity in the rental, lease, use or occupancy of the Project

or in connection with the employment or application for employment of persons for the rehabilitation, operation and management of the Project, except to the extent required hereby.

(i) Should involuntary noncompliance with the provisions of Section 1.103-8(b) of the Regulations be caused by fire, seizure, requisition, foreclosure, transfer of title by assignment of the fee interest in the Project in lieu of foreclosure, change in a federal law or an action of a federal agency after the Closing Date which prevents the Issuer from enforcing the requirements of the Regulations, or condemnation or similar event, the Owner covenants that, within a “reasonable period” determined in accordance with the Regulations, it will either prepay the Loan or, if permitted under the provisions of the Mortgage and the Funding Loan Agreement or Funding Loan Agreement, as applicable, the Owner apply any proceeds received as a result of any of the preceding events to reconstruct the Project to meet the requirements of Section 142(d) of the Code and the Regulations.

(j) The Owner agrees to maintain the Project, or cause the Project to be maintained, during the term of this Regulatory Agreement (i) in a reasonably safe condition and (ii) in good repair and in good operating condition, ordinary wear and tear excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof such that the Project shall be in substantially the same condition at all times as the condition it is in at the time of the completion of the rehabilitation of the Project with the proceeds of the Loan, ordinary wear and tear excepted. Notwithstanding the foregoing, the Owner’s obligation to repair or rebuild the Project in the event of casualty or condemnation shall be subject to the terms of the Project Loan Agreement and the Mortgage

(k) The Project will have one hundred sixty-one (161) residential dwelling units, two (2) of which will be manager’s units and one hundred fifty-nine (159) will be rental units.

(l) No dwelling units within the Project will be sold during the term of the Regulatory Agreement.

The Issuer hereby elects to have the Project meet the requirements of Section 142(d)(1)(A) of the Code.

4. Restricted Units. Pursuant to the requirements of Section 142(d) of the Code, the Owner hereby represents, as of the date hereof, and warrants, covenants and agrees as follows:

(a) During the Qualified Project Period:

(i) Not less than forty percent (40%) of the completed dwelling units in the Project shall be designated as Low Income Units and shall be occupied, or held vacant and available for occupancy, by Low Income Tenants and not less than ten percent (10%) of the completed dwelling units in the Project shall be designated as Very Low Income Units and shall be occupied, or held vacant and available for occupancy, by Very Low Income Tenants.

(ii) Low Income Units shall remain available on a priority basis for occupancy by Low Income Tenants. A unit occupied by a Low Income Tenant who at the commencement of the occupancy is a Low Income Tenant shall be treated as occupied by a Low Income Tenant until a recertification of such tenant's income in accordance with Section 4(c) below demonstrates that such tenant no longer qualifies as a Low Income Tenant and thereafter any residential unit in the Project is occupied by a new resident other than a Low Income Tenant. Moreover, a unit previously occupied by a Low Income Tenant and then vacated shall be considered occupied by a Low Income Tenant until reoccupied, other than for a temporary period, at which time the character of the unit shall be redetermined. In no event shall such temporary period exceed thirty-one (31) days.

(iii) Very Low Income Units shall remain available on a priority basis for occupancy by Very Low Income Tenants. A unit occupied by a Very Low Income Tenant who at the commencement of the occupancy is a Very Low Income Tenant shall be treated as occupied by a Very Low Income Tenant until a recertification of such tenant's income in accordance with Section 4(c) below demonstrates that such tenant no longer qualifies as a Very Low Income Tenant and thereafter any residential unit in the Project is occupied by a new resident other than a Very Low Income Tenant. Moreover, a unit previously occupied by a Very Low Income Tenant and then vacated shall be considered occupied by a Very Low Income Tenant until reoccupied, other than for a temporary period, at which time the character of the unit shall be redetermined. In no event shall such temporary period exceed thirty-one (31) days.

(b) (i) Immediately prior to a Low Income Tenant's occupancy of a Low Income Unit, the Owner will obtain and maintain on file an Income Certification form from each Low Income Tenant occupying a Low Income Unit, dated immediately prior to the initial occupancy of such Low Income Tenant in the Project. In addition, the Owner will provide such further information as may be required in the future by the State of California, the Issuer and by the Act, Section 142(d) of the Code and the Regulations, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to obligations issued under Section 142(d) of the Code. The Owner shall verify that the income provided by an applicant is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain a pay stub for the most recent pay period, (2) obtain an income tax return for the most recent tax year, (3) conduct a credit report or similar search, (4) obtain an income verification from the applicant's current employer, (5) obtain an income verification from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies, or (6) if the applicant is unemployed and does not have an income tax return, obtain another form of independent verification.

(ii) Immediately prior to a Very Low Income Tenant's occupancy of a Very Low Income Unit, the Owner will obtain and maintain on file an Income Certification form from each Very Low Income Tenant occupying a Very Low Income Unit, dated immediately prior to the initial occupancy of such Very Low Income Tenant in the Project. In addition, the Owner will provide such further information as may be required in the future by the State of California, the Issuer and by the Act, Section 142(d) of the Code and the Regulations, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to obligations issued under Section 142(d) of the Code. The Owner shall verify that the income provided by an applicant is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain a pay stub for the most recent pay period, (2) obtain an income tax return for the most recent tax year, (3) conduct a credit report or similar search, (4) obtain an income verification from the applicant's current employer, (5) obtain an income verification from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies, or (6) if the applicant is unemployed and does not have an income tax return, obtain another form of independent verification.

Copies of the most recent Income Certifications for Qualified Tenants commencing or continuing occupancy of a Low Income Unit or a Very Low Income Unit shall be attached to the reports to be filed with the Administrator pursuant to Section 4(f) hereof.

(c) On or about the date which is one year after the first day of the Qualified Project Period (the "**First Recertification Date**"), and on or about each one year anniversary of the First Recertification Date during the Qualified Project Period, the Owner shall recertify the income of the occupants of each Low Income Unit or Very Low Income Unit by obtaining a completed Income Certification based upon the current income of each occupant of the applicable unit. In the event the recertification demonstrates that such household's income exceeds 140% of the income at which such household would qualify as Qualified Tenants, such household will no longer qualify as a Qualified Tenant, and the Owner will rent the next available unit of comparable or smaller size in the Project to one or more Qualified Tenants, and will not rent any such unit to tenants who are not Qualified Tenants. No tenant in the Project shall be denied continued occupancy in the Project because, after occupancy, such tenant's household income increases such that the income for such household will no longer qualify such household as Qualified Tenants. An "available" unit is one that is unoccupied by a tenant. The Owner shall notify any Qualified Tenant, of any determination that they no longer qualify as a Qualified Tenant, and of any rent increase as a result thereof not less than sixty (60) days prior to any such rent increases.

(d) The Owner shall submit to the Secretary of the Treasury annually on the anniversary date of the start of the Qualified Project Period, or such other date as is required by the Secretary, and continuing for so long as is required under the Code, the

Annual Certification of a Residential Rental Project (or such other form as required by the Secretary of the Treasury) and shall provide a copy of such certification to the Issuer, the Fiscal Agent and the Administrator, if any, so as to comply with Section 142(d)(7) of the Code.

(e) The Owner will maintain complete and accurate records pertaining to the Qualified Units, and will permit (upon reasonable notice and during business hours) any duly authorized representative of the Administrator, the Issuer, the Fiscal Agent, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Owner pertaining to the Project, including those records pertaining to the occupancy of the Low Income Units and Very Low Income Units.

(f) The Owner will prepare and submit to the Issuer, the Fiscal Agent and the Administrator, if any, on or before January 10 of each year (or such other date each year as the Issuer or the Administrator shall advise the Owner in writing) during the Qualified Project Period, a written certificate of compliance, in the form attached as Exhibit D hereto, executed by the Owner stating (i) the percentage of the dwelling units of the Project which were occupied or deemed occupied, pursuant to subsection (a) hereof, by Qualified Tenants during the period since the last Certificate of Continuing Program Compliance (or the date of first occupancy of the Project if it is the first Certificate of Continuing Program Compliance), and (ii) that either (A) no unremedied default has occurred under this Regulatory Agreement or (B) a default has occurred, in which event the certificate shall describe the nature of the default and set forth the measures being taken by the Owner to remedy such default.

(g) The Owner shall accept Qualified Tenants as tenants on the same basis as all other prospective tenants, including persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the United States Housing Act of 1937, or its successor. The Owner shall not apply selection criteria to Section 8 certificate or voucher holders that are more burdensome than criteria applied to all other prospective tenants and the Owner shall not refuse to rent to any Qualified Tenant on the basis of household size as long as such household size does not exceed three persons for a one bedroom unit, five persons for a two bedroom unit, seven persons for a three bedroom unit and nine persons for a four bedroom unit. The Owner shall not collect any additional fees or payments from a Qualified Tenant except security deposits or other deposits required of all tenants. The Owner shall not collect security deposits or other deposits from Section 8 certificate or voucher holders in excess of private market practice, or in excess of amounts charged by the Owner to unassisted tenants. The Owner shall not discriminate against Qualified Tenant applicants on the basis of source of income (e.g., TANF or SSI), and the Owner shall consider a prospective tenant's previous rent history of at least one year as evidence of the ability to pay the applicable rent (ability to pay shall be demonstrated if a Qualified Tenant can show that the same percentage or more of the tenant's income has been paid for rent in the past as will be required to be paid for the rent applicable to the Low Income Unit or Very Low Income Unit to be occupied provided that such Qualified Tenant's expenses have not materially increased).

