



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

DATE ISSUED: December 3, 2019

REPORT NO: HAR20-002

ATTENTION: Chair and Members of the Housing Authority of the City of San Diego
For the Agenda of January 28, 2020

SUBJECT: Final Bond Authorization for East Block Family Apartments

COUNCIL DISTRICT: 9

REQUESTED ACTION

Authorize the issuance of up to \$24,000,000 of Housing Authority of the City of San Diego Multifamily Housing Revenue Bonds to fund the acquisition and new construction of East Block Family Apartments, which will consist of 77 units that will remain affordable for 55 years and one manager’s unit, to be located at 4340 44th Street, San Diego, California 92115.

STAFF RECOMMENDATION

That the Housing Authority of the City of San Diego (Housing Authority) authorize the issuance of up to \$24,000,000 in tax-exempt Multifamily Housing Revenue Bonds to facilitate Fairmount Family CIC L.P.’s new construction of East Block Family Apartments, which will consist of 77 units that will remain affordable for 55 years and one manager’s unit, to be located at 4340 44th Street, San Diego, California 92115.

SUMMARY

A Development Summary is at Attachment 1.

Table 1 - Development Details

Address	4340 44 th Street, San Diego, 92115
Council District	9
Developer	Chelsea Investment Corporation
Community Plan Area	Mid-City Kensington-Talmadge
Development Type	New Construction
Construction Type	Type III; five-story building
Parking Type	Semi-subterranean parking with 78 spaces
Housing Type	Affordable Family
Lot Size	0.85 Acres; 36,950 square feet
Units	78
Density	92 dwelling units per acre (78 units ÷ .85 acres)
Unit Mix	32 two-bedroom units, 45 three-bedroom units and 1 two-bedroom manager’s unit
Gross Building Area	103,708 Gross building square feet
Net Rentable Area	69,750 Net rentable square feet

The Development

East Block Family Apartments (East Block Family) is a proposed five-story, new construction, affordable rental housing development located in the Kensington-Talmadge neighborhood (Attachment 2 - Site Map). East Block Family will provide 77 two- and three-bedroom affordable rental units for families with income ranging from 50 percent to 60 percent of San Diego's Area Median Income (AMI). Also, the development will have one two-bedroom manager's unit. The proposed development is part of the mixed-use, East Block Collaborative that will include East Block Family, East Block Senior Apartments, future commercial, and a private community plaza. The East Block Senior affordable housing component and the future commercial project are not a part of the actions associated with this request for tax-exempt bond financing. The proposed two residential developments will have separate ownership and separate bond issuances that will close simultaneously.

East Block Family and East Block Senior Apartments will be two contiguous five-story buildings to be built over a shared semi-subterranean parking structure. Prior to escrow closing, a condominium map will be recorded to document the separation of three parcels: one for family affordable housing, one for senior affordable housing, and one for a future commercial parcel. Site amenities will include: secured building access, elevator, community room, laundry facilities, community garden, outdoor barbecue, picnic area, and a children's play structure. Unit amenities will include: refrigerator, electric appliances, central heating, cable television/phone connection, and pre-wired internet.

The Property

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

Appraisal

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

Prevailing Wages

Prevailing wages are applicable because the project is proposing to use state or federal financing that requires prevailing wages.

Relocation

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

Accessibility

The California Tax Credit Allocation Committee (TCAC) requires wheelchair accessibility in 10 percent of the units, and 4 percent of the units accessible to residents with visual and/or hearing impairment having communication features. The same units can satisfy both of these accessibility requirements. The development will include Universal Design features.

Project Sustainability

East Block Family Apartments will be constructed in conformance with TCAC's minimum energy efficiency standards.

Development Team

Fairmount Family Housing CIC, L.P. is a partnership between Chelsea Investment Corporation (CIC) and Price Philanthropies Foundation. Price Philanthropies Foundation is a private family foundation founded in

1982 that aims to improve life opportunities for youth and families. CIC is an award-winning, for-profit corporation headquartered in Carlsbad, California. Established in 1992, CIC specializes in the financing and development of affordable housing. CIC has developed approximately 9,700 affordable housing units since 1995 in California and Arizona. East Block Family Apartments will be owned by Fairmount Family Housing CIC, L.P., a California limited partnership (a single-asset limited partnership) that will include: CIC Fairmount Family Housing, LLC as the administrative general partner; Fairmount and El Cajon Realty, LLC as the nonprofit managing general partner; and a to-be-determined tax-credit investor limited partner. CIC has substantial development experience in a wide range of housing developments. CIC has developed multiple affordable rental housing developments in the City of San Diego and previously has received San Diego Housing Commission (Housing Commission) loan funds. CIC is in full compliance on its previous Housing Commission funded loans. Based upon the developer’s past experience and performance, Housing Commission staff has determined that the developer has the capacity to successfully complete the proposed East Block Family Apartments development. For the proposed borrower’s ownership structure, an organizational chart is at Attachment 3.

Table 2 Development Team Summary

ROLE	FIRM/CONTACT
Developer	Chelsea Investment Corporation
Limited Partnership	Fairmount Family Housing CIC, L.P.
Managing General Partner	Fairmount and El Cajon Realty, LLC
Administrative General Partner	CIC Fairmount Family Housing, LLC
Tax Credit Investor Limited Partner	US Bancorp Community Development Corporation
Architect	Rob Wellington Quigley, FAIA
General Contractor	Emmerson Construction, Inc.
Property Management	CIC Management, Inc.
Construction Lender	US Bank National Association
Permanent Lender	California Bank and Trust

FINANCING STRUCTURE

East Block Family Apartments has an estimated total development cost of \$41,410,100 (\$530,899/unit). Financing will include a combination of sources, including tax-exempt Multifamily Housing Revenue Bonds, federal 4 percent tax credits, County of San Diego loan funds, and a developer contribution. No Housing Commission loan proceeds will be provided to this development. Estimated permanent financing sources and uses are provided in Table 3. The developer’s project pro forma is provided as Attachment 4.

Table 3 – Estimated Permanent Sources and Uses

Financing Sources	Amounts	Financing Uses	Amounts	Per Unit
Permanent loan (bond financed)	\$12,890,000	Property acquisition	\$10,000	\$128
Loan from nonprofit	\$5,000,000	Construction costs \$26,726,200 Contingency +1,336,300 Total construction \$28,062,500	\$28,062,500	\$359,776
County of San Diego Innovative Housing Trust Fund	\$4,500,000	Financing costs	\$2,169,900	\$27,819
Developer’s equity contribution	\$2,685,200	Developer’s fee	\$5,185,000	\$66,474
Residual receipts loan accrued interest	\$525,000	Other soft costs	\$5,679,600	\$72,815
Four percent tax credit equity	\$15,809,900	Reserves	\$303,100	\$3,886
Total Development Cost	\$41,410,100	Total Development Cost (TDC)	\$41,410,100	\$530,899

Developer Fee

\$5,185,000 – gross developer fee
 - 2,685,200 – minus residual receipts accrued interest
 \$2,499,800 – net cash developer fee

The net cash developer fee is estimated to be \$2,499,800. On April 25, 2017, the Housing Authority approved the “Request for Approval of Updated Developer Fees” (Report No. HAR 17-011; Resolution No. HA-1727). That report approved certain developer fee guidelines for multifamily loans and bonds issuances. Attachment 1 to that report stated: “Developer fee for 4% tax credits: in project costs 15% of eligible basis....” The developer’s proposed developer fee complies with HAR17-011. The fee proposed is consistent with the Request for Approval of Updated Developer Fees (HAR17-011) approved by the Housing Authority on April 25, 2017.

Development Cost Key Performance Indicators

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

Table 4 – Key Performance Indicators

Development Cost Per Unit	\$41,410,100 ÷ 78 units =	\$530,899
Housing Commission Subsidy Per Unit	\$0 ÷ 78 units =	\$0
Acquisition Cost Per Unit	\$10,000 ÷ 78 units =	\$128
Gross Building Square Foot Hard Cost	\$28,062,500 ÷ 103,708 sq. ft. =	\$271
Net Rentable Square Foot Hard Cost	\$28,062,500 ÷ 69,750 sq. ft. =	\$402

Project Comparison Chart

Multiple factors and variables influence the cost of developing multifamily affordable housing, including but not limited to project location, site conditions, site improvements needed, environmental factors, land use approval process, community involvement, construction type, design requirements/constraints, economies of scale, City impact fees, developer experience and capacity, 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 Development Projects

Project Name	Year	Unit Mix	Units	Prevailing Wage	Total Development Cost	Cost Per Unit	HC Subsidy Per Unit	Gross Hard Cost Sq. Ft.
East Block Family	2019	33 twos, 44 threes, +1 mgr	78	Yes	\$41,410,100	\$530,899	\$0	\$271
Keeler Court	2019	10 studios, 20 ones, 18 twos, 22 threes, + 1 mgr	71	Yes	\$35,692,466	\$502,711	\$0	\$262
Bluewater (Fairmount Family Housing)	2017	32 ones, 23 twos, 24 threes, + 1 mgr	80	No	\$32,174,500	\$402,182	\$158,356	\$218
Luna at PHR	2017	14 ones, 39 twos, 20 threes, 4 fours, + 1 mgr	79	No	\$25,725,152	\$376,268	\$0	\$185

TAX EXEMPT MULTIFAMILY HOUSING REVENUE BONDS

Proposed Housing Bonds Financing

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

On August 16, 2019, an application was submitted to CDLAC for a bond allocation of up to \$24,000,000. On October 16, 2019, CDLAC approved the \$24,000,000 bond allocation, and TCAC approved an allocation of 4 percent tax credits. The developer proposes that the bonds be issued through a tax-exempt private placement bond issuance. The bonds will meet all requirements of the Housing Commission’s Multifamily Housing Revenue Bond Program policy and will fully comply with the City of San Diego’s (City) ordinance on bonds disclosure. The 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 ordinance on bonds disclosure.

The Bonds amount that will ultimately be set will be based upon development costs, revenues and interest rates prevailing at the time of the Bonds issuance. The Bonds proceeds will be used for both construction financing and permanent financing. A general description of the Multifamily Housing Revenue Bond Program and the actions that must be taken by the Housing Authority and by the City Council to initiate and finalize proposed financings are described in Attachment 5.

Public Disclosure and Bond Authorization

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

Financial Advisor’s Recommendation

Quint & Thimmig LLP will be the bond counsel. CSG Advisors will be the bond financial advisor. The financial advisor’s analysis and recommendation (Attachment 6) will be provided to the Housing Commission Board of Commissioners on or before November 15, 2019.

AFFORDABLE HOUSING IMPACT

Under the proposed bond financing, East Block Family Apartments would have 77 units restricted to households with income between 50 and 60 percent of San Diego Area Median Income (AMI). The affordable units will be restricted for a 55-year term. Table 6 summarizes the affordability.

Table 6 Affordability and Monthly Estimated Rent Table

Unit Type	AMI	Number of Units	TCAC Gross Rents
2 Bedroom	50%	3	\$1,203
2 Bedroom	60%	29	\$1,444
3 Bedroom	50%	5	\$1,391
3 Bedroom	60%	40	\$1,669
Subtotal	--	77	--
3 Bedroom Manager	--	1	--
		78	

Development Schedule

The estimated development timeline is as follows:

Milestones	Estimated Dates
• Housing Authority consideration of final bonds	• December 10, 2019
• Estimated bond issuance and escrow closing	• December 2019
• Start of construction work	• December 2019
• Completion of construction work	• December 2021

FISCAL CONSIDERATIONS

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

Funding sources approved by this action will be as follows:

Bond Issuance Fees = \$60,000 (\$24,000,000 x .0025)

Funding uses approved by this action will be as follows:

Administration Costs = \$60,000

There are no fiscal impacts to the Housing Commission, or to the City of San Diego, or to the Housing Authority associated with the requested bond actions. The bonds/note will not constitute a debt of the City of San Diego. If the bonds/note is ultimately issued for the project, the bonds/note will not financially obligate the City, the Housing Authority, or the Housing Commission because security for the repayment of the bonds/note will be limited to specific private revenue sources. Neither the faith and credit nor the taxing power of the City, nor the faith and credit of the Housing Authority will be pledged to the payment of the bonds/note. The developer is responsible for the payment of all costs under the financing, including the Housing Commission Bond Counsel and Financial Advisor fees. Additionally the developer is responsible for payment of the Housing Commission's .0025 bond amount issuer fee (estimated at \$60,000 with a \$24,000,000 bond issue) and the Housing Commission's annual administrative fee (estimated at \$16,100) with an estimated \$12,880,000 outstanding bonds amount at permanent financing conversion.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

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

KEY STAKEHOLDERS and PROJECTED IMPACTS

Stakeholders include CIC as the developer, Price Philanthropies Foundation as the nonprofit partner, the Housing Authority as bond issuer, and the Mid-City Kensington-Talmadge neighborhood. The project is anticipated to have a positive impact on the community, as it will contribute to the quality of the surrounding neighborhood and create 77 new affordable rental homes for low-income families.

STATEMENT FOR PUBLIC DISCLOSURE

The Developer Disclosure Statement is provided at Attachment 7

ENVIRONMENTAL REVIEW

On December 19, 2017, the City of San Diego, as Lead Agency, through the Development Services Department, made and issued an environmental determination that the project is exempt from the California Environmental Quality Act (CEQA) (Public Resources Code section 21000 et. seq.) under CEQA Guidelines Section 15305; and there was no appeal of the environmental determination filed within the time period provided by the San Diego Municipal Code (SDMC) section 112.0520. Processing under the National Environmental Policy Act (NEPA) is not required as no federal funds are involved in this action.

Respectfully submitted,



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

Approved by,



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

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

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

ATTACHMENT 1 - DEVELOPMENT SUMMARY

Table 1 - Development Details

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Council District	9
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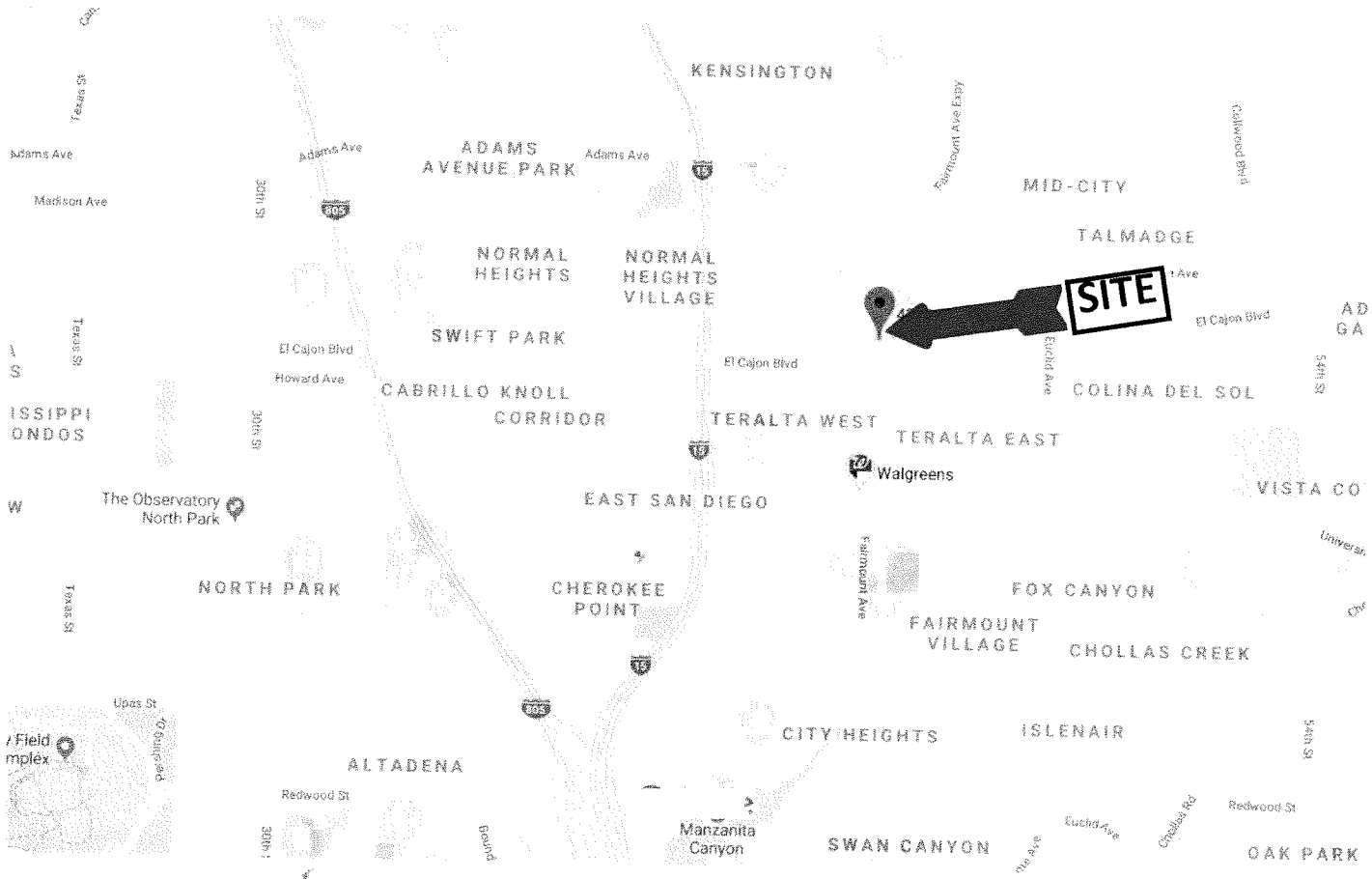
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Table 6 Affordability and Monthly Estimated Rent Table

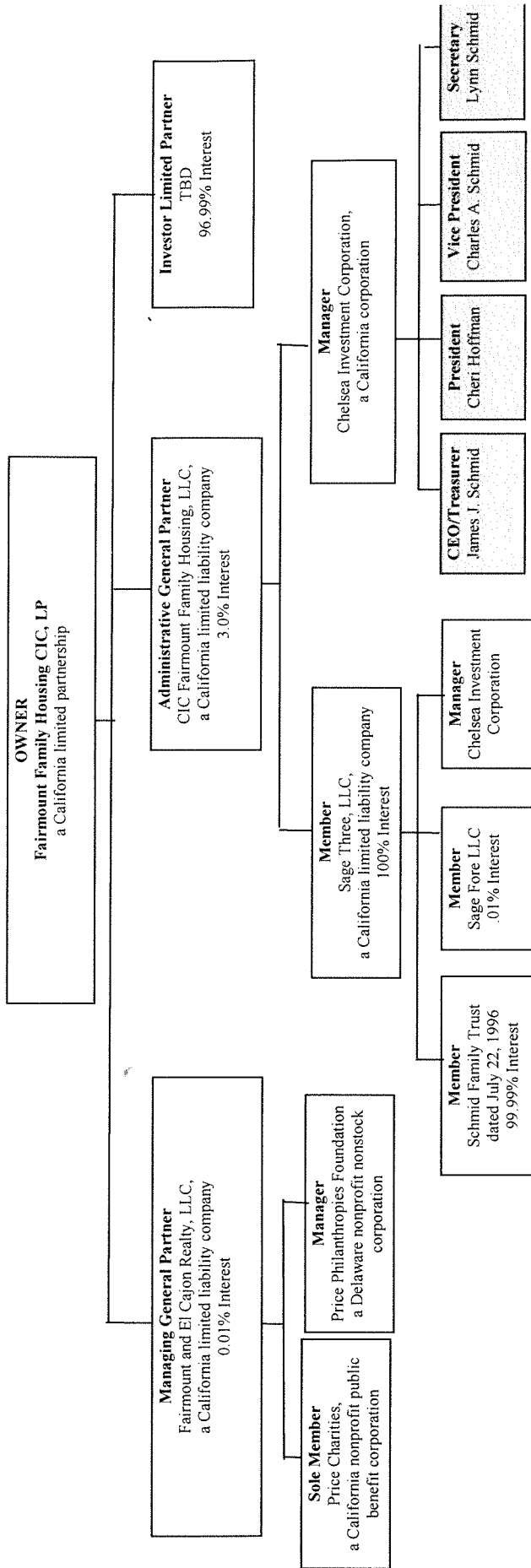
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Subtotal	--	77	--
3 Bedroom Manager	--	1	--
		78	

ATTACHMENT 2 – SITE MAP



ATTACHMENT 3 – ORGANIZATION CHART

EAST BLOCK FAMILY APARTMENTS



ATTACHMENT 4 – DEVELOPER’S PROJECT PRO FORMA

PROJECT SUMMARY

East Block 78 unit Family
10/1/2019



SOURCES AND USES SUMMARY

Development Costs	10	0	10
Acquisition			
Land Cost	\$0/unit		
Entitlements	\$0/unit		
Subtotal Acquisition			
Hard Costs			
Design Assist	\$0/unit	317,919	
Offices	\$4,076/unit		
Sitework	\$7,235/unit	565,896	
Parking	\$48,554/strall	3,787,183	
Commercial	\$150,009/sf		
Vertical Construction Costs	\$231,925/unit	18,090,165	
GC Contingency	\$9,754/unit	682,835	
Overhead, Profit, General Conditions	\$42,075/unit	3,282,160	
Owner Hard Costs Contingency	\$17,132/unit	1,336,308	
Subtotal Hard Costs		\$359,775/unit	28,062,465
A&E			
Financing Fees and Interest	\$21,983/unit	1,714,640	
Legal Fees	\$42,386/unit	3,306,081	
Reserves	\$3,397/unit	265,000	
Development Impact and Permit Fees	\$3,757/unit	293,155	
Developer Fee	\$27,508/unit	2,145,629	
Remaining Development Soft costs	\$68,454/unit	5,183,393	
Owner Soft Costs Contingency	\$5,772/unit	450,102	
Subtotal Soft Costs		\$173,299/unit	13,517,216
Total Development Costs		\$533,073/unit	41,579,682
Cash Developer Fee		2,500,000	
Sources			
Federal LIHTC Equity	38%	15,953,799	
State LIHTC Equity	0%	0	
Developer's Equity Contribution	6%	2,683,393	
Permanent Loan (Tranche A)	31%	12,880,000	
Land Donation	0%	0	
Deferred Developer Fee	0%	0	
Nonprofit loan	12%	5,000,000	
IHTF	11%	4,500,000	
		\$57,692/unit	
Residual Receipt Loans Accrued Interest	1%	562,500	
Total Development Sources	100%	41,579,692	

FINANCING ASSUMPTIONS

Equity	Completion	Conversion	8,609
Equity Pay In	0%	92%	2%
Closing	6%		\$ 0.9950
Federal Tax Credit Price			
4% Credit Rate			3.20%
LP Interest			96.99%
10 Yr Federal Tax Credits			16,531,569
Debt			
Oper. Exp./Unit/Year			5,472
Services/Unit/Year			256
Replacement Reserves/Unit/Year			375
Vacancy Rate			5.00%
DCR			1.15
Perm Loan Amort			35
Interest Rate - Permanent Loan			4.00%
Interest Rate - Construction Loan			4.50%
Tax-Exempt Bonds - Construction/Perm			12,890,000
Tax-Exempt Bonds - Construction			11,110,000
Taxable tail			2,845,235
Total Construction Loan			26,845,235
Bond Inducement			24,000,000
Tax Credit Considerations			
DDA/QCT Boost			130%
50% Test			67.55%
Housing Set Aside			large family
Prevailing Wage (State, Federal, Both):			No

PRELIM DEVELOPMENT PROGRAMMING SUMMARY

City:	San Diego
MSA:	San Diego
4 Person 50% AMI:	
Site (acres):	Type III
Construction Type:	5
No. of Stories:	Podium
Parking Type:	78
No. of Stalls:	Pkg garage podium shared with senior project
Extraordinary Cond:	25,081
Impact Fees per Unit:	4% TCs
Financing Sources:	

PROJECT UNIT & INCOME MIX

AMI Sq. Ft.	Studio	1BR	2BR	3BR	Totals
UA	380	520	750	1,000	69,750
UA	\$0	\$0	\$75	\$99	
60%	0	0	29	40	69
55%	0	0	0	0	0
50%	0	0	3	5	8
45%	0	0	0	0	0
40%	0	0	0	0	0
35%	0	0	0	0	0
30%	0	0	0	0	0
Mgr.	0	0	1	0	1
Totals	0	0	33	45	78

Tax Credit Allocation	10/16/19
Construction Begin - Initial Closing	1/1/20
Construction Complete	12/1/21
Lease Up Complete	3/1/22
Conversion/Stabilization	7/1/22
8609	10/1/22

PROJECTED SOURCES AND USES OF FUNDS

East Block 78 unit Family
43,739

	Pre-Dev	Construction Period					Quarter 8 10%	Construction Subtotal	Stabilization Ems	Conversion	8609	Total
		Close	Quarter 1 5%	Quarter 2 5%	Quarter 3 10%	Quarter 4 15%						
SOURCES OF FUNDS												
Federal LIHTC Equity	0						957,228			14,677,495	319,076	15,953,799
State LIHTC Equity												
Developer's Equity Contribution										2,663,393		2,663,393
Construction Loan	1,349,825		3,554,967	2,580,697	3,566,726	3,690,915	4,737,228	4,792,333	2,572,525	(25,491,425)	12,880,000	12,880,000
Permanent Loan (Tranche A)										(0)		(0)
Deferred Developer Fee												
HTF												
Nonprofit Loan							4,500,000					4,500,000
Residual Receipt Loans Accrued Interest							3,000,000					3,000,000
Total Sources of Funds	1,349,825	56,250	3,611,217	2,658,947	3,622,976	3,747,185	4,793,478	4,848,563	2,572,525	112,500	4,749,463	41,579,692
		56,250	3,611,217	2,658,947	3,622,976	3,747,185	4,793,478	4,848,563	2,572,525	112,500	4,749,463	41,579,692
USES OF FUNDS												
ACQUISITION												
Land Cost	0											
Legal & Carrying Costs												
Verifiable Carrying Costs												
Basis Eligible Acquisition Cost/Entitlement												
Other Closing Costs												
Total Land / Acquisition	0											
NEW CONSTRUCTION												
Design Assist												
Off-site Improvements												
Commercial												
Site Work												
Parking Garage												
Vertical												
General Contingency												
GC Requirements												
Contractor Overhead												
Contractor Profit												
Contractor General Liability Insurance												
Other:												
Total New Construction		3,880,321	3,507,020	2,345,639	3,186,221	3,186,221	4,248,294	4,248,294	2,124,147		26,726,168	26,726,168
ARCHITECTURAL (incl in NC)												
Building	999,210	9,992	9,992	19,984	29,976	29,976	39,968	39,968	19,984		1,332,280	1,332,280
Landscape	26,250	263	263	525	788	788	1,050	1,050	525		35,000	35,000
Energy Consultant	37,500	375	375	750	1,125	1,125	1,500	1,500	750		50,000	50,000
Other: Acoustic Study	4,250										4,250	4,250
Other: Traffic Study	4,800										4,800	4,800
Other:												
Total Architectural	1,072,010	10,630	10,630	21,259	31,869	31,869	42,518	42,518	21,259		1,426,330	1,426,330
SURVEY & ENGINEERING												
Civil including ALTA	80,640	1,152	1,152	2,304	3,456	3,456	4,608	4,608	2,304		115,200	115,200
ALTA												
Staking												
Structural Testing												
Soils												
Other: Phase I, CASP, dry utility												
Other:												
Total Survey & Engineering	80,640	1,152	1,152	2,304	3,456	3,456	4,608	4,608	2,304		115,200	115,200
CONTINGENCY COSTS												
Hard Cost Contingency												
Soft Cost Contingency												
Total Contingency												
CONSTRUCTION PERIOD EXPENSES												
Construction Loan Interest												
Soft Notes Interest												
C Bond Interest												
Origination Fee												
Credit Enhancement & Application Fee												
Owner Paid Bonds												
Taxes During Construction												
Other: Application Fee												
Insurance During Construction												
Title and Recording Fees												
Construction Mgmt. and Monitoring												
Predevelopment Loan Interest												
Other: Engineering/Planning services and review												
Total Construction Period Expense												

PROJECTED SOURCES AND USES OF FUNDS

East Block 78 unit Family
43,739

	Pre-Dev	Construction Period					Construction Subtotal	Stabilization Amos	Conversion	8609	Total				
		Close	Quarter 1 5%	Quarter 2 5%	Quarter 3 10%	Quarter 4 15%						Quarter 5 15%	Quarter 6 20%	Quarter 7 20%	Quarter 8 10%
PERMANENT FINANCING EXPENSES															
104 Loan Origination Fees											10,000				
105 Credit Enhancement & Application Fee											7,500				
106 Title and Recording Fees											50,000				
107 Property Taxes											95,593				
108 Insurance											50,000				
109 Other: Issuer Fee		63,729				63,729	31,864				50,000				
110 Other: Financial Advisor		50,000				50,000					50,000				
111 Total Permanent Financing		113,729				113,729	31,864				213,093				
LEGAL FEES															
112 Construction Lender Legal						60,000					60,000				
113 Permanent Lender Legal (Citi sub loan)								7,500			7,500				
114 Sponsor Legal						62,500					62,500				
115 Organizational Legal						50,000					50,000				
116 Other Legal (Issuer Legal, Bond Counsel)						60,000					60,000				
117 Other: GP Legal						25,000					25,000				
118 Total Legal Fees		257,500				257,500		7,500			265,000				
CAPITALIZED RESERVES															
119 Operating Reserve															
120 Replacement Reserve															
121 Rent-up Reserve															
122 Transition Reserve (2 years)															
123 Other: Prepaid HOA															
124 Other: Capitalized LP Fee															
125 Total Reserves											293,026				
REPORTS & STUDIES															
126 Market Study		10,000				10,000					10,000				
127 Relocation Plan and Consulting															
128 Appraisal		10,000				10,000					10,000				
129 Environmental		7,500				7,500					7,500				
130 Other: Lender Deposit															
131 Other: Investor Deposit															
132 Other: Soils Report															
133 Other: Phase I															
134 Total Reports & Studies		27,500				27,500					27,500				
OTHER															
135 TCAC App./Alloc/Monitoring Fees		18,532				18,532					18,532				
136 CD/LAC/CDIAC Fees		6,500				6,500					6,500				
137 Local Permit Fees		85,360				85,360					85,360				
138 Local Development Impact Fees		1,956,329				1,956,329					1,956,329				
139 Legal and Financial Review		100,000				100,000					100,000				
140 Syndicator/Investor Fees & Expenses															
141 Furnishings						100,000					100,000				
142 Final Cost Audit Expense											15,000				
143 Marketing											8,000				
144 MGP Services Fee						80,000					80,000				
145 SDHC Ap. Orig. Servicing, Legal, Const Review		25,000				25,000					25,000				
146 Accounting/Finance/Admin		4,000				4,000					4,000				
147 Other: CPA Opinion															
148 Bond Performance Deposit															
149 Total Other Costs		2,195,721				2,502,661					2,558,231				
DEVELOPER COSTS															
150 Developer Fee		750,000				750,000					750,000				
151 Consultant/Processing Agent															
152 Project Administration															
153 Syndication Consultant															
154 Guarantee Fees															
155 Broker Fees Paid to Related Party															
156 Construction Oversight & Mgmt															
157 Total Developer Costs		750,000				750,000					750,000				
Total Uses of Funds	1,349,825	4,144,937	4,178,996	3,800,762	2,636,947	3,622,976	3,747,185	4,793,478	4,844,583	2,628,775	35,752,463	758,690	4,748,333	319,076	41,579,562

OPERATING BUDGET & INCOME ANALYSIS

East Block 78 unit Family

Rent:	Restriction	%AMI	Units	Square Feet/Unit	Total Sq. Ft.	Gross Rents	Utility Allowance	Monthly Net Rent	Annual Rent
2BR/1BA	LIHTC	60%	29	750	21,750	\$ 1,444	\$ 75	\$ 1,369	\$ 476,238
2BR/1BA	LIHTC	50%	3	750	2,250	\$ 1,203	\$ 75	\$ 1,128	\$ 40,599
2BR/1BA	LIHTC	40%	0	750	0	\$ -	\$ 75	\$ -	\$ -
2BR/1BA	LIHTC	30%	0	750	0	\$ -	\$ 75	\$ -	\$ -
3BR/2BA	LIHTC	60%	40	1,000	40,000	\$ 1,669	\$ 99	\$ 1,570	\$ 753,696
3BR/2BA	Bond	50%	5	1,000	5,000	\$ 1,337	\$ 99	\$ 1,238	\$ 74,280
3BR/2BA	LIHTC	40%	0	1,000	0	\$ -	\$ 99	\$ -	\$ -
3BR/2BA	LIHTC	30%	0	1,000	0	\$ -	\$ 99	\$ -	\$ -
2BR/1BA	LIHTC	MGR	1	1,000	1,000	\$ -	\$ -	\$ -	\$ -
					0	\$ -	\$ -	\$ -	\$ -
Total Rents					78	70,000			1,344,813
Community Room/Office					2,750				
Commercial Space					3,200				
% Loss to Efficiency					3%	2,700			
Construction Square Feet						78,650			
Income from Operations									
PUPM									
Laundry				\$ 16.00					14,976
Other Income (App. Fees, Late, etc.)				\$ 4.00					3,744
Garage				\$ -			0 Garages		0
Cable & Highspeed Data Income				\$ -					0
Telephone Income				\$ -					0
Sub-Total				\$ 20.00					1,363,533
Less: Vacancies @				5%					68,177
Commercial Income									0
Less: Vacancies @				25%					0
Total Income									1,295,356
Operating Expenses									
PUPA									
Admin				\$ 527					41,106
Management Fee				\$ 600					46,800
Utilities				\$ 1,268					98,904
Payroll				\$ 1,424					111,072
Repair & Maintenance				\$ 1,162					90,636
Insurance				\$ 190					14,820
Taxes				\$ 51					4,000
HOA				\$ 250					19,500
Total Expenses				\$ 5,472					426,838
Net Operating Income									868,518
Reserves				\$375.00/unit	\$375 if IHTF				29,250
Services				\$256/unit					20,000
Issuer and Monitoring Fees				0.125% add \$4k if IHTF					31,663
Mandatory Debt Service				0.420%					0
Net Income Available for Debt Service									787,606
									DSC TEST
									1.15

Loan Sizing	Tranche A	Tranche B	Tranche C
Loan Amount	12,880,000	0	0
Interest	4.00%	4.00%	4.00%
Term	15	35	35
Amortization	35	35	35
Debt Service Coverage	1.15	1.15	1.15
Monthly Payment	57,029	0	0
Annual Payment	684,353	0	0
Cash Flow After D/S	103,253	787,606	

TAX CREDITS & BASIS CALCULATION
 East Block 76 unit Family

DESCRIPTION OF COSTS	ACTUAL OR EST. OF COSTS	70% ELIGIBLE BASIS	30% ELIGIBLE BASIS
ACQUISITION			
Acquisition Costs	\$ 10	XXXXXX	XXXXXX
Demolition		XXXXXX	XXXXXX
Lease & Carrying Costs		XXXXXX	XXXXXX
Land Lease Rent Prepayment		XXXXXX	XXXXXX
Verifiable Carrying Costs		XXXXXX	XXXXXX
Existing Improvement Costs		XXXXXX	XXXXXX
Other: Closing Costs	\$ 10,000	XXXXXX	XXXXXX
TOTAL LANDACQUISITION COSTS	\$ 10,010	\$	\$
REHABILITATION			
On-Site Improvements			
Environmental Remediation			
Structures			
General Requirements			
Contractor Overhead			
Contractor Profit			
Contractor General Liability Insurance			
Other:			
TOTAL REHABILITATION COSTS	\$	\$	\$
RELOCATION			
Temporary Relocation			
Relocation Expenses			
TOTAL RELOCATION COSTS	\$	\$	\$
NEW CONSTRUCTION			
Design Assesf	\$ 317,919		
Off-site Improvements			
Commercial			
Site Work	\$ 565,896		
Parking Garage	\$ 3,787,183		
Vertical	\$ 18,848,161		
Craneability	\$ 645,835		
General Requirements	\$ 1,406,640		
Contractor Overhead	\$ 488,880		
Contractor Profit	\$ 1,406,640		
Contractor General Liability Insurance			
Other:			
TOTAL CONSTRUCTION	\$ 26,726,158	\$	\$ 26,726,158
ARCHITECTURAL FEES			
Building	\$ 1,332,280		
Landscaping	\$ 1,000		
Energy Consultant	\$ 50,000		
Other: Geotech Study	\$ 4,250		
Other: Traffic Study	\$ 4,800		
Other:			
TOTAL ARCHITECTURAL COSTS	\$ 1,428,330	\$	\$ 1,428,330
SURVEY & ENGINEERING			
Civil including ALTA	\$ 115,200		
ALTA			
Staking	\$ 28,800		
Structural Testing	\$ 43,200		
Soils	\$ 46,560		
Other: Phase I, CASP, dry utility	\$ 54,550		
Other:			
TOTAL SURVEY & ENGINEERING	\$ 266,310	\$	\$ 266,310
CONTINGENCY COSTS			
Hard Cost Contingency	\$ 1,336,308		
Soft Cost Contingency	\$ 159,217		
TOTAL CONTINGENCY COSTS	\$ 1,495,524	\$	\$ 1,495,524
CONSTRUCTION PERIOD EXPENSES			
Construction Loan Interest	\$ 1,874,535		
Soft Loan Interest	\$ 562,500		
C Bond Interest			
Origination Fee	\$ 268,452		
Credit Enhancement & Application Fee			
Owner Paid Bonds			
Lender Inspection Fees	\$ 60,000		
Taxes During Construction	\$ 7,300		
Revolving Charge Financing			
Interest on Construction Loan	\$ 175,000		
Title and Recording Fees	\$ 40,000		
Construction Management & Testing			
Predevelopment Loan Interest			
Other: Engineering/Planning services and review	\$ 105,000		
Other:			
TOTAL CONSTRUCTION PERIOD EXPENSE	\$ 3,092,988	\$	\$ 3,092,988
PERMANENT FINANCING EXPENSES			
Construction Loan Origination Fee	\$ 10,000		
Credit Enhancement & Application Fee			
Title and Recording Fees	\$ 7,500		
Property Taxes			
Insurance	\$ 50,000		
Other: Issuer Fee	\$ 95,593		

Other Financial Advisor	\$	50,000	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
TOTAL PERMANENT FINANCING COSTS	\$	219,899	\$	-
LEGAL FEES				
Construction Lender Legal	\$	60,000	\$	60,000
Permanent Lender Legal	\$	7,500	XXXXXXXXXXXXXX	
Sponsor Legal	\$	62,500	\$	62,500
Organizational Legal	\$	50,000	XXXXXXXXXXXXXX	
Bond Legal	\$	60,000	XXXXXXXXXXXXXX	
CPA Opinion	\$	-	\$	-
Other GP Legal	\$	25,000	\$	25,000
TOTAL LEGAL	\$	265,000	\$	147,500
CAPITALIZED RESERVES				
Operating Reserve	\$	293,155	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Replacement Reserve	\$	-	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Relieup Reserve	\$	-	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Transition Reserve	\$	-	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Other Prepaid HOA	\$	-	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Other Capitalized LP Fee	\$	-	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
TOTAL RESERVE COSTS	\$	293,155	\$	-
REPORTS & STUDIES				
Appraisal	\$	10,000	\$	10,000
Market Study	\$	-	\$	-
Physical Needs Assessment	\$	10,000	\$	10,000
Environmental Studies	\$	7,500	\$	7,500
Other Lender Deposit	\$	-	\$	-
Other Investor Deposit	\$	-	\$	-
Other Sells Report	\$	-	\$	-
Other Phase I	\$	-	\$	-
TOTAL REPORTS & STUDIES	\$	27,500	\$	27,500
OTHER EXPENSES				
TOC/CM/CMAR/Marketing Fees	\$	50,100	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
COLAC/DIAC Fees	\$	6,500	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Local Permits Fees	\$	189,300	\$	189,300
Local Development Impact Fees	\$	1,956,329	\$	1,956,329
Legal and Financial Review	\$	100,000	\$	100,000
Syndicator/Investor Fees & Expenses	\$	-	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Furnishings	\$	100,000	\$	100,000
Final Cost Audit Expense	\$	15,000	\$	15,000
Marketing	\$	88,000	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
MGP Services Fee	\$	-	\$	-
Struct/As-Built Servicing Legal Const Review	\$	25,000	\$	25,000
Construction Admin	\$	20,000	\$	20,000
Other CPA Opinion	\$	-	\$	-
Other	\$	-	\$	-
TOTAL OTHER COSTS	\$	2,558,231	\$	2,413,629
DEVELOPER COSTS				
Developer Fee Limit - Per Application	\$	2,500,000	\$	2,500,000
Developer Fee Calculation	\$	5,183,393	\$	5,183,393
Developer Fee	\$	5,183,393	\$	5,183,393
Consultants/Processing Agent	\$	-	\$	-
Project Administration	\$	-	\$	-
Special Consultant	\$	-	\$	-
Guarantee Fees	\$	-	\$	-
Broker Fees Paid to Related Party	\$	-	\$	-
Construction Oversight & Mgmt	\$	-	\$	-
TOTAL DEVELOPER FEE	\$	5,183,393	\$	5,183,393
TOTAL RESIDENTIAL COSTS	\$	41,578,682	\$	39,739,348
TOTAL COMMERCIAL COSTS	\$	-	\$	-
TOTAL PROJECT AND BASIS COSTS	\$	41,578,682	\$	39,739,348

Adjustment for Excess Basis	\$	-	\$	-
Additional Amount Voluntarily Excluded From Basis	\$	-	\$	-
Requested Unadjusted Eligible Basis	\$	-	\$	39,739,348
10% DIFFICULT DEVELOPMENT FACTOR?	Tract #	Net Avail.	y	\$
Credit Reduction				3.97%
Total Adjusted Qualified Basis				\$
TX CREDITS @ % LI Eligible @ TX Credit RT	100.00%	\$	3.20%	3.20%
TX CREDITS @ % LI Eligible		\$		1,653,157
TX CREDITS OVER TEN YEARS		\$		16,531,569

TX CREDIT EQ Y@Y Credit @ Investment	\$	0.9950	96.99%	\$	15,953,799
State Tax Credits - 10% of Eligible Basis & Over 4 Yrs	\$	0.00%	15.00%	\$	-
State Tax Credits Equity	\$	0.8000	96.99%	\$	-
Solar Credits - 30% of Eligible Basis	\$	30.00%	96.99%	\$	-
Solar Equity	\$	-	-	\$	-
Solar Rebates	\$	-	-	\$	-

OPERATIONAL CASH FLOW

East Block 78 unit Family

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Gross Revenue	1,393,533	1,397,621	1,432,562	1,468,376	1,505,085	1,542,712	1,581,280	1,620,812	1,661,333	1,702,866	1,745,498	1,789,073	1,833,600	1,879,645	1,926,636	1,974,802
5.1.2019	(68,177)	(69,881)	(71,628)	(73,419)	(75,254)	(77,138)	(79,067)	(81,041)	(83,057)	(85,123)	(87,242)	(89,413)	(91,639)	(93,922)	(96,264)	(98,740)
Net Revenue	1,295,356	1,327,740	1,360,934	1,394,957	1,429,831	1,465,574	1,502,213	1,539,772	1,578,276	1,617,743	1,658,256	1,699,620	1,742,110	1,785,663	1,830,305	1,876,062
Operating Expenses	426,838	441,777	457,240	473,243	488,806	506,950	524,693	543,057	562,064	581,736	602,097	623,171	644,982	667,556	690,920	715,103
Net Operating Income	868,518	885,963	903,694	921,714	940,025	958,624	977,520	996,715	1,016,212	1,035,986	1,055,968	1,076,449	1,097,129	1,118,107	1,139,384	1,160,960
Replacement Reserves	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250
Services	20,000	20,700	21,425	22,174	22,950	23,754	24,585	25,446	26,336	27,258	28,212	29,199	30,221	31,279	32,374	33,507
Cash Available to Debt Service	819,268	835,013	853,020	870,290	887,824	905,623	923,688	942,019	960,616	979,478	998,607	1,018,000	1,037,657	1,057,578	1,077,760	1,098,203
Principal and Interest	684,884	684,353	684,353	684,353	684,353	684,353	684,353	684,353	684,353	684,353	684,353	684,353	684,353	684,353	684,353	684,353
Escrow for SDIC Monitoring Fee	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650
0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HTF Monitoring fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3.50%	25,000	25,875	26,761	27,716	28,688	29,692	30,731	31,807	32,920	34,072	35,265	36,499	37,777	39,099	40,467	41,884
Managing GP Fee	83,134	86,135	89,236	92,436	95,733	99,129	102,624	106,219	109,916	113,717	117,624	121,639	125,764	130,000	134,347	138,806
NET PROJECT CASH FLOW	1,16	1,18	1,21	1,23	1,26	1,28	1,31	1,34	1,36	1,39	1,42	1,45	1,48	1,50	1,53	1,56
TCAC Gross Revenue Test	8%	7.83%	8.87%	10.76%	11.05%	12.55%	13.39%	14.19%	14.98%	15.77%	16.42%	17.10%	17.76%	18.39%	18.98%	19.56%
TCAC Debt Service Test	12.5%	\$ 17,245	\$ 17,086	\$ 17,086	\$ 17,086	\$ 17,086	\$ 17,086	\$ 17,086	\$ 17,086	\$ 17,086	\$ 17,086	\$ 17,086	\$ 17,086	\$ 17,086	\$ 17,086	\$ 17,086
UMR Operating Expense Test	12%	18.15%	22.27%	27.59%	30.04%	32.34%	34.49%	36.50%	38.39%	40.12%	41.74%	43.25%	44.63%	45.91%	47.09%	48.15%
Distributions:																
LP Fee	7,500	7,725	7,957	8,195	8,441	8,695	8,955	9,224	9,501	9,786	10,079	10,382	10,693	11,014	11,344	11,685
Deferred Developer Fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Available After Deferred Fee P.3	74,234	90,410	106,280	122,374	138,692	155,234	171,999	188,985	206,192	223,617	241,260	259,116	277,185	295,462	313,946	332,632
100% of Avail Cashflow																
50% of Cash Flow																
Nonprofit loan	19,535	23,792	27,966	32,204	36,498	40,851	45,263	49,733	54,261	58,847	63,489	68,188	72,943	77,753	82,617	87,535
26.3% of Avail Cashflow																
HTF loan	17,582	21,413	25,172	28,983	32,848	36,766	40,737	44,760	48,835	52,962	57,140	61,370	65,649	69,978	74,356	78,781
23.7% of Avail Cashflow																
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow Available After Soft Loan Loans	37,117	45,205	53,140	61,187	69,346	77,617	85,999	94,493	103,096	111,809	120,633	129,568	138,622	147,721	156,873	166,316
GP Partnership Admin Fee (90% of Cash Flow)	33,405	40,685	47,826	55,068	62,411	69,855	77,389	85,043	92,786	100,628	108,567	116,602	124,733	132,958	141,276	149,684
Cash Flow Available after Partnership Admin Fee	3,712	4,521	5,314	6,119	6,935	7,762	8,600	9,449	10,310	11,181	12,063	12,956	13,859	14,773	15,697	16,632
LP Distribution	3,600	4,384	5,154	5,935	6,726	7,528	8,341	9,165	9,999	10,844	11,700	12,566	13,442	14,328	15,225	16,131
GP Distribution	112	136	160	184	209	234	259	284	310	337	363	390	417	445	472	501
Remaining Cash Flow After Partnership Distribution	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