(h) Each lease pertaining to a Low Income Unit or Very Low Income Unit shall contain a provision to the effect that the Owner has relied on the income certification and supporting information supplied by the Qualified Income Tenant in determining qualification for occupancy of the Low Income Unit or Very Low Income Unit and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease. Each lease may also contain a provision that failure to cooperate with the annual recertification process reasonably instituted by the Owner pursuant to Section 4(c) above may at the option of the Owner disqualify the unit as a Low Income Unit or Very Low Income Unit or provide grounds for termination of the lease.

5. Additional Requirements of the Issuer. In addition to the requirements set forth above and to the extent not prohibited thereby, the Owner hereby agrees to comply with each of the requirements of the Issuer set forth in this Section 5, as follows:

(a) Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Project Loan Agreement, throughout the term of this Regulatory Agreement, the Owner shall continue to pay to the Issuer its administrative fee described in the second succeeding sentence, and to the Issuer and to the Fiscal Agent reasonable compensation for any services rendered by either of them hereunder and reimbursement for all expenses reasonably incurred by either of them in connection therewith.

The Owner agrees to pay to the Issuer (i) on the Closing Date, the Issuer's upfront administrative fee in the amount of \$[____], which amount is equal to 0.25% of the maximum aggregate principal amount of the Governmental Note (\$22,000,000) and (ii) on each anniversary of the Closing Date and continuing throughout the Qualified Project Period, the Issuer's annual fee in the amount of [____], which amount is equal to the greater of (A) 0.125% of the maximum aggregate principal amount of Governmental Note (\$22,000,000) and (B) \$10,000. In addition, the Owner agrees to pay, within 30 days after receipt of request for payment thereof, all reasonable out-of-pocket expenses of the Issuer (excluding salaries and wages of Issuer employees) related to the Governmental Note, the Project and the financing thereof, including, without limitation, legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Project or the Governmental Note.

The fees of the Issuer referenced in this Section shall in no way limit amounts payable by the Owner under Section 7 hereof, or otherwise arising in connection with the Issuer's or Fiscal Agent's enforcement of the provisions of this Regulatory Agreement, but the Issuer does agree to compensate any third party Administrator appointed by it from its annual administrative fees for the ordinary duties of the Administrator hereunder. In addition to the foregoing, the Owner shall pay to the Issuer, promptly following a written demand from the Issuer to the Owner therefore, any out-of-pocket expenses of the Issuer incurred in connection with the administration of any of the Mortgage Loan Documents (as defined in the Funding Loan Agreement) or the Project Loan Agreement.

In the event that the Governmental Note is prepaid in part or in full prior to the end of the term of this Regulatory Agreement other than (i) by means of refunding bonds issued by the Issuer to refund the Governmental Note, or (ii) in connection with a foreclosure or deed in lieu of foreclosure, and transfer of title to the Project other than to the Owner or any party related to the Owner; the Issuer's annual fee for the remainder of the term of this Regulatory Agreement, at the option of the Issuer, shall be paid by the Owner at the time of the prepayment of the Governmental Note and shall be a lump sum amount equal to the present value (based on a discount rate equal to the yield on the Governmental Note, as determined by the Issuer at the time of prepayment) of the Issuer's fee, calculated based on the principal amount of Governmental Note outstanding immediately preceding such prepayment, for the number of years remaining under this Regulatory Agreement.

Notwithstanding the foregoing provisions of this Section 5, in no event shall the fees payable to the Issuer under this Section 5 exceed any applicable limitation imposed by the Code in respect of bonds issued under Section 148 of the Code.

(b) All tenant lists, applications and waiting lists relating to the Project shall at all times be kept separate and identifiable from any other business of the Owner and shall be maintained as required by the Administrator, the Issuer or the Fiscal Agent, in a reasonable condition for proper audit and subject to examination, upon reasonable notice, during business hours by representatives of the Administrator, the Issuer and the Fiscal Agent.

(c) The Owner shall submit to the Administrator within fifteen (15) Business Days (as defined in the Funding Loan Agreement) after receipt of a written request, any information or completed forms requested by the Issuer in order to comply with reporting requirements of the Internal Revenue Service or the State.

(d) The covenants and conditions of this Regulatory Agreement shall be binding upon successors in interest of the Owner.

(e) The Owner acknowledges that the Issuer may act as Administrator itself or may appoint an Administrator other than the initial Administrator to administer this Regulatory Agreement and to monitor performance by the Owner of the terms, provisions and requirements hereof. In such event, the Owner shall comply with any request by the Issuer to deliver to any such Administrator, in addition to or instead of the Issuer, any reports, notices or other documents required to be delivered pursuant hereto, and to make the Project and the books and records with respect thereto available for inspection by the Administrator as an agent of the Issuer. The fees and charges of the Administrator, if any, shall be the responsibility of the Issuer and not the Owner.

(f) The Low Income Units and Very Low Income Units (i) shall have characteristics comparable to all other units in the Project with the same number of bedrooms, including with respect to floor area and amenities, (ii) shall be distributed throughout the Project, and (iii) shall have the same access to Project facilities as all other units in the Project.

(g) In accordance with the Issuer's Policy for Multifamily Mortgage Revenue Bond Program, notwithstanding the termination of the Qualified Project Period or the provisions of Section 2(m) hereof, the rent of "in-place" Qualified Tenants at the conclusion of the Qualified Project Period will continue to be governed by the applicable affordability restrictions in this Regulatory Agreement, so long as those tenants continue to live in the Project.

(h) The Owner will comply with the following post issuance compliance procedures of the Issuer:

(i) At the completion of the rehabilitation of the Project, the Owner shall provide to the Administrator a certification from the Owner's architect (or other appropriate representative acceptable to the Issuer, such as a HERS Rater, GreenPoint Rater, energy consultant, etc.) for the Project to the effect that the Project includes all design elements that formed the basis for CDLAC adopting the CDLAC Resolution (including but not limited to sustainable building methods and/or energy efficiency elements).

(ii) Subject to the provisions of the next paragraph, the Administrator shall have the right to approve any voluntary change in ownership (A) that results in a transfer of 50% or more of the total equity interests in the Owner, or (B) that results in a transfer of any general partner or managing member interest in the Owner. Such approval to transfer ownership shall be at the reasonable discretion of the Administrator, and shall be in addition to any applicable requirements set forth in this Regulatory Agreement, the Project Loan Agreement or the Security Instrument. The Administrator may review management practices of the proposed transferee's current and previously owned properties, if any. Any proposed transferee (including individuals with an ownership interest) whose currently-owned properties have been found by the Administrator to have deficiencies that have not been resolved within the time frame prescribed by the City, the Issuer, the Administrator or other local government authority, may not assume ownership of the Project. The Administrator may initiate additional inspections, at the proposed transferee's request, to verify findings. The Owner agrees that it will provide the Administrator with notice of any such transfer within thirty (30) days thereof.

Notwithstanding the foregoing, any of the following shall not require the prior consent of the Issuer or the Administrator: (A) transfers of or in the limited partner interests of the Owner, (B) the removal and replacement of one or more general partners or managing members of the Owner in accordance with the terms of the Partnership Agreement, (C) foreclosure (or acceptance of a deed in lieu of foreclosure), or the first transfer of the Project following a foreclosure under the Security Instrument or acceptance of a deed in lieu of such foreclosure, and (D) any transfer referred to in the last sentence of Section 11 of this Regulatory Agreement.

(iii) The Owner shall provide the Administrator's staff with all documentation necessary, in the sole discretion of the Administrator's staff, to confirm the Owner's and the Project's compliance with federal tax laws as set forth in the Tax Certificate, the Project Loan Agreement and this Regulatory Agreement, including the requirements of Section 5.1 of the Project Loan Agreement regarding rebate compliance.

Any of the foregoing requirements of the Issuer may be expressly waived by the Issuer in writing, but (i) no waiver by the Issuer of any requirement of this Section 5 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement except to the extent the Issuer has received an opinion of Tax Counsel that any such provision is not required by the Act and a Tax Counsel No Adverse Effect Opinion; and (ii) any requirement of this Section 5 shall be void and of no force and effect if the Issuer and the Owner receive a written opinion of Tax Counsel to the effect that compliance with any such requirement would cause interest on the Governmental Note to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Act or any other State or federal law.

6. Additional Requirements of State Law. In addition to the requirements set forth in Sections 4 and 5 above, so long as any Bond is outstanding the Owner hereby agrees to comply with each of the requirements of the Act applicable to the Project. Without limiting the foregoing, the Owner agrees as follows:

(a) The rental payments made by the Qualified Tenants occupying units pursuant to this Section 6 (including, with respect to the units in the Project that are not the subject of a Section 8 project based housing voucher, as an additional requirement of the Issuer, any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units; but excluding such amounts for all other units) shall not exceed 30% of an amount equal to (i) in the case of Very Low Income Tenants, 50% of the Median Income for the Area, or (ii) in the case of Low Income Tenants, 60% of the Median Income for the Area, in each case adjusted for family size as determined pursuant to Section 8 of the Housing Act, less a reasonable deduction (as determined by the Administrator) for utilities so long as utilities (gas, electric, water and sewer, trash removal) are paid by the tenant. For units reserved for Qualified Tenants, the base rents shall be adjusted for household size, and in making such adjustments it shall be assumed that one person will occupy a studio unit, two persons will occupy a one-bedroom unit, three persons will occupy a two-bedroom unit and four persons will occupy a three-bedroom unit.