OPERATIONAL CASH FLOW
East Block 78 unit Family

	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34
Gross Revenue	2,024,172	2,074,777	2,126,646	2,178,812	2,234,308	2,290,165	2,347,419	2,408,105	2,466,258	2,527,914	2,591,112	2,655,890	2,722,287	2,790,344	2,860,103	2,931,605	3,004,895	3,080,018
5% Inflation @	(101,209)	(103,733)	(106,332)	(108,991)	(111,715)	(114,503)	(117,371)	(120,305)	(123,313)	(126,395)	(129,556)	(132,794)	(136,114)	(139,517)	(143,005)	(146,580)	(150,245)	(154,001)
Net Revenue	1,922,964	1,971,038	2,020,314	2,070,822	2,122,592	2,175,657	2,230,048	2,287,800	2,342,945	2,401,518	2,461,556	2,523,095	2,586,173	2,650,827	2,717,097	2,785,025	2,854,651	2,926,017
Operating Expenses	740,131	756,036	792,847	820,597	849,317	879,044	909,810	941,653	974,611	1,008,723	1,044,028	1,080,569	1,118,389	1,157,533	1,198,046	1,239,978	1,283,377	1,328,295
Net Operating Income	1,182,833	1,205,002	1,227,467	1,250,225	1,273,275	1,296,613	1,320,238	1,344,146	1,368,333	1,392,795	1,417,528	1,442,526	1,467,784	1,493,294	1,519,051	1,545,047	1,571,273	1,597,722
Replacement Reserves	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250
3.50% Inflation @	34,680	35,984	37,150	38,450	39,796	41,189	42,630	44,122	45,667	47,265	48,919	50,631	52,403	54,238	56,136	58,101	60,134	62,239
Cash Available to Debt Service	1,148,903	1,139,859	1,151,067	1,182,525	1,204,229	1,226,115	1,248,358	1,270,774	1,293,417	1,316,281	1,339,359	1,362,645	1,386,130	1,409,807	1,433,655	1,457,696	1,481,889	1,506,233
Principal and Interest	684,353	684,353	684,353	684,353	684,353	684,353	684,353	684,353	684,353	684,353	684,353	684,353	684,353	684,353	684,353	684,353	684,353	684,353
12.5% Fee and SDHC Monitoring Fee	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650
0.00% IHTF Monitoring fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3.50% Managing GP Fee	43,350	44,867	46,437	48,063	49,745	51,486	53,288	55,153	57,083	59,081	61,149	63,289	65,504	67,797	70,170	72,626	75,168	77,799
Net Project Cash Flow	363,551	382,889	402,627	422,460	442,482	462,686	483,068	503,618	524,331	545,197	566,207	587,353	608,623	630,007	651,493	673,068	694,719	716,432
DSCR	1.59	1.63	1.66	1.69	1.72	1.75	1.78	1.82	1.86	1.88	1.92	1.95	1.98	2.02	2.05	2.09	2.12	2.16
TCAC Gross Revenue Test	20.10%	20.62%	21.12%	21.59%	22.03%	22.45%	22.85%	23.22%	23.57%	23.90%	24.21%	24.50%	24.76%	25.01%	25.23%	25.44%	25.62%	25.78%
TCAC Debt Service Test	49.12%	50.00%	50.78%	51.48%	52.10%	52.64%	53.10%	53.48%	53.80%	54.05%	54.23%	54.36%	54.42%	54.43%	54.38%	54.28%	54.13%	53.94%
UNR Operating Expense Test																		
Distributions:																		
LP Fee																		
Deferred Developer Fee																		
Cash Available After Deferred Fee Pay	363,551	382,889	402,627	422,460	442,482	462,686	483,068	503,618	524,331	545,197	566,207	587,353	608,623	630,007	651,493	673,068	694,719	716,432
Nonprofit loan	95,671	100,787	105,955	111,174	116,443	121,760	127,123	132,531	137,982	143,473	149,002	154,567	160,164	165,791	171,446	177,123	182,821	188,535
IHTF loan	86,104	90,708	95,359	100,056	104,798	109,584	114,411	119,278	124,184	129,126	134,102	139,110	144,146	149,212	154,301	159,411	164,539	169,681
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow Available After Soft Loan Loans	181,775	191,495	201,314	211,230	221,241	231,343	241,534	251,809	262,165	272,598	283,104	293,676	304,312	315,004	325,746	336,534	347,360	358,216
GP Partnership Admin Fee (90% of Cash Flow)	163,598	172,345	181,182	190,107	199,117	208,209	217,380	226,628	235,949	245,339	254,793	264,309	273,880	283,503	293,172	302,881	312,624	322,394
Cash Flow Available after Partnership Admin Fee	18,178	19,149	20,131	21,123	22,124	23,134	24,153	25,181	26,217	27,260	28,310	29,368	30,431	31,500	32,575	33,653	34,736	35,822
LP Distribution	17,630	18,573	19,575	20,487	21,458	22,438	23,426	24,423	25,427	26,439	27,458	28,484	29,515	30,552	31,594	32,640	33,690	34,743
GP Distribution	547	576	606	636	666	695	727	758	789	821	852	884	916	948	980	1,013	1,046	1,078
Remaining Cash Flow After Partnership Distribution	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

OPERATIONAL CASH FLOW
Exit Block 78 Unit Family

	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	
Gross Revenue	2.50%	3,157,016	3,235,944	3,316,842	3,398,793	3,484,757	3,571,876	3,661,173	3,752,702	3,846,520	3,942,693	4,041,250	4,142,281	4,245,938	4,351,984	4,460,784	4,572,304	4,686,611	4,803,776
5.1.2019	5%	(157,951)	(161,797)	(165,842)	(169,988)	(174,238)	(178,594)	(183,059)	(187,632)	(192,320)	(197,134)	(202,063)	(207,114)	(212,292)	(217,599)	(223,032)	(228,615)	(234,331)	(240,189)
Net Revenue		2,999,167	3,074,146	3,151,000	3,229,775	3,310,519	3,393,282	3,478,114	3,565,067	3,654,194	3,745,549	3,839,188	3,935,167	4,033,546	4,134,385	4,237,745	4,343,688	4,452,281	4,563,588
Operating Expenses	3.50%	1,374,786	1,422,993	1,472,705	1,524,249	1,577,598	1,632,814	1,689,963	1,748,111	1,810,330	1,873,692	1,939,271	2,007,145	2,077,395	2,150,104	2,225,358	2,303,245	2,383,959	2,467,294
Net Operating Income		1,624,382	1,651,243	1,678,295	1,705,526	1,732,921	1,760,468	1,788,152	1,815,955	1,843,864	1,871,857	1,899,917	1,928,022	1,956,151	1,984,281	2,012,387	2,040,443	2,068,422	2,096,284
Replacement Reserves	0.00%	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250	29,250
Services	3.50%	94,417	95,672	96,905	98,114	99,297	100,457	101,594	102,709	103,803	104,876	105,929	106,962	107,975	108,968	109,941	110,894	111,828	112,742
Cash Available to Debt Service		1,530,714	1,555,322	1,580,040	1,604,855	1,629,731	1,654,711	1,679,717	1,704,749	1,729,789	1,754,813	1,779,800	1,804,725	1,829,562	1,854,285	1,878,965	1,903,272	1,927,472	1,951,436
Principal and Interest	4.00%	684,353	684,353	129,749	1,556	(125)	10	(1)	0	(0)	0	(0)	0	(0)	0	0	0	0	0
Issuer and SDHC Monitoring Fee	0.00%	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650	27,650
HTF Monitoring fee	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Managing GP Fee	3.50%	80,522	83,340	86,257	89,276	92,400	95,634	98,981	102,446	106,031	109,743	113,584	117,559	121,674	125,932	130,340	134,902	139,623	144,510
Net Protect Cash Flow		738,190	759,979	1,336,285	1,486,373	1,509,825	1,531,417	1,553,086	1,574,654	1,596,107	1,617,421	1,638,566	1,659,516	1,680,239	1,700,703	1,720,875	1,740,720	1,760,200	1,779,276
TCAC Gross Revenue Test	8%	2,20	2,23	11,96	1,013.32	(12,866.42)	163,335.96	44.25%	44.63%	44.25%	43.81%	43.38%	42.90%	42.44%	41.97%	41.50%	41.02%	40.54%	40.05%
TCAC Debt Service Test	12.5%	25.93%	26.06%	42.89%	46.35%	45.98%	45.55%	45.12%	44.69%	44.25%	43.81%	43.38%	42.90%	42.44%	41.97%	41.50%	41.02%	40.54%	40.05%
UMR Operating Expense Test	12%	53.69%	53.41%	80.74%	97.52%	95.70%	93.79%	91.90%	90.03%	88.17%	86.32%	84.49%	82.66%	80.88%	79.10%	77.33%	75.56%	73.84%	72.11%
Distributions:																			
LP Fee	3.00%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Developer Fee	3.00%	738,190	759,979	1,336,285	1,486,373	1,509,825	1,531,417	1,553,086	1,574,654	1,596,107	1,617,421	1,638,566	1,659,516	1,680,239	1,700,703	1,720,875	1,740,720	1,760,200	1,779,276
Cash Available After Deferred Fee Pay		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Nonprofit loan	3.00%	194,261	199,995	351,680	391,151	397,322	403,004	408,707	414,383	420,028	425,637	431,202	436,715	442,168	447,553	452,862	458,084	463,210	468,230
HTF loan	3.00%	174,835	178,985	316,512	352,036	357,580	362,704	367,836	372,944	378,025	383,073	388,082	393,043	397,951	402,788	407,576	412,276	416,889	421,407
Other	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow Available After Soft Loan Loans		369,095	379,990	668,192	743,187	754,913	765,708	776,543	787,327	798,054	808,710	819,283	829,758	840,119	850,352	860,438	870,360	880,100	889,564
GP Partnership Admin Fee (90% of Cash Flow)	90.00%	332,186	341,991	601,373	668,868	679,421	689,138	698,889	708,584	718,246	727,839	737,355	746,782	756,107	765,316	774,394	783,324	792,090	800,674
Cash Flow Available after Partnership Admin Fee		36,910	37,999	66,819	74,319	75,491	76,571	77,654	78,737	79,805	80,871	81,928	82,976	84,012	85,035	86,044	87,036	88,010	88,954
LP Distribution	96.99%	35,799	36,855	64,808	72,082	73,219	74,286	75,317	76,363	77,403	78,437	79,462	80,478	81,483	82,476	83,454	84,416	85,361	86,286
GP Distribution	3.01%	1,111	1,144	2,011	2,237	2,272	2,305	2,337	2,370	2,402	2,434	2,466	2,498	2,529	2,560	2,590	2,620	2,649	2,678
Remaining Cash Flow After Partnership Distribution		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

OPERATIONAL CASH FLOW
East Block 78 unit Family

	53	54	55	Totals
Gross Revenue	4,923,671	5,046,968	5,173,142	157,557,494
5.1.2019	(245,194)	(252,348)	(259,652)	(7,617,875)
Net Revenue	4,677,677	4,794,619	4,914,488	149,679,620
Operating Expenses	2,553,649	2,643,027	2,735,533	68,658,249
<u>Net Operating Income</u>	<u>2,124,028</u>	<u>2,151,592</u>	<u>2,178,955</u>	<u>80,981,371</u>
Replacement Reserves	29,250	29,250	29,250	1,068,750
Services	118,654	123,842	128,177	3,218,938
<u>Cash Available to Debt Service</u>	<u>1,975,124</u>	<u>1,998,500</u>	<u>2,021,525</u>	<u>76,153,663</u>
Principal and Interest	0	0	0	24,768,415
Issuer and SDHC Monitoring Fee	27,650	27,650	27,650	1,520,750
IHTF Monitoring fee	0	0	0	0
Managing GP Fee	148,568	154,803	160,221	5,643,592
<u>Net Project Cash Flow</u>	<u>1,797,905</u>	<u>1,816,047</u>	<u>1,833,654</u>	<u>45,840,845</u>
TCAC Guest Revenue Test	DSCR	#DIV/0!	#DIV/0!	
TCAC Debt Service Test	8%	39.55%	39.05%	38.54%
UMR Operating Expense Test	12%	70.41%	68.71%	67.03%
Distributions:				
LP Fee	3.00%			151,177
Deferred Developer Fee	3.00%	0	0	0
<u>Cash Available After Deferred Fee P.1</u>	<u>1,797,905</u>	<u>1,816,047</u>	<u>1,833,654</u>	<u>45,689,668</u>
Nonprofit loan	3.00%	473,133	477,907	12,023,597
IHTF loan	3.00%	425,820	0	9,956,834
Other	0.00%	0	0	0
<u>Cash Flow Available After Soft Loan Loans</u>	<u>898,952</u>	<u>1,338,140</u>	<u>1,351,114</u>	<u>23,709,237</u>
GP Partnership Admin Fee (90% of Cash Flow)	90.00%	809,058	1,204,326	21,338,313
<u>Cash Flow Available after Partnership Admin Fee</u>	<u>89,895</u>	<u>133,814</u>	<u>135,111</u>	<u>2,370,924</u>
LP Distribution	96.95%	87,189	126,786	2,298,559
GP Distribution	3.01%	2,706	4,028	71,365
Remaining Cash Flow After Partnership Distribution		0	0	0

ATTACHMENT 5
HOUSING COMMISSION MULTIFAMILY
HOUSING REVENUE BOND PROGRAM
SUMMARY

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

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

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

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

Approval Process:

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

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

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

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

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

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

ATTACHMENT 6 - FINANCIAL ADVISOR'S ANALYSIS



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

November 13, 2019

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

RE: East Block Family Apartments

Dear Mr. Correia:

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

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

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

CURRENT PROJECT STATUS AND THE PROPOSED DEVELOPMENT

The Project will consist of a 78-unit development (the "Development") to be newly-constructed at 4340 44th Street, San Diego, 92115 (the "Site"). The acquisition of the Site and construction of the Development would be financed, from among other sources, equity raised from the sale of 4% low-income housing tax credits and tax-exempt debt issued by the Housing Authority of the City of San Diego (the "Housing Authority").

The Site is currently a vacant lot, and is owned by Fairmount & El Cahon Realty LLC.

77 units (i.e., excluding one manager's units), will be subject to affordability restrictions as further described herein.

On July 16, 2019, the Housing Authority approved a resolution evidencing its official intent to conduct a tax-exempt issuance in the not-to-exceed amount of \$24,000,000 for the Project. The

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

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

On August 16, 2019, the Housing Authority submitted an application to CDLAC for \$24,000,000 in private activity tax-exempt issuance authority for the Project.

On October 16, 2019, CDLAC awarded \$24,000,000 in private activity tax-exempt allocation to the Housing Authority for the Project.

THE PROPOSED FINANCING

The Developer proposes that the Housing Authority issue up to \$24,000,000 in a tax-exempt "Tax-Exempt Note"¹ (the "Note"). The issuance of the Note would occur under a single Funding Loan Agreement.

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

The remainder of the Note would be purchased by CBT after completion of construction and upon satisfaction of conditions precedent to conversion to the permanent loan phase. The proceeds of this purchase will be used to repay the conventional loan from U.S. Bank. Immediately after such purchase (i.e., funding), tax-credit equity and other sources will be used to repay a portion of the Note in order to reduce the outstanding balance of the Note to the permanent loan amount of \$12,890,000. CBT would remain the permanent lender for the project.

According to projections provided by the Developer, the total development cost totals approximately \$41,400,000.

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

East Block Family Apartments: Source Summary²

	<u>Construction</u>	<u>Permanent</u>
Net USB Conventional Loan	4,358,700	0
CBT Tax-Exempt Loan (Conversion Draw)	24,000,000	0
CBT Tax-Exempt Loan ³	0	12,890,000
Tax Credit Equity	790,500	15,809,900
San Diego IHTF Loan	4,500,000	4,500,000
Partnership Loan (Price Charities)	2,500,000	5,000,000
Developer Equity	100	2,685,200
Soft Loan Accrued Interest	450,000	525,000
	<u>0</u>	<u>0</u>
	36,599,300	41,410,100

East Block Family Apartments: Use Summary⁴

	<u>Construction</u>	<u>Permanent</u>
Land/Acquisition	10,000	10,000
Construction	26,726,200	26,726,200
Construction Contingency	1,336,300	1,336,300
Developer Fee	750,000	5,185,000
Operating Reserve	0	293,200
Other Reserves	0	0
Capitalized Construction Loan Interest	1,719,900	1,719,900
Soft Loan Accrued Interest	450,000	450,000
Other Hard and Soft Costs	<u>5,606,900</u>	<u>5,679,600</u>
	36,599,300	41,400,200

Ownership

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

Tax-Exempt Note Structure and Credit Enhancement

Construction Loan

The Developer proposes that the Housing Authority issue up to \$24,000,000 in a Tax-Exempt Note in order to finance the acquisition and construction of the Project. Solely revenues pledged under the Funding and Borrower Loan Agreements will secure the payment of principal and interest to the Noteholder.

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

³ Note that the CBT term sheet shows maximum loan of 12,070,000

⁴ Source: Developer projections and U.S. Bank schedules. Rounding by CSG

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

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

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

Permanent Loan

Upon satisfaction of certain conditions precedent to conversion to the permanent financing period, CBT will fund the remaining portion of the Note, which proceeds will be used to repay all or a portion of the U.S. Bank construction loan. A portion of the Note will be immediately, subsequently repaid in order that \$12,890,000 remain outstanding as the permanent loan to CBT.

According to the summary table in the U.S. Bank Expression of Interest, the CBT loan would have a term of 15 years, amortization of 35 years. The permanent loan will bear a fixed rate of interest. According to the CBT term sheet, the rate would equal the "sum of 2.35% and the 15-year US Government Treasury Rate multiplied by 0.87. The resulting product shall have a floor rate of 3.50%." CBT has provided an indicative interest rate for November 13, 2019 of 3.82%.

Projected Issuance Date

The Developer proposes that the Housing Authority issue the Notes on or about February 1, 2020. The Authority received an allocation of \$24,000,000 from CDLAC at its October 16, 2019 allocation meeting date. The anticipated allocation expiration date would be approximately April 13, 2020.

Commission Financial Involvement

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

Affordability Restrictions

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

Source of Restriction	Restriction	Expiration Date
California Tax Credit Allocation Committee	8 units at 50% AMI; 69 units at 60% AMI	2077
Tax-Exempt Bond	8 units at 50% AMI; 69 units at 60% AMI	2077

PROJECT'S PROJECTED FINANCIAL STATUS

Under the proposed financing – according to information provided by the Developer and analysis by CSG – annual debt service on the maximum senior loan of \$12,890,000 would total approximately \$684,884. 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 \$143,655 at a debt coverage ratio (DCR) of 1.21. Cash flow after reserves would total approximately \$114,405 at a DCR of 1.17. The U.S. Bank debt coverage minimum (as stated in their tax credit equity proposal) is 1.15.

Please note that the loan terms as indicated in the financial schedules provided by the Developer and CTB term sheet are not consistent i.e., the CBT term sheet indicates maximum loan amount of \$12,070,000, while the Developer's projections provide for \$12,890,000. The Developer and CBT must reconcile the maximum loan amount.

THE BENEFITS AND RISKS TO THE COMMISSION

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

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

As proposed, the financing will create 77 affordable units in the City of San Diego. These units will remain long-term affordable for 55 years.

If the Authority issues the Notes, the Commission would receive a fee at closing of 0.25% of the issue amount (approximately \$60,000) and an annual fee equal to the greater of \$10,000 and 0.125% of the outstanding Notes.

PUBLIC PURPOSE

The proposed financing will result in the creation of 77 affordable family housing units in the City of San Diego. The proposed financing will result in new CDLAC and CTCAC regulatory restrictions as follows:

- 8 units will be restricted to households earning 50% of AMI or less;
- 69 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 77 units within the Project.

RECOMMENDATIONS

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

- The financing will create 77 affordable family units in the City of San Diego with long-term affordability covenants.
- The Commission has received tax-exempt authority of \$24,000,000 from CDLAC for the Project.
- U.S. Bank and California Bank and Trust 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 \$15,809,900 for development costs.

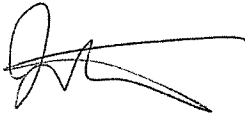
Contingent Items

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

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

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

Sincerely,
CSG Advisors



John Hamilton

Exhibit A

East Block Family

date of rev:

11/13/19

Long-Term Tax-Exempt Loan

	Tranche A	Tranche B	Total
Principal Amount ¹	\$ 12,890,000	\$ -	\$ 12,890,000
Mortgage Rate ²	4.000%	0.000%	
Amortization Term (yrs) ¹	35	0	
Underwriting Monthly Debt Service	\$ 57,074	\$ -	\$ 57,074
Underwriting Annual Debt Service	\$ 684,884	\$ -	\$ 684,884

¹ Source: Developer pro forma. The CBT term sheet shows maximum loan of \$12,070,000

² Developer pro forma uses 4.0% interest rate. On November 13, 2019, CBT provided a rate indication of 3.82%

Post Financing Operations Analysis ¹

Income		Stabilized Year				
		1	2	3	4	5
Gross Tax Credit Rental Income ²	2.50% Inflation	\$ 1,344,813	\$ 1,378,433	\$ 1,412,894	\$ 1,448,217	\$ 1,484,422
Commercial Income	2.50% Inflation	\$ -	\$ -	\$ -	\$ -	\$ -
Manager's Unit	2.50% Inflation	\$ -	\$ -	\$ -	\$ -	\$ -
Other Income	2.50% Inflation	\$ 18,720	\$ 19,188	\$ 19,668	\$ 20,159	\$ 20,663
Gross Potential Income		\$ 1,363,533	\$ 1,397,621	\$ 1,432,562	\$ 1,468,376	\$ 1,505,085
Vacancy Collection Loss ³	5.00%	(68,177)	(69,881)	(71,628)	(73,419)	(75,254)
Effective Gross Income		\$ 1,295,356	\$ 1,327,740	\$ 1,360,934	\$ 1,394,957	\$ 1,429,831
Expenses						
Operating Expenses	3.50% Inflation	\$ (422,838)	\$ (437,637)	\$ (452,955)	\$ (468,808)	\$ (485,216)
RE Taxes	2.00% Inflation	\$ (4,000)	\$ (4,080)	\$ (4,162)	\$ (4,245)	\$ (4,330)
Service Coordinator	0.00% Inflation	\$ (20,000)	\$ (20,000)	\$ (20,000)	\$ (20,000)	\$ (20,000)
Issuer Fee	\$ 10,000 min	\$ (16,113)	\$ (16,113)	\$ (16,113)	\$ (16,113)	\$ (16,113)
Trustee Fee ⁴	\$ 3,000 min	\$ (3,867)	\$ (3,867)	\$ (3,867)	\$ (3,867)	\$ (3,867)
Total Expenses		\$ (466,818)	\$ (481,697)	\$ (497,096)	\$ (513,032)	\$ (529,526)
Net Operating Income		\$ 828,539	\$ 846,043	\$ 863,838	\$ 881,925	\$ 900,305
Required Debt Service						
Senior						
Real Estate Loan		\$ (684,884)	\$ (684,884)	\$ (684,884)	\$ (684,884)	\$ (684,884)
Cash Flow before Reserves		\$ 143,655	\$ 161,159	\$ 178,954	\$ 197,041	\$ 215,422
Debt Coverage Ratio Before Reserves		1.21	1.24	1.26	1.29	1.31
Reserves ⁵	375 per unit	3% Inflation	\$ (29,250)	\$ (29,835)	\$ (30,432)	\$ (31,040)
Cash Flow After Reserves		\$ 114,405	\$ 131,324	\$ 148,522	\$ 166,000	\$ 183,760
Overall Debt Coverage Ratio (DCR)		1.17	1.19	1.22	1.24	1.27
Cash Flow Including Commercial Income		114,405	131,324	148,522	166,000	183,760
Debt Coverage Ratio Including Commercial Income		1.17	1.19	1.22	1.24	1.27

¹ Source: Per Developer Projections

² Source: Per Developer Projections

³ Of Gross Potential Income.

⁴ Estimate

⁵ Per US Bank Equity LOI: October 30, 2019

Exhibit A

East Block Family Permanent Sources and Uses of Funds ¹

Sources

Tax Exempt Note	\$	12,890,000
Tax Credit Equity	\$	15,809,900
San Diego County IHTF Loan	\$	4,500,000
Partnership Loan (from Price Charities)	\$	5,000,000
Developer Equity	\$	2,685,200
Accrued Soft Loan Interest	\$	<u>525,000</u>
Total Sources	\$	41,410,100

Uses

Land and Acquisition Costs	\$	10,000
Construction Costs	\$	26,726,200
Construction Contingency	\$	1,336,300
Developer Fee	\$	5,185,300
Operating Reserve	\$	293,200
Initial (i.e. Existing) Replacement Reserve Deposit	\$	-
Other Reserves	\$	-
Capitalized Construction Loan Interest	\$	1,719,900
Other Hard and Soft Costs	\$	<u>6,129,300</u>
Total Uses	\$	41,400,200

Surplus(Deficit)	\$	9,900
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¹ Source: Information provided by the Developer. Rounding by CSG

ATTACHMENT 7 – DEVELOPER’S DISCLOSURE STATEMENT



SAN DIEGO
HOUSING
COMMISSION

Real Estate Department

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

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

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

Check one:

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

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

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

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

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

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

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

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

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

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

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

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

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

SOURCES

Federal LIHTC Equity	\$15,189,325
Subordinate Deferred Fee	\$2,611,943
Permanent Loan	\$10,800,000
Offsite Payment	
Deferred Developer Fee	\$1,394,129
Nonprofit Loan	\$10,500,000
Residual Recpt. Loan	\$787,500
TOTAL SOURCES	\$40,562,897

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

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

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

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

Name:
 Address:
 Amount:

Name:
 Address:
 Amount:

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

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

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

Name and Address	Contact Name
Name: Citi Community Capital	Sonia Rahm, Director
Address: 444 South Flower St. 29th Floor	
Los Angeles, CA 90071	
Name: Banner Bank	Waheed Karim, Vice President
Address: 5901 Priestly Drive, Suite 160	
Carlsbad, CA 92008	
Name:	
Address:	

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

Yes No

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

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

Yes No

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

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

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

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

a. Name and addresses of such contractor or builder:

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

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

Yes No

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

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

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

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

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

	Location/Date	Outcome Details
--	---------------	-----------------

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

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

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

Awarding Agency	Amount	Date Opened

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

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

Yes No

If yes, explain:

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

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

Yes No

If yes, explain:

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

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

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

Check coverage(s) carried:

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

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

Check coverage(s) carried:

- Comprehensive Form
- Owned
- Hired
- Non-Owned

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

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

29. CONTRACTOR warrants and certifies that no member, commissioner, councilperson, officer, or employee of the SDHC, the AUTHORITY and/or the CITY, no member of the governing body of the locality in which the PROJECT is situated, no member of the government body in which the SDHC was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the assignment of work, has during his or her tenure, or will for one (1) year thereafter, have any interest, direct or indirect, in this PROJECT or the proceeds thereof.

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

Government Complaint	Entity	Making	Date	Resolution
N/A				

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

Yes No

If yes, please explain, in detail,

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

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

33. Describe in detail any and all other facts, factors or conditions that may adversely affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, SALES of Real Property to, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the SDHC. **None.**

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

Date	Entity Involved (i.e. City SDHC, etc)	Status (Current, delinquent, repaid, etc.)	Dollar Amount
2014	Independence Point (SDHC)	Current	\$2,500,000
2015	Trolley Residential	Current	\$3,120,000
2016	Mesa Verde	Current	\$9,60,000
2017	Normal Heights	Current	\$5,200,000

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

Yes No

If yes, explain:

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

Yes No

If yes, explain:

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

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

2. Name:
 Address:
 Phone:

Project Name and Description:

3. Name:

Address:

Phone:

Project Name and Description:

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

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

Name	Experience
TBD	

CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

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

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

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

Executed this 22 day of May, 20 19, at San Diego, California.

CONTRACTOR

By: _____

Signature

Title

Chen Hoffman
President, Chelsea
Investment Corp

CERTIFICATION

The CONTRACTOR, Chelsea Investments, 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: Chris Homan
Title: President
Dated: 5/22/19

By: _____
Title: _____
Dated: _____

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

JURAT

State of California

County of _____

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

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

per attached

Signature of Notary

SEAL

CALIFORNIA JURAT WITH AFFIANT STATEMENT

GOVERNMENT CODE § 8202

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

see attached

Signature of Document Signer No. 1

Signature of Document Signer No. 2 (if any)

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

State of California

County of San Diego

Subscribed and sworn to (or affirmed) before me

on this 23 day of May, 2019,
by Cheri Hoffman
Date Month Year

(1) _____

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

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

Signature N. St. Amour
Signature of Notary Public



Seal
Place Notary Seal Above

OPTIONAL

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

Description of Attached Document

Title or Type of Document: _____ Document Date: _____

Number of Pages: _____ Signer(s) Other Than Named Above: _____

25789111

**ARTICLES OF INCORPORATION
OF
CHELSEA SERVICE CORPORATION**

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

FEB 23 2004

Kevin Shelley
KEVIN SHELLEY, Secretary of State

I

The name of this corporation is Chelsea Service Corporation.

II

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

III

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

IV

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

Dated: February 18, 2004


James J. Schmid, Incorporator

2578911

10638595

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

JAN 1 2006

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

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

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

I

The name of this corporation is Chelsea Investment Corporation.

II

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

III

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

IV

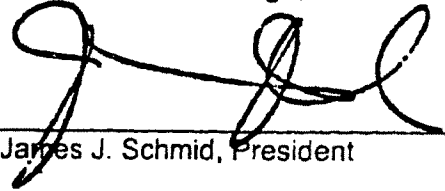
The Corporation is authorized to provide indemnification of agents (as the word "agents" is defined in Section 317 of the California Corporations Code) through bylaw provisions, agreements with the agents, vote of shareholders or disinterested directors, or otherwise, in excess of the indemnification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

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

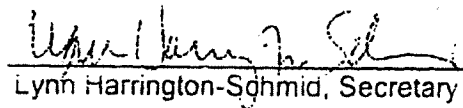
voting in favor of the amendment equaled or exceeded the vote required. The percentage vote required was more than 50%.

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

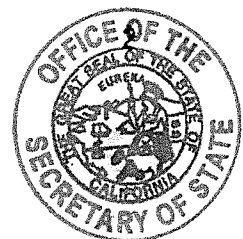
Dated: December 27, 2005



James J. Schmid, President



Lynn Harrington-Schmid, Secretary



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

ASSETS

Current assets:

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

Fixed assets:

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

Other assets:

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

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

Current liabilities:

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

Long-term liabilities:

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

Total liabilities	7,850,708
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Stockholder's equity

Controlled interest

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

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

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

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

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



Finance
Development
Management

6339 Paseo del Lago
Carlsbad, CA 92011
Tel (760) 456-6000
Fax (760) 456-6001
www.chelseainvestco.com

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

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

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

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

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



6339 PASEO DEL LAGO
CARLSBAD, CA 92011
PHONE: (760) 456-6020
WWW.EMMERSONCONSTRUCTION.COM

HISTORY

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

EXPERIENCE

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

AREAS OF EXPERTISE

General Contractor

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

Construction Management

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

TEAM MEMBERS

PRESIDENT – Charles Schmid

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

CHIEF FINANCIAL OFFICER – Tim Gray

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

(CONTINUED) ►

DIRECTOR OF CONSTRUCTION - Zion Patton

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

SENIOR PROJECT MANAGER - Janice Patterson

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

PROJECT MANAGER - Theresa DeMarco

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

PROJECT MANAGER - Martin Apicella

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

PROJECT MANAGER - Khalid Malik

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

PROJECT MANAGER/ESTIMATOR - DONALD DICKSON

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

PROJECT MANAGER - Haley Blair

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

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

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

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

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

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

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

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

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

TAX CREDITS & BASIS CALCULATION

East Block 78 unit Family \$10.5M Gap

DESCRIPTION OF COSTS	ACTUAL OR EST. OF COSTS	70% ELIGIBLE BASIS	30% ELIGIBLE BASIS
ACQUISITION			
Land Cost	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Demolition	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Legal & Carrying Costs	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Land Lease Rent Prepayment	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Verifiable Carrying Costs	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Existing Improvement Costs	\$ -	XXXXXXXXXXXXXX	\$ -
Other: Closing Costs	\$ 10,000	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
TOTAL LAND/AQUISITION COSTS	\$ 10,000	\$ -	\$ -
REHABILITATION			
Off-Site Improvements	\$ -		\$ -
Environmental Remediation	\$ -		\$ -
Site Work	\$ -		\$ -
Structures	\$ -		\$ -
General Requirements	\$ -		\$ -
Contractor Overhead	\$ -		\$ -
Contractor Profit	\$ -		\$ -
Contractor General Liability Insurance	\$ -		\$ -
Other:	\$ -		\$ -
TOTAL REHABILITATION COSTS	\$ -	\$ -	\$ -
RELOCATION			
Temporary Relocation	\$ -		\$ -
Permanent Relocation	\$ -		XXXXXXXXXXXXXX
TOTAL RELOCATION COSTS	\$ -	\$ -	\$ -
NEW CONSTRUCTION			
Design Assist	\$ -		\$ -
Off-site Improvements	\$ -		\$ -
Commercial	\$ 319,000		\$ 319,000
Site Work	\$ 1,509,167		\$ 1,509,167
Parking Garage	\$ 3,129,899		\$ 3,129,899
Vertical	\$ 17,803,097		\$ 17,803,097
GC Contingency	\$ 569,029		\$ 569,029
General Requirements	\$ 1,399,812		\$ 1,399,812
Contractor Overhead	\$ 466,604		\$ 466,604
Contractor Profit	\$ 1,399,812		\$ 1,399,812
Contractor General Liability Insurance	\$ -		\$ -
Other:	\$ -		\$ -
TOTAL CONSTRUCTION	\$ 26,596,419	\$ -	\$ 26,596,419
ARCHITECTURAL FEES			
Building	\$ 1,332,280		\$ 1,332,280
Landscape	\$ 34,475		\$ 34,475
Energy Consultant	\$ 49,250		\$ 49,250
Other: Acoustic Study	\$ 4,250		\$ 4,250
Other: Traffic Study	\$ 4,800		\$ 4,800
Other:	\$ -		\$ -
TOTAL ARCHITECTURAL COSTS	\$ 1,425,055	\$ -	\$ 1,425,055
SURVEY & ENGINEERING			
Civil including ALTA	\$ 112,896		\$ 112,896
ALTA	\$ -		\$ -
Staking	\$ 25,920		\$ 25,920
Structural Testing	\$ 38,880		\$ 38,880
Soils	\$ 42,960		\$ 42,960
Other: Phase I, CASP, dry utility	\$ 53,563		\$ 53,563
Other:	\$ -		\$ -
Other:	\$ -		\$ -
TOTAL SURVEY & ENGINEERING	\$ 274,219	\$ -	\$ 274,219
CONTINGENCY COSTS			
Hard Cost Contingency	\$ 1,329,821		\$ 1,329,821
Soft Cost Contingency	\$ 147,166		\$ 147,166
TOTAL CONTINGENCY COSTS	\$ 1,476,987	\$ -	\$ 1,476,987
CONSTRUCTION PERIOD EXPENSES			
Construction Loan Interest	\$ 1,154,429		\$ 682,285
Soft Loan Interest	\$ 787,500		\$ 630,000
C Bond Interest	\$ -		\$ -
Origination Fee	\$ 220,005		\$ 165,004
Credit Enhancement & Application Fee	\$ -		\$ -
Owner Paid Bonds	\$ -		\$ -
Lender Inspection Fees	\$ 60,000		\$ 60,000
Taxes During Construction	\$ 7,500		\$ 5,625
Prevailing Wage Monitoring	\$ -		\$ -
Insurance During Construction	\$ 175,000		\$ 131,250
Title and Recording Fees	\$ 40,000		\$ 30,000
Construction Management & Testing	\$ -		\$ -
Predevelopment Loan Interest	\$ -		\$ -
Other: Accounting & Admin	\$ 105,000		\$ 105,000
Other:	\$ -		\$ -
TOTAL CONSTRUCTION PERIOD EXPENSE	\$ 2,549,435	\$ -	\$ 1,809,164
PERMANENT FINANCING EXPENSES			
Loan Origination Fee	\$ 10,000	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Credit Enhancement & Application Fee	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Title and Recording Fees	\$ 7,500	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Property Taxes	\$ -	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX

Insurance	\$	50,000	XXXXXXXXXXXX	XXXXXXXXXXXX
Other: Issuer Fee	\$	84,464	XXXXXXXXXXXX	XXXXXXXXXXXX
Other:	\$	-	XXXXXXXXXXXX	XXXXXXXXXXXX
TOTAL PERMANENT FINANCING COSTS	\$	151,964	\$ -	\$ -
LEGAL FEES				
Construction Lender Legal	\$	60,000		\$ 60,000
Permanent Lender Legal	\$	7,500		XXXXXXXXXXXX
Sponsor Legal	\$	62,500		\$ 62,500
Organizational Legal	\$	50,000		XXXXXXXXXXXX
Bond Legal	\$	60,000		XXXXXXXXXXXX
CPA Opinion	\$	-		\$ -
Other: GP Legal	\$	25,000		\$ 25,000
TOTAL LEGAL	\$	265,000	\$ -	\$ 147,500
CAPITALIZED RESERVES				
Operating Reserve	\$	297,098	XXXXXXXXXXXX	XXXXXXXXXXXX
Replacement Reserve	\$	-	XXXXXXXXXXXX	XXXXXXXXXXXX
Rent-up Reserve	\$	-	XXXXXXXXXXXX	XXXXXXXXXXXX
Transition Reserve	\$	-	XXXXXXXXXXXX	XXXXXXXXXXXX
Other: Prepaid HOA	\$	-	XXXXXXXXXXXX	XXXXXXXXXXXX
Other: Capitalized LP Fee	\$	-	XXXXXXXXXXXX	XXXXXXXXXXXX
TOTAL RESERVE COSTS	\$	297,098	\$ -	XXXXXXXXXXXX
REPORTS & STUDIES				
Appraisal	\$	10,000		\$ 10,000
Market Study	\$	-		\$ -
Physical Needs Assessment	\$	10,000		\$ 10,000
Environmental Studies	\$	7,500		\$ 7,500
Other: Lender Deposit	\$	-		\$ -
Other: Investor Deposit	\$	-		\$ -
Other: Soils Report	\$	-		\$ -
Other: Phase I	\$	-		\$ -
TOTAL REPORTS & STUDIES	\$	27,500	\$ -	\$ 27,500
OTHER EXPENSES				
TCAC App./Alloc/Monitoring Fees	\$	50,129	XXXXXXXXXXXX	XXXXXXXXXXXX
CDLAC/CDIAC Fees	\$	6,500		XXXXXXXXXXXX
Local Permit Fees	\$	189,300		\$ 189,300
Local Development Impact Fees	\$	1,966,424		\$ 1,966,424
CFD Prepayment	\$	-		\$ -
Syndicator/Investor Fees & Expenses	\$	-	XXXXXXXXXXXX	XXXXXXXXXXXX
Furnishings	\$	100,000		\$ 100,000
Final Cost Audit Expense	\$	15,000		\$ 15,000
Marketing	\$	88,000	XXXXXXXXXXXX	XXXXXXXXXXXX
MGP Services Fee	\$	-		\$ -
SDHC Ap. Ong. Servicing, Legal, Const Review	\$	25,000		\$ 25,000
Accounting/Finance/Admin	\$	28,000		\$ 28,000
Other: CPA Opinion	\$	-		\$ -
Other:	\$	-		\$ -
TOTAL OTHER COSTS	\$	2,468,353	\$ -	\$ 2,323,724
DEVELOPER COSTS				
Developer Fee Limit - Per Application	\$	2,500,000	\$ -	\$ 2,500,000
Developer Fee Calculation	\$	5,112,085	\$ -	\$ 5,112,085
Developer Fee	\$	5,112,085	\$ -	\$ 5,112,085
Consultants/Processing Agent	\$	-		\$ -
Project Administration	\$	-		\$ -
Syndication Consultant	\$	-		\$ -
Guarantee Fees	\$	-		\$ -
Broker Fees Paid to Related Party	\$	-		\$ -
Construction Oversight & Mgmt	\$	-		\$ -
TOTAL DEVELOPER FEE	\$	5,112,085	\$ -	\$ 5,112,085
TOTAL RESIDENTIAL COSTS	\$	40,654,114	\$ -	\$ 39,192,652

TOTAL COMMERCIAL COSTS	\$	-	\$	-
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TOTAL PROJECT AND BASIS COSTS	\$	40,654,114	\$	-	\$	39,192,652
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Adjustment for Excess Basis				\$	-
Additional Amount Voluntarily Excluded From Basis				\$	-
Requested Undadjusted Eligible Basis		\$	-	\$	39,192,652

130% DIFFICULT DEVELOPMENT FACTOR?	Tract #: Not Avail.	y	\$	50,950,447
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Credit Reduction		0.00%	\$	-
Total Adjusted Qualified Basis			\$	50,950,447

TX CREDITS @ % LI Eligible@ Tx Credit Rt	100.00%	3.25%	3.25%
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TX CREDITS @ % LI Eligible	\$	-	\$	1,655,890
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TX CREDITS OVER TEN YEARS	\$	-	\$	16,558,895
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TX CREDIT EQ'Y@\$/Credit@% Investment	\$	0.9400	96.99%	\$	15,096,844
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State Tax Credits - 13% of Eligible Basis & Over 4 Yrs		0.00%	75.00%	\$	-
State Tax Credits Equity	\$	0.8000	96.99%	\$	-
Solar Credits - 30% of Eligible Basis		30.00%			
Solar Equity	\$	-	96.99%	\$	-
Solar Rebates				\$	-

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 BOND IN A PRINCIPAL AMOUNT NOT TO EXCEED \$24,000,000 FOR THE PURPOSE OF FINANCING THE ACQUISITION AND CONSTRUCTION OF A MULTIFAMILY RENTAL HOUSING FACILITY KNOWN AS EAST BLOCK FAMILY APARTMENTS, 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, construction and equipping of multifamily rental housing; and

WHEREAS, Fairmount Family Housing CIC, LP, a California limited partnership (Borrower), has requested that the Authority issue and sell bonds for the purpose of making loans to the Borrower to finance the acquisition and construction by the Borrower of a 78 unit multifamily residential rental housing facility (Project) known as East Block Family Apartments, located at the 4340 44th Street in the City of San Diego (City); and

WHEREAS, the Board of Commissioners of the Authority (Board) desires that a portion of the units in the Project be available for very low and 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 bond to finance costs of the acquisition and construction of the Project; and

WHEREAS, on December 19, 2017, the City made and issued an environmental determination that the Project is exempt from the California Environmental Quality Act (CEQA)

under CEQA Guidelines section 15305, and there was no appeal of the environmental determination filed within the time period provided by San Diego Municipal Code (SDMC) section 112.0520; and

WHEREAS, the Authority intends to issue its Housing Authority of the City of San Diego Multifamily Housing Revenue Bond (East Block Family Apartments), Series 2020B (Bond), which Bond is expected to be sold to Zions Bancorporation, N.A., dba California Bank & Trust (CB&T) in a private placement; and

WHEREAS, the Authority will loan the proceeds of the Bond to the Borrower and the Borrower will use the proceeds of the Bond to finance costs, and to repay a loan incurred to finance costs of the construction of the Project; and

WHEREAS, the City Council of the City, by Resolution No. R-312599, with a date of final passage of August 5, 2019, approved the issuance by the Authority of the Bond in a principal amount of up to \$24,000,000, after publication of a “TEFRA” notice and the holding on July 30, 2019 of a “TEFRA” hearing, as required by the Internal Revenue Code of 1986, as amended 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 bonds; and

WHEREAS, on October 16, 2019, CDLAC allocated to the Project \$24,000,000 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 proposed form of the Indenture of Trust (Indenture), by and among the Authority, Zions Bancorporation, N.A. dba California Bank & Trust, as Bondowner Representative (Bondowner Representative), and The Bank of New York Mellon Trust Company, N.A. (Trustee), as trustee, including the related form of the Bond; and

(2) the proposed form of Loan Agreement (Loan Agreement), by and among the Authority, the Bondowner Representative and the Borrower; and

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

(4) the proposed form of the Assignment of Deed of Trust and Related Documents (Assignment), between the Authority and the Trustee; 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 and construction of the Project through the issuance and sale of the Bond in order to assist persons of very low income and low income within the City in obtaining decent, safe and sanitary housing and to achieve certain other public purposes.

Section 2. Authorization of the Bond. For the purpose of financing the acquisition and construction of the Project, the Authority hereby authorizes the issuance of the Bond in a principal amount not to exceed \$24,000,000.

The Bond shall be issued in the principal amount, and shall bear interest and mature as provided in the Indenture. The Bond shall be in substantially the form set forth in the Indenture, with such appropriate variations, omissions, insertions and provisions as are required or permitted by the Indenture. The Bond 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 Indenture shall be paid and satisfied, solely from the revenues, receipts and other moneys and assets pledged therefor under the Indenture.

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

Section 4. Approval of the Indenture. The Indenture, 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 VPCOO and the Deputy Secretary of the Authority, or the designee of any such officer (such officers and any of his or her respective designees are hereinafter referred to as the Designated Officers) are each hereby authorized to execute and deliver the Indenture 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 Indenture approved at this meeting.

Section 5. Approval of Loan Agreement. The 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 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 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 Bond

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 Bond and the making of the loan pursuant to the 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 Bond 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 Bond, or any redemption of all or a portion of the outstanding principal of the Bond 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 with this Resolution 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. ELLIOT, General Counsel

By _____
Marguerite E. Middaugh
Deputy General Counsel

MEM:jdf
01/13/2020
Or.Dept: Housing Authority
Doc. No.: 2289777

January 15, 2020

VIA EMAIL

Marguerite Middaugh, Esq.
CITY OF SAN DIEGO
Office of the City Attorney
1200 Third Avenue, Suite 1620
San Diego, CA 92101
Email: mmiddaugh@sandiego.gov

Colin Miller
Joe Correia
SAN DIEGO HOUSING COMMISSION
1122 Broadway, Suite 300
San Diego, CA 92101
Email: colinm@sdhc.org
joec@sdhc.org

From: Paul J. Thimmig, Quint & Thimmig LLP, Bond Counsel

Re: East Block Family Apartments Financing

If the Housing Authority of the City of San Diego (the "Authority") adopts a resolution authorizing the issuance of the Housing Authority of the City of San Diego Multifamily Housing Revenue Bond (East Block Family Apartments), Series 2020B (the "Bond"), it is expected that the Bond will be sold and issued in February of this year.

The primary legal documents for the Bond that are referenced in the Resolution of the Authority authorizing the issuance of the Bond (the "Resolution") currently contain a number of blanks that are related to various dates and other matters. The following table sets forth a summary of the blanks in the primary legal documents for the Bond referenced in the Resolution, and describes when, and by whom, the information will be provided in order to fill in the blanks.