(b) The Owner shall accept as tenants, on the same basis as all other prospective tenants, low-income persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the Housing Act, and shall not permit any selection criteria to be applied to Section 8 certificate or voucher holders that is more burdensome than the criteria applied to all other prospective tenants.

(c) The Owner shall comply with all applicable requirements of Section 65863.10 of the California Government Code, including the requirements for

providing notices in Sections (b), (c), (d) and (e) thereof, and shall comply with all applicable requirements of Section 65863.11 of the California Government Code.

(d) No tenant residing in a Low Income Unit shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Adjusted Income increases to exceed the qualifying limit for Low Income Tenants. However, should the Adjusted Income of a tenant residing in a Low Income Unit increase to exceed the applicable qualifying limit, the next available unit in the Project must be rented to (or held vacant and available for immediate occupancy by) a Low Income Tenant. The former Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Low Income Tenant, as applicable, for purposes of the requirement of Section 6(a) hereof until the rental of an available unit of comparable or smaller size to a tenant who is not a Low Income Tenant. (A Low Income Tenant whose Adjusted Income has increased may nevertheless continue to be a Low Income Tenant to the extent such Tenant meets the requirements therefor.)

(e) No tenant residing in a Very Low Income Unit shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Adjusted Income increases to exceed the qualifying limit for Very Low Income Tenants. However, should the Adjusted Income of a tenant residing in a Very Low Income Unit increase to exceed the applicable qualifying limit, the next available unit in the Project must be rented to (or held vacant and available for immediate occupancy by) a Very Low Income Tenant. The former Very Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Very Low Income Tenant, as applicable, for purposes of the requirement of Section 6(a) hereof until the rental of an available unit of comparable or smaller size to a tenant who is not a Very Low Income Tenant. (A Very Low Income Tenant whose Adjusted Income has increased may nevertheless continue to be a Low Income Tenant to the extent such Tenant meets the requirements therefor.)

(f) The Low Income Units shall remain occupied by, or shall be made available on a priority basis for occupancy by, Low Income Tenants until the Governmental Note is retired.

(g) The Very Low Income Units shall remain occupied by, or shall be made available on a priority basis for occupancy by, Very Low Income Tenants until the Governmental Note is retired.

(h) Following the expiration or termination of the Qualified Project Period, except in the event of foreclosure and repayment in full of the Governmental Note, deed in lieu of foreclosure, eminent domain, or action of a federal agency preventing enforcement, units required by Section 6 to be reserved for occupancy by Qualified Tenants shall remain available to any eligible household occupying a Low Income Unit or a Very Low Income Unit at the date of expiration or termination, at a rent not greater than the amount required by Section 6(b), prior to the date of termination or expiration, until the earliest of any of the following occur:

(i) The household's income exceeds 140 percent of the maximum eligible income required by Section 6(a) for the Low Income Unit or Very Low Income Unit.

(ii) The household voluntarily moves or is evicted for "good cause." For these purposes, "good cause" means the nonpayment of rent or allegation of facts necessary to prove major, or repeated minor, violations of material provisions of the lease agreement which detrimentally affect the health and safety of other persons or the structure, the fiscal integrity of the Project, or the purposes or special programs of the Project.

(iii) Thirty (30) years after the commencement of the Qualified Project Period.

(iv) The Owner pays the relocation assistance and benefits to such Qualified Tenant, as provided in Section 7264(b) of the Government Code of the State of California.

7. CDLAC Requirements. The Owner hereby agrees to comply with the more stringent of the requirements in Sections 4, 5, 6 and 7 hereof. The Owner hereby agrees that the acquisition, development, rehabilitation, equipping and operation of the Project and the financing thereof is and shall be in compliance with the conditions set forth in Exhibit A to the CDLAC Resolution, attached hereto as Exhibit F (the "CDLAC Resolution"), which conditions (the "**CDLAC Requirements**") are incorporated herein by reference and are made a part hereof. As required by Section 4(f) above, and as otherwise requested by CDLAC, the Owner shall prepare and submit to the Issuer (i) a Certificate of Compliance in substantially the form attached hereto as Exhibit D hereto, executed by an Authorized Owner Representative, accompanied, by the certificate set forth at Exhibit G hereto prior to and in connection with the Completion Date, as required by CDLAC and (ii) such other form or forms as may be required by CDLAC related to the Owner's compliance with the CDLAC Conditions.

The Owner will promptly provide any information requested by the Issuer in order for the Issuer to complete any Annual Applicant Public Benefit and On-going Compliance Self Certification or otherwise to comply with any regulations of CDLAC applicable to the CDLAC Resolution, the CDLAC Conditions or the Project, including but not limited to Section 5144 of Article 11 of the CDLAC regulations. The requirements of this Section may be waived in writing by CDLAC in its sole and absolute discretion, without the consent of the Issuer. CDLAC and the Issuer each shall have the right (but not the obligation) to enforce the CDLAC Conditions and to pursue an action for specific performance or other available remedy at law or in equity, provided that any such action or remedy shall not materially adversely affect the interests and rights of the owner or owners of the Governmental Note.

8. Indemnification. The Owner hereby covenants and agrees that it shall hold harmless, defend and indemnify the Issuer, the Administrator, the City of San Diego and their respective officers, commissioners, directors, officials and employees (individually and collectively, "**Issuer Indemnitee**") from and against all claims, liabilities, obligations, damages, penalties, litigation, costs, charges and expenses (including without limitation reasonable

attorneys, accounting, consulting, engineering, and other fees and expenses), imposed on, incurred by or asserted against the Issuer Indemnitee and arising from, resulting from, or in any way connected with or related to (i) any cause whatsoever in connection with the approval by the Issuer of financing for the Project or the making or administration of the Loan (including any audit or investigation by the Internal Revenue Service or the Securities and Exchange Commission related to the Governmental Note or the Project); (ii) any act or omission of the Owner or any of its agents, servants, employees or licensees, in connection with the Loan or the Project, including any remarketing of the Governmental Note or other secondary market transaction; (iii) the rehabilitation, operation, use, occupancy, maintenance, or ownership of the Project (including compliance with laws, ordinances and rules and regulations of public authorities relating thereto); (iv) the Fiscal Agent's and/or the Issuer's execution of the Funding Loan Agreement, the Project Loan Agreement or this Regulatory Agreement, or the exercise or performance by Issuer Indemnitee of any powers or duties under the Funding Loan Agreement, the Project Loan Agreement or this Regulatory Agreement; and (v) the issuance of the Governmental Note or any certifications or representations of the Owner made in connection therewith and the carrying out of any of the transactions contemplated by the Project Loan Agreement and this Regulatory Agreement; provided, however, that this provision shall not require the Owner to indemnify the Issuer Indemnitee from any claims, costs, fees, expenses or liabilities arising solely from the gross negligence or the willful misconduct of the Issuer Indemnitee. The indemnity provided in this Section shall include within its scope, without limitation: any and all active or passive negligence on the part of Issuer Indemnitee (other than gross negligence or willful misconduct) or any claims of combined negligence on the part of Issuer Indemnitee and Owner, to the extent Issuer Indemnitee is not prohibited by law from contracting for indemnification against such active, passive or combined negligent conduct; any claims for wrongful death; any vicarious liability imposed upon the Issuer Indemnitee; and any liability imposed by law on the Issuer Indemnitee on a strict liability theory or pursuant to any local, state or federal environmental statute, regulation or law. It is the express intention of the parties that Owner shall indemnify Issuer Indemnitee against any and all such liability hereunder. The exception to the Owner's obligation to indemnify is expressly limited to the Owner's obligation to indemnify the Issuer Indemnitee and does not relieve the Owner of its obligation to defend the Issuer Indemnitee against such claims whether such claims are made in conjunction with other claims or by themselves.

The Owner also shall pay and discharge and shall indemnify and hold harmless the Issuer Indemnitee from any taxes (including, without limitation, any ad valorem taxes and sales taxes), assessments, impositions, fees and other charges in respect of the Project.

In the event that any action or proceeding is brought against the Issuer Indemnitee with respect to which indemnity may be sought hereunder, the Owner, upon written notice from the indemnified party, shall assume the investigation and defense thereof, including the employment of counsel selected by the indemnified party and the payment of all expenses related thereto. The Issuer Indemnitee shall have the right to retain separate defense counsel at the sole cost and expense of Owner, upon Issuer Indemnitee's reasonable determination that such separate counsel is necessary to avoid a conflict of interest or to provide Issuer Indemnitee, in Issuer Indemnitee's sole discretion, with an adequate defense to any such action or proceeding.

In addition thereto, the Owner will pay upon demand all of the fees and expenses paid or incurred by any Issuer Indemnitee in enforcing the provisions hereof.

The provisions of this Section 8 shall survive the resignation or removal of the Fiscal Agent, the repayment of the Loan and the retirement of the Governmental Note.

Nothing contained in this Section 8 shall, in itself, cause the obligation of the Owner to pay principal and interest on the Loan or amounts owing with respect to the Loan to be a recourse obligation of the Owner.

The obligations of the Owner under this Section are independent of any other contractual obligation of the Owner to provide indemnity to the Issuer Indemnitee or otherwise, and the obligation of the Owner to provide indemnity hereunder shall not be interpreted, construed or limited in light of any other separate indemnification obligation of the Owner. The Issuer Indemnitee shall be entitled simultaneously to seek indemnity under this Section and any other provision under which any of them is entitled to indemnity.

9. Consideration. The Issuer has issued the Governmental Note to provide funds to finance the Project, all for the purpose, among others, of inducing the Owner to acquire, construct, equip and operate the Project. In consideration of the issuance of the Governmental Note by the Issuer, the Owner has entered into this Regulatory Agreement and has agreed to restrict the uses to which the Project can be put on the terms and conditions set forth herein.

10. Reliance. The Issuer and the Owner hereby recognize and agree that the representations, warranties, covenants and agreements set forth herein may be relied upon by all persons interested in the legality and validity of the Governmental Note, and in the Tax-Exempt status of the interest on the Governmental Note. In performing its duties and obligations hereunder, the Issuer may rely upon statements and certificates of the Owner and the Very Low Income Tenants, and upon audits of the books and records of the Owner pertaining to the Project. In addition, the Issuer may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Issuer hereunder in good faith and in conformity with such opinion.

11. Sale or Transfer of the Project. Each Owner intends to hold its respective interest in the Project for its own account, has no current plans to sell, transfer or otherwise dispose of the Project (except in accordance with terms of the Partnership Agreement), and, except as otherwise expressly provided herein, hereby covenants and agrees not to sell, transfer or otherwise dispose of the Project, or any portion thereof (other than for individual tenant use as contemplated hereunder and/or pursuant to the aforementioned option) or interest therein, including any interest in the Owner, without obtaining the prior written consent of the Issuer, which consent shall not be unreasonably withheld, and the President and Chief Executive Officer of the San Diego Housing Commission may give such consent without further action by the Board of Commissioners of the Issuer, and receipt by the Issuer of (i) evidence satisfactory to the Issuer that the Owner's purchaser or transferee has assumed in writing and in full, the Owner's duties and obligations under this Regulatory Agreement and the Owner has complied with any applicable requirements of the Project Loan Agreement, (ii) an opinion of counsel of the transferee that the transferee has duly assumed the obligations of the Owner under this

Regulatory Agreement and that such obligations and this Regulatory Agreement are binding on the transferee, (iii) evidence acceptable to the Issuer that either (A) the purchaser or assignee has experience in the ownership, operation and management of rental housing projects in the Issuer such as the Project without any record of material violations of discrimination restrictions or other state or federal laws or regulations applicable to such projects, or (B) the purchaser or assignee agrees to retain a property management firm with the experience and record described in subparagraph (A) above or (C) if the purchaser or assignee does not have management experience, the Issuer may, in its discretion and at the expense of the Owner, cause the Program Administrator to provide on-site training in program compliance if the Issuer determines such training is necessary, such training to be at the expense of the Owner, (iv) evidence satisfactory to the Issuer that no event of default exists under this Regulatory Agreement, the Project Loan Agreement, the Funding Loan Agreement or any document related to the Loan, beyond the expiration of any applicable notice and cure period, and payment of all fees and expenses of the Issuer and the Fiscal Agent due under any of such documents is current, and (v) an opinion of Tax Counsel to the effect that such transfer will not, in itself, cause interest on the Governmental Note to become includable in the gross income of the recipients thereof for federal income tax purposes, except to the extent held by a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code. It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this Section 11 shall be null, void and without effect, shall cause a reversion of title to the Owner, and shall be ineffective to relieve the Owner of its obligations under this Regulatory Agreement. Nothing in this Section 11 shall affect any provision of any other document or instrument between the Owner and any other party which requires the Owner to obtain the prior written consent of such other party in order to sell, transfer or otherwise dispose of the Project. Not less than sixty (60) days prior to consummating any sale, transfer or disposition of any interest in the Project, the Owner shall deliver to the Issuer a notice in writing explaining the nature of the proposed transfer. Notwithstanding the foregoing, the provisions of this Section 11 shall not apply to the transfer of all or any portion of (a) the limited partner interest of the Equity Investor in the Owner (which is instead subject to paragraph (h)(ii) of Section 5), (b) the Managing Member's interest in the Owner to an affiliate of the Managing Member, (c) the Co-General Partner's interest in the Owner to an affiliate of the Co-General Partner or (d) the Project by foreclosure, exercise of power of sale, or transfer of title by deed in lieu of foreclosure, in each case to the Fiscal Agent or an Affiliate thereof.

12. Term. Subject to the following paragraph of this Section 12, Section 8 hereof and to any other provision expressly agreed herein to survive the termination of this Regulatory Agreement, this Regulatory Agreement and all of the terms hereof shall become effective upon its execution and delivery and shall remain in full force and effect for the longer of (a) the Qualified Project Period or (b) fifty-five (55) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied.

The terms of this Regulatory Agreement to the contrary notwithstanding, this Regulatory Agreement, except for the provisions of Section 8 hereof, shall terminate and be of no further force and effect in the event of (i) involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire, seizure, requisition, change in a federal law or an action of a federal agency after the Closing Date, which prevents the Issuer from enforcing such provisions, or (ii) foreclosure, exercise of power of sale, transfer of title by deed in lieu of

foreclosure, transfer of title by assignment in lieu of foreclosure of the fee interest in the Project, or condemnation or a similar event, but only if, in case of the events described in either clause (i) or (ii) above, within a reasonable period, either the Governmental Note is paid in full or canceled or amounts received as a consequence of such event are used to provide a project that meets the requirements hereof; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure, exercise of power of sale, or the delivery of a deed in lieu of foreclosure, transfer of title by assignment in lieu of foreclosure of the fee interest in the Project or a similar event, the Owner or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes. The Owner shall provide written notice to the Issuer of any termination of this Regulatory Agreement pursuant to clauses (i) or (ii) above. The Owner hereby agrees that, following any foreclosure, exercise of power of sale, transfer of title by deed in lieu of foreclosure or similar event, neither the Owner nor any such related person as described above will obtain an ownership interest in the Project for federal tax purposes. Notwithstanding any other provisions of this Regulatory Agreement to the contrary, this entire Regulatory Agreement, or any of the provisions or sections hereof, may be terminated upon agreement by the Issuer and the Owner subject to compliance with any of the provisions contained in this Regulatory Agreement, including the consent of CDLAC with respect to any agreement to terminate the entire Regulatory Agreement or any of the CDLAC Requirements, only if there shall have been received by the Issuer an opinion of Tax Counsel that such termination will not adversely affect the Tax-Exempt status of the interest on the Governmental Note or the exemption from State personal income taxation of the interest on the Governmental Note.

Upon the termination of the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms.

13. Owners' Cooperation; Joint and Several Liability. Each Owner agrees to cooperate with the other Owner in connection with each Owner's performance of its obligations hereunder and to perform such actions with respect to the Project as may be reasonably necessary to allow each Owner to perform its obligations under this Regulatory Agreement and to refrain from taking any such actions that would cause the other Owner to be unable to comply herewith.

14. Covenants to Run With the Land. The Owner hereby subjects the Project to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Issuer and the Owner hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Owner's successors in title to the Project; provided, however, that on the termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of

whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments. No breach of any of the provisions of this Regulatory Agreement shall defeat or render invalid the lien of a mortgage made in good faith and for value encumbering the Site or any interest therein.

15. Burden and Benefit. The Issuer and the Owner hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Owner's legal interest in the Project is rendered less valuable thereby. The Issuer and the Owner hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Qualified Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Governmental Note were executed, issued and delivered.

16. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use, development and improvement of the Site.

17. Enforcement. If the Owner defaults in the performance or observance of any covenant, agreement or obligation of the Owner set forth in this Regulatory Agreement, and if such default remains uncured for a period of sixty (60) days (the "Cure Period") after written notice thereof shall have been given by the Issuer to the Owner (and a copy of such notice shall also be given to the Fiscal Agent, provided however that the failure of the Issuer to provide such copy to the Fiscal Agent shall have no effect on the sufficiency of the notice to the Owner), the Issuer may, at its sole option, extend the Cure Period if the default is of the nature which would reasonably require more than sixty (60) days to cure and if the Owner provides the Issuer, if requested by the Issuer, with an opinion of Tax Counsel to the effect that such extension will not adversely affect the Tax-Exempt status of interest on the Governmental Note. Upon the expiration of such Cure Period, as the same may be extended as aforesaid, then the Issuer may declare an "event of default" to have occurred hereunder, and, subject to the provisions of the Funding Loan Agreement, may take any one or more of the following steps:

- (a) by mandamus or other suit, action or proceeding at law or in equity, require the Owner to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer hereunder; or
- (b) have access to and inspect, examine and make copies of all of the books and records of the Owner pertaining to the Project; or
- (c) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Owner hereunder.

Notwithstanding anything contained in this Regulatory Agreement to the contrary, the occurrence of an event of default under this Regulatory Agreement shall not be deemed, under any circumstances whatsoever, to be a default under the Security Instrument or the Project Loan Agreement, except as may be otherwise specified in the Security Instrument or the Project Loan Agreement, respectively.

Notwithstanding anything contained in this Regulatory Agreement, any member or limited partner of the Owner shall have the right but not the obligation to cure any Event of Default, and the Issuer and the Fiscal Agent agree to accept any cure tendered by any such limited partner on behalf of the Owner within any Cure Period specified above.

The Owner hereby agrees that specific enforcement of the Owner's agreements contained herein is the only means by which the Issuer may fully obtain the benefits of such agreements made by the Owner herein, and the Owner therefore agrees to the imposition of the remedy of specific performance against it in the case of any Event of Default by the Owner hereunder.