<u>Document</u>	<u>Location of Blank</u>	<u>When Completed</u>	<u>Responsible Party</u>
Indenture	<u>Cover Page</u> <ul style="list-style-type: none">Final Bond Amount	Prior to Closing	Bondowner Representative
	<u>"Whereas" Clauses (Page 1)</u> <ul style="list-style-type: none">Final Bond Amount	Prior to Closing	Bondowner Representative

Document	Location of Blank	When Completed	Responsible Party		
Loan Agreement	<u>Section 1.01 - Definitions</u>	Prior to Closing	Bondowner Representative, Construction Lender		
	<ul style="list-style-type: none"> • Authorized Amount of Bond • Closing Date • Construction Loan Amount • Date of Construction Loan Agreement • Date of Construction Loan Mortgage • Date of Intercreditor Agreement • Maturity Date of Bond 				
	<u>Section 2.01</u>			Prior to Closing	Bondowner Representative
	<ul style="list-style-type: none"> • Final Bond Amount 				
	<u>Section 2.02</u>			Prior to Closing	Bondowner Representative
	<ul style="list-style-type: none"> • Last Date for Disbursement of Bond Funds 				
	<u>Section 3.02</u>			Prior to Closing	Bondowner Representative
	<ul style="list-style-type: none"> • Last Date for Disbursement of Bond Funds 				
	<u>Section 3.04</u>	Prior to Closing	Bondowner Representative		
	<ul style="list-style-type: none"> • Costs of Issuance Deposit Amount and Trustee and CDIAF Fees 				
	<u>Section 4.01(d)</u>	Prior to Closing	Construction Lender		
	<ul style="list-style-type: none"> • Term Loan Amount 				
	<u>Section 5.03</u>	Prior to Closing	Construction Lender		
	<ul style="list-style-type: none"> • Amount of Deposit to Collateral Fund 				
	<u>Section 11.06</u>	Prior to Closing	Borrower		
	<ul style="list-style-type: none"> • Contact Person for Borrower 				
	<u>Exhibit A – Form of Bond</u>	Prior to Closing	Completion of above-listed blanks will allow Bond Counsel to complete blanks in the Form of Bond		
	<ul style="list-style-type: none"> • Principal Amount of Bond • Issue Date • Date of Note • Last Date for Disbursement of Bond Funds • Schedule of Drawings 	Prior to Closing			
	<u>Exhibit B – Form of Investor’s Letter</u>	Prior to Closing	Bondowner Representative		
	<ul style="list-style-type: none"> • Final Bond Amount 				
<u>Exhibit C – Disbursement Request</u>	Prior to Draw of Bond Funds	Borrower			
<ul style="list-style-type: none"> • Draw Number, Date, Amount, Payees 					
<u>Cover Page</u>	Prior to Closing	Bondowner Representative			
<ul style="list-style-type: none"> • Final Bond Amount 					
<u>Recitals (Page 1)</u>	Prior to Closing	Bondowner Representative			
<ul style="list-style-type: none"> • Final Note Amount 					
<u>Section 1.01 - Defined Terms</u>	Prior to Closing	Trustee			
<ul style="list-style-type: none"> • Trustee’s Ongoing Fee 					
<u>Section 3.02</u>	Prior to Closing	Borrower			
<ul style="list-style-type: none"> • Developer Fee Amounts and Dates of Payment 					
<u>Section 3.03</u>	Prior to Closing	Bondowner Representative			
<ul style="list-style-type: none"> • Last Date for Disbursement of Loan Proceeds 					
<u>Exhibit A – Legal Description</u>	Prior to Closing	Title Company			
<ul style="list-style-type: none"> • Legal Description of Project Site 					

Document	Location of Blank	When Completed	Responsible Party
Regulatory Agreement and Declaration of Restrictive Covenants	<u>Cover Page</u>	Prior to Closing	Bondowner Representative
	<ul style="list-style-type: none"> • Amount of Bond 		
	<u>"Whereas" - Clauses (Page 1)</u>	Prior to Closing	Bondowner Representative
	<ul style="list-style-type: none"> • Amount of Bond 		
	<u>Section 1 - Definitions and Interpretation</u>	Prior to Closing	Bondowner Representative
	<ul style="list-style-type: none"> • Closing Date 		
<u>Section 2(f) – Borrower Representations and Covenants</u>	Prior to Closing	Borrower	
<ul style="list-style-type: none"> • Date for Full Disbursement of Loan 			
<u>Section 7(a) - Requirements of the Issuer</u>	Prior to Closing; Depends Upon Final Bond Amount	Bondowner Representative, Housing Authority	
<ul style="list-style-type: none"> • Amounts of Issuer Fees 			
Assignment of Deed of Trust and Loan Documents	<u>Exhibit A – Legal Description of the Site</u>	Prior to Closing	Title Company
	<ul style="list-style-type: none"> • Description of the Site 		
	<u>First Two Pages</u>	Prior to Closing	Bondowner Representative
	<ul style="list-style-type: none"> • Dates of Bond Documents 		
	<ul style="list-style-type: none"> • Identity of Trustee 		
	<ul style="list-style-type: none"> • Note Amount • Bond Amount 		
<u>Exhibit A – Real Property</u>	Prior to Closing	Title Company	
<ul style="list-style-type: none"> • Description of the Property 			

**RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:**

ZIONS BANCORPORATION, N.A. dba
CALIFORNIA BANK & TRUST
1900 Main Street, Suite 350
Irvine, CA 92614
Attention: Michelle Ortega

(Space Above For Recorder's Use)

**ASSIGNMENT OF DEED OF TRUST AND
RELATED DOCUMENTS**

This Assignment of Deed of Trust and Related Documents ("**Assignment**") is dated as of _____, 2020 and is executed by the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body, corporate and politic, duly organized and existing under the laws of the State of California ("**Issuer**") and The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America, in its capacity as Bond Trustee ("**Bond Trustee**") under and pursuant to the Indenture of Trust dated as of _____, 2020 (the "**Trust Indenture**") among Issuer, Bond Trustee and Zions Bancorporation, N.A. dba California Bank & Trust as Initial Bondowner Representative ("**Bondowner Representative**"). For value received, Issuer hereby grants, conveys, assigns and transfers to Bond Trustee for security purposes only, all right, title and interest to and under (but not any of its obligations which are not assignable as a matter of law or any of the Reserved Rights (as defined in the Trust Indenture) under:

A. That Construction and Permanent Trust Deed With Assignment of Rents, Security Agreement and Fixture Filing (the "**Trust Deed**") dated as of _____, 2020, executed by Fairmount Family Housing CIC, LP, a California limited partnership ("**Borrower**"), as grantor, to _____ ("**Trustee**"), as trustee, for the benefit of Issuer, as beneficiary, and recorded concurrently herewith in the Official Records of San Diego County, California, affecting the real property described in Exhibit "A" attached hereto and incorporated herein by this reference;

B. That certain Promissory Note ("**Note**") of even date with the Trust Deed, executed by Borrower in favor of Issuer, in the original principal amount of _____ and No/100ths Dollars (\$_____.00) and all renewals, modifications and extensions thereof;

C. Policy of title insurance to be issued by _____ to Bond Trustee, insuring the lien of the Trust Deed;

D. Completion Guaranty dated as of _____, 2020, executed by Chelsea Investment Corporation, a California corporation ("**Guarantor**") in favor of Issuer;

E. General Guaranty dated as of _____, 2020, executed by Guarantor in favor of Issuer;

F. All other “**Loan Documents**” relating to the “**Loan**” (as each such term is defined in that certain Loan Agreement dated as of even date with the Trust Deed and executed in connection with the Trust Deed and the above-referenced Note by Borrower) secured by the Trust Deed;

all of which are granted to secure all obligations of Issuer under those certain Multifamily Housing Revenue Bond (East Block Family Apartments), Series 2020B in the principal amount of _____ and No/100ths Dollars (\$_____.00) issued by Issuer, and all renewals, modifications and extensions thereof.

[Remainder of Page Intentionally Left Blank]

The Assignee hereby accepts the assignment made pursuant to this Assignment.

Dated as of _____, 2020.

**HOUSING AUTHORITY OF THE CITY OF
SAN DIEGO,**
a public body, corporate and politic, duly organized
and existing under the laws of the State of
California

By: _____
Name: _____
Title: _____

BOND TRUSTEE:

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.** a national
banking association organized and existing
under the laws of the United States of
America

By: _____
Name: _____
Title: _____

EXHIBIT "A"

REAL PROPERTY

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

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, _____, a 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 _____

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, _____, a 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 _____

INDENTURE OF TRUST

by and among

**HOUSING AUTHORITY OF THE CITY OF SAN DIEGO,
as Issuer,**

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee**

and

**ZIONS BANCORPORATION, N.A. DBA CALIFORNIA BANK & TRUST,
as Bondowner Representative**

Dated as of February 1, 2020

Relating to:

\$_____

**Housing Authority of the City of San Diego
Multifamily Housing Revenue Bond
(East Block Family Apartments),
Series 2020B**

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST, dated as of February 1, 2020 (this "Indenture"), is by and among the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body, corporate and politic, duly organized and existing under the laws of the State of California (herein called the "Issuer"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as Trustee hereunder (herein called the "Trustee"), and ZIONS BANCORPORATION, N.A. DBA CALIFORNIA BANK & TRUST, as initial owner of the Bond hereunder (herein called the "Bondowner Representative").

RECITALS:

WHEREAS, pursuant to Chapter 1 of Part 2 of Division 24 (commencing with Section 34200) of the Health and Safety Code of the State of California (the "Act"), the Issuer is empowered to issue bonds to finance the acquisition, construction and development of multifamily rental housing for families and individuals of low income; and

WHEREAS, Fairmount Family Housing CIC, LP, a California limited partnership (the "Borrower"), has applied to the Issuer for financial assistance for the purpose of providing all or part of the funds with which to pay the cost of the acquisition and construction of a 78-unit multifamily rental housing project located at 4340 44th Street, San Diego, California, known as East Block Family Apartments (the "Project"); and

WHEREAS, the provision of the Loan (as hereinafter defined), is authorized by the Act and will accomplish a valid public purpose of the Issuer, and the Issuer has determined that it is in the public interest to issue its Housing Authority of the City of San Diego Multifamily Housing Revenue Bond (East Block Family Apartments), Series 2020B (the "Bond") pursuant to the Act in the maximum principal amount of \$_____ for the purpose of providing funding for the acquisition and construction of the Project; and

WHEREAS, pursuant to a Loan Agreement dated as of even date herewith (the "Loan Agreement") among the Issuer, the Bondowner Representative and the Borrower, the Issuer has agreed to issue the Bond and lend the proceeds thereof to the Borrower (the "Loan") and the Borrower has agreed to (a) apply the proceeds of the Loan to pay (or repay a loan made to the Borrower to pay) a portion of the costs of construction of the Project, (b) make payments sufficient to pay the principal of and interest on the Bond when due (whether at maturity, by redemption, acceleration or otherwise), and (c) observe the other covenants and agreements and make the other payments set forth therein; and

WHEREAS, in order to provide for the authentication and delivery of the Bond, to establish and declare the terms and conditions upon which the Bond is to be issued and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, the Issuer has authorized the execution and delivery of this Indenture; and

WHEREAS, the Issuer has determined that all conditions, things and acts required by the Act and by all other laws of the State of California to exist, have happened and have been performed in satisfaction of conditions precedent to and in connection with the issuance of the Bond exist, have happened and have been performed in due time, form and manner as required by law, and the Issuer is now duly authorized and empowered, pursuant to each and every requirement of law, to issue the Bond for the purpose, in the manner and upon the terms herein provided; and

WHEREAS, the Issuer has determined that all acts and proceedings required by law necessary to make the Bond, when executed by the Issuer, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligation of the Issuer, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken; and the execution and delivery of this Indenture have been in all respects duly authorized.

A G R E E M E N T:

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of, and the interest and premium, if any, on, the Bond at any time issued and Outstanding under this Indenture, according to its tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bond is to be issued and received, and for and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bond by the owner thereof, and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Issuer covenants and agrees with the Trustee and the Bondowner Representative, for the equal and proportionate benefit of the respective registered owner from time to time of the Bond, as follows:

ARTICLE I

DEFINITIONS AND GENERAL PROVISIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of this Indenture and of the Loan Agreement and of any indenture supplemental hereto or agreement supplemental thereto, have the meanings herein specified, as follows:

The term "Act" shall mean Chapter 1 of Part 2 of Division 24 (commencing with Section 34200) of the Health and Safety Code of the State of California as in effect on the Closing Date.

The term "Agreement" or "Loan Agreement" shall mean the Loan Agreement, dated as of February 1, 2020, among the Issuer, the Borrower and the Bondowner Representative, pursuant to which the Issuer agrees to lend the proceeds of the Bond to the Borrower, as originally executed or as it may from time to time be supplemented or amended in accordance with its terms.

The term "Annual Fee," when used with reference to the Issuer, means the Issuer's ongoing annual fees as set forth in Section 7(a)(ii) and (iv) of the Regulatory Agreement.

The term "Authorized Amount" shall mean \$_____, the authorized maximum principal amount of the Bond.

The term "Authorized Borrower Representative" shall mean any person who at the time and from time to time may be designated as such, by written certificate furnished to the Issuer, the Bondowner Representative and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by the manager of the Managing General Partner, or the manager of the Administrative General Partner, of the Borrower, which certificate may designate an alternate or alternates and such persons as designated in the Loan Agreement.

The term “Authorized Issuer Representative” shall mean the Chairman of the Issuer, the Vice Chairman of the Issuer, the Executive Director of the Issuer, the Senior Vice President of Real Estate Finance and Portfolio Management of the San Diego Housing Commission, the Vice President of Multifamily Housing Finance of the San Diego Housing Commission or the Executive Vice President and Chief of the San Diego Housing Commission, and any other person as may be designated and authorized to sign on behalf of the Issuer pursuant to a certificate filed with the Borrower, the Bondowner Representative and the Trustee containing the specimen signature of such person and signed on behalf of the Issuer by any of the foregoing persons.

The term “Bond” shall mean the Housing Authority of the City of San Diego Multifamily Housing Revenue Bond (East Block Family Apartments), Series 2020B, issued and Outstanding hereunder.

The term “Bond Counsel” shall mean (i) Quint & Thimmig LLP, or (ii) any attorney at law or other firm of attorneys selected by the Issuer of nationally recognized standing in matters pertaining to the federal tax status of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America, but shall not include counsel for the Borrower.

The term “Bond Fund” shall mean the fund by that name established pursuant to Section 5.02 hereof.

The term “Bondowner Representative” shall mean (a) Zions Bankcorporation, N.A. dba California Bank & Trust, and (b) any successor entity that is the owner of the Bond or any entity selected by the owner of the Bond, in each case as identified in writing to the Issuer and the Trustee.

The term “Bond Year” shall mean the one year period beginning on February 1 in each year and ending the last day in January in the following year, except that the first Bond Year shall begin on the Closing Date and end on January 31, 2021.

The term “Borrower” shall mean Fairmount Family Housing CIC, LP, a California limited partnership, and its respective successors and assigns under the applicable provisions of the Loan Agreement and the Regulatory Agreement.

The term “Business Day” means a day of the week (but not a Saturday, Sunday, or holiday) on which the offices of Bondowner Representative and the Trustee are open to the public for carrying on substantially all of the Bondowner Representative’s or the Trustee’s respectively, business functions.

The term “Certificate of the Issuer” shall mean a certificate of the Issuer signed by an Authorized Issuer Representative. 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.

The term “Certified Resolution” shall mean a copy of a resolution of the Issuer, certified by a Deputy Secretary of the Issuer, to have been duly adopted by the Issuer and to be in full force and effect on the date of such certification.

The term “Closing Date” shall mean February __, 2020, the date of initial delivery of the Bond and funding of the Initial Disbursement.

The term “Code” or “Internal Revenue Code” means the Internal Revenue Code of 1986, as amended, and with respect to a specific section thereof, such reference shall be deemed to include (a) the regulations promulgated by the United States Department of the Treasury under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code, and (d) the regulations promulgated under the provisions described in (b) and (c).

The term “Collateral Fund” means the Collateral Fund established pursuant to Section 5.03 hereof.

The term “Construction Fund” shall mean the fund by that name established pursuant to Section 3.03 hereof which includes a Bond Proceeds Account therein.

The term “Construction Lenders” means, collectively, U.S. Bank National Association and each other lending institution now or hereafter becoming a “Lender” pursuant to the terms and conditions of the Construction Loan Agreement.

The term “Construction Loan” means a loan by the Construction Lenders to the Borrower in the maximum principal amount of \$_____.

The term “Construction Loan Agreement” means that certain Construction Loan Agreement dated as of [_____] _____, 2020, by and among (i) the Construction Lender Administrative Agent, (ii) the Construction Lenders, and (iii) the Borrower, pursuant to which, among other things, the Construction Lenders agreed to make the Construction Loan to the Borrower, as the same may be amended, modified and supplemented from time to time.

The term “Construction Loan Documents” means the Construction Loan Agreement, the Construction Loan Notes, Construction Loan Mortgage, and all other agreements or instruments described in the Construction Loan Agreement as “Loan Documents”, including all existing and future amendments, modifications and supplements thereto.

The term “Construction Loan Mortgage” means that certain Construction Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of [_____] _____, 2020, made by the Borrower, as trustor, for the benefit of the Construction Lender Administrative Agent, as beneficiary, as the same may be amended, modified and supplemented from time to time.

The term “Construction Loan Notes” means, collectively, those certain promissory notes made by Borrower to the order of a Construction Lender, pursuant to the Construction Loan Agreement, in an aggregate principal amount equal to the maximum principal amount of the Construction Loan, secured by the Construction Loan Mortgage, and collectively evidencing the Construction Loan, as the same may be amended, modified, supplemented, renewed and replaced from time to time.

The term “Construction Lender Administrative Agent” means U.S. Bank National Association, a national banking association, in its capacity as the “Administrative Agent” for the Construction Lenders under the Construction Loan Documents, and its successors and assigns.

The term “Conversion Date” has the meaning given that term in the Construction Loan Agreement.

The term "Conversion Date Deadline" has the meaning given that term in the Construction Loan Agreement.

The term "Deed of Trust" shall mean the Construction and Permanent Trust Deed with Assignment of Rents, Security Agreement and Fixture Filing, executed by the Borrower in favor of the Issuer as beneficiary (the beneficial interest under which is being assigned, concurrent with recording, by the Issuer to the Trustee) for the purpose of securing the obligations of the Borrower under the Loan Agreement, as such deed of trust may be originally executed or as from time to time supplemented or amended.

The term "Default Rate" means the lesser of (a) the interest rate then in effect on the Bond plus five percent (5.0%), or (b) the Maximum Rate.

The term "Disbursed Amount" means the principal of the Bond advanced by the Bondowner Representative and Outstanding from time to time, as indicated on the Bond and in the records of the Trustee.

The term "Disbursement Agreement" shall have the meaning contained in the Loan Agreement.

The term "Event of Default" as used herein other than with respect to defaults under the Loan Agreement shall have the meaning specified in Section 7.01 hereof, and as used in the Loan Agreement shall have the meaning specified in Section 6.01 thereof.

The term "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 Obligation-State and Local Government Series that is acquired in accordance with applicable regulations of the United States Department of the Treasury, Bureau of Public Debt, or (d) the investment is the Local Agency Investment Fund of the State, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

The term "Holder," "holder," "Bondholder," "Owner" or "Bondowner" shall mean the person in whose name the Bond is registered.

The term "Government Obligations" means any of the investments described in clause (a) of the definition "Investment Securities" herein.

The term "Indenture" shall mean this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture entered into pursuant to the provisions hereof.

The term "Initial Disbursement" means the initial advance of the proceeds of the Bond on the Closing Date in an amount equal to at least \$50,001.

The term “Intercreditor Agreement” means that certain Intercreditor Agreement dated as of [_____] _____, 2020, between the Construction Lender Administrative Agent and the Bondowner Representative, with the acknowledgement of the Borrower, as the same may be amended, modified, supplemented, renewed and replaced from time to time.

The term “Interest Payment Date” shall mean the first calendar day of each month, commencing March 1, 2020.

The term “Investment Securities” shall mean any of the following (including any funds comprised of the following, which may be funds maintained or managed by the Trustee and its affiliates), but only to the extent that the same are acquired at Fair Market Value:

(a) United States Treasury notes, bonds, bills, and other obligations for which the full faith and credit of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, are pledged for the payment of principal and interest (including State and Local Government Series);

(b) shares of an investment company (1) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, (2) whose only investments are in (i) securities described in the preceding clause (a), (ii) general obligation tax-exempt securities rated “A” or better by the Rating Agency, or (iii) repurchase agreements or reverse repurchase agreements fully collateralized by those securities if the repurchase agreements or reverse repurchase agreements are entered into only with those primary dealers which report to the Federal Reserve Bank of New York or with the 100 largest United States commercial banks, and (3) which are rated Am or Am-g or better by the Rating Agency, including money market funds for which the Trustee and its affiliates provide investment advisory or other management services;

(c) any security which is a general obligation of any state or any local government with taxing powers which is rated “A” or better by the Rating Agency;

(d) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated “A-1” by the Rating Agency and matures in 270 days or less; or

(e) any other investment which is a lawful investment for funds of the Issuer hereunder approved in writing by the Bondowner Representative.

The term “Investor’s Letter” shall mean a letter from a purchaser of the Bond in the form Exhibit B hereto.

The term “Investor Limited Partner” shall mean U.S. Bancorp Development Corporation, its successors and assigns.

The term “Issuance Costs” shall mean all costs and expenses of issuance of the Bond, including, but not limited to: (a) underwriters’ discount and fees; (b) counsel fees, including bond counsel and Borrower’s counsel, as well as any other specialized counsel fees incurred in connection with the issuance of the Bond or the Loan; (c) the Issuer’s administrative fee referred to in Section 7(a)(i) of the Regulatory Agreement; (d) Bondowner Representative’s fees and Bondowner Representative’s counsel fees payable on the Closing Date; (e) Trustee’s fees and Trustee’s counsel fees payable on the Closing Date; (f) paying agent’s and certifying and authenticating agent’s fees related to issuance of the Bond; (g) accountant’s fees related to

issuance of the Bond; (h) publication costs associated with the financing proceedings; and (i) costs of engineering and feasibility studies necessary to the issuance of the Bond.

The term "Issuer" shall mean the Housing Authority of the City of San Diego, a public body, corporate and politic, duly organized and existing under the laws of the State, the issuer of the Bond hereunder, and its successors and assigns.

The term "Loan" shall mean the loan of the proceeds of the Bond made by the Issuer to the Borrower pursuant to the Loan Agreement for the purpose of financing costs of the acquisition and construction by the owner of the Project.

The term "Loan Documents" shall have the meaning given such term in the Loan Agreement.

The term "Maturity Date" shall mean _____ 1, ____.

The term "Maximum Rate" shall mean the lesser of (i) 12% per annum, or (ii) the maximum interest rate permitted by law.

The term "Note" shall mean the promissory note evidencing the obligation of the Borrower to repay the Loan, in the form required by the Loan Agreement, as amended or supplemented from time to time.

The term "Opinion of Counsel" shall mean a written opinion of counsel, who may be counsel for the Issuer, Bond Counsel, counsel for the Trustee or counsel for the Bondowner Representative.

The term "Outstanding," when used as of any particular time with reference to the Bond, shall mean a principal amount of the Bond equal to the purchase price paid by the Bondowner Representative to the Trustee under this Indenture except:

- (a) Any portion of the Bond theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Any portion of the Bond for the payment or redemption of which moneys or securities in the necessary amount (as provided in Section 10.01) shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bond); and
- (c) A Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered by the Trustee pursuant to the terms of Section 2.05.

The term "Person" or "person" shall mean an individual, a limited liability company, a corporation, a partnership, a limited partnership, a limited liability partnership, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

The term "Principal Office" shall mean the corporate trust office of the Trustee located at the address set forth in Section 11.06 hereof, or at such other place as the Trustee shall designate by notice given under said Section 11.06.

The term "Principal Payment Date" shall mean any date on which principal of the Loan is due and payable under the Note.

The term “Project” means the multifamily rental housing facility to be acquired and constructed by the Borrower with the proceeds of the Loan to be located at 4340 44th Street in the City of San Diego, and any structures, buildings, fixtures or equipment acquired in substitution for, as a renewal or replacement of, or a modification or improvement to, all or any part of such facilities, and a fee interest in the land on which such housing is situated.

The term “Project Costs” has the meaning given such term in the Regulatory Agreement.

The term “Qualified Project Costs” has the meaning given such term in the Regulatory Agreement.

The term “Rating Agency” shall mean S&P Global Ratings, or its successors and assigns or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized rating agency designated by the Bondowner Representative.

The term “Rebate Analyst” shall mean any certified public accountant, financial analyst or bond counsel, or any firm of the foregoing, or financial institution (which may include the Trustee) experienced in making the arbitrage and rebate calculations required pursuant to Section 148 of the Code, selected by and at the expense of the Borrower, to make the computations required under this Indenture and the Loan Agreement.

The term “Redemption Date” shall mean any date designated as a date upon which the Bond is to be redeemed in whole or in part pursuant to this Indenture.

The term “Regulations” shall mean the Income Tax Regulations promulgated or proposed by the Department of the Treasury pursuant to the Code from time to time.

The term “Regulatory Agreement” shall mean the Regulatory Agreement and Declaration of Restrictive Covenants of even date herewith, by and between the Issuer and the Borrower related to the Project, as amended, supplemented or restated from time to time.

The term “Reserved Rights” means those certain rights of the Issuer, its commissioners, officers, attorneys, accountants, employees, agents and consultants under the Loan Documents to indemnification and to payment or reimbursement of fees and expenses, including the Issuer’s Annual Fee, as well as the fees and expenses of counsel and indemnity payments, the Issuer’s right to give and receive notices and to enforce notice and reporting requirements and restrictions on transfer of ownership, the Issuer’s right to inspect and audit the books, records and premises of the Borrower and of the Project, the Issuer’s right to collect attorney’s fees and related expenses, the Issuer’s right to specifically enforce the Borrower’s representations, warranties, covenants and agreements pertaining in any manner or way, directly or indirectly, to the requirements of applicable federal tax law and State law (including the Act), and set forth in any of the Financing Documents or in any other certificate or agreement executed by the Borrower, as well as the Issuer’s Bond Issuance and Post-Issuance Compliance Policy for its Multifamily Mortgage Revenue Bond Program, the Issuer’s right to give or withhold consent to amendments, changes, modifications and alterations to the Loan Documents as specifically set forth herein and therein, and to the extent not included above, the rights specifically reserved by the Issuer under this Indenture and the Regulatory Agreement.

The term “Responsible Officer” of the Trustee or the Bondowner Representative shall mean any officer of the Trustee or the Bondowner Representative, as the case may be, assigned to administer its respective duties hereunder.

The term “Revenues” means all amounts pledged hereunder to the payment of principal of and premium, if any, and interest on the Bond, consisting of any repayments of the Loan required or permitted to be made by the Borrower pursuant to Sections A and C of the Note, but such term shall not include payments to the United States, the Issuer or the Bondowner Representative pursuant to Sections 2.05, 2.06, 4.01, 5.03 and 8.08 of the Loan Agreement, Sections 6.07 or 8.06 hereof or pursuant to the Regulatory Agreement.

The term “Sophisticated Investor” means a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended, or an institutional “accredited investor” as defined in Rule 501 promulgated under the Securities Act of 1933, as amended.

The term “State” means the State of California.

The term “supplemental indenture” or “indenture supplemental hereto” shall mean any indenture hereafter duly authorized and entered into by and among the Bondowner Representative, the Issuer and the Trustee in accordance with the provisions of this Indenture.

The term “Tax Certificate” means the Certificate as to Arbitrage and Tax Compliance Procedures, dated the Closing Date, executed by the Issuer and the Borrower.

The terms “Written Consent,” “Written Demand,” “Written Direction,” “Written Election,” “Written Notice,” “Written Order,” “Written Request” and “Written Requisition” of the Issuer or the Borrower shall mean, respectively, a written consent, demand, direction, election, notice, order, request or requisition signed on behalf of the Issuer by an Authorized Issuer Representative, or on behalf of the Borrower by an Authorized Borrower Representative.

Section 1.02. Rules of Construction.

(a) The singular form of any word used herein, including the terms defined in Section 1.01, shall include the plural, and vice versa, unless the context otherwise requires. The use herein of a pronoun of any gender shall include correlative words of the other genders.

(b) All references herein to “Articles,” “Sections” and other subdivisions hereof are to the corresponding Articles, Sections or subdivisions of this Indenture as originally executed; and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

(c) The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Indenture.

ARTICLE II

THE BOND

Section 2.01. Authorization. There is hereby authorized to be issued a bond of the Issuer designated as “Housing Authority of the City of San Diego Multifamily Housing Revenue Bond (East Block Family Apartments), Series 2020B” in the initial aggregate principal amount of up to \$_____, subject to funding over time, as provided herein. No Bond may be issued hereunder except in accordance with this Article. The maximum aggregate principal amount of the Bond which may be issued and Outstanding under this Indenture shall not exceed the Authorized Amount.

Section 2.02. Terms of Bond. The Bond shall be substantially in the form set forth in Exhibit A hereto with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture, including any supplemental indenture.

The Bond shall be issuable only as a single fully registered Bond, without coupons in the principal amount equal to the aggregate of the purchase price of the Bond advanced from time to time by the owner of the Bond (which principal amount shall be, on the Closing Date, equal to the amount of the Initial Disbursement). Notwithstanding the foregoing, no purchase price of the Bond shall be funded after February __, 2023 unless there is delivered to the Trustee an opinion of Bond Counsel to the effect that such funding will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Bond. The Bond shall be dated the Closing Date, shall mature on and be payable in full on the Maturity Date, and shall be subject to redemption prior to maturity as provided in Article IV.

The Bond shall bear interest, payable on each Interest Payment Date, at the Adjustable Fixed Rate as defined in and pursuant to and in accordance with the terms of the Note (subject to such exceptions and conditions as are set forth in the Note). Notwithstanding the foregoing, the Bond shall bear interest at the Default Rate upon the occurrence of an Event of Default hereunder or under the Loan Agreement or at a Taxable Rate as defined in the Note upon a Notice of Taxability as defined in the Note. In no event may the interest rate on the Bond exceed the Maximum Rate. Interest on the Bond shall be computed on the basis of a 360-day year and actual days elapsed.

The Bond shall bear interest from the date to which interest has been paid on the Bond next preceding the date of its authentication, unless it is authenticated as of an Interest Payment Date for which interest has been paid, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the first Interest Payment Date, in which event it shall bear interest from the Closing Date.

The Bond shall be issued as a certificated instrument and shall not be held in book-entry form.

Section 2.03. Payment of Bond. Payment of the principal of and interest on the Bond shall be made in lawful money of the United States to the person appearing on the Bond registration books of the Trustee as the registered owner thereof on the applicable Interest Payment Date, such principal and interest to be paid (except as otherwise provided in the second sentence of Section 3.03(b)) by check mailed on the Interest Payment Date by first class mail, postage prepaid, to the registered owner at its address as it appears on such registration books, except that the Trustee may, at the request of any registered owner of Bond, make payments of principal and interest on the Bond by wire transfer to the account within the United States designated by such owner to the Trustee in writing, any such designation to remain in effect until withdrawn in writing. Notwithstanding the foregoing and except as provided in the second sentence of Section 3.03(b), unless otherwise notified in writing by the Bondowner Representative, the Trustee shall make all payments of principal of and interest on the Bond to the Bondowner Representative to the extent funds are on deposit with the Trustee for such payments under this Indenture.

Section 2.04. Execution of Bond. The Bond shall be executed on behalf of the Issuer by the manual or facsimile signature of an Authorized Issuer Representative. Any facsimile signature shall have the same force and effect as if said person had manually signed said Bond. In case any officer whose manual or facsimile signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond such signature or such facsimile shall

nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery, and also any Bond may bear the facsimile signature of, or may be signed by, such Person as at the actual time of the execution of such Bond shall be the proper officer to sign such Bond although at the date of such Bond such Person may not have been such officer.

Only such Bond as shall bear thereon a certificate of authentication in the form set forth in Exhibit A, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture and such certificate of the Trustee shall be conclusive evidence that the Bond so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.05. Transfer of Bond.

(a) The Bond may, in accordance with the terms of this Indenture but in any event subject to the provisions of Section 2.05(b) hereof, be transferred upon the books of the Trustee required to be kept pursuant to the provisions of Section 2.06, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Office of the Trustee, accompanied by a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever the Bond shall be surrendered for transfer, the Issuer shall execute and the Trustee shall authenticate and deliver a new, fully registered Bond.

(b) The following shall apply to all transfers of the Bond after the initial delivery of the Bond:

(i) the Bond, in the form attached hereto as Exhibit A, shall be a physical certificated instrument, and shall not be held in a book-entry only system unless approved in advance in writing by the Issuer in its sole discretion;

(ii) the Bond shall be transferred only in whole;

(iii) each transferee of the Bond shall deliver to the Issuer and the Trustee an Investor's Letter, wherein the transferee represents that it is a Sophisticated Investor and agrees, among other matters, not to sell participating interests in the Bond without the prior written consent of the Issuer; and

(iv) the Trustee shall not authenticate or register a Bond unless the conditions of this Section 2.05(b) have been satisfied.

(c) The Trustee shall require the payment by the Bondholder requesting any such transfer of any tax, fee or other governmental charge required to be paid with respect to such transfer, but any such transfer shall otherwise be made without charge to the Bondholder requesting the same. The cost of printing any Bond and any services rendered or any expenses incurred by the Trustee in connection therewith shall be paid by the Borrower.

(d) The Trustee shall indemnify and defend the Issuer, and the officers, commissioners, employees, attorneys and agents of the Issuer against any claim brought by any transferor or transferee of the Bond in respect of the Bond, this Indenture or any of the Loan Documents in the event that there occurs a transfer of the Bond that is not permitted pursuant to this Section 2.05. Failure to comply with Section 2.05(b) shall cause any purported transfer to be null and void.

(e) Nothing contained in this Section 2.05 shall limit or otherwise restrict the sale by the Bondowner of participation interests in the Bond; provided that (i) the Bondowner shall remain the registered owner of the Bond for all purposes of this Indenture following the sale of any such participation interest, (ii) the purchaser of the participation interest is a Sophisticated Investor, (iii) any such participation shall be in a principal amount of at least \$250,000, and (iv) the purchaser of such participation interest shall provide an Investor Letter to the Issuer and the Trustee substantially similar in content to Exhibit B attached hereto.

Section 2.06. Bond Register. The Issuer hereby appoints the Trustee as registrar and authenticating agent for the Bond. The Trustee will keep or cause to be kept at its Principal Office sufficient books for the registration, notation of principal and transfer of the Bond, which shall at all reasonable times upon reasonable notice be open to inspection by the Issuer and the Borrower; and, upon presentation for such purpose, the Trustee as registrar shall, under such reasonable regulations as it may prescribe, transfer or cause to be transferred, on said books, the Bond as hereinbefore provided.

The ownership of the registered Bond shall be proved by the bond registration books held by the Trustee. The Trustee and the Issuer may conclusively assume that such ownership continues until written notice to the contrary is served upon the Trustee. The fact and the date of execution of any request, consent or other instrument and the amount and distinguishing numbers of the Bond held by the person so executing such request, consent or other instrument may also be proved in any other manner which the Trustee may deem sufficient. The Trustee may nevertheless, in its discretion, require further proof in cases where it may deem further proof desirable.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the Bond and the Holder of every Bond issued in exchange thereof or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Issuer in accordance therewith or reliance thereon.

ARTICLE III

ISSUANCE OF BOND; APPLICATION OF PROCEEDS

Section 3.01. Authentication and Delivery of the Bond. Upon the execution and delivery of this Indenture, the Issuer shall execute the Bond and deliver it to the Trustee. Upon satisfaction of the conditions set forth in this Section, and without any further action on the part of the Issuer, the Trustee shall authenticate the Bond in a principal amount not exceeding the Authorized Amount, and shall deliver the Bond pursuant to a Written Order of the Issuer. Prior to the authentication and delivery of the Bond by the Trustee, the initial owner of the Bond shall have executed and delivered to the Trustee the form of Investor's Letter attached hereto as Exhibit B and there shall have been delivered to the Trustee each of the following:

(a) a Certified Resolution authorizing issuance and sale of the Bond and execution and delivery by the Issuer of the Indenture, the Loan Agreement and the Regulatory Agreement;

(b) original executed counterparts of this Indenture, the Loan Agreement, the Deed of Trust, the Regulatory Agreement and all of the other Loan Documents (as defined in the Loan Agreement), all in form and content satisfactory to the Bondowner Representative (as evidenced by the authentication and delivery of the Bond to the Bondowner Representative and acceptance thereof), and the original executed Note;

(c) a Written Order of the Issuer to the Trustee to authenticate and deliver the Bond as directed in such Written Order, upon payment of the Initial Disbursement by the Bondowner Representative to the Trustee, for the account of the Issuer, for deposit in the Construction Fund and immediate disbursement into escrow with First American Title Company;

(d) evidence satisfactory to the Issuer of arrangements to pay all Issuance Costs; and

(e) an opinion of Bond Counsel with respect to the due execution and delivery of the Indenture, Loan Agreement and the Bond and the exclusion from gross income of the Bondholder of interest on the Bond for federal income tax purposes.

Section 3.02. Application of Proceeds of Bond/Draw Down Provisions. The Initial Disbursement and subsequent disbursements of the proceeds received from the sale of the Bond shall be made in accordance with Section 3.03 of this Indenture. The Bondowner Representative shall fund the purchase price of the Bond from time to time by funding advances of principal of the Loan pursuant to the Loan Agreement and Disbursement Agreement. Amounts funded in such manner shall be deposited by the Bondowner Representative with the Trustee and shall be deposited into the Construction Fund in accordance with Section 3.03(a) of this Indenture; provided, however, that the Initial Disbursement shall be made by the Bondowner Representative to First American Title Insurance Company on the Closing Date. The Trustee shall note such amounts (including the amount of the Initial Disbursement) in its records, and the Trustee's records, absent manifest error, shall be dispositive of the Outstanding principal amount of the Bond. Such amounts shall constitute the Disbursed Amount, and shall begin to accrue interest only upon disbursement by the Bondowner Representative to the Trustee for deposit in the Construction Fund (or, with respect to the Initial Disbursement, to First American Title Insurance Company). Notwithstanding anything herein to the contrary, the purchase price of the Bond funded by the Bondowner Representative may not exceed the Authorized Amount (and the Trustee shall not record any advances which would cause the principal amount of the Bond to exceed such amount). In no event may additional amounts be funded after February __, 2023 unless there is delivered to the Trustee an opinion of Bond Counsel to the effect that such funding will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Bond.

Section 3.03. Disbursement of Bond Proceeds; Establishment of Construction Fund. There is hereby created and established with the Trustee a separate fund which shall be designated the "Construction Fund," which fund shall be applied only as provided in this Section. Within the Construction Fund there shall be created a Bond Proceeds Account to be held by the Trustee. The Initial Disbursement on the Closing Date shall be disbursed by the Bondowner Representative pursuant to the Loan Agreement and the Disbursement Agreement to First American Title Insurance Company for payment of Project Costs.

(a) The Bondowner Representative shall fund the Loan from time to time in accordance with the Loan Agreement and the Disbursement Agreement. Each advance of the Loan shall be treated as a concurrent funding of Bondowner Representative's purchase of a further drawdown of the principal of the Bond. Except as described in the second sentence of Section 3.03(b), the Bondowner Representative shall deposit the proceeds of each drawdown on the Bond with the Trustee for deposit into the Bond Proceeds Account of the Construction Fund. Funds on deposit in the Construction Fund, and any interest earnings thereon, shall be transferred by the Trustee to the Borrower (or, at the direction of the Bondowner Representative, to such contractors or subcontractors as specified in writing to the Trustee by the Bondowner Representative)

(i) for the payment or reimbursement of Project Costs approved by the Bondowner Representative; and (ii) as provided in the first sentence of the next subsection, interest on the Bond when due. Amounts in the Construction Fund may also be disbursed as provided in the third paragraph of Section 3.03(b) below.

(b) The Trustee shall disburse from the Construction Fund to the registered owner of the Bond, the accrued interest on the Bond when due, upon the receipt of a written request from the Bondowner Representative stating the amount of such interest, without the need for the consent of, but with delivery of a copy of such written request to, the Borrower and the Issuer. In the alternative, the Bondowner Representative may advance the amount of interest due on the Bond on any Interest Payment Date directly to the registered owner of the Bond each of which amounts shall constitute an advance of the purchase price of the Bonds and a funding of the Loan; provided that the Bondowner Representative provides written notice of the date and amount of any such advance to the Trustee.

The Issuer hereby authorizes and directs the disbursement by the Trustee of the amounts deposited in the Construction Fund in accordance with this Indenture to or upon the order of the Borrower (or, at the direction of the Bondowner Representative, to such contractors or subcontractors as specified in writing to the Trustee by the Bondowner Representative) from time to time upon receipt by the Trustee of a disbursement request from the Borrower in the form attached hereto as Exhibit C, and a written consent executed by the Bondowner Representative evidencing a determination of the Bondowner Representative that the conditions to disbursement contained in the Disbursement Agreement have been satisfied or waived.

In the alternative to the preceding paragraph, Issuer hereby authorizes the Trustee to disburse amounts in the Construction Fund to U.S. Bank National Association to repay a loan made by such entity to pay Project Costs, upon receipt by the Trustee of a disbursement request from the Borrower in the form attached hereto as Exhibit C, and a written consent executed by the Bondowner Representative evidencing a determination of the Bondowner Representative that the conditions to disbursement contained in the Disbursement Agreement have been satisfied or waived.

(c) The Trustee shall maintain, or cause to be maintained, accurate records regarding the disbursement of the proceeds of the Bond in accordance with Section 3.02 and this Section 3.03 hereof, and shall provide copies thereof to the Issuer and the Borrower upon their written request. Additionally, the Trustee shall provide the Issuer and Borrower with a monthly statement regarding activity in each of the funds and accounts created under this Indenture, including the Construction Fund and the Bond Fund in the immediately preceding month.

(d) The Trustee, the Bondowner Representative and the Issuer shall not be responsible for the application by the Borrower of monies disbursed to the Borrower in accordance with this Section 3.03.

If an Event of Default under and as defined in the Loan Agreement occurs and the maturity of the Bond is accelerated in accordance with Section 4.01(b) hereof, the Trustee will, to the extent necessary, use moneys in the Construction Fund and Bond Fund to make payments on the Bond.

Section 3.04. Costs of Issuance Fund. There is hereby created and established with the Trustee a separate fund which shall be designated the "Costs of Issuance Fund," which fund

shall be applied only as provided in this Section. On the Closing Date, the Borrower shall, from its own funds, deposit with the Trustee the amount of \$_____, which amount the Trustee shall deposit in the Costs of Issuance Fund. Amounts in the Costs of Issuance Fund shall be paid by the Trustee on or after the Closing Date to: (a) the Trustee the sum of \$_____ for its acceptance fee and counsel fee; and (b) the California Debt and Investment Advisory Commission (“CDIAC”) an amount up to \$_____ upon delivery of an invoice to the Trustee from CDIAC. Amounts, if any, remaining in the Costs of Issuance Fund 90 days after the Closing Date shall be returned to the Borrower and the Trustee shall close the Costs of Issuance Fund.

Section 3.05. Issuer Annual Fee. The Trustee shall collect the Issuer’s Annual Fee from the Borrower when due from the Borrower and remit it to the Issuer at the times specified in the Regulatory Agreement. The Trustee may establish a fund or account in its records to deposit and remit the Annual Fee to the Issuer.

ARTICLE IV

REDEMPTION OF BOND

Section 4.01. Circumstances of Redemption. The Bond is subject to redemption upon the circumstances, on the dates and at the prices set forth as follows:

(a) The Bond shall be subject to redemption in whole or in part on any date, at a price equal to the principal amount of the Bond to be redeemed plus interest accrued thereon to the date fixed for redemption, plus any applicable prepayment premium, as provided in the Note, the Loan Agreement or the Disbursement Agreement; provided, however, that any other charges then due and payable pursuant to the Note, the Loan Agreement or the Disbursement Agreement shall be paid in full (or, in connection with a partial redemption of the Bond, paid in proportion to the principal amount of the Bond being so redeemed) on the Redemption Date.

(b) The Bond shall be subject to mandatory redemption in whole upon the occurrence of an Event of Default under the Loan Agreement, the Disbursement Agreement or any other of the Loan Documents (subject to all applicable notice and cure provisions contained therein), at the written direction of the Bondowner Representative delivered to the Trustee (with a copy to the Issuer), at a redemption price equal to the principal amount of the Bond then Outstanding, plus accrued interest thereon to the Redemption Date, plus any applicable prepayment premium, as provided in the Note, the Loan Agreement or the Disbursement Agreement.

(c) The Bond shall be subject to mandatory redemption in whole on the “Term Loan Maturity Date” set forth in the Note.

(d) The Bond shall be subject to mandatory redemption (i) in part, at the direction of the Bondowner Representative on the “Conversion Date” (as defined in the Note) in the amount necessary to reduce the Outstanding principal amount of the Bond to the “[Term Loan]” as required under the Note, which amount shall not exceed \$[_____] and (ii) in full, at the direction of the Bondowner Representative on the “[Construction Loan Maturity Date]” under the Note (as may be extended by the terms of the Note) in the event the “[Conditions to Conversion]” (as defined in the Note) are not satisfied on or before the “[Interim Construction Loan Maturity Date]” set forth in the Note (as may be extended by the terms of the Note).

(e) The Bond shall be subject to mandatory redemption, at the direction of the Bondowner Representative (given to the Trustee in accordance with the Loan Agreement or the Deed of Trust, with a copy to the Issuer), in whole or in part on any date, from insurance proceeds received in connection with a partial or total casualty loss of the Project or a condemnation award in connection with a partial or complete taking of the Project, but only to the extent such proceeds or award are not used to repair, replace or restore the Project, at a price equal to the principal amount of the Bond to be redeemed plus interest accrued thereon to the Redemption Date and any additional amount payable pursuant to the Note, the Loan Agreement or the Disbursement Agreement.

The Bondowner Representative is hereby authorized and directed, and hereby agrees, to fix the Redemption Date for any such redemption and to provide written notice thereof to the Trustee and the Issuer, and, if Revenues are available, to cause the Trustee to redeem the Bond so called on the Redemption Date so fixed by the Bondowner Representative. The Bondowner need not surrender its Bond in connection with any redemption of the Bond unless the Bond is redeemed in whole.

Section 4.02. No Notice of Redemption. No notice of redemption of the Bond need be given to the Bondowner by the Trustee, but the Bondowner Representative shall give notice of any redemption under Section 4.01(b) to the Issuer at the same time such notice is given to the Trustee; provided such notice shall not be a condition precedent to any redemption and neither failure to give such notice nor any defect in such notice shall affect the validity of any redemption hereunder.

Section 4.03. Effect of Redemption. If moneys for payment of the redemption price of the Bond are being held by the Trustee, the Bond shall, on the Redemption Date selected by the Borrower or Bondowner Representative, as applicable, become due and payable at the redemption price specified herein, interest on the principal amount of the Bond so called for redemption shall cease to accrue upon actual redemption, said principal amount of Bond shall cease to be entitled to any lien, benefit or security under this Indenture, and the holder of the Bond shall have no rights in respect thereof except to receive payment of the redemption price thereof and receive proceeds of exercise by the Trustee of rights and remedies under the Note, the Loan Agreement, the Deed of Trust, the Disbursement Agreement and the other Loan Documents.

ARTICLE V

REVENUES

Section 5.01. Pledge of Revenues. All of the Revenues are hereby irrevocably pledged to the punctual payment of the principal of and interest on the Bond. The Issuer also hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the holder from time to time of the Bond, all of its right, title and interest in (excluding the Reserved Rights) (a) the Revenues, but excluding any amounts calculated as excess investment earnings under Section 6.07 hereof, (b) all amounts on deposit in any fund or account created hereunder and held by the Trustee, but excluding any amounts calculated as excess investment earnings under Section 6.07 hereof, (c) the Loan Agreement (except for the Reserved Rights under Sections 2.05, 2.06, 4.01, 5.03 and 8.08 of the Loan Agreement and amounts payable to the United States of America pursuant to the Regulatory Agreement and Tax Certificate, (d) the Note, and (e) any other amounts or agreements referenced in the Loan Agreement as security for the repayment of the Bond (collectively, the "Trust Estate"). The Note has been endorsed to

the Trustee, and the Deed of Trust is delivered in favor of the Issuer and assigned to the Trustee.

All Revenues received by the Trustee and all amounts on deposit in the funds and accounts created hereunder and held by the Trustee (other than amounts held pursuant to Section 3.05 for the benefit of the Issuer and amounts held in the Rebate Fund pursuant to Section 6.07 hereof) shall be held in trust for the benefit of the holder from time to time of the Bond, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes hereinafter set forth in this Article V.

THE BOND IS NOT AN OBLIGATION, EITHER GENERAL OR SPECIAL, AND DOES NOT CONSTITUTE A PLEDGE OF THE GENERAL CREDIT OF THE ISSUER OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, BUT IS PAYABLE SOLELY FROM THE TRUST ESTATE AND ANY OTHER REVENUES, FUNDS AND ASSETS PLEDGED UNDER THIS INDENTURE AND NOT FROM ANY OTHER REVENUES, FUNDS OR ASSETS OF THE ISSUER. NEITHER THE ISSUER NOR THE STATE OF CALIFORNIA OR ANY SUCH POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON. THE BOND HAS BEEN ISSUED PURSUANT TO AND IN ACCORDANCE WITH THE ACT.