The Fiscal Agent shall have the right (but no obligation), in accordance with this Section 17 and the provisions of the Funding Loan Agreement, without the consent or approval of the Issuer, to exercise any or all of the rights or remedies of the Issuer hereunder; provided that prior to taking any such act the Fiscal Agent shall give the Issuer written notice of its intended action. All reasonable fees, costs and expenses of the Fiscal Agent or the Issuer incurred in taking any action pursuant to this Section 17 shall be the sole responsibility of the Owner.

After the Funding Loan Agreement has been discharged, or if the Fiscal Agent fails to act under this Section 17, the Issuer may act on its own behalf to declare an "Event of Default" to have occurred and to take any one or more of the steps specified hereinabove to the same extent and with the same effect as if taken by the Fiscal Agent.

Notwithstanding anything to the contrary contained herein, the Fiscal Agent and the Issuer hereby agree that any cure of any default made or tendered by one or more of Owner's limited partners shall be deemed to be a cure by Owner and shall be accepted or rejected on the same basis as if made or tendered by Owner.

18. Tax Status of the Governmental Note; Opinions of Tax Counsel. The Owner and the Issuer each hereby represents, as of the date hereof, and warrants, covenants and agrees that:

(a) it will not knowingly take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the exclusion from gross income for federal income tax purposes of the Tax-Exempt status of the Governmental Note and, if it should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof;

(b) it will take such action or actions as may be necessary, in the written opinion of Tax Counsel filed with the Issuer, the Fiscal Agent and the Owner, to comply fully with the Act and all applicable rules, rulings, policies, procedures, Regulations or other official statements promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service pertaining to obligations issued under Section 142(d) of the Code to the extent necessary to maintain the Tax-Exempt status of the Governmental Note; and

(c) it will file of record such documents and take such other steps as are necessary, in the written opinion of Tax Counsel filed with the Issuer, the Fiscal Agent and the Owner, in order to ensure that the requirements and restrictions of this

Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of this Regulatory Agreement in the real property records of the County.

The Owner hereby covenants to include the requirements and restrictions contained in this Regulatory Agreement in any document transferring any interest in the Project to another person (other than in tenant leases or any document granting a security interest to the Fiscal Agent and, provided, however, that no such assignment shall be required in connection with the transfer of the Project to the Fiscal Agent or to the Bondholders by foreclosure, deed in lieu of foreclosure or comparable conversion of the Loan) to the end that such transferee has notice of, and is bound by, such restrictions, and to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement.

Notwithstanding any other provision of this Regulatory Agreement, whenever an opinion of Tax Counsel is required or requested to be delivered hereunder after the Closing Date, the Fiscal Agent, the Issuer and the Owner shall accept (unless otherwise directed in writing by the Issuer) an opinion of Tax Counsel in such form and with such disclaimers as may be required so that such opinion will not be treated as a “covered opinion” for purposes of the Treasury Department regulations governing practice before the Internal Revenue Service (Circular 230), 31 CFR Part 10.

19. Modification of Special Tax Covenants. The Owner and the Issuer hereby agree as follows:

(a) To the extent any amendments to the Act, the Regulations or the Code shall, in the written opinion of Tax Counsel filed with the Issuer, the Fiscal Agent and the Owner, impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement which must be complied with in order to maintain the Tax-Exempt status of the Governmental Note, this Regulatory Agreement shall be deemed to be automatically amended to impose such additional or more restrictive requirements.

(b) The Owner and the Issuer shall execute, deliver and, if applicable, file of record any and all documents and instruments, necessary to effectuate the intent of this Section 19, and each of the Owner and the Issuer hereby appoints the Fiscal Agent as its true and lawful attorney-in-fact to execute, deliver and, if applicable, file of record on behalf of the Owner or the Issuer, as is applicable, any such document or instrument (in such form as may be approved in writing by Tax Counsel) if either the Owner or the Issuer defaults in the performance of its obligations under this subsection (b); provided, however, that the Fiscal Agent shall take no action under this subsection (b) without first notifying the Owner or the Issuer, or both of them, as is applicable, unless directed in writing by the Issuer or the Owner and without first providing the Owner or the Issuer, or both, as is applicable, an opportunity to comply with the requirements of this Section 19.

20. Recording and Filing. The Owner shall cause this Regulatory Agreement and all amendments and supplements hereto and thereto, to be recorded and filed, prior to the recording

of the Security Instrument and the disbursement of the Loan, in the real property records of the County of San Diego, California and in such other places as the Issuer may reasonably request. The Owner shall pay all fees and charges incurred in connection with any such recording.

21. Payment of Fees. Notwithstanding any prepayment of the Loan and notwithstanding a discharge of any of the Loan Documents, the Owner shall continue to pay the Issuer's annual administrative fee as calculated and described in Section 5(a) hereof. Upon the occurrence of an event of default hereunder, the Owner shall continue to pay to the Issuer compensation for any services rendered by the Issuer hereunder and reimbursement for all expenses incurred by it in connection therewith.

In case any action at law or in equity, including an action for declaratory relief, is brought against the Owner to enforce the provisions of this Regulatory Agreement, the Owner agrees to pay reasonable attorney's fees and other reasonable expenses incurred by the Issuer, CDLAC, the Fiscal Agent, and/or the Program Administrator in connection with such action should such entities be the prevailing party in such action.

22. Governing Law. This Regulatory Agreement shall be governed by the laws of the State of California.

23. Amendments. To the extent any amendments to the Act, the Treasury Regulations or the Code shall, in the written opinion of Tax Counsel filed with the Issuer, the Fiscal Agent and the Owner, impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement which must be complied with in order to maintain the Tax-Exempt status of interest on the Governmental Note, this Regulatory Agreement shall be deemed to be automatically amended to impose such additional or more restrictive requirements. Otherwise, this Regulatory Agreement shall be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County of San Diego, California, provided that any amendment to the CDLAC Requirements shall also be subject to the consent of CDLAC, and provided further, that any amendment to Sections 3 and 4 hereof shall require an opinion of Tax Counsel filed with the Issuer, the Fiscal Agent, the Lender, the Owner and the Fiscal Agent, to the effect that such amendment will not adversely affect the Tax-Exempt status of interest on the Governmental Note.

24. Notice. All notices, certificates or other communications shall be sufficiently given and shall be deemed given on the date personally delivered or the business day after deposit with a reputable overnight carrier for overnight delivery, or on the second day following the date on which the same have been mailed by first class mail, postage prepaid, addressed as follows:

If to the Issuer:	Housing Authority of the City of San Diego 1122 Broadway, Suite 300 San Diego, California 92101 Attention: Executive Director Phone: (619) 578-7575
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If to the Owner:

Wesley Terrace Management, LLC
c/o C&C Development Group
PO Box 33882
San Diego, CA 92163
casey@rahdgroup.com
colin@rahdgroup.com
dabdaldevelopment@gmail.com

and to:

Wesley Developments
5343 Monroe Avenue
San Diego, CA 92103
grestep@cox.net

With copies to (which shall
not constitute notice to
Owners):

Rodriguez Wright LLP
Attention Byron A. Rodriguez, Esq.
brodriguez@rodriguezwright.com

and to:

Goldfarb & Lipman LLP
Attention: Robert Mills
rmills@goldfarblipman.com

If to the Fiscal Agent:

Any of the foregoing parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, documents or other communications shall be sent.

25. Severability. If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

26. Multiple Counterparts. This Regulatory Agreement may be executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

27. Third-Party Beneficiaries. The parties to the Regulatory Agreement recognize and agree that the terms of the Regulatory Agreement and the enforcement of those terms are

entered into for the benefit of various parties, including CDLAC. CDLAC shall accordingly have contractual rights in this Regulatory Agreement and shall be entitled (but not obligated) to enforce, in accordance with Section 16 hereof, the terms hereof and the terms of the CDLAC Resolution. CDLAC is intended to be and shall be a third-party beneficiary of this Regulatory Agreement. Notwithstanding the above, CDLAC shall be entitled solely to enforce the terms of the CDLAC Resolution, and any enforcement of the terms and provisions of the CDLAC Resolution by CDLAC shall not adversely affect the interests of the Fiscal Agent, and shall otherwise be subject to the terms, conditions and limitations otherwise applicable to the enforcement of remedies under this Regulatory Agreement.

26. Limitation on Owner Liability. Notwithstanding any other provision or obligation to the contrary contained in this Regulatory Agreement, and except for the Owner's obligations under Section 8 of this Regulatory Agreement (which are not subject to the provisions and limitations of this Section 26) (i) the liability of the Owner under this Regulatory Agreement to any person or entity, including, but not limited to, the Fiscal Agent or the Issuer and their successors and assigns, is limited to the Owner's interest in the Project, the revenues therefrom, including the amount held in the funds and accounts created under the Funding Loan Agreement and the Loan Documents (as defined in the Project Loan Agreement), or any rights of the Owner under any guarantees relating to the Project, and such persons and entities shall look exclusively thereto, or to such other security as may from time to time be given for the payment of obligations arising out of this Regulatory Agreement or any other agreement securing the obligations of the Owner under this Regulatory Agreement; and (ii) from and after the date of this Regulatory Agreement, no deficiency or other personal judgment, nor any order or decree of specific performance (other than pertaining to this Regulatory Agreement, any agreement pertaining to any Project or any other agreement securing the Owner's obligations under this Regulatory Agreement), shall be rendered against the Owner, the assets of the Owner (other than the Owner's interest in the Project, this Regulatory Agreement, amounts held in the funds and accounts created under the Funding Loan Agreement and the Loan Documents (as defined in the Project Loan Agreement), any rights of the Owner under the Funding Loan Agreement and the Loan Documents (as defined in the Project Loan Agreement) or any other documents relating to the Governmental Note or any rights of the Owner under any guarantees relating to the Project), its partners, successors, transferees or assigns and each their respective officers, directors, employees, partners, agents, heirs and personal representatives, as the case may be, in any action or proceeding arising out of this Regulatory Agreement and the Project Loan Agreement or any agreement securing the obligations of the Owner under this Regulatory Agreement, or any judgment, order or decree rendered pursuant to any such action or proceeding.