NO COMMISSIONER, OFFICER, AGENT, EMPLOYEE OR ATTORNEY OF THE ISSUER, INCLUDING ANY PERSON EXECUTING THIS INDENTURE OR THE BOND, SHALL BE LIABLE PERSONALLY ON THE BOND OR FOR ANY REASON RELATING TO THE ISSUANCE OF THE BOND. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BOND, OR FOR ANY CLAIM BASED ON THE BOND, OR OTHERWISE IN RESPECT OF THE BOND, OR BASED ON OR IN RESPECT OF THIS INDENTURE OR ANY SUPPLEMENTAL INDENTURE, AGAINST ANY COMMISSIONER, OFFICER, EMPLOYEE OR AGENT, AS SUCH, OF THE ISSUER OR ANY SUCCESSOR, WHETHER BY VIRTUE OF ANY CONSTITUTION, STATUTE OR RULE OF LAW, OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, ALL SUCH LIABILITY BEING, BY THE ACCEPTANCE OF THE BOND AND AS PART OF THE CONSIDERATION FOR THE ISSUANCE OF THE BOND, EXPRESSLY WAIVED AND RELEASED BY THE BONDOWNER.

THE BOND, TOGETHER WITH INTEREST THEREON, AND REDEMPTION PREMIUM, IF ANY, IS A SPECIAL, LIMITED OBLIGATION OF THE ISSUER SECURED SOLELY BY THE TRUST ESTATE AND IS AND SHALL ALWAYS BE A VALID CLAIM OF THE OWNER THEREOF ONLY AGAINST THE REVENUES AND INCOME DERIVED FROM THE TRUST ESTATE, WHICH REVENUES AND INCOME SHALL BE USED FOR NO OTHER PURPOSE THAN TO PAY THE PRINCIPAL INSTALLMENTS OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE BOND, EXCEPT AS MAY BE EXPRESSLY AUTHORIZED OTHERWISE IN THIS INDENTURE.

NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BOND OR FOR ANY CLAIM BASED THEREON OR UPON ANY OBLIGATION, COVENANT OR AGREEMENT IN THIS INDENTURE CONTAINED, AGAINST THE ISSUER, OR ANY PAST, PRESENT OR FUTURE COMMISSIONER, OFFICER, ATTORNEY, ACCOUNTANT, FINANCIAL ADVISOR, AGENT OR STAFF OF THE ISSUER, EITHER DIRECTLY OR THROUGH THE ISSUER OR ANY SUCCESSOR PUBLIC ENTITY, UNDER ANY RULE OF LAW OR PENALTY OF OTHERWISE, AND ALL SUCH LIABILITY OF THE ISSUER AND ANY OF ITS COMMISSIONERS, OFFICERS, ATTORNEYS, ACCOUNTANTS, FINANCIAL ADVISORS, AGENTS AND STAFF IS HEREBY, AND BY THE ACCEPTANCE OF THE BOND, EXPRESSLY WAIVED AND

RELEASED AS A CONDITION OF, AND IN CONSIDERATION FOR, THE EXECUTION OF THIS INDENTURE AND THE ISSUANCE OF THE BOND.

The Issuer shall not be liable for payment of the principal of or interest on the Bond or any other costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Indenture, the Bond or any other documents, except only to the extent amounts are received for the payment thereof from the Borrower under the Loan Agreement.

Section 5.02. Bond Fund. There is hereby created and established with the Trustee a separate fund which shall be designated the "Bond Fund," which fund shall be applied only as provided in this Section.

The Trustee shall credit to the Bond Fund from time to time, upon receipt thereof, all Revenues, including (i) income received from the investment of moneys on deposit in the Bond Fund, and (ii) any other Revenues, including insurance proceeds, condemnation awards and other Loan payments or prepayments received from or for the account of the Borrower.

Except as provided in Section 10.02, moneys in the Bond Fund shall be used solely for the payment of the principal of and premium, if any, and interest on the Bond as the same shall become due, whether at maturity or upon redemption or acceleration or otherwise.

On each date on which principal of or interest on the Bond is due and payable, the Trustee shall pay such amount from the funds on deposit in the Bond Fund.

Section 5.03. Collateral Fund. There is hereby created and established with the Trustee a separate fund which shall be designated the "Collateral Fund," which fund shall be applied only as provided in this Section. Upon receipt, the Trustee shall deposit into the Collateral Fund the amount of \$_____, which amount shall be disbursed through the Bond closing escrow to the Trustee, for deposit into the Collateral Fund. Upon receipt, the Trustee shall also deposit into the Collateral Fund any subsequent deposit which the Borrower or the Construction Lender Administrative Agent, on behalf of the Construction Lenders, may hereafter remit to the Trustee for deposit into the Collateral Fund. Each deposit into the Collateral Fund shall constitute an irrevocable deposit solely for the benefit of the Bondowner, subject to the provisions hereof. The Trustee shall transfer money in the Collateral Fund as follows: (i) on each Interest Payment Date, to the Bond Fund, the amount necessary to pay interest on the Bond when due on such Interest Payment Date (to the extent money is not otherwise available to the Trustee, including money on deposit in the Bond Fund) and (ii) if the Bond is subject to mandatory redemption pursuant to Section 4.01 hereof, on the date of such redemption, to the Bond Fund, the amount necessary to pay the redemption price of the Bond. The Bond shall not be, and shall not be deemed to be, paid or prepaid by reason of any deposit into the Collateral Fund unless and until the amount on deposit in the Collateral Fund is transferred to the Bond Fund and applied to the payment of the principal of the Bond, or the principal component of the redemption price of the Bond, all as provided in this Indenture. If, due to the occurrence of Conversion prior to the Conversion Loan Maturity Date under the Note (as may be extended under the terms of the Note), as such date may be extended pursuant to the terms of the [Disbursement Agreement], the Bond is not subject to mandatory redemption pursuant to Section 4.01(d) hereof, amounts in the Collateral Fund representing Collateral Payments made by the Construction Lenders shall be released to the Construction Lender upon the written direction of the Bondowner Representative. Amounts on deposit in the Collateral Fund in excess of the amount required to pay principal of and interest on the Bond after payment in full of the Bond in the event of a mandatory redemption pursuant to Section 4.01 hereof, shall also be transferred to the Construction Lenders. Following Conversion, and the disbursement of all

amounts in the Collateral Fund in accordance herewith, the Trustee shall close the Collateral Fund.

Section 5.04. Investment of Moneys. Except as otherwise provided in this Section (including the last paragraph hereof with respect to the investment of amounts in the Collateral Fund), any moneys in any of the funds and accounts to be established by the Trustee pursuant to this Indenture shall be invested by the Trustee in Investment Securities selected and directed in writing by the Borrower, with respect to which payments of principal thereof and interest thereon are scheduled or otherwise payable not later than one day prior to the date on which it is estimated that such moneys will be required by the Trustee. In the absence of such directions, the Trustee shall invest such monies in Investment Securities described in clause (b) of the definition thereof. The Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance with this Section 5.04, except for those arising from the negligence, willful misconduct or fraud on the part of the Trustee.

Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bond (within the meaning of Section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued at their present value (within the meaning of Section 148 of the Code). The Trustee shall have no duty to determine Fair Market Value or present value hereunder.

For the purpose of determining the amount in any fund or account, all Investment Securities credited to such fund or account shall be valued at the lower of cost or par (which shall be measured exclusive of accrued interest) after the first payment of interest following purchase.

Any interest, profit or loss on such investment of moneys in any fund or account shall be credited or charged to the respective funds or account from which such investments are made. The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment, and the Trustee shall not be liable or responsible for any loss resulting from such sale or redemption.

The Trustee may make any and all investments permitted under this Section 5.04 through its own trust or banking department or any affiliate and may pay said department reasonable, customary fees for placing such investments. The Trustee and its affiliates may act as principal, agent, sponsor, advisor or depository with respect to Investment Securities under this Section 5.04.

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

Notwithstanding the foregoing, amounts from time to time on deposit in the Collateral Fund may only be invested in Government Obligations and shares or units in any money market mutual fund rated "Aaa-mf" by Moody's or "AAAm" by S&P at the time of purchase and whose investment portfolio consists solely of Government Obligations including, without

limitation, any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, advisor, administrator, shareholder, servicing agent and/or custodian or subcustodian.

Section 5.05. Enforcement of Obligations. Upon the occurrence of an Event of Default actually known to a Responsible Officer of the Bondowner Representative, the Bondowner Representative shall, pursuant to Section 7.08 hereof, be entitled in its sole discretion to take all steps, actions and proceedings, or to direct the Trustee to take all steps and proceedings: (a) to enforce the terms, covenants and conditions of, and preserve and protect the priority of its interest in and under, the Loan Agreement, the Regulatory Agreement and the Deed of Trust, and (b) to request compliance with all covenants, agreements and conditions on the part of the Issuer contained in this Indenture with respect to the Revenues.

ARTICLE VI

COVENANTS OF THE ISSUER

Section 6.01. Payment of Principal and Interest. The Issuer shall punctually pay, but only out of Revenues as herein provided, the principal and the interest (and premium, if any) to become due in respect of the Bond issued hereunder at the times and places and in the manner provided herein and in the Bond, according to the true intent and meaning thereof. When and as paid in full, the Bond shall be delivered to the Trustee and shall forthwith be destroyed by the Trustee.

Section 6.02. Preservation of Revenues; Amendment of Documents. The Issuer shall not take any action to interfere with or impair the pledge and assignment hereunder of Revenues and the assignment to the Trustee, of rights of the Issuer under the Loan Agreement and the Deed of Trust and other collateral documents, or the Trustee's or the Bondowner Representative's enforcement of any rights hereunder or thereunder, shall not take any action to impair the validity or enforceability of the Loan Agreement or the Deed of Trust and other collateral documents, and shall not waive any of its rights under or any other provision of or permit any amendment of the Loan Agreement or the Deed of Trust and other collateral documents, without the prior written consent of the Bondowner Representative.

Section 6.03. Compliance with Indenture. The Issuer shall not issue, or permit to be issued, any Bond secured or payable in any manner out of Revenues other than in accordance with the provisions of this Indenture; it being understood that the Issuer reserves the right to issue obligations payable from and secured by sources other than the Revenues and the assets assigned herein. The Issuer shall faithfully observe and perform all the covenants, conditions and requirements hereof. So long as the Bond is Outstanding, the Issuer shall not create any pledge, lien or charge of any type whatsoever upon all or any part of the Revenues, other than the lien of this Indenture.

Section 6.04. Further Assurances. Whenever and so often as requested so to do by the Bondowner Representative, the Issuer, at the expense of the Borrower, shall promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Bondowner Representative and the Bondholder all of the rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by this Indenture and to perfect and maintain as perfected such rights, interests, powers, benefits, privileges and advantages.

Section 6.05. No Arbitrage. The Issuer shall not take, nor knowingly permit nor suffer to be taken by the Trustee or otherwise, any action with respect to the gross proceeds of the Bond which would cause the Bond to be an “arbitrage bond” within the meaning of Section 148(a) of the Code and Regulations promulgated thereunder. The Issuer will, additionally, comply with its obligations under and pursuant to the Tax Certificate.

Section 6.06. Limitation of Expenditure of Proceeds. Based upon the Borrower’s representations in a certificate of the Borrower dated the Closing Date, not less than 97% of the principal amount of the Bond, plus premium (if any) paid on the purchase of the Bond by the original purchaser thereof from the Issuer, less original issue discount, will be used for Qualified Project Costs and less than 25% of such amount will be used for acquisition of land or an interest in land.

Section 6.07. Rebate of Excess Investment Earnings to United States. A Rebate Fund shall be established by the Trustee and held and applied as provided in this Section. 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 Trustee in trust for payment to the United States Government, and none of the Issuer, the Borrower or the Bondholder shall have any rights in or claim to such moneys. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section and by the Tax Certificate. The Trustee shall conclusively be deemed to have complied with such provisions if it follows the written instructions of the Rebate Analyst, and shall not be required to take any actions under this Section 6.07 in the absence of written instructions from the Rebate Analyst.

Within 55 days of the end of each fifth Bond Year and/or within 55 days of payment in full of the Bond, the Trustee shall request and 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 Rebate 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 Bond Year as a computation date, within the meaning of Section 1.148 1(b) of the Regulations (the “Rebatable Arbitrage”).

Within 55 days of the end of each fifth Bond Year and within 55 days of payment in full of the Bond, upon the written direction of the Rebate Analyst, an amount shall be deposited to the Rebate Fund by the Trustee 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 Trustee shall pay, as directed by the Rebate Analyst, to the United States Treasury, out of amounts in the Rebate Fund on the earlier of:

(i) Not later than 60 days after the end of (A) the fifth Bond Year, and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; or

(ii) Not later than 60 days after the payment of the Bond in full, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond 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 at the 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 Trustee.

Notwithstanding any provision of this Indenture to the contrary, the obligation to remit payment of the Rebatable Arbitrage to the United States and to comply with all other requirements of this Section 6.07, Section 2.06 of the Loan Agreement, the requirements of the Regulatory Agreement and the requirements of the Tax Certificate shall survive the defeasance or payment in full of the Bond.

Any funds remaining in the Rebate Fund after redemption and payment in full of the Bond and payment and satisfaction of any Rebate Requirement, or provision made therefor in accordance with the written direction of the Rebate Analyst, shall be withdrawn by the Trustee and remitted to the Borrower.

The Trustee shall keep such records of the computations made pursuant to this Section 6.07 as are required under Section 148(f) of the Code to the extent furnished to the Trustee. The Borrower shall or shall cause the Rebate Analyst to provide to the Issuer copies of all rebate computations made pursuant to this Section 6.07. The Trustee shall keep and make available to the Borrower such records concerning the investments of the gross proceeds of the Bond and the investments of earnings from those investments made by the Trustee 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 Issuer 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 Bond, a copy of which shall be provided to the Trustee, the Bondowner Representative and the Issuer, at the expense of the Borrower.

Section 6.08. Limitation on Issuance Costs. The Issuer, solely by requiring the Borrower to enter into the Loan Agreement, the Regulatory Agreement and the Tax Certificate, shall assure that from the proceeds of the Bond received from the original purchaser thereof and investment earnings thereon, an amount not in excess of two percent (2%) of the face amount of the Bond will be used to pay for, or provide for the payment of, Issuance Costs.

Section 6.09. Federal Guarantee Prohibition. The Issuer shall take no action if the result of the same would be to cause the Bond to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

Section 6.10. Prohibited Facilities. The Issuer, solely by requiring the Borrower to enter into the Loan Agreement, the Regulatory Agreement and the Tax Certificate, shall assure that no portion of the proceeds of the Bond will 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. The Issuer, solely by requiring the Borrower to enter into the Loan Agreement, the Regulatory Agreement and the Tax Certificate, shall assure that no portion of the proceeds of the Bond will 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.

Section 6.11. Use Covenant. The Issuer, solely by requiring the Borrower to enter into the Loan Agreement, the Regulatory Agreement and the Tax Certificate, shall assure that the Bond will be treated as an obligation described in Section 142(d) of the Code by reason of the Bond meeting the requirements of Section 142(d) of the Code.

Section 6.12. Immunities and Limitations of Responsibility of Issuer. The Issuer shall be entitled to the advice of counsel (who, except as otherwise provided, may be counsel for the Bondholder), and the Issuer shall be wholly protected as to action taken or omitted in good faith in reliance on such advice. The Issuer may rely conclusively on any communication or other document furnished to it hereunder and reasonably believed by it to be genuine. The Issuer shall not be liable for any action (a) taken by it in good faith and reasonably believed by it to be within its discretion or powers hereunder, or (b) in good faith omitted to be taken by it because such action was reasonably believed to be beyond its discretion or powers hereunder, or (c) taken by it pursuant to any direction or instruction by which it is governed hereunder, or (d) omitted to be taken by it by reason of the lack of any direction or instruction required hereby for such action; nor shall it be responsible for the consequences of any error of judgment reasonably made by it. The Issuer shall in no event be liable for the application or misapplication of funds or for other acts or defaults by any person and shall be liable only for its willful misconduct. When any payment or consent or other action by it is called for hereby, it may defer such action pending receipt of such evidence (if any) as it may require in support thereof. The Issuer shall not be required to take any remedial action (other than the giving of notice) unless indemnity in a form acceptable to the Issuer is furnished for any expense or liability to be incurred in connection with such remedial action. The Issuer shall be entitled to reimbursement from the Borrower for its expenses reasonably incurred or advances reasonably made, with interest at the rate at which interest accrues from time to time on the Bond, in the exercise of its rights or the performance of its obligations hereunder or under any of the Loan Documents. No permissive right or power to act which the Issuer may have shall be construed as a requirement to act; and no delay in the exercise of a right or power shall affect its subsequent exercise of the right or power. The Borrower has indemnified the Issuer against certain acts and events as set forth in Section 4.01 of the Loan Agreement and Section 9 of the Regulatory Agreement. Such indemnities shall survive payment of the Bond and discharge of this Indenture.

Anything in this Indenture to the contrary notwithstanding, it is expressly understood by the parties to this Indenture that (a) the Issuer and the Trustee may rely exclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Issuer or the Trustee as to the existence of any fact or state of affairs, (b) the Issuer shall not be under any obligation under this Indenture to perform any record keeping or to provide any legal services, it being understood that such services shall be performed or caused to be performed by the Trustee or by the Bondowner Representative, and (c) none of the provisions of this Indenture shall require the Issuer or the Trustee to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under this Indenture, unless it shall first have been adequately indemnified to its satisfaction against any costs, expenses and liability which it may incur as a result of taking such action.

Section 6.13. No Recourse. No recourse under or upon any obligation, covenant or agreement contained in this Indenture or in the Bond shall be had against any officer, commissioner or employee (past, present or future) of the Issuer, either directly or through the Issuer or its governing body or otherwise, for the payment for or to the Issuer or any receiver thereof, or for or to the Holder of the Bond issued hereunder, or otherwise, of any sum that may be due and unpaid by the Issuer or its governing body upon the Bond. 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 officer, commissioner 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 Holder of the Bond issued hereunder or otherwise of any sum that may remain due and unpaid upon the Bond hereby secured is, by the acceptance hereof, expressly waived and released as a condition of and in consideration for the execution of the Indenture and the issuance of the Bond.

Section 6.14. Limitation of Liability of Issuer and Its Officers, Employees and Agents.

No recourse under or upon any obligation, covenant, warranty or agreement contained in this Indenture or in the Bond, or under any judgment obtained against the Issuer, or the enforcement of any assessment, or any legal or equitable proceedings by virtue of any constitution or statute or otherwise, or under any circumstances under or independent of this Indenture, shall be had against any of the commissioners, officers, agents or employees of the Issuer, as such, past, present or future of the Issuer, either directly or through the Issuer or otherwise, for the payment for or to the Issuer or any receiver of the Issuer, or for or to the owner of the Bond, or otherwise, of any sum that may be due and unpaid by the Issuer upon the Bond. 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 commissioners, officer, agent or employee, as such, by reason of any act of omission on his or her part or otherwise, for the payment for or to the owners of the Bond or otherwise of any sum that may remain due and unpaid upon the Bond secured by this Indenture or any of them is, by the acceptance of the Bond, expressly waived and released as a condition of and in consideration for the execution of this Indenture and the issuance of the Bond. Anything in this Indenture to the contrary notwithstanding, it is expressly understood by the parties to this Indenture that (a) the Issuer may rely exclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Issuer by the Trustee, the Borrower, the Bondowner Representative or any Bondholder as to the existence of any fact or state of affairs, (b) the Issuer shall not be under any obligation under this Indenture to perform any record keeping or to provide any legal services, it being understood that such services shall be performed or caused to be performed by the Trustee, the Bondowner Representative or by any Bondholder and (c) none of the provisions of this Indenture shall require the Issuer to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under this Indenture, unless it shall first have been adequately indemnified to its satisfaction against any costs, expenses and liability which it may incur as a result of taking such action. No recourse for the payment of any part of the principal of, premium, if any, or interest on the Bond or for the satisfaction of any liability arising from, founded upon or existing by reason of the issuance, purchase or ownership of the Bond shall be had against any officer, commissioner, agent or employee of the Issuer, as such, all such liability being expressly released and waived as a condition of and as a part of the consideration for the execution of this Indenture and the issuance of the Bond. No covenant, stipulation, obligation or agreement of the Issuer contained in this Indenture shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future commissioner, officer, agent or employee of the Issuer in other than that person's official capacity. No commissioner, officer, agent or employee of the Issuer shall be individually or personally liable for the payment of the principal or redemption price of or interest on the Bond or be subject to any personal liability or accountability by reason of the issuance of the Bond.

ARTICLE VII

DEFAULT

Section 7.01. Events of Default; Acceleration; Waiver of Default. Each of the following events shall constitute an "Event of Default" hereunder (subject to the final paragraph of this Article VII):

- (a) failure to pay interest on the Bond when due;
- (b) failure to pay the principal of the Bond on the date fixed for payment thereof, whether upon the maturity thereof or pursuant to Section 4.01 hereof; and
- (c) failure by the Issuer or the Borrower to perform or observe any other of the covenants, agreements or conditions on its part in this Indenture or in the Bond contained, and the continuation of such failure for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer, the Borrower, the Investor Limited Partner and the Trustee by the Bondowner Representative.

No default specified in (c) above shall constitute an Event of Default unless the Issuer or the Borrower shall have failed to correct such default within the applicable period; provided, however, that if the default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer or the Borrower within the applicable period and diligently pursued until the default is corrected; and provided, further, that the time elapsed until completion of corrective action shall not exceed 60 days without the consent of the Bondowner Representative, which consent shall not be unreasonably withheld. With regard to any alleged default concerning which notice is given to the Borrower under the provisions of (c) above, the Issuer hereby grants the Borrower full authority for the account of the Issuer to perform any covenant or obligation the non-performance of which is alleged in said notice to constitute a default in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts and with power of substitution.

Following the occurrence of an Event of Default, the Bondowner Representative may, (i) by notice in writing to the Trustee, the Issuer and the Borrower, declare the Outstanding principal of the Bond, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bond contained to the contrary notwithstanding, and/or (ii) pursue and direct the Trustee to pursue such other remedies as are permitted under applicable law. Upon any such declaration of acceleration, the Trustee, at the direction of the Bondowner Representative, shall fix a date for payment of the Bond.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bond shall have been so declared due and payable, and before any trustee's sale or foreclosure sale shall have occurred or judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, there shall have been deposited with the Trustee a sum sufficient to pay all the principal of the Bond matured or required to be redeemed prior to such declaration and all matured installments of interest (if any) upon the Bond, with interest on such overdue installments of principal and prepayment premium, to the extent applicable, and the reasonable fees and expenses of the Trustee, its agents and counsel, and any and all other defaults actually known to a Responsible Officer of the Trustee (other than in the payment of principal of and interest on the Bond due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Bondowner Representative to be adequate shall have been made therefor, then the Bondowner Representative, by written notice to the Issuer and the Trustee, may, on behalf of the holder of the Bond, rescind and annul such declaration and its consequences and waive such default; but no such rescission, annulment or waiver shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Notwithstanding the foregoing, or anything else to the contrary herein, no default by the Borrower under the Loan Agreement shall constitute an event of default with respect to the Bond (including, without limitation, a failure to make any payment due with respect to the Bond as a consequence of the Borrower's failure to make any payment due under the Loan Agreement). The Issuer's, Trustee's, Borrowers' and Bondowner Representative's remedies with respect to a default under the Loan Documents shall be as set forth under the Loan Documents. Notwithstanding the foregoing, the Bondowner Representative may, upon the acceleration of the Borrower's obligations under the Loan Documents, direct the Trustee to accelerate the maturity of the Bond and apply any funds available hereunder for such purpose as provided herein (after paying the fees and expenses of the Trustee and the Issuer). Any Bond remaining outstanding shall be deemed paid upon transfer, to or at the direction of the Bondowner Representative, of the Loan Documents and all security therefor free and clear of the lien of this Indenture.

The Investor Limited Partner shall be entitled to cure any Event of Default hereunder within the time frame provided to the Borrower hereunder. The Issuer and the Trustee agree that cure of any default or Event of Default made or tendered by the Investor Limited Partner shall be deemed to be a cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower.

Section 7.02. Institution of Legal Proceedings by Bondowner Representative. If one or more of the Events of Default shall occur, the Bondowner Representative in its discretion may proceed to protect or enforce its rights or the rights of the holder of the Bond under the Act or under this Indenture, the Note and/or the Loan Agreement, by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein or therein, or in aid of the execution of any power herein or therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Bondowner Representative shall deem most effectual in support of any of its rights or duties hereunder.

Section 7.03. Application of Moneys Collected by Bondowner Representative. Any moneys collected by the Bondowner Representative and the Trustee pursuant to Section 7.02 shall be deposited with the Trustee and applied in the order following, at the date or dates fixed by the Bondowner Representative with written notice to the Trustee and, in the case of distribution of such moneys on account of principal (or premium, if any) or interest, upon presentation of the Bond and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

- First: For payment of all amounts due to the Bondowner Representative and to Trustee under Section 8.06.
- Second: For deposit in the Bond Fund to be applied to payment of the principal of the Bond then due and unpaid and interest thereon with application as between principal and interest as the Bondowner Representative shall determine in its sole discretion.
- Third: For payment of all other amounts due from the Borrower to any person hereunder or under the Loan Agreement, the Note or the other Loan Documents.
- Fourth: To the Borrower.

Section 7.04. Effect of Delay or Omission to Pursue Remedy. No delay or omission of the Trustee, Bondowner Representative or of any holder of the Bond to exercise any right or power arising from any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given by this Article VII to the Trustee, Bondowner Representative or to the holder of the Bond may be exercised from time to time and as often as shall be deemed by the Bondowner Representative expedient. In case the Bondowner Representative shall have proceeded to enforce any right under this Indenture, and such proceedings shall have been discontinued or abandoned because of waiver or for any other reason, or shall have been determined adversely to the Bondowner Representative, then and in every such case the Issuer, the Trustee, the Bondowner Representative and the holder of the Bond, severally and respectively, shall be restored to their former positions and rights hereunder in respect to the Trust Estate; and all remedies, rights and powers of the Issuer, the Trustee, the Bondowner Representative and the holder of the Bond shall continue as though no such proceedings had been taken.

Section 7.05. Remedies Cumulative. No remedy herein conferred upon or reserved to the Trustee, Bondowner Representative or to any holder of the Bond hereunder is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

Section 7.06. Covenant to Pay Bond in Event of Default. The Issuer covenants that, upon the happening of any Event of Default, the Issuer will pay to the Trustee upon demand, but only out of Revenues and subject to all the limitations on liability of the Issuer set forth herein, for the benefit of the holder of the Bond, the whole amount then due and payable thereon (by declaration or otherwise) for interest or for principal, or both, as the case may be, and all other sums which may be due hereunder or secured hereby, including reasonable compensation to the Trustee, the Bondowner Representative, their agents and counsel, and any expenses or liabilities incurred by the Trustee or Bondowner Representative hereunder. In case the Issuer shall fail to pay the same forthwith upon such demand, the Trustee, at the direction of the Bondowner Representative, as trustee of an express trust, and upon being indemnified by the Bondholder to its satisfaction, shall institute proceedings at law or in equity in any court of competent jurisdiction to recover judgment for the whole amount due and unpaid, together with costs and reasonable attorneys' fees, subject, however, to the condition that such judgment, if any, shall be limited to, and payable solely out of Revenues and any other assets pledged, transferred or assigned to the Trustee under Section 5.01 as herein provided and not otherwise. The Bondowner Representative shall be entitled to recover such judgment as aforesaid, either before or after or during the pendency of any proceedings for the enforcement of this Indenture, and the right of the Bondowner Representative to recover such judgment shall not be affected by the exercise of any other right, power or remedy for the enforcement of the provisions of this Indenture.

Section 7.07. Bondowner Representative Appointed Agent for Bondholder. The Bondowner Representative is hereby appointed the agent of the holder of the Bond Outstanding hereunder for the purpose of filing any claims relating to the Bond.

Section 7.08. Power of Bondowner Representative to Control Proceedings. Notwithstanding any other provision of this Indenture, the Bondowner Representative shall have exclusive control of the remedies set forth herein upon an Event of Default. In the event that the Bondowner Representative, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, it shall have full power, in the exercise of its sole discretion for the best interests of the holder of the Bond, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or

other disposal of such action. The Trustee shall, upon receipt of acceptable indemnity as provided in Section 8.01(d) and the written direction of the Bondowner Representative, take such actions as shall be contained in such direction to enforce the Deed of Trust and other Loan Documents in accordance with applicable law.

Section 7.09. Limitation on Bondholder's Right to Sue. No holder of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, except through the actions of the Bondowner Representative. However, the right of the holder of the Bond to receive payment of the principal of (and premium, if any) and interest on such Bond out of Revenues, as herein and therein provided, on and after the respective due dates expressed in such Bond shall not be impaired or affected without the consent of such holder, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

Section 7.10. Limitation of Liability to Revenues. Notwithstanding anything in this Indenture contained, the Issuer shall not be required to advance any moneys derived from the proceeds of taxes collected by the Issuer, by the State of California or by any political subdivision thereof or from any source of income of any of the foregoing other than the Revenues for any of the purposes mentioned in this Indenture, whether for the payment of the principal of or interest on the Bond or for any other purpose of this Indenture. The Bond is a limited obligation of the Issuer, and is payable from and secured by the Trust Estate and the Revenues only.

ARTICLE VIII

THE TRUSTEE AND AGENTS

Section 8.01. Duties, Immunities and Liabilities of Trustee. In consideration of the recitals hereinabove set forth and for other valuable consideration, the Issuer hereby agrees to employ the Trustee (at the expense of the Borrower) to receive, hold, invest and disburse the moneys received pursuant to the Loan Agreement for credit to the various funds and accounts established by this Indenture; to authenticate, deliver and transfer the Bond; and to apply and disburse the payments received from the Borrower pursuant to the Loan Agreement to the owner of the Bond; and to perform certain other functions; all as herein provided and subject to the terms and conditions of this Indenture. The Trustee shall perform such duties and only such duties as are specifically set forth in this Indenture and no additional covenants or duties of the Trustee shall be implied in this Indenture. The Trustee is authorized and directed to enter into the Loan Documents to which it is a party, solely in its capacity as Trustee.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action or its own negligent failure to act, except that:

(a) The duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and in the absence of bad faith on the part of the Trustee, the Trustee 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 Trustee conforming to the requirements of this Indenture;

(b) At all times (i) the Trustee shall not be liable for any act or omission unless the Trustee or its agent was negligent or engaged in willful misconduct; and (ii)

the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written direction of the Issuer, accompanied by an opinion of Bond Counsel as provided herein, or in accordance with the directions of the Bondowner Representative or in accordance with the directions of the holder of the Bond relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture;

(c) The Trustee shall not be required to take notice or be deemed to have notice of (i) any default hereunder or under the Loan Agreement, except defaults under Section 7.01(a) or (b) hereof, unless a Responsible Officer of the Trustee shall be specifically notified in writing of such default by the Issuer, the Bondowner Representative or the owner of the Bond, or (ii) any default under the Regulatory Agreement unless a Responsible Officer of the Trustee shall be specifically notified in writing of such default by the Issuer;

(d) Before taking any action under the Regulatory Agreement, Article VII hereof or this Section at the request or direction of the Bondholder or the Bondowner Representative, the Trustee may require that a satisfactory indemnity be furnished by the Bondholder, for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken;

(e) Upon any application or request by the Issuer or the Bondowner Representative to the Trustee to take any action under any provision of this Indenture or the Regulatory Agreement, the Issuer or Bondowner Representative, as applicable, shall furnish to the Trustee a certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with, and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished;

(f) The Trustee may execute any of the powers hereunder or perform any duties hereunder either directly or through agents or attorneys;

(g) Neither the Issuer nor the Borrower shall be deemed to be agents of the Trustee for any purpose, and the Trustee shall not be liable for any noncompliance of any of them in connection with their respective duties hereunder or in connection with the transactions contemplated hereby;

(h) The Trustee shall be entitled to rely upon telephonic notice for all purposes whatsoever so long as the Trustee reasonably believes such telephonic notice has been given by a person authorized to give such notice;

(i) The immunities extended to the Trustee also extend to its directors, officers and employees;

(j) Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bond, it being the sole obligation of the Trustee to administer, for the benefit of the Bondholder, the various funds and accounts established hereunder and to maintain the Bond register;

(k) No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy;

(l) The Trustee shall not be liable for any action taken or not taken by it in accordance with the written direction of the holder of the Bond or the Bondowner Representative related to the exercise of any right, power or remedy available to the Trustee;

(m) The Trustee shall have no duty to review any financial statements or budgets filed with it by the Borrower under the Loan Agreement;

(n) The Trustee acknowledges that Borrower has an obligation to pay certain fees to the Issuer pursuant to Section 7(a) of the Regulatory Agreement. The Trustee further acknowledges that in order to preserve the tax-exempt status of interest on the Bond, the Borrower must comply with requirements for rebate of excess investment earnings to the federal government to the extent applicable. The Trustee agrees to use commercially reasonable efforts to send the Borrower a notification or reminder of: (i) its payment obligations under said Section 7(a) of the Regulatory Agreement 30 days preceding each annual payment date therefor, and (ii) the Borrower's obligation to make payments to the Rebate Fund as provided herein; and

(o) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties as Trustee or in the exercise of any of its rights or powers as Trustee. Whether or not therein expressly so provided, every provision of this Indenture, the Loan Agreement, the Regulatory Agreement or any other document relating to the conduct, powers or duties of, or affecting the liability of, or affording protection to, the Trustee shall be subject to the provisions of this Article VIII.

Section 8.02. Right of Trustee to Rely Upon Documents, Etc. Except as otherwise provided in Section 8.01:

(a) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, facsimile transmission, electronic mail, demand, direction, election, requisition, bond or other paper or document reasonably believed by it to be genuine and to have been signed and presented by the proper party or parties;

(b) Any consent, demand, direction, election, notice, order or request of the Issuer mentioned herein shall be sufficiently evidenced by a Written Consent, Written Demand, Written Direction, Written Election, Written Notice, Written Order or Written Request of the Issuer, and any resolution of the Issuer may be evidenced to the Trustee by a Certified Resolution;

(c) The Trustee may consult with counsel (who may be counsel for the Issuer, counsel for the Trustee or Bond Counsel) and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel;

(d) Whenever in the administration of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the Issuer or a certificate of the Bondowner Representative; and such Certificate of the Issuer or a certificate of the Bondowner Representative shall, in the absence of negligence or bad faith on the part of the Trustee, be full warrant to the Trustee for any action taken or suffered by it under the provisions of this Indenture upon the faith thereof;

(e) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit; and

(f) The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Indenture provided, however, that: (i) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, (ii) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (iii) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

Section 8.03. Trustee Not Responsible for Recitals. The recitals contained herein and in the Bond shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same or for the correctness of the recitals in the Loan Agreement or the Regulatory Agreement. The Trustee shall have no responsibility with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the Bond. The Trustee makes no representations as to the value or condition of any assets pledged or assigned as security for the Bond, or as to the right, title or interest of the Issuer therein, or as to the security provided thereby or by this Indenture, the Loan Agreement or the Deed of Trust, or as to the compliance of the Project with the Act, or as to the tax-exempt status of the interest on the Bond, or as to the technical or financial feasibility of the Project, or as to the validity or sufficiency of this Indenture as an instrument of the Issuer or of the Bond as an obligation of the Issuer. The Trustee shall not be accountable for the use or application of the proceeds of the Bond by the Issuer or the Borrower or their agents.

Section 8.04. Intervention by Trustee. Subject to Section 7.08 hereof, the Trustee may intervene on behalf of the owner of the Bond in any judicial proceeding to which the Issuer or Bondowner Representative is a party and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of the owner of the Bond and, subject to the provisions of Section 8.01(d), shall do so if requested in writing by the owner of the Bond or the Bondowner Representative.

Section 8.05. Moneys Received by Trustee to be Held in Trust. All moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law or as otherwise provided herein. The Trustee shall be under no liability for interest on any moneys received by it hereunder except such as it may agree with the Issuer to pay thereon.

Section 8.06. Compensation and Indemnification of Trustee, Bondowner Representative and Agents.

(a) The Bondowner Representative and the Trustee shall be entitled to receive compensation from the Borrower for their services as Bondowner Representative and Trustee, respectively, as provided in Section 2.06 of the Loan Agreement, and shall be indemnified by the Borrower as provided in Section 4.01 of the Loan Agreement. The Bondowner Representative and the Trustee each acknowledges and agrees that, unless otherwise agreed to in writing by the Issuer, the Issuer shall not be responsible for the fees and expenses of the Bondowner Representative and the Trustee, and is providing no indemnification to the Bondowner Representative and the Trustee.

(b) If any property, other than cash, shall at any time be held by the Bondowner Representative or the Trustee subject to this Indenture, or any supplemental indenture as security for the Bond, the Bondowner Representative or the Trustee, 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 Indenture as such security for the Bond, shall be entitled to but not obligated to make advances for the purpose of preserving such property or of discharging tax liens or other prior liens or encumbrances thereon. The rights of the Bondowner Representative and the Trustee to compensation for services and to payment or reimbursement for expenses, disbursements, liabilities and advances shall have and each of the Bondowner Representative and Trustee is hereby granted a lien and a security interest prior to the Bond in respect of all property and funds held or collected by the Bondowner Representative or the Trustee as such, except funds held in trust by the Bondowner Representative or the Trustee for the benefit of the holder of the Bond, which amounts shall be held solely for the benefit of the Bondholder and used only for the payment of principal of and premium, if any, and interest on the Bond. The Bondowner Representative's and the Trustee's rights to immunities, indemnities and protection from liability hereunder and their rights to payment of their fees and expenses shall survive such Bondowner Representative's and the Trustee's resignation or removal and final payment of the Bond.

Section 8.07. Qualifications of Trustee. There shall at all times be a trustee hereunder, which shall be a corporation, banking association or trust company, in each case having trust powers, doing business and having a corporate trust office in California and shall:

(a) either (i) have a combined capital and surplus of at least \$50,000,000 and be subject to supervision or examination by federal or state authority or (ii) be a wholly-owned subsidiary of a bank, trust company or bank holding company meeting on an aggregate basis the tests set out in clause (i) and

(b) be able to comply with the terms and conditions of this Indenture, including, without limitation, Sections 8.10 through 8.13 hereof, and to comply with the terms of the Loan Agreement applicable thereto.

If such corporation, banking association, or trust company publishes reports of conditions at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital and surplus of such corporation, banking association or trust company 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 Trustee shall cease to be eligible in accordance with the provisions of this Section, the Trustee shall resign immediately in the manner and with the effect specified in Section 8.08(b) below.

Section 8.08. Removal, Resignation and Appointment of Successor Trustee.

(a) Removal of Trustee. The Issuer may remove the Trustee at any time unless an Event of Default occurs and is then continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the holder of the Bond (or its attorney duly authorized in writing) or the Bondowner Representative or if at any time the Trustee shall cease to be eligible in accordance with Section 8.07 hereof, or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or any substantial portion thereof or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon the Borrower shall appoint a successor Trustee by an instrument in writing. Any successor Trustee appointed by the Borrower under this Section 8.08 shall be subject to the approval of the Bondowner Representative and the Issuer, which approval shall not unreasonably be withheld or delayed.

(b) Resignation of Trustee. The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the Issuer and to the Bondholder. Upon receiving such notice of resignation, the Borrower shall appoint a successor Trustee by an instrument in writing with the written consent of the Bondowner Representative and the Issuer. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

(c) Appointment of Successor Trustee. Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon the acceptance of appointment of the successor Trustee; provided, however, that under any circumstances the successor Trustee shall be qualified as provided in Section 8.07. If no qualified successor Trustee shall have been appointed and have accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or the Bondholder may at the expense of the Borrower petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Issuer, the Bondowner Representative, the Borrower and its predecessor Trustee a written acceptance thereof, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee hereunder, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if

originally named Trustee herein; but, nevertheless at the written request of the Issuer or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance, including a quitclaim deed, and further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trust and conditions herein set forth. Upon request of the successor Trustee, the Issuer shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Issuer shall mail or cause the successor Trustee to mail, by first class mail, postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to the Bondholder at the address shown on the registration books. If the Issuer fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Issuer.

Section 8.09. Merger or Consolidation of Trustee. Any corporation or association into which the Trustee may be merged or with which it may be consolidated, or any corporation or association resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation or association succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided that such successor Trustee shall be eligible under the provisions of the first sentence of Section 8.07.

Section 8.10. Compliance with Laws. The Trustee shall keep itself fully informed of all State, and federal laws in any manner affecting its performance under this Indenture, and must at all times comply with all applicable laws as they may be amended from time to time.

Section 8.11. Proprietary or Confidential Information of the Issuer. The Trustee understands and agrees that, in the performance of the work or services under this Indenture or in contemplation thereof, the Trustee may have access to private or confidential information which may be owned or controlled by the Issuer and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the Issuer. The Trustee agrees that all information disclosed by the Issuer to the Trustee shall be held in confidence and used only in performance of this Indenture. The Trustee shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary data.

Section 8.12. Audit and Inspection of Records. The Trustee agrees to maintain and make available to the Issuer, during regular business hours, accurate books and accounting records relating to its work under this Indenture. The Trustee will permit the Issuer to audit, examine and make excerpts and transcripts from such books and records, and to make audits of all invoices, materials, payrolls, records or personnel and other data related to all other matters covered by this Indenture, whether funded in whole or in part under this Indenture. The Trustee shall maintain such data and records in an accessible location and condition for a period of not less than five years after final payment under this Indenture or until after final audit has been resolved, whichever is later.

Section 8.13. Paying Agents. The Trustee, with the written approval of the Issuer and the Bondowner Representative, may appoint and at all times have one or more paying agents in such place or places as the Trustee may designate, for the payment of the principal of, and the

interest (and premium, if any) on, the Bond. It shall be the duty of the Trustee to make such arrangements with any such paying agent as may be necessary and feasible to assure, to the extent of the moneys held by the Trustee for such payment, the availability of funds for the prompt payment of the principal of and interest and premium, if any, on the Bond presented at either place of payment. The paying agent initially appointed hereunder is the Trustee.

ARTICLE IX

MODIFICATION OF INDENTURE

Section 9.01. Modification of Indenture. The Issuer and the Trustee, with the prior written consent of the Bondowner Representative, may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture. The Bondowner Representative may, if it so elects, direct the Trustee to join with the Issuer in the execution of such supplemental indenture, unless such supplemental indenture affects the rights or obligations of the Borrower or any general partner or limited partner of the Borrower hereunder or under the Loan Agreement or any other document, in which case the Issuer, Trustee and Bondowner Representative may enter into such supplemental indenture only if the Bondowner Representative has received the Borrower's, or such general partner's or limited partner's, as applicable, written consent thereto.

Promptly after the execution by the Issuer, the Trustee and the Bondowner Representative of any supplemental indenture pursuant to the provisions of this Section, if the Bondowner Representative is not the sole owner of the Bond then Outstanding, the Trustee shall give the Bondowner, by first class mail, a notice setting forth in general terms the substance of such supplemental indenture. Any failure of the Trustee to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any supplemental indenture pursuant to the provisions of this Article IX, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Issuer, the Trustee, the Bondowner Representative and the holder of the Bond shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.03. Opinion of Counsel as to Supplemental Indenture. Subject to the provisions of Section 8.01, the Trustee and the Bondowner Representative shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to the provisions of this Article IX is authorized and permitted by this Indenture.

Section 9.04. Notation of Modification on Bond; Preparation of New Bond. A Bond authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article IX may bear a notation, in form approved by the Bondowner Representative and the Issuer as to any matter provided for in such supplemental indenture, and if such supplemental indenture shall so provide, a new Bond, so modified as to conform, in the opinion of the Bondowner Representative and the Issuer, to any modification of this Indenture contained in any such supplemental indenture, may be prepared and executed by the Issuer and authenticated by the Trustee and delivered without cost to the holder of the Bond

then Outstanding, upon surrender for cancellation of such Bond in equal aggregate principal amounts.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Indenture. If the entire indebtedness on the Bond Outstanding shall be paid and discharged in any one or more of the following ways:

- (a) by the payment of the principal of (including redemption premium, if any) and interest on the Bond Outstanding; or
- (b) by the delivery to the Trustee, for cancellation by it, of the Bond Outstanding;

and if all other sums payable hereunder by the Issuer shall be paid and discharged, then and in that case this Indenture shall cease, terminate and become null and void, and the Trustee shall forthwith execute proper instruments acknowledging satisfaction of and discharging this Indenture. The fees, expenses and charges of the Trustee (including reasonable counsel fees) must be paid in order to effect such discharge. The satisfaction and discharge of this Indenture shall be without prejudice to the rights of the Trustee to charge and be reimbursed by the Borrower for any expenditures which it may thereafter incur in connection herewith. Following such discharge and payment and payment of any amounts owed to: (i) the Issuer, Trustee or Bondowner Representative under the Regulatory Agreement or any Loan Document; and (ii) the United States of America pursuant to Section 6.07 hereof, any funds remaining on deposit herein shall be disbursed to the Borrower.

The Issuer or the Borrower may at any time surrender to the Trustee for cancellation by it the Bond previously authenticated and delivered which the Issuer or the Borrower lawfully may have acquired in any manner whatsoever, and the Bond upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.02. Payment of Bond after Discharge of Indenture. Notwithstanding any provisions of this Indenture, any moneys deposited with the Trustee or any paying agent in trust for the payment of the principal of, or interest or premium on, the Bond remaining unclaimed for two years after the principal of the Outstanding Bond has become due and payable (whether at maturity or upon call for redemption or by declaration as provided in this Indenture), shall then be paid to the Borrower, and the holder of such Bond shall thereafter be entitled to look only to the Borrower for payment thereof, and only to the extent of the amount so paid to the Borrower, and all liability of the Trustee or any paying agent with respect to such moneys shall thereupon cease. In the event of the payment of any such moneys to the Borrower as aforesaid, the holder of the Bond in respect of which such moneys were deposited shall thereafter be deemed to be unsecured creditors of the Borrower for amounts equivalent to the respective amounts deposited for the payment of the Bond and so paid to the Borrower (without interest thereon).

ARTICLE XI

MISCELLANEOUS

Section 11.01. Successors of the Issuer. All the covenants, stipulations, promises and agreements contained in this Indenture, by or on behalf of the Issuer, shall bind and inure to the

benefit of its successors and assigns, whether so expressed or not. If any of the powers or duties of the Issuer shall hereafter be transferred by any law of the State, and if such transfer shall relate to any matter or thing permitted or required to be done under this Indenture by the Issuer, then the body or official who shall succeed to such powers or duties shall act and be obligated in the place and stead of the Issuer as in this Indenture provided.

Section 11.02. Limitation of Rights to Parties and Bondholder. Nothing in this Indenture or in the Bond expressed or implied is intended or shall be construed to give to any person other than the Issuer, the Trustee, the Bondowner Representative, the Borrower and the holder of the Bond issued hereunder any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Issuer, the Trustee, the Bondowner Representative, the Borrower and the holder of the Bond issued hereunder.

Section 11.03. Waiver of Notice. Whenever in this Indenture 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.

Section 11.04. Destruction of the Bond. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Issuer of the Bond, the Trustee may, in lieu of such cancellation and delivery, destroy the Bond and deliver a certificate of such destruction to the Issuer.