27. Conflict With Other Affordability Agreements. In the event of any conflict between the provisions of this Regulatory Agreement and any other affordability agreements with respect to the Project, the provisions providing for the most affordable units, with the most affordability, in the Project shall prevail, so long as at all times the requirements of Section 2 through 7 of this Regulatory Agreement are in any event satisfied. Notwithstanding the foregoing, a breach or default under any of such affordability agreements shall not, in itself, constitute a breach or a default under this Regulatory Agreement.

28. The Fiscal Agent. The Fiscal Agent shall act as specifically provided herein and no implied duties or obligations shall be read into this Regulatory Agreement against the Fiscal

Agent, except to the extent as provided in the Funding Loan Agreement. The Fiscal Agent shall have no duty to act with respect to enforcement of the Owner's performance hereunder. The Fiscal Agent shall be protected by the provisions in the Funding Loan Agreement.

No provision of this Regulatory Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

After the date on which no Governmental Note remain Outstanding, as provided in the Funding Loan Agreement, the Fiscal Agent shall no longer have any duties or responsibilities under this Regulatory Agreement and all references to the Fiscal Agent in this Regulatory Agreement shall be deemed references to the Issuer.

29. Freddie Mac Rider. The Freddie Mac Rider to Regulatory Agreement (the "**Freddie Mac Rider**") attached to this Regulatory Agreement as Exhibit H forms an integral part of this Regulatory Agreement and the terms thereof are hereby incorporated in this Regulatory Agreement.

IN WITNESS WHEREOF, the Issuer and the Owner have executed this Regulatory Agreement by their duly authorized representatives, all as of the date first written hereinabove.

HOUSING AUTHORITY OF THE CITY OF
SAN DIEGO

By: _____
Richard C. Gentry
Executive Director

[Signatures continue on following page.]

OWNER:

WESLEY TERRACE PARTNERS, LP,
a California limited partnership

By: Wesley Terrace Management, LLC,
a California limited liability company,
its Administrative General Partner

By: C&C Development Group LLC,
a California limited liability company,
its Manager

By: Haeling Development, LLC,
a California limited liability company,
a Member

By: _____
Casey Haeling, Manager

By: Wesley Developments, LLC,
a California limited liability company,
its Managing General Partner

By: Wesley Developments,
a California nonprofit public benefit corporation, its
Member

By: _____
Greg R. Estep, President

[Wesley Terrace Project Regulatory Agreement]

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

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, before me, _____, Notary Public,
(Print Name of Notary Public)

personally appeared _____

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

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

WITNESS my hand and official seal.

Signature of Notary Public

OPTIONAL

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

CAPACITY CLAIMED BY SIGNER

- ☐ Individual
☐ Corporate Officer

Title(s)

- ☐ Partner(s) ☐ Limited ☐ General
☐ Attorney-In-Fact
☐ Fiscal Agent(s)
☐ Guardian/Conservator
☐ Other: _____

Signer is representing:
Name Of Person(s) Or Entity(ies)

DESCRIPTION OF ATTACHED DOCUMENT

Title Or Type Of Document

Number Of Pages

Date Of Documents

	Signer(s) Other Than Named Above

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

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, before me, _____, Notary Public,
(Print Name of Notary Public)

personally appeared _____

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

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

WITNESS my hand and official seal.

Signature of Notary Public

OPTIONAL

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

CAPACITY CLAIMED BY SIGNER

- ☐ Individual
☐ Corporate Officer

Title(s)

- ☐ Partner(s) ☐ Limited ☐ General
☐ Attorney-In-Fact
☐ Fiscal Agent(s)
☐ Guardian/Conservator
☐ Other: _____

Signer is representing:

DESCRIPTION OF ATTACHED DOCUMENT

Title Or Type Of Document

Number Of Pages

Date Of Documents

Name Of Person(s) Or Entity(ies)

Signer(s) Other Than Named Above

EXHIBIT A

LEGAL DESCRIPTION OF THE SITE

All that certain real property situated in the Housing Authority of the City of San Diego, State of California, more particularly described as follows:

EXHIBIT B
INCOME CERTIFICATION FORM

A current version of the CTCAC form may be downloaded from the State Treasurer's website at the following link: <http://www.treasurer.ca.gov/ctcac/compliance/tic.pdf>.

EXHIBIT C

COMPLETION CERTIFICATE

SAN DIEGO HOUSING COMMISSION
1122 Broadway, Suite 300
San Diego, CA 92101

***Re: Housing Authority of the City of San Diego Multifamily Housing Revenue Note
(Wesley Terrace Apartments), 2019 Series C***

The undersigned (the "Owner") hereby certifies that all aspects of the rehabilitation of the Project (as that term is used in the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of August 1, 2019, by and between the Housing Authority of the City of San Diego and the Owner (the "Regulatory Agreement")) were substantially completed and the Project was fully available for occupancy by tenants in the Project as of _____, 20____ (the "Completion Date"). Capitalized terms not defined herein shall have the meaning ascribed to them under the Regulatory Agreement.

The undersigned hereby certifies that:

(a) the aggregate amount disbursed on the Loan to date is \$ _____; and

(b) all amounts disbursed on the Loan have been applied to pay or reimburse the undersigned for the payment of Project Costs and none of the amounts disbursed on the Loan has been applied to pay or reimburse any party for the payment of costs or expenses other than Project Costs; and

(c) as shown on the attached sheet (showing the breakdown of expenditures for the Project and the source of the funds which were used to pay such costs), in compliance with Subsection 2(h) of the Regulatory Agreement at least ninety-seven percent (97%) of the amounts disbursed on the Loan have been applied to pay or reimburse the Owner for the payment of Qualified Project Costs. Furthermore, less than twenty-five percent (25%) of the amounts disbursed on the Loan, exclusive of amounts applied to pay the costs of issuing the Governmental Note, have been applied to pay or reimburse the Owner for the cost of acquiring land.

[Signatures appear on the next page.]

Date: _____, 20____

OWNER:

WESLEY TERRACE PARTNERS, LP,
a California limited partnership

By: Wesley Terrace Management, LLC,
a California limited liability company,
its Administrative General Partner

By: C&C Development Group LLC,
a California limited liability company,
its Manager

By: Haeling Development, LLC,
a California limited liability company,
a Member

By: _____
Casey Haeling, Manager

By: Wesley Developments, LLC,
a California limited liability company,
its Managing General Partner

By: Wesley Developments,
a California nonprofit public benefit corporation, its
Member

By: _____
Greg R. Estep, President

EXHIBIT D

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

Project Name: Wesley Terrace

CDLAC Application Number(s):

CDLAC Resolution Number(s):

Property Address: 5343 Monroe Ave., San Diego CA 92115

Project Completion Date (if completed, otherwise mark N/A): _____

Name of Obligation: Housing Authority of the City of San Diego Multifamily Housing Revenue Note (Wesley Terrace Apartments), 2019 Series C

The undersigned, being the authorized representatives of Wesley Terrace Partners, LP, a California limited partnership (the "Owner"), hereby certifies that he/she has read and is thoroughly familiar with the provisions of the various documents associated with the Owner's participation in the Housing Authority of the City of San Diego (the "Issuer") Multifamily Housing Program, such documents including:

1. The Regulatory Agreement and Declaration of Restrictive Covenants, dated as of August 1, 2019 (the "Regulatory Agreement"), between the Owner and the City; and
2. The Project Loan Agreement, dated as of August 1, 2019, among the Issuer, the Fiscal Agent and the Owner.

The undersigned further certifies that:

A. There have been no changes to the ownership entity, principals or property management of the Project since the Governmental Note was issued and delivered, or since the last certification was provided (as applicable), except as described below:

(If so please attach a request to revise the CDLAC Resolution, noting all pertinent information regarding the change, otherwise state "NONE")

If Project has not yet been placed in service, mark N/A for the balance of the items below:

B. During the preceding twelve (12) months (i) such Project was continually in compliance with the Regulatory Agreement executed in connection with such loan from the City and (ii) ____ of the units in the Project were occupied by Qualified Tenants (minimum of one hundred percent (100%), excluding one manager's unit).

Certificate of Continuing Program Compliance
Wesley Terrace

C. As of the date of this Certificate, the following percentages of completed residential units in the Project (i) are occupied by Qualified Tenants, or (ii) are currently vacant and being held available for such occupancy and have been so held continuously since the date a Wesley Terrace Qualified Tenant vacated such unit, as indicated below:

TOTAL UNITS:

Occupied by Low Income Tenants:

Studio: _____	Unit Nos. _____
1 bedroom units: _____	Unit Nos. _____
2 bedroom units: _____	Unit Nos. _____
3 bedroom units: _____	Unit Nos. _____

Occupied by Very Low Income Tenants:

Studio: _____	Unit Nos. _____
1 bedroom units: _____	Unit Nos. _____
2 bedroom units: _____	Unit Nos. _____
3 bedroom units: _____	Unit Nos. _____

Total percentage occupied by Qualified Tenants: _____ (minimum of one hundred percent (100%), excluding one manager's unit)

Held vacant for occupancy continuously since last occupied by a Low Income Tenant:

_____%; Unit Nos. _____

Held vacant for occupancy continuously since last occupied by a Very Low Income Tenant:

_____%; Unit Nos. _____

Certificate of Continuing Program Compliance
Wesley Terrace

It hereby is confirmed that each tenant currently residing in a unit in the Project has completed an Income Certification Form in the form approved by the City and that since commencement of the Qualified Project Period, not less than all of the occupied units (excluding the manager's unit) in the Project have been rented to (or are vacant and last occupied by) Qualified Tenants. The undersigned hereby certifies that the Owner is not in default under any of the terms and provisions of the above documents.