Section 11.05. Separability of Invalid Provisions. In case any one or more of the provisions contained in this Indenture or in the Bond shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, but this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 11.06. Notices. It shall be sufficient service of any notice, request, demand or other paper on the Issuer, the Trustee, the Bondowner Representative, or the Borrower if the same shall, except as otherwise provided herein, be duly mailed by first class mail, postage prepaid, or given by telephone or telecopier and confirmed by such mail, and to the other parties and addressed as follows:

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

The Bondowner Representative: Zions Bankcorporation, N.A. dba California
Bank & Trust
1900 Main Street, Suite 200
Irvine, CA 92614
Attention: Michelle Ortega
Telephone: (949) 251-7703
Facsimile: (949) 251-7731

and a copy to: Sheppard Mullin Richter & Hampton LLP
650 Town Center Drive, 10th Floor
Costa Mesa, CA 92626
Attention: Kenneth Fox

The Trustee: The Bank of New York Mellon Trust
Company, N.A.
400 South Hope Street, Suite 500
Los Angeles, California 90071
Attention: Corporate Trust

The Borrower: Fairmount Family Housing CIC, LP
c/o Chelsea Investment Corporation
6339 Paseo Del Lago
Carlsbad, CA 92011
Attention: _____

and a copy to: Price Philanthropies Foundation
7777 Fay Avenue, Suite 300
La Jolla, CA 92037
Attention: Jeff Fisher

and a copy to: Odu & Associates, PC
31805 Temecula Parkway, Suite 720
Temecula, CA 92592
Attention: Nkechi Odu, Esq.

and a copy to: Goldfarb & Lipman LLP
1300 Clay Street, 11th Floor
Oakland, CA 94612
Attention: Amy DeVaudreuil, Esq.

and a copy to: US Bank Community Development Corporation
1307 Washington Avenue, Suite 300
Mail Code: SL MO RMCD
St. Louis, MO 63103
USB Project No. 26738
Attention: LIHTC Project Manager

and a copy to: US Bank Community Development Corporation
1307 Washington Avenue, Suite 300
Mail Code: SL MO RMCD
St. Louis, MO 63103
USB Project No. 26738
Attention: Director of LIHTC Asset
Management

and a copy to: Kutak Rock LLP
1650 Farnam Street
Omaha, NE 68102
Attention: Jill Goldstein, Esq.

and a copy to: Winthrop & Weinstine, PA

225 S. Sixth Street, Suite 3500
Minneapolis, MN 55402
Attention: Jon L. Peterson, Esq.

The Issuer, the Trustee, the Bondowner Representative and the Borrower may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 11.07. Authorized Representatives. Whenever under the provisions of this Indenture the approval of the Issuer or the Borrower is required for any action, and whenever the Issuer or the Borrower is required to deliver any notice or other writing, such approval or such notice or other writing shall be given, respectively, on behalf of the Issuer by the Authorized Issuer Representative or on behalf of the Borrower by the Authorized Borrower Representative, and the Issuer, the Trustee, the Bondowner Representative and the Borrower shall be authorized to act on any such approval or notice or other writing and no party hereto nor the Borrower shall have any complaint against the others as a result of any such action taken.

Section 11.08. Evidence of Rights of Bondholder. Any request, consent or other instrument required by this Indenture to be signed and executed by the Bondholder may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by the Bondholder in person or by agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the ownership of the Bond, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Bondowner Representative, the Trustee and of the Issuer if made in the manner provided in this Section.

(a) The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument or writing acknowledged to him the execution thereof.

(b) The ownership of the Bond shall be proved by the Bond register maintained pursuant to Section 2.06 hereof. The fact and the date of execution of any request, consent or other instrument and the amount and distinguishing numbers of the Bond held by the person so executing such request, consent or other instrument may also be proved in any other manner which the Trustee may deem sufficient. The Trustee may nevertheless, in its discretion, require further proof in cases where it may deem further proof desirable.

(c) Any request, consent or vote of the holder of the Bond shall bind every future holder of the Bond and the holder of any Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Bondowner Representative, the Trustee or the Issuer in pursuance of such request, consent or vote.

(d) In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting with the Bondholder upon such notice and in accordance with such rules and regulations as the Bondowner Representative considers fair and reasonable for the purpose of obtaining any such action.

Section 11.09. [Reserved].

Section 11.10. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the date provided therefor in this Indenture and, in the case of any payment, no interest shall accrue for the period from and after such date.

Section 11.11. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same instrument.

Section 11.12. Governing Law, Venue. The formation, interpretation and performance of this Indenture shall be governed by the laws of the State applicable to contracts made and performed in the State. Venue for all litigation arising from or in connection with the Bond or this Indenture shall be in San Diego, California.

Section 11.13. Successors. Whenever in this Indenture either the Issuer, the Trustee or the Bondowner Representative is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Issuer, the Trustee or the Bondowner Representative shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.14. Non-Waiver of Rights. The omission by either party at any time to enforce any default or right reserved to it, or to require performance of any of the terms, covenants, or provisions hereof by the other party at the time designated, shall not be a waiver of any such default or right to which the party is entitled, nor shall it in any way affect the right of the party to enforce such provisions thereafter.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO has caused this Indenture to be signed in its name and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., in token of its acceptance of the trust created hereunder, and the Bondowner Representative have each caused this Indenture to be signed in its respective name, all as of the day and year first above written.

HOUSING AUTHORITY OF THE CITY OF
SAN DIEGO, as Issuer

By: _____
Richard C. Gentry,
Executive Director

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee

By: _____
Agnes Obando,
Vice President

ZIONS BANCORPORATION, N.A. DBA
CALIFORNIA BANK & TRUST, as
Bondowner Representative

By: _____
Steven Herman,
Senior Vice President

19048.42:J16663

[Signature page to Indenture of Trust – East Block Family Apartments]

EXHIBIT A
FORM OF BOND

THIS BOND MAY BE TRANSFERRED ONLY AS PERMITTED IN SECTION 2.05 OF THE INDENTURE AND MAY BE OWNED ONLY BY A SOPHISTICATED INVESTOR (DEFINED AS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A OR AN INSTITUTIONAL ACCREDITED INVESTOR AS DEFINED IN RULE 501, EACH AS PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED) AND THE HOLDER HEREOF, BY THE ACCEPTANCE OF THIS BOND, REPRESENTS THAT IT IS A SOPHISTICATED INVESTOR, AND ACKNOWLEDGES THAT IT CAN ONLY TRANSFER THIS BOND IN WHOLE TO A SOPHISTICATED INVESTOR IN ACCORDANCE WITH THE LIMITATIONS SET FORTH IN SECTION 2.05 OF THE INDENTURE HEREINAFTER DEFINED. THE FAITH AND CREDIT OF THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO IS NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM OR INTEREST ON THIS BOND.

No. R-_____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

HOUSING AUTHORITY OF THE CITY OF SAN DIEGO
MULTIFAMILY HOUSING REVENUE BOND
(EAST BLOCK FAMILY APARTMENTS),
SERIES 2020B

REGISTERED OWNER: ZIONS BANCORPORATION, N.A. DBA CALIFORNIA BANK & TRUST

PRINCIPAL SUM: UP TO _____ MILLION _____ HUNDRED
_____ THOUSAND DOLLARS (\$_____)

ISSUE DATE: February __, 2020

The Housing Authority of the City of San Diego, a public body, corporate and politic, duly organized and existing under the laws of the State of California (herein called the "Issuer"), for value received, hereby promises to pay (but only out of Revenues as hereinafter provided) to the Registered Owner identified above or registered assigns, on _____ (subject to prior redemption as provided in the Indenture) the sum of up to _____ Million _____ Hundred _____ Thousand Dollars (\$_____) in lawful money of the United States, with interest thereon from the date of disbursement until paid at the above Interest Rate or as otherwise described below. The actual unpaid principal hereof shall be equal to the funds disbursed by the Bondowner Representative under the Indenture and the Loan Agreement to fund the Loan, less any portion of the principal hereof redeemed pursuant to the Indenture. Capitalized terms used in this Bond and not defined herein shall have the meanings given such terms in the Indenture referenced below, or in the Note dated as of February __, 2020, made by Fairmount Family Housing CIC, LP, a California limited partnership (the "Borrower"), to the order of the Issuer.

The Bond shall bear interest, payable on each Interest Payment Date from the Closing Date to the Maturity Date at the Adjustable Fixed Rate pursuant to and in accordance with the

terms of the Note. Notwithstanding the foregoing, the Bond shall bear interest at the below-defined Default Rate (not to exceed the Maximum Rate) under the conditions set forth therein and upon the occurrence of an Event of Default hereunder or under the Loan Agreement. Interest on the Bond shall be computed on the basis of a 360-day year and actual days elapsed.

This Bond shall bear interest from the date to which interest has been paid on this Bond next preceding the date of authentication hereof, unless this Bond is authenticated as of an Interest Payment Date for which interest has been paid, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the first Interest Payment Date, in which event it shall bear interest from the Closing Date.

In the event the Issuer fails to make the timely payment of any monthly payment, the Issuer shall pay interest on the then Outstanding Balance at a default rate (the "Default Rate") equal to the interest rate then in effect under this Bond plus five percent (5%); provided, however, that such rate shall under no circumstances exceed the lesser of 12% per annum or such other maximum rate permitted by law. Upon a Notice of Taxability, as defined in the Note, this Bond shall bear interest the Taxable Rate as defined in the Note, provided, however, that such rate shall under no circumstances exceed the lesser of 12% per annum or such other maximum rate permitted by law.

This Bond shall be subject to prepayment via monthly mandatory sinking fund redemption in the amounts and as the dates set forth in the Note.

This Bond is a duly authorized bond of the Issuer designated as "Housing Authority of the City of San Diego Multifamily Housing Revenue Bond (East Block Family Apartments), Series 2020B" (the "Bond"), in the initial maximum principal amount of up to \$_____. This Bond is issued in accordance with Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the "Act") and a resolution of the Board of Commissioners of the Issuer (the "Resolution") and issued under and secured by an Indenture of Trust, dated as of February 1, 2020 (the "Indenture"), among the Issuer, The Bank of New York Mellon Trust Company, N.A., as the Trustee and Zions Bankcorporation, N.A. dba California Bank & Trust, as initial Bondowner Representative. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owner of the Bond, of the nature and extent of the security, of the rights, duties and immunities the Trustee and the Bondowner Representative, and of the rights and obligations of the Issuer thereunder, to all of the provisions of which Indenture the holder of this Bond, by acceptance hereof, assents and agrees. The proceeds of the Bond will be used to make a loan to the Borrower pursuant to a Loan Agreement, dated as of February 1, 2020 (the "Loan Agreement") among the Issuer, Zions Bankcorporation, N.A. dba California Bank & Trust, as initial Bondowner Representative, and the Borrower, to finance costs of the acquisition and construction of a residential rental project located in the City of San Diego, California.

THIS BOND IS NOT AN OBLIGATION, EITHER GENERAL OR SPECIAL, AND DOES NOT CONSTITUTE A PLEDGE OF THE GENERAL CREDIT OF THE HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, BUT IS PAYABLE SOLELY FROM THE TRUST ESTATE AND ANY OTHER REVENUES, FUNDS AND ASSETS PLEDGED UNDER THE INDENTURE AND NOT FROM ANY OTHER REVENUES, FUNDS OR ASSETS OF THE ISSUER.

NO COMMISSIONER, OFFICER, AGENT, EMPLOYEE OR ATTORNEY OF THE ISSUER, INCLUDING ANY PERSON EXECUTING THE INDENTURE OR THIS BOND, SHALL BE LIABLE PERSONALLY ON THIS BOND OR FOR ANY REASON RELATING TO THE ISSUANCE OF THIS BOND. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF

THE PRINCIPAL OF OR THE INTEREST ON THIS BOND, OR FOR ANY CLAIM BASED ON THIS BOND, OR OTHERWISE IN RESPECT OF THIS BOND, OR BASED ON OR IN RESPECT OF THE INDENTURE OR ANY SUPPLEMENTAL INDENTURE, AGAINST ANY COMMISSIONER, OFFICER, EMPLOYEE OR AGENT, AS SUCH, OF THE ISSUER OR ANY SUCCESSOR, WHETHER BY VIRTUE OF ANY CONSTITUTION, STATUTE OR RULE OF LAW, OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, ALL SUCH LIABILITY BEING, BY THE ACCEPTANCE OF THIS BOND AND AS PART OF THE CONSIDERATION FOR THE ISSUE OF THIS BOND, EXPRESSLY WAIVED AND RELEASED.

THIS BOND, TOGETHER WITH INTEREST THEREON, AND REDEMPTION PREMIUM, IF ANY SHALL ALWAYS BE PAYABLE SOLELY FROM THE REVENUES AND INCOME DERIVED FROM THE TRUST ESTATE AND IS AND SHALL ALWAYS BE A VALID CLAIM OF THE OWNER THEREOF ONLY AGAINST THE REVENUES AND INCOME DERIVED FROM THE TRUST ESTATE, WHICH REVENUES AND INCOME SHALL BE USED FOR NO OTHER PURPOSE THAN TO PAY THE PRINCIPAL INSTALLMENTS OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THIS BOND, EXCEPT AS MAY BE EXPRESSLY AUTHORIZED OTHERWISE IN THE INDENTURE AND IN THE LOAN AGREEMENT.

THIS BOND DOES NOT CONSTITUTE A DEBT OF THE ISSUER, OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE ISSUER, OR OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF. THIS BOND SHALL NOT CONSTITUTE A GENERAL OBLIGATION OF OR A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER, BUT SHALL BE A SPECIAL, LIMITED OBLIGATION OF THE ISSUER PAYABLE SOLELY FROM THE SOURCES DESCRIBED IN THE INDENTURE.

NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM OR INTEREST ON THIS BOND AGAINST ANY PAST, PRESENT OR FUTURE COMMISSIONER, OFFICER, EMPLOYEE OR AGENT OF THE ISSUER, OR OF ANY SUCCESSOR TO THE ISSUER, AS SUCH, EITHER DIRECTLY OR THROUGH THE ISSUER OR ANY SUCCESSOR TO THE ISSUER, UNDER ANY RULE OF LAW OR EQUITY, STATUTE OR CONSTITUTION OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, AND ALL SUCH LIABILITY OF ANY SUCH COMMISSIONERS, OFFICERS, EMPLOYEES OR AGENTS, AS SUCH, IS HEREBY EXPRESSLY WAIVED AND RELEASED AS A CONDITION OF, AND CONSIDERATION FOR, THE EXECUTION AND ISSUANCE OF THIS BOND.

This Bond is a limited obligation of the Issuer and, as and to the extent set forth in the Indenture, is payable solely from, and secured by a pledge of and lien on, the Revenues (as that term is defined in the Indenture), consisting primarily of amounts paid by the Borrower pursuant to the Loan Agreement.

This Bond shall be subject to redemption prior to maturity, at a price and upon such terms as are provided in the Indenture. No notice of redemption of this Bond need be given to the registered owner of this Bond, and the owner of this Bond, by acceptance hereof, expressly waives any requirement for any notice of redemption.

The principal of this Bond may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture.

This Bond is transferable by the registered owner hereof, in person, or by its attorney duly authorized in writing, at the Principal Office of the Trustee, but only in the manner, subject to the limitations (including those contained in Section 2.05(b) of the Indenture) and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond will be issued to the transferee in exchange therefor. The Issuer and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, and the Issuer and the Trustee shall not be affected by any notice to the contrary.

The schedule of drawings attached as Exhibit A hereto shall be used by the Trustee to record the payment of the purchase price of this Bond from time to time (such purchase price to be paid from time to time by the Holder of this Bond as provided in the Indenture and the Loan Agreement), which shall evidence the principal amount of this Bond purchased by the Bondowner Representative from time to time. The Bondowner Representative shall credit any advanced funds toward the purchase price of this Bond on the schedule of drawings attached hereto as Exhibit A. The total amount outstanding under the Bond may not exceed the Authorized Amount at any time and no portion of the purchase price therefor shall be funded after February __, 2023 unless there is delivered to the Trustee an opinion of Bond Counsel to the effect that such funding will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Bond.

The Indenture contains provisions permitting the Issuer, the Trustee and the Bondowner Representative to execute supplemental indentures adding provisions to, or changing or eliminating any of the provisions of, the Indenture, subject to the limitations set forth in the Indenture.

The Issuer hereby certifies that all of the conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California (including the Act).

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

In the event of any conflict between the terms of this Bond and the terms of the Indenture, the terms of the Indenture shall control.

[Remainder of Page Intentionally Left Blank]

The Issuer has caused this Bond to be executed in its name by the manual or facsimile signature of its Executive Director as of the date first written above.

HOUSING AUTHORITY OF THE CITY OF
SAN DIEGO

By: _____
Richard C. Gentry,
Executive Director

FORM OF CERTIFICATE OF AUTHENTICATION

This is the Bond described in the within-mentioned Indenture and has been authenticated and registered on _____.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee

By: _____
Authorized Officer

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto _____

(Name, Address and Tax Identification or Social Security Number of Assignee)
the within Bond and do(es) hereby irrevocably constitute(s) and appoint(s) _____ attorney,
to transfer the same on the registration books of the Trustee, with full power of substitution in
the premises.

Dated: _____

Signatures Guaranteed:

NOTICE: Signature(s) must be guaranteed by an
eligible guarantor.

NOTICE: The signature on this assignment must
correspond with the name(s) as written on
the face of the within Bond in every
particular without alteration or
enlargement or any change whatsoever.

SCHEDULE OF DRAWINGS

<u>Purchase Amount</u>	<u>Purchase Date</u>	<u>Outstanding Principal</u>	<u>Signature of Trustee</u>
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EXHIBIT B

FORM OF INVESTOR'S LETTER

[Date]

Housing Authority of the City of San Diego
San Diego, California

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

\$ _____
Housing Authority of the City of San Diego
Multifamily Housing Revenue Bond
(East Block Family Apartments),
Series 2020B

Ladies and Gentlemen:

The undersigned (the "Investor") hereby represents and warrants to you as follows:

1. The Investor proposes to purchase all of the aggregate principal amount of the above captioned bond (the "Bond") issued pursuant to that certain Indenture of Trust dated as of February 1, 2020 (the "Indenture"), by and among the Housing Authority of the City of San Diego, California (the "Issuer"), The Bank of New York Mellon Trust Company, N.A., as Trustee and Zions Bankcorporation, N.A. dba California Bank & Trust, as initial Bondowner Representative (the "Bondowner Representative"). The Investor understands that the Bond is not rated by any securities rating agency and is secured only by the East Block Family Apartments and the revenues therefrom, and will only be sold to the Investor with the above-addressed parties relying upon the representations and warranties of the Investor set forth herein. The Investor acknowledges that no offering document has been prepared in connection with the issuance and sale of the Bond. The Investor has requested and received all materials which the Investor has deemed relevant in connection with its purchase of the Bond (the "Offering Information"). The Investor has reviewed the documents executed in conjunction with the issuance of the Bond, including, without limitation, the Indenture and the Loan Agreement. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Indenture.

2. The Investor hereby waives the requirement of any "due diligence investigation or inquiry" by the Issuer, by each official of the Issuer, by each employee of the Issuer, by each member of the governing board of the Issuer, and by counsel to the Issuer, the Trustee, counsel to the Trustee, the Bondowner Representative, counsel to the Bondowner Representative and Bond Counsel in connection with the authorization, execution and delivery of the Bond and Investor's purchase of the Bond. The Investor recognizes and agrees that the Issuer, by each official of the Issuer, each employee of the Issuer, each member of the governing board of the Issuer, counsel to the Issuer, the Trustee, counsel to the Trustee, the Bondowner Representative, counsel to the Bondowner Representative and Bond Counsel have made no representations or statements (expressed or implied) with respect to the accuracy or completeness of any of the materials reviewed by the Investor in connection with the Investor's purchase of the Bond. In making an investment decision, the Investor is relying upon its own examination of the Issuer, the Borrower, the Project and the terms of the offering.

3. The Investor has been provided an opportunity to ask questions of, and the Investor has received answers from, representatives of the Borrower regarding the terms and conditions of the Bond, and the Investor has obtained all additional information requested by it in connection with the Bond.

4. The Investor has sufficient knowledge and experience in business and financial matters in general, and investments such as the Bond in particular, and is capable of evaluating the merits and risks involved in an investment in the Bond. The Investor is able to bear the economic risk of, and an entire loss of, an investment in the Bond.

5. The Investor is purchasing the Bond solely for its own account for investment purposes and has no present intention to resell or distribute the Bond, provided that the Investor reserves the right to transfer or dispose of the Bond, at any time, and from time to time, in its complete and sole discretion, subject, however, to the restrictions described in Section 2.05 of the Indenture and in paragraphs 6 through 8 of this Letter. The Investor hereby agrees that the Bond may only be transferred in whole and in accordance with the Indenture, including Article II thereof, to a single investor, which must execute and deliver to the parties addressed above a form of this Investor's Letter.

6. The Investor agrees that it will only offer, sell, pledge, transfer or exchange the Bond (or any legal or beneficial interest therein) (i) in accordance with an available exemption from the registration requirements of Section 5 of the Securities Act of 1933, as amended (the "1933 Act"), (ii) in accordance with any applicable state securities laws, and (iii) in accordance with the transfer restrictions set forth in the Bond and the Indenture.

7. The Investor is a Sophisticated Investor, as defined in the Indenture, and understands that the Bond may be offered, resold, pledged or transferred only in whole and only to a person who is a Sophisticated Investor, as defined in the Indenture.

8. If the Investor sells the Bond (or any legal or beneficial interest therein), the Investor or its agent will obtain for the benefit of each of you from any subsequent purchaser an Investor Letter in the form of this Letter or such other materials as are required by the Bond and the Indenture to effect such sale and purchase. The Investor understands and agrees that the Trustee is not authorized to register any transfer of the Bond prior to receipt of such Investor Letter.

9. None of the Bondowner Representative, the Trustee, Bond Counsel, counsel to the Issuer, the Issuer, its governing body, or any of its employees or agents will have any responsibility to the Investor for the accuracy or completeness of information obtained by the Investor from any source regarding the Project, the Issuer, the Borrower or their financial conditions or regarding the Bond, the provisions for payment thereof, or the sufficiency of any security therefor, including, without limitation, any information specifically provided by any of such parties contained in the Offering Information. The Investor acknowledges that, as between Investor and all of such parties: (a) the Investor has assumed responsibility for obtaining such information and making such review as the Investor has deemed necessary or desirable in connection with its decision to purchase the Bond; and (b) the Offering Information and any additional information specifically requested from the Issuer or the Borrower and provided to the Investor prior to closing constitute all the information and review, with the investigation made by Investor (including specifically the Investor's investigation of the Issuer, the Project and the Borrower) prior to its purchase of the Bond, that Investor has deemed necessary or desirable in connection with its decision to purchase the Bond.

10. The Investor understands that (a) the Bond has not been registered with any federal or state securities agency or commission, and (b) no credit rating has been sought or obtained with respect to the Bond, and the Investor acknowledges that the Bond is a speculative investment and that there is a high degree of risk in such investment.

11. The Investor acknowledges that the Bond is a limited obligation of the Issuer, payable solely from the sources provided therefor in the Indenture, and is not an obligation payable from the general revenues or other funds of the Issuer, the State of California or any political subdivision of the State of California. The Investor acknowledges that the Issuer is issuing the Bond on a conduit, nonrecourse basis, and has no continuing obligations with respect thereto except as expressly set forth in the Indenture.

12. The Investor has the authority to purchase the Bond and to execute this letter and other documents and instruments required to be executed by the Investor in connection with its purchase of the Bond. The individual who is executing this letter on behalf of the undersigned is a duly appointed, qualified and acting officer of the Investor and authorized to cause the Investor to make the certifications, representations and warranties contained herein by the execution of this letter on behalf of the Investor.

13. The Investor agrees to indemnify and hold harmless the Issuer, the Issuer's officials, officers, directors, employees, agents, attorneys, accountants, advisors, consultants, servants and the members of the governing board of the Issuer past, present and future with respect to any claim asserted against any of them that is based upon the Investor's sale, transfer or other disposition of its interests in the Bond in violation of the provisions hereof or of the Indenture or any inaccuracy in any statement made by the Investor in this letter.

Very truly yours,

ZIONS BANCORPORATION, N.A. DBA
CALIFORNIA BANK & TRUST, as Bond
Purchaser

By: _____
Name: _____
Title: _____

EXHIBIT C

FORM OF CONSTRUCTION FUND DISBURSEMENT REQUEST

DRAW NUMBER []

To: The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") under that certain Indenture of Trust, dated as of February 1, 2020 (the "Indenture"), among the Trustee, the Housing Authority of the City of San Diego and Zions Bankcorporation, N.A. dba California Bank & Trust, as the initial Bondowner Representative.

1. You are requested to disburse funds from the Bond Proceeds Account of the Construction Fund pursuant to Section 3.03 of the Indenture as Draw Number [] in the aggregate amount of \$[_____] in the amount(s), to the person(s) and for the purpose(s) set forth on Schedule I attached hereto and incorporated herein by reference. Capitalized terms not defined herein have the meanings assigned thereto in the Indenture.

2. The undersigned certifies that:

(i) there has been received no notice (A) of any lien, right to lien or attachment upon, or claim affecting the right of the payee to receive payment of, any of the moneys payable as set forth in Schedule I to any of the persons, firms or corporations named therein, and (B) that any materials, supplies or equipment covered by any disbursement pursuant to Schedule I are subject to any lien or security interest, or if any notice of any such lien, attachment, claim or security interest has been received, such lien, attachment, claim or security interest has been released, discharged, insured or bonded over or will be released, discharged, insured or bonded over upon payment of the amount with respect thereto in Schedule I;

(ii) Schedule I contains no items representing payment on account of any percentage entitled to be retained at the date of the certificate;

(iii) each obligation stated on Schedule I has been incurred in or about the acquisition, equipping or construction of the Project, each item is a proper charge against the Construction Fund, and the obligation has not been the basis for a prior request for Funds that has been paid;

(iv) Schedule I contains no items representing any Issuance Costs or any other amount constituting an issuance cost under Section 147(g) of the Code, or repayment of any loan for such purposes;

(v) not less than 97% of the sum of: (A) the amounts requisitioned by Schedule I to be funded with the proceeds of the Bond plus (B) all amounts allocated to the Bond previously disbursed from the Construction Fund, have been or will be applied by the Borrower to pay or to reimburse the Borrower for the payment of Qualified Project Costs;

(vi) as of the date hereof no event or condition has happened or is happening or exists that constitutes, or that with notice or lapse of time or both, would constitute, an Event of Default under this Indenture or under the Loan Agreement or, to our knowledge, an Event of Default under the Indenture; and

(vii) the disbursements requested on Schedule I comply with all applicable requirements of the Loan Agreement and the Tax Certificate.

3. The Borrower has obtained written consent of the Bondowner Representative to this disbursement, as evidenced by its signature below.

Dated: _____

FAIRMOUNT FAMILY HOUSING CIC, LP, a
California limited partnership

By: Fairmount and El Cajon Realty, LLC
a California limited liability company,
its Managing General Partner

By: Price Philanthropies Foundation,
a Delaware nonprofit, nonstock
corporation
its Manager and Member

By: _____
Name: Jeff Fisher
Title: Chief Financial Officer

By: CIC Fairmount Family Housing, LLC,
a California limited liability company,
its Administrative General Partner

By: Chelsea Investment Corporation
a California corporation
its Manager

By: _____
Name: Cheri Hoffman
Title: President

APPROVED:

ZIONS BANCORPORATION, N.A. DBA
CALIFORNIA BANK & TRUST,
as Bondowner Representative

By: _____
Name: _____
Title: _____

SCHEDULE I

Amount	Person	Purpose

LOAN AGREEMENT

among

**HOUSING AUTHORITY OF THE CITY OF SAN DIEGO,
as Issuer,**

**ZIONS BANKCORPORATION, N.A. DBA CALIFORNIA BANK & TRUST,
as Bondowner Representative**

and

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

Dated as of February 1, 2020

Relating to:

\$ _____

**Housing Authority of the City of San Diego
Multifamily Housing Revenue Bond
(East Block Family Apartments),
Series 2020B**

The interests of the Issuer in this Agreement and the Note, excluding the Reserved Rights, have been assigned to The Bank of New York Mellon Trust Company, N.A., as trustee, pursuant to an Assignment of Deed of Trust and Related Documents dated as of February 1, 2020 by the Issuer for the benefit of The Bank of New York Mellon Trust Company, N.A., as trustee.

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EXHIBIT B – ACCOUNTS

LOAN AGREEMENT

THIS LOAN AGREEMENT (this "Agreement"), dated as of February 1, 2020, is by and among the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body, corporate and politic, duly organized and existing under the laws of the State of California (together with any successors and assigns, as issuer of the Bond (the "Issuer"), ZIONS BANKCORPORATION, N.A. DBA CALIFORNIA BANK & TRUST, and its successors and assigns (the "Bondowner Representative"), and FAIRMOUNT FAMILY HOUSING CIC, LP, a California limited partnership (the "Borrower").

RECITALS:

WHEREAS, the Issuer is a public body, corporate and politic, duly organized and existing under the laws of the State of California (the "State"); and

WHEREAS, pursuant to Chapter 1 of Part 2 of Division 24 (commencing with Section 34200) of the Health and Safety Code of the State (the "Act"), the Issuer is empowered to issue its revenue bonds to finance the acquisition and construction of multifamily rental housing; and

WHEREAS, the Borrower has requested that the Issuer issue its Housing Authority of the City of San Diego Multifamily Housing Revenue Bond (East Block Family Apartments), Series 2020B (the "Bond") for the purpose of making a loan (the "Loan") to the Borrower to finance, in part, the construction of a multifamily rental housing project known as the East Block Family Apartments, to be located at 4340 44th Street, San Diego, California, on land which is more particularly described on Exhibit A (the "Land") which Land, together with the improvements located thereon (the "Improvements") is collectively referred to as the "Property" or the "Project;" and the Bond shall be issued pursuant to an Indenture of Trust dated as of February 1, 2020 by and among the Issuer, The Bank of New York Mellon Trust Company, N.A., as trustee ("Trustee") and the Bondowner Representative (the "Indenture"); and

WHEREAS, the Issuer deems it desirable and in keeping with its purpose to issue the Bond and lend the proceeds thereof to the Borrower for the purposes described above under the terms and conditions contained in this Agreement; and

WHEREAS, to evidence the Loan, the Borrower is executing in favor of the Issuer, that certain promissory note payable to the order of the Issuer in the original maximum principal amount of \$_____ (the "Note"), which Note provides for the repayment of the Loan in amounts sufficient to pay, when due, the principal of, premium, if any, and interest on the Bond, and the Borrower has executed or caused to be executed and delivered to the Issuer the Construction and Permanent Trust Deed, with Assignment of Rents, Security Agreement and Fixture Filing (the "Deed of Trust") with respect to the Project, which Deed of Trust shall be assigned by the Issuer to the Trustee as trustee pursuant to that certain Assignment of Deed of Trust and Related Documents (the "Assignment of Deed of Trust"), dated as of February 1, 2020, to secure, among other things, the payments due under the Note and this Agreement; and

WHEREAS, the execution and delivery of this Agreement and the issuance of the Bond have been duly and validly authorized by the Issuer.

A G R E E M E N T :

NOW, THEREFORE, the Issuer, the Borrower and the Bondowner Representative, each in consideration of the representations, covenants and agreements of the other as set forth herein, mutually represent, covenant and agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Defined Terms. Capitalized terms used in this Agreement and not otherwise defined herein have the meanings set forth for those terms in the Indenture.

“Affiliate” means any person or entity directly or indirectly controlling, controlled by, or under direct or indirect common control with, another identified person or entity. A person or entity will be deemed to control a corporation or other entity if such person or entity possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such corporation or other entity, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” has the meaning set forth in the preamble to this Agreement.

“Assignment of Deed of Trust” has the meaning set forth in the recitals to this Agreement.

“Borrower’s Governing Agreement” means that [Amended and Restated Agreement of Limited Partnership], under which the Investor Limited Partner is admitted as a limited partner of the Borrower, which agreement is to be executed and delivered substantially concurrently with the execution and delivery of this Agreement.

“Default” has the meaning set forth in Section 6.01.

“Developer Fee” has the meaning set forth in Section 3.02.

“Disbursement Agreement” means that Disbursement Agreement, dated as of February 1, 2020, between the Borrower and the Bondowner Representative.

“Disbursements” means disbursements of funds by the Bondowner Representative to pay Project Costs, which disbursements are made from proceeds of the Loan or other funds held by the Bondowner Representative in Pledged Accounts that are available for that purpose.

“Draw Request” means a disbursement request as described in Exhibit B to the Disbursement Agreement.

“Event of Default” has the meaning set forth in Section 6.01.

“Guarantor” has the meaning set forth in the Disbursement Agreement.

“Guaranty” has the meaning set forth in the Disbursement Agreement.

“Improvements” has the meaning set forth in the recitals to this Agreement.

“Indemnified Costs” means all liabilities, claims, actions, causes of action, judgments, orders, damages, costs, expenses, fines, penalties and losses (including sums paid in settlement of claims and all consultant, expert and legal expenses), incurred by any Indemnified Party in connection with the Loan or the Loan Documents.

“Indemnified Parties” means the Trustee, the Issuer and their respective officers, officials, employees, counsel, attorneys, accountants, financial advisors, staff, members of its governing body and agents, past, present and future, and its successors and assigns, as well as the Bondowner Representative, its parents, subsidiaries and other Affiliates, assignees of the Bondowner Representative’s interest in the Bond and the officers, directors, employees, attorneys and agents of each of them.

“Land” has the meaning set forth in the recitals to this Agreement.

“Loan Closing” means the issuance of the Bond and the recording of the Deed of Trust.

“Loan Documents” means, collectively, this Agreement, the Disbursement Agreement, the Note, the Deed of Trust, the other Security Documents and all other documents that evidence, guarantee or secure the Loan.

“Loan Proceeds” means the proceeds of the Loan in the maximum principal amount set forth in this Agreement.

“Pledged Accounts” has the meaning set forth in Exhibit B.

“Project” has the meaning set forth in the recitals to this Agreement.

“Property” has the meaning set forth in the recitals to this Agreement.

“Security Documents” means the Deed of Trust, such assignments of the Project contracts as the Bondowner Representative may require and such other security documents as the Bondowner Representative may require as security for the Loan, the Note and related obligations.

“Treasury Regulations” means Title 26 of the Code of Federal Regulations.

“Trustee” has the meaning set forth in the recitals to this Agreement.

“Trustee Ongoing Fee” means that ongoing fee of ____% of the Authorized Amount of the Bond, payable annually in arrears on each February 1, commencing February 1, 2021, with a minimum annual fee of \$_____.

ARTICLE II

ISSUANCE OF BOND; PAYMENT OF ISSUANCE AND OTHER COSTS; ASSIGNMENTS BY THE ISSUER

Section 2.01. Issuance of Bond. Upon execution of this Agreement, the other Loan Documents, the Indenture and the occurrence of all conditions precedent to the issuance of the Bond in Section 3.01 of the Indenture, or as soon thereafter as practicable, the Issuer will execute the Bond and the Trustee will authenticate and deliver the Bond to the Bondowner Representative, or to its order, upon payment of the Initial Disbursement and filing with the Bondowner Representative of the opinion of Bond Counsel as to the legality of the Bond and the

furnishing of all other documents required to be furnished before such delivery. The proceeds of the Bond will be deposited with the Trustee and disbursed in accordance with the Indenture and this Agreement.

Section 2.02. No Warranty by the Issuer. THE BORROWER AGREES THAT, BECAUSE THE COMPONENTS OF THE PROJECT HAVE BEEN AND ARE TO BE DESIGNATED AND SELECTED BY IT, THE ISSUER HAS NOT MADE AN INSPECTION OF THE PROJECT OR OF ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, AND THE ISSUER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR OTHERWISE, WITH RESPECT TO THE SAME OR THE LOCATION, USE, DESCRIPTION, DESIGN, MERCHANTABILITY, FITNESS FOR USE FOR ANY PARTICULAR PURPOSE, CONDITION OR DURABILITY THEREOF, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY THE BORROWER. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER PATENT OR LATENT, THE ISSUER SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO. THE PROVISIONS OF THIS SECTION 2.02 HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES OR REPRESENTATIONS BY THE ISSUER, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT. IN ADDITION, THE BORROWER ACKNOWLEDGES, REPRESENTS AND WARRANTS THAT IT UNDERSTANDS THE NATURE AND STRUCTURE OF THE PROJECT; THAT IT IS FAMILIAR WITH THE PROVISIONS OF ALL OF THE DOCUMENTS AND INSTRUMENTS RELATING TO THE FINANCING OF THE PROJECT TO WHICH IT OR THE ISSUER IS A PARTY OR OF WHICH IT IS A BENEFICIARY; THAT IT UNDERSTANDS THE RISKS INHERENT IN SUCH TRANSACTIONS, INCLUDING WITHOUT LIMITATION THE RISK OF LOSS OF THE PROJECT; 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 BOND IN ORDER TO PROVIDE FUNDS FOR THE LOAN.

Section 2.03. Payment of Costs of Issuance by the Borrower. The Borrower agrees that it will provide any and all funds required for the prompt and full payment of all Issuance Costs not otherwise paid from proceeds of the Bond, including, but not limited to, the following items:

(a) all legal costs (including Bond Counsel and counsel to the Borrower, the Issuer, the Trustee, and the Bondowner Representative), costs of abstractors', title insurance, financial, engineering, environmental, construction services, survey, appraisal and accounting fees and expenses, administrative fees, printing and engraving costs and other expenses incurred and to be incurred by the Borrower, the Issuer, the Trustee or the Bondowner Representative in connection with issuance of the Bond;

(b) premiums on all insurance required to be secured and maintained during the term of this Agreement;

(c) all recording fees and other taxes, charges, assessments, license or registration fees of every nature whatsoever incurred and to be incurred in connection with the financing represented by the Bond and the Note (other than a tax on the income of the Issuer or the Bondowner Representative);

(d) all initial fees and expenses of the Bondowner Representative, the Issuer and the Trustee (including, without limitation, the Issuer's initial fee referred to in Section 7(a) of the Regulatory Agreement);

(e) [reserved]; and

(f) fees payable to the California Debt Limit Allocation Committee ("CDLAC"), the California Debt and Investment Advisory Commission ("CDIAC") and the California Tax Credit Allocation Committee ("CTCAC") with respect to the Bond and the financing of the Project; and other costs of issuance of the Bond.

Section 2.04. Assignment of Certain Rights. Pursuant to the Indenture and the Assignment of Deed of Trust, the Issuer has assigned the Revenues and has assigned, without recourse or liability, to the Trustee, certain of the Issuer's rights under this Agreement and the Note, including the right to receive certain payments hereunder (but excluding the Reserved Rights, among them being the Issuer's rights to payments under Sections 2.05, 2.06, 4.01 and 8.08 of this Agreement, which have not been assigned), and hereby directs the Borrower to make payments required herein or under the Note to be made to the Issuer, either to the Trustee or as otherwise directed by the Bondowner Representative. The Borrower assents to such assignment and will make such payments under this Agreement directly to the Trustee or as otherwise directed by the Bondowner Representative without defense or set off by reason of any dispute between the Borrower and the Issuer, the Trustee or the Bondowner Representative.

Section 2.05. Issuer Fees. The Borrower shall timely pay the fees payable to the Issuer pursuant to Sections 7(a) of the Regulatory Agreement as and when due.

Section 2.06. Payment of Other Amounts by the Borrower. The Borrower shall promptly and timely pay all other amounts due to the Issuer, the Trustee (including, but not limited to the Trustee Ongoing Fee), the Rebate Analyst, the Bondowner Representative or any of them under the Indenture, the Note, the Disbursement Agreement, the Regulatory Agreement and any other of the Loan Documents. The Borrower shall be personally liable under this Agreement, the Note, the Deed of Trust and all other Loan Documents for the repayment of amounts owing under this Agreement and the Note, and for the performance of any other obligations of the Borrower under this Agreement, the Note, the Deed of Trust and the other Loan Documents.

ARTICLE III

DISBURSEMENT

Section 3.01. Disbursement by Bondowner Representative. The Bondowner Representative shall make or authorize disbursements of the Loan upon satisfaction (or waiver by the Bondowner Representative) of the conditions set forth in the Disbursement Agreement and in Section 3.03 of the Indenture.

Section 3.02. Developer Fee. Notwithstanding anything to the contrary contained in the Borrower's Governing Agreement or any other document, except to the extent otherwise set forth below, for so long as the Loan and all interest accrued thereon and other amounts payable by the Borrower in connection therewith have not been paid in full, the Borrower will not pay any developer fee, developer overhead, developer profit or similar amount (collectively, "Developer Fee") to any Affiliate of the Borrower in an aggregate amount in excess of

\$_____. So long as no Event of Default has occurred and is continuing, the Borrower anticipates making payments of Developer Fee as follows:

- (a) At Loan Closing: \$_____
 - (b) At 100% completion of the Improvements: \$_____
 - (c) Upon conversion and payoff of the Loan: \$_____
- Total \$_____

Section 3.03. Limitations on Disbursements. Notwithstanding recording of the Deed of Trust or anything contained in this Agreement, the Bondowner Representative will not be required to make any Disbursement unless and until the Borrower has satisfied all applicable conditions to such Disbursement set forth in the Disbursement Agreement. No Disbursement of the Loan shall be made after February __, 2023, notwithstanding anything to the contrary contained in any construction contract or any other document unless there is first delivered to the Trustee an opinion of Bond Counsel to the effect that such Disbursement will not adversely affect the exclusion of interest on the Bond from gross income for federal income tax purposes.

ARTICLE IV

COVENANTS OF BORROWER

The Borrower will keep and perform each of the covenants set forth below, except to the extent that the Bondowner Representative hereafter specifically waives compliance in writing, which waiver may be given or withheld by the Bondowner Representative in its sole discretion; provided, however, that the provisions of Section 4.01 may only be waived by the Issuer and the Trustee in their respective discretion.

Section 4.01. Indemnity. The Borrower releases the Issuer, the Bondowner Representative, the Trustee and their respective officers, directors, agents, officials, employees, counsel, attorneys and agents, past, present and future (and as to the Issuer, members of its governing body) and any person who controls the Issuer, the Bondowner Representative or the Trustee within the meaning of the Securities Act, from, and covenants and agrees, without limiting the indemnity provided in the Regulatory Agreement, to indemnify, hold harmless and defend the Issuer, the Bondowner Representative, the Trustee and their respective officers, members, supervisors, directors, officials and employees, counsel, attorneys and agents, past present and future of each of them and any person who controls such party within the meaning of the United States Securities Act of 1933, as amended, and employees and each of them (each an "Indemnified Party") from and against, any and all losses, claims, damages, demands, liabilities and expenses (including reasonable attorney's fees and expenses), taxes (other than income taxes payable by any party as a result of any fees payable to such parties in connection with the transaction contemplated hereby), causes of action, suits, claims, demands and judgments of any nature, joint or several, by or on behalf of any person arising out of:

- (a) the transaction provided for in the Loan Documents or the Indenture or otherwise in connection with the Project, the Bond, the Loan or the execution and delivery or amendment of any other document entered into in connection with the transactions provided for in the Indenture or the Loan Documents (provided no indemnity shall be required for claims due to nonpayment of the Note);
- (b) the approval of the financing for the Project or the making of the Loan;

(c) the issuance and sale of the Bond or any certifications or representations made by any person other than the party seeking indemnification;

(d) any and all claims arising in connection with the interpretation, performance, enforcement, breach, default or amendment of the Indenture, the Loan Documents or any other documents relating to the Project or the Bond or in connection with any federal or state tax audit or any questions or other matters arising under such documents (provided no indemnity shall be required for claims due to nonpayment of the Note);

(e) the carrying out by the Borrower of the transaction provided for in the Indenture or the Loan Documents;

(f) the Trustee's acceptance or administration of the trust created by the Indenture or the exercise of its powers or duties under the Indenture or under this Agreement or any other agreements to which it is a party or otherwise in connection with the transactions provided for in the Indenture or the Loan Documents except for claims arising from the Trustee's administration where such is a result of actions contrary to the Trustee's duties and obligations;

(g) any and all claims arising in connection with the issuance and sale of the Bond or any certifications or representations made by any person other than the Indemnified Party seeking indemnification, including, without limitation, any statement or information made by the Borrower with respect to the Borrower or the Project in any offering document or materials regarding the initial offering of the Bond (in connection with their issuance under the Indenture), the Project or the Borrower or the Tax Certificate executed by the Borrower or any other certificate executed by the Borrower which, at the time made, is misleading, untrue or incorrect in any material respect, or failure to properly register or otherwise qualify the sale of the Bond or failure to comply with any licensing or other law or regulation which would affect the manner in which or to whom the Bond could be sold and the carrying out by the Borrower of any of the transactions contemplated by the Indenture or the Loan Documents;

(h) the Borrower's failure to comply with any requirement of this Agreement or the Regulatory Agreement (provided no indemnity shall be required for claims due to nonpayment of the Note);

(i) any act or omission of the Borrower or any of its agents, servants, employees or licensees in connection with the Loan or the Project, including violation of any law, ordinance, court order or regulation affecting the Project or any part of it or the ownership, occupancy or use of it (provided no indemnity shall be required for claims due to nonpayment of the Note);

(j) any damage or injury, actual or claimed, of whatsoever kind, cause or character, to property (including loss of use of property) or persons, occurring or allegedly occurring in, on or about the Project or arising out of any action or inaction of the Borrower, whether or not related to the Project, or resulting from or in any way connected with the acquisition and construction or management of the Project, the issuance of the Bond or otherwise in connection with the transaction contemplated or otherwise in connection with the Project, the Bond or the execution or amendment of any document relating to the Project or the Bond;

(k) any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from, the Project; and

(l) any and all claims arising in connection with the operation of the Project, or the conditions, environmental or otherwise, occupancy, use, possession, conduct or supervision of work done in or about, or from the planning, design, acquisition, construction, repair or equipping of, the Project or any part of it, including, but not limited to, the Americans with Disabilities Act, if applicable (as evidenced by an architect's certificate to such effect).

This indemnification shall extend to and include, without limitation, all reasonable costs, counsel fees, expenses or liabilities incurred in connection with any such claim or proceeding brought with respect to such claim, except:

(i) in the case of the foregoing indemnification of Trustee or any of its related Indemnified Parties to the extent such damages are caused by the negligence or willful misconduct of such Person; and

(ii) in the case of the foregoing indemnification of the Issuer or any of its related Indemnified Parties, to the extent such damages are caused by the willful misconduct of the Issuer.

In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought under this Agreement, the Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense of the action or proceeding, including the employment of counsel selected by the Borrower, subject to the approval of the Indemnified Party, which approval shall not be unreasonably withheld, conditioned or delayed, and shall assume the payment of all expenses related to the action or proceeding, with full power to litigate, compromise or settle the same in its sole discretion, provided that the Issuer, and the Trustee, as appropriate, shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense of the action or proceeding, and the Borrower shall be obligated to pay the fees and expenses of such separate counsel if (A) the Indemnified Party, upon the advice of counsel, determines that a conflict of interest exists between the interests of the Indemnified Party and the interests of the Borrower or (B) such separate counsel is employed with the approval of the Borrower, which approval shall not be unreasonably withheld, conditioned or delayed.

The Borrower understands and agrees that the foregoing release includes all claims of every nature and kind whatsoever, whether known or unknown, suspected or unsuspected, and the Borrower has read and understands, and hereby waives the benefits of, Section 1542 of the California Civil Code which provides as follows:

"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."

The Borrower acknowledges that it may hereafter discover facts different from or in addition to those which it now knows or believes to be true with respect to the foregoing release by the Borrower and agree that the foregoing release shall be and remain effective in all respects notwithstanding such different or additional facts or the discovery thereof.

Nothing in this Section 4.01 shall in any way limit the Borrower's indemnification and other payment obligations set forth in the Regulatory Agreement.

Section 4.02. Certain Government Regulations. The Borrower will not: (a) be or become subject at any time to any governmental requirements, or be included on any list of any government agency (including, without limitation, the U.S. Office of Foreign Asset Control list) that prohibits or limits the Bondowner Representative from making any advance or extension of credit to the Borrower or from otherwise conducting business with the Borrower, or (b) fail to provide documentary and other evidence of the Borrower's identity as may be requested by the Bondowner Representative at any time to enable the Bondowner Representative to verify its identity or to comply with any such applicable requirements, including, without limitation, Section 326 of the USA Patriot Act of 2001, 31 U.S.C. Section 5318.

Section 4.03. Sale of Bond in Secondary Market. The Borrower acknowledges the possibility that the Bondowner Representative may desire to facilitate the marketability of the Bond to a purchaser in the secondary market as permitted by the Indenture, and the Borrower agrees to execute such other documents as are required to effectuate such resale of the Bond by the Bondowner Representative, provided that the same do not change the economic terms of the transactions described herein or expand the liabilities of the parties hereunder.

ARTICLE V

REPRESENTATIONS, WARRANTIES AND COVENANTS OF BORROWER

The Borrower promises that each and every representation and warranty set forth below is true, accurate and correct as of the date of this Agreement. Each Draw Request will be deemed to be a reaffirmation, as of the date such Draw Request is submitted to the Bondowner Representative, of each and every representation and warranty made by the Borrower in this Agreement. The Borrower represents and warrants to the Issuer and the Bondowner Representative as follows:

Section 5.01. Tax Status of Bond. The Borrower hereby covenants, represents and agrees as follows: (a) that the Borrower will not take or permit any action to be taken that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bond and, if it should take or permit any such action, the Borrower will take all lawful actions to rescind such action promptly upon having knowledge thereof; and (b) that the Borrower will take such action or actions, including amending the Loan Documents, the Regulatory Agreement and this Agreement, as determined reasonably necessary in the opinion of Bond Counsel to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the United States Department of the Treasury or the Internal Revenue Service under the Code. The Borrower further covenants and agrees that it will direct all investments of funds held under the Indenture or pledged as security for the Loan or the Bonds in compliance with the Code. The Borrower covenants and agrees to cause to be calculated by the Rebate Analyst and pay to the Trustee any amounts owing to the United States as rebatable arbitrage in accordance with the procedures set forth in the Tax Certificate and Section 6.07 of the Indenture

Section 5.02. Incorporation of Tax Certificate. The covenants, representations, warranties and agreements of the Borrower set forth in the Tax Certificate are incorporated by reference herein as if fully set forth herein.

Section 5.03. Tax Covenants. The Borrower shall comply with the requirements and conditions of the Tax Certificate and the Regulatory Agreement. Without limiting the foregoing and notwithstanding anything to the contrary in this Agreement, the Borrower will not take, or permit to be taken on its behalf, any action which would cause interest on the Bond to be included in gross income of the Bondowner for federal income tax purposes and will take such reasonable action as may be necessary to continue such exclusion from gross income, including:

(a) the Borrower will not use the proceeds of the Bond, or any other funds which may be deemed to be proceeds of the Bond pursuant to Section 148 of the Code, in the manner which will cause the Bond to be an “arbitrage bond” within the meaning of such section, and will comply with the requirements of such Section throughout the term of the Bond;

(b) the Borrower will prepare and file any statements required to be filed by it in order to maintain such exclusion;

(c) the Borrower will pay to the United States any amount required to be paid by the Issuer or the Borrower pursuant to Section 148(f) of the Code, at the times, in the amounts and at the places required in order to maintain the exclusion of interest on the Bond from gross income of the Bondowner for federal income tax purposes, and the Borrower shall compute, or cause to be computed, such amounts annually until the earlier of (i) the date required by the Code, or (ii) the date on which the Bond is no longer outstanding;

(d) not less than 97% of the net proceeds of the Bond (within the meaning of Section 142(a) of the Code) shall be used to pay Qualified Project Costs;

(e) in order to satisfy the requirements set forth in subpart (4) of the definition of “program investment” that appears in Section 1.148-1(b) of the Treasury Regulations (which requirements must be met in order for the Loan to qualify as a program investment within the meaning of that section), neither the Borrower nor any related person will purchase the Bond in an amount related to the amount of the Loan;

(f) 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 interest on the Bond;

(g) if the Borrower becomes aware of any circumstance, event or condition which would result in the interest payable on the Bond becoming includable in gross income of the Bondowner for federal income tax purposes, the Borrower will promptly give written notice of such circumstance, event or condition to the Issuer and the Bondowner Representative;

(h) the full amount of each disbursement from the Loan will be applied to pay or to reimburse the Borrower for the payment of Project Costs and, after taking into account any proposed disbursement, (i) at least 97% of the net proceeds (as defined in Section 150 of the Code) of the Bond will be used to pay Qualified Project Costs to provide a qualified residential rental project (as defined in Section 142(d) of the Code), (ii) less than 25% of the net proceeds of the Bond will have been disbursed to pay or to reimburse the Borrower for the cost of acquiring land, (iii) not more than 2% of the proceeds of the Bond will have been used for Issuance Costs, and (iv) none of the proceeds of the Bond (as defined for purposes of Section 147(g) of the Code) will be disbursed to provide working capital;

(i) the Borrower will cause all of the residential units (except the one manager's unit) in the Project to be rented or available for rental on a basis which satisfies applicable requirements of the Act, the Code and the Regulatory Agreement;

(j) all leases for the Project will comply with all applicable laws and, as applicable for units rented to low and very-low income tenants, as provided in the Regulatory Agreement;

(k) 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 Agreement or the Regulatory Agreement;

(l) no portion of the proceeds of 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, and no portion of the proceeds of the Loan shall be used for an office unless (i) the office is located on the premises of the facilities constituting the Project and (ii) not more than a de minimis amount of the functions to be performed at such office is not related to the day-to-day operations of the Project; and

(m) no proceeds of the Bond will 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 was pursuant to such acquisition; provided, however, that this limitation shall not apply with respect to any building (and the equipment therefor) if construction expenditures (as defined in the Code) with respect to such building equal or exceed 15% of the portion of the cost of acquiring such building (and equipment) financed with proceeds of the Bond; and provided, further, that this limitation shall not apply with respect to any structure other than a building if construction expenditures with respect to such structure equal or exceed one hundred percent (100%) of the portion of the cost of acquiring such structure financed with the proceeds of the Bond.

In any matter relating to the exclusion of interest on the Bond from gross income for federal income tax purposes, the terms and provisions of the Tax Certificate and the Regulatory Agreement shall control in the event of any conflict between this Agreement and the Tax Certificate or Regulatory Agreement, as applicable.

ARTICLE VI

DEFAULT AND REMEDIES

Section 6.01. Events of Default. Any of the following, without limitation, shall constitute an "Event of Default" (and the term "Default" shall mean any of the following, whether or not any requirement for notice or lapse of time has been satisfied); provided, that any of the Borrower's partners may, but are not obligated to, cure a Default and such cure shall be accepted by the Bondowner Representative as if made by the Borrower:

(a) Any representation or warranty made by the Borrower to or for the benefit of the Bondowner Representative or the Issuer herein or elsewhere in connection with the Loan, including but not limited to any representation in connection with the security therefor, shall prove to have been incorrect or misleading in any material

respect when made (or becomes incorrect or misleading in any material respect thereafter); or

(b) The Borrower shall fail to pay any sum when due under this Agreement, the Deed of Trust, the Note or any other Loan Document which is not cured within the time provided for cure under Section 6.1 of the Disbursement Agreement, provided that the use of any reserve held hereunder, under the Indenture or the Disbursement Agreement to pay any such amount shall not be an Event of Default hereunder; or

(c) Other than a failure described in (b) above, the Borrower or any other party thereto (other than the Issuer, the Trustee or the Bondowner Representative) shall fail to perform its obligations under any other covenant or agreement contained in this Agreement, the Deed of Trust, the Note or any other Loan Document, which is not cured within any notice and cure period set forth in the other applicable document; provided, however, that if there is no otherwise applicable cure period for any such failure to perform, such failure to perform shall not constitute an Event of Default unless the respective event continues for a period of 30 days after written notice thereof, specifying such event and requiring the same to be remedied, shall have been given by the Issuer, the Bondowner Representative or the Trustee to the Borrower at its notice address in Section 11.06 (with a copy to: (a) the Issuer if the notice has been given by the Bondowner Representative or to the Trustee, or (b) the Bondowner Representative if notice has been given by the Issuer or the Trustee, or (c) the Trustee if the notice has been given by the Issuer or the Bondowner Representative).

Section 6.02. Remedies.

(a) **Withholding of Disbursements.** After the occurrence of an Event of Default, the Bondowner Representative's obligation to lend or disburse funds under the Loan Documents will automatically terminate, and the Bondowner Representative in its sole discretion may withhold any one or more Disbursements. The Bondowner Representative may also withhold any one or more Disbursements after the occurrence and during the continuance of a Default unless and until the Borrower cures such Default prior to the occurrence of an Event of Default. No Disbursement by the Bondowner Representative will constitute a waiver of any Default unless the Bondowner Representative agrees otherwise in writing in each instance.

(b) **Acceleration.** After the occurrence of an Event of Default, all of the Borrower's obligations under the Loan Documents will become immediately due and payable at the option of the Bondowner Representative and in the Bondowner Representative's sole discretion without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demands of any kind.

(c) **Pledged Accounts, Etc.** After the occurrence and during the continuance of an Event of Default, the Bondowner Representative in its sole discretion may apply the funds in the Pledged Accounts, and any other cash or cash equivalents of the Borrower or Guarantor held by or subject to the control of the Bondowner Representative (including but not limited to funds drawn under any letter of credit provided to the Bondowner Representative in connection with the Loan and funds in the Construction Fund), or any portion thereof to payment of the Borrower's obligations under the Loan Documents; provided, however, that such application of funds will not cure or be deemed to cure any Event of Default. Nothing in this Agreement will obligate the Bondowner Representative to apply all or any portion of any such funds on account of any Event of Default or to repayment of such obligations. The Borrower further agrees, and expressly acknowledges the reliance of the Bondowner Representative hereon, that any and all application of the funds in any Pledged Account or the

Construction Fund to or upon any of such obligations will be, and will be irrevocably deemed to be, a realization upon and foreclosure of the security interests and liens granted the Bondowner Representative in such funds and will not be, or be deemed to be, the exercise of a right of set-off.

(d) Continuation of Construction, Etc. After the occurrence of any Event of Default, the Bondowner Representative will have the right, in its sole discretion and the Trustee may, upon receipt of written direction of the Bondowner Representative, to enter and take possession of the Property, whether in person, by agent or by court-appointed receiver, and to take any and all actions that the Bondowner Representative in its sole discretion may consider necessary or appropriate to preserve and protect the Property or to complete construction and/or rehabilitation of the Project, including making changes in plans, specifications, work or materials and entering into, modifying or terminating any contractual arrangements, all subject to the Bondowner Representative's right at any time to discontinue any work without liability. In addition, with or without taking possession of the Property, the Bondowner Representative will have the right but not the obligation to cure any and all defaults by the Borrower under any of the Security Documents, the Project contracts or other contracts relating to the Property. If the Bondowner Representative or the Trustee chooses to complete construction of the Improvements or to cure any of such defaults, the Bondowner Representative or the Trustee will not assume any liability to the Borrower or any other person or entity for completing construction of the Project, or for the manner or quality of their construction, or for curing any such defaults, and the Borrower expressly waives any such liability. If the Bondowner Representative or the Trustee exercises any of the rights or remedies provided in this subsection, that exercise will not make the Bondowner Representative or the Trustee, or cause the Bondowner Representative or the Trustee to be deemed to be, a partner or joint venturer of the Borrower or a mortgagee in possession. The Bondowner Representative in its sole discretion, or the Trustee at the written direction of the Bondowner Representative, may choose to complete construction in its own name. All sums expended by the Bondowner Representative or the Trustee in completing construction or curing the Borrower's defaults will be considered to have been an additional Disbursement to the Borrower bearing interest at the Default Rate and will be secured by the Loan Documents. For these purposes the Bondowner Representative, in its sole discretion, may reallocate any line item or cost category of the budget contained in the Disbursement Agreement, and may make use of any available the Borrower's sources of funds.

(e) Other Remedies; Cumulative Remedies. After the occurrence of an Event of Default, the Bondowner Representative may exercise, or direct the Trustee in writing to exercise, any and all other rights and remedies available to it under any of the Loan Documents or under applicable law. All rights and remedies available to the Bondowner Representative will be cumulative and not exclusive.

(f) Delegation of Enforcement Rights. The Issuer acknowledges that the Bondowner Representative, by making funds available to the Borrower by means of the Bondowner Representative's purchase of the Bond under the Indenture is interested in the Loan to the Borrower. Accordingly, the Issuer hereby delegates to the Bondowner Representative the exercise of all the rights and remedies exercisable by either the Issuer or the Trustee under the Loan Documents (except for the "Reserved Rights" as defined in the Indenture), including, without limitation, approval rights under the Loan Documents and all rights and remedies under the Loan Documents arising from a Default or Event of Default, including those rights and remedies set forth Sections 3.6, 3.9, 3.12 and 3.13 of the Deed of Trust, and as otherwise provided in the Note.

Section 6.03. Waiver of the Right of Setoff. The Borrower will make all payments provided for under the terms of this Agreement, the Note and the other Loan Documents without offset or deduction. In the event of any litigation by the Bondowner Representative to enforce the terms of the Loan Documents, the Borrower will not assert any counterclaim against the Bondowner Representative therein (other than compulsory counterclaims), but will assert the same only by means of a separate action.

ARTICLE VII

PLEGDED ACCOUNTS; RESERVE ACCOUNTS.

Section 7.01. Grant of Security Interest. The Borrower hereby pledges and assigns to the Bondowner Representative, and grants the Bondowner Representative a security interest in and lien upon each of the Pledged Accounts and all funds from time to time on deposit therein to secure all of the Borrower's obligations under the Note, this Agreement and the other Loan Documents. All income taxes payable with respect to income on each Pledged Account, if any, will be paid by the Borrower. The tax identification number associated with each Pledged Account will be that of the Borrower. If required by the Bondowner Representative, the Borrower shall execute the Bondowner Representative's form of Assignment of Deposit Account with respect to each of the Pledged Accounts.

Section 7.02. [to be revised upon distribution of Bank documents to provide for required Reserve Accounts].

Section 7.03. Reserve Accounts. If the Borrower, as a matter of convenience, deposits or causes to be deposited with the Bondowner Representative the operating and reserve accounts for the Project, or any of them that do not constitute Pledged Accounts, the Bondowner Representative will not have a security interest in any such account unless such a security interest is created by a writing that specifically grants to the Bondowner Representative a security interest in the account in question as security for the Loan. Nothing herein constitutes a waiver by the Bondowner Representative of any right of setoff against any such account.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. No Waiver; Consents. Each consent or waiver by the Bondowner Representative of any of its rights or remedies under this Agreement or the other Loan Documents must be in writing and executed by the Bondowner Representative, and no waiver will be construed as a continuing waiver. No waiver will be implied from the Bondowner Representative's delay in exercising or failure to exercise any right or remedy against the Borrower or any security. Consent by the Bondowner Representative to any act or omission by the Borrower will not be construed as a consent to any other or subsequent act or omission or as a waiver of the requirement for the Bondowner Representative's consent to be obtained in any future or other instance.

Section 8.02. Purpose and Effect of the Bondowner Representative's Approval. The Bondowner Representative's approval of any matter in connection with the Loan will be for the sole purpose of protecting the Bondowner Representative's security and rights. In no event will the Bondowner Representative's approval be a representation of any kind with regard to the matter being approved. Without limiting the generality of the preceding sentence, the Borrower acknowledges that the Bondowner Representative has no duty to the Borrower or any third

party regarding compliance with laws or regulations affecting low income housing tax credits or any other tax matter with respect to the Loan or the Project.

Section 8.03. Singular and Plural. As used in this Agreement and the other Loan Documents, singular terms include the plural and vice versa as the context may require.

Section 8.04. No Third Parties Benefited. This Agreement is made and entered into for the sole protection and benefit of the Issuer in its said capacity, the Bondowner Representative, the Borrower, and their permitted successors and assigns. No trust fund is created by this Agreement and no other persons or entities will have any right of action under this Agreement or any right to the Loan Proceeds. The Bondowner Representative will not be obligated to provide any assurances, commitments, obligations or agreements to or for the benefit of any person or entity other than the Borrower.

Section 8.05. Notices. All notices given under this Agreement must be in writing and given as provided in the Indenture with respect to the giving of notices thereunder.

Section 8.06. Authority to File Notices. The Borrower irrevocably appoints the Bondowner Representative as its attorney-in-fact, with full power of substitution, to file for record, at the Borrower's cost and expense and in the Borrower's name, any notices of commencement or completion, notices of cessation of labor, or any other notices that the Bondowner Representative in its sole discretion may consider necessary or desirable to protect the security for the repayment of the Loan, if the Borrower fails to do so.

Section 8.07. Actions. The Issuer, the Trustee and the Bondowner Representative will have the right, but not the obligation, to commence, appear in, and defend any action or proceeding that might affect its security or its rights, duties or liabilities relating to the Loan, the Property or any of the Loan Documents. The Borrower will pay promptly on demand all of the Issuer's, the Trustee's and the Bondowner Representative's out-of-pocket costs, expenses, and reasonable attorneys' fees and all expenses of the Issuer's and the Bondowner Representative's respective counsel incurred in those actions or proceedings.

Section 8.08. Legal and Other Expenses. The Borrower will reimburse the Issuer, the Trustee and the Bondowner Representative within five days after written demand for all costs and expenses incurred by the Issuer, the Trustee, the Bondowner Representative or any of them in connection with the administration, interpretation, enforcement or performance of the Loan. Without limiting the generality of the foregoing in the event of any Default, or in the event that any dispute arises relating to the interpretation, enforcement or performance of any of the Loan Documents, the Issuer, the Trustee and the Bondowner Representative will be entitled to collect from the Borrower on demand all fees and expenses incurred in connection therewith, including but not limited to fees of attorneys, accountants, appraisers, environmental inspectors, consultants, expert witnesses, arbitrators, mediators and court reporters. Without limiting the generality of the foregoing, the Borrower will pay all such costs and expenses incurred in connection with: (a) arbitration or other alternative dispute resolution proceedings, trial court actions and appeals; (b) bankruptcy or other insolvency proceedings of the Borrower or other party liable for any of the obligations of this Agreement or the other Loan Documents or any party having any interest in any security for any of those obligations; (c) judicial or nonjudicial foreclosure on, or appointment of a receiver for, any of the Property; (d) post-judgment collection proceedings; (e) all claims, counterclaims, cross-claims and defenses asserted in any of the foregoing whether or not they arise out of or are related to this Agreement; (f) all preparation for any of the foregoing; and (g) all settlement negotiations with respect to any of the foregoing. Whenever the Borrower is obligated to pay or reimburse the Issuer or the Bondowner Representative for any attorneys' fees, those fees will include the

allocated costs, as determined by the Issuer or the Bondowner Representative, as the case may be, for services of in-house counsel.

Section 8.09. Applicable Law. This Agreement will be governed by the law of the State, without regard to any provisions or principles thereof relating to choice of law or conflict-of-laws, except as may be preempted by federal law.

Section 8.10. Time of Essence. Time is of the essence in the performance of this Agreement and each and every term hereof.

Section 8.11. Force Majeure. If the construction of the Improvements is directly affected and delayed by fire, earthquake or other acts of God, inclement weather that could not reasonably be anticipated by the Borrower, strike, lockout, acts of public enemy, riot, insurrection, terrorism, or governmental regulation of the sale or transportation of materials, supplies or labor, the Borrower must notify the Bondowner Representative and the Issuer in writing within 10 business days after the event occurs that causes the delay.

Section 8.12. Integration and Amendments; Conflicts. The Loan Documents (a) integrate all the terms and conditions mentioned in or incidental to this Agreement, (b) supersede all oral negotiations and prior writings with respect to their subject matter including, but not limited to, any loan commitment by the Bondowner Representative, and (c) are intended by the parties as the final expression of the entire agreement with respect to the Loan and as the complete and exclusive statement of the terms and conditions agreed to by the parties. No representation, understanding, promise or condition will be enforceable against any party unless it is contained in the Loan Documents. If there is any conflict between the terms, conditions and provisions of this Agreement and those of any other agreement or instrument, including any other Loan Document, the terms, conditions and provisions of this Agreement will control. This Agreement may not be modified or amended except by a written agreement signed by the parties hereto.

Section 8.13. Binding Effect; Successors and Assigns; Disclosure. This Agreement will become effective only when it has been executed by the Issuer, the Borrower and the Bondowner Representative and thereafter will be binding upon and inure to the benefit of the Issuer, the Borrower and the Bondowner Representative and their respective successors and assigns, except that the Borrower will not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Bondowner Representative, which may be granted or withheld in the Bondowner Representative's sole discretion and otherwise subject to the provisions of Section 12 of the Regulatory Agreement. The Bondowner Representative may sell, assign or grant participations in all or any part of its rights and obligations under this Agreement and the other Loan Documents, but only in accordance with the terms of Section 2.05 of the Indenture. The Bondowner Representative may disclose information about the Loan, the Borrower, Guarantor, the Property and other relevant matters to the Bondowner Representative's Affiliates, potential purchasers of, assignees of, and participants in, the Loan, and to derivative counterparties and rating agencies.

Section 8.14. Captions. All captions or headings to sections, subsections and other divisions of this Agreement and the addenda and exhibits to this Agreement are only for the convenience of the parties and will not be construed to have any effect or meaning with respect to the other content thereof.

Section 8.15. Incorporation. The recitals and exhibits of and to this Agreement are incorporated herein and all provisions thereof will be deemed to be binding provisions of this Agreement.

Section 8.16. Relationship of Parties; No Fiduciary Duty. The Borrower acknowledges that neither the Issuer nor the Bondowner Representative has any fiduciary relationship with, or fiduciary duty to, the Borrower or any other person or entity arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Issuer and the Bondowner Representative, and the Borrower, in connection herewith and therewith is solely that of creditor and debtor. None of this Agreement or any of the other Loan Documents creates a joint venture among the parties.

Section 8.17. Limitation on the Issuer's Liability. The Issuer shall not be obligated to pay the principal of, premium, if any, or interest on the Bond, except from the Trust Estate and Revenues. Any obligation or liability of the Issuer created by or arising out of this Agreement (including without limitation any liability created by or arising out of the representations, warranties or covenants set forth herein or otherwise) shall not impose a debt or pecuniary liability upon the Issuer or a charge upon its general credit, but shall be payable solely out of the Trust Estate and Revenues. Neither the issuance of the Bond nor the delivery of this Agreement shall, directly or indirectly or contingently, obligate the Issuer to make any appropriation for payment of the Bond. Nothing in the Bond or this Agreement or the proceedings of the Issuer authorizing the Bond or in the Act or in any other related document shall be construed to authorize the Issuer to create a debt of the Issuer within the meaning of any constitutional or statutory provision of the State. No breach of any pledge, obligation or agreement of the Issuer hereunder may impose any pecuniary liability upon the Issuer or any charge upon its general credit.

Anything in this Agreement to the contrary notwithstanding, it is expressly understood by the parties to this Agreement that (a) the Issuer may rely exclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Issuer by the Trustee, the Borrower, the Bondowner Representative or any Bondholder as to the existence of any fact or state of affairs, (b) the Issuer shall not be under any obligation under the Indenture or this Agreement to perform any record keeping or to provide any legal services, it being understood that such services shall be performed or caused to be performed by the Trustee, the Bondowner Representative or by any Bondholder and (c) none of the provisions of the Indenture, this Agreement, the Regulatory Agreement or any Loan Document shall require the Issuer to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under the Indenture, this Agreement, the Regulatory Agreement and any Loan Document unless it shall first have been adequately indemnified to its satisfaction against any costs, expenses and liability which it may incur as a result of taking such action. It is recognized that notwithstanding any other provision of this Agreement, neither the Borrower nor any Bondholder shall look to the Issuer or its officials, commissioners, officers, attorneys, accountants, financial advisors, agents or staff for damages suffered by the Borrower or such Bondholder as a result of the failure of the Issuer to perform any covenant, undertaking or obligation under this Agreement, the Regulatory Agreement, any of the Loan Documents or any of the other documents referred to herein, or as a result of the incorrectness of any representation made by the Issuer in any of such documents, nor for any other reason except for representations made by the Issuer in any certificate of the Issuer and the opinion of counsel to the Issuer delivered on the Closing Date.

Section 8.18. Counterparts. This Agreement may be executed in counterparts, each of which will be an original, and all of which together will constitute but one and the same instrument.

ARTICLE IX

WAIVER OF JURY TRIAL; JUDICIAL REFERENCE

EACH OF THE BORROWER AND THE BONDOWNER REPRESENTATIVE (FOR ITSELF AND ITS SUCCESSORS, ASSIGNS AND PARTICIPANTS) HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER BY THE BORROWER AND THE BONDOWNER REPRESENTATIVE AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

The Borrower and the Bondowner Representative agree that, in the event any legal proceeding is filed in a court of the State (the "Court") by or against any party hereto in connection with any controversy, dispute or claim directly or indirectly arising out of or relating to this Agreement or the transactions contemplated hereby (whether based on contract, tort or any other theory) (each, a "Claim") and the waiver set forth in the preceding paragraph is not enforceable in such action or proceeding the terms and provisions of the following paragraphs in this Article IX shall apply.

Subject to the following provisions of this Article IX, any Claim will be determined by a general reference proceeding in accordance with the provisions of California Code of Civil Procedure Sections 638 through 645.1. The parties intend this general reference agreement to be specifically enforceable in accordance with California Code of Civil Procedure Section 638. Except as otherwise provided in the Loan Documents, venue for the reference proceeding will be in the state or federal court in the county or district where venue is otherwise appropriate under applicable law.

The following matters shall not be subject to a general reference proceeding: (a) non judicial foreclosure of any security interests in real or personal property, (b) exercise of self-help remedies (including, without limitation, set off), (c) appointment of a receiver and (d) temporary, provisional or ancillary remedies (including, without limitation, writs of attachment, writs of possession, temporary restraining orders or preliminary injunctions). This Agreement does not limit the right of any party to exercise or oppose any of the rights and remedies described in clauses (a) (d) and any such exercise or opposition does not waive the right of any party to a reference proceeding pursuant to this Agreement.

Upon the written request of the Borrower or the Bondowner Representative, the Borrower and the Bondowner Representative shall select a single referee, who shall be a retired judge or justice. If the parties do not agree upon a referee within ten days of such written request, then, any party may request the court to appoint a referee pursuant to California Code of Civil Procedure Section 640(b).

All proceedings and hearings conducted before the referee, except for trial, shall be conducted without a court reporter, except when any party so requests, a court reporter will be used and the referee will be provided a courtesy copy of the transcript. The party making such request shall have the obligation to arrange for and pay costs of the court reporter, provided

that such costs, along with the referee's fees, shall ultimately be borne by the party who does not prevail, as determined by the referee.

The referee may require one or more prehearing conferences. The Borrower and the Bondowner Representative shall be entitled to discovery, and the referee shall oversee discovery in accordance with the rules of discovery, and may enforce all discovery orders in the same manner as any trial court judge in proceedings at law in the State. The referee shall apply the rules of evidence applicable to proceedings at law in the State and shall determine all issues in accordance with applicable state and federal law. The referee shall be empowered to enter equitable as well as legal relief and rule on any motion which would be authorized in a trial, including, without limitation, motions for default judgment or summary judgment. The referee shall report his decision, which report shall also include findings of fact and conclusions of law.

The Borrower and the Bondowner Representative recognize and agree that all claims resolved in a general reference proceeding pursuant hereto will be decided by a referee and not by a jury.

In the event of any inconsistency between the provisions of this article and any other provision of the Loan Documents, this Article will control.

ARTICLE X

WAIVER OF SPECIAL DAMAGES

TO THE EXTENT PERMITTED BY APPLICABLE LAW, BORROWER SHALL NOT ASSERT, AND HEREBY WAIVES, ANY CLAIM AGAINST THE BONDOWNER REPRESENTATIVE, THE ISSUER OR EITHER OF THEM ON ANY THEORY OF LIABILITY, FOR SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES (AS OPPOSED TO DIRECT OR ACTUAL DAMAGES) ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF, THIS AGREEMENT OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY, THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, THE LOAN OR THE USE OF THE PROCEEDS THEREOF.

ARTICLE XI

USA PATRIOT ACT NOTIFICATION

The Bondowner Representative hereby notifies the Borrower that pursuant to the requirements of Section 326 of the USA Patriot Act of 2001 31 U.S.C. Section 5318 (the "Patriot Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Borrower Representative to identify the Borrower in accordance with the Patriot Act.

[Remainder of page intentionally left blank]

ISSUER:

HOUSING AUTHORITY OF THE CITY OF
SAN DIEGO, as Issuer

By: _____
Richard C. Gentry,
Executive Director

19048.42:J16664

[Issuer Signature page for East Block Family Loan Agreement]

BORROWER:

FAIRMOUNT FAMILY HOUSING CIC, LP,
a California limited partnership

By: Fairmount and El Cajon Realty, LLC
a California limited liability company,
its Managing General Partner

By: Price Philanthropies Foundation,
a Delaware nonprofit, nonstock corporation
its Manager and Member

By: _____
Name: Jeff Fisher
Title: Chief Financial Officer

By: _____
Name: Sophie Bernabe
Title: Secretary

By: CIC Fairmount Family Housing, LLC,
a California limited liability company,
its Administrative General Partner

By: Chelsea Investment Corporation
a California corporation
its Manager

By: _____
Name: Cheri Hoffman
Title: President

03042.159:J16588

[Borrower Signature page for East Block Family Loan Agreement]

BONDOWNER REPRESENTATIVE:

ZIONS BANKCORPORATION, N.A. DBA
CALIFORNIA BANK & TRUST,
a California banking corporation

By: _____
Steven Herman,
Senior Vice President

03042.159:J16588

[Bondowner Representative Signature page for East Block Family Loan Agreement]

EXHIBIT A

LEGAL DESCRIPTION

The land referred to is situated in the City of San Diego, County of San Diego, State of California, and is described as follows:

Assessor's Parcel Number: _____

EXHIBIT B
ACCOUNTS

[to be revised following distribution of Bank documents]

1. **Required Pledged Accounts.** The Borrower will maintain each of the following deposit accounts (the “Pledged Accounts”) with the Bondowner Representative until the date that all funds therein have been released therefrom and no provisions exist for further deposits thereto.

(a) Borrower’s Funds Account. An account (the “the Borrower’s Funds Account”) into which the Borrower’s funds are to be deposited as required by the Bondowner Representative pursuant to the terms of the Disbursement Agreement in order to maintain the Loan In Balance as provided in the Disbursement Agreement. The Borrower’s Funds Account will be established only if and when needed.

(b) Tax Credit Equity Account. An account (the “Tax Credit Equity Account”) into which deposits of equity contributions by Investor Limited Partner are to be deposited as provided in the Disbursement Agreement.

2. **Interest on Accounts.** The Pledged Accounts will bear interest at a rate or rates applicable to the type of account used therefor as generally offered to the public by the Bondowner Representative, except that the Borrower’s Funds Account will not bear interest.

3. **Release of Funds From Accounts.** The Bondowner Representative will permit funds to be released from the Pledged Accounts as follows, provided that after the occurrence and during the continuance of an Event of Default, the Bondowner Representative may apply any or all funds in the Pledged Accounts to repayment of amounts owing to the Bondowner Representative under the Note and the other Loan Documents:

(a) [Reserved].

(b) [Reserved].

(c) Borrower’s Funds Account. The Bondowner Representative will make Disbursements from the Borrower’s Funds Account to pay Hard Costs and Soft Costs in accordance with the budget contained in the Disbursement Agreement.

(d) Tax Credit Equity Account. The Bondowner Representative will release funds from the Tax Credit Equity Account as provided in the Disbursement Agreement.

**RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:**

Quint & Thimmig LLP
900 Larkspur Landing Circle, Suite 270
Larkspur, CA 94939-1726
Attention: Paul J. Thimmig, Esq.

**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

by and between the

HOUSING AUTHORITY OF THE CITY OF SAN DIEGO

and

**FAIRMOUNT FAMILY HOUSING CIC, LP,
a California limited partnership**

Dated as of February 1, 2020

Relating to:

\$ _____

**Housing Authority of the City of San Diego
Multifamily Housing Revenue Bond
(East Block Family Apartments), Series 2020B**

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REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (as supplemented and amended from time to time, this "Regulatory Agreement"), dated as of February 1, 2020, is by and between the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO, a public body, corporate and politic, duly organized and existing under the laws of the State of California (together with any successor to its rights, duties and obligations, the "Issuer"), and FAIRMOUNT FAMILY HOUSING CIC, LP, a limited partnership duly organized, validly existing and in good standing under the laws of the State of California (together with any successor to its rights, duties and obligations hereunder and as owner of the Project identified herein, the "Borrower").

R E C I T A L S :

WHEREAS, 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 construction of multifamily rental housing for families and individuals of low income; and

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

WHEREAS, on July 16, 2019, the Board of Commissioners of the Issuer adopted Resolution No. HA-1824 (the "Inducement Resolution") authorizing the issuance of revenue bonds under the Act in connection with the financing of a portion of the costs of the acquisition and construction of a multifamily residential rental housing project located at 4340 44th Street in the City of San Diego, California on the site described in Exhibit A hereto and known as East Block Family Apartments (the "Project") which housing project shall be subject to the terms and provisions hereof; and

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 revenue bond designated "Housing Authority of the City of San Diego Multifamily Housing Revenue Bond (East Block Family Apartments), Series 2020B" in the principal amount of \$_____ (the "Bond") pursuant to the terms of an Indenture of Trust, dated as of February 1, 2020 (the "Indenture"), among the Issuer, Zions Bancorporation, N.A. dba California Bank & Trust, as Bondowner Representative (the "Bondowner Representative"), and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), the proceeds of which Bond were loaned by the Issuer to the Borrower (the "Loan") pursuant to the terms of a Loan Agreement, dated as of February 1, 2020 (the "Loan Agreement"), among the Issuer, the Bondowner Representative and the Borrower; and

WHEREAS, the Issuer hereby certifies that all things necessary to make the Bond, when issued as provided in the Indenture, the valid, binding and limited obligation of the Issuer according to the import thereof, and to constitute the Indenture a valid assignment of the amounts pledged to the payment of the principal of, and premium, if any, and interest on the Bond, have been done and performed, and the creation, execution and delivery of the Indenture and the

execution and issuance of the Bond, subject to the terms thereof, in all respects have been duly authorized; and

WHEREAS, the Code and the regulations and rulings promulgated with respect thereto, and the Act, prescribe that the use and operation of the Project be restricted in certain respects and in order to ensure that the Project will be constructed, used and operated in accordance with the Code and the Act, the Issuer and the Borrower have determined to enter into this Regulatory Agreement in order to set forth certain terms and conditions relating to the construction and operation of the Project.

A G R E E M E N T :

NOW, THEREFORE, in consideration of the issuance of the Bond by the Issuer and the mutual covenants and undertakings set forth herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Issuer and the Borrower hereby agree as follows:

Section 1. Definitions and Interpretation. Unless the context otherwise requires, the capitalized terms used herein shall have the respective meanings assigned to them in the recitals hereto, in this Section 1, or in the Indenture.

“Administrator” means the San Diego Housing Commission, or its designee, or any successor Administrator appointed by the Issuer to administer this Regulatory Agreement.

“Affiliated Party” means (a) a person whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code, (b) a person who together with the Borrower are members of the same controlled group of corporations (as defined in Section 1563(a) of the Code, except that “more than 50 percent” shall be substituted for “at least 80 percent” each place it appears therein), (c) a partnership and each of its partners (and their spouses and minor children) whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code, and (d) an S corporation and each of its shareholders (and their spouses and minor children) whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code.

“Area” means the Metropolitan Statistical Area or County, as applicable, in which the Project is located, as defined by the United States Department of Housing and Urban Development.

“Available Units” means residential units in the Project that are actually occupied and residential units in the Project that are vacant and have been occupied at least once after becoming available for occupancy, provided that (a) a residential unit that is vacant on the later of (i) the date the Project is acquired or (ii) the issue date of the Bond is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after such date, and (b) a residential unit that is not available for occupancy due to renovations is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after the renovations are completed.

“Bond” means Housing Authority of the City of San Diego Multifamily Housing Revenue Bond (East Block Family Apartments), Series 2020B, issued pursuant to the Indenture.

“CDLAC” means the California Debt Limit Allocation Committee or its successors.

“CDLAC Conditions” has the meaning given such term in Section 29(a).

“CDLAC Resolution” means CDLAC Resolution No. 19-163 attached hereto as Exhibit E, adopted on October 16, 2019 and relating to the Project, as such resolution may be modified or amended from time to time.

“Certificate of Continuing Program Compliance” means the Certificate to be filed by the Borrower with the Issuer pursuant to Section 4(f) hereof, which shall be substantially in the form attached as Exhibit C hereto or in such other comparable form as may be provided by the Issuer to the Borrower, or as otherwise approved by the Issuer.

“City” means the San Diego, California.

“Closing Date” means February __, 2020, the date the Bond is issued and delivered to the initial owner thereof.

“Completion Certificate” means the certificate of completion of the construction of the Project required to be delivered to the Issuer by the Borrower pursuant to Section 2(i) of this Regulatory Agreement, which shall be substantially in the form attached to this Regulatory Agreement as Exhibit D.

“Completion Date” means the date of completion of the construction of the Project, as that date shall be certified as provided in Section 2(i) of this Regulatory Agreement.

“Compliance Period” means the period beginning on the first day of the Qualified Project Period and ending on the later of the end of the Qualified Project Period or such later date as set forth in Section 6(g)(iii) or 29(c) of this Regulatory Agreement.

“County” means the County of San Diego, California.

“Gross Income” means the gross income of a person (together with the gross income of all persons who intend to reside with such person in one residential unit) as calculated in the manner prescribed in under section 8 of the Housing Act.

“Housing Act” means the United States Housing Act of 1937, as amended, or its successor.

“Income Certification” means an Income Certification in the form attached as Exhibit B hereto or in such other comparable form as may be provided by the Issuer or the Administrator to the Borrower, or as otherwise approved by the Issuer.

“Indenture” means the Indenture, as such capitalized term is defined in the Recitals to this Regulatory Agreement.

“Inducement Date” means July 16, 2019, being the date on which the Board of Commissioners of the Issuer adopted Resolution No. HA-1824, expressing its intent to issue the Bond to provide financing for the Project.

“Loan Agreement” means the Loan Agreement, as such capitalized term is defined in the Recitals to this Regulatory Agreement.

“Loan” means the Loan, as such capitalized term is defined in the Recitals to this Regulatory Agreement.

“Low Income Tenant” means a tenant occupying a Low Income Unit.

“Low Income Unit” means any Available Unit if the aggregate Gross Income of all tenants therein does not exceed limits determined in a manner consistent with determinations of “low-income families” under Section 8 of the Housing Act, provided that the percentage of median gross income that qualifies as low income hereunder shall be sixty percent (60%) of median gross income for the Area, with adjustments for family size. A unit occupied by one or more students shall only constitute a Low Income Unit if such students meet the requirements of Section 142(d)(2)(C) of the Code. The determination of an Available Unit’s status as a Low Income Unit shall be made by the Borrower upon commencement of each lease term with respect to such unit, and annually thereafter, on the basis of an Income Certification executed by each tenant.

“Manager” means a property manager meeting the requirements of Section 28 hereof. ConAm Management, Inc. is the initial Manager.

“Project” means the 78-unit multifamily rental housing development (including one manager’s unit) located in the City on the real property site described in Exhibit A hereto, consisting of those facilities, including a fee interest in the real property, structures, buildings, fixtures or equipment situated thereon, as it may at any time exist, the acquisition and construction of which facilities is to be financed, in whole or in part, from the proceeds of the Bond or the proceeds of any payment by the Borrower pursuant to the Loan Agreement, and any real property, structures, buildings, fixtures or equipment acquired in substitution for, as a renewal or replacement of, or a modification or improvement to, all or any part of the facilities described in the Loan Agreement.

“Project Costs” means, to the extent authorized by the Act, any and all costs and expenses incurred by the Borrower with respect to the acquisition, construction and/or operation of the Project, whether paid or incurred prior to or after the Closing Date, including, without limitation, costs for the acquisition of property, the cost of consultant, accounting and legal services, appraisal costs, other expenses necessary or incident to the acquisition and construction of the Project, and administrative expenses, and interest on the Loan.

“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 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 §1.103-8(a)(1), provided, however, that only such portion of interest accrued during the construction 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 construction 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 Affiliated Party (whether as a general contractor or a subcontractor), Qualified Project Costs shall include only (A) the actual out-of-pocket costs incurred by such Affiliated Party in constructing the Project (or any portion thereof), (B) any reasonable fees for supervisory services actually rendered by the Affiliated Party, and (C) any overhead expenses incurred by the Affiliated Party which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the construction of the Project or payments received by such Affiliated Party due to early completion of the Project; (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 Closing Date, and (iv) if the Project Costs were previously paid and are to be reimbursed with proceeds of the Bond or the Loan, such costs were (A) costs of issuance of the Bond, (B) preliminary capital

expenditures (within the meaning of United States Treasury Regulations §1.139-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of the construction of the Project that do not exceed twenty percent (20%) of the issue price of the portion of the Bond (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).

“Qualified Project Period” means the period beginning on the date on which ten percent (10%) of the dwelling units in the Project are first occupied, and ending on the later of the following: (a) the date that is fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied following the Completion Date; (b) the first date on which no Tax-Exempt private activity bonds with respect to the Project are outstanding; or (c) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates; provided, however, that if at least 10% of the residential units in the Project are Available Units at all times within 60 days after the later of (1) the date the Project is acquired by the Borrower, or (2) the issue date of the Bond, then the Qualified Project Period shall begin on the date one year after the issue date of the Bond and end on the later of (A) the date that is fifteen (15) years after such date or (B) the later of the dates specified in the foregoing clauses (a), (b) and (c) above.

“Regulations” means the Income Tax Regulations of the Department of the Treasury applicable under the Code from time to time.

“Regulatory Agreement” means this Regulatory Agreement and Declaration of Restrictive Covenants, as it may be supplemented and amended from time to time.

“Rental Payments” means the rental payments paid by the occupant of a unit, excluding any supplemental rental assistance to the occupant from the State, the federal government, or any other public agency, but including any mandatory fees or charges imposed on the occupant by the Borrower as a condition of occupancy of the unit.

“Tax-Exempt” means with respect to interest on any obligations of a state or local government, including the Bond, that such interest is excluded from gross income for federal income tax purposes; provided, however, that such interest may be includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

“Transfer” means the conveyance, assignment, sale or other disposition of all or any portion of the Project other than in connection with the leasing of individual residential rental units in the ordinary course of business; and shall also include, without limitation to the foregoing, the following: (a) an installment sales agreement wherein Borrower agrees to sell the Project or any part thereof for a price to be paid in installments; and (b) an agreement by the Borrower leasing all or a substantial part of the Project to one or more persons or entities pursuant to a single or related transactions.

“Very Low Income Units” means Available Units designated for occupancy by very low income households pursuant to Section 6(c), and by persons or families whose income is at or below 50% of “Area Median Income” as such term is used and as otherwise required by Section 15 b. of Exhibit A to the CDLAC Resolution.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of any gender shall be construed to include each other gender when appropriate and

words of the singular number shall be construed to include the plural number, and vice versa, when appropriate. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

The parties to this Regulatory Agreement acknowledge that each party and their respective counsel have participated in the drafting and revision of this Regulatory Agreement. Accordingly, the parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Regulatory Agreement or any supplement or exhibit hereto.

Section 2. Representations, Covenants and Warranties of the Borrower.

(a) The statements made in the various certificates delivered by the Borrower to the Issuer or the Trustee on the Closing Date are true and correct.

(b) The Borrower (and any person related to it within the meaning of Section 147(a)(2) of the Code) will not take or omit to take, as is applicable, any action if such action or omission would in any way cause the proceeds of the Loan to be applied in a manner contrary to the requirements of the Loan Agreement and this Regulatory Agreement.

(c) The Borrower will not take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bond, or the exemption from California personal income taxation of the interest on the Bond and, if it should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof; provided that the Borrower shall not have violated this covenant if the interest on the Bond becomes taxable to a person solely because such person is a "substantial user" of the Project or a "related person," within the meaning of Section 147(a) of the Code.

(d) The Borrower will take such action or actions as may be necessary, in the written opinion of Bond Counsel filed with the Issuer, the Trustee and the Borrower, to comply fully with the Act, the Code and all applicable rules, rulings, policies, procedures, Regulations or other official statements promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service to the extent necessary to maintain the exclusion from gross income for federal income tax purposes of interest on the Bond.

(e) The acquisition by the Borrower of a fee interest in the site on which the Project is located and the commencement of the construction of the Project occurred after the date which was 60 days prior to the Inducement Date. The Borrower has incurred a substantial binding obligation to expend proceeds of the Loan pursuant to which the Borrower is obligated to expend at least five percent (5%) of the maximum principal amount of the Loan.

(f) The Borrower will proceed with due diligence to complete the construction of the Project and the full expenditure of the proceeds of the Loan. The Borrower reasonably expects to complete the acquisition and construction of the Project and to expend the full \$ _____ principal amount of the Loan by _____, ____.

(g) The Borrower's reasonable expectations respecting the total expenditure of the proceeds of the Loan have been accurately set forth in a certificate of the Borrower delivered to the Issuer on the Closing Date. At all times, the aggregate disbursements of the proceeds of the Loan will have been applied to pay or to reimburse the Borrower for the payment of Qualified Project Costs in an amount equal to ninety-seven percent (97%) or more of such disbursements, and less than twenty-five percent (25%) of such disbursements shall have been used to pay for the acquisition of land or an interest therein.

(h) Notwithstanding the provisions of Section 5.03(c) of the Loan Agreement and in addition thereto, the Borrower agrees to obtain a written report from an independent firm with experience in calculating excess investment earnings for purposes of Section 148(f) of the Code, not less than once on or about each five year anniversary of the Closing Date and within thirty (30) days of the date the Bond has been paid in full, determining that either (i) no excess investment earnings subject to rebate to the federal government under Section 148(f) of the Code have arisen with respect to the Bond in the prior five-year period (or, with respect to the final such report following the repayment of the Bond, have arisen since the last five-year report); or (ii) excess investment earnings have so arisen with respect to the Bond during the prior five-year period (or, with respect to the final such report following the repayment of the Bond, have arisen since the last five-year report), and specifying the amount thereof that needs to be rebated to the federal government and the date by which such amount needs to be so rebated. The Borrower shall provide a copy of each report prepared in accordance with the preceding sentence to the Issuer and the Trustee, each time within one week of its receipt of the same from the independent firm that prepared the respective report. The Borrower agrees to remit to the Trustee any amount described in the preceding clause (ii) for deposit to the Rebate Fund established under Section 6.07 of the Indenture.

Notwithstanding the foregoing, the computations and payments of rebatable arbitrage need not be made to the extent that neither the Issuer 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 Bond, a copy of which shall be provided to the Trustee, the Bondowner Representative and the Issuer, at the expense of the Borrower.

(i) As soon as practicable after the Completion Date, the Borrower shall deliver to the Issuer and the Trustee a duly executed Completion Certificate.

(j) The Borrower acknowledges that the Issuer has appointed the Administrator to administer this Regulatory Agreement and to monitor performance by the Borrower of the terms, provisions and requirements hereof. The Borrower shall comply with any reasonable request by the Issuer or the Administrator 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.

(k) [reserved]

(l) Money on deposit in any fund or account in connection with the Bond or the Loan, whether or not such money was derived from other sources, shall not be used by or under the direction of the Borrower, in a manner which would cause the Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code, and the Borrower specifically agrees that the investment of money in any such fund shall be restricted as may be necessary to prevent the Bond from being an "arbitrage bonds" under the Code.

(m) All of the proceeds of the Bond and the Loan and earnings from the investment of such proceeds will be used to pay Project Costs either directly by the Borrower or to reimburse the Borrower for such costs paid from proceeds of a loan made to the Borrower for such purpose; and no more than two percent (2%) of the proceeds of the Bond will be used to pay issuance costs of the Bond, within the meaning of Section 147(g) of the Code.

(n) No portion of the proceeds of 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 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.

(o) In accordance with Section 147(b) of the Code, the average maturity of the Bond does not exceed 120% of the average reasonably expected remaining economic life of the facilities being financed by the Loan.

(p) The Borrower shall comply with all applicable requirements of Section 65863.10 of the California Government Code pertaining to the Project, including the requirements for providing notices in Sections (b), (c), (d) and (e) thereof, and with all applicable requirements of Section 65863.11 of the California Government Code pertaining to the Project.

(q) The Borrower shall pay all of the Issuance Costs.

(r) The Borrower hereby incorporates herein, as if set forth in full herein, each of the representations, covenants and warranties of the Borrower contained in the Tax Certificate and the Loan Agreement relating to the Project.

(s) The Borrower hereby represents and warrants that the Project is located entirely within the City.

(t) The Borrower agrees to comply with the provisions of Sections 5.01, 5.02 and 5.03 of the Loan Agreement, as in effect on the Closing Date.