D. The units occupied by Qualified Tenants are of similar size and quality to other units and are dispersed throughout the Project.

E Select appropriate certification: [No unremedied default has occurred under this Regulatory Agreement, the Governmental Note, the Project Loan Agreement or the Security Instrument.] [A default has occurred under the _____. The nature of the default and the measures being taken to remedy such default are as follows: _____.]

F. There has been no change of use for the Project, except as follows: (please describe if any, or otherwise indicate "NONE")

G. Select appropriate certification: The undersigned hereby certifies that the Project [has satisfied all] [except as described below, has satisfied all] of the requirements memorialized in the Exhibit A of the CDLAC Resolution, a copy of which is attached hereto (i.e. qualifying project completion, qualifying depreciable asset purchase, qualifying loan originations, the use of public funds, manager units, income rent restrictions, sustainable building methods, etc., as applicable), and thus has achieved all public benefit requirements (excluding service amenities) as presented to CDLAC.

[Describe any requirements not satisfied: _____]

H. As captured in Exhibit A of the CDLAC Resolution, the Project has committed to and is currently providing the following service amenities for a minimum of ten (10) years, on a regular and ongoing basis, which are provided free of charge (with the exception of day care services): [Confirm]

Please check the services that apply or write N/A where appropriate:

_____ After-school Programs

_____ Educational, health and wellness, or skill building classes

_____ Health and Wellness services and programs (not group classes)

Certificate of Continuing Program Compliance
Wesley Terrace

_____ Licensed Childcare provided for a minimum of twenty (20) hours per week (Monday-Friday)

_____ Bona-Fide Service Coordinator/ Social Worker

1) For this reporting period, attached is evidence (i.e. MOUs, contracts, schedules, calendars, flyers, sign-up sheets, etc.) confirming that the above listed services are being provided and have met the requirements of Exhibit A of the CDLAC Resolution.

2) If any of the above services requirements were not met, what corrective action is being taken to comply?

(Please also attach the completed project sponsor certification form as provided in the CDLAC Resolution)

(Please also attach the completed Occupancy and Rent Information form attached hereto)

Certificate of Continuing Program Compliance
Wesley Terrace

I. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief, and the undersigned acknowledges and agrees that the City will be relying solely on the foregoing certifications and accompanying documentation, if any, in making its certification to CDLAC pursuant to Section 5144 of the CDLAC regulations (Division 9.5 of Title 4 of the California Code of Regulations), and agrees to provide to the City such documentation or evidence, in support of the foregoing certifications, as the City or CDLAC may request.

Capitalized terms used in this Certificate and not otherwise defined herein have the meanings given to them in the Regulatory Agreement.

Date: _____, 20____

OWNER:

WESLEY TERRACE PARTNERS, LP,
a California limited partnership

By: Wesley Terrace Management, LLC,
a California limited liability company,
its Administrative General Partner

By: C&C Development Group LLC,
a California limited liability company,
its Manager

By: Haeling Development, LLC,
a California limited liability company,
a Member

By: _____
Casey Haeling, Manager

By: Wesley Developments, LLC,
a California limited liability company,
its Managing General Partner

By: Wesley Developments,
a California nonprofit public benefit corporation, its
Member

By: _____
Greg R. Estep, President

Certificate of Continuing Program Compliance
Wesley Terrace

EXHIBIT E

CERTIFICATE AS TO COMMENCEMENT OF QUALIFIED PROJECT PERIOD

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:
San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101

\$ _____
Housing Authority of the City of San Diego
Multifamily Housing Revenue Note
(Wesley Terrace Apartments),
2019 Series C

The undersigned, being the authorized representative(s) of Wesley Terrace Partners, LP., a California limited partnership, hereby certifies that: (complete blank information):

Ten percent (10%) of the dwelling units in the Project financed in part from the proceeds of the above-captioned Note were first occupied on _____;

Fifty percent (50%) of the dwelling units in the Project financed in part from the proceeds of the above-captioned Note were first occupied on _____.

[Signatures appear on the next page.]

Date: _____, 20____

OWNER:

WESLEY TERRACE PARTNERS, LP,
a California limited partnership

By: Wesley Terrace Management, LLC,
a California limited liability company,
its Administrative General Partner

By: C&C Development Group LLC,
a California limited liability company,
its Manager

By: Haeling Development, LLC,
a California limited liability company,
a Member

By: _____
Casey Haeling, Manager

By: Wesley Developments, LLC,
a California limited liability company,
its Managing General Partner

By: Wesley Developments,
a California nonprofit public benefit corporation, its
Member

By: _____
Greg R. Estep, President

Acknowledged:
Housing Authority of the City of San Diego

By: _____
Name, Title

EXHIBIT F
CDLAC RESOLUTION

[See Attached.]

EXHIBIT G
CERTIFICATE OF COMPLIANCE (CDLAC RESOLUTION)

Project Name: Wesley Terrace
(original project name as well)
Name of Note Issuer: Housing Authority of the City of San Diego
CDLAC Application No.: 19-091

Pursuant to Section 13 of Resolution No. 19-489 (the "CDLAC Resolution"), adopted by the California Debt Limit Allocation Committee (the "Committee") on [Date], 2019, I, _____, an Officer of the Project Sponsor, hereby certify under penalty of perjury that, as of the date of this Certification, the above-mentioned Project is in compliance with all of the terms and conditions set forth in the CDLAC Resolution.

I further certify that I have read and understand Section 3 of the CDLAC Resolution, which specifies that once the Governmental Note is issued, the terms and conditions set forth in Exhibit A of the CDLAC Resolution shall be enforceable by the Committee through an action for specific performance, negative points, withholding future allocation or any other available remedy (as further explained in Section 13 of the Resolution).

Please check or write N/A to the items listed below:

_____ The project is currently in the Rehabilitation or Rehabilitation phase.

_____ The project has incorporated the minimum specifications into the project design for all new rehabilitation and rehabilitation projects as evidenced by the attached applicable third party certification (HERS Rater, Green Point Rater or US Green Building Council). For projects under rehabilitation or rehabilitation, the information is due following receipt of the verification but in no event shall the documentation be submitted more than two (2) years after the issuance of Note.

_____ For projects that received points for exceeding the minimum requirements please attach the appropriate California Energy Commission compliance form for the project which shows the necessary percentage improvement better than the appropriate standards. The compliance form must be signed by a California Association of Building Consultants, Certified Energy Plans Examiner or HERS Rater as applicable.

Signature of Officer

Date

Printed Name of Officer

G-1

Certificate of Compliance (CDLAC Resolution)
Wesley Terrace

Title of Officer

Phone Number

G-2

Certificate of Compliance (CDLAC Resolution)
Wesley Terrace

EXHIBIT H

FREDDIE MAC RIDER

This Freddie Mac Rider (the “Rider”) is attached to and forms a part of the Regulatory Agreement and Declaration of Restrictive Covenants (the “Regulatory Agreement”), dated as of August 1, 2019, by and among the Housing Authority of the City of San Diego (the “Governmental Lender”), Wesley Terrace Partners, LP, (together with any successor to its rights, duties and obligations hereunder and as owner of the Project identified herein, the “Borrower”).

1. Definitions. Terms used in this Rider as defined terms shall have the meanings given those terms in the Regulatory Agreement and the Funding Loan Agreement. In addition, the following terms shall have the following meanings:

“**Fiscal Agent**” means [] and its successors and assigns.

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

“**Funding Lender**” means the holder of the Governmental Note, initially Citibank, N.A. and on the Freddie Mac Purchase Date, Freddie Mac, and any successors or assigns thereof.

“**Funding Loan Agreement**” means the Funding Loan Agreement dated as of August 1, 2019 by and among the Governmental Lender, the Initial Funding Lender set forth therein and the Fiscal Agent, as such Funding Loan Agreement may from time to time be amended or supplemented.

“**Governmental Note**” means the Multifamily Note, dated August __, 2019, delivered by the Governmental Lender pursuant to the Funding Loan Agreement.

“**Project Loan**” means the loan to the Borrower pursuant to the Project Loan Documents, which Project Loan is to be assigned to the Fiscal Agent.

“**Project Loan Agreement**” means the Project Loan Agreement dated as of August 1, 2019, among the Borrower, the Governmental Lender and the Fiscal Agent, as such Financing Agreement may from time to time be amended or supplemented.

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

“**Project Note**” means the Project Note, including applicable addenda, to be executed by the Borrower in favor of the Governmental Lender, evidencing the

Borrower's financial obligations under the Project Loan, and to be endorsed by the Governmental Lender, without recourse, to the order of the Fiscal Agent, as the same may be amended, modified, supplemented or restated from time to time.

"Security Instrument" means the Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, together with all riders thereto, securing the Project Note, to be executed by the Borrower with respect to the Project, as it may be amended, modified, supplemented or restated from time to time.