(u) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions contemplated by this Regulatory Agreement; that it is familiar with the provisions of all of the documents related to the Loan to which it is a party or of which it is a beneficiary; that it understands the financial and legal risks inherent in such transactions; and that it has not relied on the 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 Bond in order to provide funds to assist the Borrower in financing costs of the construction of the Project.

Section 3. Qualified Residential Rental Project. The Borrower hereby acknowledges and agrees that the Project is to be owned, managed and operated as a "residential rental project" (within the meaning of Section 142(d) of the Code) for a term equal to the Compliance Period. To that end, and for the term of this Regulatory Agreement, the Borrower hereby represents, covenants, warrants and agrees as follows:

(a) The Project will be operated for the purpose of providing multifamily residential rental property. The Borrower will own, manage and operate the Project as a

project to provide multifamily residential rental property comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with Section 142(d) of the Code, Section 1.103-8(b) of the Regulations and the provisions of the 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 (except for not more than one unit set aside for resident managers or other administrative use) will be similarly constructed units, and each dwelling unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis or rented for a period of less than 30 consecutive days, or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park; provided that the use of certain units for tenant guests on an intermittent basis shall not be considered transient use for purposes of this Regulatory Agreement.

(d) No part of the Project will at any time during the Compliance Period be owned by a cooperative housing corporation, nor shall the Borrower take any steps in connection with a conversion to such ownership or use, and the Borrower will not take any steps in connection with a conversion of the Project to condominium ownership during the Compliance Period (except that the Borrower may obtain final map approval and the Final Subdivision Public Report from the California Department of Real Estate and may file a condominium plan with the City).

(e) All of the Available Units in the Project will be available for rental during the period beginning on the date hereof and ending on the termination of the Compliance Period on a continuous, "first-come, first-served" basis to members of the general public, and the Borrower will not give preference to any particular class or group in renting the dwelling units in the Project, except (i) not more than one unit may be set aside for resident managers or other administrative use, or (ii) to the extent that dwelling units are required to be leased or rented in such a manner that they constitute Low Income Units or otherwise as necessary to comply with Section 6(a), (b) and (c), (iii) to the extent required under any "extended low-income housing commitment" (an "Extended Use Agreement") applicable to the Project, (iv) to the extent required by the provisions of any documents related to the provision of State or federal low income housing tax credits for the Project, or (v) to the extent required under the County of San Diego Health and Human Services Agency Memorandum of Restrictive Covenants and Regulatory Agreements, dated as of February ____, 2020, between the County of San Diego Health and Human Services Agency and the Borrower.

(f) The Project site consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the facilities of the Project comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) The Borrower shall not discriminate on the basis of race, creed, color, sex, source of income (e.g. TANF, SSI), physical disability, age, national origin or marital status in the rental, lease, use or occupancy of the Project or in connection with the employment

or application for employment of persons for the operation and management of the Project.

(h) No dwelling unit in the Project shall be occupied by the Borrower. Notwithstanding the foregoing, if the Project contains five or more dwelling units, this paragraph shall not be construed to prohibit occupancy of dwelling units by one or more resident managers or maintenance personnel any of whom may be the Borrower; provided that the number of such managers or maintenance personnel is not unreasonable given industry standards in the area for the number of dwelling units in the Project.

(i) The Borrower will not sell dwelling units within the Project.

(j) Should involuntary noncompliance with the provisions of Section 1.103-8(b) of the Regulations be caused by fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency after the Closing Date which prevents the Issuer from enforcing the requirements of the Code and the Regulations as applicable to the Project, or condemnation or similar event, the Borrower covenants that, within a "reasonable period" determined in accordance with the applicable Regulations, it will either prepay the Loan or, if permitted under the provisions of the Loan Agreement, apply any proceeds received as a result of any of the preceding events to construct the Project to meet the requirements of Section 142(d) of the Code and the applicable Regulations.

(k) During the Qualified Project Period, the Borrower shall submit a completed Internal Revenue Code Form 8703 or such other annual certification as required by the Code with respect to the Project to the Secretary of the Treasury on or before March 31 of each year (or such other date as may be required by the Code).

The Issuer hereby elects to have the Project meet the requirements of Section 142(d)(1)(B) of the Code.

Section 4. Low Income Tenants; Reporting Requirements. Pursuant to the requirements of the Code, the Borrower hereby represents, warrants and covenants as follows:

(a) During the Compliance Period, no less than forty percent (40%) of the total number of completed units in the Project shall at all times be Low Income Units. For the purposes of this paragraph (a), a vacant unit that was most recently a Low Income Unit is treated as a Low Income Unit until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such unit shall be redetermined.

(b) No tenant qualifying as a Low Income Tenant upon initial occupancy shall be denied continued occupancy of a unit in the Project because, after admission, the aggregate Gross Income of all tenants in the unit occupied by such Low Income Tenant increases to exceed the qualifying limit for a Low Income Unit. However, should the aggregate Gross Income of tenants in a Low Income Unit, as of the most recent determination thereof, exceed one hundred forty percent (140%) of the applicable income limit for a Low Income Unit occupied by the same number of tenants, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) Low Income Tenant(s). The unit occupied by such tenants whose aggregate Gross Income exceeds such applicable income limit shall continue to be treated as a Low Income Unit for purposes of the 40% requirement of Section 4(a) hereof

unless and until an Available Unit of comparable or smaller size is rented to persons other than Low Income Tenants.

(c) For the Compliance Period, the Borrower will obtain, complete and maintain on file Income Certifications for each Low Income Tenant, including (i) an Income Certification dated immediately prior to the initial occupancy of such Low Income Tenant in the unit and a second Income Certification dated one year after the Low-Income Tenant's initial move-in date, and (ii) thereafter, an annual Income Certification with respect to each Low Income Tenant. In lieu of obtaining the annual Income Certifications required by clause (ii) of the preceding sentence, the Borrower may, with respect to any particular twelve-month period ending each February 1, deliver to the Administrator no later than fifteen days after such date a certification that as of each February 1, no residential unit in the Project was occupied within the preceding twelve months by a new resident whose income exceeded the limit applicable to Low Income Tenants upon admission to the Project. The Administrator may at any time and in its sole and absolute discretion notify the Borrower in writing that it will no longer accept certifications of the Borrower made pursuant to the preceding sentence and that the Borrower will thereafter be required to obtain annual Income Certifications for tenants. The Borrower will also provide such additional information as may be required in the future by the Code, the State or the Issuer, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to Tax-Exempt obligations. Upon request of the Administrator or the Issuer, copies of Income Certifications for Low Income Tenants commencing or continuing occupation of a Low Income Unit shall be submitted to the Administrator or the Issuer, as requested.

(d) The Borrower shall make a good faith effort to verify that the income information provided by an applicant in an Income Certification is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain pay stubs for the three most recent pay periods, (2) obtain an income tax return for the most recent tax year, (3) obtain a credit report or conduct a similar type credit search, (4) obtain an income verification from the applicant's current employer, (5) obtain an income verification from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies, or (6) if the applicant is unemployed and does not have an income tax return, obtain another form of independent verification reasonably acceptable to the Administrator.

(e) The Borrower will maintain complete and accurate records pertaining to the Low Income Units, and will permit any duly authorized representative of the Administrator, the Issuer, the Trustee, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Low Income Units during normal business hours.

(f) The Borrower will prepare and submit to the Administrator, on behalf of the Issuer, not less than semi-annually, commencing not less than six months after the Closing Date, a Certificate of Continuing Program Compliance executed by the Borrower in substantially the form attached hereto as Exhibit C. During the Compliance Period, the Borrower shall submit a completed Internal Revenue Code Form 8703 or such other annual certification as required by the Code with respect to the Project, to the Secretary of the Treasury on or before March 31 of each year (or such other date as may be required by the Code).

(g) For the Compliance Period, all tenant leases or rental agreements shall be subordinate to this Regulatory Agreement and the Deed of Trust (as defined in the Indenture). All leases pertaining to Low Income Units shall contain clauses, among others, wherein each tenant who occupies a Low Income Unit: (i) certifies the accuracy of the statements made by such tenant in the Income Certification; (ii) agrees that the family income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy of such tenant, that such tenant will comply promptly with all requests for information with respect thereto from the Borrower, the Issuer or the Administrator on behalf of the Issuer, and that the failure to provide accurate information in the Income Certification or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the tenancy of such tenant; (iii) acknowledges that the Borrower has relied on the statements made by such tenant in the Income Certification and supporting information supplied by the Low Income Tenant in determining qualification for occupancy of a Low Income Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement; and (iv) agrees that the tenant's income is subject to annual certification in accordance with Section 4(c) and that if upon any such certification the aggregate Gross Income of tenants in such unit exceeds the applicable income limit under Section 4(b), the unit occupied by such tenant may cease to qualify as a Low Income Unit and such unit's rent may be subject to increase.

For purposes of this Section 4, no unit occupied by a residential manager shall be treated as a rental unit during the time of such occupation.

Section 5. Tax-Exempt Status of the Bond. The Borrower and the Issuer, as applicable, each hereby represents, warrants and agrees as follows:

(a) The Borrower and the Issuer will not knowingly take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the Tax-Exempt nature of the interest on the Bond and, if either of them should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof.

(b) The Borrower and the Issuer will file of record such documents and take such other steps as are necessary, in the written opinion of Bond Counsel filed with the Issuer (with a copy to the Borrower), in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of this Regulatory Agreement in the real property records of the County.

Section 6. Requirements of the Act. In addition to the other requirements set forth herein, the Borrower hereby agrees that it shall comply with each of the requirements of the Act, including the following:

(a) Not less than 20% of the total number of units in the Project shall be available for occupancy on a priority basis by persons of low income as required by subsection (c)(1)(A) of Section 34312.3 of the Act. If a unit in the Project is rented to a person of low income or a very low income household as necessary to satisfy this Section 6(a), it may be counted towards the requirements of Section 4(a) if it otherwise satisfies the requirements of Section 4(a).

(b) The rental payments made by the persons of low income occupying units pursuant to Section 6(a) shall not exceed 30% of an amount equal to 60% of the Area median gross income, adjusted for family size as determined pursuant to Section 8 of the Housing Act, less a reasonable deduction (as determined by the Administrator) for utilities so long as utilities (gas, electric, water and sewer, trash removal) are paid by the tenant.

(c) As required by Section 34312.3(c)(2)(A) of the Act, not less than one-half of twenty percent (20%) of the units in the Project shall be occupied by, or made available to, very low income households as defined in Section 50105 of the California Health and Safety Code. The rental payments made by the very low income households occupying units pursuant to this Section 6(c) shall not exceed 30% of an amount equal to 50% of the area median gross income, adjusted for family size as determined pursuant to Section 8 of the Housing Act, less a reasonable deduction (as determined by the Administrator) for utilities so long as utilities (gas, electric, water and sewer, trash removal) are paid by the tenant. For units reserved for very low income households as required by this Section 6(c), the base rents shall be adjusted for household size, and in making such adjustments it shall be assumed that one person will occupy a studio unit, two persons will occupy a one-bedroom unit, three persons will occupy a two-bedroom unit, four persons will occupy a three-bedroom unit, and five persons will occupy a four-bedroom unit.

(d) The Borrower shall accept as tenants, on the same basis as all other prospective tenants, persons of low income and very low income households who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the Housing Act. The Borrower shall not permit any selection criteria to be applied to Section 8 certificate or voucher holders that is more burdensome than the criteria applied to all other prospective tenants.

(e) No tenant residing in a unit reserved for persons of low income or very low income households under Sections 6(a) and (c) shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Gross Income increases to exceed the qualifying limit for persons of low income or very low income households, as applicable. However, should the Gross Income of a tenant residing in a unit reserved for persons of low income or very low income households under Section 6(a) or (c), as applicable, increase to exceed the applicable qualifying limit, the next available unit in the Project must be rented to (or held vacant and available for immediate occupancy by) persons of low income or very low income households, as applicable. Until such next available unit is rented to a qualified tenant, the former persons of low income or very low income household that has ceased to qualify as such shall be deemed to continue to be persons of low income or very low income households, as applicable, for purposes of the requirement of Section 6(a) or (c), as applicable, hereof until the rental of an available unit of comparable or smaller size to a tenant who is not a person of low income or very low income household, as applicable.

(f) The units to be rented to persons of low income and very low income households under this Section 6 shall remain occupied by, or shall be made available on a priority basis for occupancy by, persons of low income or very low income households, respectively, until the Bond have been paid in full.

(g) Following the expiration or termination of the Compliance Period, except in the event of foreclosure and repayment in full of the Bond, deed in lieu of foreclosure, eminent domain, or action of a federal agency preventing enforcement, units required by Sections 6(a) and (c) to be reserved for occupancy by persons of low income or very low

income households shall remain available to any eligible persons of low income or very low income households occupying such units at the date of expiration or termination, at a rent not greater than the amount required by Section 6(b) or (c), as applicable, prior to the date of termination or expiration, until the earliest of any of the following occur:

(i) The household's income exceeds 140 percent of the maximum eligible income required by Section 6(a) or (c), as applicable, for such units, as applicable.

(ii) The household voluntarily moves or is evicted for "good cause." For these purposes, "good cause" means the nonpayment of rent or allegation of facts necessary to prove major, or repeated minor, violations of material provisions of the lease agreement which detrimentally affect the health and safety of other persons or the structure, the fiscal integrity of the Project in which the unit is located, or the purposes or special programs of the Project in which the unit is located.

(iii) Thirty (30) years after the commencement of the Compliance Period.

(iv) The Borrower pays the relocation assistance and benefits to such persons of low income or very low income households, as applicable, as provided in Section 7264(b) of the Government Code of the State of California.

(h) This Section shall not be construed to require the Issuer to monitor the Borrower's compliance with the provisions of Section 6(g), or that the Issuer shall have any liability whatsoever in the event of the failure by the Borrower to comply with any of the provisions of this Regulatory Agreement.

Section 7. Requirements of the Issuer. In addition to other requirements set forth herein and to the extent not prohibited by the requirements set forth in Sections 4 through 6 hereof, the Borrower hereby agrees to comply with each of the requirements of the Issuer set forth in this Section 7, as follows:

(a) Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Loan Agreement, the Borrower shall pay to the Issuer:

(i) An administrative fee on the Closing Date, in an amount equal to 25 basis points (0.25%) of the maximum authorized principal amount of the Bond (being \$_____);

(ii) An annual ongoing administrative fee in an amount equal to (A) prior to the Conversion Date, 0.125% of the maximum authorized principal amount of the Bond as of the Closing Date (being \$_____); and (B) from and after the Conversion Date, 0.125% of the principal amount of the Bonds immediately after the Conversion Date; however the annual ongoing fee in any event will not be less than, \$10,000.00; which annual fee shall be payable annually, in advance, commencing on the Closing Date and thereafter on each anniversary of the Closing Date and continuing throughout the Compliance Period;

(iii) within 30 days after receipt of a written request for payment thereof, all reasonable out-of-pocket expenses of the Issuer (not including salaries and wages of the Issuer employees) related to the Bond, the Loan, the Project and the financing thereof, including, without limitation, legal fees and expenses incurred

in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Project, the Bond or the Loan; and

(iv) An annual occupancy monitoring fee, separately from, and in addition to, the annual ongoing administrative fee referred to in Section 7(a)(ii) above, to the San Diego Housing Commission (the "Commission"), for the greater of: (A) _____ units [____% of the 78 units] at an initial amount of \$150/unit = \$_____, or (B) the total number of units monitored by the Commission. The annual occupancy monitoring fee is subject to annual adjustment. The Borrower agrees to pay the Commission, an initial occupancy monitoring fee in the amount set forth in schedules promulgated by Commission from time to time.

The annual fee referred to in Section 7(a)(ii) above will be charged each year during the Compliance Period to recover administrative and monitoring costs of the Commission. The ongoing annual fee referred to in Section 7(a)(ii) above will be due and payable without the requirement for any invoice to be delivered to the Borrower, on the first day of the month in which the anniversary of the Closing Date occurs based on the facts in existence as of such first day of such month. The annual ongoing administrative fee will remain fixed following the payment in full of the Loan and the Bond based on using the principal amount of the Bond outstanding at their maturity or earlier redemption.

Failure to timely pay any of the fees referred to in this Section 7(a) shall constitute a material default under this Regulatory Agreement.

The fees of the Issuer referenced in this Section 7(a) shall in no way limit amounts payable by the Borrower under Section 9 hereof, or otherwise arising in connection with the Issuer's or Trustee'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 Borrower shall pay to the Issuer, promptly following a written demand from the Issuer to the Borrower therefore, any out-of-pocket expenses of the Issuer incurred in connection with the administration of any of the documents related to the Loan.

Notwithstanding the foregoing provisions of this Section 7(a), in no event shall the fees payable to the Issuer under this Section 7(a) exceed any applicable limitation imposed by the Code in respect of bonds issued under Section 148 of the Code.

(b) All tenant lists, applications and waiting lists relating to the Project shall at all times be kept separate and identifiable from any other business of the Borrower and shall be maintained as required by the Administrator or the Issuer, in a reasonable condition for proper audit and subject to examination, upon reasonable written notice, during business hours by representatives of the Administrator, the Issuer and the Trustee.

(c) The Borrower shall submit to the Administrator, (i) not later than the forty-fifth (45th) day after the close of each calendar year, a statistical report to the Administrator in the form set forth as Exhibit F to this Regulatory Agreement, or such other form as may be prescribed by the Administrator or the Issuer, setting forth the information called for therein, and (ii) within fifteen (15) Business Days after receipt of a written request, any other 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 Borrower.

(e) Each of the requirements of Sections 3, 4, 6 and 29 hereof is hereby incorporated as a specific requirement of the Issuer, whether or not required by State or federal law, and shall be in force for the Compliance Period.

(f) The Borrower 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 Borrower of the terms, provisions and requirements hereof. In such event, the Borrower 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.

(g) The Low Income Units and the Very Low Income Units (i) shall have characteristics comparable to all other units in the Project with the same number of bedrooms, including with respect to floor area and amenities, (ii) shall be distributed throughout the Project, and (iii) shall have the same access to Project facilities as all other units in the Project.

(h) In accordance with the Issuer's Bond Issuance and Post-Issuance Compliance Policy for its Multifamily Mortgage Revenue Bond Program, notwithstanding the termination of the Compliance Period, the rent of "in-place" Very Low Income Tenants at the conclusion of the Compliance Period will continue to be governed by the applicable affordability restrictions in Sections 4 and 6, so long as those tenants continue to live in the Project.

(i) The Borrower will comply with the following post issuance compliance procedures of the Issuer:

(i) At the completion of the construction of the Project, the Borrower shall provide to the Administrator a certification from the Borrower's architect (or other appropriate representative acceptable to the 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) On or as soon as practicable after the Completion Date, the Borrower shall provide the Administrator with final actual sources and uses of funds for the acquisition and construction of the Project, and shall confirm to the staff of the Administrator that such sources and uses of funds complies with all applicable State and federal legal requirements, including those set forth in the Tax Certificate.

(iii) Annually, on or before January 1 of each year until the expiration of the Compliance Period, the Borrower shall provide a written certificate of compliance to the Administrator to confirm that the Project meets the terms and conditions stated in the CDLAC Resolution. The Administrator may request that the Borrower provide evidence of compliance by the Project with the terms and

conditions of the CDLAC Resolution, including supporting documentation as necessary in the sole reasonable discretion of the Administrator, and the Borrower shall timely and completely comply with any such request.

(iv) Subject to the provisions of the next paragraph, the Administrator shall have the right to approve any voluntary change in ownership (A) that results in a transfer of 50% or more of the total equity interests in the Borrower, or (B) that results in a transfer of any general partner or managing member interest in the Borrower. Such approval to transfer ownership shall be at the discretion of the Administrator, and shall be in addition to any applicable requirements set forth in this Regulatory Agreement, the Loan Agreement, or the Disbursement Agreement (as defined in the Loan Agreement) or any document referenced in the Disbursement Agreement. The Administrator may review management practices of the proposed transferee's current and previously owned properties, if any. Any proposed transferee (including individuals with an ownership interest) whose currently-owned properties have been found by the Administrator to have deficiencies that have not been resolved within the time frame prescribed by the City, the 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 Borrower agrees that it will provide the Administrator with notice of any such transfer within thirty (30) days thereof.

Notwithstanding the foregoing, any of the following shall not require the prior consent of the Issuer or the Administrator: (A) transfers of or in the limited partner interests of the Borrower, (B) the removal and replacement or the transfer or assignment of the interest of the general partner of the Borrower in accordance with the terms of the Borrower's partnership agreement, (C) foreclosure (or acceptance of a deed in lieu of foreclosure), or the first transfer of the Project following acceptance of a deed in lieu of such foreclosure, and (D) any transfer referred to in the third paragraph of Section 12 of this Regulatory Agreement.

(v) The Borrower shall provide the Administrator's staff with all documentation necessary, in the sole discretion of the Administrator's staff, to confirm the Borrower's and the Project's compliance with federal tax laws as set forth in the Tax Certificate, the Loan Agreement and this Regulatory Agreement, including the requirements of Section 5.03(c) of the Loan Agreement and Section 2(h) of this Regulatory 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 7 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 Bond Counsel that any such provision is not required by the Act and may be waived without adversely affecting the exclusion from gross income of interest on the Bond for federal income tax purposes; and (ii) any requirement of this Section 7 shall be void and of no force and effect if the Issuer and the Borrower receive a written opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Bond to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Act or any other State or federal law.

Section 8. Modification of Covenants. The Borrower 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 Bond Counsel filed with the Issuer, the Bondowner Representative and the Borrower, retroactively impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement, and if such requirements are applicable to the Project and compliance therewith is necessary to maintain the validity of, or the Tax-Exempt status of interest on the Bond, this Regulatory Agreement shall be deemed to be automatically amended to impose such additional or more restrictive requirements.

(b) To the extent that the Act, the Regulations or the Code, or any amendments thereto, shall, in the written opinion of Bond Counsel filed with the Issuer, the Bondowner Representative and the Borrower, impose requirements upon the ownership or operation of the Project less restrictive than imposed by this Regulatory Agreement, this Regulatory Agreement may be amended or modified to provide such less restrictive requirements but only by written amendment signed by the Issuer, at its sole discretion, the Borrower, and only upon receipt by the Issuer and the Bondowner Representative of the written opinion of Bond Counsel to the effect that such amendment will not affect the Tax-Exempt status of interest on the Bond or violate the requirements of the Act, and otherwise in accordance with Section 22 hereof.

(c) The Borrower 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 8, and each of the Borrower and the Issuer hereby appoint the Trustee as their true and lawful attorney-in-fact to execute and deliver on behalf of the Borrower or the Issuer, as is applicable, any such document or instrument (in such form as may be approved in writing by Bond Counsel) if either the Borrower or the Issuer defaults in the performance of its obligations under this subsection (c); provided, however, that unless directed in writing by the Issuer or the Borrower, the Trustee shall take no action under this subsection without first notifying the Borrower or the Issuer, or both of them, as is applicable, in writing and without first providing the Borrower or the Issuer, or both, as is applicable, an opportunity to comply with the requirements of this Section 8. Nothing in this subsection (c) shall be construed (i) to allow the Trustee to execute an amendment to this Regulatory Agreement on behalf of the Issuer or the Borrower and (ii) to place a duty or obligation on the Trustee to monitor the Issuer's or Borrower's compliance herewith.

Notwithstanding any other provision of this Regulatory Agreement, whenever an opinion of counsel is required or requested to be delivered hereunder after the Closing Date, the Trustee, the Issuer and the Borrower shall accept (unless otherwise directed in writing by the Issuer) an opinion of 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.

Section 9. Indemnification; Other Payments. To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Issuer and each of its officers, Commissioners, officials, employees, attorneys and agents (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under or any

statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Bond, the Indenture, the Loan Agreement, this Regulatory Agreement or any of the other documents related to the Loan, or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including the issuance, sale, resale or remarketing of the Bond;

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

(iii) any lien or charge upon payments by the Borrower to the Issuer or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Issuer in respect of any portion of the Project;

(iv) any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from, the Project or any part thereof;

(v) the defeasance and/or redemption, in whole or in part, of the Bond;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any information provided by or on behalf of the Borrower and included in any disclosure document for the Bond or any of the documents relating to the Bond, or any omission or alleged omission from any disclosure document for the Bond of any material fact related to the Borrower or the Project necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; or

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

except to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Borrower if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

In addition thereto, the Borrower will pay upon demand all of the fees and expenses paid or incurred by the Issuer in enforcing the provisions hereof.

The provisions of this Section 9 shall survive the final payment or defeasance of the Bond and the termination of this Regulatory Agreement; provided, however, the provisions of this Section shall, in the case of the Issuer, survive the term of this Agreement, but only as to claims arising from events occurring during the term of this Regulatory Agreement.

Nothing contained in this Section 9 shall cause the obligation of the Borrower to pay principal and interest on the Loan to be a recourse obligation of the Borrower.

The obligations of the Borrower under this Section are independent of any other contractual obligation of the Borrower to provide indemnity to the Issuer or otherwise, and the obligation of the Borrower to provide indemnity hereunder shall not be interpreted, construed or limited in light of any other separate indemnification obligation of the Borrower. The Issuer shall be entitled simultaneously to seek indemnity under this Section and any other provision under which it is entitled to indemnity.

Section 10. Consideration. The Issuer has agreed to issue the Bond to provide funds to lend to the Borrower to finance the Project, all for the purpose, among others, of inducing the Borrower to acquire, construct and operate the Project. In consideration of the issuance of the Bond by the Issuer, the Borrower has entered into this Regulatory Agreement and has agreed to restrict the uses to which this Project can be put on the terms and conditions set forth herein.

Section 11. Reliance. The Issuer and the Borrower hereby recognize and agree that the representations and covenants set forth herein may be relied upon by all persons, including but not limited to the Administrator and the Trustee, interested in the legality and validity of the Bond, in the exemption from California personal income taxation of interest on the Bond and in the Tax-Exempt status of the interest on the Bond. In performing their duties and obligations hereunder, the Issuer and the Administrator may rely upon statements and certificates of the Low Income Tenants and tenants of the Very Low Income Units, and upon audits of the books and records of the Borrower 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. In determining whether any default or lack of compliance by the Borrower exists under this Regulatory Agreement, the Issuer shall not be required to conduct any investigation into or review of the operations or records of the Borrower and may rely solely on any written notice or certificate delivered to the Issuer by the Borrower with respect to the occurrence or absence of a default.

Section 12. Transfer of the Project. For the Compliance Period, the Borrower shall not Transfer the Project, in whole or in part, without the prior written notice to the Trustee (so long as the Indenture remains in effect), and without the prior written consent of the Issuer, which consent shall not be unreasonably withheld and the Executive Director of the Issuer may give such consent without further action by the Board of Commissioners of the Issuer, if the following conditions are satisfied: (A) the receipt by the Issuer of evidence acceptable to the Issuer that (1) the Borrower shall not be in default hereunder or under any of the other documents related to the Loan in effect, or the transferee undertakes to cure any defaults of the Borrower to the reasonable satisfaction of the Issuer; (2) the continued operation of the Project shall comply with the provisions of this Regulatory Agreement; (3) either (a) the transferee or its Manager has at least three years' experience in the ownership, operation and management of similar size rental housing projects, and at least one year's experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects, or (b) the transferee agrees to retain a Manager with the experience and record described in subclause (a) above, or (c) the transferring

Borrower or its management company will continue to manage the Project, or another management company reasonably acceptable to the Issuer will manage, for at least one year following such Transfer and, if applicable, during such period the transferring Borrower or its management company will provide training to the transferee and its manager in the responsibilities relating to the Low Income Units and the Very Low Income Units; and (4) the person or entity that is to acquire the Project does not have pending against it, and does not have a history of significant and material building code violations or complaints concerning the maintenance, upkeep, operation, and regulatory agreement compliance of any of its projects as identified by any local, state or federal regulatory agencies; (B) the execution by the transferee of a document reasonably acceptable to the Issuer with respect to the assumption of the Borrower's obligations under this Regulatory Agreement and the other documents related to the Loan in effect, including without limitation an instrument of assumption hereof and thereof, and delivery to the Issuer of an opinion of such transferee's counsel to the effect that each such document and this Regulatory Agreement are valid, binding and enforceable obligations of such transferee, subject to bankruptcy and other standard limitations affecting creditor's rights; (C) receipt by the Issuer of an opinion of Bond Counsel to the effect that any such Transfer will not adversely affect the Tax-Exempt status of interest on the Bond; (D) receipt by the Issuer of all fees and / or expenses then currently due and payable to the Issuer by the Borrower; and (E) receipt by the Issuer of evidence of satisfaction of compliance with the provisions of Section 29(d)(i) related to notice to CDLAC of transfer of the Project.

It is hereby expressly stipulated and agreed that any Transfer of the Project in violation of this Section 12 shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under this Regulatory Agreement. The written consent of the Issuer to any Transfer of the Project shall constitute conclusive evidence that the Transfer is not in violation of this Section 12. Nothing in this Section shall affect any provision of any other document or instrument between the Borrower and any other party which requires the Borrower to satisfy certain conditions or obtain the prior written consent of such other party in order to Transfer the Project. Upon any Transfer that complies with this Regulatory Agreement, the Borrower shall be fully released from its obligations hereunder, but only to the extent such obligations have been fully assumed in writing by the transferee of the Project.

The foregoing notwithstanding, the Project may be transferred pursuant to a foreclosure, exercise of power of sale or deed in lieu of foreclosure or comparable conversion without the consent of the Issuer or compliance with the provisions of this Section 12. The Issuer hereby approves (A) the transfer of limited partnership interests in the Borrower, including, without limitation, the transfer of membership interests in the Borrower from the investor limited partner and non-managing membership interests in the limited partner of Borrower, (B) the withdrawal of any partner of the Borrower under the Borrower's partnership agreement, or (C) any other transfer of interests pursuant to the provisions of the Borrower's partnership agreement as in effect from time to time, including but not limited to the removal of a general partner of the Borrower (including removal of the managing general partner of the Borrower) and replacement thereof by an affiliate of any partner of the Borrower.

For the Compliance Period, the Borrower shall not: (A) encumber any of the Project or grant commercial leases of any part thereof, or permit the conveyance, transfer or encumbrance of any part of the Project, except for (1) encumbrances permitted under the Loan Agreement, or (2) a Transfer in accordance with the terms of this Regulatory Agreement, in each case upon receipt by the Issuer and the Bondowner Representative of an opinion of Bond Counsel to the effect that such action will not adversely affect the Tax-Exempt status of interest on the Bond (provided that such opinion will not be required with respect to any encumbrance, lease or transfer relating to a commercial operation or ancillary facility that will be available for tenant

use and is customary to the operation of multifamily housing developments similar to the Project); (B) demolish any part of the Project or substantially subtract from any real or personal property of the Project, except to the extent that what is demolished or removed is replaced with comparable property or such demolition or removal is otherwise permitted by the Loan Agreement; or (C) permit the use of the dwelling accommodations of the Project for any purpose except rental residences.

Section 13. Term. This Regulatory Agreement and all and several of the terms hereof shall become effective upon its execution and delivery, and shall remain in full force and effect for the period provided herein and shall terminate as to any provision not otherwise provided with a specific termination date and shall terminate in its entirety at the end of the Compliance Period, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Bond and discharge of the Loan Agreement.

The terms of this Regulatory Agreement to the contrary notwithstanding, the requirements of this Regulatory Agreement shall terminate and be of no further force and effect in the event of involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire or other casualty, seizure, requisition, foreclosure or transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency after the Closing Date, which prevents the Issuer from enforcing such provisions, or condemnation or a similar event, but only if, within a reasonable period, either the Bond are fully repaid or amounts received as a consequence of such event are used to provide a project that meets the requirements hereof; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes. The Borrower hereby agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Borrower nor any such related person as described above will obtain an ownership interest in the Project for federal tax purposes.

Notwithstanding any other provision of this Regulatory Agreement, this Regulatory Agreement may be terminated upon agreement by the Issuer and the Borrower, with the consent of CDLAC, upon receipt by the Issuer and the Bondowner Representative of an opinion of Bond Counsel to the effect that such termination will not adversely affect the exclusion from gross income of interest on the Bond for federal income tax purposes and is otherwise permitted under the Act. 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.

Section 14. Covenants to Run With the Land. Notwithstanding Section 1461 of the California Civil Code, the Borrower hereby subjects the Project to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Issuer and the Borrower hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Borrower's successors in title to the Project; provided, however, that on the termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

Section 15. Burden and Benefit. The Issuer and the Borrower hereby declare their understanding and intent that the burdens of the covenants set forth herein touch and concern the land in that the Borrower's legal interest in the Project is rendered less valuable thereby. The Issuer and the Borrower hereby further declare their understanding and intent that the benefits of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Low Income Tenants and tenants of the Very Low Income Units, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Bond were issued.

Section 16. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use of the site on which the Project is located.

Section 17. Default; Enforcement. If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in this Regulatory Agreement, and if such default remains uncured for a period of 60 days after written notice thereof shall have been given by the Issuer or the Trustee (with a copy to the Issuer) to the Borrower, or for a period of 60 days from the date the Borrower should, with reasonable diligence, have discovered such default, then the Issuer may declare an "Event of Default" to have occurred hereunder; provided, however, that if the default is of such a nature that it cannot be corrected within 60 days, such default shall not constitute an Event of Default hereunder so long as (i) the Borrower institutes corrective action within said 60 days and diligently pursues such action until the default is corrected (which cure period shall be no longer than 180 days following the delivery of notice of a default to the Borrower), and (ii) in the opinion of Bond Counsel, the failure to cure said default within 60 days will not adversely affect the Tax-Exempt status of interest on the Bond. The Issuer and the Trustee shall have the right to enforce the obligations of the Borrower under this Regulatory Agreement within shorter periods of time than are otherwise provided herein if necessary to insure compliance with the Act or the Code.

Following the declaration of an Event of Default hereunder, the Issuer or the Trustee, subject to the terms of the Loan Agreement, may take any one or more of the following steps, in addition to all other remedies provided by law or equity:

- (i) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants hereunder or enjoin any acts or things that may be unlawful or in violation of the rights of the Issuer hereunder;
- (ii) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Project;
- (iii) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower hereunder; and
- (iv) declare default under the Loan Agreement, and proceed with any remedies provided therein.

Any limited partner of the Borrower shall have the right but not the obligation to cure any Event of Default, and the Issuer and the Trustee agree to accept any cure tendered by any such limited partner on behalf of the Borrower within any cure period specified above.

No breach or default under the Regulatory Agreement shall defeat, render invalid or otherwise impair the lien of a deed of trust, mortgage or like encumbrance upon the Project that is given in good faith and for value.

The Borrower hereby agrees that specific enforcement of the Borrower's agreements contained herein is the only means by which the Issuer may fully obtain the benefits of this Regulatory Agreement made by the Borrower herein, and the Borrower therefore agrees to the imposition of the remedy of specific performance against it in the case of any Event of Default by the Borrower hereunder.

The Trustee shall have the right, in accordance with this Section and the provisions of the Loan Agreement, without the consent or approval of the Issuer but with the consent of the Bondowner Representative, to exercise any or all of the rights or remedies of the Issuer hereunder; provided that prior to taking any such action the Trustee shall give the Issuer written notice of its intended action.

The Issuer and the Trustee hereby agree that cure of any Event of Default made or tendered by any partner of the Borrower shall be deemed to be a cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower.

All reasonable fees, costs and expenses (including reasonable attorney's fees and expenses) of the Trustee and the Issuer incurred in taking any action pursuant to this Section shall be the sole responsibility of the Borrower; provided, however, that in the event that any action arises hereunder in which the Borrower and the Trustee are adversaries, the prevailing party, if any, shall be entitled to recover legal fees and costs from the other party.

Section 18. The Trustee. The Trustee shall be entitled, but shall have no duty, to act with respect to enforcement of the Borrower's performance hereunder. The Trustee, either on its own behalf or as the agent of and on behalf of the Issuer, may, in its sole discretion, act hereunder and any act required to be performed by the Issuer as herein provided shall be deemed taken if such act is performed by the Trustee. In connection with any such performance, all provisions of the Indenture and the Loan Agreement relating to the rights, privileges, powers, indemnities and protections of the Trustee shall apply with equal force and effect to all actions taken (or omitted to be taken) by the Trustee in connection with this Regulatory Agreement. Neither the Trustee nor any of its officers, directors or employees shall be liable for any action taken or omitted to be taken by it hereunder or in connection herewith except for its or their own negligence or willful misconduct. The Trustee may consult with legal counsel selected by it (the reasonable fees of which counsel shall be paid by the Borrower) and any action taken or suffered by it reasonably and in good faith in accordance with the opinion of such counsel shall be full justification and protection to it. The Trustee may at all times assume compliance with this Regulatory Agreement unless otherwise notified in writing by or on behalf of the Issuer, or unless it has actual knowledge of noncompliance.

After the date the Bond no longer remain outstanding, the Trustee shall have no further rights, duties or responsibilities under this Regulatory Agreement, and all references to the Trustee in this Regulatory Agreement shall be deemed references to the Issuer.

Section 19. Recording and Filing. (a) The Borrower shall cause this Regulatory Agreement and all amendments and supplements hereto and thereto, to be recorded and filed in the real property records of the County, and in such other places as the Issuer may reasonably request. The Borrower shall pay all fees and charges incurred in connection with any such recording.

(b) The Borrower and the Issuer will file of record such other documents and take such other steps as are reasonably necessary, in the opinion of Bond Counsel, in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project.

(c) The Borrower hereby covenants to include or reference the requirements and restrictions contained in this Regulatory Agreement in any documents transferring any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions, and, except in the case of a foreclosure or comparable involuntary conversion, whereby the Trustee becomes the owner of the Project, to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement.

Section 20. Payment of Fees. Notwithstanding any prepayment of the Loan and discharge of the Loan Agreement, the Borrower shall continue to pay the fees of the Issuer as provided in Section 7(a).

If the Borrower fails to make payment of the annual fee of the Issuer for a period of two consecutive years or more, the Issuer may, in its sole discretion, declare the total amount of the annual fee of the Issuer through the end of the Compliance Period immediately due and payable, such amount to be discounted at a rate equal to the then current market rate for U.S. Treasury obligations of a maturity equal to the remaining term of the Compliance Period.

Section 21. Governing Law; Venue. This Regulatory Agreement shall be construed in accordance with and governed by the laws of the State applicable to contracts made and performed in the State. This Regulatory Agreement shall be enforceable in the State, and any action arising hereunder shall (unless waived by the Issuer in writing) be filed and maintained in the Superior Court of California, County of San Diego.

Section 22. Amendments; Waivers. (a) Except as provided in Section 8(a) and 29(e) hereof, this Regulatory Agreement may be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County, and only upon receipt by the Issuer and the Bondowner Representative of an opinion from Bond Counsel that such amendment will not adversely affect the Tax-Exempt status of interest on the Bond and is not contrary to the provisions of the Act. The Borrower shall provide a copy of any such amendment to the Trustee.

(b) Anything to the contrary contained herein notwithstanding, the Issuer and the Borrower hereby agree to amend this Regulatory Agreement to the extent required, in the opinion of Bond Counsel, in order that interest on the Bond remains Tax-Exempt. The party requesting such amendment shall notify the other party to this Regulatory Agreement of the proposed amendment, with a copy of such proposed amendment to Bond Counsel and a request that Bond Counsel render to the Issuer an opinion as to the effect of such proposed amendment upon the Tax-Exempt status of interest on the Bond. This provision shall not be subject to any provision of any other agreement requiring any party hereto to obtain the consent of any other person in order to amend this Regulatory Agreement.

(c) Any waiver of, or consent to, any condition under this Regulatory Agreement must be expressly made in writing.

Section 23. Notices. Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery, overnight delivery, certified or registered mail, postage prepaid, return receipt requested, or by telecopy, in each case at the respective addresses specified in the Indenture. Unless otherwise specified by the Administrator, the address of the

Administrator is the same as the address of the Issuer. A copy of any notice sent to the Borrower shall be provided to the Investor Limited Partner at the address provided, and as such term is defined, in the Indenture.

Unless otherwise specified by CDLAC, the address of CDLAC is:

California Debt Limit Allocation Committee
915 Capitol Mall, Room 311
Sacramento, CA 95814
Attention: Executive Director

The Issuer, the Administrator, CDLAC and the Borrower may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Notice shall be deemed given on the date evidenced by the postal or courier receipt or other written evidence of delivery or electronic transmission; provided that any telecopy or other electronic transmission received by any party after 4:00 p.m., local time of the receiving party, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day. A copy of each notice of default provided to the Borrower hereunder shall also be provided to the Trustee at its address specified in the Indenture.

The Borrower shall notify the Issuer and the Administrator in writing of any change to the name of the Project or any change of name or address for the Borrower or the Manager. The Borrower shall further notify CDLAC in writing of any event provided in Section 29(d) hereof.

Section 24. Severability. If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

Section 25. Multiple Counterparts. This Regulatory Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Section 26. Limitation on Liability. Notwithstanding the foregoing or any other provision or obligation to the contrary contained in this Regulatory Agreement: (i) the liability of the Borrower under this Regulatory Agreement to any person or entity, including, but not limited to, the Trustee or the Issuer and their successors and assigns, is limited to the Borrower's interest in the Project and the amounts held in the funds and accounts created under the Indenture, or any rights of the Borrower under any guarantees relating to the Project, and such persons and entities shall look exclusively thereto, or to such other security as may from time to time be given for the payment of obligations arising out of this Regulatory Agreement or any other agreement securing the obligations of the Borrower under this Regulatory Agreement; and (ii) from and after the date of this Regulatory Agreement, no deficiency or other personal judgment, nor any order or decree of specific performance (other than pertaining to this Regulatory Agreement, any agreement pertaining to any Project or any other agreement securing the Borrower's obligations under this Regulatory Agreement), shall be rendered against the Borrower, the assets of the Borrower (other than the Borrower's interest in the Project, this Regulatory Agreement, amounts held in the funds and accounts created under the Indenture, any rights of the Borrower under the Loan Agreement or any other documents relating to the Bond or any rights of the Borrower under any guarantees relating to the Project), its partners, successors, transferees or assigns and each of their respective officers, directors, employees, partners, agents, heirs and personal representatives, as the case may be, in any action or proceeding arising out of this Regulatory Agreement and the Loan Agreement or any agreement securing the obligations of the Borrower under this Regulatory

Agreement, or any judgment, order or decree rendered pursuant to any such action or proceeding, except to the extent provided in the Loan Agreement.

Section 27. Third-Party Beneficiaries. The Administrator, the Trustee, CDLAC and the San Diego Housing Commission are intended to be and shall each be a third-party beneficiary of this Regulatory Agreement. The Administrator shall have the right (but not the obligation) to enforce, separately or jointly with the Issuer and/or the Trustee, the terms of this Regulatory Agreement and to pursue an action for specific performance or other available remedy at law or in equity in accordance with Section 17 hereof. CDLAC shall have the right (but not the obligation) to enforce the CDLAC Conditions and to pursue an action for specific performance or other available remedy at law or in equity in accordance with Section 17 hereof, provided that any such action or remedy shall not materially adversely affect the interests and rights of any owner of the Bond.

Section 28. Property Management. The Borrower agrees that at all times the Project shall be managed by a property manager (i) approved by the Issuer in its reasonable discretion (it being acknowledged that the Issuer hereby approves ConAm Management, Inc. as a property manager for the Project) and (ii) who has at least three years' experience in the ownership, operation and management of similar size rental housing projects, and at least one year's experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects (the "Manager"). The Borrower shall submit to the Issuer from time to time such information about the background, experience and financial condition of any existing or proposed Manager as the Issuer may reasonably require to determine whether such Manager meets the requirements for a Manager set forth herein. The Issuer reserves the right to conduct periodic reviews of the management practices and of the Manager to determine if the Project is being operated and managed in accordance with the requirements and standards of this Agreement. The Borrower agrees to cooperate with the Issuer in such reviews.

If the Issuer determines in its reasonable judgment that the Project is not being operated and managed in accordance with one or more of the material requirements or standards of this Regulatory Agreement, the Issuer may deliver written notice to the Borrower, the Bondowner Representative and the Trustee requesting replacement of the Manager, which notice shall state clearly the reasons for such request. The Borrower agrees that, upon receipt of such notice, it shall within 60 days submit to the Issuer, with a copy to the Trustee and the Bondowner Representative, a proposal to engage a new Manager meeting the requirements of this Section 28. The Issuer shall respond within 30 days to such proposal or such approval shall be deemed given. Upon receipt of such consent or deemed consent, the Borrower shall within 60 days terminate the existing Manager's engagement and engage the new Manager. If such proposal is denied by either the Issuer or the Bondowner Representative, the Borrower agrees that upon receipt of notice of such denial, it shall within 60 days submit to the Issuer, with a copy to the Trustee, a proposal to engage another new Manager meeting the requirements of this Section 28, subject to the Issuer's consent or deemed consent pursuant to the terms hereof.

Section 29. Requirements of CDLAC. In addition to other requirements set forth herein and to the extent not prohibited by the requirements set forth in Sections 4 through 6 hereof, the Borrower hereby agrees to comply with each of the requirements of CDLAC set forth in this Section 29, as follows:

- (a) The Borrower shall comply with the CDLAC Resolution attached hereto as Exhibit E and the CDLAC Conditions set forth in Exhibit A of the CDLAC Resolution (the "CDLAC Conditions"), which conditions are incorporated herein by reference and made

a part hereof. The Borrower will prepare and submit to the Administrator, on behalf of the Issuer:

(i) not later than February 1 of each year, until the construction of the Project is completed, and on February 1 every three years thereafter (such that the next succeeding year shall be the beginning of each such three year period) until the end of the Compliance Period, a Certificate of Compliance II for Qualified Residential Rental Projects, in substantially the form required or provided by CDLAC from time to time ("Certificate of Compliance"), executed by an Authorized Borrower Representative; with such Certificate of Compliance to be prepared pursuant to the terms of the CDLAC Conditions;

(ii) a certificate of completion, in substantially the form required or provided by CDLAC from time to time, executed by an Authorized Borrower Representative certifying among other things to the substantial completion of the construction of the Project; and

(iii) not later than February 1 every three years after the filing of a certificate of completion until the end of the Qualified Project Period, a California Tax Credit Allocation Committee Status Report or equivalent documentation, as required or provided by CDLAC from time to time, executed by an Authorized Borrower Representative.

Compliance with the terms of the CDLAC Conditions not contained within this Regulatory Agreement, but referred to in the CDLAC Conditions, are the responsibility of the Borrower to report to the Issuer.

(b) The Borrower acknowledges that the Issuer and the Administrator shall monitor or cause to be monitored the Borrower's compliance with the terms of the CDLAC Conditions. The Borrower acknowledges that the Issuer will prepare and submit to CDLAC, not later than March 1 of each year until the construction of the Project is completed, and on March 1 every three years thereafter until the end of the Compliance Period, a Self-Certification Certificate in the form provided by CDLAC. The Borrower will cooperate fully with the Issuer in connection with such monitoring and reporting requirements.

(c) Except as otherwise provided in Section 13 of this Regulatory Agreement, this Regulatory Agreement shall terminate on the date 55 years after the date on which at least fifty percent (50%) of the units in the Project are first occupied following the Completion Date or otherwise after the commencement of the Compliance Period, whichever is earlier.

(d) The Borrower shall notify CDLAC in writing of: (i) any change in ownership of the Project, (ii) any change in the Issuer, (iii) any change in the name of the Project or the Manager; (iv) any default under a Loan Agreement or this Regulatory Agreement, including, but not limited to, such defaults associated with the Tax-Exempt status of the interest on the Bond, and the income and rental requirements as provided in Sections 4 and 6 hereof and the CDLAC Conditions; or (v) termination of this Regulatory Agreement.