"Servicer" means Citibank, N.A., or any successor Servicer selected by Freddie Mac.

2. Applicability. The provisions of this Rider shall amend and supplement the provisions of, and in the event of a conflict shall supersede the conflicting provisions of, the Regulatory Agreement.

3. Indemnification. Inasmuch as the covenants, reservations and restrictions of the Regulatory Agreement run with the land, the indemnification obligations of the Borrower contained in the Regulatory Agreement will be deemed applicable to any successor in interest to the Borrower, but, it is acknowledged and agreed, notwithstanding any other provision of the Regulatory Agreement to the contrary, that neither the Funding Lender nor any successor in interest to the Funding Lender will assume or take subject to any liability for the indemnification obligations of the Borrower for acts or omissions of the Borrower prior to any transfer of title to Freddie Mac, whether by foreclosure, deed in lieu of foreclosure or comparable conversion of the Project Loan. The Borrower shall remain liable under the indemnification provisions for its acts and omissions prior to any transfer of title to the Funding Lender. The Funding Lender shall indemnify the Governmental Lender following acquisition of the Project by the Funding Lender, by foreclosure, deed in lieu of foreclosure or comparable conversion of the Project Loan, during, and only during, any ensuing period that the Funding Lender owns and operates the Project, provided that the Funding Lender's liability shall be strictly limited to acts and omissions of the Funding Lender occurring during the period of ownership and operation of the Project by the Funding Lender. The Funding Lender shall have no indemnification obligations with respect to the Governmental Note or the Project Loan Documents. The Borrower shall remain liable under the Regulatory Agreement for its actions and omissions prior to any transfer of title to the Funding Lender.

4. Sale or Transfer. Restrictions on sale or transfer of the Project or of any interest in the Borrower, Governmental Lender and/or Fiscal Agent consents, transferee agreements, transferee criteria and requirements, opinion requirements, assumption fees, transfer fees, penalties and the like shall not apply to any transfer of title to the Project to the Funding Lender or to a third party by foreclosure, deed in lieu of foreclosure or comparable conversion of the Project Loan or to any subsequent transfer by the Funding Lender following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Project Loan. No transfer of the Project shall operate to release the Borrower from its obligations under the Regulatory Agreement. Nothing contained in the Regulatory Agreement shall affect any provision of the Security

Instrument or any of the other Project Loan Documents that requires the Borrower to obtain the consent of the Funding Lender as a precondition to sale, transfer or other disposition of, or any direct or indirect interest in, the Project or of any direct or indirect interest in the Borrower, excluding transfers permitted by the Security Instrument. No covenant obligating the Borrower to obtain an agreement from any transferee to abide by all requirements and restrictions of the Regulatory Agreement shall have any applicability to a transfer to the Funding Lender upon foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Project Loan by the Funding Lender, or to any subsequent transfer by the Funding Lender following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Project Loan.

5. Enforcement. Notwithstanding anything contained in the Regulatory Agreement to the contrary: (i) the occurrence of an event of default under the Regulatory Agreement shall not, under any circumstances whatsoever, be deemed or constitute a default under the Project Loan Documents, except as may be otherwise specified in the Project Loan Documents; and (ii) the occurrence of an event of default under the Regulatory Agreement shall not impair, defeat or render invalid the lien of the Security Instrument. No person other than the Funding Lender shall have the right to (a) declare the principal balance of the Project Note to be immediately due and payable or (b) commence foreclosure or other like action with respect to the Security Instrument. The Governmental Lender and the Fiscal Agent acknowledge and agree that the exercise of any rights and remedies under the Regulatory Agreement is subject to the provisions of the Project Loan Documents.

6. Notice of Violations. Promptly upon determining that a violation of the Regulatory Agreement has occurred, the Governmental Lender or the Fiscal Agent shall, by notice in writing to the Borrower, the Servicer and the Funding Lender, inform the Borrower, the Servicer and the Funding Lender that such violation has occurred, the nature of the violation and that the violation has been cured or has not been cured, but is curable within a reasonable period of time, or is incurable; notwithstanding the occurrence of such violation, neither the Governmental Lender nor the Fiscal Agent shall have, and each of them acknowledge that they shall not have, any right to cause or direct acceleration of the Project Loan, to enforce the Project Note or to foreclose on the Security Instrument.

7. Amendments. The Regulatory Agreement shall not be amended without the prior written consent of the Funding Lender.

8. Fees; Penalties. The Funding Lender shall not be liable for the payment of any compensation or any accrued unpaid fees, costs, expenses or penalties otherwise owed by the Borrower or any subsequent owner of the Project prior to the date of acquisition of the Project by the Funding Lender, whether such acquisition is by foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Project Loan.

9. Subordination. The terms, covenants and restrictions of the Regulatory Agreement, other than those set forth in Sections 4, 6 and 27, are and shall at all times remain subject and subordinate, in all respects, to the liens, rights and interests created under the Project Loan Documents.

10. Third-Party Beneficiary. The parties to the Regulatory Agreement recognize and agree that the terms of the Regulatory Agreement and the enforcement of those terms are essential to the security of the Funding Lender and are entered into for the benefit of various parties, including the Funding Lender. The Funding Lender shall accordingly have contractual rights in the Regulatory Agreement and shall be entitled (but not obligated) to enforce, separately or jointly with the Governmental Lender and/or the Fiscal Agent, or to cause the Governmental Lender or the Fiscal Agent to enforce, the terms of the Regulatory Agreement. In addition, the Funding Lender is intended to be and shall be a third-party beneficiary of the Regulatory Agreement.

11. Notices. Copies of all notices under the Regulatory Agreement shall be sent to the Servicer at the address set forth below or to such other address as the Servicer may from time to time designate:

Citibank, N.A.
388 Greenwich Street, Trading 6th Floor
New York, New York 10013
Attention: Transaction Management Group
Re: Wesley Terrace Apartments
Deal ID No. _____
Facsimile: (212) 723-8209

Citibank, N.A.
325 East Hillcrest Drive, Suite 160
Thousand Oaks, California 91360
Attention: Operations Manager/Asset Manager
Re: Wesley Terrace Apartments
Deal ID No. _____
Facsimile: (805) 557-0924

Citibank N.A.
c/o Berkadia Commercial Servicing Department
323 Norristown Road, Suite 300
Ambler, Pennsylvania 19002
Attention: Client Relations Manager
Re: Wesley Terrace Apartments
Deal ID No. _____
Facsimile: (215) 328-0305

Citibank, N.A.
388 Greenwich Street, Trading 6th Floor
New York, New York 10013
Attention: General Counsel's Office
Re: Wesley Terrace Apartments

Deal ID No. _____
Facsimile: (646) 291-5754

Any notice to be given to Freddie Mac shall be sent to Freddie Mac at the address set forth below or to such other address as Freddie Mac may from time to time designate:

Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive, MS B4P
McLean, Virginia 22102
Attention: Multifamily Operations - Loan Accounting
Email: mfla@freddiemac.com
Telephone: (703) 714-4177

with a copy to:

Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive, MS 210
McLean, Virginia 22102
Attention: Managing Associate General Counsel –
Multifamily Legal Division
Email: joshua_schonfeld@freddiemac.com
Telephone: (703) 903-2000

Recording Requested By, and
When Recorded Return To:

Freddie Mac Loan Number: 501919147
Property Name: Wesley Terrace

Katten Muchin Rosenman LLP
2900 K Street, NW
North Tower – Suite 200
Washington, DC 20007
Attention: Michael P. Murphy, Esq.

ASSIGNMENT OF SECURITY INSTRUMENT

(Revised 4-10-2019)

FOR VALUABLE CONSIDERATION, the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body corporate and politic, organized and existing under the laws of the State of California, (“**Assignor**”), having its principal place of business at [], hereby assigns, grants, sells and transfers to [Name of Fiscal Agent], a [] organized and existing under the laws of [] (“**Assignee**”), having its principal place of business at [], and Assignee’s successors, transferees and assigns forever, all of the right, title and interest of Assignor in and to the Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated August [], 2019, entered into by WESLEY TERRACE PARTNERS, LP (“**Borrower**”) for the benefit of Assignor, securing an indebtedness of Borrower to Assignor in the principal amount of \$22,000,000 previously recorded in the land records of [San Diego County, California] at [] (“**Security Instrument**”), which indebtedness is secured by the property described in Exhibit A attached to this Assignment and incorporated into it by this reference.

Together with the Note or other obligation described in the Security Instrument and all obligations secured by the Instrument now or in the future.

IN WITNESS WHEREOF, Assignor has executed this Assignment on August [], 2019,
to be effective as of the date of the Security Instrument.

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

By: _____
Richard C. Gentry
Executive Director

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.	
STATE OF CALIFORNIA COUNTY OF _____	)))
On _____ before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument. I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct. WITNESS my hand and official seal.	
Place Notary Seal Above	_____ Signature of Notary Public

EXHIBIT A

DESCRIPTION OF THE PROPERTY



The City of San Diego
Item Approvals

Item Subject: Final Bond Authorization for Wesley Terrace.

Contributing Department	Approval Date
DOCKET OFFICE	07/08/2019

Approving Authority	Approver	Approval Date
HOUSING COMMISSION FINAL DEPARTMENT APPROVER	MARSHALL, SCOTT	07/03/2019
EXECUTIVE VICE PRESIDENT	DAVIS, JEFF	07/08/2019
CITY ATTORNEY	MIDDAUGH, MARGUERITE	07/16/2019