(e) CDLAC shall have the right, but not the obligation, to deliver revised CDLAC Conditions to the Borrower after the Closing Date, at any time, that are not more restrictive than the original CDLAC Conditions; provided however, that, with the prior

written consent of the owner of the Bond, which will not be unreasonably withheld: (i) any changes in the terms and conditions of the CDLAC Conditions prior to the recordation against the Project in the real property records of the County of a regulatory agreement between Borrower and the California Tax Credit Allocation Committee ("TCAC Regulatory Agreement") shall be limited to such changes as are necessary to correct any factual errors or to otherwise conform the CDLAC Conditions to any change in facts or circumstances applicable to the Borrower or the Project; and (ii) after recordation of the TCAC Regulatory Agreement, any changes in the terms and conditions of the CDLAC Conditions shall be limited to such changes as are necessary to conform Items 1, 6, 7, 10, 11, 12, 14, 15, 16, 18 through 26 and 37 of Exhibit A to the CDLAC Resolution to any change in terms and conditions requested by Borrower and approved by CDLAC. The Issuer may, in its sole and absolute discretion, require that the Borrower enter into an amendment to this Regulatory Agreement reflecting the revised CDLAC Conditions, which amendment shall be executed by the parties hereto or their successor in title and duly recorded in the real property records of the County. The Borrower shall pay any costs and expenses in connection therewith and provide CDLAC with a copy of that recorded amendment reflecting the revised CDLAC Conditions.

Any of the foregoing requirements of the CDLAC Conditions contained in this Section 29 may be expressly waived by CDLAC, in its sole discretion, in writing, but (i) no waiver by CDLAC of any requirement of this Section 29 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement except to the extent the Issuer has received an opinion of Bond Counsel that any such provision is not required by the Act and may be waived without adversely affecting the exclusion from gross income of interest on the Bond for federal income tax purposes; and (ii) any requirement of this Section 29 shall be void and of no force and effect if the Issuer and the Borrower receive a written opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Bond to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Act or any other state or federal law.

Section 30. Limited Liability of Issuer. All obligations of the Issuer incurred under this Regulatory Agreement shall be limited obligations, payable solely and only from amounts derived by the Issuer from the Loan or otherwise under the Loan Agreement.

Section 31. Annual Reporting Covenant. No later than January 31 of each calendar year (commencing January 31, 2021), the Borrower, on behalf of the Issuer, agrees to provide to the California Debt and Investment Advisory Commission, by any method approved by the California Debt and Investment Advisory Commission, with a copy to the Issuer, the annual report information with respect to the Bond required by Section 8855(k)(1) of the California Government Code. This covenant shall remain in effect until the later of the date (i) the Bond are no longer outstanding or (ii) the proceeds of the Loan have been fully spent.

Section 32. Conflict With Other Affordability Agreements. Notwithstanding any provision in this Regulatory Agreement to the contrary, in the event of any conflict between the provisions of this Regulatory Agreement and any other agreement that imposes affordability requirements on the Project, including those referenced in Section 3(e) hereof, the provisions providing for the most affordable units, with the most affordability, in the Project shall prevail, so long as at all times the requirements of Section 2, 3, 4, 6, 7 and 29 of this Regulatory Agreement are in any event satisfied. Notwithstanding the foregoing, a breach or default under any agreement referenced in Section 3(e) hereof shall not, in itself, constitute a breach or a default under this Regulatory Agreement.

IN WITNESS WHEREOF, the Issuer and the Borrower have executed this Regulatory Agreement by duly authorized representatives, all as of the date first above written.

HOUSING AUTHORITY OF THE CITY OF
SAN DIEGO

By: _____
Richard C. Gentry,
Executive Director

FAIRMOUNT FAMILY HOUSING CIC, LP, a
California limited partnership

By: Fairmount and El Cajon Realty, LLC
a California limited liability company,
its Managing General Partner

By: Price Philanthropies Foundation,
a Delaware nonprofit, nonstock
corporation
its Manager and Member

By: _____
Name: Jeff Fisher
Title: Chief Financial Officer

By: CIC Fairmount Family Housing, LLC,
a California limited liability company,
its Administrative General Partner

By: Chelsea Investment Corporation
a California corporation
its Manager

By: _____
Name: Cheri Hoffman
Title: President

19048.42:J16660

[Signature page to Regulatory Agreement and Declaration of Restrictive Covenants –
East Block Family Apartments]

NOTARY ACKNOWLEDGMENT

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

State of California

ss.

County of _____

On _____, before me, _____, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared _____
Name(s) of Signer(s)

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

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

WITNESS my hand and official seal.

Signature _____ [Seal]
Notary Public

NOTARY ACKNOWLEDGMENT

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

State of California

ss.

County of _____

On _____, before me, _____, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared _____
Name(s) of Signer(s)

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

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

WITNESS my hand and official seal.

Signature _____ [Seal]
Notary Public

EXHIBIT A
LEGAL DESCRIPTION OF PROPERTY

Real property in the City of San Diego, County of San Diego, State of California, described as follows:

APN: _____

EXHIBIT B

FORM OF INCOME CERTIFICATION

TENANT INCOME CERTIFICATION

Initial Certification 1st Recertification Other:

Effective Date:
Move-in Date:
(YYYY-MM-DD)

PART I - DEVELOPMENT DATA		
Property Name: East Block Family Apartments	County: San Diego	BIN #:
Address: 4340 44 th Street, San Diego, CA	Unit Number:	# Bedrooms:

PART II. HOUSEHOLD COMPOSITION							
<input type="checkbox"/> Vacant							
HH Mbr #	Last Name	First Name	Middle Initial	Relationship to Head of Household	Date of Birth (YYYY/MM//D D)	F/T Student (Y or N)	Last 4 digits of Social Security #
1				HEAD			
2							
3							
4							
5							
6							
7							

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)				
HH Mbr #	(A) Employment or Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income
TOTALS	\$	\$	\$	\$
Add totals from (A) through (D), above				TOTAL INCOME (E):
				\$

PART IV. INCOME FROM ASSETS				
Hshld Mbr #	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
TOTALS:			\$	\$
Enter Column (H) Total If over \$5000	\$	X	Passbook Rate 2.00%	= (J) Imputed Income \$
Enter the greater of the total of column I, or J: imputed income	TOTAL INCOME FROM ASSETS (K)			\$
(L) Total Annual Household Income from all Sources [Add (E) + (K)]				\$

Effective Date of Move-in Income Certification:
Household Size at Move-in Certification:

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

Signature

(Date)

Signature

(Date)

Signature

(Date)

Signature

(Date)

PART V. DETERMINATION OF INCOME ELIGIBILITY

TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES: From item (L) on page 1	\$ _____	Unit Meets Income Restriction at: <input type="checkbox"/> 60% <input type="checkbox"/> 50% <input type="checkbox"/> 40% <input type="checkbox"/> 30% <input type="checkbox"/> %	RECERTIFICATION ONLY: Current Income Limit x 140%: \$ _____ Household Income exceeds 140% at recertification: <input type="checkbox"/> Yes <input type="checkbox"/> No
Current Income Limit per Family Size:	\$ _____		
Household Income at Move-in:	\$ _____	Household Size at Move-in:	_____

PART VI. RENT

Tenant Paid Rent \$ _____ Utility Allowance \$ _____	Rent Assistance: \$ _____ Other non-optional charges: \$ _____
GROSS RENT FOR UNIT: (Tenant paid rent plus Utility Allowance & other non-optional charges)	\$ _____
Maximum Rent Limit for this unit:	\$ _____
	Unit Meets Rent Restriction at: <input type="checkbox"/> 60% <input type="checkbox"/> 50% <input type="checkbox"/> 40% <input type="checkbox"/> 30% <input type="checkbox"/> %

PART VII. STUDENT STATUS

ARE ALL OCCUPANTS FULL TIME STUDENTS? <input type="checkbox"/> yes <input type="checkbox"/> no	If yes, Enter student explanation* (also attach documentation)	*Student Explanation: 1 AFDC / TANF Assistance 2 Job Training Program 3 Single Parent / Dependent Child 4 Married / Joint Return 5 Former Foster Care
	Enter 1-5	

PART VIII. PROGRAM TYPE

Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification.

a. Tax Credit <input type="checkbox"/> See Part V above.	b. HOME <input type="checkbox"/> <i>Income Status</i> <input type="checkbox"/> ≤ 50% AMGI <input type="checkbox"/> ≤ 60% AMGI <input type="checkbox"/> ≤ 80% AMGI <input type="checkbox"/> OI**	c. Tax Exempt <input type="checkbox"/> <i>Income Status</i> <input type="checkbox"/> 50% AMGI <input type="checkbox"/> 60% AMGI <input type="checkbox"/> 80% AMGI <input type="checkbox"/> OI**	d. AHDP <input type="checkbox"/> <i>Income Status</i> <input type="checkbox"/> 50% AMGI <input type="checkbox"/> 80% AMGI <input type="checkbox"/> OI**	e. _____ <input type="checkbox"/> (Name of Program) <i>Income Status</i> <input type="checkbox"/> _____ <input type="checkbox"/> _____ <input type="checkbox"/> OI**
---	--	--	---	---

** Upon recertification, household was determined over-income (OI) according to eligibility requirements of the program(s) marked above.

SIGNATURE OF OWNER/REPRESENTATIVE

Based on the representations herein and upon the proof and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Land Use Restriction Agreement (if applicable), to live in a unit in this Project.

SIGNATURE OF OWNER/REPRESENTATIVE

DATE

INSTRUCTIONS FOR COMPLETING TENANT INCOME CERTIFICATION

This form is to be completed by the owner or an authorized representative.

Part I - Project Data

Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other. If Other, designate the purpose of the recertification (i.e., a unit transfer, a change in household composition, or other state-required recertification).

- | | |
|-----------------|---|
| *Move-in Date | Enter the date the tenant has or will take occupancy of the unit. (YYYY-MM-DD) |
| *Effective Date | Enter the effective date of the certification. For move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re)certification. (YYYY-MM-DD) |
| Property Name | Enter the name of the development. |
| County | Enter the county (or equivalent) in which the building is located. |
| BIN # | Enter the Building Identification Number (BIN) assigned to the building (from IRS Form 8609). |
| Address | Enter the address of the building. |
| Unit Number | Enter the unit number. |
| # Bedrooms | Enter the number of bedrooms in the unit. |
| *Vacant Unit | Check if unit was vacant on December 31 of requesting year. |

Part II - Household Composition

List all occupants of the unit. State each household member's relationship to the head of household by using one of the following coded definitions:

- | | | | | | |
|---|---|-------------------|---|---|----------------------------|
| H | - | Head of Household | S | - | Spouse |
| A | - | Adult co-tenant | O | - | Other family member |
| C | - | Child | F | - | Foster child(ren)/adult(s) |
| L | - | Live-in caretaker | N | - | None of the above |

Enter the date of birth, student status, and last four digits of social security number or alien registration number for each occupant. If tenant does not have a Social Security Number (SSN) or alien registration number, please enter the numerical birth month and last two digits of birth year (e.g. birthday January 1, 1970, enter "0170"). If tenant has no SSN number or date of birth, please enter the last 4 digits of the BIN.

If there are more than 7 occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification.

Part III - Annual Income

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income, including acceptable forms of verification.

From the third party verification forms obtained from each income source, enter the gross amount anticipated to be received for the twelve months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List **each** respective household member number from Part II. Include anticipated income only if documentation exists verifying pending employment. If any adult states zero-income, please note "zero" in the columns of Part III.

- | | |
|------------|--|
| Column (A) | Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business. |
| Column (B) | Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc. |
| Column (C) | Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.). |
| Column (D) | Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household. |
| Row (E) | Add the totals from columns (A) through (D), above. Enter this amount. |

Part IV - Income from Assets

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income from assets, including acceptable forms of verification.

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the twelve months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member.

- | | |
|------------|--|
| Column (F) | List the type of asset (i.e., checking account, savings account, etc.) |
| Column (G) | Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification). |
| Column (H) | Enter the cash value of the respective asset. |
| Column (I) | Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate). |
| TOTALS | Add the total of Column (H) and Column (I), respectively. |

If the total in Column (H) is greater than \$5,000, you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by 2% and enter the amount in (J), Imputed Income.

- | | |
|---|---|
| Row (K) | Enter the greater of the total in Column (I) or (J) |
| Row (L) | Total Annual Household Income From all Sources Add (E) and (K) and enter the total |
| *Effective Date of Income Certification | Enter the effective date of the income certification corresponding to the total annual household income entered in Box L. If annual income certification is not required, this may be different from the effective date listed in Part I. |
| *Household Size at Certification | Enter the number of tenants corresponding to the total annual household income entered in Box L. If annual income certification is not required, this may be different from the number of tenants listed in Part II. |

HOUSEHOLD CERTIFICATION AND SIGNATURES

After all verifications of income and / or assets have been received and calculated, each household member age 18 or older must sign and date the Tenant Income Certification. For move-in, it is recommended that the Tenant Income Certification be signed no earlier than 5 days prior to the effective date of the certification.

Part V – Determination of Income Eligibility

Total Annual Household Income from all Sources	Enter the number from item (L).
Current Income Limit per Family Size	Enter the Current Move-in Income Limit for the household size.
Household income at move-in Household size at move-in	For recertifications, only. Enter the household income from the move-in certification. On the adjacent line, enter the number of household members from the move-in certification.
Current Income Limit x 140%	For recertifications only. Multiply the Current Maximum Move-in Income Limit by 140% and enter the total. 140% is based on the Federal Set-Aside of 20/50 or 40/60, as elected by the owner for the property, not deeper targeting elections of 30%, 40%, 45%, 50%, etc. Below, indicate whether the household income exceeds that total. If the Gross Annual Income at recertification is greater than 140% of the current income limit, then the available unit rule must be followed.
*Units Meets Income Restriction at	Check the appropriate box for the income restriction that the household meets according to what is required by the set-aside(s) for the project.

Part VI - Rent

Tenant Paid Rent	Enter the amount the tenant pays toward rent (not including rent assistance payments such as Section 8).
Rent Assistance	Enter the amount of rent assistance, if any.
Utility Allowance	Enter the utility allowance. If the owner pays all utilities, enter zero.
Other non-optional charges	Enter the amount of <u>non-optional</u> charges, such as mandatory garage rent, storage lockers, charges for services provided by the development, etc.
Gross Rent for Unit	Enter the total of Tenant Paid Rent plus Utility Allowance and other non-optional charges.
Maximum Rent Limit for this unit	Enter the maximum allowable gross rent for the unit.
Unit Meets Rent Restriction at	Check the appropriate rent restriction that the unit meets according to what is required by the set-aside(s) for the project.

Part VII - Student Status

If all household members are full time* students, check "yes". If at least one household member is not a full time student, check "no".

If "yes" is checked, the appropriate exemption must be listed in the box to the right. If none of the exemptions apply, the household is ineligible to rent the unit.

Full time is determined by the school the student attends.

Part VIII – Program Type

Mark the program(s) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification. If the property does not participate in the HOME, Tax-Exempt Bond, Affordable Housing Disposition, or other housing program, leave those sections blank.

Tax Credit	See Part V above.
HOME	If the property participates in the HOME program and the unit this household will occupy will count towards the HOME program set-asides, mark the appropriate box indicating the household's designation.
Tax Exempt	If the property participates in the Tax Exempt Bond program; mark the appropriate box indicating the household's designation.
AHDP	If the property participates in the Affordable Housing Disposition Program (AHDP), and this household's unit will count towards the set-aside requirements, mark the appropriate box indicating the household's designation.
Other	If the property participates in any other affordable housing program, complete the information as appropriate.

SIGNATURE OF OWNER/REPRESENTATIVE

It is the responsibility of the owner or the owner's representative to sign and date this document immediately following execution by the resident(s).

The responsibility of documenting and determining eligibility (including completing and signing the Tenant Income Certification form) and ensuring such documentation is kept in the tenant file is extremely important and should be conducted by someone well trained in tax credit compliance.

These instructions should not be considered a complete guide on tax credit compliance. The responsibility for compliance with federal program regulations lies with the owner of the building(s) for which the credit is allowable.

PART IX. SUPPLEMENTAL INFORMATION

Tenant Demographic Profile	Complete for each member of the household, including minors, for move-in. Use codes listed on supplemental form for Race, Ethnicity, and Disability Status.
Resident/Applicant Initials	All tenants who wish not to furnish supplemental information should initial this section. Parent/guardian may complete and initial for minor child(ren).

** Please note areas with asterisks are new or have been modified. Please ensure to note the changes or formats now being requested.*

TENANT INCOME CERTIFICATION QUESTIONNAIRE

Name: _____

Telephone Number: _____

()

<input type="checkbox"/>	Initial Certification	BIN #
<input type="checkbox"/>	Re-certification	
<input type="checkbox"/>	Other	Unit #

INCOME INFORMATION

Yes	No		MONTHLY GROSS INCOME
<input type="checkbox"/>	<input type="checkbox"/>	I am self employed. (List nature of self employment)	(use <u>net</u> income from business) \$
<input type="checkbox"/>	<input type="checkbox"/>	I have a job and receive wages, salary, overtime pay, commissions, fees, tips, bonuses, and/or other compensation: List the businesses and/or companies that pay you: <u>Name of Employer</u> 1) _____ 2) _____ 3) _____	\$ \$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I receive cash contributions of gifts including rent or utility payments, on an ongoing basis from persons not living with me.	\$
<input type="checkbox"/>	<input type="checkbox"/>	I receive unemployment benefits.	\$
<input type="checkbox"/>	<input type="checkbox"/>	I receive Veteran's Administration, GI Bill, or National Guard/Military benefits/income.	\$
<input type="checkbox"/>	<input type="checkbox"/>	I receive periodic social security payments.	\$
<input type="checkbox"/>	<input type="checkbox"/>	The household receives <u>unearned</u> income from family members age 17 or under (example: Social Security, Trust Fund disbursements, etc.).	\$
<input type="checkbox"/>	<input type="checkbox"/>	I receive Supplemental Security Income (SSI).	\$
<input type="checkbox"/>	<input type="checkbox"/>	I receive disability or death benefits other than Social Security.	\$
<input type="checkbox"/>	<input type="checkbox"/>	I receive Public Assistance Income (examples: TANF, AFDC)	\$
<input type="checkbox"/>	<input type="checkbox"/>	I am entitled to receive child support payments.	\$
<input type="checkbox"/>	<input type="checkbox"/>	I am currently receiving child support payments. If yes, from how many persons do you receive support? _____	\$
<input type="checkbox"/>	<input type="checkbox"/>	I am currently making efforts to collect child support owed to me. List efforts being made to collect child support: _____ _____	
<input type="checkbox"/>	<input type="checkbox"/>	I receive alimony/spousal support payments	\$
<input type="checkbox"/>	<input type="checkbox"/>	I receive periodic payments from trusts, annuities, inheritance, retirement funds or pensions, insurance policies, or lottery winnings. If yes, list sources: 1) _____ 2) _____	\$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I receive income from real or personal property.	(use <u>net</u> earned income) \$
<input type="checkbox"/>	<input type="checkbox"/>	Student financial aid (public or private, not including student loans) Subtract cost of tuition from Aid received	\$

Asset information

YES	NO		INTEREST RATE	CASH VALUE
<input type="checkbox"/>	<input type="checkbox"/>	I have a checking account(s). If yes, list bank(s) 1) 2)	% %	\$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I have a savings account(s) If yes, list bank(s) 1) 2)	% %	\$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I have a revocable trust(s) If yes, list bank(s) 1)	%	\$
<input type="checkbox"/>	<input type="checkbox"/>	I own real estate. If yes, provide description:		\$
<input type="checkbox"/>	<input type="checkbox"/>	I own stocks, bonds, or Treasury Bills If yes, list sources / bank names 1) 2) 3)	% % %	\$ \$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I have Certificates of Deposit (CD) or Money Market Account(s). If yes, list sources / bank names 1) 2) 3)	% % %	\$ \$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I have an IRA / Lump Sum Pension / Keogh Account / 401K. If yes, list bank(s) 1) 2)	% %	\$ \$
<input type="checkbox"/>	<input type="checkbox"/>	I have a whole life insurance policy. If yes, how many policies		\$
<input type="checkbox"/>	<input type="checkbox"/>	I have cash on hand.		\$
<input type="checkbox"/>	<input type="checkbox"/>	I have disposed of assets (i.e. gave away money / assets) for less than the fair market value in the past 2 years. If yes, list items and date disposed: 1) 2)		\$ \$

STUDENT STATUS

YES NO

<input type="checkbox"/>	<input type="checkbox"/>	Does the household consist of all persons who are <u>full-time</u> students (Examples: College/University, trade school, etc.)? Does the household consist of all persons who have been a <u>full-time</u> student in the previous 5 months? Does your household anticipate becoming an all full-time student household in the next 12 months?
<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	If you answered yes to any of the previous three questions are you: <ul style="list-style-type: none"> • Receiving assistance under Title IV of the Social Security Act (AFDC/TANF/Cal Works - not SSA/SSI) • Enrolled in a job training program receiving assistance through the Job Training Participation Act (JTPA) or other similar program • Married and filing (or are entitled to file) a joint tax return • Single parent with a dependent child or children and neither you nor your child(ren) are dependent of another individual • Previously enrolled in the Foster Care program (age 18-24)
<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	

UNDER PENALTIES OF PERJURY, I CERTIFY THAT THE INFORMATION PRESENTED ON THIS FORM IS TRUE AND ACCURATE TO THE BEST OF MY/OUR KNOWLEDGE. THE UNDERSIGNED FURTHER UNDERSTANDS THAT PROVIDING FALSE REPRESENTATIONS HEREIN CONSTITUTES AN ACT OF FRAUD. FALSE, MISLEADING OR INCOMPLETE INFORMATION WILL RESULT IN THE DENIAL OF APPLICATION OR TERMINATION OF THE LEASE AGREEMENT.

PRINTED NAME OF APPLICANT/TENANT

SIGNATURE OF APPLICANT/TENANT

DATE

WITNESSED BY (SIGNATURE OF OWNER/REPRESENTATIVE)

DATE

EXHIBIT C

FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

EAST BLOCK FAMILY APARTMENTS

The undersigned, being _____ of Fairmount Family Housing CIC, LP, a California limited partnership (the "Borrower") has read and is thoroughly familiar with the provisions of the various documents associated with the Borrower's participation in the Housing Authority of the City of San Diego (the "Issuer") Multifamily Housing Program, such documents including: (a) the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of February 1, 2020 (the "Regulatory Agreement") between the Borrower and the Issuer; and (b) the Loan Agreement, dated as of February 1, 2020, by and among Zions Bancorporation, N.A. dba California Bank & Trust, as Bondowner Representative, the Issuer and the Borrower referred to in the Regulatory Agreement.

In connection with the foregoing, the undersigned does hereby certify that:

1. During the preceding reporting period (i) the Project was continually in compliance with the Regulatory Agreement, and (ii) (a) ___% of the units in the Project were occupied by Low Income Tenants (including units referenced in the succeeding clause (b), minimum of 40%) and (b) ___% of the units in the Project were occupied by Very Low Income Tenants (minimum of 10%).

2. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief.

Set forth below are the names of Low Income Tenants and Very Low Income Tenants who commenced or terminated occupancy during the preceding reporting period.

Commenced Occupancy	Terminated Occupancy
1.	1.
2.	2.

The units occupied by Low Income Tenants and Very Low Income Tenants are of similar size and quality to other units and are dispersed throughout the Project. Attached is a separate sheet listing the number of each unit and indicating which units are occupied by Low Income Tenants and Very Low Income Tenants, the size, the number of bedrooms of such units and the number of Low Income Tenants and Very Low Income Tenants who commenced occupancy of units during the preceding reporting period.

3. Select appropriate certification: [No unremedied default has occurred under the Regulatory Agreement or the Loan Agreement.] [A default has occurred under the _____. The nature of the default and the measures being taken to remedy such default are as follows: _____.]

4. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief.

Capitalized terms used in this Certificate and not otherwise defined herein have the meanings given to such terms in the Regulatory Agreement.

Date: _____

FAIRMOUNT FAMILY HOUSING CIC, LP, a
California limited partnership

By: Fairmount and El Cajon Realty, LLC
a California limited liability company,
its Managing General Partner

By: Price Philanthropies Foundation,
a Delaware nonprofit, nonstock
corporation
its Manager and Member

By: _____
Name: Jeff Fisher
Title: Chief Financial Officer

By: _____
Name: Sophie Bernabe
Title: Secretary

By: CIC Fairmount Family Housing, LLC,
a California limited liability company,
its Administrative General Partner

By: Chelsea Investment Corporation
a California corporation
its Manager

By: _____
Name: Cheri Hoffman
Title: President

<u>Unit No.</u>	<u>Low Income, Very Low Income or Market Unit</u>	<u>No. of Bedrooms</u>	<u>Rent</u>	<u>Total Eligible Income (for Low/Very Low Income Units)</u>	<u>Size (Sq. Ft.)</u>
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
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_____	_____	_____	_____	_____	_____
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_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Total Number of Units: _____

Percentage of Low Income Units: _____

Percentage of Very Low Income Units: _____

Number of Low Income Tenants commencing occupancy this month: _____

Number of Very Low Income Tenants commencing occupancy this month: _____

EXHIBIT D

FORM OF COMPLETION CERTIFICATE

The undersigned hereby certifies that the acquisition and construction of the Project was substantially completed as of _____.

The undersigned hereby further certifies that:

(1) the aggregate amount disbursed on the Loan to date is \$_____;

(2) 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 have been applied to pay or reimburse any party for the payment of costs or expenses other than Project Costs;

(3) at least ninety-seven percent (97%) of the amounts disbursed on the Loan have been applied to pay or reimburse the Borrower for the payment of Qualified Project Costs, and less than twenty-five percent (25%) of such disbursements of each Loan have been used for the acquisition of land or an interest therein; and

(4) the Borrower is in compliance with the provisions of the Regulatory Agreement and the Loan Agreement.

Capitalized terms used in this Completion Certificate have the meanings given such terms in the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of February 1, 2020, between Fairmount Family Housing CIC, LP, a California limited partnership and the Housing Authority of the City of San Diego.

FAIRMOUNT FAMILY HOUSING CIC, LP, a
California limited partnership

By: Fairmount and El Cajon Realty, LLC
a California limited liability company,
its Managing General Partner

By: Price Philanthropies Foundation,
a Delaware nonprofit, nonstock
corporation
its Manager and Member

By: _____
Name: Jeff Fisher
Title: Chief Financial Officer

By: _____
Name: Sophie Bernabe
Title: Secretary

By: CIC Fairmount Family Housing, LLC,
a California limited liability company,
its Administrative General Partner

By: Chelsea Investment Corporation
a California corporation
its Manager

By: _____
Name: Cheri Hoffman
Title: President

EXHIBIT E

CDLAC RESOLUTION

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

RESOLUTION NO. 19-163

A RESOLUTION TRANSFERRING A PORTION OF THE 2019 STATE CEILING ON QUALIFIED PRIVATE ACTIVITY BONDS AND AUTHORIZING THE MAKING OF A CARRYFORWARD ELECTION FOR A QUALIFIED RESIDENTIAL RENTAL PROJECT

WHEREAS, the California Debt Limit Allocation Committee ("Committee") has received an application ("Application") from the Housing Authority of the City of San Diego ("Applicant") for the transfer to the Applicant of a portion of the 2019 State Ceiling on Qualified Private Activity Bonds under Section 146 of the Internal Revenue Code of 1986, as amended, for use by the Applicant to issue bonds or other obligations ("Bonds") for a Project as specifically described in Exhibit A ("Project") (capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Regulations of the Committee implementing the Allocation of the State Ceiling on Qualified Private Activity Bonds); and

WHEREAS, the Project Sponsor has represented and the Applicant has confirmed in the Application certain facts and information concerning the Project; and

WHEREAS, in evaluating the Project and allocating a portion of the State Ceiling on Qualified Private Activity Bonds to the Applicant for the benefit of the Project, the Committee has relied upon the written facts and information represented in the Application by the Project Sponsor and the Applicant; and

WHEREAS, it is appropriate for the Committee to make a transfer of a portion of the 2019 State Ceiling On Qualified Private Activity Bonds ("Allocation") in order to benefit such Project described in the Application; and

WHEREAS, the Committee has determined that it is appropriate to authorize the Applicant to make an election to carryforward Allocation to calendar year 2020 with respect to the Project described in the Application.

NOW, THEREFORE, the California Debt Limit Allocation Committee resolves as follows:

Section 1. There is hereby transferred to the Applicant authorization to use **\$24,000,000** of the 2019 State Ceiling on Qualified Private Activity Bonds. Such Allocation may be used only by the Applicant and only for the issuance of Bonds for the Project, as specifically described in Exhibit A. All of the terms and conditions of Exhibit A are incorporated herein as though set forth in full (this resolution, together with Exhibit A are hereafter referred to collectively as this "Resolution").

Section 2. The terms and conditions of this Resolution shall be incorporated in appropriate documents relating to the Bonds. The Project Sponsor and the Applicant, and all their respective successors and assignees, will be bound by such terms and conditions. The Applicant shall monitor the Project for compliance with the terms and conditions of this Resolution. In addition, the Project shall be subject to the monitoring provisions of California Code of Regulations, Title 4, Section 10337(c) and Section 5220 of the Committee's Regulations.

Section 3. Any modification to the Project made prior to the issuance of the Bonds that impacts the resolution must be reported to the Executive Director and, if the Executive Director determines such modification to be material in light of the Committee's Regulations, shall require reconsideration by the Committee before the Allocation may be used for the Project. After Bonds are issued, the terms and conditions set forth in this Resolution shall be enforceable by the Committee through an action for specific performance or any other available remedy. In addition, after bonds are issued, changes to Items #1, #6, #7, #10 thru #12, #14 thru #16, #18 thru #26, and #37 of the Exhibit A require Committee or Executive Director approval for the term of commitment; changes to item #2, #13, #17, #27, and #39 thru #41 of the Exhibit A cannot be altered; changes to Items #3 thru #5 of the Exhibit A require no Committee or Executive Director approval but any alterations must be reported to CDLAC staff for the affordability period; changes to Items #8 and #9 of the Exhibit A require no CDLAC notification; and changes to Items #28 thru #36 and #38 of the Exhibit A require Committee or Executive Director approval only prior to the Project being Placed in Service by the CA Tax Credit Allocation Committee (TCAC).

RESOLUTION NO. 19-163

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Section 4. Any material changes in the structure of the bond sale prior to the issuance of the Bonds and not previously approved by the Committee shall require approval of the Committee Chair or the Executive Director.

Section 5. The transfer of proceeds from the sale of bonds to a project other than the Project subject to this Resolution is allowable only with the prior approval of the Executive Director in consultation with the Chair, except when the Project is unable to utilize any of its allocation and the Applicant is requesting the transfer of the entire Allocation to different project(s). In such case, prior approval of the Committee must be obtained. Any transfer made pursuant to this section may only be made to another/other project(s) of the same issuer that has been previously approved by the Committee.

Section 6. The Applicant is authorized to use the Allocation transferred hereby to make a carryforward election with respect to the Project. The Applicant is not authorized to transfer the Carryforward Allocation to any governmental unit in the State other than the Committee.

Section 7. The Allocation transferred herein to the Applicant shall automatically revert to this Committee unless the Applicant has issued Bonds for the Project by the close of business on **April 27, 2020**. Upon the discretion of the Executive Director, the expiration may be extended pursuant to the provisions in Chapter 1, Article 8 of the Committee's Regulations.

Section 8. Prior to being submitted to the IRS, draft Carryforward Elections must be emailed to CDLAC at cdlac@treasurer.ca.gov no later than February 1, 2020 for CDLAC approval of election amounts.

Section 9. Within twenty-four (24) hours of using the Allocation to issue Qualified Private Activity Bonds, the Applicant shall notify the Committee at CDLAC@treasurer.ca.gov that the Allocation has been used. This notice shall identify the Applicant, the project or program, the date the Allocation was used, and the amount of Allocation used.

Section 10. Within fifteen (15) calendar days of the Bond closing, the Applicant or its counsel shall formally transmit to the Committee information regarding the issuance of the Bonds by submitting a completed Report of Action Taken in a form prescribed by and made available by the Committee.

Section 11. Any differences between the amount of Bonds issued and the amount of the Carryforward Allocation granted in Section 1 of this Resolution shall be retained by the Applicant for the period allowed by Section 146(f)(3)(A) of the Internal Revenue Code regarding carryforward elections. Use of any unused Carryforward Allocation shall be in accordance with Section 5132 of the Committee's Regulations regarding carryforward elections.

Section 12. The staff of the Committee is authorized and directed to transmit a copy of this Resolution to the Applicant together with a request that the Applicant retain a copy of this Resolution in the Applicant's official records for the term of the Bonds under this Carryforward Allocation or the term of the income and rental restrictions whichever is longer. The Committee staff is further directed to retain a copy of this Resolution in the files of the Committee (or any successor thereto) for the same period of time.

Section 13. In consideration of the Allocation transferred to the Applicant and the Project Sponsor, the Applicant and the Project Sponsor shall comply with all of the terms and conditions contained in this Resolution and ensure that these terms and conditions are included in the documents related to the Bonds. Further, the Applicant and the Project Sponsor expressly agree that the terms and conditions of this Resolution may be enforced by the Committee through an action for specific performance or any other available remedy, provided however, that the Committee agrees not to take such action or enforce any such remedy that would be materially adverse to the interests of Bondholders. In addition, the Applicant and the Project Sponsor shall ensure that the Bond documents, as appropriate, expressly provide that the Committee is a third party beneficiary of the terms and conditions set forth in this Resolution.

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Section 14. The Certification of Compliance II or equivalent form is to be submitted by the Project Sponsor to the Applicant by the Applicant's specified deadline, but no later than March 1st annually until the project's Certificate of Completion has been submitted to the Applicant. Following the submission of the Certificate of Completion or equivalent form to the Applicant, the Certification of Compliance II is to be submitted March 1st every three years thereafter. In addition, an Annual Applicant Public Benefits and On-going Compliance Self-Certification (Self Certification) form must be submitted by the Applicant online every year until the Certificate of Completion has been submitted to the Applicant. After the completion of the project has been reported, the Self Certification will be required to be submitted March 1st every three years thereafter pursuant to Section 5144 of the CDLAC Regulations. Verification to CDLAC of income and rental information is not required in advance of the submission of the Certificate of Completion. A copy of the Certification of Compliance II and the Certificate of Completion forms may be found at this website location: <http://www.treasurer.ca.gov/cdlac>. Failure to submit compliance may result in disqualification from future program participation.

Section 15. This Resolution shall take effect immediately upon its adoption.

* * *

CERTIFICATION

I, Larry Flood, Executive Director of the California Debt Limit Allocation Committee, hereby certify that the above is a full, true, and correct copy of the Resolution adopted at a meeting of the Committee held in the State Personnel Board Building, 801 Capitol Mall, Room 150, Sacramento, California 95814, on October 16, 2019 at 10:11 a.m. with the following votes recorded:

AYES: Jovan Agee for State Treasurer Fiona Ma, CPA
Gayle Miller for Governor Gavin Newsom
Anthony Sertich for State Controller Betty T. Yee

NOES: None
ABSTENTIONS: None
ABSENCES: None



Larry Flood, Executive Director

Date: October 16, 2019

RESOLUTION NO. 19-163
(QUALIFIED RESIDENTIAL RENTAL PROJECT)
EXHIBIT A

1. Applicant: Housing Authority of the City of San Diego
2. Application No.: 19-556
3. Project Sponsor: Fairmount Family Housing CIC, LP (Fairmount and El Cajon Realty, LLC and CIC Fairmount Family Housing, LLC)
4. Project Management Co.: CIC Management, Inc.
5. Project Name: East Block Family Apartments
6. Type of Project: New Construction/Family
7. Location: San Diego, CA
8. Private Placement Purchaser: **Citibank, N.A.**
Cash Flow Bond: **Not Applicable**

All units identified in the CDLAC resolution, including both the Federally Bond-Restricted Units and the Other Restricted Units, will be incorporated into the Bond Regulatory Agreement. Assumptions to be included in the Bond Regulatory Agreement regarding the Other Restricted Units will include the AMI as outlined in the CDLAC resolution, a limitation that tenants pay no more than 30% of their income and 1.5 persons per bedroom occupancy standard to determine the applicable rent.

9. Public Sale: **Not Applicable**
Credit Enhancement Provider: **Not Applicable**
10. Total Number of Units: 77 plus 1 unrestricted manager unit
11. Total Number of Restricted Rental Units: 77
12. The term of the income and rental restrictions for the Project will be at least 55 years from the date 50% occupancy is achieved or when the project is otherwise placed in service.
13. The Regulatory Agreement shall not terminate prior to the end of the CDLAC Resolution affordability term in the event of foreclosure, exercise of power of sale, and/or transfer of title by deed in lieu of foreclosure in connection with a deed of trust directly or indirectly securing the repayment of Cash Flow Permanent Bonds.
14. The Project will utilize Gross Rents as defined in Section 5170 of the Committee's Regulations.
Applicable
15. Income and Rental Restrictions:
 - a. Federally Bond-Restricted Set-aside Units:
At least **40%** of the total units will be restricted at 60% of the Area Median Income.
 - b. Other Restricted Units
For the entire term of the income and rental restrictions, the Project will have:

At least **8** Qualified Residential units rented or held vacant for rental for persons or families whose income is at or below 50% of the Area Median Income.

At least **69** Qualified Residential units rented or held vacant for rental for persons or families whose income is at or below 60% of the Area Median Income.

RESOLUTION NO. 19-163

Exhibit A

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16. 10% of the units will be restricted to households with incomes no greater than 50% of the Area Median Income in accordance with Section 5191 of the Committee's Regulations. These units will be distributed as follows:
- Applicable**
- | | |
|----------------|---|
| Studios: | 0 |
| One-bedroom: | 0 |
| Two-bedroom: | 3 |
| Three-bedroom: | 5 |
| Four-bedroom: | 0 |
| Five-bedroom: | 0 |
17. For acquisition and rehabilitation projects, a minimum of \$15,000 in hard construction costs will be expended for each Project unit.
Not Applicable
18. A minimum of \$4,500,000 of public funds will be expended for the Project.
Applicable
19. At a minimum, the financing for the Project shall include a Taxable Tail in the amount of \$0,000. Taxable debt may only be utilized for Project related expenses, not for the cost of issuance for which the Project Sponsor could otherwise have used tax-exempt financing.
Not Applicable
20. If the Project received points for having large family units for the entire term of the income and rental restrictions, the Project will have at least 45 three-bedroom or larger units.
Applicable
21. For a period of fifteen (15) years after the Project is placed in use, the Project will provide to Project residents high-speed Internet or wireless (WiFi) service in each Project unit.
Not Applicable
22. For a period of fifteen (15) years after the Project is placed in use, the Project will offer to Project residents an after school program of an ongoing nature on-site, or there must be an after school program available to Project residents within 1/2 mile of the Project except where the Project will provide no cost round trip transportation. The program shall include, but is not limited to: tutoring, mentoring, homework club, art, and recreation activities to be provided weekdays throughout the school year for at least ten (10) hours per week.
Not Applicable
23. For a period of fifteen (15) years after the Project is placed in use, the Project will offer to Project residents instructor-led educational, health and wellness, or skill building classes. The classes shall include, but are not limited to: financial literacy, computer training, home-buyer education, GED, resume building, ESL, nutrition, exercise, health information/awareness, art, parenting, on-site food cultivation & preparation, and smoking cessation. Classes shall be provided at a minimum of 84 hours per year (drop-in computer labs, monitoring and technical assistance shall not qualify) and be located within 1/2 mile of the Project or except where Project will provide no cost round trip transportation.
Not Applicable
24. For a period of fifteen (15) years after the Project is placed in use, the Project will offer to Project residents 20 hours or more per week of licensed childcare on-site or there must be 20 hours or more per week of licensed childcare available to Project residents within 1/2 mile of the Project except where Project will provide no cost round trip transportation.
Not Applicable

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Exhibit A

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25. For a period of fifteen (15) years after the Project is placed in use, the Project will offer to Project residents health and wellness services and programs within 1/2 mile of the Project or except where the Project will provide no cost round trip transportation. Such services and programs shall provide individualized support for tenants (not group classes) but need to be provided by licensed individuals or organizations. The services shall include, but are not limited to: visiting nurses programs, intergenerational visiting programs and senior companion programs. Services shall be provided for a minimum of 100 hours per year.

Not Applicable

26. For a period of fifteen (15) years after the Project is placed in use, the Project will offer to Project residents a bona fide service coordinator. The responsibilities must include, but are not limited to: (a) providing tenants with information about available services in the community, (b) assisting tenants with access services through referral and advocacy, and (c) organizing community-building and/or enrichment activities for tenants (such as holiday events, tenant council, etc.).

Not Applicable

27. Minimum sustainable specifications will be incorporated into the project design per Section 5205 of the CDLAC Regulations.

Applicable

Section Waived:

- Energy Efficiency
- Landscaping
- Roofs
- Exterior Doors
- Appliances (ENERGY STAR)
- Window Coverings
- Water Heater
- Floor Coverings
- Insulation (Greengard Emission Criteria)

28. The Project commits to becoming certified under any one of the following programs upon completion:
- a. Leadership in Energy & Environmental Design (LEED for Homes) **Not Applicable**
 - b. Green Communities **Not Applicable**
 - c. Passive House Institute US (PHIUS) **Not Applicable**
 - d. Passive House **Not Applicable**
 - e. Living Building Challenge **Not Applicable**
 - f. National Green Building Standard ICC / ASRAE – 700 silver or higher rating **Not Applicable**
 - g. Green Point Rated Multifamily Guidelines **Not Applicable**
 - h. WELL **Not Applicable**

29. The Project is a New Construction or Adaptive Reuse Project that commits to Energy Efficiency (including heating, cooling, fan energy, and water heating but not the following end uses: lighting, plug load, appliances, or process energy) beyond the requirements in Title 24, Part 6 of California Building Code (Percentage Better than the 2016 Standards):

- a. 7% **Not Applicable**
- b. 12% **Applicable**

RESOLUTION NO. 19-163

Exhibit A

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30. The Project is a New construction or Adaptive Reuse Project that commits to Energy Efficiency. The local building department has determined that building permit applications submitted on or before December 31, 2016 are complete and energy efficiency beyond the requirements in the 2013 Title 24, Part 6, of the California Building Code (the 2013 Standards) for the project as a whole shall be awarded.
 - a. 9% **Not Applicable**
 - b. 15% **Not Applicable**

31. The Project is a New Construction or Adaptive Reuse Project that commits to Energy Efficiency with renewable energy that provides the following percentages of project tenants' energy loads (Offset of Tenants' Load):
 - a. 20% **Not Applicable**
 - b. 30% **Not Applicable**
 - c. 40% **Not Applicable**

32. The Project is a Home Energy Rating System (HERS II) Rehabilitation Project that commits to improve energy efficiency above the current modeled energy consumption of the project as a whole by:
 - a. 15% **Not Applicable**
 - b. 20% **Not Applicable**

33. The Project is a Rehabilitation Project that commits to developing, and/or managing the Project with the following Photovoltaic generation or solar energy:
 - a. Photovoltaic generation that offsets tenants loads **Not Applicable**
 - b. Photovoltaic generation that offsets 50% of common area load **Not Applicable**
 - c. Solar hot water for all tenants who have individual water meters **Not Applicable**

34. The Project is a Rehabilitation Project and will implement sustainable building management practices that include:
1) development of a project-specific maintenance manual including replacement specifications and operating information on all energy and green building features; and 2) undertaking formal building systems commissioning, retro-commissioning or re-commissioning as appropriate (continuous commissioning is not required).
Not Applicable

35. The Project is a Rehabilitation project that individually meters or sub-meters currently master-metered gas, electricity or central hot water systems for all tenants.
Not Applicable

36. The project will commit to use no irrigation at all, irrigate only with reclaimed water, greywater, or rainwater (excepting water used for Community Gardens) or irrigate with reclaimed water, greywater or rainwater in an amount that annually equals 10,000 gallons or 150 gallons per unit whichever is less.
Not Applicable

37. The Project will commit to having at least one (1) nonsmoking building. If the Project only has one (1) building, it will be subject to a policy developed by the Sponsor that prohibits smoking in contiguous designated units. These restrictions will be incorporated into the lease agreements for the appropriate units.
Applicable

38. The Project will commit to having a parking ratio equivalent to or less than one (1) parking stall per single room occupancy or one-bedroom restricted rental unit and 1.5 parking stalls per two-bedroom or larger restricted rental unit.
Applicable

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Exhibit A

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39. As specified in Section 5144(b) of the Committee's Regulations, sponsors will be required to utilize TCAC's Compliance Manual specifically Section VI: Qualify Tenants for Low Income Housing Tax Credit Units, to verify tenant income in conjunction with initial occupancy. No less than every three (3) years after the project is completed, the Sponsor must collect and retain the following income and verification documentation related to all the Federally Bond-Restricted units identified in the Committee Resolution: TCAC Tax Income Calculation (TIC) or equivalent documentation, all associated source income documentation, evidence of the verifying income computation and unit lease.

Applicable

40. As specified in Section 5144(c) of the Committee's Regulations, compliance with the income and rental requirements of the Federally Bond-Restricted Units identified in the Committee Resolution and the Bond Regulatory Agreement must be demonstrated by the Applicants initial review of 20% of all management files associated with the Federally Bond-Restricted units and subsequent review every three (3) years of 20% of all management files associated with the Federally Bond-Restricted units.

Applicable

41. As specified in Section 5144(d) of the Committee's Regulations, applicants are required to ensure an onsite inspection as well as an on-site review of the 20% Federally Bond-Restricted units is performed every three (3) years after the Qualified Project Period has commenced.

The following entity will conduct the site and file inspections:

Not Applicable

EXHIBIT F

STATISTICAL REPORT TO ISSUER

Project: East Block Family Apartments

Reporting Period: _____

Date: _____

As of the date hereof:

1. Total units: _____; units occupied by Low Income Tenants: _____; units occupied by Very Low Income Tenants: _____; vacant units most recently occupied by Low Income Tenants: _____; vacant units most recently occupied by Very Low Income Tenants: _____.

2. Total units occupied by households with children: _____; Low Income Units so occupied: _____; Very Low Income Units so occupied: _____.

3. Total units occupied by elderly households with a member of age 62 or over: _____; Low Income Units so occupied: _____; Very Low Income Units so occupied: _____.

4. The percentage of units currently occupied by white, black, Hispanic and Asian persons and American Indians are as follows (optional):

white	_____%
black	_____%
Hispanic	_____%
Asian	_____%
American Indian	_____%

5. The number of Low Income Tenants who terminated their rental agreements during the previous twelve (12) month period is _____. The number of Very Low Income Tenants who terminated their rental agreements during the previous twelve (12) month period is _____.

6. The number of units rented to new Low Income Tenants during the last twelve (12) month period is _____. The number of units rented to new Very Low Income Tenants during the last twelve (12) month period is _____.

7. The family names of each household currently occupying a Low Income Unit are listed on the schedule attached hereto. The family names of each household currently occupying a Very Low Income Unit are listed on the schedule attached hereto.

8. The number of Low Income Units of various sizes is:
one-bedroom: _____
two-bedroom: _____
three-bedroom: _____

9. The number of Very Low Income Units of various sizes is:
one-bedroom: _____
two-bedroom: _____
three-bedroom: _____

Capitalized terms used in this Statistical Report to Issuer have the meanings given to such terms in the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of February 1, 2020, between the Housing Authority of the City of San Diego and Fairmount Family Housing CIC, LP, a California limited partnership.

FAIRMOUNT FAMILY HOUSING CIC, LP, a
California limited partnership

By: Fairmount and El Cajon Realty, LLC
a California limited liability company,
its Managing General Partner

By: Price Philanthropies Foundation,
a Delaware nonprofit, nonstock
corporation
its Manager and Member

By: _____
Name: Jeff Fisher
Title: Chief Financial Officer

By: _____
Name: Sophie Bernabe
Title: Secretary

By: CIC Fairmount Family Housing, LLC,
a California limited liability company,
its Administrative General Partner

By: Chelsea Investment Corporation
a California corporation
its Manager

By: _____
Name: Cheri Hoffman
Title: President



The City of San Diego
Item Approvals

Item Subject: Final Bond Authorization for East Block Family Apartments.

Contributing Department	Approval Date
DOCKET OFFICE	12/09/2019

Approving Authority	Approver	Approval Date
HOUSING COMMISSION FINAL DEPARTMENT APPROVER	MARSHALL, SCOTT	12/03/2019
EXECUTIVE VICE PRESIDENT	DAVIS, JEFF	12/11/2019
CITY ATTORNEY	MIDDAUGH, MARGUERITE	01/13/2020